



**CONFIRMATION OF RESPONSIBLE PERSONS**  
**16 April 2021**

We confirm that, to our knowledge, the financial statements for 2020 year, was prepared in accordance to applicable accounting standards, present true and fair view of the assets, liabilities, financial position, profit or loss of the Company (Capitalica Baltic Real Estate Fund I, Closed-End Investment Undertaking For Informed Investors) a fair presentation of the business development and operations, the standing of the Company, together with a description of the principal risks and uncertainties encountered.

Director of management company  
UAB „Capitalica Asset Management“

Andrius Barštys

Senior Accountant of  
UAB „SBA Competence and Service Center“

Milda Kiaušinytė

**CLOSED-END INVESTMENT UNDERTAKING FOR INFORMED  
INVESTORS CAPITALICA BALTIC REAL ESTATE FUND I UAB**

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020,  
PREPARED IN ACCORDANCE WITH BUSINESS ACCOUNTING STADRADS,  
AND PRESENTED TOGETHER WITH THE ANNUAL REPORT AND  
INDEPENDENT AUDITOR'S REPORT

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Juridinio asmens kodas 110878442  
PVM mokėtojo kodas LT108784411  
Juridinių asmenų registras

Code of legal entity 110878442  
VAT payer code LT108784411  
Register of Legal Entities

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of UAB Capitalica Baltic Real Estate Fund I

### Opinion

We have audited the financial statements of UAB Capitalica Baltic Real Estate Fund I (the Company), which comprise the balance sheet as at 31 December 2020, statement of profit and loss, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020 and its financial performance and its cash flows for the year then ended in accordance with Business Accounting Standards of the Republic of Lithuania.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with the requirements of the Law on Audit of the financial statements of the Republic of Lithuania that are relevant to the audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of the financial statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

Other information consists of the information included in the Company's 2020 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as indicated below.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

We also have to evaluate, if the financial information included in the Company's Annual Report corresponds to the financial statements for the same financial year and if the Company's Annual Report was prepared in accordance with the relevant legal requirements. In our opinion, based on the work performed in the course of the audit of financial statements, in all material respects:

- The financial information included in the Company's Annual Report corresponds to the financial information included in the financial statements for the same year; and
- The Company's Annual Report was prepared in accordance with the requirements of the Law on Financial Reporting by Undertakings of the Republic of Lithuania.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Business Accounting Standards of the Republic of Lithuania, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

## Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

UAB ERNST & YOUNG BALTIC  
Audit company's licence No. 001335

Asta Štreimikienė  
Auditor's licence  
No. 000382

16 April 2021

## STATEMENT OF PROFIT AND LOSS

For the year ended 31 December 2020

16 April 2021

(financial statements preparation date)

No	ITEMS	Notes	Financial year	Previous financial year
1.	OPERATING INCOME		<b>4,074,753</b>	<b>14,567,094</b>
1.1	Interest income		551,429	343,375
1.2	Dividends		810,000	10,540,000
1.3	Lease income		-	-
1.4	Gain from changes in value and sale of investments	7	2,713,324	3,683,719
1.5	Gain from changes in foreign currency exchange rates		-	-
1.6	Gain on derivatives		-	-
1.7	Guarantee contributions		-	-
1.8	Income related to sale/redemption of the Company's shares		-	-
1.9	Other operating income		-	-
2	OPERATING EXPENSES		<b>1,443,387</b>	<b>9,200,094</b>
2.1	Loss from changes in value and sales of investments	7	1,443,387	9,200,094
2.2	Loss from changes in foreign currency exchange rates		-	-
2.3	Loss from derivatives		-	-
2.4	Costs of selling the Company's shares		-	-
2.5	Other operating expenses		-	-
3	GROSS PROFIT (LOSS)		2,631,366	5,367,000
4	GENERAL AND ADMINISTRATIVE EXPENSES		<b>469,965</b>	<b>808,655</b>
4.1	Remuneration to management company		322,960	719,604
4.2	Remuneration to depositary		28,892	16,843
4.3	Remuneration to intermediaries		45,000	-
4.4	Audit expenses		23,111	14,520
4.5	Other general and administrative expenses	15	50,002	57,688
4.6	Reimbursement of expenses(-)		-	-
5	RESULTS OF OTHER ACTIVITIES		-	-
6	INTEREST AND OTHER SIMILAR EXPENSES	14	<b>285,712</b>	<b>119,975</b>
7	PROFIT (LOSS) BEFORE TAX		<b>1,875,689</b>	<b>4,438,370</b>
8	INCOME TAX	2.12	-	-
9	NET PROFIT (LOSS)		<b>1,875,689</b>	<b>4,438,370</b>

Director of management company CAPITALICA  
 ASSET MANAGEMENT UAB

(title of the head of the management company)

(Signature)

Andrius Barštys

(Full name)

SBA Competence and Service Center UAB  
 Senior accountant

(title of a person able to handle accounting)

(Signature)

Milda Kiaušinytė

(Full name)

**Closed-end investment undertaking intended for informed investors CAPITALICA BALTIC REAL ESTATE  
FUND I UAB , 304407861, Upės st. 21-1, Vilnius**

**FINANCIAL STATEMENTS OR THE YEAR ENDED 31 DECEMBER 2020**

(In euros, unless otherwise specified)

**BALANCE SHEET**

As at 31 December 2020

16 April 2021

\_(financial statements preparation date)

No	ITEMS	Notes	Financial year	Previous financial year
	<b>ASSETS</b>			
A.	NON-CURRENT ASSETS		<b>34,301,827</b>	<b>28,300,461</b>
1	INTANGIBLE ASSETS		-	-
2	PROPERTY, PLANT AND EQUIPMENT		-	-
2.1	Investment property		-	-
2.1.1	Land		-	-
2.1.2	Buildings		-	-
2.2	Other property, plant and equipment:		-	-
3	FINANCIAL ASSETS		<b>34,301,827</b>	<b>28,300,461</b>
3.1	Investments in group companies	6	15,791,271	11,421,334
3.2	Investments in associates		-	-
3.3	Other equity securities		-	-
3.4	Non-equity securities		-	-
3.5	Other investment units, shares, contributions of other collective investment undertakings		-	-
3.6	Derivatives		-	-
3.7	Term deposits		-	-
3.8	Loans and receivables		18,510,556	16,879,127
3.8.1	Loans to group companies	8	17,476,684	16,396,684
3.8.2	Receivables from group companies	8	1,033,872	482,443
3.8.3	Loans to associates		-	-
3.8.4	Receivable from associates		-	-
3.8.5	Other receivables after one year		-	-
3.9	Other non-current financial assets		-	-
4	OTHER NON-CURRENT ASSETS		-	-
4.1	Deferred tax assets		-	-
4.2	Other assets		-	-
B.	CURRENT ASSETS		<b>3,515,596</b>	<b>4,969,324</b>
1.	INVENTORY		-	-
1.1	Prepayments		-	-
1.2	Inventory for internal use		-	-
2	RECEIVABLES WITHIN ONE YEAR		-	-
2.1	Receivables from sale of investments		-	-
2.2	Debts owed by group companies		-	-
2.3	Debts owed by associates		-	-
2.4	Other receivables within a year		-	-
3	SHORT-TERM INVESTMENTS		-	-
3.1	Term deposits		-	-
3.2	Money-market instruments		-	-
3.3	Transferable securities		-	-
3.3.1	Non-equity securities		-	-
3.3.2	Equity securities of group companies		-	-
3.3.3	Other equity securities		-	-
3.3.4	Other investment units, shares, contributions of other collective investment undertakings		-	-
3.4	Derivatives		-	-
4	CASH	4, 6	<b>3,515,596</b>	<b>4,969,324</b>
C.	DEFERRED EXPENSES AND ACCRUED INCOME		-	-
	<b>TOTAL ASSETS</b>		<b>37,817,423</b>	<b>33,269,785</b>

**Closed-end investment undertaking intended for informed investors CAPITALICA BALTIC REAL ESTATE  
FUND I UAB , 304407861, Upės st. 21-1, Vilnius  
FINANCIAL STATEMENTS OR THE YEAR ENDED 31 DECEMBER 2020  
(In euros, unless otherwise specified)**

No	ITEMS	Notes	Financial year	Previous financial year
D.	EQUITY	5	<b>29,550,637</b>	<b>27,674,948</b>
1	ISSUED CAPITAL	9	<b>18,362,432</b>	<b>18,362,432</b>
1.1	Subscribed capital		18,362,432	18,362,432
1.2	Subscribed unpaid capital (-)		-	-
2	SHARE PREMIUM		<b>1,374,580</b>	<b>1,374,580</b>
3	REVALUATION RESERVE (RESULTS)		-	-
4	RESERVES		<b>396,974</b>	<b>175,055</b>
4.1	Legal reserve	10	396,974	175,055
4.2	Other reserves		-	-
5	RETAINED EARNINGS (LOSS)	9	<b>9,416,651</b>	<b>7,762,881</b>
5.1	Profit (loss) of the reporting year		1,875,689	4,438,370
5.2	Profit (loss) of the previous year		7,540,962	3,324,511
E.	PROVISIONS		-	-
1	Provision for pensions and similar liabilities		-	-
2	Provisions for taxation		-	-
3	Other provisions		-	-
F.	PAYABLES AND OTHER LIABILITIES		<b>8,254,652</b>	<b>5,580,317</b>
1	PAYABLES AFTER ONE YEAR AND OTHER LIABILITIES		<b>8,154,380</b>	<b>5,525,185</b>
1.1	Debt liabilities	11	8,154,380	5,525,185
1.2	Financial amounts owed to credit institutions		-	-
1.3	Prepayments received		-	-
1.4	Payables for financial and investment assets		-	-
1.5	Payables under the bills of exchange and checks		-	-
1.6	Payable to group companies		-	-
1.7	Payables to associates		-	-
1.8	Liabilities under derivative contracts		-	-
2	PAYABLES WITHIN ONE YEAR AND OTHER LIABILITIES	12	<b>100,272</b>	<b>55,132</b>
2.1	Debt liabilities		53,257	19,688
2.2	Financial amounts owed to credit institutions		-	-
2.3	Prepayments received		-	-
2.4	Payables for financial and investment assets		-	-
2.5	Payables under the bills of exchange and checks		-	-
2.6	Payable to group companies		-	-
2.7	Payables to associates		-	-
2.8	Payables to management company and depository		38,392	34,736
2.9	Other payables within one year		8,623	708
2.10	Liabilities under derivative contracts		-	-
2.11	Liabilities of tax on profit		-	-
2.12	Employment-related liabilities		-	-
2.13	Other short-term liabilities		-	-
G.	ACCURALS AND DEFERRED INCOME	13	<b>12,134</b>	<b>14,520</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>		<b>37,817,423</b>	<b>33,269,785</b>

Director of management company CAPITALICA  
ASSET MANAGEMENT UAB

(title of the head of the management company)

(Signature)

Andrius Barštys  
(Full name)

SBA Competence and Service Center UAB  
Senior accountant

(title of a person able to handle accounting)

(Signature)

Milda Kiaušinytė  
(Full name)

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

16 April 2021

(financial statements preparation date)

Indicators	Equity	Share premium	Legal reserve	Revaluation reserve (results)		Other reserves	Retained earnings (loss)	In total
				Property, plant and equipment	Financial assets			
1. Balance at the end of the financial year before previous	18,362,432	1,374,580	-	-	-	-	3,499,566	23,236,578
2. Results of changes in accounting policies	-	-	-	-	-	-	-	-
3. Results of correcting material errors	-	-	-	-	-	-	-	-
4. Recalculated balance at the end of financial year before last year	-	-	-	-	-	-	-	-
5. Increase (decrease) in the value of property, plant and equipment	-	-	-	-	-	-	-	-
6. Profit (loss) not recognized in statement of profit and loss	-	-	-	-	-	-	-	-
7. Net profit (loss) for the year	-	-	-	-	-	-	4,438,370	4,438,370
8. Declared dividends and other payments related to profit distribution	-	-	-	-	-	-	-	-
9. Formed reserves	-	-	175,055	-	-	-	(175,055)	-
10. Realised reserves	-	-	-	-	-	-	-	-
11. Capital increase by selling shares, receiving contributions	-	-	-	-	-	-	-	-
12. Capital decrease by redemption of shares, reimbursement of contributions	-	-	-	-	-	-	-	-
13. Contributions to cover losses	-	-	-	-	-	-	-	-
14. Balance at the end of previous financial year	18,362,432	1,374,580	175,055	-	-	-	7,762,881	27,674,948

**Closed-end investment undertaking intended for informed investors CAPITALICA BALTIC REAL ESTATE  
 FUND I UAB , 304407861, Upės st. 21-1, Vilnius  
 FINANCIAL STATEMENTS OR THE YEAR ENDED 31 DECEMBER 2020  
 (In euros, unless otherwise specified)**

*(cont'd on the next page)*

Indicators	Equity	Share premium	Legal reserve	Revaluation reserve (results)		Other reserves	Retained earnings (loss)	In total
				Property, plant and equipment	Financial assets			
15. Increase (decrease) in the value of property, plant and equipment and financial assets	-	-	-	-	-	-	-	-
16. Profit (loss) not recognized in statement of profit and loss	-	-	-	-	-	-	-	-
17. Net profit (loss) for the year	-	-	-	-	-	-	1,875,689	1,875,689
18. Dividends and other payments related to profit distribution	-	-	-	-	-	-	-	-
19. Formed reserves	-	-	221,919	-	-	-	(221,919)	-
20. Realised reserves	-	-	-	-	-	-	-	-
21. Capital increase by selling shares, receiving contributions	-	-	-	-	-	-	-	-
22. Capital decrease by redemption of shares, reimbursement of contributions	-	-	-	-	-	-	-	-
23. Contributions to cover losses	-	-	-	-	-	-	-	-
24. <b>Balance at the end of the current financial year</b>	18,362,432	1,374,580	396,974	-	-	-	9,416,651	29,550,637

Director of management company CAPITALICA  
 ASSET MANAGEMENT UAB  
 (title of the head of the management company)

(Signature)

Andrius Barštys  
 (Full name)

SBA Competence and Service Center UAB  
 Senior accountant  
 (title of a person able to handle accounting)

(Signature)

Milda Kiaušinytė  
 (Full name)

## STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

16 April 2021

\_(financial statements preparation date)

(EUR)

No	Items	Notes	Financial year	Previous financial year
1.	<b>Cash flows from operating activities</b>			
1.1.	Cash inflows of the reporting period		1,250,000	1,340,000
1.1.1	Proceeds from disposal of financial assets and investment property		-	-
1.1.2	Interest received		-	-
1.1.3	Dividends received		810,000	540,000
1.1.4	Rental payments received		-	-
1.1.5	Other income	8	440,000	800,000
1.2.	Cash outflows of the reporting period		(5,453,778)	(2,155,750)
1.2.1	Payments for acquisition of financial assets and investment property and liabilities settled	3, 7	(3,100,000)	-
1.2.2	Payments related to general and administrative needs		(833,778)	(454,750)
1.2.3	Other payments	8	(1,520,000)	(1,701,000)
	<u>Net cash flows from operating activities</u>		<b>(4,203,778)</b>	<b>(815,750)</b>
2.	<b>Cash flows from/used in financing activities</b>			
2.1.	Sale of company shares, received contributions		-	-
2.2.	Redemption of shares, repayment of contributions		-	-
2.3.	Payments from profit		-	-
2.4.	Loans received		-	-
2.5.	Loans repaid		-	-
2.6.	Interest paid		-	-
2.7.	Cash flows related to other financing sources		-	-
2.8.	Other increases in cash flows from financing activities	11	3,000,000	4,999,000
2.9.	Other decreases in cash flows from financing activities		(249,950)	(100,288)
	<u>Net cash flow from/used in financing activities</u>		<b>2,750,050</b>	<b>4,898,712</b>
3.	<b>Effects of changes in foreign exchange rates on net cash balances</b>		-	-
4.	<b>Net increase (decrease) in cash flows</b>		<b>(1,453,728)</b>	<b>4,082,962</b>
5.	<b>Cash at the beginning of the period</b>		<b>4,969,324</b>	<b>886,362</b>
6.	<b>Cash at the end of the period</b>		<b>3,515,596</b>	<b>4,969,324</b>

Director of management company CAPITALICA  
ASSET MANAGEMENT UAB

(title of the head of the management company)

Senior Accountant of SBA Competence and Service  
Center UAB

(title of a person able to handle accounting)

(Signature)

(Signature)

Andrius Barštys

(Full name)

Milda Kiaušinytė

(Full name)

## **Explanatory Notes to the Financial Statements**

### **1 General**

The closed-end investment undertaking for informed investors CAPITALICA BALTIC REAL ESTATE FUND I UAB (hereinafter – the Company) is a limited liability company registered in the Republic of Lithuania on 5 October 2016. Its registered office address is Upės st. 21-1, Vilnius.

The main activity of the Company – collective investment of informed investor assets in the real estate market in order to spread risks and earn profit for the Company’s shareholders. On 22 October 2016, the Bank of Lithuania issued a licence No 03-202 to the Company to operate as an investment company under the Republic of Lithuania Law on Collective Investment Undertakings for Informed Investors. Before the issue of the licence, the Company operated as a private limited liability company and its shareholders had all the rights and obligations determined by the Law on Companies of the Republic of Lithuania.

The goal of the Company is to ensure a long-term growth of return to the shareholders by investing in the real estate market of the Baltic States, focusing on investing in commercial real estate. Investments in residential real estate are also possible. The Company invests in real estate objects which are in their early stages of development i.e. under construction, as well as in already completed real estate objects.

The Company is able to operate not longer than 10 years from the day on which the Bank of Lithuania issued the licence to operate as an investment company. This term can be extended by 2 years.

The Company is managed by CAPITALICA ASSET MANAGEMENT UAB (hereinafter “the Management Company”), registered as of 4 May 2016, company code 304234719, registered office address Laisvės ave. 3, Vilnius. On 17 August 2016, license No 03-118 was issued to the Management Company by the Bank of Lithuania, enabling it to manage collective investment undertakings intended for informed investors operating under the Republic of Lithuania Law on Collective Investment Undertakings for Informed Investors.

As at 31 December 2020 and 2019, the shareholders of the Company were:

<b>Shareholder</b>	<b>Ownership interest as of 31 December 2020, %</b>	<b>Ownership interest as of 31 December 2019, %</b>
Koncernas SBA UAB	21.64	29.61
Minority shareholders	78.36	70.39
<b>In total:</b>	<b>100.00</b>	<b>100.00</b>

As at 31 December 2020 and 2019, the shared capital amounted to EUR 18,362,432, split into 18,362,432 units of ordinary registered shares, the nominal value of each was EUR 1. All the shares were fully paid.

The securities accounts of the investment company are managed by AB Swedbank, company code 112029651, registered office address Konstitucijos ave. 20A, Vilnius, which is a direct participant of the Lithuanian Central Securities Depository, code No. 962, and AB SEB bankas, company code 112021238, registered office address Gedimino ave. 12, Vilnius.

On 2 May 2019, a bond distribution agreement was concluded between the Company and Šiaulių Bankas AB, on the basis of which 49,990 units of bonds with a nominal value of EUR 100 were issued. These 3-year bonds earn 5.0% annual interest paid quarterly.

On 10 September 2020, the commitment was signed by the Company and Luminor bank AS, on the basis of which 30,000 units of bonds with a nominal value of EUR 100 were issued. These 3-year bonds earn 6.5% annual interest paid quarterly.

These financial statements have been approved by the Company’s management on 16 April 2021. The Company’s shareholders have a statutory right to approve these financial statements, or refuse to approve them and request the management to prepare a new set of financial statements.

## **2 Summary of Accounting Principles**

### **2.1. Basis for preparing financial statements**

These financial statements have been prepared in accordance with the Republic of Lithuania Accounting Law, Republic of Lithuania Law on Collective Investment Undertakings for Informed Investors, Business Accounting Standard 39 of the Republic of Lithuania, and other Business Accounting Standards, including standards and methodological recommendations prepared and approved by the Authority of Audit, Accounting, Property Valuation and Insolvency Management.

These financial statements have been prepared in accordance with the Business Accounting Standards of the Republic of Lithuania (BAS), effective for annual reporting periods beginning on or after 1 January 2020. The applied accounting principles are described below.

The Company also prepares consolidated financial statements for the year 2020 in accordance with International Financial Reporting Standards (IFRSs). These financial statements are available at the head office of the Company at Elektrinės g. 21, Elektrėnai.

### **2.2. Reporting currency**

The Company keeps its accounting records and all amounts in these financial statements have been recorded and presented in euros, which is a national currency of the Republic of Lithuania.

### **2.3. Investment policy**

The aim of the investment activities of the Company is to ensure long-term increase in return for its shareholders by investing in the Baltic real estate market (Republic of Lithuania, Republic of Latvia and Republic of Estonia) by paying particular attention to investment in commercial real estate.

The Company's assets can be invested directly into real estate objects (including land plots), by acquiring them by right of ownership and/or indirectly, i.e. when real estate objects are acquired by enterprises controlled by the Company, the purpose of which is to invest in and manage real estate objects whose equity and/or debt securities are held by the Company, or when the Company acquires the securities of enterprises that already have real estate objects, and/or the assets can be invested in other collective investment undertakings if the investment strategy of such collective investment undertakings complies with the investment strategy of the Company.

A more detailed investment strategy of the Company is indicated in the approved Articles of Association of the Company available at the Company's registered office.

### **2.4. Financial risk management policy**

The Company is managed to reduce all financial risks and taking into account the ruling of the Board of the Bank of Lithuania No 03-43 of 14 February 2019 On the approval of a description of the requirements for investment risk management policies for collective investment undertakings operating in accordance with the Law on Collective Investment Undertakings Intended for Informed Investors. On 26 July 2019, the investment risk policy of collective investment undertakings managed by CAPITALICA ASSET MANAGEMENT UAB was approved. The risks set out below can have an influence on investment value and determine the Company's net asset value (hereinafter – the NAV) and, accordingly, decrease the value of Company's shares per unit.

#### Credit and counterparty risk

This risk includes the possibility of incurring losses due to the inability of a counterparty (including a creditor of a collective investment undertaking) to meet its financial obligations. The credit risk of transactions carried out by the undertakings managed by the Company, as well as counterparty risk is subject to prior assessment through a detailed analysis and assessment of the counterparty. The risk is also reduced by applying delivery versus payment (DVP) principles.

The risk related to the Company's funds in banks is limited by carrying out financial transactions with banks whose settlement risk is assessed as acceptable. Leases also include collateral, such as: a tenancy deposit; a parent's guarantee for lease if a subsidiary is a lessee.

The Company is not exposed to borrowing risk as it does not engage in borrowing activities and borrows only to special purpose vehicles under its control.

## 2 Summary of Accounting Policies (continued)

### 2.4. Financial risk management policy (continued)

#### Market risk

Market risk is the likeliness that upon change in market variables (real estate value, interest rate, exchange rate, equity securities, commodity prices, etc.) the Company will incur losses due to the transaction concluded. Market risk consists of:

- Interest rate risk is the probability of incurring a loss as a result of a change in interest rates due to assets held by the Company which are sensitive to interest rate fluctuations. This risk is assessed by analysing the size of the modified financial term and hedging derivatives may be used. The risk of higher interest rates and costs of servicing borrowings, which would result in losses, is managed in strict compliance with the level of debt that can be assumed, as well as by hedging against interest rate risk in the relevant transactions in financial instruments.
- Foreign exchange risk is the decrease in the value of an asset due to exchange rate fluctuations, depending on the currency in which the assets and the liabilities are denominated. Exchange rate risk can be mitigated by focusing on investments in euros or by entering into hedging transactions. Also, if the Company's strategy is to invest in higher-risk financial instruments, an open foreign exchange position may be considered part of the investment strategy and exchange rate risk may be deliberately assumed.
- Equity (financial instruments) price risk is the probability of incurring losses due to volatility in the prices of equity securities and related derivatives. This risk is mitigated by proper assessment and continuous analysis of issuers' risk and diversification of the portfolio by investing in line with the requirements for equity risk set out in the Company's documents.

#### Real estate value risk

Risk of incurring losses when deterioration of the global, regional or national economy results in a decrease in rental of real estate and other income. The risks associated with real estate are subject to prior assessment by conducting a thorough investment analysis before investing in a specific object.

Operational risk: the main sources of this risk are poor employee performance, undue processes, inadequate IT support and security, external factors such as robbery, counterfeiting, political decisions, etc. To reduce this risk, an organizational structure is established, which clearly defines the functions and competencies, the implementation of accounting procedures through a regular verification, the use of reliable technological systems, the temporary employee replacement, thus ensuring the going concern of the Company.

#### Debt risk

Risk of loss due to failure to meet commitments made in a timely and proper manner. The management of this risk is based on a set maximum level of debt that can be assumed, which does not exceed 85%. The Company checks compliance with the set indicator before assuming any debt obligations.

#### Concentration risk

The aim is to avoid additional risk in the investment portfolio arising from concentration to a single counterparty, geographical region or other relevant criterion. The potential magnitude of the change in the value of the portfolio is reduced by maintaining a sufficiently diversified portfolio of investment instruments (Note **Error! Reference source not found.**).

#### Liquidity risk

It is a risk to suffer losses due to low market liquidity, making it impossible to acquire or sell assets in the investment portfolio at the desired time and desired price. The Company's liquidity risk is managed by continuously assessing, monitoring and comparing future liabilities with expected proceeds. Liquidity risk is assessed through an assessment of liquidity sources and liquidity needs. The risk can also be assessed in the light of the results of the stress tests.

## **2 Summary of Accounting Policies (continued)**

### **2.5. Principles of recognizing the increase and decrease of assets**

Monetary measurement principle: all the assets of the Company, their decrease and increase are expressed monetarily in the financial statements.

Accrual basis: the increase and decrease of the Company's assets are recorded in the accounts when they occur and presented in the financial statements of those periods, regardless of whether cash is received or disbursed.

Substance over form principle: by reflecting the increase or decrease in assets, the Company pays attention to their content and substance rather than just to the requirements of formal submission. The Company registers economic operations and events and provides in financial statements in terms of their content and economic substance, even if such presentation differs from the legal form.

Cash increase is recognized by registering the monetary increase in a bank account. A decrease in this account is recognized accordingly. Foreign currency transactions are accounted for at the official exchange rate published by the Bank of Lithuania on the date of the transaction.

An increase in securities is recognised when the securities are acquired and the value of the securities has increased. Accordingly, the decrease in securities is recognised after selling them and when their value has decreased. The moment of recognition of securities is the day of transaction, when the ownership of the securities is transferred.

The increase in the receivables item is recognised by making prepayments and/or recording the receivables. Decrease is recognised after receiving goods, services, money or when accounting for the impairment of the assets.

The Company may incur only such expenses that are related to the Company's activities and which are specified in the Company's Articles of Association. All other expenses not specified in the Articles of Association or exceeding the established amounts shall be borne by the Management Company.

### **2.6. Rules for accounting of deductions to the Management Company and the depository, and other Expenses**

The following expenses are covered using the assets of the Company: asset custody fee; remuneration for auditors and financial intermediaries; costs of establishing the Company and obtaining an activity license; fees for services provided by financial institutions; remuneration for asset and business appraisers, as well as to Committee members; accounting, currency exchange and insurance costs; litigation costs; fees for the management of securities and other accounts; costs of processing, registering and de-registering collateral; forced recovery costs; state and municipal taxes and fees; costs of preparation and presentation of information about the Company; costs of amending the Articles of Association and the Prospectus; costs of consultations; notary costs; costs of registration and legal services; costs of professional liability insurance for persons responsible for the operation of the Company; costs of representation and promotion of the Company related to real estate activities carried out by the Company. Additionally, the costs related to the Company's share offering, including, among other things, travel costs and other justified additional costs, as well as any stamp duties and other taxes related to the transfer of Company shares or assets, or fees related to the issue, sale, distribution and presentation of Company shares, or the acquisition, transfer or development of assets, as well as other costs related to the activities of the Company.

The amount covered from the Company's assets must not exceed 15% of annual NAV. In order to avoid uncertainty, we emphasize that this 15% limit does not include the remuneration paid to the Management company from the Company's assets (i.e. management fee and success fee).

Management fee makes up 1.5% of NAV. The management fee payable to the Management company is calculated on an accrual basis for each calendar day in proportion to the annual fee and is paid to the Management Company once a month, no later than on the 15<sup>th</sup> day of the following month.

The success fee is payable to the Management company only if the annual investment return of the Company exceeds the minimum threshold of the Company's annual return, i.e. 10% after deducting all the expenses indicated in the Company's Articles of Association. The Company's annual investment return for the period from day of issuance of the licence to conduct activities of an investment fund until the moment of calculation is determined as follows:

- by using Microsoft Excel formula XIRR, which evaluates when negative (shareholder contributions to the Company (which are included in the formula XIRR when changes in the Company's Articles of Association are registered due to the increase of issued capital)) and positive (Company's payouts to the shareholders, the last positive flow is the value of investments at the time of calculation) Company's flows took place, and what was their extent.

## **2 Summary of Accounting Policies (continued)**

### **2.6. Rules for accounting of deductions to the Management Company and the depository, and other expenses (continued)**

- if the calculated Company's annual investment return exceeds minimum threshold of the Company's annual investment return, the last positive flow is lowered by trial until the Company's annual investment return, calculated by Microsoft Excel XIRR formula, reaches 10%.
- the amount by which the last positive flow will be reduced will be the amount, by which the minimum Company's investment return exceeds minimum threshold.

The amount of the success fee due to the Management company is calculated each time the NAV is calculated. If the success fee due to the Management Company is determined when calculating the NAV, this amount is included in the Company's accounting as the Company's non-current liability to the Management Company. The success fee is paid after the life of the Company comes to the end or 50% of accrued success fee can be paid to the Management Company in advance. If the success fee calculated in the following year is lower than success fee calculated in the previous year or that it should not be paid to the Management company at all, the Company's commitment to the Management company is reduced accordingly and the Management company refunds to the Company the success fee received in advance so that the total amount paid in advance does not exceed 50% of the calculated success fee.

A one-time distribution fee will be paid to the Management Company if it is provided in the Prospectus. Distribution fee is set by the Management Company's decision, however it cannot exceed 1% of the amount invested in the Company by the investors, i.e. the amount paid by the investors at the moment of increase of authorized capital for the signed shares or the value of non-monetary contribution to the Company. If distribution fee is applied, it will be paid by the investors by transferring the set distribution fee amount to the Company together with settlement for the Company's shares, however, shares will not be issued for the amount of distribution fee, and the distribution fee amount will not be included in Company's NAV. The distribution fee will be paid out to the Management Company based on the invoice issued by the Management Company to the Company.

The Company's assets and liabilities are measured in accordance with the laws of the Republic of Lithuania, BAS and the Methodology of Calculation of the Net Asset Value approved by the Bank of Lithuania, as well as other regulations.

### **2.7. Frequency and methods of measurement of assets and liabilities**

Assets (or part thereof) are written off only when the rights to these assets (or part thereof) are implemented, upon the expiration of rights or when these rights are transferred.

Financial assets include cash, cash equivalents and receivables.

The impairment of receivables is accounted, when there are indications that the value of receivables could be impaired. In such case the book value of receivables is reduced as to the impairment item. Impaired receivables are written off once they are considered irrecoverable.

Liabilities (or part thereof) are written off only when they disappear, i.e. when liabilities indicated in the contract are carried out, annulled or no longer valid.

Financial liabilities include amounts payable for received goods and services, loans and bonds.

The calculation of assets and liabilities is based on their fair value, which has to reflect the NAV, for which these assets are most likely to be sold.

The fair value of financial instruments traded on regulated markets is determined based on the average market prices published on the measurement date, as well as to the prices of similar financial assets or other fair value measurement techniques established in the financial markets.

Equity securities that are not traded on the regulated markets are measured as follows:

- based on the assessment made by the independent business appraiser, who is authorised to carry out assessments and meets the criteria stipulated in the Company's Articles of Association, if no more than 6 months have passed since the assessment and no events took place after the assessment that led to the current market price being lower or higher than the one determined by the appraiser;

## **2 Summary of Accounting Policies (continued)**

### **2.7. Frequency and methods of measurement of assets and liabilities (continued)**

- if for certain reasons it is not possible to employ the previously mentioned method, the measurement is performed on a conservative ownership basis, i. e. on the basis of audited (if audited) financial statements of companies owned by the Company, in which the assets of such companies are reported at fair value. Equity securities (equity capital) are reported in the financial statements divided by the number of all equity securities and multiplied by the number of company's securities owned by the Company. If the equity capital is in the negative, the total amount of equity securities is considered to be equal to one euro. Equity securities are measured at least once every 6 (six) months;
- if for certain reasons none of the previously mentioned techniques can be applied, measurement is performed based on the likely sale price, determined according to the selected valuation technique, which is generally applied and recognized in the financial market;

Debt securities and monetary market instruments which are not traded in the regulated markets, are evaluated at amortised cost using the effective interest method.

Real estate (both directly owned by the Company and owned by real estate companies acquired by the Company) is measured at least twice a year: in the middle and at the end of every current year.

Other assets are valued at the most probable selling price determined based on the chosen valuation technique, which is generally applied and recognized in the financial market.

Bank term deposits are measured at amortised cost. Cash and funds in the credit institutions are measured at nominal value.

NAV of the Company is calculated by deducting Company's liabilities (including management and success fees) from the Company assets. When calculating NAV, the values of the Company's assets and liabilities are calculated separately. The Company's NAV is calculated based on the NAV determination rules set out in the Company's Articles of Association.

Additional liabilities that the Company must meet by the redemption date of the bonds (3 June 2022) are as follows: the total financial debt of the Company's group companies may not exceed 85% (The 75% threshold applies to a newly issued bonds with a redemption date of 30 September 2023). This indicator is calculated once a year based on the data at the end of the previous financial year by aggregating the borrowings of the Company and of all existing legal entities controlled by the Company and dividing it by the value of assets managed by the Company and multiplying the value obtained by 100.

The Company may not grant loans to third parties, except for legal entities controlled by the Company. This restriction does not apply to investments in a variety of investment grade debt securities of a government of any country or a company operating in any country in the world. The Company cannot provide guarantee or warranty for the fulfilment of the obligations of third parties, nor will it provide assurance for the fulfilment of the obligations of third parties by pledging or mortgaging the Company's assets.

### **2.8. Share valuation rules**

The value of the Company's share is determined by dividing NAV by the total number of shares issued by the Company. The value of the Company's share is determined at an accuracy of four decimals and rounded according to mathematical rounding rules. The total value of all shares issued by the Company is always equal to the Company's NAV.

The Company's NAV and the value of the Company's shares is determined each month based on the data of the last day of the previous month. The Company's NAV is also calculated based on the actual data of the day on which a decision was made by the Bank of Lithuania to issue a license to the Company enabling it to operate as an investment company. The Company's NAV shall also be determined when the Company increases or reduces its issued capital (based on data of the date of registration of the amended Articles of Association), receives additional contributions from the Company's shareholders (based on the data of the day the contributions are credited to the Company's account), and pays funds to its shareholders as dividends (based on the data of the day the entire amount of dividends provided is transferred from the Company's account).

The Company's share offers and share subscription agreements are concluded and shares are issued at the issue price per share determined based on the Company's last calculated net asset value per share.

## **2 Summary of Accounting Policies (continued)**

### **2.9. Structure of investment portfolio**

The Company's investments are subject to the following portfolio diversification requirements:

- during the period of the Company's activity up to 10% of the Company's assets can be comprised of idle funds, which can be temporarily invested in deposits for a term no longer than 12 months and which can be retrieved on demand from the credit institution which has a registered office in a country belonging to the European Economic Area or any other country, where the risk limiting supervision is no less strict than in the European Union; also debt securities of investment ranking of companies operating in any country;
- when investing in the previously mentioned measures, investments in debt securities of one country will not exceed 30% of net asset value and if investing in company debt securities, the securities of one issuer will not exceed 10% of net asset value (in order to avoid uncertainty, it is emphasized that this limitation is not applied if the Company is purchasing special real estate securities). When keeping money in a bank, no more than 30% of the net asset value will be held in one bank. There are no limitations for the financial assets of the Company entrusted to a custodian.
- no more than 35% of the Company's assets (until 2019 – no more than 30%) can be directly or indirectly invested in a single real estate object. More than 35% of the Company's assets can be invested in a special real estate object and/or debt securities only if more than 50% of the total leasable area (of all the objects managed by the Company) would not be leased to one lessee.

The Company's investment period (the period during which the Company searches for objects in line with its investment strategy in which the Company's assets could be invested and invests in selected objects in line with the Company's investment strategy) will run up to 5 years after the end of the first stage of the Company's share offering. During the period of 2 years after the end of the first stage of the Company's shares offering and during the ninth and tenth (or eleventh and twelfth if the period of the Company's activity is extended by 2 years) the aforementioned requirements of portfolio diversification may not be observed. However, in any case, the Company will strive for the Company's assets to consist of at least 4 real properties at the end of the investment period. During the period of investment, the funds received for selling investments/properties, can be used for new investments in real estate.

### **2.10. Cash and cash equivalents**

Cash includes cash in the bank accounts. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash. Such investments mature in less than 3 months and are subject to insignificant risk of change in value.

In the statement of cash flows, cash and cash equivalents are considered to be cash in the current bank accounts and deposits the terms of which on the day of signing the contract are no less than 3 months.

### **2.11. Provisions**

Provisions are recognised only when the Company has a legal obligation or irrevocable commitment as a result of past event, and 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.

Reliable estimate can be made. Provisions are reviewed at each reporting date and adjusted to reflect the most accurate recent assessments. When the impact of time value of money is significant, the amount of provision represents the present value of costs expected to be incurred for the settlement of the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as interest expense.

### **2.12. Income tax**

In 2020 and 2019, the standard rate of income tax at a rate of 15% was applicable to companies of the Republic of Lithuania.

Tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivatives. 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. Losses incurred due to the transfer of securities and (or) derivatives can be carried forward for 5 years and covered with the profit of similar transactions.

## **2 Summary of Accounting Policies (continued)**

### **2.12. Income tax (continued)**

As from 1 January 2014, tax losses available for carry forward can be used to reduce taxable income of the current tax year by maximum 70%.

Deferred taxes are calculated using the liability method. Deferred tax is recognized, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets and liabilities are measured at a tax rate which will (as expected) be applied for the period during which the assets will be realized and the liability covered, based on the tax rates which were adopted or essentially adopted on the date of the statement of financial position. Deferred tax assets are recognized in the statement of financial position to the extent that the management of the Company expects it to be realized in the near future, based on the taxable profit forecasts. If it is likely that part of the deferred tax is not going to be realised, this part of the deferred tax asset is not recognised in the financial statements.

Based on the requirements of Article 12 of the Law on Income Tax of the Republic of Lithuania, the Company is not subject to income tax.

### **2.13. Revenue and expense recognition**

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably.

Expenses are recognised in accordance with the principles of accrual and comparability during the reporting period in which they are incurred, regardless of the moment of cash payments made.

### **2.14. Foreign currencies**

Transactions expressed in foreign currencies are accounted according to the official currency exchange rates valid on the day of the transaction. Gains and losses from these transactions and from the translation of assets and liabilities denominated in foreign currencies at date of the statement of financial position are recognized in the statement of comprehensive income. These balances are translated using the closing rate.

### **2.15. Impairment of assets**

#### Financial asset

Financial assets are reviewed for impairment at each balance sheet date.

For financial assets carried at amortised cost, whenever it is probable that the Company will not collect all amounts due under the contractual terms of loans or receivables, an impairment or bad debt loss is recognised in the statement of profit and loss. Reversal of previously recognised impairment losses.

For financial assets carried at amortised cost, whenever it is probable that the Company will not collect all amounts due under the contractual terms of loans or receivables, an impairment or bad debt loss is recognised in the statement of profit and loss. The reversal of impairment loss previously recognised is recorded when the decrease in impairment loss can be justified by an event occurring after impairment recognition. Such reversal is accounted in the statement of profit and loss. However, the increased amount is only recognised to the extent it does not exceed the amortised cost that would have been had the impairment not been recognised.

#### Other assets

The impairment of other assets is evaluated when events and circumstances prove, that the value of the assets cannot be recovered. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the statement of profit and loss. Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased significantly. The reversal is accounted for in the same caption of the statement of profit and loss as the impairment loss.

## 2 Summary of Accounting Policies (continued)

### 2.16. Contingencies

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

Contingent assets are not recognized in financial statements, however they are described in financial statements when it is likely that income or economic benefits will be received.

### 2.17. Events after the reporting period

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

### 2.18. Offsetting

When preparing financial statements, the assets and liabilities, revenue and expenses are not set-off, except the cases when certain standard specifically requires such set-off.

### 2.19. Going Concern

As of 31 December 2020, the Company's current assets exceeded its short-term liabilities by EUR 3.46 million (as of 31 December 2019 – by EUR 4.89 million). The Company's management plans to continue earning profit in 2021 and believes that the Company will earn sufficient income and cash flows in order to carry out its activities and cover its liabilities, therefore these financial statements were prepared based on the assumption of going concern.

The Government of the Republic of Lithuania declared a national level emergency in the whole country due to the threat of the spread of the COVID 19 virus (the resolution No 152 "On the declaration of a national level emergency" was adopted in 26 February 2020). Quarantine on national level was introduced on March 16 to slow down the spread of the virus. Temporary restrictions apply to non-essential stores, and restaurant activities; many companies are forced to operate remotely.

A second quarantine on national level was introduced from 7 November 2020 by Resolution of the Government of the Republic of Lithuania No 1226 of 4 November 2020 "On Declaration of Quarantine in the Territory of the Republic of Lithuania".

As the situation did not have a significant impact on the financial results of the Company's subsidiaries for 2020, this is expected to have the same minor impact on the results for 2021.

## 3 Non-current financial assets

	Investments in group companies	Loans to group companies	In total
Balance as at 1 January 2020	11,421,334	16,879,127	28,300,461
Additions	3,100,000	-	3,100,000
Loans granted (Note 8)	-	1,520,000	1,520,000
Loans repaid	-	(440,000)	(440,000)
Change in fair value (Note 7)	1,269,937	551,429	1,821,366
Balance as at 31 December 2020	15,791,271	18,510,556	34,301,827

## 4 Cash and cash equivalents

As of 31 December 2020 and 2019, cash and cash equivalents comprised cash at the bank.

As of 31 December 2020 and 2019, the Company did not have any restricted cash.

**Closed-end investment undertaking intended for informed investors CAPITALICA BALTIC REAL ESTATE FUND I UAB , 304407861, Upės st. 21-1, Vilnius**  
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(In euros, unless otherwise specified)

**5 Net assets, number and value of investment units at the beginning and end of the reporting period, at the start of the investment activities**

Indicators	31 December 2020	1 January 2020	22 December 2016
Net assets value (NAV)	29,550,637	27,674,948	1,428
Number of investment units (shares) outstanding	18,362,432	18,362,432	2,500
Value of an investment unit (share)	1.6093	1.5072	0.5712

Value of net assets is equal to the equity.

In 2020, the Company did not increase its share capital.

As of 31 December 2020 and 2019, the Company did not hold any of its own shares.

**6 Structure of investment portfolio**

Distribution of investments	31 December 2020		31 December 2019	
	Market value (EUR)	Net assets (%)	Market value (EUR)	Net assets (%)
<b>By investment property</b>				
<b>Investments in group companies:</b>	<b>15,791,271</b>	<b>41.76</b>	<b>11,421,334</b>	<b>34.33</b>
PC Luizė UAB, 100 units of shares, ISIN number LT0000131930	596,768	1.58	654,841	1.97
Žaliakalnio Parkas UAB, 1,192,000 units of shares ISIN number LT0000132425	7,295,694	19.29	6,110,077	18.37
Verslo Centras 135 UAB, 5,896 units of shares, ISIN number LT0000132847	3,255,609	8.61	2,399,652	7.21
SIA Hanza 14, 5,102,800 units of shares	4,643,200	12.28	2,256,764	6.78
<b>Loans to group companies:</b>	<b>17,476,684</b>	<b>46.21</b>	<b>16,396,684</b>	<b>49.28</b>
PC Luizė UAB, 100 units of shares, ISIN number LT0000131930	1,760,000	4.65	1,800,000	5.41
Žaliakalnio Parkas UAB, 1,192,000 units of shares ISIN number LT0000132425	6,615,904	17.49	6,765,904	20.33
Verslo Centras 135 UAB, 5,896 units of shares, ISIN number LT0000132847	3,400,000	9.00	3,650,000	10.97
SIA Hanza 5,102,800 units of shares	5,700,780	15.07	4,180,780	12.57
<b>Receivables from group companies:</b>	<b>1,033,872</b>	<b>2.73</b>	<b>482,443</b>	<b>1.45</b>
PC Luizė UAB, 100 units of shares, ISIN number LT0000131930	95,895	0.25	33,955	0.10
Žaliakalnio Parkas UAB, 1,192,000 units of shares ISIN number LT0000132425	482,799	1.28	249,965	0.75
Verslo Centras 135 UAB, 5,896 units of shares, ISIN number LT0000132847	197,133	0.52	69,789	0.21
SIA Hanza 5,102,800 units of shares	258,045	0.68	128,734	0.39

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**6 Structure of investment portfolio (continued)**

Distribution of investments	31 December 2020		31 December 2019	
	Market value (EUR)	Net assets (%)	Market value (EUR)	Net assets (%)
<b>Cash:</b>	<b>3,515,596</b>	<b>9.30</b>	<b>4,969,324</b>	<b>14.94</b>
Swedbank AB	3,514,328	9.297	4,967,976	14.936
SEB bank AB	1,268	0.003	1,348	0.004
<b>In total:</b>	<b>37,817,423</b>	<b>100</b>	<b>33,269,785</b>	<b>100</b>
<b>By currency</b>				
EUR	37,817,423	100	33,269,785	100
<b>In total:</b>	<b>37,817,423</b>	<b>100</b>	<b>33,269,785</b>	<b>100</b>
<b>By geographical area</b>				
Lithuania	27,215,398	71.96	26,703,507	80.26
Latvia	10,602,025	28.04	6,566,278	19.74
<b>In total:</b>	<b>37,817,423</b>	<b>100</b>	<b>33,269,785</b>	<b>100</b>

On 28 June 2019, agreement on payment of dividends was signed between PC Luizė UAB and CAPITALICA BALTIC REAL ESTATE FUND I UAB. Under this agreement, it was decided to convert the remaining unpaid dividends declared into a loan of EUR 1,900,000. As at 31 December 2020 and 2019, the remaining amount of unpaid loan was EUR 1,760,000 and EUR 1,800,000, interest – EUR 98,895 and EUR 33,955. The term of paying back the loan and interest is 31 December 2023.

Under the agreement on payment of dividends between the Company and Žaliakalnio Parkas UAB signed on 28 June 2019, the remaining unpaid dividends declared were converted into additional loan of EUR 4,100,000. As of 31 December 2020 and 2019, the remaining amount of unpaid loan was EUR 6,615,904 and EUR 6,765,904, interest – EUR 482,799 and EUR 249,965 respectively. The term of paying back the loan and interest is 28 February 2022.

On 28 June 2019, agreement on payment of dividends was signed between Verslo Centras 135 UAB and CAPITALICA BALTIC REAL ESTATE FUND I UAB. Under this agreement, it was decided to convert the remaining unpaid dividends declared into a loan of EUR 4,000,000. As of 31 December 2020 and 2019, the remaining amount of unpaid loan was EUR 3,400,000 and EUR 3,650,000, interest – EUR 197,133 and EUR 69,789 respectively. The term of paying back the loan and interest is 18 December 2022.

On 26 July 2018, a loan agreement was signed between SIA Hanza 14 and CAPITALICA BALTIC REAL ESTATE FUND I UAB. As of 31 December 2020 and 2019, the remaining amount of unpaid loan was EUR 5,700,780 and EUR 4,180,780, interest – EUR 258,045 and EUR 128,734 respectively. The term of paying back the loan and interest is 31 December 2022.

Under the Company's risk policy approved on 26 July 2019, investments in one investment instrument must not exceed 35%. If this requirement is not met, then the goal is to not have more than 50% of the total leasable area leased to one lessee. In this context, the Company adhered to the risk of investment fragmentation as at 31 December 2020 and 2019.

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**7 Change of investment value during the reported period due to their sale, purchase or redeeming and the change of fair value**

Investments	Change (01/01/2020 – 31/12/2020)					
	Balance as at 31/12/2019	Acquired	Sold (redeemed)	Increase in value	Allowance for expected credit losses	Balance as at 31/12/2020
<b>Investments in group companies:</b>	<b>11,421,334</b>	<b>3,100,000</b>	-	<b>2,713,324</b>	<b>(1,443,387)</b>	<b>15,791,271</b>
PC Luizė UAB, 100 units of shares, ISIN number LT0000131930	654,841	-	-	275,456	(333,529)	596,768
Žaliakalnio Parkas UAB, 1,192,000 units of shares ISIN number LT0000132425	6,110,077	-	-	1,350,040	(382,032)	7,078,085
Verslo Centras 135 UAB, 5,896 units of shares, ISIN number LT0000132847	2,399,652	-	-	1,073,566	-	3,473,218
SIA Hanza 5, 102,800 units of shares	2,256,764	3,100,000	-	14,262	(727,826)	4,643,200

As at 30 June 2020 and 31 December 2020, the market value of investments in real estate was estimated, based on valuations of independent real estate appraisers Newsec Valuations UAB, having appropriate recognized professional qualifications and necessary experience in valuation of property. The Company calculates the value of net assets not only if events defined in the Articles of Association take place, but also on every last day of a month, therefore, the market value of investments was also estimated under the equity method, i.e. on the basis of the financial statements of the companies owned by the Company prepared in accordance with the procedure established by legal acts. The assets of such companies are reported at fair value in their financial statements. In this case, the value of equity securities is the amount of equity (equity capital) divided by the total number of equity securities and multiplied by the number of securities held by the Company in that company.

On 4 November 2019, the issued capital of SIA Hanza 14 was increased based on the decision of the sole shareholder CAPITALICA BALTIC REAL ESTATE FUND I UAB by issuing 3,100,000 new shares, with par value of EUR 1 each.

The increase in value of investments was determined by professional assets valuations of independent real estate appraisers by taking into account the newly concluded lease agreements and the cash flows generated by them. The value of the property of Verslo centras 135 UAB increased at the end of the year also due to the fact that the appraisers assume that the office market in Vilnius, compared to other regions, will be least affected by the pandemic-led factors. That is why WACC (Weighted Average Cost of Capital) and Exit Yield assumptions are not reduced.

The reduction in investment values in the remaining objects was influenced by the global quarantine announced in the country, which restricted the activities of SC Luizė UAB. The majority of tenants had to stop operations and the discounts granted led to a reduction in rental income. The decrease in revenues of Žaliakalnio parkas UAB mostly reflected through conference activities. Valuation of assets also identified decrease in values, as assumptions were made by increasing the WACC and likelihood of vacant premises.

The decrease in the investment value of SIA Hanza 14 is recorded due to the loss incurred, as the Company does not yet generate income. In 2020, investments were made in consultancy services, rather in construction. The decline in investment value was also caused by constructions that started at a later date than that originally planned due to change of the general contractor. Construction will take place in two stages: the first stage is planned to be completed in Q2 2022, and the second – in Q1 2023.

The increase in values of investments owned by the Company is accounted in the statement of profit and loss under the caption “Gain from changes in value and sale of investments”, and decrease – under the caption “Loss from changes in value and sales of investments”.

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## 8 Loans granted

Loan recipient	Balance as at 31/12/2019	Loan received during 2020	Loan repayment during 2020	Interest rate	Interest charges 01/01/2020–31/12/2020	Repayment date	Balance as at 31/12/2020
PC Luizė UAB	1,833,955	-	(40,000)	3.5%	61,941	31/12/2023	1,855,896
Žaliakalnio Parkas UAB	7,015,869	-	(150,000)	3.5%	232,833	28/02/2022	7,098,702
Verslo Centras 135 UAB	3,719,789	-	(250,000)	3.5%	127,344	18/12/2022	3,597,133
SIA Hanza 14	4,309,514	1,520,000	-	2.6 %	129,311	31/12/2022	5,958,825

On 28 June 2019, an agreement was signed between Žaliakalnio Parkas UAB and CAPITALICA BALTIC REAL ESTATE FUND I UAB regarding change of the loan agreement signed on 1 July 2016 by granting additional loan of EUR 4,100,000, i.e. the total amount of the loan must not exceed EUR 10,100,00, and setting the annual interest rate on the entire loan amount at 3.5%.

On 26 July 2018, a loan agreement was signed between SIA Hanza 14 and CAPITALICA BALTIC REAL ESTATE FUND I UAB. The set maximum amount of the loan is EUR 10,000,000. The loan is disbursed in full or in instalments on request by the loan recipient, which can be submitted no later than until 31 December 2022.

## 9 Equity

In accordance with the Companies Law of the Republic of Lithuania, the equity of a company cannot be less than ½ of the company's issued capital, provided in the Articles of Association. As at 31 December 2020 and 2019, the Company complied with this requirement.

## 10 Reserves

### Legal reserve

The legal reserve is mandatory under the legislation of the Republic of Lithuania. Annual transfers of not less than 5% of net profit are required until the reserve reaches 10% of the issued capital.

In 2020, based on a resolution of the shareholders, EUR 221,919 (5% of net profit) were transferred to legal reserve for 2019 (EUR 175,055 for 2018). In 2020, the Company has earned a profit and transfers to the required reserve will be made after the shareholders have made a decision on the distribution of profits.

### Distributable reserves

Distributable reserves are formed based on the resolution of the General Meeting of Shareholders regarding the profit distribution and are provided for in the Company's Articles of Association. These reserves can be used only for the purposes approved by the General Meeting of Shareholders.

The Company's equity makes up more than ½ of the issued capital provided for in the Articles of Association and the Company has made profit in 2020, the shareholders will be offered to transfer retained earnings into the next year.

## 11 Payables after one year and other liabilities

Item	2020 As at December 31	2019 As at December 31
Success fee calculated for the Management Company	155,380	526,185
Bonds issued	7,999,000	4,999,000
<b>In total:</b>	<b>8,154,380</b>	<b>5,525,185</b>

As described in the Note 2.6, a success fee is paid to the Management Company by using the Company's assets, if the annual return of the Company's investments exceeds 10%. In such case, 15% of the amount by which the minimum Company's investment return exceeds minimum threshold is paid to the Management Company. The success fee is

#### 11 Payables after one year and other liabilities (continued)

paid after the life of the Company comes to the end or 50% of accrued success fee can be paid in advance. On 15 January 2020, EUR 263,093 accrued success fee was paid in advance.

On 2 May 2019, a bond distribution agreement was signed between the Company and Šiaulių Bankas AB, company code 112025254, registered office address Tilžės st. 149, Šiauliai. On the basis of this agreement, it was decided to issue 49,900 bonds at a rate of 5% annual interest and held for 3 years, each with a nominal value of EUR 100.

On 10 September 2020, a commitment was signed between the Company, Šiaulių Bankas AB, company code 112025254, registered address Tilžės st. 149, Šiauliai, and Luminor Bank AS, company code 11315936, registered address Liivalaia 45, Tallinn, on the basis of which 30,000 units of bonds with a nominal value of EUR 100 were issued. These 3-year bonds earn 6.5% annual interest.

The Company is committed that the total financial debt of the Company's group of companies will not exceed 75–85%. As at 31 December 2020 and 2019, the total debt of the Company's group companies was EUR 34,283,068 and EUR 32,387,080, respectively, the total assets of the Company's group companies amounted to EUR 61,550,000 and EUR 59,220,000, respectively. The calculated indicator as at 31 December 2020 and 2019 was 55.70% and 54.69% (Note 2.7).

The Company confirms that during 2020 and 2019 the Company did not grant loans to third parties, did not provide guarantee or warranty for the fulfilment of the obligations of third parties, nor did it provide assurance for the fulfilment of the obligations of third parties by pledging or mortgaging the Company's assets, except for securing the fulfilment of obligations of legal entities controlled by the Company.

#### 12 Payables within one year and liabilities

Item	2020 As at December 31	2019 As at December 31
Interest payable on bonds	53,257	19,688
Amounts payable to the Management company	37,874	34,428
Other payables within one year	8,623	708
Amounts payable to the depository	518	308
<b>In total:</b>	<b>100,272</b>	<b>69,652</b>

Amounts payable within one year, including amounts payable to related parties, are interest-free and are normally settled on 30 day term, except for interest payable on bonds, which have a maturity of 90 days.

#### 13 Accrued expenses and deferred income

Item	2020 As at December 31	2019 As at December 31
Accrued audit expenses	11,193	14,520
Accrued amounts payable to the depository	941	-
<b>In total:</b>	<b>12,134</b>	<b>14,520</b>

#### 14 Interest and other similar expenses

Item	2020	2019
Interest on bonds	285,712	119,975
<b>In total:</b>	<b>285,712</b>	<b>119,975</b>

#### 15 Other general and administrative expenses

Item	2020	2019
Services of financial institutions	16,427	6,504
Consultation expenses	13,637	21,263
Insurance expenses	12,000	-
Advertising services	6,068	10,800
Expenses of other companies' services	1,841	3,799
Penalties and default interest	29	-
Representational expenses	-	12,418
Business valuation services	-	2,904
<b>In total:</b>	<b>50,002</b>	<b>57,688</b>

#### 16 Return on investments

	Reporting period	A year ago	2 years ago	10 years ago
Change in value of an investment unit (share)	1.0381	0.9360	0.6942	-
Annual gross return on investment	13.50%	17.05%	15.21%	-
Annual net return of investments	13.60%	16.90%	15.06%	-

Change in value of an investment unit (share) is calculated from the date of issuance of the license enabling to operate as an investment company, i.e. as from 22 December 2016.

The Company's annual gross return on investment is calculated by excluding the success fee. The annual net return on investment is calculated after the success fee. Return on investments is calculated using the Microsoft Excel formula XIRR which determines the time of negative and positive flows of the Company occurred, and the size of these flows.

#### 17 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 Company's related parties are as follows:

- SBA Koncernas UAB (ultimate controlling shareholder);
- CAPITALICA ASSET MANAGEMENT UAB (Management Company);
- Other SBA group companies.

Transactions with related parties during 2020 and 2019, and balances as of 31 December 2020 and 2019:

##### 2020

Related party	Purchases	Sales (accrued interest on loans)	Receivables (loans granted with accrued interest)	Payables	Dividends received
CAPITALICA ASSET MANAGEMENT UAB	430,673	-	-	338,934*	-
Other SBA group companies.	-	551,429	18,510,555	-	810,000
<b>In total:</b>	<b>430,673</b>	<b>551,429</b>	<b>18,510,555</b>	<b>338,934</b>	<b>810,000</b>

\* On 17 November 2020, CAPITALICA ASSET MANAGEMENT UAB acquired 300,000 long-term bonds of the Company in amount of EUR 301,060.

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**17 Related party transactions (continued)**

**2019**

<b>Related party</b>	<b>Purchases</b>	<b>Sales (accrued interest on loans)</b>	<b>Receivables (loans granted with accrued interest)</b>	<b>Payables</b>	<b>Dividends declared</b>
CAPITALICA ASSET MANAGEMENT UAB	377,754	-	-	34,428	-
Other SBA group companies.	-	343,375	16,879,127	-	10,540,000*
<b>In total:</b>	<b>377,754</b>	<b>-</b>	<b>16,879,127</b>	<b>34,428</b>	<b>10,540,000</b>

\* EUR 540,000 was paid in cash and the remaining amount of EUR 10,000,000 under the agreements signed between the Company and its subsidiaries (PC Luizė UAB, Žaliakalnio Parkas UAB, Verslo Centras 135 UAB) on 28 June 2019 were converted into loans.

**18 Events after the reporting period**

On 19 March 2020, the letter of intent was signed between the Company and closed ended investment fund for informed investors "DIFF Fund I" regarding PC Luizė UAB share purchase – sale terms of transaction.

A profit distribution draft proposal has not yet been prepared by the management of the Company on the day the financial statements.

There were no other significant events after the reporting period in the Company.

## ANNUAL REPORT FOR 2020 OF CLOSED-END INVESTMENT UNDERTAKING INTENDED FOR INFORMED INVESTORS CAPITALICA BALTIC REAL ESTATE FUND I UAB

### GENERAL INFORMATION ABOUT THE COMPANY

Closed-end investment undertaking intended for informed investors CAPITALICA BALTIC REAL ESTATE FUND I UAB (hereinafter – the Company) was incorporated on 5 October 2016. The Company's issued capital as of 31 December 2019 amounted to EUR 18.362.432, split into 18.362.432 units of ordinary registered shares, the nominal value of EUR 1 each. 21.64% of the Company was controlled by SBA Koncernas UAB. The remaining shares are controlled by minority shareholders, each holding less than 10% of all shares.

The main activity of the Company – collective investment of informed investor assets in the real estate market in order to spread risks and earn profit for the Company's shareholders. On 22 December 2016, the Bank of Lithuania issued a licence to the Company to operate as an investment company. Before the issue of the licence, the Company operated as a private limited liability company.

The Company is managed by CAPITALICA ASSET MANAGEMENT UAB (hereinafter – Management company), which on 17 September 2016 gained a permit to act as a management company of collective investment subjects for informed investors, issued by the Bank of Lithuania.

#### **I. Objective review of the Company's status, activity and development, description of principal risks and uncertainty encountered by the Company.**

The financial risks of the Company are disclosed in the financial statements.

#### **II. Analysis of the Company's financial and non-financial performance, information related to environmental and personnel issues.**

In 2020, the Company earned a net profit of EUR 1,875,689 (in 2019: EUR 4,438,370).

As at 31 December 2020, the Company's assets amounted to EUR 37,817,423 (as at 31 December 2019 – EUR 33,269,785).

On 22 December 2016, after receiving the licence from the Bank of Lithuania to operate as an investment company, the management of the Company was transferred to the Management Company, for this reason the Company had no employees as at 31 December 2020 and 2019.

The environmental protection requirements are not relevant.

#### **III. References and additional explanations on the data provided for in the annual financial statements.**

References and additional explanations are provided in the explanatory notes to the financial statements.

#### **IV. In 2020, the Company neither acquired, nor transferred its own shares.**

#### **V. As at 31 December 2020, the Company had no branches or representative offices.**

#### **VI. Significant events that took place after the end of the financial year.**

No significant events took place after the end of the financial year, except those, that are described in Note 18 of the explanatory notes.

#### **VII. Business plans and forecasts of the Company.**

The Company will continue its activity and pursue increase in long-term return for the investors. The increase of the Company's issued capital and investments in construction of business centres in Riga will be pursued throughout 2021.

#### **VIII. The Company does not conduct any research and development activities.**

#### **IX. As at 31 December 2020, the Company had no derivatives.**

**X. Information on the other executive positions held by the Company's Manager and members of the Board.**

The head of the Company Andrius Barštys is the chairman of Investment committee of Koinvesticinis Fondas KŪB, company code 304537659, address: Konstitucijos ave. 7, Vilnius. He also holds managerial positions in the following companies: Fox Holdings UAB, company code 303016870, address Šiaulių st. 97, Bajorų village. Vilnius city municipality, PC Luizė UAB, company code 302761548, address Šiaurės ave. 15-1, Klaipėda, Žaliaklanio parkas UAB, company code 304287223, address K. Donelaičio st. 62-1, Kaunas, Verslo Centras 135 UAB, company code 301733282, address: Žalgirio st. 135, Vilnius, SIA Hanza 14, company code 40203157541, address Valdemara st. 33-19, Riga.

The member of the Board Jolanta Grašienė is also the member of the Boards of SBA baldų kompanijos UAB, company code 242131620, address Joniškės st. 21, Klaipėda, Urban Inventors UAB, company code 302675889, address Upės st. 21-1, Vilnius, SBA Modular UAB, company code 305283904, address Upės st. 23, Vilnius, and the chair of Board of SBA Competence and Service Center UAB, company code 304960328, address Upės st. 23, Vilnius. The main position of Jolanta Grašienė is the vice president of UAB Koncernas „SBA“, company code 132206739, address Upės st. 21-1, Vilnius.

The chair of the Board Ignas Mačeika also is also the member of the Board of Urban Inventors UAB, company code 302675889, address Upės st. 21-1, Vilnius.

The member of the Board Adam Saulius Vaina is also the member of the Board of UAB koncernas SBA, company code 132206739, address Upės st. 21-1, Vilnius, GAUMINA UAB, company code 224497630, address Gedimino ave. 27 Vilnius, Mobilios aplikacijos UAB, company code 303105746, address Gedimino ave. 27, Vilnius, Mediapark Grupė UAB, company code 304050320, address Gedimino ave. 27, Vilnius, ME investicija UAB, company code 302489393, address Račių st. 1, Vilnius, OU Civitta International, company code 12241708, address Ria tn 24a, Tartu. Adam Saulius Vaina is also a partner of CIVITTA UAB, company code 302477747, address Gedimino ave. 27, Vilnius, he is also the head of Civitta foundation VŠĮ, company code 303363287, address Gedimino ave. 27, Vilnius, Kavija UAB, company code 303091773, address Gedimino ave. 27, Vilnius, Mediapark Grupė UAB, company code 304050320, address Gedimino ave. 27, Vilnius, Entra holdings UAB, company code 302790286, address Gedimino ave. 27, Vilnius.

Director

Andrius Barštys

16 April 2021