

ANNUAL REPORT

The main objective of the Invalda Privatus Kapitalas AB (“the Company”) is to achieve capital growth through investing the funds received from shareholders in a careful selection of medium- to long-term projects and private companies operating in Lithuania. The funds are invested through acquisition of equity securities of companies and/or provision of interest-bearing loans, each time making a responsible assessment of risks associated with specific investment, business partners, market condition and development prospects, as well as possible exit strategies. On behalf of the Company, the management takes advantage of the rights provided by securities, and is actively involved in the management of companies, in which it invests, and regularly discusses all strategic and critical current operational issues with the management of these companies.

At the end of 2017, the Company’s equity per share amounted to EUR 4.36 (2016: EUR 4.33). The change in equity attributable to the Company’s shareholders (or net profit) per share amounted to EUR 0.09 for the year 2017 (EUR 0.11 for the year 2016).

In 2017, the Company paid dividends amounting to EUR 1,034 thousand (2016: EUR 517 thousand), or EUR 0.05 per ordinary registered share (2016: EUR 0.025 per share).

The movement in the Company’s structure of investment portfolio over three years was as follows (as a percentage from the value of investment property at the end of the year):

	2016	2016	2015
Furniture industry	50%	51%	59%
Real estate	38%	37%	31%
Agricultural land	8%	7%	7%
Other businesses	4%	5%	2%
Securities held for trading	-	-	1%

Value of investments into furniture industry grew by EUR 0.4 million in 2017, and the return on those investments (which comprised of market price change of shares held in AB Vilniaus Baldai, the dividend income from AB Vilniaus Baldai, and change in appraisal of UAB Bordena) was -0.3%.

In spite of decreasing market share price of AB Vilniaus Baldai for second year in a row, the Company’s management did not change its opinion about Vilniaus Baldai AB: this company has steady cash flows, high dividend yield, professional management approach and responsible investment strategy. Vilniaus Baldai AB coordinates its development strategy with the long-term global development outlook of its main customer IKEA, which allows the Company to expect stable future investment returns.

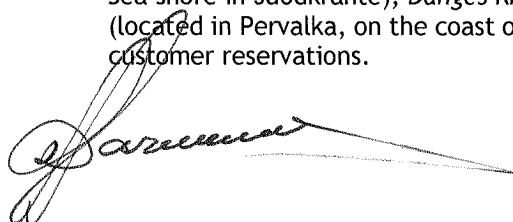
Another important milestone achieved in furniture industry at the end of 2017 was the start of production of furniture components at UAB, what supported significant increase in valuation of this company.

In total, the Company’s profit before taxes from the investments into real estate and related activities in 2017 comprised EUR 4.3 million (EUR 4.5 million in 2016). Total investment value into this sector has increased by EUR 1,7 million during 2017, and the return on the investment yielded 12% at the end of the year.

The major events bringing high return on investments into real estate sector were as follows:

- Increased valuation of *Business Home 92* office center on Kernavės str. in Vilnius due to successful expansion;
- Estimation of the potential development of real estate items located on Purvynės str. in Nida;
- Start of development of office premises on Kojelavičiaus str. in Vilnius;
- Update of evaluation of land plots for development in Riese near Vilnius, and beginning of sales;
- Completion of sale of *Rytys* block at *Kopų Vėtrungės* multi-apartment buildings located in Nida;
- Successful expansion of hotel activities at *Smiltynės Jachtklubas*;
- Profitable sales of various real estate items held for resale.

By the end of 2017, all three multi-apartment development projects *Labas, Jūra!* (located on the Baltic Sea shore in Juodkrantė), *Dangės Krantinės* (located in the old town of Klaipėda), and *Marių Verandos* (located in Pervalka, on the coast of Curonian Lagoon) where very near completion and crowded by customer reservations.



With respect to the Lithuanian real estate market, the Company's management forecasts a moderate growth based on low interest rates on borrowed funds, healthy competition and attention of foreign investors. It is expected that the team of professionals from the real estate services group *Inreal* will continue ensuring quality for development projects, will successfully cope with competitive pressure and ensure the return on investment exceeding the market average.

The increase in average market price of agricultural land gave the management a reason to update appraisals of all land plots owned by the Company, what resulted in total value increase by more than EUR 1.0 million, and the annual return amounted 15% by the end of 2017.

The management forecasts a moderate 1% to 3% yearly growth in returns for agriculture-related businesses in the foreseeable future, which is highly associated with specific season harvest levels, global prices of agricultural products, size of EU support to farmers, and effectiveness of restrictions to buy agricultural land. The Company's investments in this segment in a medium-term are likely to be focused on the improvement of quality of agricultural area in use and geographical consolidation of land plots.

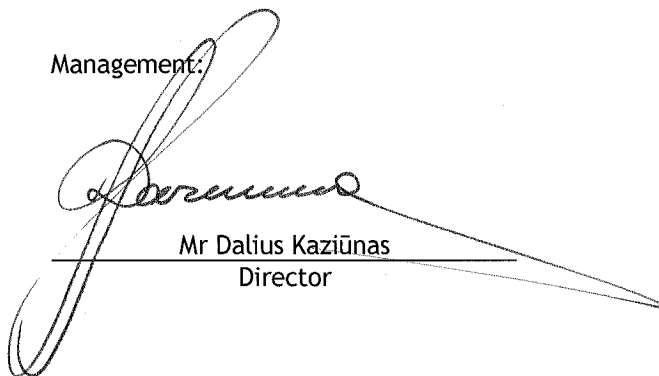
Negative change in value of other investments was determined by significant decrease of the valuation of investments into UAB Švytėjimas, engaged in the manufacture of steel products and installation of road guard rails. The management admits company's expansion plans for 2017 were too optimistic due to two reasons: firstly, there was a lack of state-organised auctions for road construction and maintenance, and secondly, overestimation of the capacity of metal production plant. There were many changes made at the company in 2017, which encourages for the better results in the coming years.

At the end of 2017, the Company had 8 employees (2016: 8).

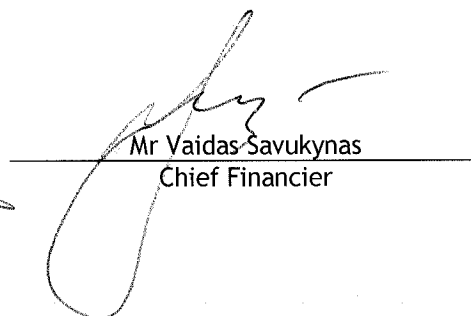
No significant events occurred after the end of 2017.

The present Annual report was published by the Company's management and board on 26 April 2017.

Management:



Mr Dalius Kaziūnas
Director



Mr Vaidas Savukynas
Chief Financier