

Darius Šulnis, the President of Invalda INVL, signs the Consolidated and Company's Financial Statements for 2021 as well as the Consolidated Annual Report and Confirmation of Responsible Persons, with a qualified electronic signature.

Raimondas Rajeckas, the CFO of Invalda INVL, signs the Consolidated and Company's Financial Statements for 2021 as well as the Confirmation of Responsible Persons, with a qualified electronic signature.

INVALDA **INL**

AB INVALDA INVL
Consolidated Annual Report,
Consolidated and Company's Financial Statements for
the year ended 31 December 2021

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

INVALDA

INL

Public joint-stock company Invalda INVL

CONFIRMATION OF RESPONSIBLE PERSONS

8 April 2022

Following the Information Disclosure Rules of the Bank of Lithuania and the Law on Securities (Article 12) of the Republic of Lithuania, management of Invalda INVL, AB hereby confirms that, to the best of our knowledge, the attached Consolidated and Company's Financial Statements for 2021 are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, give true and fair view of the assets, liabilities, financial position and profit or loss as well as cash flows of Invalda INVL, AB and Consolidated Group. Presented Consolidated Annual Report for 2021 includes a fair review of the development and performance of the business and position of the company and the consolidated group in relation to the description of the main risks and contingencies faced thereby.

ENCLOSED:

1. Consolidated and Company's Financial Statements for 2021.
2. Consolidated Annual Report for 2021.

signed with qualified electronic signature

President

Darius Šulnis

signed with qualified electronic signature

Chief Financier

Raimondas Rajeckas

Translation note:

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

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DETAILS OF THE COMPANY

Board of Directors

Mr. Alvydas Banys (Chairman of the Board)

Ms. Indrė Mišeikytė

Mr. Darius Šulnis

Management

Mr. Darius Šulnis (President)

Mr. Raimondas Rajeckas (Chief Financial Officer)

Address of registered office and company code

Gynėjų str. 14,
Vilnius,
Lithuania

Company code 121304349

Banks

AB Šiaulių Bankas

AB SEB Bankas

Swedbank AS

Luminor Bank AS Lithuanian branch

Luminor Bank AS Latvian branch

Swedbank, AB

Auditor

KPMG Baltics, UAB

Lvivo str. 101,

Vilnius, Lithuania

The financial statements were approved and signed by the Management on 8 April 2022.

The document is signed with a qualified
electronic signature

Mr. Darius Šulnis
President

The document is signed with a qualified
electronic signature

Mr. Raimondas Rajeckas
Chief Financial Officer

Consolidated and Company's income statements

| | Notes | Group | | Company | |
|---|-------|---------------|--------------|---------------|--------------|
| | | 2021 | 2020 | 2021 | 2020 |
| Revenue from contracts with customers | 4 | 15,906 | 12,395 | 72 | 35 |
| Dividend income | | 4,119 | 7,168 | 4,098 | 7,168 |
| Other income | | 80 | 54 | 32 | 38 |
| Net changes in fair value of financial instruments at fair value through profit or loss | 5.1 | 33,572 | (2,897) | 29,416 | (3,020) |
| Employee benefits expenses | 5.2 | (8,407) | (6,746) | (378) | (467) |
| Funds distribution fees | | (90) | (75) | - | - |
| Amortisation of costs to obtain contracts with customers | 10 | (361) | (310) | - | - |
| Information technology maintenance expenses | | (669) | (378) | (7) | (13) |
| Depreciation and amortisation | 9, 10 | (848) | (806) | (22) | (19) |
| Premises rent and utilities | | (159) | (132) | (7) | (6) |
| Advertising and other promotion expenses | | (295) | (359) | - | - |
| Other expenses | 5.3 | (3,172) | (2,452) | (460) | (255) |
| Operating profit (loss) | | 39,676 | 5,462 | 32,744 | 3,461 |
| Finance costs | | (81) | (133) | (8) | (11) |
| Share of net (loss) profit of consolidated subsidiaries accounted for using the equity method | 3 | - | - | 6,143 | 1,759 |
| Profit (loss) before income tax | | 39,595 | 5,329 | 38,879 | 5,209 |
| Income tax income (expenses) | 6 | (2,116) | 44 | (1,426) | 120 |
| NET PROFIT FOR THE YEAR | | 37,479 | 5,373 | 37,453 | 5,329 |
| Attributable to: | | | | | |
| Equity holders of the parent | | 37,453 | 5,329 | 37,453 | 5,329 |
| Non-controlling interests | | 26 | 44 | - | - |
| Basic earnings per share (in EUR) | 7 | 3.19 | 0.46 | 3.19 | 0.46 |
| Diluted earnings per share (in EUR) | 7 | 3.13 | 0.45 | 3.13 | 0.45 |

Consolidated and Company's statements of comprehensive income

| | Group | | Company | |
|--|---------------|--------------|---------------|--------------|
| | 2021 | 2020 | 2021 | 2020 |
| NET PROFIT FOR THE YEAR | 37,479 | 5,373 | 37,453 | 5,329 |
| Net other comprehensive income that may be subsequently reclassified to profit or loss | - | - | - | - |
| Net other comprehensive income not to be reclassified to profit or loss | - | - | - | - |
| Other comprehensive income for the year, net of tax | - | - | - | - |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX | 37,479 | 5,373 | 37,453 | 5,329 |
| Attributable to: | | | | |
| Equity holders of the parent | 37,453 | 5,329 | 37,453 | 5,329 |
| Non-controlling interests | 26 | 44 | - | - |

Consolidated and Company's statements of financial position

| | Notes | Group | | Company | |
|--|----------|------------------------------|------------------------------|------------------------------|------------------------------|
| | | As at 31 December 2021 | As at 31 December 2020 | As at 31 December 2021 | As at 31 December 2020 |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 9 | 1,469 | 1,524 | 95 | 95 |
| Intangible assets and costs to obtain contracts | 10 | 5,218 | 5,380 | - | - |
| Investments into subsidiaries | 1, 12, 3 | 23,012 | 13,564 | 50,470 | 27,479 |
| Investments into associates | 1, 12, 3 | 22,481 | 26,615 | 22,481 | 26,615 |
| Financial assets at fair value through profit or loss | 12, 13 | 63,335 | 32,945 | 47,887 | 29,548 |
| Deferred tax asset | 6 | 446 | 637 | - | - |
| Total non-current assets | | 115,961 | 80,665 | 120,933 | 83,737 |
| Current assets | | | | | |
| Trade, other receivables and contract assets | 15 | 5,134 | 2,734 | 433 | 882 |
| Prepaid income tax | | 6 | 17 | - | 17 |
| Prepayments and deferred charges | | 233 | 56 | 38 | 11 |
| Financial assets at fair value through profit or loss | 12, 13 | 4,781 | 1,167 | 3,609 | - |
| Cash and cash equivalents | 16 | 5,910 | 5,741 | 716 | 762 |
| Total current assets | | 16,064 | 9,715 | 4,796 | 1,672 |
| TOTAL ASSETS | | 132,025 | 90,380 | 125,729 | 85,409 |
| EQUITY AND LIABILITIES | | | | | |
| Equity | | | | | |
| Share capital | 1, 17 | 3,474 | 3,456 | 3,474 | 3,456 |
| Own shares | 17 | (929) | (929) | (929) | (929) |
| Share premium | | 5,033 | 5,033 | 5,033 | 5,033 |
| Reserves | 18 | 13,726 | 13,293 | 13,490 | 13,147 |
| Retained earnings | | 99,903 | 62,304 | 100,139 | 62,450 |
| Equity attributable to equity holders of the parent | | 121,207 | 83,157 | 121,207 | 83,157 |
| Non-controlling interests | | 148 | 200 | - | - |
| Total equity | | 121,355 | 83,357 | 121,207 | 83,157 |
| Liabilities | | | | | |
| Non-current liabilities | | | | | |
| Lease liabilities | 25 | 1,046 | 1,160 | 76 | 81 |
| Deferred tax liability | 6 | 3,143 | 1,419 | 2,902 | 1,377 |
| Contract liabilities | 21 | 1,326 | 1,068 | - | - |
| Other non-current liabilities | 22 | 163 | 136 | - | - |
| Total non-current liabilities | | 5,678 | 3,783 | 2,978 | 1,458 |
| Current liabilities | | | | | |
| Borrowings | 19 | - | 28 | - | 28 |
| Lease liabilities | 25 | 365 | 278 | 24 | 17 |
| Trade payables | 20 | 399 | 229 | 50 | 3 |
| Income tax payable | | 143 | 123 | - | - |
| Advances received | | 703 | - | 700 | - |
| Provisions | | - | 100 | - | - |
| Contract liabilities | 21 | 184 | 138 | - | - |
| Other current liabilities | 22 | 3,198 | 2,344 | 770 | 746 |
| Total current liabilities | | 4,992 | 3,240 | 1,544 | 794 |
| Total liabilities | | 10,670 | 7,023 | 4,522 | 2,252 |
| TOTAL EQUITY AND LIABILITIES | | 132,025 | 90,380 | 125,729 | 85,409 |

Consolidated and Company's statements of changes in equity

| Group | Notes | Equity attributable to equity holders of the parent | | | | | | | | Non-controlling interests | Total equity |
|---|-------|---|----------------|---------------|--------------------------|---------------------------------------|----------------|-------------------|-------------|---------------------------|--------------|
| | | Share capital | Own shares | Share premium | Reserves | | | Retained earnings | Subtotal | | |
| | | | | | Legal and other reserves | Reserve for acquisition of own shares | | | | | |
| Balance as at 1 January 2020 | | 3,456 | (1,248) | 5,033 | 2,041 | 11,121 | 66,373 | 86,776 | 232 | 87,008 | |
| Net profit for the year 2020 | | - | - | - | - | - | 5,329 | 5,329 | 44 | 5,373 | |
| Total comprehensive income for the year | | - | - | - | - | - | 5,329 | 5,329 | 44 | 5,373 | |
| Changes in reserves | 18 | - | - | - | 110 | - | (110) | - | - | - | |
| Disposals of own shares (share options exercised) | 17 | - | 319 | - | - | (304) | - | 15 | - | 15 | |
| Share-based payments | 18 | - | - | - | 325 | - | - | 325 | - | 325 | |
| Dividends approved | 8 | - | - | - | - | - | (9,288) | (9,288) | - | (9,288) | |
| Dividends to non-controlling interests of subsidiaries | | - | - | - | - | - | - | - | (76) | (76) | |
| Total transactions with owners of the Company, recognised directly in equity | | - | 319 | - | 435 | (304) | (9,398) | (8,948) | (76) | (9,024) | |
| Balance as at 31 December 2020 | | 3,456 | (929) | 5,033 | 2,476 | 10,817 | 62,304 | 83,157 | 200 | 83,357 | |
| Net profit for the year 2021 | | - | - | - | - | - | 37,453 | 37,453 | 26 | 37,479 | |
| Total comprehensive income for the year | | - | - | - | - | - | 37,453 | 37,453 | 26 | 37,479 | |
| Changes in reserves | 18 | - | - | - | 90 | - | (90) | - | - | - | |
| Increase of share capital (share options exercised) | 17 | 18 | - | - | (5) | - | - | 13 | - | 13 | |
| Share-based payments | 18 | - | - | - | 584 | - | - | 584 | - | 584 | |
| Transfer from share-based payments reserve to retained earnings (share options exercised) | | - | - | - | (236) | - | 236 | - | - | - | |
| Dividends to non-controlling interests of subsidiaries | | - | - | - | - | - | - | - | (78) | (78) | |
| Total transactions with owners of the Company, recognised directly in equity | | 18 | - | - | 433 | - | 146 | 597 | (78) | 519 | |
| Balance as at 31 December 2021 | | 3,474 | (929) | 5,033 | 2,909 | 10,817 | 99,903 | 121,207 | 148 | 121,355 | |

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

| Company | Notes | Share capital | Own shares | Share premium | Reserves | | Retained earnings | Total |
|---|-------|---------------|----------------|---------------|--------------------------|---------------------------------------|-------------------|----------------|
| | | | | | Legal and other reserves | Reserve for acquisition of own shares | | |
| Balance as at 1 January 2020 | | 3,456 | (1,248) | 5,033 | 2,005 | 11,121 | 66,409 | 86,776 |
| Net profit for the year 2020 | | - | - | - | - | - | 5,329 | 5,329 |
| Total comprehensive income for the year | | - | - | - | - | - | 5,329 | 5,329 |
| Share-based payments | 18 | - | - | - | 325 | - | - | 325 |
| Disposals of own shares (share options exercised) | 17 | - | 319 | - | - | (304) | - | 15 |
| Dividends approved | 8 | - | - | - | - | - | (9,288) | (9,288) |
| Total transactions with owners of the Company, recognised directly in equity | | - | 319 | - | 325 | (304) | (9,288) | (8,948) |
| Balance as at 31 December 2020 | | 3,456 | (929) | 5,033 | 2,330 | 10,817 | 62,450 | 83,157 |
| Net profit for the year 2021 | | - | - | - | - | - | 37,453 | 37,453 |
| Total comprehensive income for the year | | - | - | - | - | - | 37,453 | 37,453 |
| Share-based payments | 18 | - | - | - | 584 | - | - | 584 |
| Increase of share capital (share options exercised) | 17 | 18 | - | - | (5) | - | - | 13 |
| Transfer from share-based payments reserve to retained earnings (share options exercised) | | - | - | - | (236) | - | 236 | - |
| Total transactions with owners of the Company, recognised directly in equity | | 18 | - | - | 343 | - | 236 | 597 |
| Balance as at 31 December 2021 | | 3,474 | (929) | 5,033 | 2,673 | 10,817 | 100,139 | 121,207 |

Consolidated and Company's statements of cash flows

| | Notes | Group | | Company | |
|--|-------|--------------|--------------|--------------|--------------|
| | | 2021 | 2020 | 2021 | 2020 |
| Cash flows from (to) operating activities | | | | | |
| Net profit for the year | | 37,479 | 5,373 | 37,453 | 5,329 |
| Adjustment to reconcile result after tax to net cash flows: | | | | | |
| Non-cash: | | | | | |
| Depreciation and amortisation including amortisation of costs to obtain contracts with customers | 9, 10 | 1,209 | 1,116 | 22 | 19 |
| (Gain) on disposal of property, plant and equipment | | - | (3) | - | - |
| Realized and unrealized loss (gain) on investments | 5.1 | (33,572) | 2,897 | (29,416) | 3,020 |
| Share of net (loss) profit of consolidated subsidiaries accounted for using the equity method | | - | - | (6,143) | (1,759) |
| Interest income | | (31) | (26) | (31) | (25) |
| Interest expenses | | 81 | 133 | 8 | 11 |
| Income tax (income) expenses | 6 | 2,116 | (44) | 1,426 | (120) |
| Other impairment | | 1 | 10 | - | - |
| Change in provisions | | (100) | - | - | - |
| Share-based payments | 18 | 216 | 129 | 29 | 27 |
| Dividend income | | (4,119) | (7,168) | (4,098) | (7,168) |
| Other non-cash expenses | | - | 13 | - | 13 |
| | | <u>3,280</u> | <u>2,430</u> | <u>(750)</u> | <u>(653)</u> |
| Working capital adjustments: | | | | | |
| Decrease (increase) in trade, other receivables and contract assets | | (3,139) | 416 | 57 | 66 |
| Decrease (increase) in other current assets | | (177) | 44 | (27) | - |
| Increase (decrease) in trade payables | | 151 | (157) | 28 | (21) |
| Increase (decrease) in contract and other liabilities | | 1,676 | 1,009 | 119 | 223 |
| Cash flows from (to) operating activities | | 1,791 | 3,742 | (573) | (385) |
| Income tax paid | | (208) | (158) | - | - |
| Net cash flows from (to) operating activities | | 1,583 | 3,584 | (573) | (385) |

(cont'd on the next page)

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

| | Notes | Group | | Company | |
|---|-------|--------------|----------------|-------------|----------------|
| | | 2021 | 2020 | 2021 | 2020 |
| Cash flows from (to) investing activities | | | | | |
| Acquisition of non-current assets (intangible and property, plant and equipment) | | (271) | (158) | (1) | (5) |
| Proceeds from sale of non-current assets (intangible and property, plant and equipment) | | - | 3 | - | - |
| Costs to obtain contracts with customers | | (455) | (426) | - | - |
| Acquisition and establishment of subsidiaries, net of cash acquired for consolidated subsidiaries | 3 | - | (15) | (8,800) | - |
| Proceeds from sales of unconsolidated subsidiaries and redeemed convertible bonds | 3 | 1,344 | - | 1,344 | - |
| Acquisition of associates | 3 | - | (25) | - | (25) |
| Proceeds from sales of associates | 3 | 5,353 | 294 | 5,353 | 294 |
| Acquisition of financial assets at fair value through profit or loss (except held-for-trading) | | (11,204) | (7,038) | (2,044) | (5,166) |
| Sale of financial assets at fair value through profit or loss (except held-for-trading) | | 2,925 | 4,983 | 1,417 | 4,343 |
| Dividends received | | 4,028 | 6,950 | 5,965 | 8,643 |
| Loans granted | | (2,687) | (40) | (2,687) | (40) |
| Repayment of granted loans | | - | 1,500 | - | 1,500 |
| Interest received | | 26 | 19 | 26 | 19 |
| Net cash flows from (to) investing activities | | (941) | 6,047 | 573 | 9,563 |
| Cash flows from (to) financing activities | | | | | |
| Cash flows related to company shareholders: | | | | | |
| Issue of shares | 17 | 13 | - | 13 | - |
| Dividends paid to equity holders of the parent | | (33) | (9,038) | (33) | (9,038) |
| Dividends paid to non-controlling interests | | (78) | (76) | - | - |
| Disposal of own shares | 17 | - | 15 | - | 15 |
| | | (98) | (9,099) | (20) | (9,023) |
| Cash flows related to other sources of financing: | | | | | |
| Proceeds from borrowings | | - | 27 | - | 27 |
| Repayment of borrowings | | - | - | - | - |
| Payments of lease liabilities | | (294) | (250) | (18) | (14) |
| Interest paid | | (81) | (132) | (8) | (10) |
| | | (375) | (355) | (26) | 3 |
| Net cash flows to financing activities | | (473) | (9,454) | (46) | (9,020) |
| Impact of currency exchange on cash and cash equivalents | | - | (13) | - | (13) |
| Net increase (decrease) in cash and cash equivalents | | 169 | 164 | (46) | 145 |
| Cash and cash equivalents at the beginning of the year | 16 | 5,741 | 5,577 | 762 | 617 |
| Cash and cash equivalents at the end of the year | 16 | 5,910 | 5,741 | 716 | 762 |

(the end)

Notes to the financial statements

1. General information

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

Gynėjų str. 14,
Vilnius,
Lithuania.

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

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

The Company's shares are traded on the Baltic Secondary List of Nasdaq Vilnius. As at 31 December 2021 and 31 December 2020 the shareholders of the Company were:

| | 2021 | | 2020 | |
|---|-----------------------|----------------|-----------------------|----------------|
| | Number of shares held | Percentage (%) | Number of shares held | Percentage (%) |
| UAB Lucrum Investicija (sole shareholder Mr. Darius Šulnis) | 3,181,702 | 26.56 | 2,803,492 | 23.52 |
| UAB LJB Investments (controlling shareholder Mr. Alvydas Banys) | 3,098,196 | 25.87 | 3,300,645 | 27.69 |
| Mrs. Irena Ona Mišeikienė | 3,006,834 | 25.10 | 3,182,595 | 26.70 |
| Mr. Alvydas Banys | 910,875 | 7.60 | 910,875 | 7.64 |
| Ms. Indrė Mišeikytė | 236,867 | 1.98 | 236,867 | 1.99 |
| The Company (own shares) | 229,541 | 1.92 | 229,541 | 1.93 |
| Other minor shareholders | 1,314,558 | 10.97 | 1,254,884 | 10.53 |
| Total | 11,978,573 | 100.00 | 11,918,899 | 100.00 |

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

All the shares of the Company are ordinary shares with the par value of EUR 0.29 each and were fully paid as at 31 December 2021 and 2020. Subsidiaries and associates did not hold any shares of the Company as at 31 December 2021 and 2020.

As at 31 December 2021 the number of employees of the Group was 459 (as at 31 December 2020 – 537). As at 31 December 2021 the number of employees of the Company was 7 (as at 31 December 2020 – 7).

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

1 General information (cont'd)

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

| Name | Country of incorporation and place of business | Effective ownership directly/indirectly held by the Company/Group (%) | | Nature of business |
|----------------------------------|--|---|------------------------|---|
| | | As at 31 December 2021 | As at 31 December 2020 | |
| Asset management segment: | | | | |
| UAB INVL Asset Management | Lithuania | 100.00 | 100.00 | Pension and investments funds, alternative investments, clients' portfolio management |
| IPAS INVL Asset Management | Latvia | 100.00 | 100.00 | Pension and investments funds, clients' portfolio management |
| AS INVL Atklātais Pensiju Fonds* | Latvia | 100.00 | 100.00 | 3 rd pillar pension funds management |
| UAB FMĮ INVL Finasta | Lithuania | 100.00 | 100.00 | Financial brokerage |
| UAB Mundus* | Lithuania | 51.01 | 51.01 | Private debt investments funds management |
| UAB INVL Farmland Management | Lithuania | 100.00 | 100.00 | Land administration services |
| UAB Invalda INVL Investments | Lithuania | 100.00 | 100.00 | Dormant |
| INVL Life UAB | Lithuania | 100.00 | - | Future life insurance activities |
| INVL LUX GP1 S.à r.l.**,** | Luxembourg | 100.00 | 100.00 | General partner of managed entity -fund |

*The entity is owned by the Company indirectly.

**Due to immaterial to the financial position, performance and cash flows of the Group, the subsidiary was not consolidated.

As at 31 December 2021 and 2020 the Group has also the following unconsolidated subsidiaries, which measured at fair value through profit or loss.

| Name | Country of incorporation and place of business | Effective ownership directly/indirectly held by the Company/Group (%) | | Nature of business |
|---|--|---|------------------------|--|
| | | As at 31 December 2021 | As at 31 December 2020 | |
| Facility management activities: | | | | |
| UAB Inservis | Lithuania | 100.00 | 100.00 | Facilities management |
| UAB IPP Integracijos Projektai* | Lithuania | 100.00 | 100.00 | Dormant |
| UAB Priemiestis* | Lithuania | 100.00 | 100.00 | Facilities management |
| UAB Jurita* | Lithuania | 100.00 | 100.00 | Facilities management |
| UAB Informacinio Verslo Paslaugų Įmonė* | Lithuania | - | 88.70 | Payments administration for public utilities |
| SIA Inservis* | Latvia | 100.00 | 100.00 | Facilities management |
| UAB Įmonių Grupė Inservis | Lithuania | 100.00 | 100.00 | Investment into facilities management entities |
| Other activities: | | | | |
| UAB Kelio Ženkilai | Lithuania | - | 100.00 | Road signs production, wood manufacturing |
| VšĮ Iniciatyvos Fondas | Lithuania | 100.00 | 100.00 | Social initiatives activities |
| UAB Aktyvo | Lithuania | 54.55 | 54.55 | Management of bad debt |
| UAB Aktyvus Valdymas | Lithuania | 100.00 | 100.00 | Dormant |
| UAB Cedus Invest | Lithuania | 100.00 | 100.00 | Investment into agriculture entity UAB Litagra (investment entity) |
| UAB MGK Invest | Lithuania | 100.00 | 100.00 | Dormant |
| UAB MBGK* | Lithuania | 100.00 | 100.00 | Dormant |
| UAB RPNG | Lithuania | 100.00 | 100.00 | Dormant |
| UAB Regenus | Lithuania | 100.00 | 100.00 | Dormant |
| UAB Consult Invalda | Lithuania | 100.00 | 100.00 | Dormant |
| UAB Cedus | Lithuania | 100.00 | 100.00 | Dormant |
| UAB MD Partners | Lithuania | 51.37 | 51.37 | Indirectly investment into MAIB bank (investment entity) |

*These entities are owned indirectly by the Company as at 31 December 2021 and/or 2020.

1 General information (cont'd)

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

If the unconsolidated subsidiary has liquidity difficulties, the Company grants loans to the subsidiary after analysis of its needs. The Company has not any contractual commitments to provide financial support to unconsolidated subsidiary. In 2021 and 2020 the Company has granted EUR 55 thousand and EUR 40 thousand of loans to maintain the activity of the unconsolidated subsidiaries, respectively.

As at 31 December 2021 the Group has the following associates, which measured at fair value through profit or loss:

| Name | Country of incorporation and place of business | Effective ownership directly/indirectly held by the Company/Group (%) | Nature of business |
|---|--|---|---|
| Agriculture activities: | | | |
| UAB Litagra* | Lithuania | 48.81 | The primary crop and livestock (milk) production, feed production and poultry farming |
| Real estate activities: | | | |
| Special Closed-Ended Type Real Estate Investment Company INV L Baltic Real Estate | Lithuania | 23.43 | Real estate owner and lessor |

*The entity is owned indirectly by the Company as at 31 December 2021.

As at 31 December 2020 the Group has the following associates, which measured at fair value through profit or loss:

| Name | Country of incorporation and place of business | Effective ownership directly/indirectly held by the Company/Group (%) | Nature of business |
|---|--|---|---|
| Agriculture activities: | | | |
| UAB Litagra* | Lithuania | 48.81 | The primary crop and livestock (milk) production, feed production and poultry farming |
| Real estate activities: | | | |
| Special Closed-Ended Type Real Estate Investment Company INV L Baltic Real Estate** | Lithuania | 32.49 | Real estate owner and lessor |

*The entity is owned indirectly by the Company as at 31 December 2020.

**As at 31 December 2020 the Group/the Company owned indirectly 2.46% of shares of the entity.

Through unconsolidated subsidiary UAB MD Partners the Company/the Group has indirectly invested into the largest Moldovan bank Moldova-Agroindbank (MAIB). 41.09% shares of MAIB were acquired by entity Heim Partners Limited. UAB MD Partners owns 37.5% of Heim Partners Limited shares and has entered into shareholders agreement with other shareholders: the European Bank for Reconstruction and Development (37.5% of shares) (EBRD) and subsidiary of fund managed by Ukrainian private equity manager Horizon Capital (25% of shares). All these shareholders have obtained permission of the Moldovan central bank to indirectly acquired shares of MAIB. The Company owns 51.37% shares of UAB MD Partners. Therefore the Company effectively owns 19.26% of economic benefits from the indirectly investments into Heim Partners Limited and 7.91% of economic benefits from the indirectly investment into MAIB.

UAB Litagra has to receive bank consent to pay dividends as at 31 December 2021 and 2020. Special Closed-Ended Type Real Estate Investment Company INV L Baltic Real Estate (hereinafter INV L Baltic Real Estate) has the right to pay dividends without bank consent only if the ratio of EBITDA (earnings before interest, tax, depreciation and amortization) plus inflows from subsidiaries (dividends or repayment of granted loan) divided by the sum of debt service costs (interest and principal repayments) and dividends would be higher than 1.1.

2. Summary of significant accounting policies

The principal accounting policies applied in preparing the Group's and the Company's financial statements for the year ended 31 December 2021 are as follows:

2.1. Basis of preparation

Statement of compliance

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

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

Adoption of new and/or changed IFRSs and IFRIC interpretations

The Group has adopted the new and amended IFRS and IFRIC interpretations as of 1 January 2021:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: *Interest rate benchmark (IBOR) reform – phase 2* (effective for annual periods beginning on or after 1 January 2021);
- Amendment to IFRS 4 Insurance Contracts – *deferral of IFRS 9* (effective for annual periods beginning on or after 1 January 2021);
- Amendments to IFRS 16 *Covid-19-Related Rent Concessions* – (effective for annual periods beginning on or after 1 January 2021).

The principal effects of these changes are as follows:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: *Interest rate benchmark (IBOR) reform – phase 2*

The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The amendments cover the following areas:

- *Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform:* For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognised. This practical expedient applies only to such a change and only to the extent it is necessary as a direct consequence of IBOR reform, and the new basis is economically equivalent to the previous basis. Insurers applying the temporary exemption from IFRS 9 are also required to apply the same practical expedient. IFRS 16 was also amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of IBOR reform.
- *End date for Phase 1 relief for non contractually specified risk components in hedging relationships:* The Phase 2 amendments require an entity to prospectively cease to apply the Phase 1 reliefs to a non-contractually specified risk component at the earlier of when changes are made to the non-contractually specified risk component, or when the hedging relationship is discontinued. No end date was provided in the Phase 1 amendments for risk components.
- *Additional temporary exceptions from applying specific hedge accounting requirements:* The Phase 2 amendments provide some additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.
- *Additional IFRS 7 disclosures related to IBOR reform:* The amendments require disclosure of: (i) how the entity is managing the transition to alternative benchmark rates, its progress and the risks arising from the transition; (ii) quantitative information about derivatives and non-derivatives that have yet to transition, disaggregated by significant interest rate benchmark; and (iii) a description of any changes to the risk management strategy as a result of IBOR reform.

The amendments are not relevant for the Group and the Company.

Amendment to IFRS 4 Insurance Contracts – deferral of IFRS 9

The fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 has been deferred to annual reporting periods beginning on or after 1 January 2023. The amendment is not relevant for the Group and the Company.

Amendment to IFRS 16 Leases: Covid-19-Related Rent Concessions

The amendment extended the relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification by one year to cover rent concessions that reduce only lease payments due on or before 30 June 2022. The amendment is to be applied retrospectively in accordance with IAS 8, but lessees are not required to restate prior period figures or to provide the disclosure under paragraph 28(f) of IAS 8. The amendment is not relevant for the Group and the Company.

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

Standards adopted by the EU but not yet effective

Annual Improvements to IFRSs 2018-2020 cycle (amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, IFRS 16 *Leases* and IAS 41 *Agriculture*) and narrow scope amendments to IAS 16 *Property, Plant and Equipment*, IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and IFRS 3 *Business Combinations* (effective for annual periods beginning on or after 1 January 2022).

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.

The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.

Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.

IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

The Group and the Company are currently assessing the impact of the amendments on their financial statements, but are not expecting that impact would be material.

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

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

Amendments to IAS 1 and IFRS Practice Statement 2: *Disclosure of Accounting policies* (effective for annual periods beginning on or after 1 January 2023).

IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The Group and the Company are currently assessing the impact of the amendments on their financial statements.

Amendments to IAS 8: *Definition of Accounting Estimates* (effective for annual periods beginning on or after 1 January 2023).

The amendments to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates. The Group and the Company are currently assessing the impact of the amendments on their financial statements.

IFRS 17 *Insurance Contracts* and amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023).

IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately.

The amendments include a number of clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard. The following amendments to IFRS 17 were made:

- **Effective date:** The effective date of IFRS 17 (incorporating the amendments) has been deferred by two years to annual reporting periods beginning on or after 1 January 2023.
- **Expected recovery of insurance acquisition cash flows:** An entity is required to allocate part of the acquisition costs to related expected contract renewals, and to recognise those costs as an asset until the entity recognises the contract renewals. Entities are required to assess the recoverability of the asset at each reporting date, and to provide specific information about the asset in the notes to the financial statements.
- **Contractual service margin attributable to investment services:** Coverage units should be identified, considering the quantity of benefits and expected period of both insurance coverage and investment services, for contracts under the variable fee approach and for other contracts with an 'investment-return service' under the general model. Costs related to investment activities should be included as cash flows within the boundary of an insurance contract, to the extent that the entity performs such activities to enhance benefits from insurance coverage for the policyholder.
- **Reinsurance contracts held – recovery of losses:** When an entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or on addition of onerous underlying contracts to a group, an entity should adjust the contractual service margin of a related group of reinsurance contracts held and recognise a gain on the reinsurance contracts held. The amount of the loss recovered from a reinsurance contract held is determined by multiplying the loss recognised on underlying insurance contracts and the percentage of claims on underlying insurance contracts that the entity expects to recover from the reinsurance contract held. This requirement would apply only when the reinsurance contract held is recognised before or at the same time as the loss is recognised on the underlying insurance contracts.
- **Other amendments:** Other amendments include scope exclusions for some credit card (or similar) contracts, and some loan contracts; presentation of insurance contract assets and liabilities in the statement of financial position in portfolios instead of groups; applicability of the risk mitigation option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss; an accounting policy choice to change the estimates made in previous interim financial statements when applying IFRS 17; inclusion of income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract in the fulfilment cash flows; and selected transition reliefs and other minor amendments.

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

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

IFRS 17 *Insurance Contracts* and amendments to IFRS 17 (cont'd)

The Group and the Company are currently assessing the impact of the new standard on their financial statements. The impact would be material after completion of acquisition of life insurance business in Baltic states from Finnish life insurance company Mandatum Life.

Standards not yet adopted by the EU

Amendments to IAS 1: *Classification of liabilities as current or non-current* (effective for annual periods beginning on or after 1 January 2023 once adopted by the EU).

These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument. The amendments were issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance. The Group and the Company are currently assessing the impact of the amendments on their financial statements, but are not expecting that impact would be material.

Amendments to IAS 12: *Deferred tax related to assets and liabilities arising from a single transaction* (effective for annual periods beginning on or after 1 January 2023 once adopted by the EU).

The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognised. The amendments clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The Group and the Company are accounted for leases consistent with the new requirements. Therefore, the Group and the Company would be not affected by the amendments.

Amendments to IFRS 17: *Transition option to insurers applying IFRS 17* (effective for annual periods beginning on or after 1 January 2023 once adopted by the EU).

The amendment to the transition requirements in IFRS 17 provides insurers with an option aimed at improving the usefulness of information to investors on initial application of IFRS 17. The amendment relates to insurers' transition to IFRS 17 only and does not affect any other requirements in IFRS 17. The transition requirements in IFRS 17 and IFRS 9 apply at different dates and will result in the following one-time classification differences in the comparative information presented on initial application of IFRS 17: accounting mismatches between insurance contract liabilities measured at current value and any related financial assets measured at amortised cost; and if an entity chooses to restate comparative information for IFRS 9, classification differences between financial assets derecognised in the comparative period (to which IFRS 9 will not apply) and other financial assets (to which IFRS 9 will apply). The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets. When initially applying IFRS 17, entities would, for the purpose of presenting comparative information, be permitted to apply a classification overlay to a financial asset for which the entity does not restate IFRS 9 comparative information. The transition option would be available, on an instrument-by-instrument basis; allow an entity to present comparative information as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset, but not require an entity to apply the impairment requirements of IFRS 9; and require an entity that applies the classification overlay to a financial asset to use reasonable and supportable information available at the transition date to determine how the entity expects that financial asset to be classified applying IFRS 9. The Group and the Company are currently assessing the impact of the amendments on their financial statements. The impact would be material after completion of acquisition of life insurance business in Baltic states from Finnish life insurance company Mandatum Life.

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

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

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

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

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

2.2. Investment entity and consolidated financial statements

Investment entity

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

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

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

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

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

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

- (a) providing management services and strategic advice to an investee; and
- (b) providing financial support to an investee, such as a loan, capital commitment or guarantee.

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

Subsidiaries

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

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

2 Summary of significant accounting policies (cont'd)

2.2 Investment entity and consolidated financial statements (cont'd)

Associates

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

2.3. Basis of consolidation

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

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

Some Group's consolidated subsidiaries managed collective investment undertakings and pension funds. The Group analyse whether it is acting primarily as a principal (therefore, controls entities or funds) or as an agent (therefore, do not control them) in exercising its power over the funds. Fund managers generally have power over the relevant activities of the funds that they manage through their exercise of delegated power, and exposure to variability of returns through incentive fees and/or co-investment. Therefore, the link between power and returns is usually key for fund managers assessing whether a fund manager has control over the fund. Aggregate economic interests and investors held rights, including kick-out rights, are assessed together to decide whether the Group have control over managed entities and funds.

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

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

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

2.4. Functional and presentation currency

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

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

2 Summary of significant accounting policies (cont'd)

2.5. Property, plant and equipment

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

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

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

| | |
|---|-----------|
| Leased properties (right-of-use assets) | 1-4 years |
| Vehicles | 6 years |
| Other non-current assets | 3–6 years |

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

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

2.6. Intangible assets other than goodwill

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

Funds' management rights

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

Software

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

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

2.7. Business combinations and goodwill

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

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

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

2 Summary of significant accounting policies (cont'd)

2.7 Business combinations and goodwill (cont'd)

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

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

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

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

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

2.8. Investments in subsidiaries, associates (the Company)

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

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

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

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

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

2 Summary of significant accounting policies (cont'd)

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

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

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

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

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

2.10. Impairment of non-financial assets

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

Impairment losses are recognised in the income statement.

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

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

Goodwill

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

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

2 Summary of significant accounting policies (cont'd)

2.11. Financial assets

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

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

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

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

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

Debt instruments

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

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

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

Equity instruments

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

Offsetting financial instruments

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

2.12. Fair value estimation

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

2 Summary of significant accounting policies (cont'd)

2.13. Impairment of financial and contract assets

The Group and the Company assess on a forward-looking basis the expected credit losses associated with their financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Group's and the Company's financial assets at amortised cost comprised trade and other receivables, cash and cash equivalents. Cash and cash equivalents are considered to be low credit risk at the reporting date (Stage 1). Therefore, the Group/the Company is not relevant a three-stage model for impairment for financial assets other than trade receivables. Loans granted are measured at fair value through profit or loss as part of investments to unconsolidated subsidiaries and associates. For Stage 1 financial assets 12-month expected credit losses ('ECL') are recognised and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL are the expected credit losses that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12 months.

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

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

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

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

The Group trade receivables and contract assets mainly comprised receivables from related parties and managed funds by the subsidiaries. The Company's trade receivables and contract assets mainly comprised receivables from related parties. Trade receivables is covered within month after reporting date or settlement is deferred by the Group decision. Therefore, for Stage 2 trade receivables/contract assets the ECL are calculated and recognised if would be determined material amount for potential impairment based on settlement of trade receivables after reporting date.

2.14. Trade receivables

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

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

2.15. Cash and cash equivalents

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

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

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

2 Summary of significant accounting policies (cont'd)

2.16. Financial liabilities

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

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

Trade payables

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

Borrowings

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

Financial liabilities at fair value through profit or loss

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

2.17. Derecognition of financial assets and liabilities

Financial assets

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

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

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

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

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

Financial liabilities

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

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

2 Summary of significant accounting policies (cont'd)

2.18. Leases

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

Group as a lessee

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

Right-of-use assets

The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group/the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses (Note 2.10), if any, and adjusted for certain remeasurements of the lease liability. As at 31 December 2020 and 2021 right-of-use assets of the Group/the Company relate to leased properties and are depreciated over 1-5 and 1-4 years, respectively.

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

Lease liability

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

Lease payments included in the measurement of the lease liability comprise the following:

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

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

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

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

2 Summary of significant accounting policies (cont'd)

2.18 Leases (cont'd)

Short-term leases and leases of low-value assets

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

Lease modification

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

2.19. Revenue recognition and costs to obtain contract with customers

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

Revenue from the asset management and brokerage services

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

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

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

2 Summary of significant accounting policies (cont'd)

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

Costs to obtain contracts with customers

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

Interest income

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

Disposal of investments

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

Dividends income

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

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

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

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

2 Summary of significant accounting policies (cont'd)

2.21. Current and deferred income tax

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

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

The standard income tax rate in Lithuania was 15 % in 2021 and in 2020. Starting from 2010, tax losses can be transferred within Lithuania at no consideration or in exchange for certain consideration between the group companies if certain conditions are met.

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

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

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

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

Deferred tax asset are not recognised:

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

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

2 Summary of significant accounting policies (cont'd)

2.21 Current and deferred income tax (cont'd)

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

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

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

2.22. Provisions

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

Contingent liabilities recognised in a business combination

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of:

- the amount that would be recognised in accordance with the general guidance for provisions above (IAS 37) or
- the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition (IFRS 15).

2.23. Segments

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

2.24. Share capital

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

2 Summary of significant accounting policies (cont'd)

2.25. Employee benefits

Social security contributions

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

Termination benefits

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

Bonus plans

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

Pension obligations

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

2.26. Share-based payments

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

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

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

2 Summary of significant accounting policies (cont'd)

2.26 Share-based payments (cont'd)

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

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

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

Share - based payments – modification and cancellation

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

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

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

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

Share - based payment – settlement choice of employee

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

2.27. Contingencies

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

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

2 Summary of significant accounting policies (cont'd)

2.28. Events after the reporting period

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

2.29. Significant accounting judgements and estimates

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

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

Judgements

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

Investment entity

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

The identification of customer of asset management entities

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

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

Success fee

The Group does not recognize the success fee, accrued in the managed funds, as revenue until the condition for non-returnable payment of it is not met. The Group is judged that until the condition for non-returnable payment is met, it exist significant uncertainty about the possible amount, timing of payment and a significant reversal in received amount of success fee, if it applicable. As at 31 December 2021 the Group has not received any success fee, which could be returned to managed funds.

Control of managed entities/funds

The Group decides whether is control managed entities and funds. The main factors that the Group is assessed together are aggregate economic interests and investors held rights, including kick-out rights. A higher aggregate economic interest was identified for the closed-ended type investment companies INVL Technology and INVL Baltic Real Estate. Unlike other managed funds, the shareholders of these entities have full voting rights, as in any joint stock company. Investors can realize return from them first by selling shares on the stock exchange and receiving dividends. Decisions regarding dividends can only be made by shareholders and not by fund managers and the Group does not have sufficient power to alone decide regarding dividend. Both companies have at least two other major shareholders holding together larger shareholdings than the Group. These shareholders also jointly control the Group. Therefore, after assessment the Group decides that it do not have control over managed entities and funds.

2 Summary of significant accounting policies (cont'd)

2.29 Significant accounting judgements and estimates (cont'd)

Estimates and assumptions

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

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

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

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

The fair value of the investments in unconsolidated subsidiaries and associates of the Group and the Company as at 31 December 2021 was EUR 23,012 thousand and EUR 22,481 thousand, respectively (as at 31 December 2020 - EUR 13,564 thousand and EUR 26,615 thousand, respectively) (described in more details in Note 12).

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

The useful lives of funds' management rights acquired through business combinations are disclosed in Note 2.6 and amortisation charge for the year is disclosed in Note 10. The useful lives are determined by management at the time the asset is acquired and reviewed on an annual basis for appropriateness. The lives are based on historical experiences with similar assets as well as anticipation of future events, which may impact their life. As at 31 December 2021 and 2020 the Group assessed that there is no impairment indication of funds' management rights. If the estimated useful lives of funds' management rights have been one year shorter, the amortisation charge for the year ended 31 December 2021 and 2020 would have increased by EUR 98 thousand and EUR 77 thousand, respectively.

Amortisation period of costs to obtain contracts with customers is 10 years, based on the average expected duration of the client's stay with the Group. If the estimated amortisation period of costs to obtain contracts with customers have been one year shorter, the amortisation charge for the year ended 31 December 2021 would have increased by EUR 39 thousand, the amortisation charge for the year ended 31 December 2020 would have increased by EUR 34 thousand.

Deferred tax assets

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

Deferred tax asset is recognized on individual company basis taking into account future performance plans of those companies. No deferred tax asset is recognized from Group's tax losses carry forward for indefinite period of time of EUR 1,128 thousand as 31 December 2021 (as at 31 December 2020 – EUR 2,333 thousand) due to future uncertainties related with the performance of those companies. As at 31 December 2021 and 2020 all above mentioned tax losses is related to consolidated subsidiary UAB INVALIDA Asset Management. As at 31 December 2021 in the total deferred tax asset balance of the Group the amount of EUR 222 thousand (as at 31 December 2020 – EUR 240 thousand) relates to deferred tax asset recognized from the taxable losses of the Company and EUR 384 thousand (as at 31 December 2020 – EUR 579 thousand) was recognized from the taxable losses of other Group's entities (Note 6). As at 31 December 2021 recognition of deferred tax asset from the taxable losses of acquired asset management entities are supported on the estimation of these entities' profitability, which is based on the forecasted growth of managed funds and participants portfolio, on the level of management fees, on future funds return and number of participants. If the profitability estimation would be change by 5%, deferred tax asset would be recognised by EUR 19 thousand more/less (as at 31 December 2020 – EUR 29 thousand).

2 Summary of significant accounting policies (cont'd)

2.29 Significant accounting judgements and estimates (cont'd)

Estimates and assumptions (cont'd)

Bonuses

The Group have bonus plans, where employees have choice of two settlement alternatives that are mutually exclusive, and in which one of the alternative is equity-settled share-based payment (by granting share options of the Company) and other alternative is cash that is not share-based payment. As described in more details in Note 2.26, this arrangement with employees is accounted as a compound financial instrument, which includes a debt component and an equity component. The Group use estimates of employee service vesting period and recognise expenses proportionately over estimated vesting period. The equity component as equity-settled share-based payment are measured at the grant date fair value of share-options. The valuation method of fair value of share-options is a significant accounting estimate. The fair value of equity-settled share-based payment is calculated using the Black-Scholes option valuation method. All key inputs, with the exception of share price volatility, are directly observable in the market (the Company's share price and risk-free interest rate). For volatility input is used historical shares volatility on exchange. More details on inputs are disclosed in Note 18.

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

3. Business combinations, investments into associates, disposals

The movement of investments in associates was as follows:

| | Group | | Company | |
|---|---------------|---------------|---------------|---------------|
| | 2021 | 2020 | 2021 | 2020 |
| At 1 January | 26,615 | 30,058 | 26,615 | 30,058 |
| Acquisition of additional shares in associate | - | 25 | - | 25 |
| Disposal of associate | (4,553) | (1,094) | (4,553) | (1,094) |
| Changes in fair value | 419 | (2,374) | 419 | (2,374) |
| At 31 December | 22,481 | 26,615 | 22,481 | 26,615 |

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

| | Company | |
|---|---------------|---------------|
| | 2021 | 2020 |
| At 1 January | 27,479 | 26,732 |
| Share of net profit (loss) of consolidated subsidiaries accounted for using equity method | 6,143 | 1,759 |
| Establishment of subsidiaries and increase of share capital | 8,800 | - |
| Disposals | (644) | - |
| Dividends from consolidated subsidiaries | (1,955) | (1,693) |
| Share-based payments of consolidated subsidiaries | 555 | 298 |
| Loans granted/repaid, net | 55 | 40 |
| Interest charged/repaid, net | - | 13 |
| Changes in fair value | 10,417 | 330 |
| Decreased share capital (free funds returned) | (28) | - |
| Reclassification to financial assets at fair value due to disposals | (352) | - |
| At 31 December | 50,470 | 27,479 |
| At equity method | 27,473 | 13,930 |
| At fair value – shares | 22,997 | 13,252 |
| At fair value - loans granted | - | 297 |

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

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

| | Group | |
|---|---------------|---------------|
| | 2021 | 2020 |
| At 1 January | 13,564 | 13,166 |
| Loans granted/repaid, net | 55 | 40 |
| Interest charged/paid, net | - | 13 |
| Decrease of share capital | (28) | 15 |
| Changes in fair value | 10,417 | 330 |
| Reclassification to financial assets at fair value due to disposals | (352) | - |
| Disposals | (644) | - |
| At 31 December | 23,012 | 13,564 |
| Shares | 23,012 | 13,267 |
| Loans granted | - | 297 |

Acquisitions in 2021 and 2020

The Group has not any acquisition of subsidiaries in 2021 and 2020, except below described establishment of entities or increased share capital in previously acquired/established entities.

On 15 June 2021 the Group/the Company has signed business purchase agreement regarding acquisition of life insurance business of Mandatum Life Insurance Company Limited in the Baltics. Through this transaction the Group would offer customers more choice to strengthen their financial security and overall well-being. The acquiring business has more than 30,000 customers across the Baltic countries and total revenue in 2021 was EUR 9.5 million with EUR 25 million of premiums written. Completion of the transaction is anticipated for the middle of 2022 subject to Baltic and Finnish regulatory approval for permissions and licensing. The acquisition would be performed by newly established entity INVL Life UAB.

Until completion, Mandatum Life Insurance Company Limited will operate in the Baltics as is with all customers wanting to acquire its life insurance products being able to do so through existing Mandatum Life branches and licensed product distributors. In addition, the Group has begun offering life insurance services to its customers in Lithuania, in collaboration with Mandatum Life.

Establishment of companies (increase or decrease of share capital) in 2021 and 2020

In October 2021 the Company has additional invested EUR 1,000 thousand into the share capital of consolidated subsidiaries IPAS INVL Asset Management.

A new company INVL Life UAB was established by the Company in August 2021 with initial authorized capital of EUR 3,700 thousand and with organisational fund of EUR 300 thousand. It is wholly owned subsidiary. In December the Company has increased authorised capital of entity up to 7,500 thousand. Therefore, during 2021 the Company has transferred to INVL Life UAB EUR 7,800 thousand in cash.

In August 2021 the share capital of UAB Aktyvo was decreased and receivable of EUR 28 thousand was recognised. It was set-off with borrowings from UAB Aktyvo.

In October 2020 the Group has established INVL LUX GP1 S.à r.l. as general partner of entity INVL Alternative Assets Umbrella Fund, SCSp SICAV-RAIF, which serves as vehicle to raise funds for investment in sustainably managed forests and agricultural land in the Baltic Sea region and Central and Eastern Europe. The Group has invested EUR 15 thousand to general partner.

In April 2020 after obtaining the permission of the Moldovan central bank, convertible bonds of MD Partners UAB owned by the Company was converted into shares of MD Partners, after which the Company owns 51.37% of shares and 48.63% of shares is owned by INVL Special Opportunities Fund, managed by consolidated subsidiary UAB INVL Asset Management. For bonds with nominal value of EUR 2,990 thousand the Company received the shares with nominal value of EUR 2,990 thousand (ratio for one bond received one share).

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

Acquisition of associates in 2021 and 2020

During 2021 the Company/the group has not any acquisition of associates.

During 2020 the Company has additionally acquired shares of INVL Baltic Real Estate for EUR 25 thousand on the stock exchange.

Disposals of subsidiaries in 2021 and 2020

In June 2021 the Company has sold 100% of shares of UAB Kelio ženklai. Portfolio of shares and granted loan was valued at EUR 1 million. The Company has received EUR 644 thousand in cash for shares of UAB Kelio ženklai. The parties have agreed that the Company would relend part of funds received for the shares to UAB Kelio ženklai. It was granted EUR 398 thousand. The loan is secured by pledging the assets and the shares of UAB Kelio ženklai. After all actions have been taken, the Company's granted loan nominal amount was EUR 750 thousand. Maturity of the granted loan is 1 May 2023. Granted loan with carrying amount of 352 thousand was reclassified from caption 'Investments into subsidiaries' to caption 'Financial assets at fair value through profit or loss'. In the statement of financial position granted loan is measured at fair value according to fair value of net assets of UAB Kelio ženklai (EUR 277 thousand as at 31 December 2021). During 2021 positive impact of the investment to the Group's/Company's result was EUR 171 thousand.

In April 2021 unconsolidated subsidiary UAB Įmonių Grupė Inservis has sold UAB Informacinio Verslo Paslaugų Įmonė to UAB Perlas Finance for EUR 155 thousand.

On 28 December 2021 the Company has signed an agreement with an entity belonging to the Civinity group for the sale of 100% of the shares of 4 (four) facilities management group companies: UAB Inservis, UAB Priemestis, UAB Jurita and SIA Inservis (Latvia). The total sale price for the shares is EUR 7 million and the price or part thereof, if applicable, may be adjusted by (a) increasing it by 12% annual interest rate calculated in accordance with the principle agreed between the parties and (b) reducing it by impairment, if any. Closing of the transaction requires the permission of the Competition Council and other actions agreed by the parties. The transaction is expected to be completed until 30 June 2022. The buyer is transferred EUR 700 thousand of advance for the shares to be sold.

Disposals of associates in 2021 and 2020

On 7 January 2021 the Company sold 15.67% of shares of INVL Baltic Real Estate to unconsolidated subsidiary UAB Cedus Invest for EUR 4,553 thousand. In March unconsolidated subsidiaries UAB Cedus Invest UAB and UAB Įmonių grupė Inservis have sold their holdings of 15.67% and 2.46%, respectively, of INVL Baltic Real Estate in the share redemption that INVL Baltic Real Estate is conducting. The Group/the Company directly and indirectly held stake in INVL Baltic Real Estate was decreased after disposal to 14.37% of issued shares. Because own shares do not have the property and non-property rights, the Group/the Company effective ownership is decreased to 23.43%. After annulling of own shares of INVL Baltic Real Estate in 2021 the Group/the Company owns 23.43% of issued shares.

In 2020 the Company sold 2.46% of shares of INVL Baltic Real Estate to unconsolidated subsidiary UAB Įmonių grupė Inservis for EUR 1,081 thousand. At 31 December 2020 receivable of EUR 800 thousand arising from disposal was remained not settled. It was settled in March 2021. The Company has additionally sold shares of INVL Baltic Real Estate for EUR 13 thousand on the stock exchange.

4. Segment information

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

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

Asset management

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

Investment activity

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

Agriculture

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

Facility management

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

Real estate

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

Bank activities

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

All other activities

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

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

4 Segment information (cont'd)

The following table presents revenues, profit (loss) and certain assets and liabilities information regarding the Group's business segments for the year ended 31 December 2021:

| | Asset management | Investment activity | Inter-segment transactions and consolidation adjustments | Total |
|---|------------------|---------------------|---|----------------|
| Year ended | | | | |
| 31 December 2021 | | | | |
| Revenue | | | | |
| Sales to external customers | 15,836 | 70 | - | 15,906 |
| Inter-segment sales | - | 3 | (3) | - |
| Total revenue | 15,836 | 73 | (3) | 15,906 |
| Results | | | | |
| Net changes in fair value of financial assets | 4,156 | 29,416 | - | 33,572 |
| Interest income | - | 31 | - | 31 |
| Dividend income | 21 | 4,098 | - | 4,119 |
| Other income | 49 | 1 | (1) | 49 |
| Employee benefits expense | (8,028) | (379) | - | (8,407) |
| Depreciation and amortization | (1,188) | (21) | - | (1,209) |
| Impairment | (1) | - | - | (1) |
| Interest expenses | (73) | (8) | - | (81) |
| Other expenses | (3,913) | (475) | 4 | (4,384) |
| Profit (loss) before income tax | 6,859 | 32,736 | - | 39,595 |
| Income tax credit (expenses) | (690) | (1,426) | - | (2,116) |
| Net profit (loss) for the year | 6,169 | 31,310 | - | 37,479 |
| Attributable to: | | | | |
| Equity holders of the parent | 6,143 | 31,310 | - | 37,453 |
| Non-controlling interest | 26 | - | - | 26 |
| As at 31 December 2021 | | | | |
| Assets and liabilities | | | | |
| Segment assets | 34,137 | 98,264 | (376) | 132,025 |
| Segment liabilities | 6,524 | 4,522 | (376) | 10,670 |
| Other segment information | | | | |
| Capital expenditure: | | | | |
| • Property, plant and equipment | 332 | 21 | - | 353 |
| • Intangible assets | 185 | - | - | 185 |
| • Costs to obtain contract | 455 | - | - | 455 |

4 Segment information (cont'd)

The following table presents revenues, profit (loss) and certain assets and liabilities information regarding the Group's business segments for the year ended 31 December 2020:

| | Asset management | Investment activity | Inter-segment transactions and consolidation adjustments | Total |
|---|------------------|---------------------|---|---------------|
| Year ended | | | | |
| 31 December 2020 | | | | |
| Revenue | | | | |
| Sales to external customers | 12,361 | 34 | - | 12,395 |
| Inter-segment sales | - | 1 | (1) | - |
| Total revenue | 12,361 | 35 | (1) | 12,395 |
| Results | | | | |
| Net changes in fair value of financial assets | 123 | (3,020) | - | (2,897) |
| Interest income | - | 26 | - | 26 |
| Dividend income | - | 7,168 | - | 7,168 |
| Other income | 15 | 13 | - | 28 |
| Employee benefits expense | (6,278) | (468) | - | (6,746) |
| Depreciation and amortization | (1,097) | (19) | - | (1,116) |
| Impairment | (10) | - | - | (10) |
| Interest expenses | (120) | (11) | - | (131) |
| Other expenses | (3,114) | (275) | 1 | (3,388) |
| Profit (loss) before income tax | 1,880 | 3,449 | - | 5,329 |
| Income tax credit (expenses) | (76) | 120 | - | 44 |
| Net profit (loss) for the year | 1,804 | 3,569 | - | 5,373 |
| Attributable to: | | | | |
| Equity holders of the parent | 1,760 | 3,569 | - | 5,329 |
| Non-controlling interest | 44 | - | - | 44 |
| As at 31 December 2020 | | | | |
| Assets and liabilities | | | | |
| Segment assets | 18,962 | 71,488 | (70) | 90,380 |
| Segment liabilities | 4,841 | 2,252 | (70) | 7,023 |
| Other segment information | | | | |
| Capital expenditure: | | | | |
| • Property, plant and equipment | 103 | 7 | - | 110 |
| • Intangible assets | 133 | - | - | 133 |
| • Costs to obtain contract | 426 | - | - | 426 |

4 Segment information (cont'd)

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

| | Agriculture | Facility management | Real estate | Bank sector (MAIB) | Bank sector (AB Šiaulių bankas) | Other investments | Total |
|--|----------------|---------------------|--------------|--------------------|---------------------------------|-------------------|---------------|
| Year ended 31 December 2021 | | | | | | | |
| Net changes in fair value on financial assets | (6) | 1,469 | 425 | 8,371 | 10,240 | 8,917 | 29,416 |
| Dividend income | 2,196 | 709 | 227 | - | 181 | 785 | 4,098 |
| Interest income | 5 | - | - | - | - | 26 | 31 |
| Total income from investments | 2,195 | 2,178 | 652 | 8,371 | 10,421 | 9,728 | 33,545 |
| Investments fair value as at 31 December 2021 | 20,318* | 7,244 | 4,402 | 15,723 | 26,400 | 22,887 | 96,974 |

*include loans granted to associate.

The Group also have investments at fair value with carrying amount of EUR 16,620 thousand which attributed to asset management segment.

| | Agriculture | Facility management | Real estate | Bank sector (MAIB) | Bank sector (AB Šiaulių bankas) | Other investments | Total |
|--|---------------|---------------------|--------------|--------------------|---------------------------------|-------------------|---------------|
| Year ended 31 December 2020 | | | | | | | |
| Net changes in fair value on financial assets | 829 | 1,264 | (3,203) | (670) | (263) | (977) | (3,020) |
| Dividend income | 488 | 333 | 6,117 | - | - | 230 | 7,168 |
| Interest income | - | - | 13 | - | - | 13 | 26 |
| Total income from investments | 1,317 | 1,597 | 2,927 | (670) | (263) | (734) | 4,174 |
| Investments fair value as at 31 December 2020 | 18,085 | 5,775 | 8,530 | 7,352 | 16,409 | 13,561 | 69,712 |

The Group also have investments at fair value with carrying amount of EUR 4,579 thousand which attributed to asset management segment.

Analysis of revenue by timing of revenue recognition:

| | 2021 | | 2020 | |
|---------------------------------------|---------------|-----------|---------------|-----------|
| | Group | Company | Group | Company |
| Revenue recognised over time: | | | | |
| <i>Management fee</i> | 15,496 | 72 | 11,997 | 35 |
| <i>Success fee</i> | 11,888 | - | 10,010 | - |
| <i>Other consideration</i> | 3,295 | - | 1,742 | - |
| Revenue recognised at a point in time | 313 | 72 | 245 | 35 |
| Total revenue | 410 | - | 398 | - |
| | 15,906 | 72 | 12,395 | 35 |

The Company is domiciled in the Lithuania and the Group operates in Lithuania and Latvia. The result of Group's revenue from external customers in the Lithuania is EUR 14,445 thousand (2020: EUR 11,520 thousand), and the total of revenue from external customers from Latvia is EUR 1,461 thousand (2020: EUR 875 thousand).

In 2021 the Group has not recognised as revenue success fee of EUR 2,556 thousand, accrued in the managed entities and funds, as the condition for non-returnable payment of it is not met (2020: EUR 4,032 thousand).

4 Segment information (cont'd)

The table below presents distribution of the Group non-current assets (other than financial instruments and deferred tax assets) by geographical area as at 31 December 2021 and 2020:

| | <u>Lithuania</u> | <u>Latvia</u> | <u>Total</u> |
|------------------------|------------------|---------------|--------------|
| As at 31 December 2021 | 6,447 | 240 | 6,687 |
| As at 31 December 2020 | 6,582 | 322 | 6,904 |

5. Other income and expenses

5.1. Net changes in fair value on financial instruments

| | Group | | Company | |
|---|---------------|----------------|----------------|----------------|
| | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
| Net gain (loss) from changes in fair value of unconsolidated subsidiaries and associates | 10,836 | (2,044) | 10,836 | (2,044) |
| Net gain (loss) from financial assets at fair value through profit or loss | 22,736 | (853) | 18,580 | (976) |
| <i>Net gain (loss) from financial instruments at fair value through profit or loss, total</i> | <u>33,572</u> | <u>(2,897)</u> | <u>29,416</u> | <u>(3,020)</u> |

5.2. Employee benefits expenses

| | Group | | Company | |
|---|--------------|--------------|----------------|-------------|
| | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
| Short-term employee benefits | 6,944 | 5,881 | 349 | 441 |
| Share-based payments (cash alternative) | 1,247 | 736 | - | - |
| Equity-settled share-based payments | 216 | 129 | 29 | 26 |
| | <u>8,407</u> | <u>6,746</u> | <u>378</u> | <u>467</u> |

5.3. Other expenses

| | Group | | Company | |
|--|----------------|----------------|----------------|--------------|
| | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
| Vehicles maintenance costs | (162) | (173) | (2) | (1) |
| Repairs and maintenance cost of premises | (81) | (106) | (1) | (2) |
| Taxes | (602) | (479) | (80) | (22) |
| Professional services | (626) | (297) | (206) | (31) |
| Fees for securities | (549) | (450) | (31) | (26) |
| Other expenses | (1,152) | (947) | (140) | (173) |
| | <u>(3,172)</u> | <u>(2,452)</u> | <u>(460)</u> | <u>(255)</u> |

In March 2020 the Company has granted donation of EUR 100 thousand to support health care sector in the fight with COVID19 pandemic.

6. Income tax

| | Group | | Company | |
|---|---------|-------|---------|------|
| | 2021 | 2020 | 2021 | 2020 |
| Components of the income tax expense | | | | |
| Current year income tax | (193) | (151) | - | - |
| Prior year current income tax correction | - | (2) | - | - |
| Deferred income tax income (expense) | (1,923) | 197 | (1,426) | 120 |
| Income tax income (expense) charged to the income statement – total | (2,116) | 44 | (1,426) | 120 |

There is no income tax expense recognised in other comprehensive income in 2021 and 2020.

Deferred tax asset and liability were estimated at 15% rate in Lithuania as at 31 December 2021.

The movement in deferred tax assets and liabilities of the Group during 2021 is as follows:

| | Balance as at 31 December 2020 | Recognised in the income statement | Transfer of tax losses within group | Balance as at 31 December 2021 |
|--|--------------------------------------|--|--|--------------------------------------|
| Deferred tax asset | | | | |
| Tax loss carry forward for indefinite period of time | 793 | (195) | 8 | 606 |
| Tax loss carry forward till 2021 | 26 | (26) | - | - |
| Receivables | 1 | - | - | 1 |
| Accruals | 127 | 82 | - | 209 |
| Lease liabilities | 212 | (3) | - | 209 |
| Contract liabilities | 181 | 46 | - | 227 |
| Recognised deferred tax asset | 1,340 | (96) | 8 | 1,252 |
| Asset netted with liability of the same legal entities | (703) | (103) | - | (806) |
| Deferred tax asset, net | 637 | (199) | 8 | 446 |
| Deferred tax liability | | | | |
| Property, plant and equipment (right of use assets) | (198) | 8 | - | (190) |
| Intangible assets | (164) | 32 | - | (132) |
| Investments at fair value through profit or loss | (1,640) | (1,888) | - | (3,528) |
| Undistributed profits of consolidated subsidiaries | - | - | - | - |
| Costs to obtain contacts with customers | (120) | 21 | - | (99) |
| Deferred tax liability | (2,122) | (1,827) | - | (3,949) |
| Liability netted with asset of the same legal entities | 703 | 103 | - | 806 |
| Deferred tax liability, net | (1,419) | (1,724) | - | (3,143) |
| Deferred tax, net | (782) | (1,923) | 8 | (2,697) |

Deferred tax assets have not been recognised for tax losses carry forward for indefinite period of time of EUR 1,128 thousand (tax effect EUR 169 thousand) as at 31 December 2021.

6 Income tax (cont'd)

Deferred tax asset and liability were estimated at 15% rate in Lithuania as at 31 December 2020.

The movement in deferred tax assets and liabilities of the Group during 2020 is as follows:

| | Balance as at 31 December 2019 | Recognised in the income statement | Balance as at 31 December 2020 |
|--|-----------------------------------|---------------------------------------|-----------------------------------|
| Deferred tax asset | | | |
| Tax loss carry forward for indefinite period of time | 778 | 15 | 793 |
| Tax loss carry forward till 2021 | 26 | - | 26 |
| Receivables | 1 | - | 1 |
| Investments at fair value through profit or loss | - | - | - |
| Accruals | 122 | 5 | 127 |
| Lease liabilities | 236 | (24) | 212 |
| Contract liabilities | 118 | 63 | 181 |
| Recognised deferred tax asset | 1,281 | 59 | 1,340 |
| Asset netted with liability of the same legal entities | (779) | 76 | (703) |
| Deferred tax asset, net | 502 | 135 | 637 |
| Deferred tax liability | | | |
| Property, plant and equipment (right of use assets) | (229) | 31 | (198) |
| Intangible assets | (196) | 32 | (164) |
| Investments at fair value through profit or loss | (1,695) | 55 | (1,640) |
| Undistributed profits of consolidated subsidiaries | - | - | - |
| Costs to obtain contacts with customers | (140) | 20 | (120) |
| Deferred tax liability | (2,260) | 138 | (2,122) |
| Liability netted with asset of the same legal entities | 779 | (76) | 703 |
| Deferred tax liability, net | (1,481) | 62 | (1,419) |
| Deferred tax, net | (979) | 197 | (782) |

Deferred tax assets have not been recognised for tax losses carry forward for indefinite period of time of EUR 2,333 thousand (tax effect EUR 350 thousand) as at 31 December 2020.

6 Income tax (cont'd)

The movement in deferred tax assets and liabilities of the Company during 2021 is as follows:

| | Balance as at 31 December 2020 | Recognised in the income statement | Transfer of tax losses | Balance as at 31 December 2021 |
|--|---|---|-----------------------------------|---|
| Deferred tax asset | | | | |
| Tax loss carry forward for indefinite period of time | 214 | 107 | (99) | 222 |
| Tax loss carry forward till 2021 | 26 | (26) | - | - |
| Lease liabilities | 15 | - | - | 15 |
| Recognised deferred tax asset | <u>255</u> | <u>81</u> | <u>(99)</u> | <u>237</u> |
| Asset netted with liability of the same legal entities | (255) | (81) | 99 | (237) |
| Deferred tax asset, net | - | - | - | - |
| Deferred tax liability | | | | |
| Property, plant and equipment (right of use assets) | (13) | - | - | (13) |
| Investments at fair value through profit or loss | (1,619) | (1,507) | - | (3,126) |
| Deferred tax liability | <u>(1,632)</u> | <u>(1,507)</u> | <u>-</u> | <u>(3,139)</u> |
| Liability netted with asset of the same legal entities | 255 | 81 | (99) | 237 |
| Deferred tax liability, net | (1,377) | (1,426) | (99) | (2,902) |
| Deferred tax, net | (1,377) | (1,426) | (99) | (2,902) |

The movement in deferred tax assets and liabilities of the Company during 2020 is as follows:

| | Balance as at 31 December 2019 | Recognised in the income statement | Transfer of tax losses | Balance as at 31 December 2020 |
|--|---|---|-----------------------------------|---|
| Deferred tax asset | | | | |
| Tax loss carry forward for indefinite period of time | 214 | 70 | (70) | 214 |
| Tax loss carry forward till 2021 | 26 | - | - | 26 |
| Lease liabilities | 17 | (2) | - | 15 |
| Recognised deferred tax asset | <u>257</u> | <u>68</u> | <u>(70)</u> | <u>255</u> |
| Asset netted with liability of the same legal entities | (257) | (68) | 70 | (255) |
| Deferred tax asset, net | - | - | - | - |
| Deferred tax liability | | | | |
| Property, plant and equipment (right of use assets) | (16) | 3 | - | (13) |
| Investments at fair value through profit or loss | (1,668) | 49 | - | (1,619) |
| Deferred tax liability | <u>(1,684)</u> | <u>52</u> | <u>-</u> | <u>(1,632)</u> |
| Liability netted with asset of the same legal entities | 257 | 68 | (70) | 255 |
| Deferred tax liability, net | (1,427) | 120 | (70) | (1,377) |
| Deferred tax, net | (1,427) | 120 | (70) | (1,377) |

6 Income tax (cont'd)

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

| | Group | | Company | |
|--|---------------|--------------|---------------|--------------|
| | 2021 | 2020 | 2021 | 2020 |
| Profit before income tax | 39,595 | 5,329 | 38,879 | 5,209 |
| Tax calculated at the tax rate of 15 % | (5,939) | (799) | (5,832) | (781) |
| Non-taxable income - dividend income | 618 | 1,075 | 615 | 1,075 |
| Non-taxable income (expenses) – changes in fair value of financial assets | 3,119 | (384) | 2,876 | (403) |
| Non-taxable income (expenses) – impact of equity method | - | - | 921 | 264 |
| Other tax non-deductible (expenses) / non-taxable income | (117) | (124) | (6) | (35) |
| Deferred tax expenses arising from write-down, or reversal of a previous write-down, of deferred tax asset due to changes in probability to utilise it | 19 | 15 | - | - |
| Prior year current income tax correction | - | (2) | - | - |
| The amount of benefit arising from previously unrecognised tax loss of a prior period that is used to reduce current tax expense | 162 | 263 | - | - |
| Other | 22 | - | - | - |
| Income tax credit (expenses) recorded in the income statement | (2,116) | 44 | (1,426) | 120 |

7. Earnings per share

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

The weighted average number of shares for 2021 and 2020 was as follows:

| Calculation of weighted average for the year 2021 | Number of shares (thousand) | Par value (EUR) | Issued/365 (days) | Weighted average (thousand) |
|---|-----------------------------|-----------------|-------------------|-----------------------------|
| Shares issued as at 31 December 2020 | 11,689 | 0.29 | 365/365 | 11,689 |
| Increase of share capital as at 8 June 2021 | 60 | 0.29 | 206/365 | 34 |
| Shares issued as at 31 December 2021 | 11,749 | 0.29 | - | 11,723 |

| Calculation of weighted average for the year 2020 | Number of shares (thousand) | Par value (EUR) | Issued/366 (days) | Weighted average (thousand) |
|---|-----------------------------|-----------------|-------------------|-----------------------------|
| Shares issued as at 31 December 2019 | 11,610 | 0.29 | 366/366 | 11,610 |
| Own shares disposed as at 3 June 2020 | 79 | 0.29 | 211/366 | 46 |
| Shares issued as at 31 December 2020 | 11,689 | 0.29 | - | 11,656 |

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

| | Group | | Company | |
|--|--------|--------|---------|--------|
| | 2021 | 2020 | 2021 | 2020 |
| Net profit, attributable to the equity holders of the parent | 37,453 | 5,329 | 37,453 | 5,329 |
| Weighted average number of ordinary shares (thousand) | 11,723 | 11,656 | 11,723 | 11,656 |
| Basic earnings per share (EUR) | 3.19 | 0.46 | 3.19 | 0.46 |

The following table reflects the share data used in the diluted earnings per share computations in 2021:

| | Number of shares (thousand) | Issued/365 (days) | Weighted average (thousand) |
|--|-----------------------------|-------------------|-----------------------------|
| Weighted average number of ordinary shares for basic earnings per share | - | - | 11,723 |
| Potential dilutive shares from share-based payment (granted on 11 August 2016) | 22 | 365/365 | 22 |
| Potential dilutive shares from share-based payment (granted on 3 May 2018, on 8 June 2021 share options exercised by issued of new shares) | 58 | 158/365 | 25 |
| Potential dilutive shares from share-based payment (granted on 6 May 2019) | 68 | 365/365 | 68 |
| Potential dilutive shares from share-based payment (granted on 25 May 2020) | 54 | 365/365 | 54 |
| Potential dilutive shares from share-based payment (granted on 1 July 2020) | 25 | 365/365 | 25 |
| Potential dilutive shares from share-based payment (granted on 10 May 2021) | 60 | 235/365 | 39 |
| Weighted average number of ordinary shares for diluted earnings per share | - | - | 11,956 |

7. Earnings per share (cont'd)

The following table reflects the share data used in the diluted earnings per share computations in 2020:

| | Number of shares (thousand) | Issued/366 (days) | Weighted average (thousand) |
|---|--|------------------------------|--|
| Weighted average number of ordinary shares for basic earnings per share | - | - | 11,656 |
| Potential dilutive shares from share-based payment (granted on 3 May 2017, on 3 June 2020 share options exercised by disposal of own shares) | 14 | 154/366 | 6 |
| Potential dilutive shares from share-based payment (granted on 16 May 2017, on 3 June 2020 share options exercised by disposal of own shares) | 63 | 154/366 | 27 |
| Potential dilutive shares from share-based payment (granted on 3 May 2018) | 51 | 366/366 | 51 |
| Potential dilutive shares from share-based payment (granted on 6 May 2019) | 59 | 366/366 | 59 |
| Potential dilutive shares from share-based payment (granted on 25 May 2020) | 52 | 220/366 | 31 |
| Potential dilutive shares from share-based payment (granted on 1 July 2020) | - | 183/366 | - |
| Weighted average number of ordinary shares for diluted earnings per share | - | - | <u>11,830</u> |

The following table reflects the income data used in the diluted earnings per share computations in 2021 and 2020:

| | Group | | Company | |
|---|--------------|-------------|----------------|-------------|
| | 2021 | 2020 | 2021 | 2020 |
| Net profit, attributable to the equity holders of the parent | 37,453 | 5,329 | 37,453 | 5,329 |
| Weighted average number of ordinary and potential shares (thousand) | 11,956 | 11,830 | 11,956 | 11,830 |
| Diluted earnings per share (EUR) | <u>3.13</u> | <u>0.45</u> | <u>3.13</u> | <u>0.45</u> |

8. Dividends per share

A dividend in respect of the year ended 31 December 2019 of EUR 0.80 per share, amounting to a total dividend of EUR 9,288 thousand, was approved at the annual general meeting on 30 April 2020.

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

| | Group/Company |
|--|--------------------------|
| | <u>Dividends payable</u> |
| As at 31 December 2019 | 363 |
| Dividends paid to equity holders of the parent | (9,038) |
| Approved dividends | <u>9,288</u> |
| As at 31 December 2020 | 613 |
| Dividends paid to equity holders of the parent | (33) |
| Approved dividends | - |
| As at 31 December 2021 | <u>580</u> |

9. Property, plant and equipment

| Group | Right-of-use assets (leased premises) | Vehicles | Other property, plant and equipment | Total |
|--|--|----------|--|--------------|
| Cost: | | | | |
| Balance as at 31 December 2019 | 1,807 | 4 | 493 | 2,304 |
| Additions | 85 | - | 25 | 110 |
| Disposals and write-offs | (6) | (4) | (2) | (12) |
| Balance as at 31 December 2020 | 1,886 | - | 516 | 2,402 |
| Additions | 267 | - | 86 | 353 |
| Disposals and write-offs | - | - | - | - |
| Balance as at 31 December 2021 | 2,153 | - | 602 | 2,755 |
| Accumulated depreciation: | | | | |
| Balance as at 31 December 2019 | 245 | 4 | 260 | 509 |
| Charge for the year | 297 | - | 78 | 375 |
| Disposals and write-offs | - | (4) | (2) | (6) |
| Balance as at 31 December 2020 | 542 | - | 336 | 878 |
| Charge for the year | 331 | - | 77 | 408 |
| Disposals and write-offs | - | - | - | - |
| Balance as at 31 December 2021 | 873 | - | 413 | 1,286 |
| Net book value as at 31 December 2020 | 1,344 | - | 180 | 1,524 |
| Net book value as at 31 December 2021 | 1,280 | - | 189 | 1,469 |

| Company | Right-of-use assets (leased premises) | Other property, plant and equipment | Total |
|--|--|--|-----------|
| Cost: | | | |
| Balance as at 31 December 2019 | 124 | 94 | 218 |
| Additions | 2 | 5 | 7 |
| Disposals and write-offs | - | - | - |
| Balance as at 31 December 2020 | 126 | 99 | 225 |
| Additions | 20 | 1 | 21 |
| Disposals and write-offs | - | - | - |
| Balance as at 31 December 2021 | 146 | 100 | 246 |
| Accumulated depreciation: | | | |
| Balance as at 31 December 2019 | 18 | 93 | 111 |
| Charge for the year | 18 | 1 | 19 |
| Disposals and write-offs | - | - | - |
| Balance as at 31 December 2020 | 36 | 94 | 130 |
| Charge for the year | 19 | 2 | 21 |
| Disposals and write-offs | - | - | - |
| Balance as at 31 December 2021 | 55 | 96 | 151 |
| Net book value as at 31 December 2020 | 90 | 5 | 95 |
| Net book value as at 31 December 2021 | 91 | 4 | 95 |

9 Property, plant and equipment (cont'd)

The depreciation charge of the Group's and the Company's property, plant and equipment for the year 2021 amounts to EUR 408 thousand and EUR 21 thousand, respectively (in the year 2020 EUR 375 thousand and EUR 19 thousand, respectively). Any property, plant and equipment of the Group and the Company as at 31 December 2021 and 2020 was not have any encumbrance.

10. Intangible assets and costs to obtain contracts with customers

As at 31 December 2021 and 2020 this item of statement of financial position of the Group comprises:

| Group | <u>As at 31 December 2021</u> | <u>As at 31 December 2020</u> |
|--|-------------------------------|-------------------------------|
| Intangible assets | 2,677 | 2,933 |
| Costs to obtain contracts with customers | 2,541 | 2,447 |
| Total | <u>5,218</u> | <u>5,380</u> |

Intangible assets

Movement in the account of intangible assets is presented below:

| Group | Goodwill | Funds' management rights | Software and other intangible assets | Total |
|--|------------|--------------------------|--------------------------------------|--------------|
| Cost: | | | | |
| Balance as at 31 December 2019 | 104 | 4,722 | 83 | 4,909 |
| Additions | - | - | 133 | 133 |
| Disposals and write-offs | - | - | - | - |
| Balance as at 31 December 2020 | 104 | 4,722 | 216 | 5,042 |
| Additions | - | - | 185 | 185 |
| Disposals and write-offs | - | - | (1) | (1) |
| Balance as at 31 December 2021 | 104 | 4,722 | 400 | 5,226 |
| Accumulated amortisation: | | | | |
| Balance as at 31 December 2019 | - | 1,602 | 66 | 1,668 |
| Charge for the year | - | 425 | 6 | 431 |
| Impairment | - | - | 10 | 10 |
| Disposals and write-offs | - | - | - | - |
| Balance as at 31 December 2020 | - | 2,027 | 82 | 2,109 |
| Charge for the year | - | 426 | 14 | 440 |
| Impairment | - | - | 1 | 1 |
| Disposals and write-offs | - | - | (1) | (1) |
| Balance as at 31 December 2021 | - | 2,453 | 96 | 2,549 |
| Net book value as at 31 December 2020 | 104 | 2,695 | 134 | 2,933 |
| Net book value as at 31 December 2021 | 104 | 2,269 | 304 | 2,677 |

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

The amortisation charge of the Group's intangible assets for the year ended 31 December 2021 amounts to EUR 440 thousand (in the year 2020 EUR 431 thousand).

Main intangible assets of the Group are as at 31 December 2021:

- 2nd pillar pension funds. The funds' with carrying amount of EUR 1,778 thousand remaining estimated useful life is 7 years. The funds' with carrying amount of EUR 226 thousand remaining estimated useful life is 3 years and is related to Latvian entity.
- 3rd pillar pension funds. The funds' with carrying amount of EUR 64 thousand remaining estimated useful life is 2.75 - 6 years.
- Private debt investment fund. Its carrying amount equals to EUR 201 thousand and remaining estimated useful life is 2.5 years.

Main intangible assets of the Group are as at 31 December 2020:

- 2nd pillar pension funds. The funds' with carrying amount of EUR 2,032 thousand remaining estimated useful life is 8 years. The funds' with carrying amount of EUR 301 thousand remaining estimated useful life is 4 years and is related to Latvian entity.
- 3rd pillar pension funds. The funds' with carrying amount of EUR 80 thousand remaining estimated useful life is 3.75 - 7 years.
- Private debt investment fund. Its carrying amount equals to EUR 282 thousand and remaining estimated useful life is 3.5 years.

Costs to obtain contracts with customers

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

| | <u>Group</u> |
|---------------------------------------|--------------|
| Balance as at 1 January 2020 | 2,331 |
| Additions | 426 |
| Amortisation | (310) |
| Balance as at 31 December 2020 | 2,447 |
| Additions | 455 |
| Amortisation | (361) |
| Balance as at 31 December 2021 | 2,541 |

11. Financial instruments by category

| Group | Financial assets at amortised cost | Assets at fair value through the profit or loss | Total |
|---|---------------------------------------|--|----------------|
| 31 December 2021 | | | |
| Assets as per statement of financial position | | | |
| Investments into unconsolidated subsidiaries | - | 22,997 | 22,997 |
| Investments into associates | - | 22,481 | 22,481 |
| Trade and other receivables short term excluding tax receivables | 3,815 | - | 3,815 |
| Financial assets at fair value through profit and loss | - | 68,116 | 68,116 |
| Cash and cash equivalents | 5,910 | - | 5,910 |
| Total | 9,725 | 113,594 | 123,319 |

| Group | Financial assets at amortised cost | Assets at fair value through the profit or loss | Total |
|---|---------------------------------------|--|---------------|
| 31 December 2020 | | | |
| Assets as per statement of financial position | | | |
| Investments into unconsolidated subsidiaries | - | 13,549 | 13,549 |
| Investments into associates | - | 26,615 | 26,615 |
| Trade and other receivables short term excluding tax receivables | 2,422 | - | 2,422 |
| Financial assets at fair value through profit and loss | - | 34,112 | 34,112 |
| Cash and cash equivalents | 5,741 | - | 5,741 |
| Total | 8,163 | 74,276 | 82,439 |

| Group | 31 December 2021 | | 31 December 2020 | |
|--|---|--|---|--|
| Liabilities as per statement of financial position | Financial liabilities at amortised cost | Financial liabilities through the profit or loss | Financial liabilities at amortised cost | Financial liabilities through the profit or loss |
| Trade payables | 399 | - | 229 | - |
| Lease liabilities | 1,411 | - | 1,438 | - |
| Other current payables excluding tax payables and employee benefit payables | 984 | - | 882 | 18 |
| Total | 2,794 | - | 2,549 | 18 |

11 Financial instruments by category (cont'd)

| Company | Financial assets at amortised cost | Assets at fair value through the profit or loss | Total |
|---|---------------------------------------|--|---------------|
| 31 December 2021 | | | |
| Assets as per statement of financial position | | | |
| Investments into unconsolidated subsidiaries | - | 22,997 | 22,997 |
| Investments into associates | - | 22,481 | 22,481 |
| Trade and other receivables | 433 | - | 433 |
| Financial assets at fair value through profit or loss | - | 51,496 | 51,496 |
| Cash and cash equivalents | 716 | - | 716 |
| Total | 1,149 | 96,974 | 98,123 |

| Company | Financial assets at amortised cost | Assets at fair value through the profit or loss | Total |
|---|---------------------------------------|--|---------------|
| 31 December 2020 | | | |
| Assets as per statement of financial position | | | |
| Investments into unconsolidated subsidiaries | - | 13,549 | 13,549 |
| Investments into associates | - | 26,615 | 26,615 |
| Trade and other receivables | 882 | - | 882 |
| Financial assets at fair value through profit or loss | - | 29,548 | 29,548 |
| Cash and cash equivalents | 762 | - | 762 |
| Total | 1,644 | 69,712 | 71,356 |

| Company | 31 December 2021 | 31 December 2020 |
|---|--|---------------------|
| Liabilities as per statement of financial position | Financial liabilities at amortised cost | |
| Borrowings | - | 28 |
| Lease liabilities | 100 | 98 |
| Trade payables | 50 | 3 |
| Other current payables excluding tax payables and employee benefit payables | 645 | 632 |
| Total | 795 | 761 |

12. Fair value estimation

Financial instruments that are not carried at fair value

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

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

The carrying amount of the cash and cash equivalents, trade and other receivables, trade and other payables of the Group and the Company as at 31 December 2021 and 2020 approximated their fair value because they are short-term and the impact of discounting is immaterial.

Financial instruments carried at fair value

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

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

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

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

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

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

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

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

In 2020 the Company has used income approach for valuation of investments into facility management entities. It was used discounted cash flows method. In 2021 facility management entities is measured according to signed sale agreement (Note 3).

In 2021 and 2020 the Company has determined net assets value as difference between assets and liabilities, measured using combination of income and market approach, for valuation of investments into UAB Litagra (agriculture activity). Discounted cash flows technique was used for income approach. Value of land was determined by using market approach. The cash flows were adjusted by rent costs of owned land. The final value of investments was determined by combining value of subgroups, land owned by group of UAB Litagra and other item of assets and liabilities of holding entity to determine net assets value. In 2021 substantially all land was valued by external asset valuers. Significant part of land was newly valued by external asset valuers in 2020. Valuation of other part of land was made at the end of 2019.

Agricultural activities include the primary crop and livestock (milk) production, feed production and grain processing and poultry farming. UAB Litagra is holding company which directly and indirectly owned shares of multiple entities which for valuation are divided into two subgroups. It was prepared separate cash flows for each subgroup and used different discount rate. One subgroup comprises the primary crop and livestock (milk) production. Second subgroup comprises feed production and grain processing and poultry farming.

UAB Kelio Ženkiai was measured according to fair value of its assets and liabilities. The main assets - buildings - of UAB Kelio Ženkiai were valued using sales comparison method. On the assessment the value of UAB Kelio Ženkiai reflects its net assets value. After disposal in 2021 the Company measured granted loan to UAB Kelio Ženkiai at the same techniques as in 2020 were measured shares and granted loan together.

Investments into UAB MD Partners are measured as fair value of net assets value of entity, where main indirectly owned assets – investment into MAIB bank – are measured using price to earnings (P/E) and P/BV multiplier technique of comparable banks from the Central and Eastern Europe (13 peers are selected in 2021 and 9 peers are selected in 2020) and applying discount. Discount reflects lack of marketability and country and MAIB risk. Structure of investments into MAIB is described in Note 1. The Company indirectly has 7.9% shares of MAIB. There were also some cash and liabilities at the level intermediate entities UAB MD Partners and HEIM Partners Limited.

12 Fair value estimation (cont'd)

Financial instruments carried at fair value (cont'd)

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

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

The following table represents inputs and fair value valuation techniques of unconsolidated subsidiaries, associates and other investments used by the Company and the Group as at 31 December 2021:

| Profile of activities | Fair value | Valuation technique | Inputs | Values of inputs |
|--|------------|---|---|---|
| Facility management (UAB Inservis, UAB Įmonių Grupė Inservis*) (Level 3) | 7,244 | Transaction price | - | - |
| Agriculture (UAB Litagra) (Level 3) | 18,079 | Fair value of net assets determined by using combination of discounted cash flows and sales comparison method | EBITDA margin Discount rate Terminal growth rate Average value of 1 ha of land, EUR | 5%-6% and 16%-17% 7.09% and 7.48% 1% 6,213 |
| Road signs production, wood manufacturing (UAB Kelio Ženkilai) (Level 3) | 277 | Fair value of net assets | - | - |
| Investment entity (UAB MD partners, investment into MAIB)** (Level 3) | 15,723 | Comparable companies in the market | P/BV P/E Net profit, EUR million Equity, EUR million Discount for lack of marketability and country and MAIB risk | 1.28 11.88 34.5 271 49% |
| Investment entity (UAB Cedus Invest) (Level 2) | 19 | Fair value of net assets | - | - |
| Dormant SPEs (Level 2) | 11 | Fair value of net assets | - | - |
| BSGF (Level 3) | 15,597 | Fair value of net assets determined by using discounted cash flows | Discount rate Terminal growth rate EBITDA margin | 9.46%-10.8% 1% 3.7-16% |
| INVL Sustainable Timberland and Farmland Fund II (investment is held by consolidated subsidiary) (Level 3) | 2,129 | Fair value of net assets determined by using discounted cash flows | Discount rate Annual inflation rate | 5-5.25% 2-4.75% |

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

** In 2021 the discount for lack of marketability and political risk of MAIB and of country has been revised. The total discount rate was reduced from 60% to 49% mainly due to reduction in estimated political risk. The reduction in political risk relates to positive changes in Moldavian political environment (election of pro-European President and Government) and approved plan for the bank's initial public offering.

12 Fair value estimation (cont'd)

Financial instruments carried at fair value (cont'd)

The following table represents inputs and fair value valuation techniques of unconsolidated subsidiaries and associates used by the Company and the Group as at 31 December 2020:

| Profile of activities | Fair value | Valuation technique | Inputs | Values of inputs |
|--|------------|---|---|---|
| Facility management (UAB Inservis, UAB Įmonių Grupė Inservis*) (Level 3) | 5,775 | Discounted cash flows | Yearly increase of sales Yearly increase of expenses Discount rate Terminal growth rate | 2%-4.5% 3.5%-5% 10.1% 0.5% |
| Agriculture (UAB Litagra) (Level 3) | 18,085 | Fair value of net assets determined by using combination of discounted cash flows and sales comparison method | EBITDA margin Discount rate Terminal growth rate Average value of 1 ha of land, EUR | 5%-6% and 17% 7.35% and 7.76% 1% 5,895 |
| Road signs production, wood manufacturing (UAB Kelio Ženkilai) (Level 3) | 297 | Fair value of net assets | - | - |
| Investment entity (UAB MD partners, investment into MAIB)** (Level 3) | 7,352 | Comparable companies in the market | P/BV P/E Net profit, EUR million Equity, EUR million Discount for lack of marketability and country and MAIB risk | 0.86 9.47 27 235 60% |
| Investment entity (UAB Cedus Invest) (Level 2) | 84 | Fair value of net assets | - | - |
| Dormant SPEs (Level 2) | 41 | Fair value of net assets | - | - |
| BSGF (Level 3) | 7,492 | Fair value of net assets determined by using discounted cash flows | Discount rate Terminal growth rate EBITDA margin | 10.59%-11.59% 1% 5.3-10.6% |

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

**The discount for lack of marketability and country and MAIB risk used for valuation of investment into MAIB has remained unchanged in 2020 because there were no new transactions in 2020 that would be suitable for recalibration of the discount rate and also there are no other market indications implying required change in this assumption.

12 Fair value estimation (cont'd)

Financial instruments carried at fair value (cont'd)

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

| Profile of activities | Unobservable inputs | Reasonable possible shift +/- (absolute value/bps/%) | Change in Valuation +/- | |
|--|---|--|-------------------------|------------------------|
| | | | As at 31 December 2021 | As at 31 December 2020 |
| Facility management (UAB Inservis, UAB Įmonių Grupė Inservis) (Level 3) | Discount rate | 100 bps | - | (468)/576 |
| | Terminal growth rate | 50 bps | - | 172/(155) |
| Agriculture (UAB Litagra) (Level 3) | Change in average value of 1 ha of land | 1% | 116/(116) | 109/(109) |
| | Discount rate | 100 bps | (1,963)/2,684 | (1,631)/2,198 |
| | Terminal growth rate | 50 bps | 949/(811) | 766/(659) |
| Investment entity (UAB MD partners, investment into MAIB) (Level 3) | P/BV | 0.1 | 549/(549) | 380/(380) |
| | P/E | 0.5 | 367/(367) | 222/(222) |
| | Net profit, EUR thousand | 5% | 478/(478) | 230/(230) |
| | Discount for lack of marketability and country risk | 100 bps | (306)/306 | (182)/182 |
| | Discount rate | 200 bps | (4,814)/6,891 | (506)/1,324 |
| BSGF (Level 3) | Terminal growth rate | 100 bps | 392/(1,277) | 191/(167) |
| | EBITDA margin | 100 bps | 3,218/(3,524) | 488/(493) |
| INVL Sustainable Timberland and Farmland Fund II (investment is held by consolidated subsidiary) (Level 3) | Discount rate | 100 bps | (1,386)/2,472 | - |
| | Annual inflation rate | 100 bps | 2,518/(1,389) | - |

12 Fair value estimation (cont'd)

Financial instruments carried at fair value (cont'd)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2021:

| | Level 1 | Level 2 | Level 3 | Total balance |
|--|---------------|--------------|---------------|----------------|
| Assets | | | | |
| Unconsolidated subsidiaries | | | | |
| - Facilities management | - | - | 7,244 | 7,244 |
| - Bank sector | - | - | 15,723 | 15,723 |
| - Other activities | - | 30 | - | 30 |
| Associates | | | | |
| - Agriculture | - | - | 18,079 | 18,079 |
| - Real estate | 4,402 | - | - | 4,402 |
| Financial assets at fair value through profit or loss | | | | |
| - Information technology | 5,745 | - | - | 5,745 |
| - Bank sector | 37,039 | 1,575 | - | 38,614 |
| - Other ordinary shares | - | 2 | 445 | 447 |
| - Collective investment undertakings - funds | - | 2,778 | 18,016 | 20,794 |
| - Agriculture (loans granted) | - | - | 2,239 | 2,239 |
| - Other activities (loans granted) | - | - | 277 | 277 |
| Total Assets | 47,186 | 4,385 | 62,023 | 113,594 |
| Liabilities | - | - | - | - |

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2021:

| | Level 1 | Level 2 | Level 3 | Total balance |
|--|---------------|--------------|---------------|---------------|
| Assets | | | | |
| Unconsolidated subsidiaries | | | | |
| - Facilities management | - | - | 7,244 | 7,244 |
| - Bank sector | - | - | 15,723 | 15,723 |
| - Other activities | - | 30 | - | 30 |
| Associates | | | | |
| - Agriculture | - | - | 18,079 | 18,079 |
| - Real estate | 4,402 | - | - | 4,402 |
| Financial assets at fair value through profit or loss | | | | |
| - Information technology | 5,134 | - | - | 5,134 |
| - Bank sector | 24,825 | 1,575 | - | 26,400 |
| - Other ordinary shares | - | 2 | 445 | 447 |
| - Collective investment undertakings - funds | - | 1,370 | 15,629 | 16,999 |
| - Agriculture (loans granted) | - | - | 2,239 | 2,239 |
| - Other activities (loans granted) | - | - | 277 | 277 |
| Total Assets | 34,361 | 2,977 | 59,636 | 96,974 |
| Liabilities | - | - | - | - |

12 Fair value estimation (cont'd)

Financial instruments carried at fair value (cont'd)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2020:

| | Level 1 | Level 2 | Level 3 | Total balance |
|--|---------------|--------------|---------------|---------------|
| Assets | | | | |
| Unconsolidated subsidiaries | | | | |
| - Facilities management | - | - | 5,775 | 5,775 |
| - Bank sector | - | - | 7,352 | 7,352 |
| - Other activities | - | 125 | 297 | 422 |
| Associates | | | | |
| - Agriculture | - | - | 18,085 | 18,085 |
| - Real estate | 8,530 | - | - | 8,530 |
| Financial assets at fair value through profit or loss | | | | |
| - Information technology | 4,272 | - | - | 4,272 |
| - Bank sector | 18,376 | - | - | 18,376 |
| - Other ordinary shares | - | 3 | 445 | 448 |
| - Collective investment undertakings - funds | - | 2,740 | 8,276 | 11,016 |
| Total Assets | 31,178 | 2,868 | 40,230 | 74,276 |
| Liabilities | - | - | 18 | 18 |

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2020:

| | Level 1 | Level 2 | Level 3 | Total balance |
|--|---------------|--------------|---------------|---------------|
| Assets | | | | |
| Unconsolidated subsidiaries | | | | |
| - Facilities management | - | - | 5,775 | 5,775 |
| - Bank sector | - | - | 7,352 | 7,352 |
| - Other activities | - | 125 | 297 | 422 |
| Associates | | | | |
| - Agriculture | - | - | 18,085 | 18,085 |
| - Real estate | 8,530 | - | - | 8,530 |
| Financial assets at fair value through profit or loss | | | | |
| - Information technology | 3,808 | - | - | 3,808 |
| - Bank sector | 16,409 | - | - | 16,409 |
| - Other ordinary shares | - | 3 | 445 | 448 |
| - Collective investment undertakings - funds | - | 1,335 | 7,548 | 8,883 |
| Total Assets | 28,747 | 1,463 | 39,502 | 69,712 |
| Liabilities | - | - | - | - |

During 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements.

12 Fair value estimation (cont'd)

Financial instruments carried at fair value (cont'd)

Financial instruments in Level 3 (cont'd)

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

The following table presents the changes in Level 3 instruments of the Group for the period ended 31 December 2021:

| | Facilities management | Agriculture | Bank sector (MAIB) | Other activities | Collective investment undertakings | Total |
|---|--------------------------|---------------|-----------------------|---------------------|--|---------------|
| Balance at 31 December 2020 | 5,775 | 18,085 | 7,352 | 742 | 8,276 | 40,230 |
| Gains and losses recognised in profit or loss (within 'Net changes in fair value of financial assets at fair value through profit or loss') | 1,469 | (6) | 8,371 | 171 | 9,064 | 19,069 |
| Loans granted | - | 2,234 | - | 453 | - | 2,687 |
| Interest charged | - | 5 | - | 26 | - | 31 |
| Interest paid | - | - | - | (26) | - | (26) |
| Acquisition | - | - | - | - | 1,064 | 1,064 |
| Disposal | - | - | - | (644) | (388) | (1,032) |
| Balance at 31 December 2021 | 7,244 | 20,318 | 15,723 | 722 | 18,016 | 62,023 |
| Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period | 1,469 | (6) | 8,371 | 171 | 9,064 | 19,069 |

The following table presents the changes in Level 3 instruments of the Company for the period ended 31 December 2021:

| | Facilities management | Agriculture | Bank sector (MAIB) | Other activities | Collective investment undertakings | Total |
|---|--------------------------|---------------|-----------------------|---------------------|--|---------------|
| Balance at 31 December 2020 | 5,775 | 18,085 | 7,352 | 742 | 7,548 | 39,502 |
| Gains and losses recognised in profit or loss (within 'Net changes in fair value of financial assets at fair value through profit or loss') | 1,469 | (6) | 8,371 | 171 | 7,587 | 17,592 |
| Loans granted | - | 2,234 | - | 453 | - | 2,687 |
| Interest charged | - | 5 | - | 26 | - | 31 |
| Interest paid | - | - | - | (26) | - | (26) |
| Acquisition | - | - | - | - | 553 | 553 |
| Disposal | - | - | - | (644) | (59) | (703) |
| Balance at 31 December 2021 | 7,244 | 20,318 | 15,723 | 722 | 15,629 | 59,636 |
| Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period | 1,469 | (6) | 8,371 | 171 | 7,587 | 17,592 |

12 Fair value estimation (cont'd)

Financial instruments carried at fair value (cont'd)

Financial instruments in Level 3 (cont'd)

The following table presents the changes in Level 3 instruments of the Group for the period ended 31 December 2020:

| | Facilities management | Agriculture | Bank sector (MAIB) | Other activities | Collective investment undertakings | Total |
|---|--------------------------|---------------|-----------------------|---------------------|--|---------------|
| Balance at 31 December 2019 | 4,511 | 17,256 | 8,022 | 1,181 | 3,787 | 34,757 |
| Gains and losses recognised in profit or loss (within 'Net changes in fair value of financial assets at fair value through profit or loss') | 1,264 | 829 | (670) | (492) | (782) | 149 |
| Loans granted | - | - | - | 40 | - | 40 |
| Interest charged | - | - | - | 13 | - | 13 |
| Acquisition | - | - | - | - | 5,659 | 5,659 |
| Disposal | - | - | - | - | (388) | (388) |
| Balance at 31 December 2020 | 5,775 | 18,085 | 7,352 | 742 | 8,276 | 40,230 |
| Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period | 1,264 | 829 | (670) | (492) | (782) | 149 |

The following table presents the changes in Level 3 instruments of the Company for the period ended 31 December 2020:

| | Facilities management | Agriculture | Bank sector (MAIB) | Other activities | Collective investment undertakings | Total |
|---|--------------------------|---------------|-----------------------|---------------------|--|---------------|
| Balance at 31 December 2019 | 4,511 | 17,256 | 8,022 | 1,181 | 3,577 | 34,547 |
| Gains and losses recognised in profit or loss (within 'Net changes in fair value of financial assets at fair value through profit or loss') | 1,264 | 829 | (670) | (492) | (828) | 103 |
| Loans granted | - | - | - | 40 | - | 40 |
| Interest charged | - | - | - | 13 | - | 13 |
| Acquisition | - | - | - | - | 5,187 | 5,187 |
| Disposal | - | - | - | - | (388) | (388) |
| Balance at 31 December 2020 | 5,775 | 18,085 | 7,352 | 742 | 7,548 | 39,502 |
| Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period | 1,264 | 829 | (670) | (492) | (828) | 103 |

12 Fair value estimation (cont'd)

Financial instruments carried at fair value (cont'd)

Financial instruments in Level 3 (cont'd)

The following table presents the changes in the contingent consideration (Level 3 financial liability measurement) of the Group for the period ended 31 December 2020 and 2021:

| | 2021 | 2020 |
|---|-------------|-------------|
| Balance at 1 January | (18) | (36) |
| Gains and losses recognised in profit or loss (within 'Net changes in fair value of financial assets at fair value through profit or loss') | - | - |
| Paid | 18 | 18 |
| Balance at 31 December | - | (18) |
| Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period | - | - |

13. Financial assets at fair value through profit or loss

| | Group | | Company | |
|---|---------------|---------------|---------------|---------------|
| | 2021 | 2020 | 2021 | 2020 |
| <i>Financial assets at fair value through profit or loss (excluding held-for-trading)</i> | | | | |
| Ordinary shares – quoted | 42,784 | 22,648 | 29,959 | 20,217 |
| Derivatives (forward) | 1,575 | - | 1,575 | - |
| Investment funds units | 20,793 | 11,016 | 16,998 | 8,883 |
| Ordinary shares - unquoted | 448 | 448 | 448 | 448 |
| Loans granted | 2,516 | - | 2,516 | - |
| Total financial assets at fair value through profit or loss | <u>68,116</u> | <u>34,112</u> | <u>51,496</u> | <u>29,548</u> |
| Non-current financial assets at fair value through profit or loss | 63,335 | 32,945 | 47,887 | 29,548 |
| Current financial assets at fair value through profit or loss | <u>4,781</u> | <u>1,167</u> | <u>3,609</u> | - |

Investing in AB Šiaulių bankas

On 22 December 2021 the Company signed a Share Purchase-Sale Agreement with the European Bank for Reconstruction and Development (EBRD). The parties agreed that the Company will directly and/or indirectly acquire from EBRD 35,240,296 shares of AB Šiaulių bankas by 31 May 2024 at the latest. The shares will not be acquired all at once, but in instalments, in separate tranches. The parties have agreed that the initial price for AB Šiaulių bankas shares is EUR 0.633 per share and it will be recalculated during every payment considering dividends paid or other changes in capital by AB Šiaulių bankas, as well as 5% annual interest calculated from the date of signing the agreement. On 29 December 2021 the consolidated subsidiary INVL Life UAB completed first tranche by acquiring 11,772,840 shares for the total amount of EUR 7,459 thousand. The agreement provides that if the shares acquired under this agreement within 18 months, after their acquisition, would be disposed, 50% of the earned gain must be paid to the EBRD. However, when selling the shares of AB Šiaulių bankas, it is primarily considered that the shares held by the Group prior to the agreement are being sold. No profit-sharing is foreseen from them.

After first tranche the Group owns 8.1% of the shares of AB Šiaulių bankas. The Company has not made a decision to increase the number of directly or indirectly owned shares of AB Šiaulių bankas to such an extent that the threshold of 10% of AB Šiaulių bankas shares is reached or exceeded. In case it is planned to reach or exceed the limit of 10% of AB Šiaulių bankas shares in any of the subsequent stages of acquisition, the Management Board of the Company will have to reconsider this issue and make an additional decision on maintaining the existing AB Šiaulių bankas shares and/or acquiring new shares.

The Company has recognised forward (derivative) at fair value of EUR 1,575 thousand as consequence of obligation to purchase shares in the future. 11,772,840 shares of AB Šiaulių bankas, owned by the Company was pledged to EBRD to secure obligation of mentioned above agreement (as at 31 December 2021 carrying amount – EUR 8,959 thousand).

The Company has sold for EUR 249 thousand the 0.05% of shares of AB Šiaulių bankas to INVL Life UAB. The settlement was deferred and was set-offed in January 2022 by increasing of share capital of INVL Life UAB.

13 Financial assets at fair value through profit or loss (cont'd)

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

The Management Board of the Company on 5 February 2019 approved entering into INVL Baltic Sea Growth Fund Partnership Agreement and a Subscription Agreement related to investment in the closed-end private equity fund INVL Baltic Sea Growth Fund (hereinafter – BSGF), which is managed by consolidated subsidiary UAB INVL Asset Management. The Company has committed to invest EUR 20,124 thousand in BSGF. It is provided that the capital committed to the fund will be called in stages, for the execution of specific transactions. After the investment in BSGF is made, the Company undertakes not to invest in private equity assets that comply with the fund's strategy and to conduct its main investment activity through this fund.

In February 2020 was completed third and last closing of BSGF. Fund's size reached EUR 164.7 million of commitments. After final closing the Company has owned 12.2% of fund units. As a consequence of equalisation to the Company was refunded EUR 265 thousand and EUR 123 thousand was set-off for new units' acquisition. During 2020 the Company has transferred EUR 5,008 thousand of cash into BSGF. During 2021 the Company has transferred EUR 521 thousand of cash into BSGF. The outstanding capital commitment to BSGF is EUR 12,257 thousand.

In 2020 the Group and the Company have additionally invested EUR 2,030 thousand and EUR 158 thousand by cash into other financial assets at fair value through profit or loss, respectively, and have sold them for EUR 4,718 and EUR 4,078 thousand by cash, respectively. The Group and the Company have acquired managed investment fund INVL Emerging Europe Bond Subfund from unconsolidated subsidiary for EUR 217 thousand by set-offting with dividend payable from unconsolidated subsidiary.

In 2021 the Group and the Company have additionally invested EUR 3,224 thousand and EUR 1,523 thousand by cash into other financial assets at fair value through profit or loss, respectively, and have sold them for EUR 2,925 and EUR 1,417 thousand by cash, respectively.

14. Loans granted

As at 31 December 2020 and 2021 the Group's and the Company's loans granted with nominal value of EUR 682 thousand and EUR 682 thousand, respectively, were impaired and fully provided for from the year of 2009. As impact of applying of IFRS 9 the loan granted is written-off, but are still subject to enforcement activity.

15. Trade, other receivables and contract assets

| | Group | | Company | |
|---|--------------|--------------|------------|------------|
| | 2021 | 2020 | 2021 | 2020 |
| Trade and other receivables, gross | 3,823 | 2,430 | 373 | 882 |
| Dividends receivable (including receivable form share capital decrease) | - | - | 60 | - |
| Taxes receivable, gross | 3 | 9 | - | - |
| Contract assets | 1,316 | 303 | - | - |
| Less: allowance for doubtful trade and other receivables | (8) | (8) | - | - |
| | <u>5,134</u> | <u>2,734</u> | <u>433</u> | <u>882</u> |

Changes in allowance for doubtful trade and other receivables for the year 2021 and 2020 have been included within 'Provision for impairment of financial and contract assets' expenses in the income statement.

Trade and other receivables are non-interest bearing and are generally on 10–30 days terms. Receivables from related parties are disclosed in more details in Note 26.

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

| | Group | Company |
|---|-------|---------|
| Balance as at 31 December 2019 | 8 | - |
| Charge for the year | - | - |
| Write-off | - | - |
| Reversal of amounts previously impaired | - | - |
| Balance as at 31 December 2020 | 8 | - |
| Charge for the year | - | - |
| Write-off | - | - |
| Reversal of amounts previously impaired | - | - |
| Balance as at 31 December 2021 | 8 | - |

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

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

| | Current | Less than 30 days | 30–90 days | 90–180 days | More than 180 days | Total |
|---|--------------|-------------------|------------|-------------|--------------------|--------------|
| As at 31 December 2021 | | | | | | |
| Trade and other receivables, gross | 3,755 | - | - | - | 68 | 3,823 |
| Contract assets | 1,316 | - | - | - | - | 1,316 |
| Expected credit losses | - | - | - | - | (8) | (8) |
| Trade and other receivable and contract assets net of expected credit losses | 5,071 | - | - | - | 60 | 5,131 |
| As at 31 December 2020 | | | | | | |
| Trade and other receivables, gross | 2,422 | - | - | - | 8 | 2,430 |
| Contract assets | 303 | - | - | - | - | 303 |
| Expected credit losses | - | - | - | - | (8) | (8) |
| Trade and other receivable and contract assets net of expected credit losses | 2,725 | - | - | - | - | 2,725 |

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

| | Current | Less than 30 days | 30–90 days | 90–180 days | More than 180 days | Total |
|---|------------|-------------------|------------|-------------|--------------------|------------|
| As at 31 December 2021 | | | | | | |
| Trade and other receivables, gross | 373 | - | - | - | 60 | 433 |
| Expected credit losses | - | - | - | - | - | - |
| Trade and other receivable net of expected credit losses | 373 | - | - | - | 60 | 433 |
| As at 31 December 2020 | | | | | | |
| Trade and other receivables, gross | 882 | - | - | - | - | 882 |
| Expected credit losses | - | - | - | - | - | - |
| Trade and other receivable net of expected credit losses | 882 | - | - | - | - | 882 |

EUR 60 thousand is remaining dividends receivable from unconsolidated subsidiary, which would be settled in 2022 after completion of sales of facilities management entities.

16. Cash and cash equivalents

| | Group | | Company | |
|--------------|--------------|--------------|------------|------------|
| | 2021 | 2020 | 2021 | 2020 |
| Cash at bank | 5,910 | 5,741 | 716 | 762 |
| | <u>5,910</u> | <u>5,741</u> | <u>716</u> | <u>762</u> |

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

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

As at 31 December 2021 and 2020, the Group and the Company had previous term deposits at insolvent AB Bankas Snoras with the maturity of more than 3 months, which are fully provided for and as impact of IFRS 9 is written-off as at 1 January 2018, but are still subject to enforcement activity (gross amount EUR 3,122 thousand).

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

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

| | Group | | Company | |
|-----------------|--------------|--------------|------------|------------|
| | 2021 | 2020 | 2021 | 2020 |
| Moody's ratings | | | | |
| Prime-1 | 1,877 | 653 | 112 | 12 |
| Prime-2 | 4,033 | 5,088 | 604 | 750 |
| Prime-3 | - | - | - | - |
| | <u>5,910</u> | <u>5,741</u> | <u>716</u> | <u>762</u> |

17. Share capital, share premium and own shares

The total authorised number of ordinary shares is 11,978,573 (as of 31 December 2020: 11,918,899 shares) with a par value of EUR 0.29 per share. All issued shares are fully paid.

Changes during 2020

On 3 June 2020 78,867 units of the Company's own shares was sold for EUR 15 thousand to the Group employees exercising share options granted in 2017 (the selling price per share was EUR 0.20). The acquisition cost of the sold own shares amounted to EUR 319 thousand. The reserve for the acquisition of own shares was reduced by the loss on disposals of own shares (EUR 304 thousand).

Changes during 2021

On 8 June 2021 the Register of Legal Entities has registered an increased authorized capital of the Company. Since that date the total number of issued shares is 11,978,573 with a par value of EUR 0.29 per share. Authorized share capital of the Company is amounted to EUR 3,473,786.17. It was issued 59,674 ordinary registered shares with an issue price of EUR 0.29. The shares were issued in order to realize the stock options granted in 2018 to the employees of the Group. EUR 0.20 per share was paid in cash and EUR 0.09 per share was settled from reserve for the grant of shares. Therefore, the share capital is increased by EUR 18 thousand and reserve for the grant of shares was decrease by EUR 5 thousand.

18. Reserves

The movements in legal and other reserves are as follows:

| Group | Legal reserve | Reserve for the acquisition of own shares | Reserve for the grant of shares | Share based payments reserve | Total |
|--|---------------|---|---------------------------------|------------------------------|---------------|
| As at 31 December 2019 | 509 | 11,121 | 900 | 632 | 13,162 |
| Transfer to reserves | 110 | - | - | - | 110 |
| Share-based payments | - | - | - | 325 | 325 |
| Disposals of own shares (share option exercised) | - | (304) | - | - | (304) |
| As at 31 December 2020 | 619 | 10,817 | 900 | 957 | 13,293 |
| Transfer to reserves | 90 | - | - | (236) | (146) |
| Share-based payments | - | - | - | 584 | 584 |
| Increase of share capital (share option exercised) | - | - | (5) | - | - |
| As at 31 December 2021 | 709 | 10,817 | 895 | 1,305 | 13,726 |

Reserves of the Company is the same as in the Group, except the legal reserve, which is amounted to EUR 473 thousand as at 31 December 2019 and 2020.

Legal reserve

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

Reserve for the acquisition of own shares

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

Reserve for the grant of shares

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

18 Reserves (cont'd)

Share-based payments reserve

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

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

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

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

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

| | Number of options, thousand | |
|--|-----------------------------|------------|
| | 2021 | 2020 |
| Balance as at 1 January | 446 | 242 |
| Granted during year | 66 | 317 |
| Change in accrued number for rendered services at year-end | - | (33) |
| Forfeited | (1) | (1) |
| Exercised | (60) | (79) |
| Balance as at 31 December | 451 | 446 |
| Vested and exercisable at 31 December | 172 | 161 |

In June 2021 the Group employees exercised share options granted in 2018 by acquiring new issued shares of the Company for EUR 0.20 per share. Exercise price was decreased from EUR 1 to EUR 0.20 to reflect approved and paid dividends of EUR 0.80 per share. The share price at the date of exercise of share options was EUR 9.5.

On 3 June 2020 the Group employees exercised share options granted in 2017 by acquiring the own shares of the Company for EUR 0.20 per share. Exercise price was decreased from EUR 1 to EUR 0.20 to reflect approved and paid dividends of EUR 0.80 per share. The share price at the date of exercise of share options was EUR 6.9.

18 Reserves (cont'd)

Share-based payments reserve (cont'd)

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

As at 31 December 2021

| | Expiry date | Share options, thousand | Share price | Volatility | Expected dividend yield | Risk-free interest rate | Fair value of share option |
|---------------------------|---------------|-------------------------|-------------|------------|-------------------------|-------------------------|----------------------------|
| Granted on 11 August 2016 | 30 April 2023 | 25 | 4.00 | 40.87% | 0% | (0.422%) | 3.06 |
| Granted on 6 May 2019 | 6 May 2022 | 69 | 5.65 | 30.90% | 0% | (0.566%) | 4.63 |
| Granted on 25 May 2020 | 25 May 2023 | 59 | 6.75 | 30.74% | 0% | (0.675%) | 5.73 |
| Granted on 1 July 2020 | 15 July 2023 | 232 | 7.00 | 30.76% | 0% | (0.667%) | 0.71 |
| Granted on 10 May 2021 | 10 May 2024 | 66 | 9.40 | 30.03% | 0% | (0.692%) | 8.38 |
| Total | - | 451 | - | - | - | - | - |

As at 31 December 2020

| | Expiry date | Share options, thousand | Share price | Volatility | Expected dividend yield | Risk-free interest rate | Fair value of share option |
|---------------------------|---------------|-------------------------|-------------|------------|-------------------------|-------------------------|----------------------------|
| Granted on 11 August 2016 | 30 April 2023 | 25 | 4.00 | 40.87% | 0% | (0.422%) | 3.06 |
| Granted on 3 May 2018 | 3 May 2021 | 60 | 5.25 | 32.38% | 0% | (0.423%) | 4.24 |
| Granted on 6 May 2019 | 6 May 2022 | 69 | 5.65 | 30.90% | 0% | (0.566%) | 4.63 |
| Granted on 25 May 2020 | 25 May 2023 | 60 | 6.75 | 30.74% | 0% | (0.675%) | 5.73 |
| Granted on 1 July 2020 | 15 July 2023 | 232 | 7.00 | 30.76% | 0% | (0.667%) | 0.71 |
| Total | - | 446 | - | - | - | - | - |

In 2021 and 2020 the share-based payment expenses were recognised in the income statement of the Company and the Group within "Employee benefits expenses" as the fair value of share options. In 2021 and 2020 the Group recognized EUR 216 thousand and EUR 129 thousand of expenses from equity settled share-based payment transaction, respectively. In 2021 and 2020 on the Group level liability of EUR 368 thousand and EUR 196 thousand was reclassified to the share based payment reserve, respectively, when employees chose share option instead of cash alternative. In 2021 and 2020 the Group has recognised EUR 1,247 thousand and 736 EUR thousand from cash alternative of share based payment transaction. In 2021 the Company has recognised EUR 29 thousand of expenses and EUR 555 thousand as additional investment to consolidated subsidiaries. In 2020 the Company has recognised EUR 26 thousand of expenses and EUR 298 thousand as additional investment to consolidated subsidiaries. The unrecognised liability from cash alternative of share-based payment arrangement for unvested service condition is amounted to EUR 246 thousand (2020: EUR 236 thousand). The unrecognised expenses from equity settled share-based payment transaction for unvested service condition is amounted to EUR 153 thousand (2020: EUR 196 thousand).

19. Borrowings

In July 2020 the Company has received EUR 27 thousand borrowings from UAB Aktyvo. Weighted average effective interest rates of borrowings during the year:

| | Group | | Company | |
|------------|-------|-------|---------|-------|
| | 2021 | 2020 | 2021 | 2020 |
| Borrowings | 3.00% | 3.00% | 3.00% | 3.00% |

Changes in liabilities arising from financing activities (borrowings) are presented in the table below (changes in lease liabilities is presented in Note 25):

| | Company |
|---|------------|
| | Borrowings |
| As at 31 December 2019 | - |
| Borrowings received during year | 27 |
| Interest paid | - |
| Interest expenses | 1 |
| As at 31 December 2020 | 28 |
| Borrowings repaid during year (set-off with receivable from share capital decrease) | (28) |
| As at 31 December 2021 | - |

20. Trade payables

Trade payables are non-interest bearing and are normally settled on 14–60 day terms. For terms and conditions relating to related parties please refer to Note 26.

21. Contract liabilities

Movement in the account of contract liabilities is presented below:

| Group | 2021 | 2020 |
|---|--------------|--------------|
| Balance as at 1 January | 1,206 | 785 |
| During period received cash for satisfying of performance obligation | 462 | 532 |
| Recognised revenue during period partly satisfied performance obligation | (158) | (111) |
| Balance as at 31 December | 1,510 | 1,206 |
| Non-current | 1,326 | 1,068 |
| Current | 184 | 138 |
| Revenue recognised from amounts included in contract liabilities at the beginning of the year | 138 | 85 |

22. Other liabilities

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

| | Group | | Company | |
|---|--------------|--------------|------------|------------|
| | 2021 | 2020 | 2021 | 2020 |
| Financial liabilities | | | | |
| Dividends payable | 580 | 613 | 580 | 613 |
| Contingent consideration – financial liabilities at fair value through profit or loss | - | 18 | - | - |
| Other amounts payable | 404 | 269 | 65 | 19 |
| | <u>984</u> | <u>900</u> | <u>645</u> | <u>632</u> |
| Non – financial liabilities | | | | |
| Salaries, bonus plans (excluding cash alternative of share-based payment arrangement) and social security payable | 985 | 729 | 123 | 114 |
| Cash alternative of share-based payment arrangement and social security payable | 1,380 | 835 | - | - |
| Tax payable | 12 | 16 | 2 | - |
| | <u>2,377</u> | <u>1,580</u> | <u>125</u> | <u>114</u> |
| Total other current and non-current liabilities | <u>3,361</u> | <u>2,480</u> | <u>770</u> | <u>746</u> |
| Non-current liabilities | 163 | 136 | - | - |
| Current liabilities | <u>3,198</u> | <u>2,344</u> | <u>770</u> | <u>746</u> |

23. Financial risk management

23.1. Financial risk factors

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

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

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

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

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

23 Financial risk management (cont'd)

23.1 Financial risk factors (cont'd)

Credit risk

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

The Group estimates the credit risk separately by the segments.

The maximum exposure to credit risk and impairment of trade and other receivables and loans granted is disclosed in Notes 14 and 15. The maximum exposure to credit risk for loans granted classified as 'financial assets at fair value through profit or loss' in 2021 and as 'investments to unconsolidated subsidiaries and associate measured at fair value through profit or loss' in 2020 are their carrying amounts (EUR 297 thousand as at 31 December 2020 and EUR 2,516 thousand as at 31 December 2021). In Note 15 is also disclosed credit risk exposure of trade receivable. There are no significant transactions of the Group or the Company that occur outside Lithuania and Latvia.

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

The maximum exposure to credit risk from financial assets are:

| | Group | | Company | |
|-----------------------------|---------------|--------------|--------------|--------------|
| | 2021 | 2020 | 2021 | 2020 |
| Trade and other receivables | 3,815 | 2,422 | 433 | 882 |
| Loans granted | 2,516 | 297 | 2,516 | 297 |
| Cash at bank | 5,910 | 5,741 | 716 | 762 |
| | <u>12,241</u> | <u>8,460</u> | <u>3,665</u> | <u>1,941</u> |

Cash flow and fair value interest rate risk

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

The Group and the Company do not have any borrowing as at 31 December 2021. The Company and the Group have borrowings from unconsolidated subsidiary with fixed interest rates for one year at 31 December 2020. The Company and the Group have loans granted to their previous unconsolidated subsidiaries and to associates with fixed interest rates for one year. Therefore, the Group and the Company are not exposed to cash flow interest rate risk from loans granted.

Share price risk

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

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

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

| Index | Group | | Company | |
|---------|-------|-------|---------|-------|
| | 2021 | 2020 | 2021 | 2020 |
| OMXBGGI | 6,819 | 4,480 | 6,083 | 3,994 |

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

23 Financial risk management (cont'd)

23.1 Financial risk factors (cont'd)

Foreign exchange risk

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

The foreign currency risk at the Group and the Company is not large, taking into consideration that most monetary assets and obligations are denominated in euro. As at 31 December 2021 and 2020 the Group and Company have insignificant assets denominated in foreign currency.

Liquidity risk

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

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

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

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2021 and 2020 based on contractual undiscounted payments.

| | On demand | Less than 3 months | 4 to 12 months | 2 to 5 years | More than 5 years | Total |
|---------------------------------------|------------------|-------------------------------|---------------------------|-------------------------|------------------------------|--------------|
| Lease liabilities | - | 101 | 292 | 1,081 | - | 1,474 |
| Trade and other payables | - | 299 | 100 | - | - | 399 |
| Other liabilities | 580 | 404 | - | - | - | 984 |
| Balance as at 31 December 2021 | 580 | 804 | 392 | 1,081 | - | 2,857 |
| Lease liabilities | - | 100 | 293 | 1,370 | - | 1,763 |
| Trade and other payables | - | 229 | - | - | - | 229 |
| Financial liabilities at fair value | - | - | 18 | - | - | 18 |
| Other liabilities | 613 | 268 | 1 | - | - | 882 |
| Balance as at 31 December 2020 | 613 | 597 | 312 | 1,370 | - | 2,892 |

Financial risk management (cont'd)

23.1 Financial risk factors (cont'd)

Liquidity risk (cont'd)

The table below summarises the maturity profile of the Company's financial liabilities as at 31 December 2021 and 2020 based on contractual undiscounted payments.

| | On demand | Less than 3 months | 4 to 12 months | 2 to 5 years | More than 5 years | Total |
|---------------------------------------|------------|--------------------|----------------|--------------|-------------------|------------|
| Financial lease liabilities | - | 7 | 20 | 79 | - | 106 |
| Trade and other payables | - | 50 | - | - | - | 50 |
| Other current liabilities | 580 | 65 | - | - | - | 645 |
| Balance as at 31 December 2021 | 580 | 122 | 20 | 79 | - | 801 |
| Financial lease liabilities | - | 6 | 19 | 98 | - | 123 |
| Trade and other payables | - | 3 | - | - | - | 3 |
| Other current liabilities | 613 | 19 | - | - | - | 632 |
| Balance as at 31 December 2020 | 613 | 28 | 19 | 98 | - | 758 |

The Group's liquidity ratio (total current assets / total current liabilities) as at 31 December 2021 was approximately 3.22 (3.00 as at 31 December 2020). The Company's liquidity ratio as at 31 December 2021 was approximately 3.11 (2.11 as at 31 December 2020). The Group's and the Company's management considers the liquidity position of the Group and the Company based on the current market conditions and takes actions to keep the favourable situation.

23.2. Capital management

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

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

The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions and specific risks of their activity. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year 2021 and 2020.

The Company is obliged to keep its equity ratio at not less than 50 % of its share capital, as imposed by the Law on Companies of Republic of Lithuania. As at 31 December 2021 and 2020 all the Group consolidated subsidiaries comply with above mentioned requirement. Pursuant to the Law on State Funded Pensions of Republic of Latvia the authorised share capital of an investment management entity must be not less than EUR 2,000,000, if it managed pension funds of total assets more than 100 million, but up to EUR 200 million, and must be not less than EUR 3,000,000, if it managed pension funds of total assets more than EUR 200 million. As of 31 December 2021 and 2020 IPAS INVL Asset Management complied with this requirement.

The Company's consolidated subsidiaries UAB INVL Asset Management and UAB FMJ INVL Finasta are managing their capital and all relevant risks in accordance with requirements set by the Bank of Lithuania. The Company's consolidated subsidiary IPAS INVL Asset Management is managing their capital and all relevant risks in accordance with requirements set by the Financial and Capital Market Commission of Latvia. Internally there was approved a common risk level – to which extent the minimal capital adequacy requirement would not be violated and there would not be a real threat of its violation. UAB INVL Asset Management ensure that the capital adequacy ratio which is calculated dividing the entity's own funds by the required amount of capital according to the Bank of Lithuania requirements would be at least 1.0. Following the EU Regulation 2019/2033 on Prudential Requirements of Investment Firms which came into force in 2021, UAB FMJ INVL Finasta ensures that the capital adequacy ratio which is calculated dividing the entity's own funds by the total risk exposure amount according to the Bank of Lithuania requirements would be at least 100% (till 2020 the required capital adequacy ratio calculated according to previous regulations was at least 8%). IPAS INVL Asset Management own funds may never be lower than the higher of: 1) the sum total of the minimum initial capital and additional total own funds or 2) 25 per cent of the sum total amount of the fixed costs or fixed overheads of the previous full reporting year. As at 31 December 2021 and 2020 the above mentioned consolidated subsidiaries complied with these requirements.

24. Commitments and contingencies

Funds and individual portfolios managed by the Group

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

| | <u>2021</u> | <u>2020</u> |
|--------------------------------------|------------------|------------------|
| | unaudited | unaudited |
| 2 nd pillar pension funds | 1,002,488 | 753,359 |
| 3 rd pillar pension funds | 82,628 | 56,232 |
| Investment funds | 53,948 | 52,015 |
| Portfolios of clients | 99,822 | 87,283 |
| Alternative investments funds | 311,140 | 241,700 |
| Closed-end investment companies | 52,143 | 53,512 |
| Total | 1,602,169 | 1,244,101 |

Assets of clients held as custody by the Group

As at 31 December 2021 consolidated subsidiary UAB FMĮ „Finasta“ held as custody EUR 142,513 thousand of clients' assets (securities and cash; as at 31 December 2020 – EUR 125,549 thousand).

BSGF

As at 31 December 2021 the outstanding commitment of the Company to invest to BSGF is amounted to EUR 12,257 EUR, to invest to other funds is amounted to EUR 168 thousand.

As at 31 December 2020 the outstanding commitment of the Company to invest to BSGF is amounted to EUR 12,778 EUR.

As at 31 December 2021 the outstanding commitment of the Group to invest to funds is amounted to EUR 13,860 EUR

As at 31 December 2020 the outstanding commitment of the Group to invest to BSGF is amounted to EUR 13,709 EUR.

Tax legislation

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

Commitment for not yet commenced lease is disclosed in Note 25 below.

25. Lease

The Company has lease contract for premises and parking spaces. The lease term is until 2025. The lease contract has not any termination and extension option. The Company could only sub-lease premises to the Group companies, but has not entered in any sublease agreements. The Group has several lease contracts for premises and parking spaces. The lease terms were until 2022 and 2025, except leases, which are less than 12 months and for which Group applies the 'short-term lease' recognition exemption. As at 31 December 2020 the lease term was between 2021 and 2025. The Group's lease agreements have not unilaterally extension options. Some agreements have termination options, but the Group does expect to use them. Generally, the Group is restricted from assigning and subleasing the leased assets, excluding that in some contracts is determined right to sub-lease premises to the Group companies. But the Group has not entered in any sublease agreements, most of leases has lease indexation clause based on customer price index change. The terms of lease do not include restrictions on the activities of the Group and the Company in connection with the dividends, additional borrowings or additional lease agreements.

Right- of-use assets are presented as property, plant and equipment and is disclosed in Note 9. The maturity analysis of leases liabilities is disclosed in Note 23.1 (section liquidity risk).

The following is the amounts recognised in profit or loss in 2021:

| | <u>Group</u> | <u>Company</u> |
|--|--------------|----------------|
| Depreciation charge for right-of-use assets | (331) | (19) |
| Interest expenses (included in finance cost) | (81) | (8) |
| Expense relating to short-term lease | (10) | - |

The following is the amounts recognised in profit or loss in 2020:

| | <u>Group</u> | <u>Company</u> |
|--|--------------|----------------|
| Depreciation charge for right-of-use assets | (297) | (18) |
| Interest expenses (included in finance cost) | (130) | (10) |
| Expense relating to short-term lease | (12) | - |

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

| | <u>Group</u> | <u>Company</u> |
|-------------------------------|--------------|----------------|
| As at 1 January 2020 | 1,609 | 110 |
| Lease payments | (250) | (14) |
| Interest paid | (130) | (10) |
| Interest expenses | 130 | 10 |
| Addition | 85 | 2 |
| Derecognition | (6) | - |
| As at 31 December 2020 | 1,438 | 98 |
| Lease payments | (294) | (18) |
| Interest paid | (81) | (8) |
| Interest expenses | 81 | 8 |
| Addition | 267 | 20 |
| Derecognition | - | - |
| As at 31 December 2021 | 1,411 | 100 |

The Group has lease contract that have not yet commenced at 31 December 2021. The future lease payments for the non-cancellable lease contract are EUR 107 thousand within one year, EUR 352 thousand between 2 and 5 years after 31 December 2021.

26. Related party transactions

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

The related parties of the Group in 2021 and 2020 were unconsolidated subsidiaries, associates, the shareholders of the Company, who have joint control or significance influence (Note 1) and key management personnel, including companies under control or joint control of key management and shareholders having significant influence or joint control and including companies, where shareholders having joint control over the Company are key management personnel or having significant influence. To the other related parties are attributed entities left the Group during split-off occurred in 2014, because shareholders having joint control over the Company are key management personnel of these entities or having significant influence and managed funds.

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

Transactions of the Group with unconsolidated subsidiaries in 2021 and balances as at 31 December 2021 were as follows:

| 2021 Group | Revenue and other income from related parties | Purchases from related parties | Receivables from related parties (including presented in carrying value of investments) | Payables to related parties |
|---|---|---|--|--------------------------------|
| Loans and borrowings | 6 | 1 | - | - |
| Dividends | 1,493 | - | 60 | - |
| Accounting services | 4 | - | - | - |
| Acquisition or disposals of investments | 4,802 | - | - | - |
| | 6,305 | 1 | 60 | - |

Transactions of the Group with associates in 2021 and balances as at 31 December 2021 were as follows:

| 2021 Group | Revenue and other income from related parties | Purchases from related parties | Receivables from related parties | Payables to related parties |
|-----------------------------|---|-----------------------------------|-------------------------------------|--------------------------------|
| Loans and borrowings | 5 | - | 2,239 | - |
| Dividends | 2,423 | - | - | - |
| Management and success fees | 1,725 | - | 1,533 | - |
| Accounting services | 25 | - | - | - |
| Other services | 15 | - | - | - |
| | 4,193 | - | 3,772 | - |

The maturity of loans granted is 2022, effective interest rate is fixed at 4.5 %. Loans hold no collateral.

Transactions of the Group with other related parties in 2021 and balances as at 31 December 2021 were as follows:

| 2021 Group | Revenue and other income from related parties | Purchases from related parties | Receivables from related parties | Payables to related parties |
|---|---|-----------------------------------|-------------------------------------|--------------------------------|
| Accounting services | 33 | - | - | - |
| The group of UTIB INVL Technology (information technology maintenance services) | - | 238 | - | 23 |
| The group of AB INVL Baltic Farmland (land administration services) | 175 | - | 62 | - |
| Management fee (for UTIB INVL Technology) | 603 | - | 167 | - |
| Other services | 21 | 1 | - | - |
| | 832 | 239 | 229 | 23 |

26 Related party transactions (cont'd)

Transactions of the Group with unconsolidated subsidiaries in 2020 and balances as at 31 December 2020 were as follows:

| 2020 Group | Revenue and other income from related parties | Purchases from related parties | Receivables from related parties (including presented in carrying value of investments) | Payables to related parties |
|---|---|---|--|--------------------------------|
| Loans and borrowings | 13 | 1 | 297 | 28 |
| Dividends | 495 | - | - | - |
| Accounting services | 2 | - | - | - |
| Donation | - | 28 | - | - |
| Acquisition or disposals of investments | 1,081 | 217 | 800 | - |
| Other services | 1 | 4 | - | 4 |
| | 1,592 | 250 | 1,097 | 32 |

The maturity of loans granted is 2021, effective interest rate is fixed at 4.5 %. Loans hold no collateral. The Group classifies part of loans granted as long term, because has policy to prolong them on maturity date. The maturity of borrowings is 2021, effective interest rate is fixed at 3 %.

Transactions of the Group with associates in 2020 and balances as at 31 December 2020 were as follows:

| 2020 Group | Revenue and other income from related parties | Purchases from related parties | Receivables from related parties | Payables to related parties |
|-----------------------------|---|-----------------------------------|-------------------------------------|--------------------------------|
| Loans and borrowings | 13 | - | - | - |
| Rent and utilities services | 3 | 240 | - | - |
| Dividends | 6,605 | - | - | - |
| Management and success fees | 1,697 | - | 27 | - |
| Accounting services | 15 | - | - | - |
| Other services | 6 | - | 2 | - |
| | 8,339 | 240 | 29 | - |

Transactions of the Group with other related parties in 2020 and balances as at 31 December 2020 were as follows:

| 2020 Group | Revenue and other income from related parties | Purchases from related parties | Receivables from related parties | Payables to related parties |
|---|---|-----------------------------------|-------------------------------------|--------------------------------|
| Accounting services | 16 | - | - | - |
| The group of UTIB INVL Technology (information technology maintenance services) | - | 137 | - | 13 |
| The group of AB INVL Baltic Farmland (land administration services) | 206 | - | 126 | - |
| Management fee (for UTIB INVL Technology) | 471 | - | 124 | - |
| Other services | 10 | 3 | 10 | - |
| | 703 | 140 | 260 | 13 |

26 Related party transactions (cont'd)

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

Transactions of the Company with subsidiaries in 2021 and balances as at 31 December 2021 were as follows:

| 2021 Company | Revenue and other income from related parties | Purchases from related parties | Receivables from related parties | Payables to related parties |
|---|--|---|---|--|
| Loans and borrowings | 6 | 1 | - | - |
| Dividends | 3,448 | - | 60 | - |
| Transfer of tax losses | 62 | - | - | - |
| Accounting services | 6 | - | - | - |
| Acquisition or disposals of investments | 4,802 | - | 249 | - |
| Other services | 18 | 3 | 16 | 3 |
| | <u>8,342</u> | <u>4</u> | <u>325</u> | <u>3</u> |

Transactions of the Company with associates in 2021 and balances as at 31 December 2021 were as follows:

| 2021 Company | Revenue and other income from related Parties | Purchases from related parties | Receivables from related parties | Payables to related parties |
|-------------------------|--|---|---|--|
| Loans and borrowings | 5 | - | 2,239 | - |
| Dividends | 2,423 | - | - | - |
| Accounting services | 25 | - | - | - |
| Other services | 3 | - | - | - |
| | <u>2,456</u> | <u>-</u> | <u>2,239</u> | <u>-</u> |

The maturity of loans granted is 2022, effective interest rate is fixed at 4.5 %. Loans hold no collateral.

Transactions of the Company with other related parties in 2021 and balances as at 31 December 2021 were as follows:

| 2021 Company | Revenue and other income from related parties | Purchases from related parties | Receivables from related parties | Payables to related parties |
|---|--|---|---|--|
| The group of UTIB INVL Technology (information technology maintenance services) | - | 8 | - | 1 |
| Accounting services | 33 | - | - | - |
| Other services (insurance costs compensation) | 21 | - | - | - |
| | <u>54</u> | <u>8</u> | <u>-</u> | <u>1</u> |

26 Related party transactions (cont'd)

Transactions of the Company with subsidiaries in 2020 and balances as at 31 December 2020 were as follows:

| 2020 Company | Revenue and other income from related parties | Purchases from related parties | Receivables from related parties | Payables to related parties |
|---|--|---|---|--|
| Loans and borrowings | 13 | 1 | 297 | 28 |
| Dividends | 2,188 | - | - | - |
| Transfer of tax losses | 64 | - | - | - |
| Accounting services | 2 | - | - | - |
| Acquisition or disposals of investments | 1,081 | 217 | 800 | - |
| | <u>3,348</u> | <u>218</u> | <u>1,097</u> | <u>28</u> |

The maturity of loans granted is 2021, effective interest rate is fixed at 4.5 %. Loans hold no collateral. The Company classifies part of loans granted as long term, because has policy to prolong them on maturity date. The maturity of borrowings is 2021, effective interest rate is fixed at 3 %.

Transactions of the Company with associates in 2020 and balances as at 31 December 2020 were as follows:

| 2020 Company | Revenue and other income from related Parties | Purchases from related parties | Receivables from related parties | Payables to related parties |
|-----------------------------|--|---|---|--|
| Loans and borrowings | 13 | - | - | - |
| Rent and utilities services | - | 22 | - | - |
| Dividends | 6,117 | - | - | - |
| Accounting services | 15 | - | - | - |
| Other services | - | - | 2 | - |
| | <u>6,145</u> | <u>22</u> | <u>2</u> | <u>-</u> |

Transactions of the Company with other related parties in 2020 and balances as at 31 December 2020 were as follows:

| 2020 Company | Revenue and other income from related parties | Purchases from related parties | Receivables from related parties | Payables to related parties |
|---|--|---|---|--|
| The group of UTIB INVL Technology (information technology maintenance services) | - | 12 | - | 1 |
| Accounting services | 16 | - | - | - |
| Other services | 10 | - | 10 | - |
| | <u>26</u> | <u>12</u> | <u>10</u> | <u>1</u> |

The movements of loans granted to associates were:

| | Group | | Company | |
|---------------------------|---------------------|-----------------|---------------------|-----------------|
| | 2021 | 2020 | 2021 | 2020 |
| At 1 January | - | 1,506 | - | 1,506 |
| Loans granted during year | 2,234 | - | 2,234 | - |
| Loans repayment received | - | (1,500) | - | (1,500) |
| Interest charged | 5 | 13 | 5 | 13 |
| Interest received | - | (19) | - | (19) |
| At 31 December | <u>2,239</u> | <u>-</u> | <u>2,239</u> | <u>-</u> |

26 Related party transactions (cont'd)

The movements of loans granted to subsidiaries were:

| | Group | | Company | |
|---|------------|------------|------------|------------|
| | 2021 | 2020 | 2021 | 2020 |
| At 1 January | 297 | 244 | 297 | 244 |
| Loans granted during year | 55 | 40 | 55 | 40 |
| Reclassification to financial assets at fair value due to disposals | (352) | - | (352) | - |
| Loans and interest converted to increased share capital | - | - | - | - |
| Changes in fair value of loans | - | - | - | - |
| Interest charged | 6 | 13 | 6 | 13 |
| Interest received | (6) | - | (6) | - |
| At 31 December | - | 297 | - | 297 |

The movements of borrowings from subsidiaries were:

| | Group | | Company | |
|---|-----------|-----------|-----------|-----------|
| | 2021 | 2020 | 2021 | 2020 |
| At 1 January | 28 | - | 28 | - |
| Borrowings received during year | - | 27 | - | 27 |
| Borrowings repaid during year (set-off with receivable from share capital decrease) | (28) | - | (28) | - |
| Interest charged | - | 1 | - | 1 |
| Interest paid | - | - | - | - |
| At 31 December | - | 28 | - | 28 |

Key management compensation and other payments

The management remuneration contains short-term employees' benefits and share-based payments. In 2021 and 2020 key management of the Company and Group includes Board members and Chief financial officer of the Company.

| | Group | | Company | |
|--|------------|------------|------------|------------|
| | 2021 | 2020 | 2021 | 2020 |
| Wages, salaries and bonuses | 289 | 313 | 288 | 312 |
| Social security contributions | 5 | 6 | 5 | 6 |
| Share-based payments | 24 | 26 | 24 | 26 |
| Transfers to pension funds | 11 | - | 11 | - |
| Total key management compensation | 329 | 345 | 328 | 344 |

There were no loans granted during the reporting period or outstanding at the end of the reporting period. In 2021 dividends were not paid.

In 2020 to the Board members, which are shareholders of the Company, were paid EUR 780 thousand of dividends, net of tax. To the entities, which are controlled by the Board members, were paid EUR 4,734 thousand of dividends, net of tax. To the natural persons related to the Board members the Company paid EUR 2,453 thousand of dividends, net of tax.

27. Impact of COVID-19

In 1st Quarter of 2020 the COVID-19 virus pandemic resulted a decrease in the fair value of the Group's and the Company's financial assets at fair value through profit or loss due to a decrease in the market price of listed companies. This directly contributed to the decline in the value of Level 1 and Level 2 financial assets and indirectly contributed to the decline in the value of Level 3 financial assets due to the decrease of the market value of comparable companies. This decline also reduced the Group's income generated from the management fee received for the managed investment products in 2020. In the subsequent periods this effect was reversed. Operations of the Group and the Company were not significantly affected by the COVID-19 virus pandemic. Due to the quarantine announced in Lithuania Group's and the Company's operations were not disrupted, as the Group can perform all the operations remotely. Consolidated and unconsolidated subsidiaries of the Group have received state financial support for staff downtime during the quarantine. The Company did not request or received any financial support due to the COVID-19 virus pandemic. The Group/Company did not expect later to face significant impact of the COVID-19 virus pandemic.

28. Events after the reporting period

Disposals of financial assets of the Company and increase share capital of INVL Life UAB

The Company has additional invested EUR 40,500 thousand into share capital of consolidated subsidiaries INVL Life UAB. Investment was made by transferring EUR 3,856 thousand of cash and by set-off of receivables from sold financial assets including sale of 0.05% shares of AB Šiaulių Bankas in December 2021. The Company has sold to INVL Life UAB these financial assets in January 2021:

- 23.43% of INVL Baltic Real Estate for EUR 4,364 thousand;
- 15.39% of UTIB INVL Technology for EUR 5,209 thousand;
- 100% of shares of UAB Cedus Invest, through which the Company has invested in Litagra group, for initial amount of EUR 17,460 thousand, the sale price would be adjusted to fair value of shares as at 31 December 2021;
- part, equal to EUR 7,621,959.71 capital contributed, of the units of BSGF for initial amount of EUR 9,363 thousand, the sale price would be adjusted to fair value of units as at 31 December 2021 (outstanding capital commitment is not transferred).

After completion of capital formation INVL Life UAB has received in March 2022 a licence to conduct life insurance activities and continue preparations for the acquisition of the Baltic business of the Finnish life insurance company Mandatum Life.

Impact of invasion of the Russian Federation to Ukraine

The Group/the Company has not owned any assets and does not perform any operation in Ukraine, Russia, and Belarus. Therefore invasion of the Russian Federation to Ukraine, occurred on 24 February 2022, has not any significant impact on the Group/the Company activities. The Group/the Companies results could be affected by the decrease of market price of listed companies as is described in Note 27 regarding impact of COVID-19 in 2020.



INVALDA **INL**

AB INVALDA INVL
Consolidated Annual Report for 2021

Translation note:

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

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A WORD FROM THE PRESIDENT OF THE COMPANY



Dear All,

We are delighted to report that 2021 was a record-breaking year for those investing with Invalda INVL group. Our investors earned a total of EUR 210.5 million and Invalda INVL returned a total EUR 37.5 million.

Invalda INVL's core business is focused on asset management and a wide range of investments. We are officially the leading team of professionals for the Baltic region, investing in multiple sectors and countries with a strong track record for 30 years. We pride ourselves on the provision of capital and best-in-class knowledge to both grow and develop while having a positive

impact on those around us.

Representing the interests of institutional and private clients who have entrusted their funds with us, we continue to operate a variety of core activities including managing pension funds, other retail products, private equity activity and other alternative investment funds. To better meet the needs of our clients and to achieve growth and synergies, Invalda INVL has also made the decision to enter the life insurance market. To that end, we signed a deal to acquire life insurance business in the Baltics from Mandatum Life and started the licensing process for INVL Life, which was completed in early 2022.

INVL's asset management business overall continues to grow successfully. We ended 2021 with a portfolio size of EUR 1.6 billion entrusted to us by over 260,000 customers (an increase of 29 and 5,5%, respectively). The revenues of the asset management business reached EUR 15.8 million and Invalda INVL earned EUR 6.1 million from this business.

We are constantly identifying and originating new opportunities in the market and continually assessing the needs and wants of our investor base. In 2021, we offered a series of new product lines and expanded the range of existing products managed by INVL. We have already raised more than EUR 51 million in the INVL Sustainable Timberland and Farmland Fund II. A significant percentage of these funds has already been successfully invested in both Lithuania and Latvia. We are delighted with the projects that have already been realised. In 2021, we successfully closed the first forestry fund, providing investors with an impressive average annual return (IRR) of 27%. INVL Renewable Energy Fund I commenced its operations during the year 2021, raising EUR 34.6 million and investing in renewable energy projects located in the European Union, with a current focus on the Polish market. We are also pleased with the results achieved by the majority of companies in the current portfolio of our leading Baltics private equity fund, INVL Baltic Sea Growth Fund. This evaluation focuses on their overall development as well as the quantitative and qualitative growth already achieved in 2021.

At the end of 2021, Invalda INVL's investment portfolio amounted to EUR 97 million, of which EUR 42.3 million was made up of our investments in INVL products together with the Group's client base. As is often the case, the change in the value of investments accounted for a significant part of Invalda INVL's profit margins in 2021. Due to the excellent annual results achieved, the values of our investments in INVL Baltic Sea Growth Fund, Šiaulių bankas, MAIB, Litagra also increased significantly. At the end of last year, we signed an agreement for the sale of Inservis' facilities management companies. We expect to complete this transaction by mid-2022.

As we look further in 2022, we face a new common concern for the peace and long-term order that allows people to live, work and create opportunities to prosper both safely and freely in Central and Eastern Europe. This is clearly of paramount importance. While we fully support Ukraine, we are aware that it is very challenging to predict what the coming years will bring and when the situation may stabilise. There are many questions that remain unanswered. How will the ongoing situation affect individual countries and sectors of their economies, how will commodities prices and logistical challenges be addressed and what GDP growth and inflation rates will result. The start of 2022 has been difficult for most markets. This may well potentially negatively impact the value of some of our investments. However, we continue to monitor the changing landscape on a daily basis, adapting and responding in real time. We do our job by managing the investments entrusted to us and by making the key decisions that focus on both the protection of our clients' assets and new opportunities that always arise.

On behalf of the Board of Invalda INVL, I would like to thank our clients and investors for their continued trust and understanding that the economy is cyclical and good times are followed by more difficult periods, which are then followed by growth constantly. I also thank our employees for their highly valued dedication and contribution to the Group's success. In addition, thanks also to our shareholders for their confidence and support in the value creation of the business. Working together we can grow, improve and achieve even more in the future.

Sincerely,
Darius Šulnis

I. GENERAL INFORMATION

1. Reporting period for which the report is prepared

The report is prepared for 12 months of 2021 (January – December). The report also includes significant events of the company and the group that took place after the reporting period.

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

INFORMATION ABOUT THE ISSUER

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

INFORMATION ON COMPANY'S GOALS, PHILOSOPHY AND OPERATING PRINCIPLES

Who are we?

Invalda INVL is an asset management group that is open, growing and investing, and its activities create wellbeing for people. Since the beginning of our activities, we have been working consistently and purposefully in the field of asset management and investments, prioritising the interests of our clients. We maintain the same values as we grow. Furthermore, we are open to new opportunities, new markets, new methods of operation. We believe that an open approach and careful consideration of new ideas contributes significantly to the success and quality of our solutions. We grow by investing in the organic development of the asset management business and, as opportunities arise, we make new acquisitions in this business. Asset management and investing is our core business. We believe we create value to all stakeholders by, first and foremost, doing our direct work well and performing our duties. We believe that the success of the business is inseparable from the contribution to advancing the processes of the society thus we invest in knowledge, team coherence, promotion of social activities, sustainability.

What do we seek?

The mission of Invalda INVL is to create well-being for people while contributing to the growth of the region we operate in. We aim to be the first and best choice for our customers when it comes to long-term savings and personal finance management. Therefore, we are working purposefully to complete the acquisition of Mandatum Life Insurance Company Limited's life insurance business in the Baltics by the middle of 2022 and to be able to offer our customers more solutions that ensure their financial security and well-being.

How do we operate?

Asset management and investing is our core business. The Group's companies operating in Lithuania and Latvia provide services to more than 260 thousand individual and institutional regional and international clients entrusting the Invalda INVL group to manage EUR 1.6 billion worth of assets. At the group level, we manage different asset classes such as pension and investment funds, alternative investments (private equity, real assets and private debt), individual portfolios.

We also have our own investment portfolio. We invest in products managed by the group together with the clients of our companies (general partner investments) in order to have better aligned common interests. The remainder of the current portfolio consists of other historical investments.

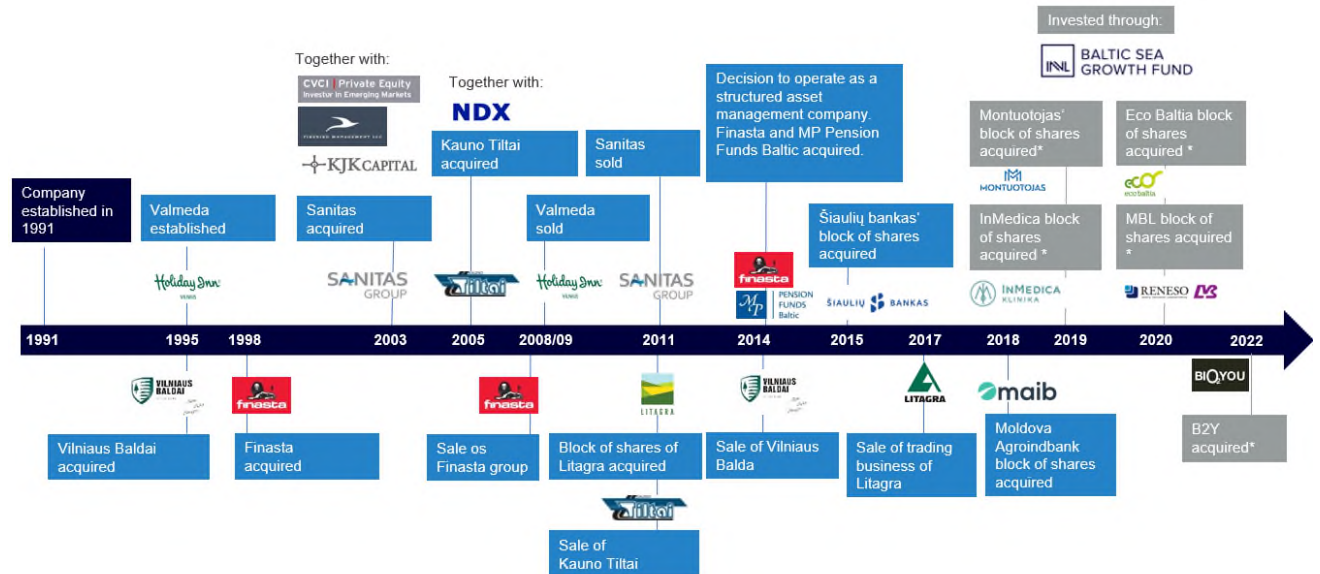
On 15 June 2021, we entered into an agreement to acquire a life insurance business in the Baltic States and in 2022 we hope to offer the Group's clients more opportunities to strengthen their financial security.

The list of group companies as well as their contact information is presented in Annex 1 to this Annual Report. The financial data of the businesses that make up the group are presented in sections 5.1 and 5.2 of this report.

What is our experience?

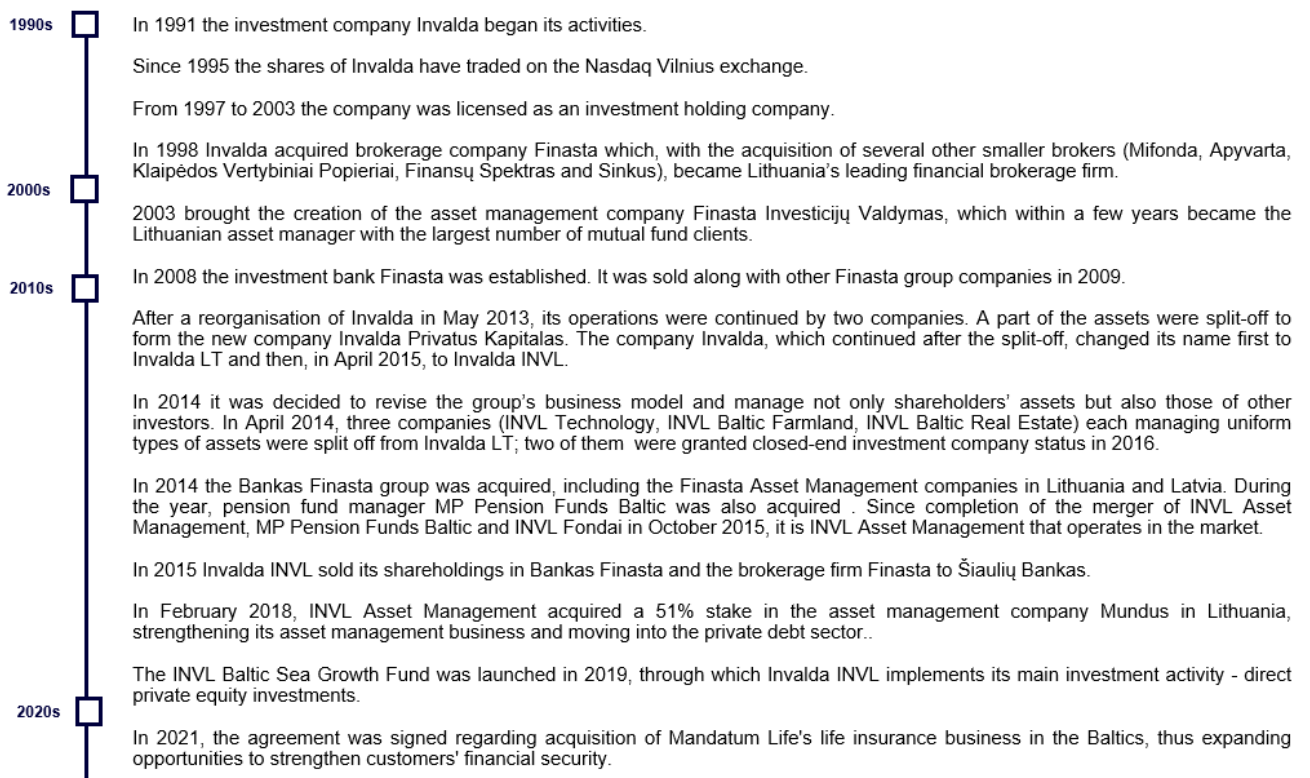
Invalda INVL was founded in 1991 by a group of people from the academic community with the aim to create value and contribute to the country's economy. The company's shares have been traded on the Nasdaq Vilnius stock exchange since 1995. Since the start of the listing, the company has paid EUR 62.7 million to its shareholders (dividends and share repurchases).

Over its history Invalda INVL has implemented a few dozen corporate acquisitions and sales, capital raising transactions worth more than EUR 1.7 billion.



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

Invalda INVL's experience in the private equity market



Key development steps of Invalda INVL group's asset management business

II. FINANCIAL INFORMATION AND SIGNIFICANT EVENTS

3. Business environment

Taking into account the wide range of companies managed by Invalda INVL and investments in collective investment undertakings, the Baltic stock markets and economies are reviewed in order to describe the operating environment as most of our companies and investments in collective investment undertakings are concentrated there.

Baltic stock markets were strong and very active in 2021. Growth trend exhibited in 2020 continued in 2021 as well, together with a significant recovery in consumption, corporate results, and macroeconomic data. Strong performance was evident all year long and slowed only in the last quarter of 2021, amid fears of overheating economies. Among the Baltic States, Tallinn Stock Exchange recorded an exceptional performance in 2021 and rose by 48.9%, whereas Vilnius Stock Exchange grew by 18.3% and Riga Stock Exchange grew by 12.1%. Growth in the Baltics was in line with the trends in Western Europe, where markets rose by 22.4% (according to the STOXX Europe 600 index) and global markets, that recorded growth of 17.2% (according to MSCI ACWI index (in U.S. dollars)).

All stock indices (OMX Tallinn, OMX Riga, OMX Vilnius) are calculated separately on each Baltic stock exchange. They include all companies listed on the Main and Secondary Lists of the Baltic stock exchanges except for those companies in which one shareholder owns 90% or more of the issued shares. These indices reflect the current situation of the Baltic securities market or the common Baltic securities market and its changes.

GROWTH OF THE BALTIC STOCK MARKETS

| Index | 31.12.2020 | 31.12.2021 | +/- Change |
|-------------|------------|------------|------------|
| OMX Tallinn | 1,343.72 | 2,001.03 | +48.92% |
| OMX Riga | 1,136.34 | 1,274.2 | +12.13% |
| OMX Vilnius | 816.64 | 966.13 | +18.31% |

Source: Nasdaq Baltic

According to the data of Statistics Lithuania, in 2021, the average annual inflation in Lithuania amounted to 4.7 % (compared to 2020, the average annual inflation was 1.2 %). In 2021, the prices of consumer goods in Lithuania increased by 11.7%, while the prices for consumer services increased by 7.8 %. In 2021, the average annual inflation rate in the European Union was 2.9 % and 2.6 % in the euro area. In Lithuania, the average annual inflation in 2021 was calculated according to the consumer price index harmonised with the EU countries, which accounted for 4.6 %.

According to the Bank of Lithuania, in 2021, the global economy recovered, but slowed at the end of the year. The slowdown in the global economy is mainly due to the high incidence of COVID-19 (which, even without severe restrictions, is worsening household expectations) and the continuing tensions in supply chains. In addition, there are still no signs of normalisation and tensions in supply chains, such as delivery times, remain relatively close to historic highs. At the same time, it should be noted that, in contrast to the beginning of the pandemic, when long delivery times were associated with supply-side restriction, they are now more associated with extremely high demand for goods.

According to the Ministry of Finance of the Republic of Lithuania, in 2021, businesses were able to adapt to the changed conditions caused by the COVID-19 pandemic. As a result, changes in the value added generated by almost all economic activities in 2021 were positive and the country's economic growth was one of the fastest in the European Union. However, the further development of a large number of enterprises is limited by staff shortages. Although labour force participation has increased with the lifting of quarantine and the easing of contact restrictions, and the unemployment rate has approached pre-pandemic levels, the level of job vacancies shows that the country's labour shortage is the highest since the beginning of 2008. Increasing competition for workers was one of the key factors behind a nearly 10 % annual wage growth in the country. Wage growth was recorded in all economic activities, including the accommodation and catering, leisure organisation and retail trade activities, which suffered the most during the pandemic, where wages grew at double-digit rates. The Ministry of Finance forecasts that in 2022, taking into account the situation in the labour market, rising salaries of public sector employees and increasing minimum monthly wage, the growth rate of wages in Lithuania will reach 9.3 %. The growing pressure to increase wages may contribute to the factors limiting the development of production, but according to the Bank of Lithuania, rapidly rising wages have not yet reduced the competitiveness of Lithuanian business abroad, and wages still lag behind the EU average more than productivity (-35 % and -29 % respectively).

4. Performance results of the issuer and the group

MAIN ITEMS OF FINANCIAL STATEMENTS

| EUR thousand | COMPANY'S | | | GROUP'S | | |
|--|-----------|--------|---------|---------|--------|---------|
| | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 |
| Non-current assets | 86,381 | 83,737 | 120,933 | 83,410 | 80,665 | 115,961 |
| Current assets | 2,368 | 1,672 | 4,796 | 10,065 | 9,715 | 16,064 |
| Equity | 86,776 | 83,157 | 121,207 | 87,008 | 83,357 | 121,355 |
| Non-current liabilities | 1,523 | 1,458 | 2,978 | 3,640 | 3,783 | 5,678 |
| Current liabilities | 450 | 794 | 1,544 | 2,827 | 3,240 | 4,992 |
| Result before taxes | 21,477 | 5,209 | 38,879 | 21,661 | 5,329 | 39,595 |
| Net result | 20,827 | 5,329 | 37,453 | 20,841 | 5,373 | 37,479 |
| Net result attributable to holders of the parent Company | | - | - | 20,827 | 5,329 | 37,453 |

CALCULATION OF THE NET ASSET VALUE OF INVALDA INVL

| EUR thousand | Evaluation criteria | 2019 | 2020 | 2021 |
|---|--|---------------|---------------|----------------|
| Investment into asset management | Equity method | 13,566 | 13,930 | 27,473 |
| Investments into INVL Baltic Sea Growth Fund (commitment to invest is excluded) | Fair value of net assets | 3,577 | 7,492 | 15,597 |
| Investments into INVL Baltic Real Estate (including loans granted) | Market price | 14,308 | 9,228* | 4,402 |
| Investments into Moldova-Agroindbank | Comparative method of multipliers | 8,022 | 7,352 | 15,723 |
| Investments into INVL Technology | Market price | 3,130 | 3,808 | 5,134 |
| Investment into investment fund through subsidiary and directly | Fair value of net assets | 5,415* | 1,335 | 1,370 |
| Investments into Litagra, UAB (including loans granted) | Combination of discounted cash flows and sales comparison method (in 2019 comparative method of multipliers) | 17,256 | 18,085 | 20,318 |
| Investments into Šiauliai Bank | Market price. (In 2021 the value of the forward is included according to its valuation model, based on the market price) | 16,672 | 16,409 | 26,400 |
| Investments into Inservis, UAB | Transaction price. (2019 comparative method of multipliers; 2020 discounted cash flows) | 4,511 | 5,775 | 7,244 |
| Investments into other subsidiary companies (including loans granted) | Fair value of net assets | 633 | 422 | 30 |
| Other assets, other investments | Book value | 1,042 | 811 | 1,322 |
| Cash and cash equivalents | Book value | 617 | 762 | 716 |
| Total assets | Book value | 88,749 | 85,409 | 125,729 |
| Liabilities | Book value | 1,973 | 2,252 | 4,522 |
| Net asset value | Book value | 86,776 | 83,157 | 121,207 |
| Net asset value per share | Book value | 7.47 | 7.11 | 10.32 |

* The value of investments in non-consolidated companies is included

FINANCIAL RATIOS

| | Company's | | | Group's | | |
|-------------------------------|-----------|-------|-------|---------|-------|-------|
| | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 |
| Return on Equity (ROE), % | 27.35 | 6.27 | 36.65 | 27.35 | 6.27 | 36.65 |
| Debt ratio | 0.02 | 0.03 | 0.04 | 0.07 | 0.08 | 0.08 |
| Debt – Equity ratio | 0.02 | 0.03 | 0.04 | 0.07 | 0.08 | 0.09 |
| Liquidity ratio | 5.26 | 2.11 | 3.11 | 3.56 | 3.00 | 3.22 |
| Earnings per share (EPS), EUR | 1.80 | 0.46 | 3.19 | 1.80 | 0.46 | 3.19 |
| Price Earnings ratio (P/E) | 3.78 | 16.62 | 5.32 | 3.78 | 16.62 | 5.32 |

The Company publishes Alternative performance measures (AVR) that are in use by the Company and the definitions of the indicators. All information is disclosed on the Company's website <https://www.invaldainvl.com/en/investor-relations/financial-information-and-documents/formulas-of-performance-indicators/>

Invalda INVL, AB is an asset management and investment company. The profit of the company is significantly impacted by the recalculation of investments based on fair value as well as acquisition and sale deals, therefore, not all company performance indicators are suitable for the evaluation of Invalda INVL, AB. Furthermore, investments into main asset management business are recorded using the equity method, therefore, the book value may be different from the market price. Accordingly, some ratios may not represent the real situation of the company.

5. Information on the group's activities

5.1. ASSET MANAGEMENT BUSINESS



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

The asset management business environment and the impact of COVID-19 on the asset management business

2021 was an extraordinary year for investment fund participants. With financial markets recovering strongly, investment funds have earned exceptionally high returns despite the new waves of COVID-19. According to the Bank of Lithuania's market [Review](#) of Collective Investment Undertakings, in 2021, equity investment funds stood out with a 32.7% growth, while the performance of the mixed investment funds was slightly more moderate (5.6%), and the total weighted growth of the unit values of all the CIUs reached 18.5%.

Looking at the 2021 performance, the investment fund market grew for the first time in the last 5 years. Two new CIUs were launched in 2021 and assets under management grew by 10.29% (EUR 14.44 million). As at 31 December 2021, the largest number of participants was invested in funds managed by INVL Asset Management UAB – 3,842 persons, or 83.23% of all participants, i.e. 9.3% fewer participants than at the end of 2020.

In terms of the distribution of investment fund assets and participants by type, the largest group of investment funds by assets under management was the real estate fund group, with assets under management representing 36.1% of the market (EUR 55.84 million). Over 2021, the assets of real estate funds decreased by 6.76% or EUR 4.05 million. Equity investment funds are the second largest group of funds in terms of assets under management and the first in terms of number of participants. These funds managed 28.26% of the total assets of the CIU and had 82.54% of the total participants in the CIU (an increase of EUR 22.34 million in assets and a decrease of 179 participants in 2021). Looking at the most popular fund groups among small investors, the average investment per participant in equity funds was EUR 11.48 thousand, while the average investment per participant in debt securities funds was EUR 45.44 thousand.

At the end of 2021, there were 40 II pillar pension funds. These funds were managed by 5 pension saving companies. According to the data of the Bank of Lithuania, the total value of net assets as at 31.12.2021 was almost EUR 5.91 billion and 1.388 million participants were saving for their pensions in these funds. The assets of pension funds increased by 31.43% or EUR 1.4 billion over 2021. Contributions to pension funds amounted to EUR 502.28 million. The number of participants in PFs also increased by 1.12%.

2021 were a record year for pension funds. The total weighted unit value change of II pillar pension funds was 21.0%, while the weighted unit value change of the youngest four groups of PFs was over 25%.

III pillar pension funds are an additional voluntary pension provision. These pension funds accumulate funds transferred by the pension fund participant on his/her own (or by his/her employer). In 2021, the performance of the III pillar pension funds differed significantly among them. While the weighted average unit value change of the III pillar PFs was 13.82% and the equity PFs had a record return (weighted average unit value change of 23.56%), the lowest risk-taking group of bond PFs had a negative weighted average unit value change of -1.51%.

STRUCTURE OF THE ASSET MANAGEMENT BUSINESS



RESULTS OF THE ASSET MANAGEMENT

| EUR million (if not stated otherwise) | 2020 | | | 2021 | | |
|--|-----------|--------|---------|-----------|--------|---------|
| | Lithuania | Latvia | Total | Lithuania | Latvia | Total |
| Number of clients, units | 189.8 | 57.2 | 247.0 | 199.3 | 61.3 | 260.6 |
| Amount earned for clients | 52.5 | | | 210.5 | | |
| Asset under management* | 1,095.0 | 151.9 | 1,246.9 | 1,399.3 | 209.3 | 1,608.6 |
| 2nd pillar pension funds | 597.3 | 150.3 | 747.6 | 781.1 | 207.5 | 995.6 |
| 3rd pillar pension funds | 52.8 | 1.6 | 54.4 | 80.2 | 1.8 | 82.0 |
| Investment funds | 52.0 | - | 52.0 | 53.9 | - | 53.9 |
| Portfolios | 81.4 | - | 81.4 | 89.0 | - | 89.0 |
| Alternative assets | 311.5 | - | 311.5 | 388.1 | - | 388.1 |
| Revenues | 11.49 | 0.87 | 12.36 | 14.37 | 1.46 | 15.83 |
| Profit (loss) before tax, EUR thousand** | 2,150 | (270) | 1,880 | 6,714 | 145 | 6,859 |


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

** according to accounting data of Invalda INVL

Number of employees in companies in the asset management sector

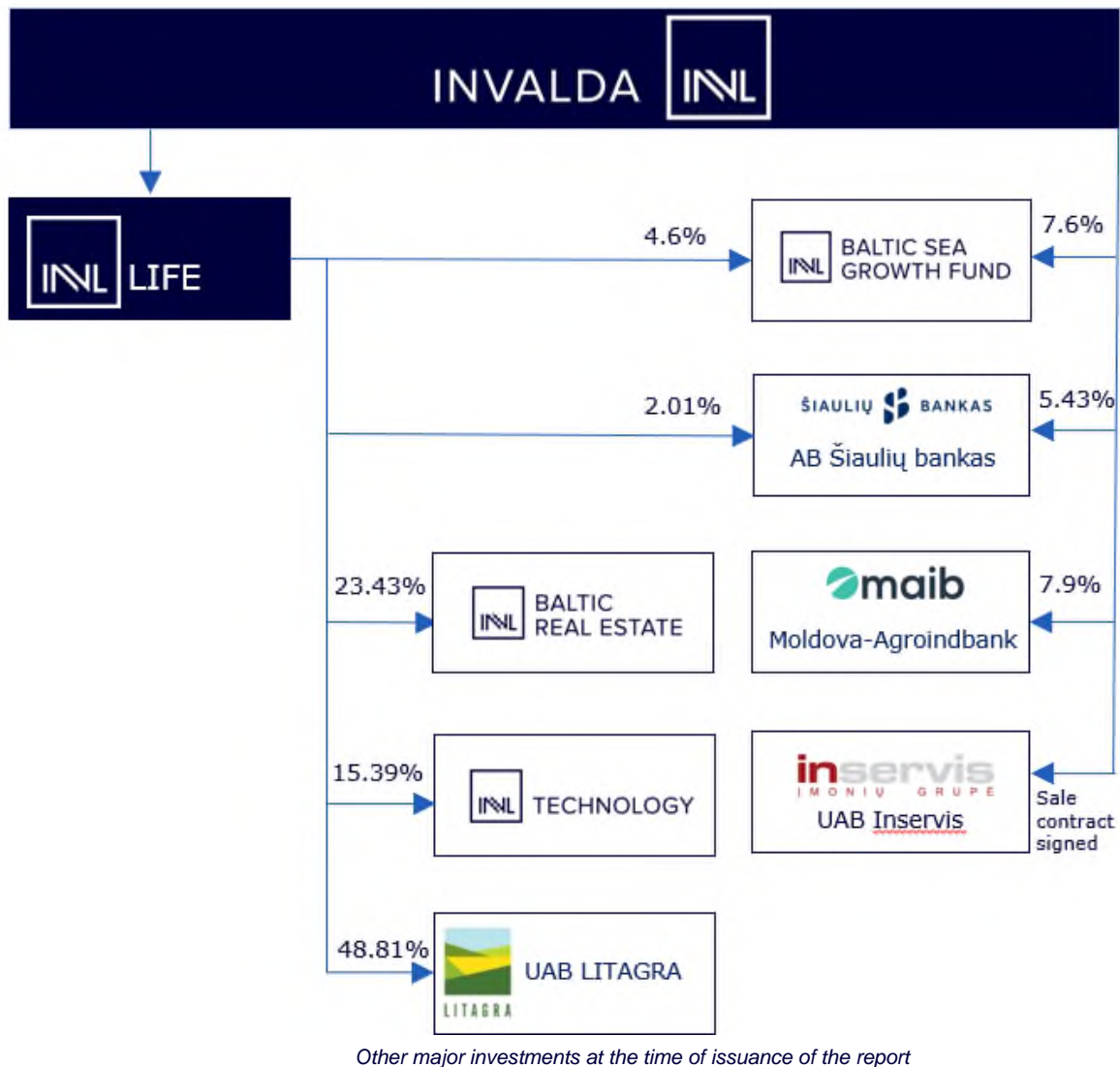
| Number of employees | 2019 | 2020 | 2021 |
|---------------------|------|------|------|
| - | 130 | 132 | 158 |

5.2. OTHER MAJOR INVESTMENTS
AT THE END OF THE REPORTING PERIOD

| Company | Activity | Directly owned shares as of 31.12.2021, % | Value of the owned shares 31.12.2021, EUR million | Profit (loss) from investment, EUR million during 2021 |
|---|--|---|--|--|
| GENERAL PARTNER INVESTMENTS | | | | |
|  BALTIC SEA GROWTH FUND bsgf.invl.com | One of the largest private equity investment funds in the Baltics. The fund is intended for professional investors. | 12.22 | 15.60 + 12.26 commitment | 7.58 |
|  BALTIC REAL ESTATE www.invlbalticrealestate.com | Investment in a commercial real estate company, acting as a closed-end investment company. | 23.43 | 4.40 | 0.65 |
|  https://www.maib.md/ | The largest commercial bank in Moldova providing a full range of financial services. | 7.9 | 15.72 | 8.37 |
|  TECHNOLOGY www.invltechnology.com | Investments in an information technology company, acting as a closed-end investment company. | 15.39 | 5.13 | 1.24 |
| OTHER HISTORICAL INVESTMENTS | | | | |
|  www.litagragroup.lt | Primary agricultural production company that concentrates on agriculture - the cultivation of grain, milk and feed production. | 48.81 | 20.30 | 2.20 |
|  www.sb.lt | Lithuanian commercial bank providing financial services for business and private clients. | 5.43 + forward | 24.83 (value of directly owned shares)+1.57 (value of forward) | 8.85 from owned investment +1.57 from forward (future acquisition from EBRD) |
|  www.inservis.lt | Facility management companies group. | 100 | 7.24 | 2.18 |

INVESTMENTS AT THE TIME OF ISSUE OF THIS REPORT

In January 2022, Invalda INVL transferred part of its investments to its 100% owned company INVL Life, which will start providing life insurance services in the coming months.



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

6.1. EVALUATION OF IMPLEMENTATION OF GOALS FOR 2021

Successful management of entrusted assets is a long-term priority of Invalda INVL group. In 2021, we intended to further develop our asset management business and offer investors the opportunity to make additional investments in both existing and new funds, as well as in the best international products of the third parties.

As planned, the INVL Renewable Energy Fund I was launched in 2021. The target size of the fund is EUR 60 million, the maximum is EUR 100 million, and the target return is 11%. EUR 34.6 million was raised during the two distribution phases and half of the target fund was exceeded. The fund will invest in green field and brown field renewable energy (solar, wind) projects.

We have already raised more than EUR 51 million in the INVL Sustainable Timberland and Farmland Fund II. A significant percentage of these funds has already been successfully invested in both Lithuania and Latvia. We are delighted with the projects that have already been realised. In 2021, we successfully closed the first forestry fund, providing investors with an impressive average annual return (IRR) of 27%.

We are also pleased with the results achieved by the majority of companies in the current portfolio of our leading Baltics private equity fund, INVL Baltic Sea Growth Fund. This evaluation focuses on their overall development as well as the quantitative and qualitative growth already achieved in 2021.

We believe that investing in the best third-party international products is interesting and beneficial for our customers, so INVL Partner Global Infrastructure Fund I started operating as planned. This subfund will invest in a fund of infrastructure assets established by a fund manager of global stature which has been in operation for 26 years. The strategy of investing in infrastructure assets is based on very long-term investment and high-quality core infrastructure in member states of the Organisation for Economic Co-operation and Development (OECD).

2021 was a record- year for investors with the Invalda INVL Group, with our clients earning EUR 210.5 million and Invalda INVL earning EUR 37.5 million. INVL's asset management business continues to grow successfully. We ended 2021 with a portfolio of EUR 1.6 billion entrusted to us by more than 260,000 customers. Due to the excellent annual results, the values of our investments in INVL Baltic Sea Growth Fund, Šiaulių bankas, MAIB, Litagra increased significantly.

6.2. COVID-19 PANDEMIC IMPACT ASSESSMENT

The impact of the Covid-19 pandemic on Invalda INVL is not significant. The situation is still unclear and unresolved. We monitor the situation, react to changes in the markets and try to make reasonable use of the opportunities that arise.

6.3. ACTIVITY PLANS AND FORECASTS

As we look further in 2022, we face a new common concern for the peace and long-term order that allows people to live, work and create opportunities to prosper both safely and freely in Central and Eastern Europe. This is clearly of paramount importance. While we fully support Ukraine, we are aware that it is very challenging to predict what the coming years will bring and when the situation may stabilise. There are many questions that remain unanswered. How will the ongoing situation affect individual countries and sectors of their economies, how will commodities prices and logistical challenges be addressed and what GDP growth and inflation rates will result.

In 2022, it is planned to continue the purposeful development of the asset management business. To better meet the needs of our clients and to achieve growth and synergies, we decided last year to enter the life insurance business and we signed a deal in principle to acquire Mandatum Life's life insurance business in the Baltics. The acquisition of the insurance business is expected to be completed in the coming months. We will then be able to offer our customers more solutions that ensure their financial security and well-being.

The start of 2022 has been difficult for most markets. This may well potentially negatively impact the value of some of our investments. We monitor ongoing processes and changes, we adjust and respond to them and continue to manage and invest the assets and funds entrusted to us. We intend to continue to develop new products required by our customers and to improve the assets we already manage. We will work consistently and purposefully. We are ready for change when it is needed and meaningful, and we are open to new opportunities that are always there.

III. INFORMATION ABOUT SECURITIES

7. Information about Issuer's authorised capital

7.1. ADJUSTMENTS OF THE AUTHORISED CAPITAL

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

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

- On 23 May 2019 a new edition of the Articles of Association of Invalda INVL was registered in the Register of Legal Entities. The Articles of Association were amended by increasing the authorized capital up to EUR 3,456,480.71 in order to realize the stock options granted to the employees of Invalda INVL Group in 2016.
- On 8 June 2021, a new edition of the Articles of Association of Invalda INVL was registered in the Register of Legal Entities. Invalda INVL increased its share capital to EUR 3,473,786.17 by issuing 59,674 new ordinary registered shares. The newly issued shares were acquired by the employees of Invalda INVL Group exercising the stock options granted to them in 2018.

7.2. STRUCTURE OF THE AUTHORIZED CAPITAL AS OF 31 DECEMBER 2021

| Type of shares | Number of shares, units | Total number of votes granted by all issued shares, units | Number of votes calculating the quorum of the General Meeting of Shareholders * | Nominal value, EUR | Total nominal value, EUR | Portion of the authorised capital, % |
|----------------------------|-------------------------|---|---|--------------------|--------------------------|--------------------------------------|
| Ordinary registered shares | 11,978,573 | 11,978,573 | 11,749,032 | 0.29 | 3,473,786.17 | 100 |

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

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

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

In 2022, INVL Life, a company managed by Invalda INVL, received an insurance license. By law, a natural or legal person or persons acting in concert who decide directly or indirectly acquire a sufficient shareholding or increase it to 20, 30 or 50 percent or more of the authorized capital of an insurance company, must obtain a decision from the supervisory authority not to oppose the proposed acquisition.

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

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

7.3. INFORMATION ABOUT THE ISSUER'S TREASURY SHARES

| Year of acquisition / loss of own shares | Acquired (transferred) amount, units | Price for one share, EUR | Comments |
|--|--------------------------------------|--------------------------|---|
| 2015 | 143,645 | 3.82 | |
| 2016 | 135,739 | 4.11 | |
| 2017 | 23,076 | 4.55 | |
| 2018 | 3,396 | 5.53 | |
| 2019 | 2,552 | 5.67 | |
| 2020 | (78,867) | 0.20 | Own shares were transferred to the employees of the company and the group by exercising the share options granted in 2017 |
| 2021 | - | - | |
| total | 229,541 | | |

During the reporting period, the company did not repurchase or transfer its own shares. At the end of the reporting period, the number of treasury shares acquired by Invalda INVL amounted to 229,541. Pursuant to Article 27 (4) of the wording of the Law on Companies, when determining the quorum of the general meeting of shareholders, it is considered that the acquired own shares do not give votes at the shareholders' meeting.

7.4. INFORMATION ABOUT EMPLOYEES STOCK OPTIONS

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

There is no employee share incentive scheme in Invalda INVL. The shares are granted in accordance with the Rules for Granting Equity Incentives approved by the Company's General Meeting of Shareholders, which are published on the company's website <https://invaldainvl.com/files/EN/Draft%20Rules%20for%20Granting%20Equity%20Incentives.pdf>.

Option contracts concluded and stock options exercised:

| Allocation of options | | Exercise of options | | |
|--|-------------------------|---|---|---|
| The year when stock options contracts have been signed | Number of shares, units | The year when stock options are exercised | The number of shares (units) acquired by employees under option contracts | Method of granting shares |
| 2016 | 52,906 | 2019 | 52,906 | Newly issued shares have been subscribed |
| 2017 | 80,571 | 2020 | 78,867 | The company's own shares were transferred |
| 2018 | 59,674 | 2021 | 59,674 | Newly issued shares have been subscribed |
| 2019 | 70,397 | 2022 | N/A | |
| 2020 | 317,227 | 2023 | N/A | |
| 2021 | 65 287 | 2024 | N/A | |

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

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

On 8 June 2021 a new edition of the Articles of Association of Invalda INVL was registered in the Register of Legal Entities. This draft Articles of Association of the Company was approved by the shareholders at the Ordinary General Meeting of Shareholders held on 30 April 2021. Actual wording of the Articles of Association is dated as of 8 June 2021. The document is published on the company's website

https://invaldainvl.com/files/docs/Articles%20of%20Association%20of%20Invalda%20INVL_since%2008_06_2021.pdf

9. Shareholders

9.1. INFORMATION ABOUT SHAREHOLDERS OF THE COMPANY

At the end of 2021 the total number of shareholders was 3,657. There are no shareholders entitled to special rights of control.

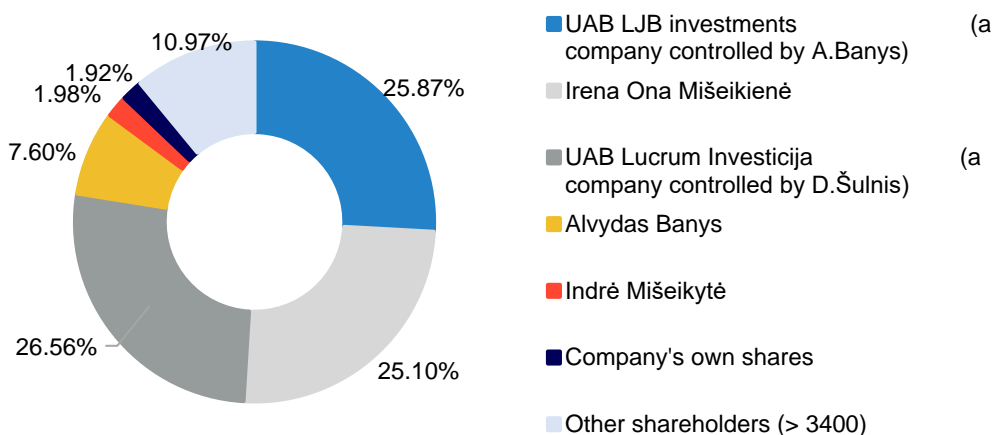
The shareholders of Invalda INVL: Alvydas Banys, UAB LJB Investments, Irena Ona Mišeikienė, Indrė Mišeikytė, Darius Šulnis and UAB Lucrum Investicija, have signed a Contracts with the purpose of agreeing on the long-term management policy of Invalda INVL. Therefore, their votes are counted together in accordance with Article 16, Section 1, Item 2 of the Securities Law. Since the said contract does not contain provisions on the use of votes held directly by the parties in other companies related to Invalda INVL, their votes are counted together only at the issuer level, i.e. only in Invalda INVL.

Considering the share of the company's authorized capital and / or votes held by the company's shareholders as of the date of this report, as well as the purpose and provisions of the above-mentioned Invalda INVL Group long-term management policy agreement, the company does not have a controlling shareholder, ie the parties to the said Agreement control the company as part of a group, but not individually. Invalda INVL AB is not aware of any voting restrictions or agreements between shareholders that may limit the transfer of securities and/or voting rights. During the twelve months of 2021, no agreements were entered into to which the issuer is a party, and which would become effective, change or terminate upon a change of control.

SHAREHOLDERS WHO HELD TITLE TO MORE THAN 5% OF INVALDA INVL AUTHORISED CAPITAL AND/OR VOTES 31 DECEMBER 2021

| Name of the shareholder or company | Number of shares held by the right of ownership, units | Share of the authorised capital and votes held, % | Indirectly held votes ¹ , % | Total votes of the shareholders group*, % |
|--|--|---|--|---|
| LJB Investments. UAB code 300822575, Juozapavičiaus str. 9A, Vilnius | 3,098,196 | 25.87 | 61.24 | 87.11 |
| Alvydas Banys ² | 910,875 | 7.60 | 79.51 | |
| Irena Ona Mišeikienė | 3,006,834 | 25.10 | 62.01 | |
| Indrė Mišeikytė | 236,867 | 1.98 | 85.13 | |
| Lucrum Investicija, UAB code 300806471. Gynėjų str. 14, Vilnius | 3,181,702 | 26.56 | 60.55 | |
| Darius Šulnis ³ | 0 | 0.00 | 87.11 | |

Distributions of the share capital of the shareholders of Invalda INVL as of 31 December 2021

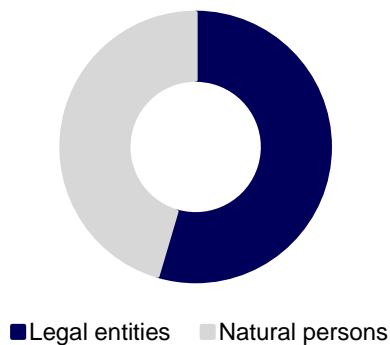


¹ Invalda INVL shareholders Alvydas Banys, UAB LJB Investments, Irena Ona Mišeikienė, Indrė Mišeikytė, Darius Šulnis and UAB Lucrum Investicija have signed an Agreement with the purpose of agreeing on the long-term management policy of Invalda INVL. Therefore, in accordance with Article 16, Section 1, Point 2 of the Securities Law, their votes are counted together. Given that the said agreement does not contain provisions on the use of the parties' directly owned votes in other companies related to Invalda INVL, their votes are counted together only at the level of the issuer

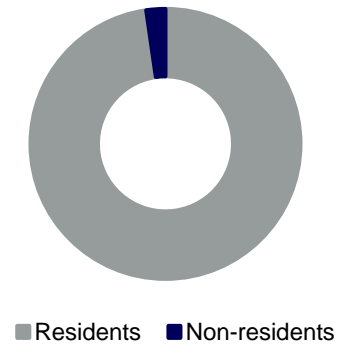
² It is considered that Alvydas Banys has the votes of the controlled company UAB LJB investments.

³ It is considered that Darius Šulnis has the votes of the controlled company UAB Lucrum Investicija.

Shareholders by type



Shareholders by residence



9.2. RIGHTS AND OBLIGATIONS CARRIED BY THE SHARES

9.2.1. Rights of the shareholders

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

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

9.2.2. Obligations of the shareholders

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

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

A person who has acquired all the shares of a company or has acquired a part of the shares of a public limited company from the shareholder of this company shall notify the company no later than 5 days after the conclusion of the transaction. The notice must include the number of shares acquired, including the number of shares by class, where the shares of the different classes are acquired, their nominal value and the identity of the person transferring and acquiring the shares (name, surname, personal identity number and place of residence or address of the natural person; name, legal form, code and

registered office and name, surname, personal code, place of residence or address of the legal representative). The notice shall be accompanied by a document confirming the acquisition of the shares or an extract thereof. If a document is provided, it must include the parties to the transaction, the subject of the transaction and the date of acquisition of the shares.

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

A shareholder shall repay the Company any dividend paid out in violation of the mandatory norms of the Law on Companies, if the Company proves that the shareholder knew or should have known thereof.

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

10. Dividends

The decision to pay dividends and the amount of dividends to be paid is determined by the company's general meeting of shareholders

Information on the procedure for payment of dividends and payment of dividends during the entire period of operation of Invalda INVL is provided on the company's website in the section dedicated to investors, in the section "Dividends and share buy backs".

RATIOS RELATED WITH SHARES

| | 2019 | 2020 | 2021 |
|--------------------------------|------|------|-------|
| Net Asset Value per share, EUR | 7.47 | 7.11 | 10.32 |
| Price to book value (P/Bv) | 0.91 | 1.07 | 1.65 |

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

<https://www.invaldainvl.com/en/investor-relations/financial-information-and-documents/formulas-of-performance-indicators/>

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

11.1. TRADING IN ISSUER'S SECURITIES

MAIN CHARACTERISTICS OF INVALDA INVL, AB SHARES ADMITTED TO TRADING

| | |
|----------------------|--|
| Shares issued, units | 11,978,573 |
| Nominal value | 0.29 EUR |
| Total nominal value | 3,473,786.17 EUR |
| ISIN code | LT0000102279 |
| The Issuer Agent | AB Šiaulių bankas |
| Exchange | Nasdaq Vilnius |
| Ticker | IVL1L |
| List | Baltic Secondary list Baltic Main List (from 1 January 2008 until 20 July 2015) |
| Listing date | 19 December 1995 |
| LEI code | 52990001IQUJ710GHH43 |

From 3 August 2020, Šiaulių bankas AB provides the company with a market making service.

TRADING IN INVALDA INVL, AB SHARES

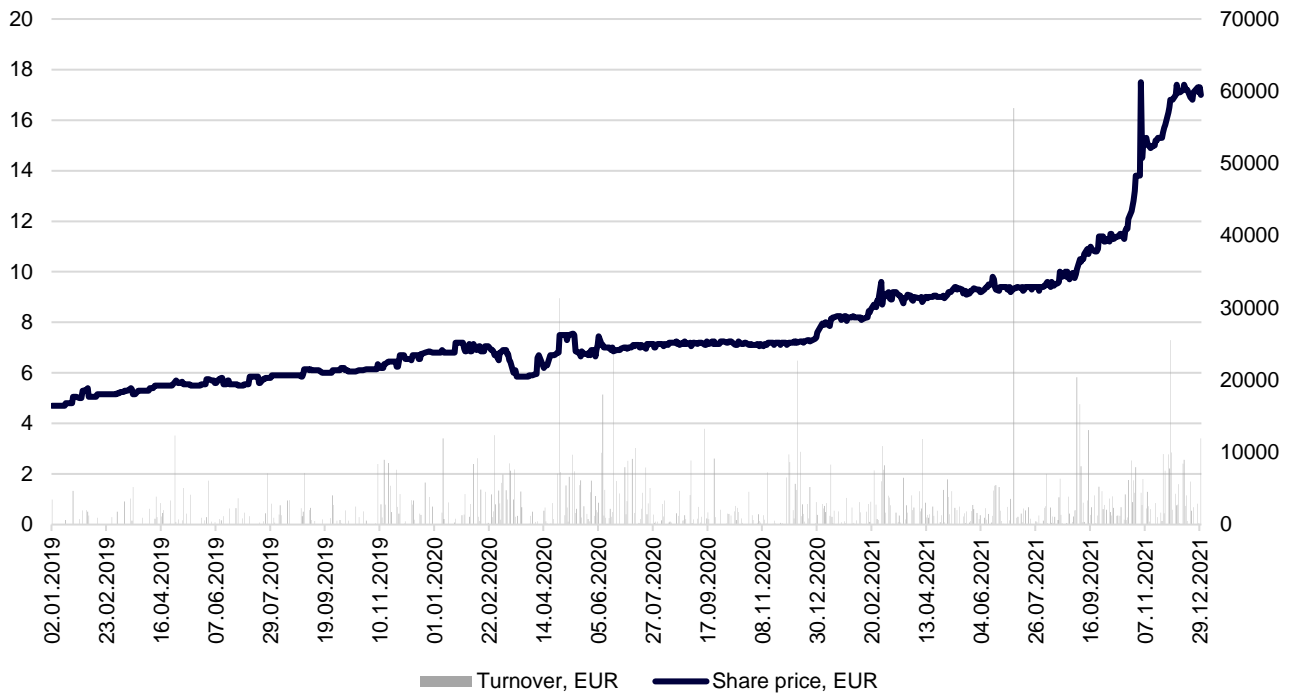
| | 2019 | 2020 | 2021 |
|--------------------------|---------|---------|---------|
| Share price, EUR | | | |
| - open | 4.74 | 6.80 | 7.60 |
| - high | 6.85 | 8.95 | 18.70 |
| - low | 4.70 | 5.65 | 7.60 |
| - last | 6.80 | 7.60 | 17.00 |
| Turnover, units | 41,794 | 89,010 | 63,625 |
| Turnover, EUR | 244,594 | 619,336 | 681,010 |
| Traded volume, units | 303 | 1,212 | 1,561 |
| Capitalisation, EUR mln. | 78.95 | 88.84 | 199.73 |

TRADING IN THE COMPANY'S SHARES DURING THE PERIOD OF 2019–2021 (QUARTERLY) ON NASDAQ VILNIUS STOCK EXCHANGE:

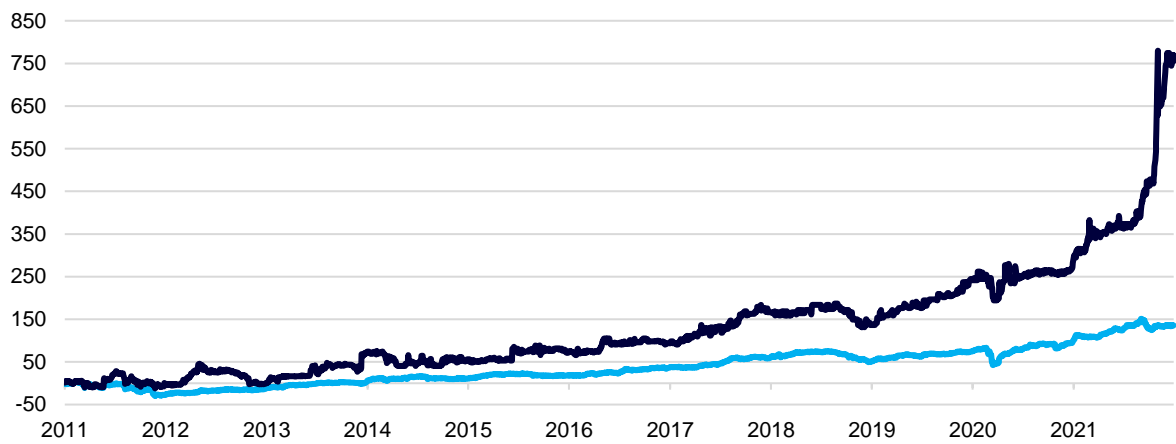
| Reporting period | Price, € | | | Last trading date | Total turnover | |
|-------------------------|----------|-------|-------|-------------------|----------------|---------|
| | high | low | last | | units | € |
| 2019, 1 st Q | 5.40 | 4.70 | 5.30 | 29.03.2019 | 6,629 | 34,017 |
| 2019, 2 nd Q | 5.80 | 5.30 | 5.50 | 29.06.2019 | 11,457 | 63,836 |
| 2019, 3 rd Q | 6.15 | 5.50 | 6.10 | 30.09.2019 | 9,555 | 55,966 |
| 2019, 4 th Q | 6.85 | 5.95 | 6.80 | 30.12.2019 | 14,153 | 90,776 |
| 2020, 1 st Q | 7.20 | 5.65 | 5.90 | 31.03.2020 | 21,925 | 146,005 |
| 2020, 2 nd Q | 8.95 | 5.90 | 7.00 | 30.06.2020 | 31,449 | 219,194 |
| 2020, 3 rd Q | 7.25 | 6.90 | 7.25 | 30.09.2020 | 18,314 | 129,657 |
| 2020, 4 th Q | 8.40 | 7.00 | 7.60 | 30.12.2020 | 17,322 | 124,480 |
| 2021, 1 st Q | 9.60 | 7.60 | 8.85 | 31.03.2021 | 14,606 | 125,707 |
| 2021, 2 nd Q | 9.80 | 8.55 | 9.30 | 30.06.2021 | 12,545 | 114,832 |
| 2021, 3 rd Q | 11.80 | 9.20 | 11.20 | 30.09.2021 | 20,764 | 205,677 |
| 2021, 4 th Q | 18.70 | 11.20 | 17.00 | 30.12.2021 | 15,710 | 234,795 |

CAPITALISATION

| Last trading date | Number of shares (company's own shares excluded), units | Last price, € | Capitalisation, € |
|-------------------|---|---------------|-------------------|
| 29.03.2019 | 11,560,137 | 5.30 | 61,268,726 |
| 29.06.2019 | 11,610,491 | 5.50 | 63,857,701 |
| 30.09.2019 | 11,610,491 | 6.10 | 70,823,995 |
| 30.12.2019 | 11,610,491 | 6.80 | 78,951,339 |
| 31.03.2020 | 11,610,491 | 5.90 | 68,501,897 |
| 30.06.2020 | 11,689,358 | 7.00 | 81,825,506 |
| 30.09.2020 | 11,689,358 | 7.25 | 84,747,846 |
| 30.12.2020 | 11,689,358 | 7.60 | 88,839,121 |
| 31.03.2021 | 11,689,358 | 8.85 | 103,450,818 |
| 30.06.2021 | 11,749,032 | 9.30 | 109,265,998 |
| 30.09.2021 | 11,749,032 | 11.20 | 131,589,158 |
| 30.12.2021 | 11,749,032 | 17.00 | 199,733,544 |



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

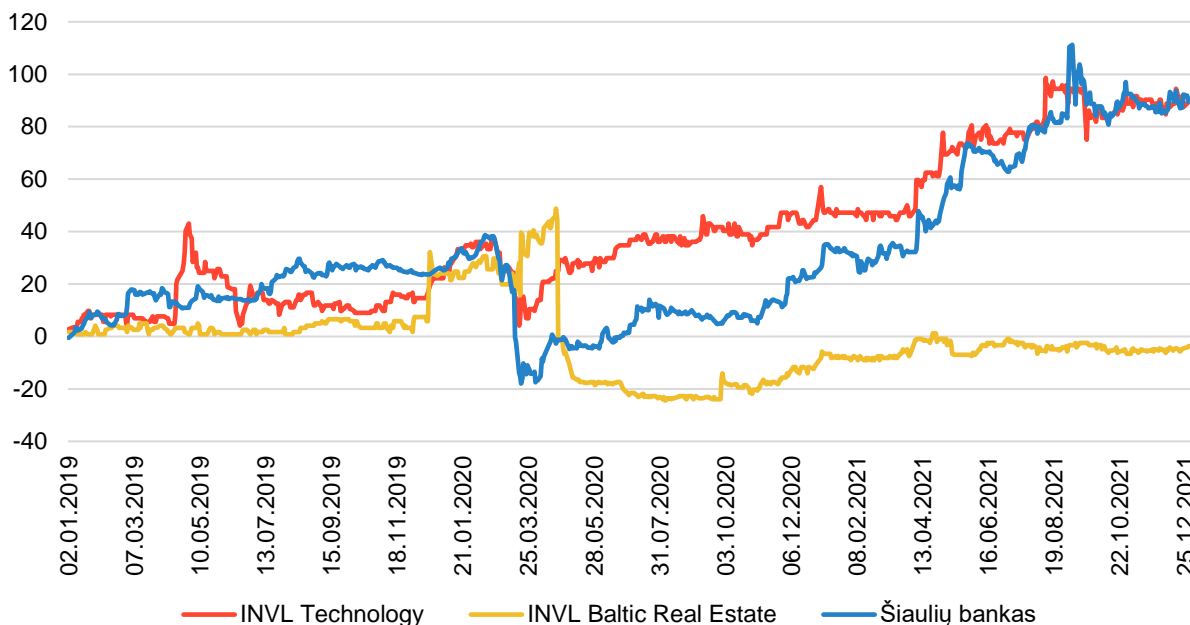


Changes in Invalda INVL share price and OMX Vilnius index over 10 years, %

| Index/Shares | 01.01.2011 | 01.01.2021 | 30.12.2021 | Change (%) since 2011 | Change (%) in 12 months of 2021 |
|----------------|------------|------------|------------|-----------------------|---------------------------------|
| — OMX Vilnius | 409.65 | 816.64 | 966.13 | 135.84 ↑ | 18.31 ↑ |
| — Invalda INVL | 1.989 EUR | 7.60 EUR | 17.00 EUR | 754.70 ↑ | 123.68 ↑ |

11.2. TRADING IN SECURITIES OF THE GROUP COMPANIES'

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



IV. ISSUER’S MANAGING BODIES

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



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

12.1. GENERAL SHAREHOLDERS’ MEETING

Powers of the General Shareholders’ Meeting

Persons who were shareholders of the Company at the close of the accounting day of the meeting (the 5th working day before the General Shareholders’ Meeting) shall have the right to attend and vote at the General Shareholders’ Meeting in person unless otherwise provided for by laws or may authorise other persons to vote for them as proxies or may conclude

an agreement on the disposal of the voting right with third parties. The shareholder's right to attend the General Shareholders' Meeting shall also cover the right to speak and enquire.

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

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

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

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

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

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

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

The shareholders are entitled: (i) to propose to supplement the agenda of the General Shareholders Meeting submitting draft resolution on every additional item of agenda or, when there is no need to make a decision - explanation of the shareholder (this right is granted to shareholders who hold shares carrying at least 1/20 of all the votes). Proposal to supplement the agenda is submitted in writing sending the proposal by registered mail to the Company at Gyneju str. 14, Vilnius, Lithuania, or delivered in person to the representative of the Company or by sending proposal to the Company by email info@invalidainvl.com. The agenda is supplemented if the proposal is received no later than 14 before the General Shareholders Meeting; (ii) to propose draft resolutions on the issues already included or to be included in the agenda of the General Shareholders Meeting at any time prior to the date of the General Shareholders meeting (in writing sending the proposal by registered mail to the Company at Gyneju str. 14, Vilnius, Lithuania, or delivered in person to the representative of the Company or by sending proposal to the Company by email info@invalidainvl.com) or in writing during the General Shareholders Meeting (this right is granted to shareholders who hold shares carrying at least 1/20 of all the votes); (iii) to submit questions to the Company related to the issues of agenda of the General Shareholders Meeting in advance but no later than 3 business days prior to the General Shareholders Meeting in writing sending the proposal by registered mail to the Company at Gyneju str. 14, Vilnius, Lithuania, or delivered in person to the representative of the Company or by sending proposal to the Company by email info@invalidainvl.com. The company reserves the right to answer to those shareholders of the Company who can be identified and whose questions are not related to the company's confidential information or commercial secrets.

Shareholder participating at the General Shareholders Meeting and having the right to vote must submit documents confirming personal identity. Each shareholder may authorize either a natural or a legal person to participate and to vote on the shareholder's behalf at the General Shareholders Meeting. A power of attorney issued by a natural person must be certified by a notary. The representative has the same rights as his represented shareholder at the General Shareholders Meeting. The authorized persons must have documents confirming their personal identity and power of attorney approved in the manner specified by law which must be submitted to the Company no later than before the commencement of registration for the General Shareholders Meeting. A power of attorney issued in a foreign state must be translated into Lithuanian and legalised in the manner established by law. The Company does not establish special form of power of attorney.

Shareholder is entitled to issue power of attorney by means of electronic communications for legal or natural persons to participate and to vote on its behalf at the General Shareholders Meeting. No notarisation of such authorization is required.

The power of attorney issued through electronic communication means must be confirmed by the shareholder with a safe electronic signature developed by safe signature equipment and approved by a qualified certificate effective in the Republic of Lithuania. The shareholder shall inform the Company on the power of attorney issued through the means of electronic communication by e-mail info@invalidainvl.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.invalidainvl.com section For Investors.

If shareholder requests, the Company shall send the general voting bulletin to the requesting shareholder by registered mail or shall deliver it in person against signature no later than 10 days prior to the General Shareholders Meeting free of charge. The filled general voting bulletin must be signed by the shareholder or its authorized representative. Document confirming the right to vote must be added to the general voting bulletin if authorized person is voting. The filled general voting bulletin must be sent by the registered mail to the Company at Gyneju str. 14, Vilnius, Lithuania, or delivered in person to the representative of the Company no later than the day before of the General Shareholders Meeting.

In 2021 1 (one) shareholders' meeting of Invalda INVL was held. The ordinary general meeting of shareholders of Invalda INVL AB took place on 30 April 2021. The decisions of this shareholders meeting can be found here <https://www.invalidainvl.com/en/investor-relations/shareholders-meetings/>

12.2. THE BOARD

Powers of the Board

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

of the Board. If individual members of the Board are elected, they shall serve only until the expiry of the term of office of the current Board.

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

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

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

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

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

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

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

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

Procedure of work of the Board

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

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

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

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

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

12.3. THE PRESIDENT

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

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

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

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




The President shall be responsible for:


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

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

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

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

| | Term of office | Educational background and qualifications | Owned number of shares in Invalda INVL | Participation in the management of other companies |
|--|------------------------------|---|--|---|
|  | <p>Since 2018 until 2022</p> | <p>Vilnius Gediminas Technical University. Faculty of Civil Engineering. Master in Engineering and Economics. Junior Scientific co-worker. Economics' Institute of Lithuania's Science Academy.</p> | <p>Personally: 910,875 units of shares, 7.60 % of authorised capital and votes; Together with controlled company LJB Investments: 4,009,071 units of shares. 33.47 % of authorized capital and votes. Total votes with others whose votes are counted together - 87.11%.</p> | <p>Invalda INVL, AB (code 121304349, Gynėjų g. 14, Vilnius, Lithuania) – Senior Adviser (main place of work) INVL Baltic Sea Growth Fund, managed by INVL Asset Management (code 126263073, Gynėjų g. 14, Vilnius, Lithuania) - Investment Committee member INVL Baltic Farmland, AB (code 303299781, Gynėjų g. 14, Vilnius, Lithuania) – Chairman of the Board Litagra, UAB (code 304564478, Savanorių pr. 173, Vilnius, Lithuania) – Member of the Board LJB investments, UAB (code 300822575, A. Juozapavičiaus g. 9A, Vilnius.) and LJB property, UAB (code 300822529; A. Juozapavičiaus g. 9A, Vilnius.) CEO</p> |
|  | <p>Since 2018 until 2022</p> | <p>Vilnius Gedimino Technical University. Faculty of Architecture. Master in Architecture.</p> | <p>Personally: 236,867 units of shares, 1.98% of authorised capital and votes. Total votes with others whose votes are counted together - 87.11%.</p> | <p>Invalda INVL, AB (code 121304349, Gynėjų g. 14, Vilnius, Lithuania) – Adviser (main place of work) INVL Baltic Farmland, AB (code 303299781, Gynėjų g. 14, Vilnius, Lithuania) – Member of the Board INVL Technology, SUTPKIB (code 300893533, Gynėjų g. 14, Vilnius, Lithuania) – Member of the Supervisory Board</p> |
|  | <p>Since 2018 until 2022</p> | <p>Duke University (USA). Business Administration. Global Executive MBA. Vilnius University. Faculty of Economics. Master in Accounting and Audit. Financial broker's license (general) No. A109.</p> | <p>Personally: 0 units of shares, 0% of authorised capital and votes. Together with controlled company Lucrum Investicija: 3,181,702 units of shares, 26.56% of authorised capital and votes. Total votes with others whose votes are counted together - 87.11%.</p> | <p>Invalda INVL, AB (code 121304349, Gynėjų g. 14, Vilnius, Lithuania) – the President (main place of work) INVL Baltic Sea Growth Fund, managed by INVL Asset Management (code 126263073, Gynėjų g. 14, Vilnius, Lithuania) - Investment Committee Member INVL Asset Management, UAB (code 126263073, Gynėjų g. 14, Vilnius, Lithuania) – Chairman of the Board Šiaulių Bankas AB (code 112025254, Tilžės g. 149, Šiauliai, Lithuania) – Member of the Supervisory Board</p> |
| <p>Darius Šulnis – Member of the Board, the President of Invalda INVL</p> | | | | <p>INVL Baltic Farmland, AB (code 303299781, Gynėjų g. 14, Vilnius, Lithuania) – Member of the Board Litagra, UAB (code 304564478, Savanorių pr. 173, Vilnius, Lithuania) – Member of the Board</p> |

| | Term of office | Educational background and qualifications | Owned number of shares in Invalda INVL | Work experience |
|---|----------------|--|---|--|
|  | - | Vilnius University, Faculty of Economics, Master of Science in Accounting and Auditing | Personally: 26,959 units of shares, 0.23% of authorised capital and votes. The right to acquire 129,145 shares of the company according to the concluded share option agreements. | Since 2006 CFO at Invalda INVL 2001 – 2006 CFO at Valmeda, AB 2000 – 2001 CFO at Galincius, AB 2000 – 2001 CFO at Invaldos Marketingas, UAB (current name Inreal Valdymas. UAB) 2000 – 2002 Accountant at Gildeta, AB 1998 – 2000 Accountant at Invalda, AB |

Raimondas Rajeckas
CFO

14. Information about the Audit Committee of the company

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

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

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



Procedure of work of the audit committee

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

(by e-mail or fax). The meetings of the Audit Committee should not be recorded and the taken decisions should be signed by both Members of the committee. When both Audit Committee Members vote in writing, the decision should be written down and signed by the secretary of the Audit Committee who should be appointed by the Board of the Company. The decision should be written down and signed within 7 (seven) days from the day of the meeting of the Audit Committee.

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

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

| | Term of office | Educational background and qualifications | Owned number of shares in Invalda INVL | Work experience |
|---|-----------------------|---|--|---|
|  <p>Dangutė Pranckėnienė Independent audit committee member</p> | Since 2021 until 2025 | <p>Vilnius Gediminas Technical University, Master of Business Administration.</p> <p>Vilnius University, Master of Economics.</p> <p>The International Coach Union (ICU), professional coucher name.</p> <p>Lithuanian Ministry of Finance, the auditor's name.</p> | - | <p>Since 1997 the Partner at Moore Mackonis, UAB</p> <p>1996 - 1997 Audit Manager, Deloitte & Touche</p> <p>1995 - 1996 Lecturer, Vilnius Gediminas Technical University</p> <p>1982 - 1983 Lecturer, Vilnius University</p> |
|  <p>Tomas Bubinas Independent audit committee member</p> | Since 2021 until 2025 | <p>Baltic Management Institute (BMI), Executive MBA</p> <p>Association of Chartered Certified Accountants. ACCA. Fellow Member</p> <p>Lithuanian Sworn Registered Auditor Vilnius University, Msc. in Economics</p> | - | <p>Since 2013 Chief Operating Officer of Biotechpharma, UAB.</p> <p>2010 – 2012 Senior Director of TEVA Biopharmaceuticals (USA).</p> <p>2004-2010 – TEVA Pharmaceuticals, Chief Financial Officer for the Baltic States.</p> <p>2001-2004 – Sicor Biotech, Chief Financial Officer</p> <p>1999 – 2001 Senior Manager of PricewaterhouseCoopers.</p> <p>1994 – 1999 Senior Auditor, Manager of Coopers & Lybrand.</p> |

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

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

No assets were transferred or guarantees were given to the members of the Board during the reporting period. The company did not award bonuses to the members of the Board. No special benefits were granted to the company's executives. The Company's group companies did not award any bonuses to the members of the Board and the President of AB Invalda INVL.

During the year 2021, the total remuneration for the members of the Audit Committee of the company amounted to EUR 1,088.

INFORMATION ABOUT CALCULATED REMUNERATION FOR INVALDA INVL, AB MANAGERS FOR 2021

| | Calculated remuneration. thousand EUR | | |
|---|--|------|------|
| | 2019 | 2020 | 2021 |
| For members of the Board (according to employment contracts as employees of the company) ⁴ | 285 | 251 | 220 |
| For each member of the Board (average per month) | 8 | 7 | 6 |
| For members of administration (the President and CFO) ⁴ | 195 | 168 | 144 |
| For each member of administration (average per month) | 8.1 | 7.0 | 6.0 |

V. OTHER INFORMATION

16. Agreements with intermediaries on public trading in securities

Invalda INVL, AB has signed agreements with these intermediaries:

- Šiaulių Bankas, AB (Tilzes str. 149, Šiauliai, Lithuania; tel. +370 41 595 607) – the agreement on investment services, the agreement on management of securities accounting, the agreement on payment of dividends, agreement regarding market making service;
- Luminor Bank AS Lithuanian Branch (Konstitucijos av. 21A, Vilnius, Lithuania; tel. +370 5 239 3444) – the agreement on financial instruments account management, implementation of orders and offering recommendations;
- SEB Bankas, AB (Gedimino ave. 12, Vilnius, Lithuania; tel. +370 5 268 2370) – the agreement on management of securities account;
- FMI Orion Securities, UAB (A. Tumeno str. 4. (block B), Vilnius, Lithuania; tel. +370 5 231 3841) - the agreement on investment services;
- AB SEB Pank (Tornimae str. 2., 15010, Tallin, Estonia; tel. +372 6657 772) - the agreement of intermediation.

17. Information on Issuer's branches and representative offices

Invalda INVL, AB has no branches or representative offices.

18. Risk management

18.1. A DESCRIPTION OF THE PRINCIPAL RISKS AND UNCERTAINTIES

Economic, geopolitical risks

The activities of the Invalda INVL group of companies are influenced by the general economic, geopolitical and legal environment of the countries where businesses are developed and investments are made.

⁴ Remuneration by the company and group companies (including non-consolidated companies)

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

There is a risk that, in the event of inflation, the value of a stock will grow more slowly than inflation, leading to lower-than-inflation returns. In this case, the real return on the increase in the value of the shares of the persons who sold the company's shares on the market may be lower than expected. In the event of deflation, there would be a risk that the value of the company's investments would decrease due to a decrease in the general price level.

Regulatory risk

The main activity of AB Invalda INVL Group is asset management. A significant part of the assets under management consists of the assets of the second pillar pension funds in Lithuania and Latvia, therefore the changing laws related to the pension system may negatively affect the results of this business line. We have opted for a regulated asset management business model, so an increase in the regulatory burden may increase our costs and adversely affect profitability. The asset management business must also meet capital adequacy ratios, which may result in additional contributions to the capital of asset management companies in the event of a loss.

Changes in the laws or regulations governing our operations may have a material effect on our business. Changing tax policy, as well as regulatory policy in sectors that depend on public funding, can have negative consequences for our business.

Tax risk

Invalda INVL AB has concluded a number of transactions with related parties and its portfolio companies. Information on transactions concluded by the company with related parties, as provided for in Article 37 (2) of the Law on Companies, is made public. Under current tax law, transactions with related parties must be formalized (i.e., independently and under the same conditions). Despite every effort made by management to ensure compliance with the above standard, the theoretical tax risk remains, i.e. the risk that the applicable charges will be calculated on the basis of market prices if it has been established that certain transactions have not been concluded in accordance with this principle, and the risk that appropriate fines and interest will be charged.

Payouts and liquidity risk

By purchasing the company's shares, the shareholders assume the liquidity risk of the securities - if the demand for the shares decreases or they are delisted from the stock exchange, investors would face difficulties in their realization. If the company's financial situation deteriorates, the demand for the company's shares may decrease, as well as the price.

Our investments may be illiquid - there is a risk that the planned transactions will not take place when the management of the issuer so requests. When investing in portfolio companies whose securities (shares, bonds and other financial instruments) are not traded on regulated markets, there is a risk that the sale of securities may take longer than planned or may not be due to lack of demand or other market conditions, or may not be as profitable as planned, or even unprofitable. Our investments in corporate shares and collective investment undertakings are risky and, in the worst case, it is possible to lose the entire amount invested.

We have not approved a dividend payment policy and have not set a minimum dividend, therefore the payment of funds to shareholders is not guaranteed. Decisions to pay dividends depend on the profitability of operations, cash flows, investment plans and the general financial situation and other circumstances.

Interest rate risk

Changes in interest rates can affect the cost of capital, profitability and the ability to attract additional financing. There is a risk that if inflation rises, central banks will raise interest rates and the servicing of loans related to the company's investments, which may reduce the value of the company's investments.

Credit risk

There is a risk that buyers of the products and services of direct portfolio companies, or businesses in which we have invested through collective investment undertakings, will not meet their obligations, which would adversely affect profits. A large part of the default on time may disrupt the issuer's normal operations and may require additional sources of funding, which may not always be available. The issuer also incurs risks by holding funds in bank accounts or investing in short-term financial instruments.

Risk of false expectations and assessments

The profitability of Invalda INVL investments may be significantly lower than the average profitability historically achieved by the private equity industry, as past results do not reflect future profitability.

Invalda INVL may not be able to realize the profit from investments in shares of companies or collective investment undertakings. The companies and collective investment undertakings in which we invest may not create value or even destroy it by devaluing our investments.

The performance of the company and the group may fluctuate significantly and may not reflect future results.

The share price of Invalda INVL may fluctuate significantly. The price of the shares you have acquired as an investor may be higher or lower, depending on many factors, some of which are beyond our control.

The market may value the shares of Invalda INVL less than the fair value of the assets.

Technological risk

The company may face attempts by other persons to find illegal access to the information systems of the company and / or its group companies, which may pose a threat to the information security and system stability of the company and/or its portfolio companies. The company and/or its portfolio companies may not be able to detect and protect against such theft and attacks. Theft, unauthorized access and use of trade secrets and other confidential business information as a result of such an event may materially harm the company's business, results of operations or financial condition.

Human resources risk

Invalda INVL AB and its asset management business and other companies and collective investment undertakings in which we invest are also dependent on key executives - the loss of them could adversely affect the company's operations and we could lose business opportunities.

18.2. INFORMATION ABOUT THE EXTENT OF RISK AND ITS MANAGEMENT IN THE COMPANY

Information on the extent of risks and management of them is disclosed in explanatory notes of consolidated and company's financial statements for 2021.

18.3. THE MAIN INDICATIONS ABOUT INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS RELATED TO THE PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

18.4. INFORMATION ON FINANCIAL RISK MANAGEMENT OBJECTIVES USED FOR HEDGING MEASURES WHICH HEDGE ACCOUNTING

Information on financial risk management objectives used for hedging measures which hedge accounting and of price risk, credit risk, liquidity risk and cash flow risk where the company group uses financial instruments and is an important evaluation of the property, own capital, liabilities, revenue and expenses is disclosed in the consolidated and Company's financial statements for 2021 explanatory notes.

19. Issuer's and its group companies' non – financial results. Information related to employees

19.1. EMPLOYEES

Average number of employees in 2021 was 7 (in 2020 it was 7). All company's employees have higher university education.

Number of employees and average monthly salary

| | Measuring units | 2019 | 2020 | 2021 |
|---|-----------------|-------|-------|-------|
| Total amount of employees as of the end of the period | person | 7 | 7 | 7 |
| - managers | person | 4 | 4 | 4 |
| - specialists | person | 3 | 3 | 3 |
| Average monthly salary (calculated for) | EUR | 4,023 | 4,658 | 4,656 |
| - managers | EUR | 5,626 | 6,489 | 5,979 |
| - specialists | EUR | 1,871 | 2,195 | 2,892 |

Number of employees in Invalda INVL Group was 459 on 31 December 2021 (537 on 31 December 2020). The decrease in the number of employees of the group was mainly determined by the exit of the company Kelio ženklai from the group after the sale of the company's shares.

19.2. INFORMATION ABOUT AGREEMENTS OF THE COMPANY AND THE MEMBERS OF THE BOARD, OR THE EMPLOYEES' AGREEMENTS PROVIDING FOR COMPENSATION IN CASE OF THE RESIGNATION OR IN CASE THEY ARE DISMISSED WITHOUT A DUE REASON OR THEIR EMPLOYMENT IS TERMINATED IN VIEW OF THE CHANGE OF THE CONTROL OF THE COMPANY.

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

20. Memberships in associations

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

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

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

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

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

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

INVL Asset Management is an associate member of **The Association of Lithuanian Banks**. This association seeks to ensure a good environment for the banking sector and achieve direct dialogue with the public, supervisory authorities and legislators.

21. Information on harmful transactions in which the issuer is a party

There were no harmful transactions (those that are not in line with issuer's goals, not under usual market terms, harmful to the shareholders' or stakeholders' interests, etc.) made in the name of the issuer that had or potentially could have negative effects in the future on the issuer's activities or business results. There were also no transactions where a conflict of interest was present between issuer's management's, controlling shareholders' or other related parties' obligations to the issuer and their private interests.

22. Information on the related parties' transactions

During the reporting period, the largest share of the company and a group of transactions with related parties accounted for loans, computer services, rent and utility costs of purchases, land administration services and asset management services (only group). The detailed information on the related parties' transactions has been disclosed in the section 26 of the consolidated and Company's financial statements for 2021 explanatory notes.

In addition, information regarding Transactions with Related Parties, according to the Law on Companies article 37 (2) , is published on the Company's web site: <https://www.invalidainvl.com/en/investor-relations/financial-information-and-documents/related-parties-transactions/>

Information on the Company's related party transactions published on the Company's website is provided in Annex 3, Part 5 to this Consolidated Annual Management Report.

Pursuant to paragraph 10 of Article 37 (2) of the Law on Companies of the Republic of Lithuania, the Company report the amounts of the Company's transactions with related parties, which were implemented in the ordinary course of business and with the same related party in the financial year.

| Transaction value, EUR | | |
|---|----------------------------------|-------------------------------------|
| Related party | Sales revenue from related party | Purchase costs from a related party |
| UAB Cedus Invest Code 302576631, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities | 4,554,366 | - |
| UAB Aktyvo Code 301206846, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities | 348 | - |
| UAB Įmonių grupė Inservis Code 301673796, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities | 1,148 | - |
| UAB MD Partners Code 304842899, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities | 1,160 | - |
| UAB INVL Farmland Management Code 303788352, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities | 2,680 | - |
| UAB „INVL Asset Management“ Code 126263073, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities | 695 | 3,267 |
| UAB „INVL Life“ Code 305859887, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities | 265,226 | - |
| UAB „Inservis“ Code 126180446, A. Juozapavičiaus g. 6, Vilnius, Lithuania Register of Legal Entities | - | 53 |
| SUTNTIB INVL Baltic Real Estate Code 152105644, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities | 15,593 | - |
| UAB Proprietas Code 303252098, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities | 10,000 | - |
| UAB Roveliija Code 302575846, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities | 1,738 | - |
| UAB Novian Technologies Code 301318539, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities | - | 6,858 |
| UAB FINtime Code 304192355, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities | 17,085 | - |

| | | |
|---|-------|-------|
| UAB Novian Systems Code 300935644, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities | - | 1,451 |
| UAB Avižėlė Code 303113077, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities | 1,663 | - |
| UAB Beržytė Code 30112915, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities | 1,663 | - |
| UAB Dirvolika Code 303112954, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities | 1,663 | - |
| UAB Duonis Code 303112790, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities | 1,663 | - |
| UAB Ekotra Code 303112623, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities | 1,663 | - |
| UAB Kvietukas Code 303112687, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities” | 1,663 | - |
| UAB Laukaitis Code 303112694, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities | 1,663 | - |
| UAB Lauknešys Code 303112655, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities | 1,663 | - |
| UAB Linažiedė Code 303112922, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities | 1,663 | - |
| UAB Pušaitis Code 303113102, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities | 1,663 | - |
| UAB Puškaitis Code 303112769, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities | 1,663 | - |
| UAB Sėja Code 303113013, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities | 1,663 | - |
| UAB Vasarojus Code 303112776, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities | 1,663 | - |
| UAB Žemgalė Code 303112744, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities | 1,663 | - |
| UAB Žemynėlė Code 303112559, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities | 1,663 | - |
| UAB Žiemkentys Code 303112648, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities | 1,663 | - |
| UAB Žalvė Code 303113045, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities | 1,663 | - |
| UAB Cooperor Code 303252162, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities | 348 | - |
| AB INVL Baltic Farmland Code 303299781, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities | 8,115 | - |

| Related party | Balance of loans granted 01.01.2021 | Loans granted during 2021 | Interest calculated during 2021 | Loans returned during 2021 | Interest paid during 2021 | Balance of loans granted 31.12.2021 |
|---|-------------------------------------|---------------------------|---------------------------------|----------------------------|---------------------------|-------------------------------------|
| UAB Kelio ženklai* Code 185274242, Geležinkelio g. 28, Pilviškiai Register of Legal Entities | 296,670 | 55,000 | 5,902 | 351,670 | 5,902 | - |
| UAB Litagra Code 304564478, Savanorių per. 173, Vilnius, Register of Legal Entities | - | 2,234,000 | 4,958 | - | - | 2,238,958 |

* UAB Kelio ženklai is considered a related party until 27.05.2021, when the company was sold to the third parties. The granted loans were repaid on 27.05.2021, including them as a new loan to the third parties to settle the purchased shares.

| Related party | Balance of loans received 01.01.2021 | Loans received during 2021 | Interest calculated during 2021 | Loans returned during 2021 | Interest paid during 2021 | Balance of loans granted 31.12.2021 |
|--|--------------------------------------|----------------------------|---------------------------------|----------------------------|---------------------------|-------------------------------------|
| UAB Aktyvo Code 301206846 Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities | 27,665 | - | 520 | 27,276 | 909 | - |

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

In 2021 there were no concluded significant agreements of the company which would come into force, be amended or cease to be valid if there was a change in issuer's controlling shareholder.

24. Significant investments made during the reporting period and after the end of the financial year

15 June 2021 Invalda INVL has signed a deal in principle with Mandatum Life Insurance Company Limited to acquire insurance business. A new company to be established by Invalda INVL in due course will take over the Baltic life insurance business subject to required approvals. Completion of the transaction is anticipated for the middle of 2022 subject to Baltic and Finnish regulatory approval for permissions and licencing. More information <https://www.invaldainvl.com/en/regulated-information/invalda-invl-agrees-deal-in-principle-to-acquire-mandatum-lifes-baltic-insurance-business/>

In the beginning of 2022 the Board of Invalda INVL has decided to increase the share capital of its subsidiary INVL Life, which in the beginning of March 2022 has been granted by the Bank of Lithuania a licence to conduct life insurance activities, from EUR 7.5 million to EUR 48 million by transferring the following shareholdings to INVL Life for a preliminary amount of EUR 36 million: (i) 1,889,123 shares, which makes up 23.43 percent of the authorized capital, of INVL Baltic Real Estate; (ii) 1,873,678 shares, which makes up 15.39 percent of the authorized capital, of INVL Technology; (iii) Cedus invest (100% of shares), through which Invalda INVL has invested in Litagra; (iv) part, equal to EUR 7,621,959.71 capital contributed, of the units of the private equity investment fund INVL Baltic Sea Growth Fund, a closed-end investment fund for professional investors, (outstanding capital commitment is not transferred). More information <https://www.invaldainvl.com/en/regulated-information/invalda-invl-increases-share-capital-of-its-subsidiary-invl-life-and-transfers-part-of-shares-to-it/>

On 22 December 2021, Invalda INVL signed a Share Purchase-Sale Agreement with the European Bank for Reconstruction and Development. The parties agreed that Invalda INVL will directly and/or indirectly acquire from EBRD 35,240,296 shares of Šiaulių bankas by 31 May 2024 at the latest. The shares will not be acquired all at once, but in instalments, in separate tranches. The parties have agreed that the initial price for Šiaulių bankas shares is EUR 0.633 per share and it will be recalculated during every payment considering dividends paid or other changes in capital by Šiaulių bankas, as well as 5% annual interest calculated from the date of signing the agreement. More information <https://www.invaldainvl.com/en/regulated-information/invalda-invl-intends-to-increase-its-stake-in-siauliu-bankas/>

More information is provided in the section 3 of the consolidated and Company's financial statements for 2021 explanatory notes.

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

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

26. Data on the publicly disclosed information

The information publicly disclosed by Invalda INVL, AB during 2021 is presented on the company's website www.invaldainvl.com

SUMMARY OF PUBLICLY DISCLOSED INFORMATION

| Published | Headline | Message Category |
|------------|--|--|
| 26.03.2021 | Invalda INVL is reducing its stake in INVL Baltic Real Estate | Notification on material event |
| 08.04.2021 | Convocation of the ordinary general shareholders meeting of Invalda INVL | General meeting of shareholders |
| 08.04.2021 | Draft resolutions prepared by the Board for the shareholders' meeting of Invalda INVL to be held on 30/04/2021 | General meeting of shareholders |
| 08.04.2021 | Audited results of Invalda INVL Group for 2020 | Notification on material event |
| 16.04.2021 | Įmonių Grupė Inservis, a subsidiary of Invalda INVL, sold shares in Informacinio Verslo Paslaugų Įmonė | Other information |
| 28.04.2021 | „INVL Emerging Europe Bond Fund“, a subfund of INVL Asset Management, a subsidiary of Invalda INVL, will be managed from Luxembourg | Other information |
| 30.04.2021 | The resolutions of the Ordinary General Shareholders Meeting of Invalda INVL | General meeting of shareholders |
| 30.04.2021 | Audited annual information of Invalda INVL for 2020 | Annual information |
| 18.05.2021 | INVL Baltic Sea Growth Fund's Eco Baltia to acquire majority stake in Ecoservice | Other information |
| 19.05.2021 | Invalda INVL signed employee stock option contracts | Notification on material event |
| 19.05.2021 | Notification on transactions in the issuer's securities | Notifications on transactions concluded by managers of the companies |
| 31.05.2021 | Unaudited information of Invalda INVL group for 3 months of 2021 | Notification on material event |
| 04.06.2021 | Invalda INVL sold the shares in Kelio ženklai | Other information |
| 10.06.2021 | A new wording of Articles of Association of Invalda INVL has been registered. The issued shares were acquired by the group's employees | Notification on material event |
| 10.06.2021 | Information about shares issued by Invalda INVL and votes granted | Total number of voting rights and capital |
| 15.06.2021 | Invalda INVL agrees deal in principle to acquire Mandatum Life's Baltic insurance business | Notification on material event |
| 17.06.2021 | INVL Sustainable Timberland and Farmland Fund II holds second close at EUR 51 mln | Other information |
| 20.07.2021 | INVL Asset Management, a subsidiary of Invalda INVL, establishes INVL Renewable Energy Fund I, a sub-fund that will invest in renewable energy | Other information |
| 23.07.2021 | Notification on transactions in the issuer's securities | Notifications on transactions concluded by managers of the companies |

| | | |
|------------|--|--|
| 23.07.2021 | Notification about acquisition of voting rights of Invalda INVL | Acquisition or disposal of a block of shares |
| 04.08.2021 | INVL Renewable Energy Fund I, a fund managed by INVL Asset Management, a subsidiary of Invalda INVL, raised EUR 18.5 million | Other information |
| 12.08.2021 | Invalda INVL establishes INVL Life which will seek an insurance company licence | Other information |
| 17.08.2021 | INVL Baltic Sea Growth Fund's Eco Baltia completes acquisition for majority stake in Ecoservice | Other information |
| 31.08.2021 | Unaudited information of Invalda INVL group for 6 months of 2021 | Half-Yearly information |
| 03.11.2021 | Invalda INVL analyses strategic options for the companies of the Inservis Group | Notification on material event |
| 04.11.2021 | INVL Renewable Energy Fund I, a fund managed by INVL Asset Management, a subsidiary of Invalda INVL, raised additional EUR 16.14 million | Other information |
| 08.11.2021 | Supplement: Invalda INVL analyses strategic options for the companies of the Inservis Group | Notification on material event |
| 19.11.2021 | INVL Asset Management, a subsidiary of Invalda INVL, launches INVL Partner Global Infrastructure Fund I subfund | Other information |
| 30.11.2021 | Unaudited information of Invalda INVL group for 9 months of 2021 | Notification on material event |
| 02.12.2021 | INVL Baltic Forests Fund I, a fund on Invalda INVL group, ends its activities with a 27% annual rate of return | Other information |
| 10.12.2021 | Invalda INVL investor's calendar for 2022 | Other information |
| 22.12.2021 | Invalda INVL intends to increase its stake in Šiaulių bankas | Notification on material event |
| 28.12.2021 | Invalda INVL has agreed on the sale of shares in Inservis Group companies | Notification on material event |

Summary of reports about transactions concluded in 2021 by persons employed in management positions and persons closely associated with them

| Announcement date | Date of transaction | Person | Shares, units | Share price, EUR | Type of transaction | Place of transaction |
|-------------------|---------------------|--|---------------|------------------|--|-------------------------|
| 19.05.2021 | 18.05.2021 | R.Rajeckas, CFO of the issuer | 8,308 | 0.20 | Acquisition. Share subscription agreement to exercise the option transaction of 25 April 2018, which entered into force on 3 May 2018. | Outside a trading venue |
| 23.07.2021 | 21.07.2021 | UAB Lucrum investicija, legal entity related to D.Šulnis, the issuer's CEO | 175,761 | 8.00 | Acquisition | Outside a trading venue |
| 23.07.2021 | 21.07.2021 | UAB Lucrum investicija, legal entity related to D.Šulnis, the issuer's CEO | 202,449 | 8.00 | Acquisition | Outside a trading venue |
| 23.07.2021 | 21.07.2021 | UAB LJB investment, legal entity related to A.Banys, the chairman of the Board of the issuer | 202,449 | 8.00 | Sale | Outside a trading venue |

27. Information on audit company

The company have not approved criteria for selection of the audit company. Usually the big-four audit companies are attending the competition (Deloitte, KPMG, PricewaterhouseCoopers, Ernst and Young).

The Company's and the Consolidated Financial Statements for the year 2021 were audited by the audit firm KPMG Baltics, UAB (company code 111494971, registered address is Lvivo str. 101, Vilnius). It was elected by the shareholders for the audit of the annual financial statements for 2019-2021 at the Extraordinary General Meeting of Shareholders held on 14 October 2019. At the same meeting, the shareholders set a total remuneration of up to EUR 75 thousand for the audit of the sets of annual financial statements for the period 2019-2021 and the statement on the annual reports (value added tax is calculated and paid in accordance with the law).

| | |
|----------------------------------|------------------------------------|
| Audit company | „KPMG Baltics”, UAB |
| Address of the registered office | Lvivo str. 101, Vilnius, Lithuania |
| Enterprise code | 111494971 |
| Telephone | +370 5210 2600 |
| E-mail | vilnius@kpmg.lt |
| Website | www.kpmg.com/LT |

No internal audit is performed in the company.

ALL THE SERVICES GRANTED TO INVALDA INVL AND THE ITS GROUP BY THE AUDITOR KPMG BALTICS

| EUR | Group 2021 | Company 2021 |
|--|----------------|-----------------|
| Financial statement audit services under contracts (including audit services for funds financial statements) | 136,389 | 25,490 |
| Costs of collateral and other related services | - | - |
| Costs for tax advice issues | - | - |
| Costs for other services (including funds) | 1,050 | - |
| In total | 137,439 | 25,490 |

signed with qualified electronic signature

President

Darius Šulnis

APPENDIX 1. INFORMATION ABOUT GROUP COMPANIES, THEIR CONTACT DETAILS

| Company | Registration information | Type of activity | Contact details |
|--|--|--|---|
| ASSET MANAGEMENT BUSINESS | | | |
| INVL Asset Management, UAB | Code 126263073 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 21.07.2003 | Pension and investment funds management. portfolio management services, real estate funds management | Telephone +370 700 55959 E-mail info@invl.com www.invl.com |
| INVL Asset Management, IPAS (Latvia) | Code 40003605043 Address Elizabetes iela 10B-1. Riga, Latvia Legal form – private limited liability company Registration date 02.10.2002 | Pension and investment funds management, portfolio management services | Telephone +371 67 092 988 E-mail LV@invl.com www.invl.com/lat/lv |
| AS INVL Atklātais pensiju fonds (Latvia) | Code 40003377918 Address Elizabetes iela 10B-1, Riga, Latvia Legal form – limited liability company Registration date 04.02.1998 | Pension funds | Tel. +371)67 092 988 E-mail LV@invl.com www.invl.com/lat/lv |
| INVL Farmland Management | Code 303788352 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 26.02.2016 | Administration of agricultural land | E-mail juste.gumovskiene@invl.com |
| INVL Finasta, FMJ UAB | Code 304049332 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 28.05.2015 | Family office services | Tel. +370 700 55 959 E-mail gerovesvaldymas@invl.com www.invl.com |
| Mundus UAB, asset management company | Code 303305451 Address Gynėjų str. 14-120, Vilnius Legal form – private limited liability company Registration date 07.05.2014 | Management of investment funds | info@mundus.lt www.mundus.lt |
| Invalda INVL Investments, UAB | Code 303252237 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 27.02.2014 | carries no activity | Telephone +370 5 263 6129 |
| INVL Life, UAB | Code 305859887 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 11.08.2021 | Life insurance activities | www.invl.com |
| INVL LUX GP1 S.a.r.l | Code B248090 Address 3, Rue Gabriel Lippmann, L - 5365 Munsbach, Grand Duchy of Luxembourg Legal form – private limited liability company Registration 29.10.2020 | General Partner of the Luxembourg umbrella fund; investment in Luxembourg and foreign companies. | |
| OTHER INVESTMENTS | | | |
| Cedus Invest, UAB | Code 302576631 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 20.12.2010 | investments into agriculture companies | Telephone +370 5 263 6129 |

| | | | |
|-----------------------------------|---|--|---|
| Inservis, UAB | Code 126180446 Address Juozapaviciaus str. 6. Vilnius Legal form – private limited liability company Registration date 25.03.2003 | facility management. engineering systems oversight and incidents management. multi-apartment house management | Telephone +370 5 273 6607 E-mail prieziura@inservis.lt www.inservis.lt |
| Priemiestis, UAB | Code 221487620 Address Stepono Batoro str. 41. Vilnius Legal form – private limited liability company Registration date 09.07.1992 | facility management. engineering systems oversight and incidents management, multi-apartment house management | Telephone +370 5 267 0204 Fax +370 5 267 2941 E-mail info@priemiestis.lt www.priemiestis.lt |
| Jurita, UAB | Code 220152850 Address Justiniskiu str. 62. Vilnius Legal form – private limited liability company Registration date 28.12.1990 | Facility management. engineering systems oversight and incidents management, multi-apartment house management | Telephone +370 5 248 2088 E-mail info@jurita.lt www.jurita.lt |
| Imoniu Grupe Inservis, UAB | Code 301673796 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 07.04.2008 | investing in building maintenance companies | Telephone +370 5 263 6129 |
| "IPP integracijos projektai", UAB | Code 302890482 Address Palangos str. 4, Vilnius Legal form – private limited liability company Registration date 12.10.2012 | Carries no activity | - |
| SIA „Inservis“ (Latvia) | Code 40203041770 Address - Olaines nov., Olaines pag., Stūnīši, "Lapegles", Latvia Legal form – private limited liability company Registration date 02.01.2017 | Facilities management | - |
| Iniciatyvos Fondas, Vsl | Code 300657209 Address Gynėjų str. 14, Vilnius Legal form – public institution Registration date 08.03.2007 | organising of social initiative programmes | Telephone +370 5 263 6129 Fax +370 5 279 0530 E-mail info@iniciatyvosfondas.lt www.iniciatyvosfondas.lt |
| Aktyvo, UAB | Code 301206846 Address Gynėjų str. 14, Vilnius; Legal form – private limited liability company Registration date 31.10.2007 | carries no activity | Telephone +370 5 263 6129 |
| Aktyvus Valdymas, UAB | Code 301673764 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 07.04.2008 | carries no activity | Telephone +370 5 263 6129 |
| MBGK, UAB | Code 300083611 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 27.01.2005 | carries no activity | Telephone +370 5 263 6129 |
| MGK Invest, UAB | Code 302531757 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 27.07.2010 | carries no activity | Telephone +370 5 263 6129 |
| Consult Invalda, UAB | Code 302575814 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 20.12.2010 | carries no activity | Telephone +370 5 263 6129 |

| | | | |
|-----------------|---|---|--|
| RPNG, UAB | Code 302575892 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 20.12.2010 | carries no activity | Telephone +370 5 263 6129 |
| Regenus, UAB | Code 302575821 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 20.12.2010 | carries no activity | Telephone +370 5 263 6129 Fax +370 5 279 0530 |
| Cedus, UAB | Code 302656796 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 18.08.2011 | carries no activity | Telephone +370 5 263 6129 |
| MD Partners UAB | Code 304842899 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 14.05.2018 | SPV for investment into Moldova-Agroindbank | Telephone +370 5 263 6129 |

APPENDIX 2. DISCLOSURE CONCERNING THE COMPLIANCE WITH THE GOVERNANCE CODE

Invalda INVL, AB (hereinafter referred to as the “Company”), acting in compliance with Article 12 (3) of the Law on Securities of the Republic of Lithuania and paragraph 24.5 of the Listing Rules of AB Nasdaq Vilnius, hereby discloses how it complies with the Corporate Governance Code for the Companies listed on Nasdaq Vilnius as well as its specific provisions or recommendations. In case of non-compliance with this Code or some of its provisions or recommendations, the specific provisions or recommendations that are not complied with must be indicated and the reasons for such non-compliance must be specified. In addition, other explanatory information indicated in this form is provided.

1. Summary of the Corporate Governance Report:

Invalda INVL, AB has a General Meeting of Shareholders and a single-person managing body - the President of the Company. The Company has a collegial management body - the Board.

The President is elected, recalled and dismissed, his salary is fixed, his job description is approved, he is promoted and penalties are imposed by the Board of the Company. The Board of the Company is elected by the General Meeting of Shareholders for the term of 4 years. The Board shall have all the powers provided for in the Articles of Association of the Company as well as such powers as the Board may have by law. The activities of the Board are based on collegial deliberation and decision making, as well as joint responsibility to the shareholders' meeting for the consequences of the decisions made. In order to maximize the benefit for the company and its shareholders, and to ensure the integrity and transparency of the company's financial accounting and control system, the Board works closely with the Company's President.

The supervisory board is not formed in the Company. Nevertheless, the Company's Board and the President work closely together to maximize benefits for the Company and all its shareholders.

The Company has an Audit Committee consisting of 2 independent members. The members of the Audit Committee are elected and recalled by the General Meeting of Shareholders for the term of four years. The establishment of the Risk, Nomination and Compensation Committees is not expedient due to the size of the Company.

The Company's Remuneration Policy was approved by the General Meeting of Shareholders on 30 April 2020.

Although the form for filling in the Corporate Governance Code of Nasdaq Vilnius listed companies is based on the “comply or explain” principle, the company, taking into account the recommendations of the Bank of Lithuania, provides an explanation in the “Comment” section in all cases, even if it fully complies with the principle.

2. Structured table for disclosure:

| PRINCIPLES/ RECOMMENDATIONS | YES/NO/ NOT APPLICABLE | COMMENTARY |
|---|------------------------------|---|
| Principle 1: General meeting of shareholders, equitable treatment of shareholders, and shareholders' rights | | |
| The corporate governance framework should ensure the equitable treatment of all shareholders. The corporate governance framework should protect the rights of shareholders. | | |
| 1.1. All shareholders should be provided with access to the information and/or documents established in the legal acts on equal terms. All shareholders should be furnished with equal opportunity to participate in the decision-making process where significant corporate matters are discussed. | YES | The Company discloses all regulated information through the Nasdaq Vilnius news distribution platform. Information is provided simultaneously in both Lithuanian and English. The company publishes information before or after the Nasdaq Vilnius trading session. The Company periodically updates information in Lithuanian and English on its website. As the company has not issued preference or non-voting shares, all shareholders have equal rights to participate in the general meetings of shareholders of the company. |

| | | |
|--|---------------|--|
| <p>1.2. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all of their holders.</p> | <p>YES</p> | <p>Since the company did not issue any privileged or non-voting shares, the shares constituting the authorized capital of the company grant equal rights to all shareholders of the company.</p> |
| <p>1.3. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.</p> | <p>YES</p> | <p>The company informs about the rights granted by the newly issued shares. Information on the rights granted by the already issued shares of the company is provided in the Articles of Association of the company, in the annual report.</p> |
| <p>1.4. Exclusive transactions that are particularly important to the company, such as transfer of all or almost all assets of the company which in principle would mean the transfer of the company, should be subject to approval of the general meeting of shareholders.</p> | <p>YES/NO</p> | <p>The Articles of Association of the company do not contain a provision specified in Article 34 (5) of the Law on Companies, i.e. decision-making on the sale of fixed assets with a book value higher than 1/20 of the authorized capital is not referred to the shareholders' meeting. However, the company's board is of the opinion and practice that all highly significant and exceptional strategic transactions must be made only with the approval of the shareholders' meeting.</p> |
| <p>1.5. Procedures for convening and conducting a general meeting of shareholders should provide shareholders with equal opportunities to participate in the general meeting of shareholders and should not prejudice the rights and interests of shareholders. The chosen venue, date and time of the general meeting of shareholders should not prevent active participation of shareholders at the general meeting. In the notice of the general meeting of shareholders being convened, the company should specify the last day on which the proposed draft decisions should be submitted at the latest.</p> | <p>YES</p> | <p>Shareholders shall be informed about the convened general meeting in accordance with the notice deadlines, methods of publication and means established by legal acts. The possibility to participate in the meeting is additionally implemented by providing an opportunity to vote by filling in a ballot paper or authorizing another person to represent the shareholder. The General Meeting of Shareholders is held at the address of the Company's registered office. The Company does not restrict the right of shareholders to submit new draft resolutions both before and during the meeting and this is clearly stated in the notice of the convened general meeting of shareholders in Lithuanian and English.</p> |
| <p>1.6. With a view to ensure the right of shareholders living abroad to access the information, it is recommended, where possible, that documents prepared for the general meeting of shareholders in advance should be announced publicly not only in Lithuanian language but also in English and/or other foreign languages in advance. It is recommended that the minutes of the general meeting of shareholders after the signing thereof and/or adopted decisions should be made available publicly not only in Lithuanian language but also in English and/or other foreign languages. It is recommended that this information should be placed on the website of the company. Such documents may be published to the</p> | <p>YES</p> | <p>All documents and information relevant to the company's general meetings of shareholders, including the notice of the convened meeting, draft resolutions of the meeting are public and simultaneously published in Lithuanian and English through the Nasdaq Vilnius news distribution system and additionally published on the</p> |

| | | |
|--|------------|---|
| <p>extent that their public disclosure is not detrimental to the company or the company's commercial secrets are not revealed.</p> | | <p>company's website. At the end of the shareholders' meeting, the company announces the adopted resolutions in the same manner as for the convening of the meeting.</p> |
| <p>1.7.Shareholders who are entitled to vote should be furnished with the opportunity to vote at the general meeting of shareholders both in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.</p> | <p>YES</p> | <p>The shareholders of the company may exercise the right to participate in the shareholders' meeting both in person and through a representative, if the person has a proper power of attorney or a contract for the transfer of voting rights concluded with him in accordance with the procedure established by legal acts. The company also enables shareholders to vote by filling in the general voting ballot, which is published together with all information about the convened meeting.</p> |
| <p>1.8.With a view to increasing the shareholders' opportunities to participate effectively at general meetings of shareholders, it is recommended that companies should apply modern technologies on a wider scale and thus provide shareholders with the conditions to participate and vote in general meetings of shareholders via electronic means of communication. In such cases the security of transmitted information must be ensured and it must be possible to identify the participating and voting person.</p> | <p>NO</p> | <p>Shareholders can vote via an attorney or by completing the general voting bulletin, as for now shareholders cannot participate and vote in General Shareholders' Meetings via electronic means of communication.</p> |
| <p>1.9.It is recommended that the notice on the draft decisions of the general meeting of shareholders being convened should specify new candidatures of members of the collegial body, their proposed remuneration and the proposed audit company if these issues are included into the agenda of the general meeting of shareholders. Where it is proposed to elect a new member of the collegial body, it is recommended that the information about his/her educational background, work experience and other managerial positions held (or proposed) should be provided.</p> | <p>YES</p> | <p>At least 10 days prior to the general meeting of shareholders at which the members (member) of the Board are to be elected, the shareholders shall be disclosed about the candidates for the members of the Board. The elected members of the Board shall inform the Chairman of the Board about the changed data. The information is disclosed in the company's annual reports. Data on the current members of the company's board, their education, qualifications, professional experience, participation in the activities of other companies are also disclosed on the company's website.</p> |
| <p>1.10.Members of the company's collegial management body, heads of the administration⁵ or other competent persons related to the company who can provide information related to the agenda of the general meeting of shareholders should take part in the general meeting of shareholders. Proposed candidates to member of the collegial body should also participate in the general meeting of shareholders in case the election of new members is included into the agenda of the general meeting of shareholders.</p> | <p>YES</p> | <p>Recently, all interested shareholders voted in advance by submitting completed ballot papers and meetings were not held live. However, the head of the company and the chief financier are ready to attend the shareholders' meeting. The proposed candidates for the members of the collegial body participate in the meeting if possible.</p> |

⁵ For the purposes of this Code, heads of the administration are the employees of the company who hold top level management positions.

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| <p>Principle 2: Supervisory board 2.1. Functions and liability of the supervisory board</p> <p>The supervisory board of the company should ensure representation of the interests of the company and its shareholders, accountability of this body to the shareholders and objective monitoring of the company's operations and its management bodies as well as constantly provide recommendations to the management bodies of the company. The supervisory board should ensure the integrity and transparency of the company's financial accounting and control system.</p> | | |
| <p>2.1.1. Members of the supervisory board should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders and represent their interests, having regard to the interests of employees and public welfare.</p> | <p>NOT APPLICABLE</p> | <p>Due to its size, it is not expedient to form the Supervisory Board. Considering that only collegial management body - the Board is formed in the Company. It performs all essential management functions and ensures accountability and control of CEO of the Company.</p> |
| <p>2.1.2. Where decisions of the supervisory board may have a different effect on the interests of the company's shareholders, the supervisory board should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed about the company's strategy, risk management and control, and resolution of conflicts of interest.</p> | | |
| <p>2.1.3. The supervisory board should be impartial in passing decisions that are significant for the company's operations and strategy. Members of the supervisory board should act and pass decisions without an external influence from the persons who elected them.</p> | | |
| <p>2.1.4. Members of the supervisory board should clearly voice their objections in case they believe that a decision of the supervisory board is against the interests of the company. Independent⁶ members of the supervisory board should: a) maintain independence of their analysis and decision-making; b) not seek or accept any unjustified privileges that might compromise their independence.</p> | | |
| <p>2.1.5. The supervisory board should oversee that the company's tax planning strategies are designed and implemented in accordance with the legal acts in order to avoid faulty practice that is not related to the long-term interests of the company and its shareholders, which may give rise to reputational, legal or other risks.</p> | | |
| <p>2.1.6. The company should ensure that the supervisory board is provided with sufficient resources (including financial ones) to discharge their duties, including the right to obtain all the necessary information or to seek independent professional advice from external legal, accounting or other experts on matters pertaining to the competence of the supervisory board and its committees.</p> | | |
| <p>2.2. Formation of the supervisory board The procedure of the formation of the supervisory board should ensure proper resolution of conflicts of interest and effective and fair corporate governance.</p> | | |
| <p>2.2.1. The members of the supervisory board elected by the general meeting of shareholders should collectively ensure the diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance between the qualifications of the members of the supervisory board, it should be ensured that members of the supervisory board, as a whole, should have diverse knowledge, opinions and experience to duly perform their tasks.</p> | <p>NOT APPLICABLE</p> | <p>Due to its size, it is not expedient to form the Supervisory Board. Considering that only collegial management body - the Board is formed in the Company. It performs all essential management functions and ensures accountability and control of CEO of the Company.</p> |
| <p>2.2.2. Members of the supervisory board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience.</p> | | |

⁶ For the purposes of this Code, the criteria of independence of members of the supervisory board are interpreted as the criteria of unrelated parties defined in Article 31(7) and (8) of the Law on Companies of the Republic of Lithuania.

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| <p>2.2.3. Chair of the supervisory board should be a person whose current or past positions constituted no obstacle to carry out impartial activities. A former manager or management board member of the company should not be immediately appointed as chair of the supervisory board either. Where the company decides to depart from these recommendations, it should provide information on the measures taken to ensure impartiality of the supervision.</p> | | |
| <p>2.2.4. Each member should devote sufficient time and attention to perform his duties as a member of the supervisory board. Each member of the supervisory board should undertake to limit his other professional obligations (particularly the managing positions in other companies) so that they would not interfere with the proper performance of the duties of a member of the supervisory board. Should a member of the supervisory board attend less than a half of the meetings of the supervisory board throughout the financial year of the company, the shareholders of the company should be notified thereof.</p> | | |
| <p>2.2.5. When it is proposed to appoint a member of the supervisory board, it should be announced which members of the supervisory board are deemed to be independent. The supervisory board may decide that, despite the fact that a particular member meets all the criteria of independence, he/she cannot be considered independent due to special personal or company-related circumstances.</p> | | |
| <p>2.2.6. The amount of remuneration to members of the supervisory board for their activity and participation in meetings of the supervisory board should be approved by the general meeting of shareholders.</p> | | |
| <p>2.2.7. Every year the supervisory board should carry out an assessment of its activities. It should include evaluation of the structure of the supervisory board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the supervisory board, and evaluation whether the supervisory board has achieved its objectives. The supervisory board should, at least once a year, make public respective information about its internal structure and working procedures.</p> | | |
| <p>Principle 3: Management Board</p> | | |
| <p>3.1. Functions and liability of the management board</p> | | |
| <p>The management board should ensure the implementation of the company's strategy and good corporate governance with due regard to the interests of its shareholders, employees and other interest groups.</p> | | |
| <p>3.1.1. The management board should ensure the implementation of the company's strategy approved by the supervisory board if the latter has been formed at the company. In such cases where the supervisory board is not formed, the management board is also responsible for the approval of the company's strategy.</p> | <p>YES/NO</p> | <p>The strategy of the company has not been approved by the Board, but the Board has set the company's business objectives, which are disclosed in the annual and semi-annual reports, reports on significant events.</p> |
| <p>3.1.2. As a collegial management body of the company, the management board performs the functions assigned to it by the Law and in the articles of association of the company, and in such cases where the supervisory board is not formed in the company, it performs <i>inter alia</i> the supervisory functions established in the Law. By performing the functions assigned to it, the management board should take into account the needs of the company's shareholders, employees and other interest groups by respectively striving to achieve sustainable business development.</p> | <p>YES/NO</p> | <p>The Board's functions are discussed in the Consolidated Annual Management Report 12.2. section.</p> |
| <p>3.1.3. The management board should ensure compliance with the laws and the internal policy of the company applicable to the company or a group of companies to which this company belongs. It should also establish the respective risk management and control measures aimed at ensuring regular and direct liability of managers.</p> | <p>YES</p> | <p>The Board ensures that the company complies with the laws and the provisions of the company's internal policy, and in accordance with the established internal</p> |

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| | | management and control measures, also ensures the accountability of the manager. |
| 3.1.4. Moreover, the management board should ensure that the measures included into the OECD Good Practice Guidance ⁷ on Internal Controls, Ethics and Compliance are applied at the company in order to ensure adherence to the applicable laws, rules and standards. | YES/NO | The Board ensures compliance with applicable laws, rules and standards, however, the company does not have written procedures for internal control or compliance. |
| 3.1.5. When appointing the manager of the company, the management board should take into account the appropriate balance between the candidate's qualifications, experience and competence. | YES | When appointing the head of the Company, the Board shall take into account the appropriate qualification, experience and competence of the candidate. |
| 3.2. Formation of the management board | | |
| 3.2.1. The members of the management board elected by the supervisory board or, if the supervisory board is not formed, by the general meeting of shareholders should collectively ensure the required diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance in terms of the current qualifications possessed by the members of the management board, it should be ensured that the members of the management board would have, as a whole, diverse knowledge, opinions and experience to duly perform their tasks. | YES | The members of the Board of the Company have the necessary diverse knowledge, opinions and experience to perform their tasks properly. |
| 3.2.2. Names and surnames of the candidates to become members of the management board, information on their educational background, qualifications, professional experience, current positions, other important professional obligations and potential conflicts of interest should be disclosed without violating the requirements of the legal acts regulating the handling of personal data at the meeting of the supervisory board in which the management board or individual members of the management board are elected. In the event that the supervisory board is not formed, the information specified in this paragraph should be submitted to the general meeting of shareholders. The management board should, on yearly basis, collect data provided in this paragraph on its members and disclose it in the company's annual report. | YES | All information shall be provided in accordance with the requirements set out in this point. Details of the members of the Board are provided on section 13 of this Annual Report. |
| 3.2.3. All new members of the management board should be familiarized with their duties and the structure and operations of the company. | YES | After the election, all members of the Board are acquainted with the duties, structure and activities of the company. |
| 3.2.4. Members of the management board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience and sufficiently frequent reconfirmation of their status. | YES | According to the company's Articles of Association, the members of the Board are elected for four years, without limiting the number of their terms. The company's Articles of Association provide for the possibility to re-elect the Board or an individual member of the Board. |
| 3.2.5. Chair of the management board should be a person whose current or past positions constitute no obstacle to carry out impartial activity. Where the supervisory board is not formed, the former manager of the company should not be immediately appointed as chair of the management board. When a company decides to depart from these recommendations, it should furnish information on the measures it has taken to ensure the impartiality of supervision. | YES | The chairman of the board is a person who has never been the head of the company and acts impartially. |

⁷ Link to the OECD Good Practice Guidance on Internal Controls, Ethics and Compliance: <https://www.oecd.org/daf/anti-bribery/44884389.pdf>

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| <p>3.2.6. Each member of the management board should give sufficient time and attention to perform the duties of a member of the Board. If a member of the management Board participated in less than half of the board meetings during the financial year of the Company, the Company's Supervisory Board should be informed if the Supervisory Board is not formed in the Company - the General Shareholder Meeting.</p> | <p>YES</p> | <p>The members of the Board of the company devote sufficient time and attention to their duties. Board members actively participated in all meetings.</p> |
| <p>3.2.7. In the event that the management board is elected in the cases established by the Law where the supervisory board is not formed at the company, and some of its members will be independent⁸, it should be announced which members of the management board are deemed as independent. The management board may decide that, despite the fact that a particular member meets all the criteria of independence established by the Law, he/she cannot be considered independent due to special personal or company-related circumstances.</p> | <p>NO</p> | <p>No evaluation of the independence of the Board members has been carried out, but the election of the Board of the Company for a new 4-year term must take place at the Ordinary General Meeting of Shareholders in 2022, so some members will be independent as required by law.</p> |
| <p>3.2.8. The general meeting of shareholders of the company should approve the amount of remuneration to the members of the management board for their activity and participation in the meetings of the management board.</p> | <p>NOT APPLICABLE</p> | <p>No remuneration is paid to the members of the Board for their activity in the management board.</p> |
| <p>3.2.9. The members of the management board should act in good faith, with care and responsibility for the benefit and the interests of the company and its shareholders with due regard to other stakeholders. When adopting decisions, they should not act in their personal interest; they should be subject to no-compete agreements and they should not use the business information or opportunities related to the company's operations in violation of the company's interests.</p> | <p>YES</p> | <p>The members of the Board act in good faith towards the company, follow the interests of the company and not their own or third parties, the principles of honesty, reasonableness, respect for confidentiality, sense of responsibility, thereby trying to maintain their independence in decision-making.</p> |
| <p>3.2.10. Every year the management board should carry out an assessment of its activities. It should include evaluation of the structure of the management board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the management board, and evaluation whether the management board has achieved its objectives. The management board should, at least once a year, make public respective information about its internal structure and working procedures in observance of the legal acts regulating the processing of personal data.</p> | <p>YES</p> | <p>Once a year, the Board evaluates its activities, which includes an assessment of the board's structure, operational independence, and ability to work in a team. The structure of the Board is published by the company in annual reports and on the website.</p> |
| <p>Principle 4: Rules of procedure of the supervisory board and the management board of the company The rules of procedure of the supervisory board, if it is formed at the company, and of the management board should ensure efficient operation and decision-making of these bodies and promote active cooperation between the company's management bodies.</p> | | |
| <p>4.1. The management board and the supervisory board, if the latter is formed at the company, should act in close cooperation in order to attain benefit for the company and its shareholders. Good corporate governance requires an open discussion between the management board and the supervisory board. The management board should regularly and, where necessary, immediately inform the supervisory board about any matters significant for the company that are related to planning, business development, risk management and control, and compliance with the obligations at the company. The management board should inform the supervisory board about any derogations in its business development from the previously formulated plans and objectives by specifying the reasons for this.</p> | <p>YES/NO</p> | <p>The Supervisory Board is not formed. Nevertheless, the Board and the CEO acts in close cooperation seeking to obtain the maximum benefit for the Company and its shareholders.</p> |
| <p>4.2. It is recommended that meetings of the company's collegial bodies should be held at the respective intervals, according to the pre-approved schedule. Each company is free to decide how often meetings of the collegial bodies should be convened but it is recommended that these meetings should be convened at such intervals that uninterrupted resolution of essential corporate</p> | <p>YES</p> | <p>Board meetings are held at least once a quarter.</p> |

⁸ For the purposes of this Code, the criteria of independence of the members of the board are interpreted as the criteria of unrelated persons defined in Article 33(7) of the Law on Companies of the Republic of Lithuania.

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| governance issues would be ensured. Meetings of the company's collegial bodies should be convened at least once per quarter. | | |
| 4.3. Members of a collegial body should be notified of the meeting being convened in advance so that they would have sufficient time for proper preparation for the issues to be considered at the meeting and a fruitful discussion could be held and appropriate decisions could be adopted. Along with the notice of the meeting being convened all materials relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body present at the meeting agree with such change or supplement to the agenda, or certain issues that are important to the company require immediate resolution. | YES | Board meetings are convened in advance, usually by e-mail. The material shall be submitted at least one working day before the meeting of the Board so that the members can prepare properly. |
| 4.4. In order to coordinate the activities of the company's collegial bodies and ensure effective decision-making process, the chairs of the company's collegial supervision and management bodies should mutually agree on the dates and agendas of the meetings and close cooperate in resolving other matters related to corporate governance. Meetings of the company's supervisory board should be open to members of the management board, particularly in such cases where issues concerning the removal of the management board members, their responsibility or remuneration are discussed. | NO | The company cannot implement this recommendation as it only has a board. |
| Principle 5: Nomination, remuneration and audit committees | | |
| 5.1. Purpose and formation of committees | | |
| The committees formed at the company should increase the work efficiency of the supervisory board or, where the supervisory board is not formed, of the management board which performs the supervisory functions by ensuring that decisions are based on due consideration and help organise its work in such a way that the decisions it takes would be free of material conflicts of interest. | | |
| Committees should exercise independent judgment and integrity when performing their functions and provide the collegial body with recommendations concerning the decisions of the collegial body. However, the final decision should be adopted by the collegial body. | | |
| 5.1.1. Taking due account of the company-related circumstances and the chosen corporate governance structure, the supervisory board of the company or, in cases where the supervisory board is not formed, the management board which performs the supervisory functions, establishes committees. It is recommended that the collegial body should form the nomination, remuneration and audit committees ⁹ . | YES/NO | Due to the simplicity of the company management structure and the small number of employees, the Nomination and Remuneration Committees are not formed. Audit Committee members are elected by the General Shareholders Meeting. |
| 5.1.2. Companies may decide to set up less than three committees. In such case companies should explain in detail why they have chosen the alternative approach, and how the chosen approach corresponds with the objectives set for the three different committees. | | |
| 5.1.3. In the cases established by the legal acts the functions assigned to the committees formed at companies may be performed by the collegial body itself. In such case the provisions of this Code pertaining to the committees (particularly those related to their role, operation and transparency) should apply, where relevant, to the collegial body as a whole. | | |
| 5.1.4. Committees established by the collegial body should normally be composed of at least three members. Subject to the requirements of the legal acts, committees could be comprised only of two members as well. Members of each committee should be selected on the basis of their competences by giving priority to independent members of the collegial body. The chair of the management board should not serve as the chair of committees. | | |
| 5.1.5. The authority of each committee formed should be determined by the collegial body itself. Committees should perform their duties according to the authority delegated to them and regularly inform the collegial body about their activities and performance on a regular basis. The authority of each committee defining its role and specifying its rights and duties should be made public at least once a year (as part of the information disclosed by the company on its governance structure and practice on an annual basis). In compliance with the legal | | |

⁹ The legal acts may provide for the obligation to form a respective committee. For example, the Law on the Audit of Financial Statements of the Republic of Lithuania provides that public-interest entities (including but not limited to public limited liability companies whose securities are traded on a regulated market of the Republic of Lithuania and/or of any other Member State) are under the obligation to set up an audit committee (the legal acts provide for the exemptions where the functions of the audit committee may be carried out by the collegial body performing the supervisory functions).

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| <p>acts regulating the processing of personal data, companies should also include in their annual reports the statements of the existing committees on their composition, the number of meetings and attendance over the year as well as the main directions of their activities and performance.</p> | | |
| <p>5.1.6. With a view to ensure the independence and impartiality of the committees, the members of the collegial body who are not members of the committees should normally have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or request that certain employees of the company or experts would participate in the meeting. Chair of each committee should have the possibility to maintain direct communication with the shareholders. Cases where such practice is to be applied should be specified in the rules regulating the activities of the committee.</p> | | |
| <p>5.2. Nomination committee</p> | | |
| <p>5.2.1. The key functions of the nomination committee should be the following:</p> <ol style="list-style-type: none"> 1) to select candidates to fill vacancies in the membership of supervisory and management bodies and the administration and recommend the collegial body to approve them. The nomination committee should evaluate the balance of skills, knowledge and experience in the management body, prepare a description of the functions and capabilities required to assume a particular position and assess the time commitment expected; 2) assess, on a regular basis, the structure, size and composition of the supervisory and management bodies as well as the skills, knowledge and activity of its members, and provide the collegial body with recommendations on how the required changes should be sought; 3) devote the attention necessary to ensure succession planning. | <p>NOT APPLICABLE</p> | <p>Due to simplicity of the Company's management structure and small number of employees, it is not expedient to form the Nomination and Remuneration committees.</p> |
| <p>5.2.2. When dealing with issues related to members of the collegial body who have employment relationships with the company and the heads of the administration, the manager of the company should be consulted by granting him/her the right to submit proposals to the Nomination Committee.</p> | | |
| <p>5.3. Remuneration committee</p> | | |
| <p>The main functions of the remuneration committee should be as follows:</p> <ol style="list-style-type: none"> 1) submit to the collegial body proposals on the remuneration policy applied to members of the supervisory and management bodies and the heads of the administration for approval. Such policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as conditions which would allow the company to recover the amounts or suspend the payments by specifying the circumstances under which it would be expedient to do so; 2) submit to the collegial body proposals regarding individual remuneration for members of the collegial bodies and the heads of the administration in order to ensure that they would be consistent with the company's remuneration policy and the evaluation of the performance of the persons concerned; 3) review, on a regular basis, the remuneration policy and its implementation. | <p>NOT APPLICABLE</p> | <p>Due to simplicity of the Company's management structure and small number of employees, it is not expedient to form the Nomination and Remuneration committees.</p> |
| <p>5.4. Audit committee</p> | | |

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| <p>5.4.1. The key functions of the audit committee are defined in the legal acts regulating the activities of the audit committee¹⁰.</p> | <p>YES</p> | <p>In its activities, the Audit Committee of the company follows the legal acts regulating the activities of the Audit Committee, as well as the regulations of the Audit Committee approved by the General Meeting of Shareholders of the company.</p> |
| <p>5.4.2. All members of the committee should be provided with detailed information on specific issues of the company's accounting system, finances and operations. The heads of the company's administration should inform the audit committee about the methods of accounting for significant and unusual transactions where the accounting may be subject to different approaches.</p> | <p>YES</p> | <p>The members of the Committee shall be provided with all the detailed information necessary for the performance of the Committee's functions.</p> |
| <p>5.4.3. The audit committee should decide whether the participation of the chair of the management board, the manager of the company, the chief finance officer (or senior employees responsible for finance and accounting), the internal and external auditors in its meetings is required (and, if required, when). The committee should be entitled, when needed, to meet the relevant persons without members of the management bodies present.</p> | <p>YES</p> | <p>The members of the Audit Committee have the opportunity to meet with the desired persons in the absence of the members of the management bodies.</p> |
| <p>5.4.4. The audit committee should be informed about the internal auditor's work program and should be furnished with internal audit reports or periodic summaries. The audit committee should also be informed about the work program of external auditors and should receive from the audit firm a report describing all relationships between the independent audit firm and the company and its group.</p> | <p>NOT APPLICABLE</p> | <p>Due to the size of the Company, the Company does not have an internal audit function</p> |
| <p>5.4.5. The audit committee should examine whether the company complies with the applicable provisions regulating the possibility of lodging a complaint or reporting anonymously his/her suspicions of potential violations committed at the company and should also ensure that there is a procedure in place for proportionate and independent investigation of such issues and appropriate follow-up actions.</p> | <p>NO</p> | <p>The Audit Committee does not review the provisions of this paragraph, as the company's small size does not allow employees to file a complaint or report suspicions anonymously.</p> |
| <p>5.4.6. The audit committee should submit to the supervisory board or, where the supervisory board is not formed, to the management board its activity report at least once in every six months, at the time that annual and half-yearly reports are approved.</p> | <p>NO</p> | <p>The activity report is submitted once a year for the annual ordinary shareholders meeting</p> |
| <p>Principle 6: Prevention and disclosure of conflicts of interest</p> | | |
| <p>The corporate governance framework should encourage members of the company's supervisory and management bodies to avoid conflicts of interest and ensure a transparent and effective mechanism of disclosure of conflicts of interest related to members of the supervisory and management bodies.</p> | | |
| <p>Any member of the company's supervisory and management body should avoid a situation where his/her personal interests are or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory or management body should, within a reasonable period of time, notify other members of the same body or the body of the company which elected him/her or the company's shareholders of such situation of a conflict of interest, indicate the nature of interests and, where possible, their value.</p> | <p>YES</p> | <p>Board members avoid situations where their personal interests may conflict with the interests of the company.</p> |
| <p>Principle 7: Remuneration policy of the company</p> | | |
| <p>The remuneration policy and the procedure for review and disclosure of such policy established at the company should prevent potential conflicts of interest and abuse in determining remuneration of members of the collegial bodies and heads of the administration, in addition it should ensure the publicity and transparency of the company's remuneration policy and its long-term strategy.</p> | | |

¹⁰ Issues related to the activities of audit committees are regulated by Regulation No. 537/2014 of the European Parliament and the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities, the Law on the Audit of Financial Statements of the Republic of Lithuania, and the Rules Regulating the Activities of Audit Committees approved by the Bank of Lithuania.

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| <p>7.1. The company should approve and post the remuneration policy on the website of the company; such policy should be reviewed on a regular basis and be consistent with the company's long-term strategy.</p> | <p>YES</p> | <p>The remuneration policy is published on the company's website. Its review will take place in accordance with the requirements established by law.</p> |
| <p>7.2. The remuneration policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as the conditions specifying the cases where the company can recover the disbursed amounts or suspend the payments.</p> | <p>YES / NO</p> | <p>The CEO of the company receives only a fixed salary.</p> |
| <p>7.3. With a view to avoid potential conflicts of interest, the remuneration policy should provide that members of the collegial bodies which perform the supervisory functions should not receive remuneration based on the company's performance.</p> | <p>YES</p> | <p>The members of the company's board do not receive remuneration that would depend on the company's performance.</p> |
| <p>7.4. The remuneration policy should provide sufficient information on the policy regarding termination payments. Termination payments should not exceed a fixed amount or a fixed number of annual wages and in general should not be higher than the non-variable component of remuneration for two years or the equivalent thereof. Termination payments should not be paid if the contract is terminated due to inadequate performance.</p> | <p>NOT APPLICABLE</p> | <p>The company's Remuneration Policy does not provide information regarding termination payments. The Company follows the legal acts requirements regarding termination payments.</p> |
| <p>7.5. In the event that the financial incentive scheme is applied at the company, the remuneration policy should contain sufficient information about the retention of shares after the award thereof. Where remuneration is based on the award of shares, shares should not be vested at least for three years after the award thereof. After vesting, members of the collegial bodies and heads of the administration should retain a certain number of shares until the end of their term in office, subject to the need to compensate for any costs related to the acquisition of shares.</p> | <p>NO</p> | <p>Stock options may be granted in the company, but the Remuneration Policy does not contain very detailed information on the retention of shares after the grant of rights. Share options may be granted in accordance with the rules for granting Shares, which are published on the company's website, not in accordance with the provisions of the Remuneration Policy. Contracts for the acquisition of shares decided to be offered to employees by the decision of the company's general meeting of shareholders shall be concluded and the employees shall acquire the ownership right to the shares not earlier than in the third financial year (excluding the financial year in which the resolution of the general meeting of shareholders of the company was adopted).</p> |
| <p>7.6. The company should publish information about the implementation of the remuneration policy on its website, with a key focus on the remuneration policy in respect of the collegial bodies and managers in the next and, where relevant, subsequent financial years. It should also contain a review of how the remuneration policy was implemented during the previous financial year. The information of such nature should not include any details having a commercial value. Particular attention should be paid on the major changes in the company's remuneration policy, compared to the previous financial year.</p> | <p>YES</p> | <p>The Remuneration Policy is published on the company's website. The company prepares and presents a remuneration report to the Ordinary General Meeting of Shareholders, which is an integral part of the annual report published on the website</p> |

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| <p>7.7. It is recommended that the remuneration policy or any major change of the policy should be included on the agenda of the general meeting of shareholders. The schemes under which members and employees of a collegial body receive remuneration in shares or share options should be approved by the general meeting of shareholders.</p> | <p>YES</p> | <p>The company's Remuneration Policy and its amendments are approved by the General Meeting of Shareholders. The rules for granting the company's Shares are also approved by the General Meeting of Shareholders.</p> |
| <p>Principle 8: Role of stakeholders in corporate governance</p> | | |
| <p>The corporate governance framework should recognize the rights of stakeholders entrenched in the laws or mutual agreements and encourage active cooperation between companies and stakeholders in creating the company value, jobs and financial sustainability. In the context of this principle the concept “<i>stakeholders</i>” includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interests in the company concerned.</p> | | |
| <p>8.1. The corporate governance framework should ensure that the rights and lawful interests of stakeholders are protected.</p> | <p>YES</p> | <p>The company respects the rights of stakeholders and their legitimate interests.</p> |
| <p>8.2. The corporate governance framework should create conditions for stakeholders to participate in corporate governance in the manner prescribed by law. Examples of participation by stakeholders in corporate governance include the participation of employees or their representatives in the adoption of decisions that are important for the company, consultations with employees or their representatives on corporate governance and other important matters, participation of employees in the company's authorized capital, involvement of creditors in corporate governance in the cases of the company's insolvency, etc.</p> | <p>YES</p> | <p>All stakeholders have the opportunity to participate in the management of the company in accordance with the procedure established by law.</p> |
| <p>8.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.</p> | <p>YES</p> | <p>Stakeholders participating in the management process of the company are provided with access to non-confidential information, as long as it does not infringe the interests of the company and other related persons.</p> |
| <p>8.4. Stakeholders should be provided with the possibility of reporting confidentially any illegal or unethical practices to the collegial body performing the supervisory function.</p> | <p>NO</p> | <p>The Company does not provide possibility of reporting confidentially any illegal or unethical practices</p> |
| <p>Principle 9: Disclosure of information</p> | | |
| <p>The corporate governance framework should ensure the timely and accurate disclosure of all material corporate issues, including the financial situation, operations and governance of the company.</p> | | |
| <p>9.1. In accordance with the company's procedure on confidential information and commercial secrets and the legal acts regulating the processing of personal data, the information publicly disclosed by the company should include but not be limited to the following:</p> | <p>YES</p> | <p>The below mentioned information is disclosed in notices of material events published through the information disclosure system of the Nasdaq Vilnius Stock Exchange, on the company's website, in the company's annual and semi-annual information documents to the extent required by law and International Financial Reporting Standards in the European Union.</p> |
| <p>9.1.1. operating and financial results of the company;</p> | <p>YES</p> | <p>Disclosed in annual and semi-annual information.</p> |
| <p>9.1.2. objectives and non-financial information of the company;</p> | <p>YES</p> | <p>Disclosed in annual information.</p> |
| <p>9.1.3. persons holding a stake in the company or controlling it directly and/or indirectly and/or together with related persons as well as the structure of the group of companies and their relationships by specifying the final beneficiary;</p> | <p>YES</p> | <p>Disclosed in annual and semi-annual information and on the company's website.</p> |

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| 9.1.4. members of the company's supervisory and management bodies who are deemed independent, the manager of the company, the shares or votes held by them at the company, participation in corporate governance of other companies, their competence and remuneration; | YES | Disclosed in annual and semi-annual information and on the company's website. |
| 9.1.5. reports of the existing committees on their composition, number of meetings and attendance of members during the last year as well as the main directions and results of their activities; | NOT APPLICABLE | The report of the Audit Committee is made public. There are no more committees in the company |
| 9.1.6. potential key risk factors, the company's risk management and supervision policy; | YES | Disclosed in annual information. |
| 9.1.7. the company's transactions with related parties; | YES | Disclosed in the annual information and on the company's website. |
| 9.1.8. main issues related to employees and other stakeholders (for instance, human resource policy, participation of employees in corporate governance, award of the company's shares or share options as incentives, relationships with creditors, suppliers, local community, etc.); | YES | Information on promotion through stock options is disclosed in the annual information and on the company's website. |
| 9.1.9. structure and strategy of corporate governance; | YES | Disclosed in annual and semi-annual information. |
| 9.1.10. initiatives and measures of social responsibility policy and anti-corruption fight, significant current or planned investment projects. This list is deemed minimum and companies are encouraged not to restrict themselves to the disclosure of information included into this list. This principle of the Code does not exempt companies from their obligation to disclose information as provided for in the applicable legal acts. | NO | Due to the size of the Company, information related to the environment, employees and social responsibility policy is not published |
| 9.2. When disclosing the information specified in paragraph 9.1.1 of recommendation 9.1, it is recommended that the company which is a parent company in respect of other companies should disclose information about the consolidated results of the whole group of companies. | YES | The company prepares the consolidated report and the consolidated financial statements |
| 9.3. When disclosing the information specified in paragraph 9.1.4 of recommendation 9.1, it is recommended that the information on the professional experience and qualifications of members of the company's supervisory and management bodies and the manager of the company as well as potential conflicts of interest which could affect their decisions should be provided. It is further recommended that the remuneration or other income of members of the company's supervisory and management bodies and the manager of the company should be disclosed, as provided for in greater detail in Principle 7. | YES | Disclosed in annual and semi-annual information. |
| 9.4. Information should be disclosed in such manner that no shareholders or investors are discriminated in terms of the method of receipt and scope of information. Information should be disclosed to all parties concerned at the same time. | YES | The company publishes all information through the information disclosure system of the Nasdaq Vilnius Stock Exchange and on the company's website so that it is accessible to everyone and at the same time. |
| Principle 10: Selection of the company's audit firm | | |
| The company's audit firm selection mechanism should ensure the independence of the report and opinion of the audit firm. | | |
| 10.1. With a view to obtain an objective opinion on the company's financial condition and financial results, the company's annual financial statements and the financial information provided in its annual report should be audited by an independent audit firm. | YES | The company is audited by an independent audit company. |
| 10.2. It is recommended that the audit firm would be proposed to the general meeting of shareholders by the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company. | YES | The Board of the company nominates the audit company to the shareholders' meeting. |

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| <p>10.3. In the event that the audit firm has received remuneration from the company for the non-audit services provided, the company should disclose this publicly. This information should also be available to the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company when considering which audit firm should be proposed to the general meeting of shareholders.</p> | <p>YES</p> | <p>2021 the audit firm did not provide non audit services</p> |
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APPENDIX 3. COMPANY'S MANAGEMENT REPORT

(Prepared in accordance with the Law of the Republic of Lithuania on Financial Reporting by Undertakings)

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 annual report for 2021. The Company publishes its annual reports on its 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 annual report for 2021 "Information regarding the compliance with Corporate Governance Code. The Company, taking into account the recommendations of the Bank of Lithuania, provides an explanation in the "Comment" section in all cases, even if it fully complies with the principle / recommendation.

3. Information regarding the level of risk and risk management – management of risks related to the financial reporting, risk mitigation measures, and internal control systems implemented at the entity shall be described

The Company provides information regarding the level of risk, risk management, and implemented internal control systems, as well as the measures, in Clause 18 of the consolidated annual report for 2021.

4. Information regarding significant directly or indirectly managed holdings

The Company provides information regarding the significant directly or indirectly managed holdings in Note 1 of the financial statements of 2021.

5. Information about related parties transactions in accordance with Article 37² of the Law on Companies of the Republic of Lithuania

Information on transactions concluded by the Company with related parties, as provided for in Article 37² of the Law on Companies, is published on the Company's website, "Investor Relations" section.

Pursuant to the provisions of Item 10 of Article 37² of the Law on Companies of the Republic of Lithuania, the amounts of the Company's transactions with related parties concluded in the ordinary course of business and concluded with the same related party during the financial year are presented in Item 21 of this Annual Management Report.

We provide information on the company's related party transactions in 2021 published on the company's website

Please note that the determination of whether a company is related to an issuer is not based on the Law on Securities but on International Accounting Standard (IAS) 24 Related Party Disclosures.

| Related party | Company's relationship with the other counterparty | Date and value of the transaction | Other information |
|---|--|--|---|
| UAB Kelio ženklai code 185274242, Geležinkelio str. 28, Pilviškiai, Vilkaviškis district Register of Legal Entities | 100% controlled by Invalda INVL | Loan granted. 31.12.2020 Loan agreement No. . P/201231/01, the loan amount is EUR 296,669.59. | The shares of UAB Kelio ženklai were sold. The loan was repaid on 27.05.2021, offsetting it as part of the granting of a new loan to third parties under the terms of the sale of shares. |
| UAB Cedus invest code 302576631, Gynėjų str. 14, Vilnius Register of Legal Entities | 100% controlled by Invalda INVL | On 7 January 2021, a share purchase and sale agreement was concluded regarding the sale of 2,060,000 shares of SUTNTIB INVL Baltic Real Estate for the total price of EUR 4,553,218. The selling price per share has been set as the last publicly announced, i.e. as of 30.11.2020, the net asset | |

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| | | value per share equal to EUR 2.2103. | |
| UAB Kelio ženklai code 185274242, Geležinkelio str. 28, Pilviškiai, Vilkaviškis district Register of Legal Entities | 100% controlled by Invalda INVL | Loan granted. 24.02.2021 Loan agreement No. P / 210224/01, the loan amount is EUR 15,000. | The shares of UAB Kelio ženklai were sold. The loan was repaid on 27.05.2021, offsetting it as part of the granting of a new loan to third parties under the terms of the sale of shares. |
| UAB Kelio ženklai code 185274242, Geležinkelio str. 28, Pilviškiai, Vilkaviškis district Register of Legal Entities | 100% controlled by Invalda INVL | Loan granted. 16.03.2021 Loan agreement No. P / 210316/01, the loan amount is EUR 40,000. | The shares of UAB Kelio ženklai were sold. The loan was repaid on 27.05.2021, offsetting it as part of the granting of a new loan to third parties under the terms of the sale of shares. |
| SUTNTIB INVL Baltic Real Estate code 152105644, Gynėjų str. 14, Vilnius Register of Legal Entities | Invalda INVL owned more than 30% of shares | AB Cedus Invest, a company 100% controlled by Invalda INVL, sold 2,060,000 shares in SUTNTIB INVL Baltic Real Estate during the redemption process on the Nasdaq auction market for EUR 4,553,218. The order was submitted on 25 March 2021. | |
| SUTNTIB INVL Baltic Real Estate code 152105644, Gynėjų str. 14, Vilnius Register of Legal Entities | Invalda INVL owned more than 30% of shares | UAB Įmonių grupė Inservis, a company 100% controlled by Invalda INVL, sold 323,000 shares in SUTNTIB INVL Baltic Real Estate during the redemption process on the NASDAQ auction market for EUR 713,926.90. The order was submitted on 25 March 2021. | |
| UAB FMĮ INVL Finasta code 304049332, Gynėjų str. 14, Vilnius Register of Legal Entities | 100% controlled by Invalda INVL | 28.06.2021 wealth management services agreement No.1646 concluded | |
| UAB FMĮ INVL Finasta code 304049332, Gynėjų str. 14, Vilnius Register of Legal Entities | 100% controlled by Invalda INVL | 28.06.2021 electronic services Agreement No. E1646 concluded. | |
| UAB INVL Life code 305859887 Gynėjų str. 14, Vilnius Register of Legal Entities | 100% controlled by Invalda INVL | 09-08-2021 deed of incorporation, EUR 3,700,000. | |
| UAB „Aktyvo“ code 301206846, Gynėjų str. 14, Vilnius Register of Legal Entities | Invalda INVL owned 54.55% of shares | A loan of EUR 27,276.01, which was granted on 10.07.2020, was repaid on 20.08.2021. The loan was repaid offsetting the funds received from UAB Activo after the reduction of the authorized capital. | |
| UAB Proprietas code 303252098, Gynėjų str. 14, Vilnius Register of Legal Entities | Invalda INVL indirectly owned 23.43% of shares | 02.08.2021 an agreement was signed on increasing the price of accounting services to 1,300 Eur/month excluding VAT. | |
| SUTNTIB INVL Baltic Real Estate code 152105644, Gynėjų str. 14, Vilnius Register of Legal Entities | Invalda INVL owned 23.43% of shares. | 02.08.2021 an agreement was signed on increasing the price of accounting services to 1,750 Eur/month excluding VAT. | |
| UAB „Cedus Invest“, code 302576631, Gynėjų str. 14, Vilnius Register of Legal Entities | 100% controlled by Invalda INVL | 01.09.2021 an agreement was signed on increasing the price of accounting services to 200 Eur/month excluding VAT. | |

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| UAB Įmonių grupė „Inservis“ code 301673796, Gynėjų str. 14, Vilnius Register of Legal Entities | 100% controlled by Invalda INVL | 01.09.2021 an agreement was signed on increasing the price of accounting services to 200 Eur/month excluding VAT. | |
| UAB „INVL Farmland Management“ code 303788352, Gynėjų str. 14, Vilnius Register of Legal Entities | 100% controlled by Invalda INVL | 01.09.2021 an agreement was signed on increasing the price of accounting services to 550 Eur/month excluding VAT. | |
| UAB MD Partners code 304842899, Gynėjų str. 14, Vilnius Register of Legal Entities | Invalda INVL owned 51.37% of shares | 01.09.2021 an agreement was signed on increasing the price of accounting services to 200 Eur/month excluding VAT. | |
| AB „INVL Baltic Farmland“ code 303299781, Gynėjų str. 14, Vilnius Register of Legal Entities | The shareholders who jointly control AB Invalda INVL in accordance with the shareholders' agreement, pursuant to IAS 24, are considered to have significant influence over the related party and are part of its board. | 01.09.2021 an agreement was signed on increasing the price of accounting services to EUR 300/month without VAT; up to EUR 600 excluding VAT for quarterly sets of financial statements and up to EUR 2000 for annual sets of audited financial statements. | |
| UAB Avižėlė code 303113077; UAB Beržytė code 30112915; UAB Dirvolika code 303112954; UAB Duonis code 303112790; UAB Ekotra code 303112623; UAB Kvietukas code 303112687; UAB Laukaitis code 303112694; UAB Lauknešys code 303112655; UAB Linažiedė code 303112922; UAB Pušaitis code 303113102; UAB Puškaitis code 303112769; UAB Sėja code 303113013; UAB Vasarojus code 303112776; UAB Žemgalė code 303112744; UAB Žemynėlė code 303112559; UAB Žiemkentys code 303112648; UAB Žalvė code 303113045 Gynėjų str. 14, Vilnius Register of Legal Entities | The shareholders who jointly control AB Invalda INVL in accordance with the shareholders' agreement, pursuant to IAS 24, are considered to have significant influence over the related party and are part of its board. | 01.09.2021 an agreement was signed on increasing the price of accounting services to 300 Eur/month excluding VAT. | |
| IPAS INVL Asset Management code 40003605043, Elizabetes iela 10B-1, Ryga, Latvija Commercial register of Latvia | 100% controlled by INVL Asset Management, a 100% subsidiary of Invalda INVL | 28.10.2021 the increase of the authorized capital by EUR 1,000,000 was registered by the decision of the sole shareholder. | |
| UAB „Litagra“ code 304564478, Savanorių per. 173, Vilnius | Invalda INVL indirectly owned 48.81% of shares | Loan granted. 13.12.2021 Loan agreement, loan amount EUR 2,234,000. | The loan was repaid on 13.01.2022 |

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|--|------------------------------------|--|--|
| Register of Legal Entities | | | |
| UAB „INVL Life“ code 305859887 Gynėjų str. 14, Vilnius Register of Legal Entities | 100% controlled by Invalda INVL | 20.12.2021 Share subscription agreement. The authorized capital was increased by EUR 3,800,000. The increase was registered on 29.12.2021. | |
| UAB „INVL Life“ code 305859887 Gynėjų g. 14, Vilnius Register of Legal Entities | 100% controlled by Invalda INVL | 327,160 shares of Šiaulių bankas owned by Invalda INVL were sold for EUR 248,641.60 on 29.12.2021 | |

6. Information regarding the shareholders who have special rights of control and the description of such right

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

7. Information regarding all current restrictions on voting rights (such as the restrictions on voting rights of persons having a certain percentage or number of the votes, the deadlines by which voting rights may be exercised or systems, according to which the property rights granted by the securities are to be separated from the holder of those securities)

No restrictions on voting rights are applied in the Company.

8. Information regarding the rules governing the appointment and dismissal of board members, as well as the amendment of the company's articles of association

The Board members of the Company act in accordance with the Law on Companies of the Republic of Lithuania, Articles of Association of the Company, Rules of Procedure of the Board, as well as other applicable legislation. The Board members of the Company always act for the benefit of the Company and its shareholders. The procedure for changing the Articles of Association is no different from stated in the Law on Companies of the Republic of Lithuania.

9. Information regarding the powers of the board members

The Board members of the Company act in accordance with the Law on Companies of the Republic of Lithuania, Articles of Association of the Company, Rules of Procedure of the Board, as well as other applicable legislation, and have no special powers. The Board members of the Company always act for the benefit of the Company and its shareholders. More information is disclosed in the Clause 12.2. of the Section IV of the consolidated annual report for 2021.

10. Information regarding the competence of the General Shareholders Meeting, the rights of shareholders and implementation thereof, if such information is not established in the applicable legislation

The company provides information regarding the competence of the General Shareholders Meeting, the rights of shareholders, and implementation thereof, as well as the procedure for convening such meetings, in Clause 12.1. of the consolidated annual report of 2021.

11. Information regarding the composition of the management, supervisory bodies, and the committees thereof, as well as the fields of activity of the aforesaid bodies and the manager of the company

The Company provides information about Members of the Board of the Company as well as the manager of the Company, members of the Audit Committee in Clause 13 of the consolidated annual report for 2021.

12. Description of diversity policy applicable in appointing the manager of the company, management, and supervisory bodies, related to the aspects such as age, gender, education, professional experience; objectives of such policy, methods of implementation thereof, and results of the reference period.

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, beliefs or convictions, age, sexual orientation, disability, ethnicity, religion, marital status, intention of having children's or membership of the political party or association. More information is disclosed in the Appendix 4 of the consolidated annual report for 2021.

13. Information about all agreements between shareholders (their essence, conditions).

Information is disclosed in Clause 9 of the consolidated annual report for 2021.

APPENDIX 4. REMUNERATION REPORT

The Company has prepared the first remuneration report (hereinafter - the Report). As this is the first Report, it does not indicate how the results of the vote on the remuneration report of the General Meeting of Shareholders of the previous reporting period were taken into account.

This report is designed to be read as a stand-alone document. The report has been prepared in accordance with the provisions of the Law on Financial Reporting of Enterprises of the Republic of Lithuania and the Remuneration Policy approved by the company's shareholders' meeting on 30 April 2020.

Introduction

Invalda INVL is an asset management group whose companies more than 260 thousand clients have entrusted over 1.6 billion euros of assets.

2021 was a very good year for investors with the Invalda INVL Group, during which our clients earned EUR 210.5 million. At the end of 2021, Invalda INVL's equity was EUR 121.2 million or EUR 10.32 per share. Last year, Invalda INVL's net profit amounted to EUR 37.5 million. The value of the assets of more than 260 thousand clients managed by the Group companies in 2021 exceeded EUR 1.6 billion at the end of the year and increased by 29% over the year.

The main factor contributing to Invalda INVL's results, as usual, was the change in the value of the investment portfolio and income from the portfolio, from which our earnings in 2021 were EUR 33.5 million. Invalda INVL's income from the asset management business in 2021 amounted to 15.8 million euros and earned 6.1 million euros.

In 2020, the average number of employees of AB Invalda INVL was 7, of which 4 employees were assigned to the management staff and the company also has 3 specialists.

Invalda INVL is a parent company whose operations are concentrated in subsidiaries, many of which are licensed and make their information public.

Executive remuneration

The report provides information on the remuneration of the company's manager and each member of the bodies elected by the shareholders' meeting. The head of the company is the President of Invalda INVL. The members of the bodies elected by the shareholders' meeting are a) members of the Board, who may be paid bonuses and who may receive remuneration from the company under employment, service or other contracts, b) members of the audit committee. Although not provided for in the Remuneration Policy, given that the Company provides information on the remuneration of the Chief Financier in the Annual Report, this information will also be disclosed in the Report.

The company's management did not change during the reporting period.

The members of the Board of the Company did not receive remuneration for their work on the Board but received remuneration under employment contracts.

Table 1. Remuneration of the CEO, CFO and each member of the bodies elected by the specific shareholders' meeting for 2020 and 2021 (EUR, before taxes)

| Name, position | Remuneration received from the group | | | | | | | | | | | | | | In that number the remuneration received from any company in which Invalda INVL owns more than 50% of the shares | |
|---|---|--------|---|-------|--|--------|------------------------------------|------|-----------------------------|--------|---------|---------|---|------|--|-------|
| | Fixed part of remuneration ¹ | | Variable part of the remuneration ² (for the year) | | Variable part of the remuneration ² (long term program) | | Other monetary reward ³ | | Other benefits ⁴ | | Total | | Ratio of fixed to variable and other remuneration | | | |
| | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 |
| Darius Šulnis, CEO, Board member | 104,235 | 73,433 | - | - | - | - | - | - | - | 1,366 | 104,235 | 74,799 | 100% | 98% | - | - |
| Alvydas Banys, Senior Advisor, Chairman of the Board | 73,554 | 73,429 | - | - | - | - | - | - | - | - | 73,554 | 73,429 | 100% | 100% | - | - |
| Indrė Mišeikytė, Advisor, Board member | 73,689 | 73,389 | - | - | - | - | - | - | 1,333 | - | 75,022 | 73,389 | 98% | 100% | - | - |
| Tomas Bubinas, independent audit committee member | 906 | 508 | - | - | - | - | - | - | - | - | 906 | 508 | 100% | 100% | - | - |
| Danguolė Pranckėnienė, independent audit committee member | 435 | 580 | - | - | - | - | - | - | - | - | 435 | 580 | 100% | 100% | - | - |
| Raimondas Rajeckas, CFO | 57,392 | 58,037 | 29,929 | 7,296 | 23,701 | 23,701 | 6,000 | - | 8,356 | 31,693 | 125,379 | 120,727 | 46% | 48% | 3,378 | 3,550 |

1. **The fixed part of the remuneration** is the monthly salary specified in the employment contract, i.e. basic part of wages. Members of the elected bodies who have not concluded employment contracts with the company may receive remuneration in the form prescribed by legal acts and under service contracts.
2. **Variable part of the Remuneration** - annual bonuses or share options. This is an additional employee remuneration, which is granted and paid at the initiative of the company as a means of employee promotion and motivation. The value of share options is disclosed as it is recognized in the financial statements in accordance with applicable accounting standards.
3. **Other monetary reward** - bonus, other benefits that may be paid for additional work, performance of additional functions not provided for in their employment contract and / or job description, or performance of additional tasks.
4. **Other benefits** - other potential benefits provided to employees as incentives (for example, pension contributions may be paid to employee's pension funds managed by the group, reimbursement of part or all of the cost of training, gifts, taxes paid on behalf of the employee, etc.).

Invalda INVL's remuneration policy maintains a simple and transparent remuneration structure and reduces the risk of potential conflicts of interest. The Company believes that the publicly disclosed executive remuneration fully complies with the provisions of the remuneration policy. The remuneration policy does not provide for the amounts of remuneration for managers and the application of performance criteria.

Table 2. Annual changes in the company's results, remuneration disclosed in the report and average salary over 5 years

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|----------------------|--------|--------|----------|--------|--------|
| Šulnis Darius | -0.2% | 4.6% | 2.1% | -24.3% | -29,6% |
| Mišėikytė Indrė | -0.5% | -0.3% | 0.8% | 1.9% | -2,2% |
| Banys Alvydas | 0.2% | 0.3% | -0.8% | 0.5% | -0,2% |
| Rajeckas Raimondas | -12.8% | -3.0% | 15.3% | 28.9% | -3,7% |
| Tomas Bubinas | -11.1% | 37.5% | 150.9% | -54.7% | -44,0% |
| Dangutė Pranckėnienė | | | | -75.8% | 33,3% |
| Net profit | 137.0% | -97.0% | 5,972.0% | -74.4% | 602,8% |
| Average salary | -41.9% | 32.0% | 29.8% | 17.4% | 31,8% |

As required by law, the company provides comparisons of annual results and earnings. For the sake of comparability, when calculating the changes, the remuneration for 2017-2018 has been recalculated by applying a coefficient of 1.289 due to the reform of transferring employer taxes to the employee that took place in Lithuania from 1 January 2019. Also, the remuneration that was not paid for a full year was converted to the full year equivalent.

As can be seen from the table, the company's results do not directly affect the salaries of either management or other employees. The results of Invalda INVL are determined by the successful activities of asset management companies, high share prices in the securities market, realized sales transactions, etc. Wages are determined taking into account the general market situation, the fulfilment of the employee's annual targets, and so on.

Share options

The decision on the specific number of shares of the company offered to employees and the method of granting shares (for free and / or partially remunerated), when shares are granted partially remunerated - the share price payable by employees, is decided by the general meeting of shareholders of at least 2/3 majority of the votes of all shareholders present at the meeting. Agreements for the acquisition of shares decided by the General Meeting of Shareholders are concluded and employees acquire ownership of shares not earlier than in the third financial year (excluding the financial year in which the decision of the General Meeting of the Company was adopted), provided that such right has not been revoked for the employee, the employee has not waived it or lost it on other grounds. The method of granting shares does not change depending on the performance of the company and / or other group companies or the price of the company's ordinary registered shares on the regulated market.

Table 3. Share options

| Option owners | the number of securities in 2021 approved by the shareholders' meeting for options | Securities for which option agreements were concluded in 2021 | | | 2021 exercised options (agreed in 2018) | |
|------------------------|--|---|-----------------------|-------------------------------|---|--|
| | | number | agreed purchase price | year of acquisition of shares | Number of securities purchased by employees | Method of granting securities of |
| Employees ⁵ | 120,000 | 65,287 | EUR 1 | 2024 | 59,674 | Newly issued shares have been subscribed |

⁵ **Employee** - any person who has a valid employment contract with a Group company on the day of the decision of the Board of the Company to allocate Shares, as well as a member of the Supervisory Board and / or Board of the Group company who is not a shareholder of the Company, owning 1/20 or more of the total votes of the Company.

Of the persons whose remuneration is disclosed in the remuneration report, stock options are granted only to the CFO of the company, therefore the details of the stock options granted only to the CFO are given below.

Table 4. Unexercised stock options for the company's CFO

| Name | Performance period, years | Grant date | Expiry date | Exercise price, EUR ⁶ | Opening balance at 1 January | Share options granted | Share options exercised ⁷ | Closing balance at 31 December | Value of granted share option | Expenses recognized in the financial statements ⁸ |
|------------------------|---------------------------|--------------------------------------|-------------|---|------------------------------|-----------------------|--------------------------------------|--------------------------------|-------------------------------|--|
| Assigned in 2018 | 2017 | 03.05.2018 | 2021 | 1 | 8,308 | - | 8,308 | - | - | - |
| Assigned in 2019 | 2018 | 06.05.2019 | 2022 | 1 | 9,086 | - | - | 9,086 | - | - |
| Assigned in 2020 | 2019 | 25.05.2020 | 2023 | 1 | 3,954 | - | - | 3,954 | - | - |
| 2020 long-term program | 2020-2022 | 01.07.2020 / 31.12.2022 vesting date | 2023 | Share purchase price will be calculated, as a starting point taking the net asset value per share of Invalda INVL as of 31.12.2019 (EUR 7.47), additionally calculating 12% annual interest rate and estimating the granted share payments, if there are any (EUR 0.8 till now) | 116,105 | - | - | 116,105 | - | 23,701 |
| Total | | | | | 137,453 | - | 8,308 | 129,145 | - | 23,701 |

⁶ The exercise price of all share options of the company granted in the period from 2018 to 2019 will not exceed EUR 0.20 due to the payment of dividends of EUR 0.8 per share.

⁷ Value of exercised stock options is EUR 77,264. Share price on exercise date was EUR 9.50. Exercise price was EUR 0.2.

⁸ Amounts recognized in the financial statements in accordance with IFRS 2. For the current year, accruals are made at the end of the year, regardless of the legal grant of share options, so only an adjustment to the value of the options granted is recognized in the grant year. In the case of a long-term program, a value proportional to the period of operation is recognized during the current year.



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Independent Auditor's Report

To the Shareholders of AB Invalda INVL

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

Opinion

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

- the consolidated and Company's statements of financial position as at 31 December 2021,
- the consolidated and Company's income statements for the year then ended,
- the consolidated and Company's statements of comprehensive income for the year then ended,
- the consolidated and Company's statements of changes in equity for the year then ended,
- the consolidated and Company's statements of cash flows for the year then ended, and
- the notes to the consolidated and Company's financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated and Company's financial statements give a true and fair view of the non-consolidated financial position of the Company and the consolidated financial position of the Group as at 31 December 2021, and of their non-consolidated and consolidated financial performance and their non-consolidated and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Company's Financial Statements section of our report. We are independent of the Group and the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the requirements of the Law on Audit of Financial Statements of the Republic of Lithuania that are relevant to audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of Financial Statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key Audit Matters

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

Valuation of unquoted investments carried at fair value

The carrying amount of the Group's and the Company's unquoted investments measured at fair value: EUR 66,408 thousand and EUR 62,613 thousand, respectively, as at 31 December 2021 (EUR 43,098 thousand and EUR 40,965 thousand, respectively, as at 31 December 2020).

See Notes 2.8, 2.11 and 2.12 for the relevant accounting policy and Note 12 to the financial statements for financial disclosures.

| Key audit matter | How the matter was addressed in our audit |
|--|--|
| <p>The Group's and Company's investment portfolio comprises a number of unquoted investments carried at fair value. The fair value of the investments is determined by the Company's internal valuation team or external appraisers engaged by the Company, as considered appropriate. A number of valuation techniques are used, including market and income approach.</p> <p>The application of the above-mentioned valuation techniques requires a significant degree of judgement and complex estimates, including, but not limited to, those in respect of discount rates, assumptions on investee future cash flows, terminal growth rate, equity and enterprise value multiples, liquidity and other discounts, as well as determination of comparable listed companies, and comparable transactions.</p> | <p>Our audit procedures in the area, performed with the assistance of our own valuation specialists, included, among others:</p> <ul style="list-style-type: none"> ▪ evaluating the design and implementation of the selected key internal controls over determining the fair value of unquoted investments, including the controls over the review and validation of valuation model assumptions and outcomes; ▪ assessing the appropriateness of the valuation methods and models applied, against the requirements of the relevant financial reporting standards as well as against the methodologies commonly used in valuations of similar assets. As part of the above, we identified the relevant methods, assumptions and sources of data, and assessed whether such methods, assumptions, data and their application are appropriate in the context of the said requirements; ▪ for valuations using the income approach, evaluating the mathematical accuracy and integrity of the discounted cash flow model used, and challenging the key assumptions therein, by reference to our understanding of the investee's current operations and industry, and external market data. The key assumptions included those in respect of: sales, expenses, capital expenditures, values of excess assets and changes in net working capital. |

| | |
|---|--|
| <p>Due to the above factors, we determined valuation of the investment portfolio to be associated with a significant estimation uncertainty and risk of a material misstatement in respect of the carrying amounts of the investments in the Group’s and the Company’s statements of financial position, and also in respect of the net change in fair value of financial instruments at fair value through profit or loss in their income statements.</p> <p>Accordingly, this area required our increased attention in the audit, and as such, we considered it to be our key audit matter.</p> | <p>For the above valuations, we also traced the forecast growth and discount rates, and the exit yield used, to publicly available market data and, where available, performed a retrospective review of budgeting forecasting accuracy;</p> <ul style="list-style-type: none"> ▪ for valuations using the market approach: <ul style="list-style-type: none"> — assessing the suitability of the comparable companies used in the calculation of the equity and enterprise value multiples; — challenging the applicability and appropriateness of the adjustments made to equity and enterprise value multiples – by making inquiries of the persons responsible and inspecting information in publicly available market reports; — challenging the applied value adjustment due to discount for lack of marketability – by reference to the observable market transaction data; ▪ Evaluating the accuracy and completeness of the financial statement disclosures relating to the fair value determination of the investments against the relevant requirements of the financial reporting standards. |
|---|--|

Revenue recognition

In the year ended 31 December 2021, the Group’s revenue amounted to EUR 15,906 thousand (2020: EUR 12,395 thousand), including revenue from the management of funds and closed-end investment companies, which also include success fees, in the amount of EUR 15,183 thousand (2020: EUR 11,752 thousand).

See Note 2.19 “Revenue recognition and costs to obtain contract with customers” and Note 4 “Segment information”.

| The key audit matter | How the matter was addressed in our audit |
|--|--|
| <p>The Group’s primary revenue source relates to fees earned from funds and closed-end investment companies under management. The fees include management fees of funds and closed-end investment companies as well as success (performance) fees.</p> | <p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> — updating our understanding of the Group’s process for recognition of management revenue, and evaluating the design and implementation of the selected key internal controls therein, including those over revenue recognition and calculation derived from the management of funds and closed-end investment companies; — critically assessing the Group’s revenue recognition policy for compliance with relevant provisions of the financial reporting standards; |

Management fees are calculated by applying the fee rates as set out in respective rules of a fund and closed-end investment company to either the net assets value (NAV) of the fund and closed-end investment company, average weighted capitalisation or to the amount of the investors' commitment to invest into the fund and closed-end investment company. Success fees are generally calculated by applying the appropriate fee rate to the increase in the unit value of a given fund and closed-end investment company, as set out in the respective rules of the managed fund and closed-end investment company.

Success fee revenue is recognised at a point in time. Revenue from management of funds and closed-end investment companies is recognised over time as the services are being provided and the performance obligations satisfied. Significant judgement is required of the management when determining whether performance obligations are satisfied over time or at a point in time.

Significant audit judgement and effort was required due to subjectivity of the main assumptions applied in the revenue recognition process (including the nature and timing of satisfaction of the underlying performance obligations) and the magnitude of the revenue amounts. Accordingly, we have determined this area to be associated with a significant risk of material misstatement and identified it as a key audit matter.

- challenging the appropriateness of determination of performance obligations by reference to the rules of pension, investment funds and closed-end investment companies as well as the terms of the contracts with clients;
- assessing the accuracy of NAV used in management fees estimation by tracing NAV to historical financial information of the funds and closed-end investment companies or by performing audit procedures on assets and liabilities that NAV is derived from;
- evaluating the completeness and accuracy of the revenue recognised, as follows:
 - we assessed whether performance obligations are carried out at a point in time or over time by analysing the nature of the service and relevant contractual terms;
 - for revenue from management of funds and closed-end investment companies – we traced the fee rates used to those prescribed in the rules of funds and closed-end investment companies, and independently estimated annual revenue from management of funds and closed-end investment companies by applying those fee rates to the NAV of respective months, average weighted capitalisation of respective quarters, or to the amounts of the investors' commitment to invest into the fund and closed-end investment company, as considered appropriate;
 - for revenue from management of funds and closed-end investment companies – on a sample of revenue transactions we traced the amounts recognised to the payments received from the funds and closed-end investment companies;
 - for success fee revenue – we assessed the appropriateness of the success fee calculation by reference to the rules of funds and closed-end investment companies;
- examining whether the Group's revenue recognition-related disclosures appropriately include and describe the relevant quantitative and qualitative information required by the applicable financial reporting framework.



Other Information

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

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

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

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

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

We also need to check that the Corporate Social Responsibility Report has been provided. If we identify that Corporate Social Responsibility Report has not been provided, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated and Company's Financial Statements

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

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

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



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

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

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

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

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

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



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

Report on Other Legal and Regulatory Requirements

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

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

We confirm that in light of our knowledge and belief, services provided to the Company and the Group are consistent with the requirements of the law and regulations and do not comprise non-audit services referred to in Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council.

In addition to services provided to the Group and the Company in the course of audit and disclosed in the consolidated and Company's financial statements, we have provided translation services of the financial statements of subsidiaries to the Group. In the course of audit, in addition to those mentioned, we have not provided any other services except for audit of the consolidated and Company's financial statements.

Report on the compliance of format of the consolidated and Company's financial statements with the Requirements for European Single Electronic Reporting Format

We have been engaged based our agreement by the management of the Company to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the European single electronic reporting format of the consolidated and Company's financial statements, including consolidated annual management report, for the year ended 31 December 2021 (the "Single Electronic Reporting Format of the consolidated and Company's financial statements") contained in the file invaldainvl-2021-12-31-en.zip (ParsePort generated hashcode: 7PIPYf3M2RbGa0Q=).

Description of a subject and applicable criteria

The Single Electronic Reporting Format of the consolidated and Company's financial statements has been applied by the management of the Company to comply with the requirements of art. 3 and 4 of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation"). The applicable requirements regarding the Single Electronic Reporting Format of the consolidated and Company's financial statements are contained in the ESEF Regulation.

The requirements described in the preceding sentence determine the basis for application of the Single Electronic Reporting Format of the consolidated and Company's financial statements and, in our view, these requirements constitute appropriate criteria to form a reasonable assurance conclusion.



Responsibilities of management and those charged with governance

The management of the Company is responsible for the application of the Single Electronic Reporting Format of the consolidated and Company's financial statements that complies with the requirements of the ESEF Regulation.

This responsibility includes the selection and application of appropriate markups in iXBRL using ESEF taxonomy and designing, implementing and maintaining internal controls relevant for the preparation of the Single Electronic Reporting Format of the consolidated and Company's financial statements which is free from material non-compliance with the requirements of the ESEF Regulation.

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

Our responsibility

Our responsibility was to express a reasonable assurance conclusion whether the Single Electronic Reporting Format of the consolidated and Company's financial statements complies with the ESEF Regulation.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' (the „ISAE 3000 (R)“). This standard requires that we comply with ethical requirements, plan and perform procedures to obtain reasonable assurance whether the Single Electronic Reporting Format of the consolidated and Company's financial statements is prepared, in all material aspects, in accordance with the applicable requirements. Reasonable assurance is a high level of assurance, but it does not guarantee that the service performed in accordance ISAE 3000 (R) will always detect the existing material misstatement (significant non-compliance with the requirements).

Summary of the work performed

Our planned and performed procedures were aimed at obtaining reasonable assurance that the Single Electronic Reporting Format of the consolidated and Company's financial statements was applied, in all material aspects, in accordance with the applicable requirements and such application is free from material errors or omissions. Our procedures included in particular:

- obtaining an understanding of the internal control system and processes relevant to the application of the Single Electronic Reporting Format of the consolidated and Company's financial statements, including the preparation of the XHTML format and marking up the consolidated financial statements;
- verification whether the XHTML format was applied properly;
- evaluating the completeness of marking up the consolidated financial statements using the iXBRL markup language according to the requirements of the implementation of single electronic format as described in the ESEF Regulation;
- evaluating the appropriateness of the Group's use of XBRL markups selected from the ESEF taxonomy in the consolidated financial statements and the creation of extension markups where no suitable element in the ESEF taxonomy has been identified; and
- evaluating the appropriateness of anchoring of the extension elements to the ESEF taxonomy.

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



Conclusion

In our opinion, the Single Electronic Reporting Format of the consolidated and Company's financial statements for the year ended 31 December 2021 complies, in all material respects, with the ESEF Regulation.

The engagement partner on the audit resulting in this independent auditor's report is Toma Jensen.

On behalf of KPMG Baltics, UAB

Toma Jensen
Partner pp
Certified Auditor

Vilnius, the Republic of Lithuania
8 April 2022

The electronic auditor's signature applies only to the Independent Auditor's Report on pages 146 to 154 of this document.