

INVL Baltic Real Estate

CONFIRMATION OF RESPONSIBLE PERSONS

Following the Rules on Preparation And Submission Of Periodic And Additional Information of the Bank of Lithuania and the Law on Securities (article 21) of the Republic of Lithuania, management of INVL Baltic Real Estate, AB hereby confirms that, to the best our knowledge, the attached Consolidated and Company's Financial Statements for 2014 are prepared in accordance with International Financial Reporting Standarts (IFRS) as adopted by the European Union, give true and fair view of the assets, liabilities, financial position and profit or loss of INVL Baltic Real Estate and Consolidated Group. Presented Consolidated Annual Report 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.

ENCLOSURE:

1. Consolidated and Company's Financial Statements for 2014.
2. Consolidated Annual Report for 2014.

Director

Andrius Daukšas

Person authorised to conduct accounting

Raimondas Rajeckas

INVL Baltic Real Estate, AB

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Code 303299735. Registered at Centre of Registers. Account LT514010051001989336, AB DNB bank.

AB INVL BALTIC REAL ESTATE

CONSOLIDATED ANNUAL REPORT, CONSOLIDATED AND COMPANY'S FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 PREPARED IN
ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION
PRESENTED TOGETHER WITH INDEPENDENT AUDITORS' REPORT

Translation note:

This version of the accompanying documents 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 of the accompanying documents takes precedence over this translation.

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

Independent Auditor's Report

To the shareholders of AB INVL Baltic Real Estate

Report on the financial statements

We have audited the accompanying stand-alone and consolidated financial statements of AB INVL Baltic Real Estate ("the Company") and its subsidiaries ("the Group") set out on pages 5 to 45, which comprise the stand-alone and consolidated statements of financial position as of 31 December 2014 and the stand-alone and consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information ("the financial statements").

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company and the Group as of 31 December 2014, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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PricewaterhouseCoopers UAB, company code 111473315, is a private company registered with the Lithuanian Register of Legal Entities.



Report on other legal and regulatory requirements

Furthermore, we have read the consolidated annual report for the year ended 31 December 2014 set out on pages 46 to 100 and have not noted any material inconsistencies between the financial information included in it and the audited financial statements for the year ended 31 December 2014.

On behalf of PricewaterhouseCoopers UAB

A handwritten signature in blue ink, appearing to read 'Rimvydas Jogėla', is written over the printed name and title.

Rimvydas Jogėla
Partner
Auditor's Certificate No.000457

Vilnius, Republic of Lithuania
16 March 2015

A handwritten signature in blue ink, appearing to read 'Rasa Radzevičienė', is written above the printed name and title.

Rasa Radzevičienė
Auditor's Certificate No.000377

GENERAL INFORMATION

Board of Directors

Mr. Alvydas Banys (chairman of the Board)
Ms. Indrė Mišeikytė
Mr. Darius Šulnis (until 23.12.2014)
Mr. Andrius Daukšas (from 23.12.2014)

Management

Mr. Andrius Daukšas (director) (from 10.12.2014)

Principal place of business and company code

Office address
Šeimyniškių Str. 1A,
Vilnius,
Lithuania

Company code 303299735


Banks

AB Šiaulių Bankas
AB DNB Bankas
AB SEB Bankas
Nordea Bank AB Lithuania Branch


Auditor

UAB PricewaterhouseCoopers
J. Jasinskio Str. 16B,
Vilnius, Lithuania

The financial statements were approved and signed by the Management and the Board of Directors on 16 March 2015.



Mr. Andrius Daukšas
Director



Mr. Raimondas Rajeckas
Authorized person according to
the agreement to conduct
accounting

Consolidated and Company's statements of comprehensive income

2014

	Notes	<u>Group</u>	<u>Company</u>
Revenue	8	12,126	-
Interest income		467	504
Other income		14	-
Net changes in fair value of subsidiaries at fair value through profit or loss	5	-	1,136
Net gains (losses) from fair value adjustments on investment property	12	135	-
Premises rent costs	8	(4,084)	-
Utilities		(2,083)	-
Repair and maintenance of premises		(1,639)	-
Property management and brokerage costs		(669)	-
Taxes on property		(620)	-
Employee benefits expenses		(36)	(11)
Depreciation and amortisation	13	(25)	-
Other expenses		(539)	(87)
Operating profit		3,047	1,542
Finance costs	9	(1,322)	(172)
Profit before income tax		1,725	1,370
Income tax expense	10	(232)	-
NET PROFIT FOR THE YEAR		1,493	1,370
Other comprehensive income for the year, net of tax		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,493	1,370
Attributable to:			
Equity holders of the parent		1,493	1,370
Basic and diluted earnings per share (in LTL)	11	0.21	

Consolidated and Company's statements of financial position

	Notes	As at 31 December 2014	
		Group	Company
ASSETS			
Non-current assets			
Property, plant and equipment	13	44	-
Investment properties	12	116,870	-
Intangible assets	13	552	-
Investments into subsidiaries at fair value through profit or loss	5	-	39,174
Loans granted	15	13,745	14,912
Operating lease pre-payments	8	2,848	-
Total non-current assets		134,059	54,086
Current assets			
Trade and other receivables	16	1,012	-
Current loans granted	15	431	431
Prepayments and deferred charges		20	5
Cash and cash equivalents	3.1	1,237	147
Total current assets		2,700	583
TOTAL ASSETS		136,759	54,669
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of the parent			
Share capital	6, 17	7,044	7,044
Share premium	6, 17	10,240	10,240
Reserves	6, 17	23,765	23,765
Retained earnings	6, 17	8,984	9,013
Total equity		50,033	50,062
Liabilities			
Non-current liabilities			
Non-current borrowings	18	67,095	-
Provisions	8	629	-
Deferred income tax liability	10	12,317	-
Other non-current liabilities	8	1,418	-
Total non-current liabilities		81,459	-
Current liabilities			
Current portion of non-current borrowings	18	1,651	-
Current borrowings	18	2,037	4,584
Trade payables		270	10
Provisions	8	632	-
Advances received		153	-
Other current liabilities		524	13
Total current liabilities		5,267	4,607
Total liabilities		86,726	4,607
TOTAL EQUITY AND LIABILITIES		136,759	54,669

Consolidated and Company's statements of changes in equity

Group	Notes	Reserves					Total
		Share capital	Share premium	Legal reserve	Reserve for purchase of own shares	Retained earnings	
The Group's equity formed on 29 April 2014 under split-off conditions according to predecessor values method	6	7,044	10,240	970	22,795	7,491	48,540
Total transactions with owners of the Company, recognised directly in equity		7,044	10,240	970	22,795	7,491	48,540
Net profit for the year		-	-	-	-	1,493	1,493
Total comprehensive income for the year		-	-	-	-	1,493	1,493
Balance as at 31 December 2014		7,044	10,240	970	22,795	8,984	50,033

Company	Notes	Reserves					Total
		Share capital	Share premium	Legal reserve	Reserve for purchase of own shares	Retained earnings	
The Company's share capital formed on 29 April 2014 under split-off conditions	6	7,044	10,240	970	22,795	7,643	48,692
Total transactions with owners of the Company, recognised directly in equity		7,044	10,240	970	22,795	7,643	48,692
Net profit for the year		-	-	-	-	1,370	1,370
Total comprehensive income for the year		-	-	-	-	1,370	1,370
Balance as at 31 December 2014		7,044	10,240	970	22,795	9,013	50,062

Consolidated and Company's statements of cash flows

2014

	Notes	2014	
		Group	Company
Cash flows from (to) operating activities			
Net profit for the year		1,493	1,370
Adjustments for non-cash items and non-operating activities:			
Net gains (losses) from fair value adjustments on investment property	12	(135)	-
Depreciation and amortization	13	25	-
Net changes in fair value of subsidiaries at fair value through profit or loss	5	-	(1,136)
Interest income		(467)	(504)
Interest expenses		1,322	172
Deferred taxes	10	232	-
Current income tax expenses	10	-	-
Provisions		(22)	-
Changes in working capital:			
Decrease (increase) in trade and other receivables		219	-
Decrease (increase) in other current assets		138	-
(Decrease) increase in trade payables		39	10
(Decrease) increase in other current liabilities		151	13
Cash flows from (to) operating activities		2,995	(75)
Income tax paid		-	-
Net cash flows from (to) operating activities		2,995	(75)
Cash flows from (to) investing activities			
Acquisition of non-current assets (except investment properties)	13	(40)	-
Acquisition of investment properties	12	(10)	-
Repayment of granted loans	15	504	504
Net cash flows from (to) investing activities		454	504
Cash flows from (to) financing activities			
Cash flows related to Group owners			
Cash received according to split-off terms	6	547	155
		547	155
Cash flows related to other sources of financing			
Proceeds from loans		55,888	332
Repayment of loans		(57,996)	(760)
Interest paid		(651)	(9)
		(2,759)	(437)
Net cash flows from (to) financial activities		(2,212)	(282)
Net increase (decrease) in cash and cash equivalents		1,237	147
Cash and cash equivalents at the beginning of the period		-	-
Cash and cash equivalents at the end of the period		1,237	147

Notes to the financial statements

1 General information

AB INVL Baltic Real Estate (hereinafter the Company) is a joint stock company registered in the Republic of Lithuania. It was established on 29 April 2014, following the split-off of 30.90% assets, equity and liabilities from AB Invalda LT (code 121304349). Entities, which business is investment into investment properties held for future development and in commercial real estate and its rent, were transferred to the Company (hereinafter split-off). More details about the split-off are disclosed in Note 6.

The Group consists of the Company and its directly owned subsidiaries (hereinafter the Group, Note 5).

The address of the office is Šeimyniškių str. 1A, Vilnius, Lithuania.

These financial statements cover the first financial year of the Company and the Group, starting from the Company's establishment date 29 April 2014 and ending on 31 December 2014.

The Company manages shares of entities investing into commercial real estate and investment properties held for future development (detailed list of subsidiaries is presented in Note 5). The Group operates in one segment – real estate segment. The Group has invested in an office, warehouse, manufacturing real estate objects in Lithuania directly and in Latvia indirectly through granted loans. All objects generate rental income, almost all objects have further development prospects.

The Company's share capital is divided into 7,044,365 ordinary registered shares with the nominal value of LTL 1 each. All the shares of the Company were fully paid. Subsidiaries did not hold any shares of the Company. As at 31 December 2014 the shareholders of the Company were (by votes)*:

	Number of votes held	Percentage
UAB LJB Investments	2,144,351	30.44
Mrs. Irena Ona Mišeikiene	2,035,918	28.90
AB Invalda LT	884,862	12.56
UAB Lucrum Investicija	714,967	10.15
Mr. Alvydas Banys	540,750	7.68
Ms. Indrė Mišeikytė	140,618	2.00
Other minor shareholders	582,899	8.27
Total	7,044,365	100.00

* Some shareholders have sold part of their shares under repo agreement (so did not hold the legal ownership title of shares), but they retained the voting rights of transferred shares.

The Company's shares are traded on the Baltic Secondary List of NASDAQ Vilnius from 4 June 2014.

As at 31 December 2014 the number of employees of the Group and the Company was 3 and 1, respectively.

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.

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 2014 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 investment properties and investments in subsidiaries that have been measured at fair value. The financial statements are presented in thousands of Litas (LTL) and all values are rounded to the nearest thousand except when otherwise indicated.

Standards adopted by the EU but not yet effective and have not been early adopted

IFRIC 21 *Levies* (effective for annual periods beginning on or after 17 June 2014)

The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional. The Group is not currently subjected to significant levies so the impact on the Group would be not material.

The following amendments to existing standards are adopted by the EU, but not yet effective, have not been early adopted and are not expected to have a material impact on the Company and the Group:

- *Annual Improvements* to IFRSs 2012 (effective for annual periods beginning on or after 1 February 2015);
- *Annual Improvements* to IFRSs 2013 (effective for annual periods beginning on or after 1 January 2015);
- Amendments to IAS 19 – *Defined benefit plans: Employee contributions* (effective for annual periods beginning on or after 1 February 2015).

2.2. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

Subsidiaries are all entities (including structured entities) over which the group has control. 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. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent and is presented separately in the consolidated statement of comprehensive income 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 subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2 Summary of significant accounting policies (cont'd)

2.2 Basis of consolidation (cont'd)

When the group ceases to have control, 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, joint venture 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.

2.3 Functional and presentation currency

The financial statements are prepared in Litas (LTL), which was local currency of the Republic of Lithuania, till 31st December of 2014, and presented in LTL thousand. Litas is the Company's and the Group's functional and presentation currency. Starting from 2 February 2002 until 31 December 2014 Lithuanian Litas is pegged to euro at the rate of 3.4528 Litas for 1 euro. The exchange rates in relation to other currencies are set daily by the Bank of Lithuania.

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

2.4 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 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 measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

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

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

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 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 IAS 39, 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 subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

2 Summary of significant accounting policies (cont'd)

2.5. Business combinations under common control

IFRS provides no guidance on the accounting for common control transactions, but requires that entities develop an accounting policy for them [IAS 8.10]. The two methods most commonly chosen for accounting for business combinations between entities under common control are (1) the acquisition method and (2) the predecessor values method. Once a method has been adopted it should be applied consistently as a matter of accounting policy. Neither IFRS 3 nor any other IFRS require or prohibit the application of either method to business combinations involving entities under common control.

The Group elected to apply predecessor values method for transactions under common control. The principles of predecessor accounting are:

- No assets or liabilities are restated to their fair values. Instead, the acquirer incorporates predecessor carrying values. These are the carrying values that are related to the acquired entity. They are generally the carrying amounts of assets and liabilities of the acquired entity from the consolidated financial statements of the highest entity that has common control for which consolidated financial statements are prepared. These amounts include any goodwill recorded at the consolidated level in respect of the acquired entity. This is because the transaction is under the control of that entity, and it is a portion of the controlling entity that is being moved around in the transaction. In some cases, the controlling party, that is, the party that controls both combining businesses, may not prepare consolidated financial statements. This can occur, for example, because it is not a parent company. In such situations, the book values used are those from the highest set of consolidated financial statements available. If no consolidated financial statements are produced, the values used are those from the financial statements of the acquired entity.
- No new goodwill arises in predecessor accounting. The combining entities are looked at from the perspective of a transfer made by the controlling party. The transaction is not seen as an equal exchange of values and a change of control from the date of the business combination. No goodwill beyond that recorded by the controlling party in relation to the acquiree can therefore arise. Predecessor accounting may lead to differences on consolidation. For example, there may be a difference between the consideration given and the aggregate book value of the assets and liabilities (as of the date of the transaction) of the acquired entity. The differences are included in equity in retained earnings or in a separate reserve.

The Group incorporated the acquired entities results and balance sheets prospectively from the date on which the business combination between entities under common control occurred. Consequently, the consolidated financial statements do not reflect the results of the acquired entities for the period before the transaction occurred. The corresponding amounts for the previous year are also not restated.

2.6. 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. 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 estimated useful lives of 4 to 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 statement of comprehensive income within "other income" in the year the asset is derecognised.

2 Summary of significant accounting policies (cont'd)

2.7. Investment properties

Properties that are held for long-term rental yields and for capital appreciation are classified as investment properties.

Land held under operating leases is classified and accounted for by the Group as investment property when the rest of the definition of investment property is met. Land is not presented separately from the buildings as these assets cannot be acquired or sold separately.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of comprehensive income within "Net gains (losses) from fair value adjustments on investment property" in the year of retirement or disposal.

2.8. 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 their expected useful lives.

Intangible assets not yet available for use, such as technical development projects where the related property is not built, are tested annually for impairment and whenever there is an indication that the intangible asset may be impaired. Borrowing costs are capitalised on project if the use of it is dependent on construction of a related asset, during the construction phase of the asset, and up to the time that related property is available for use or sale. Intangible assets not yet available for use are classified within intangible assets in the statement of financial position.

2.9. Investments into subsidiaries (the Company)

Investments in subsidiaries in the Company's stand-alone financial statements are measured at fair value through profit or loss in accordance with IAS 39. Gains or losses arising from changes in the fair value of subsidiaries are recognized in profit and loss within "Net changes in fair value of subsidiaries at fair value through profit or loss".

Investments in subsidiaries in stand-alone financial statements of AB Invalda LT, from which the Company was split-off, were carried at cost, less impairment. Although the Company has elected to apply the predecessor values method for business combinations under common control, it has changed its accounting policy for investments in subsidiaries from cost method to fair value method, as the Company believes that fair value model more effectively demonstrates its financial position. The change in accounting policy had no impact to the carrying value of investments in subsidiaries.

2 Summary of significant accounting policies (cont'd)

2.10. Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes 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. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognised in profit or loss.

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 makes 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.

2.11. Financial assets

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

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

All regular way purchases and sales of financial assets are recognised on the settlement date. 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.

Loans and receivables

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

2 Summary of significant accounting policies (cont'd)

2.12. 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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.13. Impairment of financial assets

Assets carried at amortised cost

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

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

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. The Group recalculates the carrying amount by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate, any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

2.14. 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.

2 Summary of significant accounting policies (cont'd)

2.15. Financial liabilities

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

All financial liabilities are recognised initially at fair value and in the case of borrowings, net of directly attributable transaction costs.

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

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). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

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

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

2.16. Provisions

Provisions are recognised when the Group has 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. The expense relating to any provision is presented in the profit or loss. 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.

Provisions for onerous contracts

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. A provision for onerous lease contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

2.17. 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 proceeds. 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.

The Company's share capital and equity was formed in accordance with the procedure set forth in the terms of split-off on 29 April 2014, whereas assets received and liabilities assumed were estimated at predecessor carrying values at the date of split-off, except for investments in subsidiaries for which accounting policy was changed and they were revalued at fair value at the date of split-off (Note 2.9).

2 Summary of significant accounting policies (cont'd)

2.18. Leases

Group company is the lessor in an operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the Group company are classified as operating leases. Payments, including pre-payments, received under operating leases (net of any incentives granted to the lessee) are credited to the statement of comprehensive income on a straight-line basis over the period of the lease.

Property leased out under operating leases is included in investment property in the consolidated statement of financial position (Note 12). See Note 2.19 for the recognition of rental income.

Group company is the lessee in an operating lease

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

2.19. Revenue recognition

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms. When the Group provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income.

Utilities and other services income

Utilities and other services income are recognised in the accounting period in which the services are rendered.

Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

2.20. Segment reporting

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

2.21. Borrowing costs

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

2 Summary of significant accounting policies (cont'd)

2.22. Current and deferred income tax

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

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 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 2014. Starting from 2010, tax losses can be transferred at no consideration or in exchange for certain consideration between the group companies if certain conditions are met.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Following the provisions of Law on Corporate Income Tax the 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 shall not be taxed where the entity transferring the shares held more than 25% of voting shares in that entity for an uninterrupted period of at least two years. If mentioned condition is met or is expected to be met by the management of the Company, no deferred tax liabilities or assets are recognised in respect of temporary differences associated with carrying amounts of these investments.

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. 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. 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%.

Deferred income 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 income 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 Summary of significant accounting policies (cont'd)

2.23. 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.

Bonus plans

The Company and the Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

2.24. 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.

2.25. 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.

2.26. 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.

2 Summary of significant accounting policies (cont'd)

2.26 Significant accounting judgements and estimates (cont'd)

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 these financial statements:

Initial accounting of the assets received and liabilities assumed during split-off

AB Invalda LT management has made a judgement that the split-off completed in 2014 as a result of which the Company was established was not in scope of IFRIC 17 „Distribution of Non-cash Assets to Owners“. IFRIC 17 includes an exemption that the Interpretation does not apply to a distribution of a non-cash asset that is ultimately controlled by the same party or parties before and after the distribution. During the split-off shares were allocated proportionally to all shareholders of AB Invalda LT and in the newly established entities, AB Invalda LT was controlled according to the agreement by the same shareholders' group before and after the Split-off, therefore this exemption could be applied. As a result the Company and the Group elected to apply predecessor values method for transactions under common control. The Group incorporated the acquired entities results and balance sheets prospectively from the date on which the business combination between entities under common control occurred. More details are described in Note 2.5

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 investment properties in consolidated financial statements

Fair value of investment properties was based on the income approach by reference to rentals obtained from the subject property or similar properties. Discounted cash flow projections in the income approach are based on estimates of future cash flows, supported by the terms of any existing lease and other contracts and by external evidence such as current (at the date of the statement of financial position) market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. The future rental rates were estimated depending on the actual location, type and quality of the properties, and taking into account market data and projections at the valuation date.

The fair value of the investment properties as at 31 December 2014 was LTL 116,870 thousand (described in more details in Note 12).

Fair value of investments in subsidiaries in stand-alone financial statements

The fair values of investments in subsidiaries are determined by using valuation techniques, primarily discounted cash flows. The fair value of these investments was measured at the fair value of their net assets. The main assets of subsidiaries are investment properties, which are measured at fair value using the income approach. The main liabilities of subsidiaries are loans granted by the Company, related parties or external financial institutions, which are measured using an income approach, such as a present value technique. The models used to determine fair values are periodically reviewed and compared against historical results to ensure their reliability.

The fair value of the investments in subsidiaries as at 31 December 2014 was LTL 39,174 thousand (described in more details in Note 5).

3 Financial risk management

3.1. Financial risk factors

The risk management function within the Group is carried out in respect of financial risks, operational risks and legal risks. 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 borrowings, 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 and cash which arise directly from its operations. The Company and the Group have not used any derivative instruments so far, as management considered that there is no necessity for them.

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.

Credit risk

Credit risk arises from cash and cash equivalents, credit exposures to outstanding trade receivables and loans granted. The Group seeks to ensure that rental contracts are entered into only with lessees with an appropriate credit history, from some of lessees advance lease payments are required.

At the date of financial statements there are no indications of worsening credit quality of trade and other receivables and loans granted, which are neither past due, nor impaired, due to constant control by the Group of loans and receivable balances. The maximum exposure to credit risk is disclosed in Notes 15 and 16. There are no transactions of the Group or the Company that occur outside Lithuania, except for loans granted to Latvian entities.

The Group has an agreement with external entity, which provides property management services to the Group. The rent income and related revenues from the Group's owned properties are collected through this entity, which issues the invoices for rent and related services to tenants at the end of each month. Therefore, the Group has significant concentration of credit risk with respect to this entity. This third party accounts for approximately 81% of the total Group's trade and other receivables as at 31 December 2014.

With respect to credit risk arising from 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.

For banks and financial institutions, only independently rated parties are accepted.

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

	2014	
	<u>Group</u>	<u>Company</u>
Moody's ratings		
Prime-1	484	146
Prime-2	-	-
Not Prime	753	1
	<u>1,237</u>	<u>147</u>

3 Financial risk management (cont'd)

3.1 Financial risk factors (cont'd)

Market risk

Cash flow and fair value interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the non-current debt obligations with floating interest rates. Current environment is not attractive to seek for fixed interest rates from financial institutions (fixed interest rate is significantly higher than the float, and due to the volatility in the market fixed interest rates are offered for a short period of time only).

The following table demonstrates the sensitivity to a reasonably possible change in floating interest rates (EURIBOR), with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings). There is no impact on the Group's equity other than current year profit impact.

	<u>Increase/decrease in basic points</u>	<u>Group</u>
2014		
EUR	50	(264)
EUR	(10)	53

Loans granted at fixed rates expose the Company and the Group to fair value interest rate risk. The loans granted are denominated in the Euro. The fixed interest rates are reviewed each year to conform to the market interest rates. The Company and the Group are not using any financial instruments to hedge this risk.

Foreign exchange risk

The Group and the Company holds assets and liabilities denominated only in the Litas and the Euro. In Lithuania the Euro was pegged to the Litas, therefore, there are no fluctuations between these currencies. The national currency of Republic of Latvia is Euro from 1 January 2014. Therefore, the Group and the Company are not exposed to foreign exchange risk. From 1 January 2015 the Euro also became local currency of the Republic of Lithuania.

Price risk

The Group has no significant exposure to price risk as it does not hold any equity securities or commodities. The Group is exposed to price risk other than in respect of financial instruments, such as investment properties price risk including its rentals risk.

The Company's investments are exposed to price risk arising from uncertainties about future equity values of the subsidiaries. The fair value of subsidiaries depends on investment properties price risk, interest rate risk and other factors. Refer to sensitivity analysis disclosed in Note 5.

3 Financial risk management (cont'd)

3.1 Financial risk factors (cont'd)

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 an overall Group level. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. 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. Short-term liquidity for the Group and the Company is controlled through monthly monitoring of the liquidity status and needs of funds.

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 Group and the Company have not been facing any liquidity issues so far.

The Group's liquidity ratio (total current assets / total current liabilities) as at 31 December 2014 was approximately 0.51. The Company's liquidity ratio as at 31 December 2014 was approximately 0.13.

Management of the Group forecasted the cash flows of the Group for 2015 and the forecast indicates that the Group will have sufficient funds to cover liabilities, which fall due in 2015. If the liquidity condition requires, the related party AB Invalda LT would extend the maturity of borrowings beyond 31 December 2015 (with carrying value of LTL 2,037 thousand as at 31 December 2014).

The contractual maturity of borrowings of the Company from controlled subsidiary is 31 December 2015 (carrying value LTL 4,584 thousand as at 31 December 2014). But if funds generated during year are not sufficient to settle this liability, at each year end the maturity of the loan will be prolonged for one extra year and new market interest rate is determined.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at 31 December 2014 based on contractual undiscounted payments.

	On demand	Less than 3 months	4 to 12 months	2 to 5 years	More than 5 years	Total
The Group						
Interest bearing borrowings	-	634	4,296	74,531	-	79,461
Trade and other payables	-	270	-	-	-	270
Provision for onerous contract	-	164	474	647	-	1,285
Other liabilities	-	244	-	-	-	244
Balance as at 31 December 2014		1,312	4,770	75,178	-	81,260
The Company						
Interest bearing borrowings	-	-	4,790	-	-	4,790
Trade and other payables	-	10	-	-	-	10
Other liabilities	-	13	-	-	-	13
Balance as at 31 December 2014		23	4,790	-	-	4,813

3 Financial risk management (cont'd)

3.2. 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, 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 2014.

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. The Company and the Group except for one dormant subsidiary complied with this requirement as at 31 December 2014.

4 Fair value estimation

Assets carried at fair value

The fair value hierarchy has the following levels:

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

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table provides the fair value measurement hierarchy of the Group's and the Company's assets measured at fair value in the statement of financial position as at 31 December 2014.

	Level 1	Level 2	Level 3	Total balance
Assets of the Group				
Investment properties (Note 12)	-	-	116,870	116,870
Assets of the Company				
Subsidiaries (Note 5)	-	-	39,174	39,174

There were no transfers of assets between the Level 1 and Level 2 of the fair value hierarchy during 2014, but there were transfers between Level 2 and Level 3 (Note 12).

There were no liabilities measured at fair value in the Group's and the Company's statements of financial position.

4 Fair value estimation (cont'd)

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, loans granted, trade and other payables, non-current and current borrowings, provision for onerous contract.

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 2014 approximated their fair value because they are short-term and the impact of discounting is immaterial.

The fair value of loans granted by the Company and the Group was LTL 15,454 thousand and LTL 14,287 thousand as at 31 December 2014, respectively (their carrying amount – LTL 15,343 thousand and LTL 14,176 thousand respectively) . Their fair value is based on cash flows discounted using 4.5 % interest rate as at 31 December 2014. It is Level 3 fair value measurement.

The carrying amount of borrowings of the Group and the Company and provision for onerous contract as at 31 December 2014 approximated their fair value.

5 Subsidiaries

The Group had the following directly held by the Company subsidiaries:

Name	Country of incorporation and place of business	Proportion of shares (voting rights) directly held by the Company (%)	Nature of business
AB Invaldos Nekilnojamojo Turto Fondas	Lithuania	100.00	Real estate owner and lessor
UAB Roveliją	Lithuania	100.00	Real estate owner and lessor
UAB Perspektyvi veikla	Lithuania	100.00	Dormant
UAB Proprietas	Lithuania	100.00	Dormant

All subsidiary undertakings listed in the table above are included in the consolidation.

Subsidiary AB Invaldos Nekilnojamojo Turto Fondas also owns 100% of the shares of UAB INTF Investicija. In May 2014 the bankruptcy was instituted by the court for this entity and it ceased to be a subsidiary as a result of loss of control and is not consolidated by the Group. Through the appointment of bankruptcy administrator changes to decision-making rights occurred and it means that the relevant activities are no longer directed through voting rights the Group has, but instead give bankruptcy administrator the current ability to direct the relevant activities. The investment in UAB INTF Investicija is impaired to nil.

The subsidiary AB Invaldos Nekilnojamojo Turto Fondas has no right to pay dividends without bank consent according to borrowings agreements. The shares of AB Invaldos Nekilnojamojo Turto Fondas were pledged to the banks as collateral for the borrowing.

Subsidiaries are measured at fair value through profit or loss in the Company's stand-alone financial statements. It is Level 3 fair value measurement. The fair value of investments is measured at the fair value of their net assets. The main assets of subsidiaries are investment properties, which are measured at fair value using the income approach (level 3 measurement, more details provided in Note 12). The main liabilities of subsidiaries are loans granted by the Company, related party and financial institutions, which are measured using an income approach, such as a present value technique. The fair value of subsidiaries mostly depends on the fair value of investment properties owned by entities and related sensitivity disclosures are provided in Note 12. Other significant unobservable input in the fair value of equity of subsidiaries is the discount rate applied to measure the fair value of borrowings of subsidiaries. The Group used 4.5% discount rate to measure the fair value of borrowings of subsidiaries received from the Company and related party and 2.383% discount rate to measure the fair value of bank borrowing as at 31 December 2014. There is interrelationship between the discount rate applied to measure the fair value of investment properties (Note 12) and the discount rate applied to measure the fair value of borrowings of subsidiaries offsetting each other, therefore the changes in these inputs should be analysed in combination. If these discount rates would be by 50 basis points lower with all other variables remaining constant, the positive change in the fair value of subsidiaries would amount approximately LTL 7,111 thousand. If the discount rate would be by 50 basis points higher with all other variables remaining constant, the negative change in the fair value of subsidiaries would amount approximately LTL 4,934 thousand.

The following table presents the movement in Level 3 instruments for the year ended 31 December 2014.

Fair value of subsidiaries at split-off	37,937
Increase of share capital by conversion of loans granted to subsidiaries (Note 15)	101
Gains and losses recognised in profit or loss (within 'Net changes in fair value of subsidiaries at fair value through profit or loss')	1,136
Fair value as at 31 December 2014	39,174
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period	1,136

6 Split-off

On 21 March 2014 the split-off terms of AB Invalda LT (code 121304349) were announced. The Extraordinary General Shareholders Meeting approved the terms of the Company's split-off on 28 April 2014. The Split-off was completed on 29 April 2014. According to the terms, three new entities AB INVL Baltic Farmland, AB INVL Baltic Real Estate and AB INVL Technology, comprising 47.95% of AB Invalda LT total assets measured at carrying amounts, were split-off from AB Invalda LT. Following the split-off, 30.90% of the assets, equity and liabilities were transferred to the Company.

The Company

The Company's share capital and equity was formed in accordance with the procedure set forth in the terms of split-off on 29 April 2014, whereas assets received and liabilities assumed were estimated at predecessor carrying values at the date of split-off, except for investments in subsidiaries for which accounting policy was changed and they were revalued at fair value at the date of split-off (Note 2.9).

On the split-off the fair value of investments to subsidiaries was determined under the same principles and methods as those applied as at 31 December 2014. More details are disclosed in Note 5.

Transferred net assets to the Company were as follows:

Investments into subsidiaries (Note 2.9)	37,937
Loans granted	15,444
Prepayments and deferred charges	5
Cash and cash equivalents	155
<i>Total assets</i>	<u>53,541</u>
Borrowings	(4,849)
<i>Total liabilities</i>	<u>(4,849)</u>
Total net assets	<u>48,692</u>
Share capital	7,044
Share premium	10,240
Reserves	23,765
Retained earnings	7,643
Total equity	<u>48,692</u>

During the split-off part of liability rising from credit agreement with Šiaulių bankas was transferred to the Company (LTL 428 thousand). The credit was fully repaid in the beginning of May 2014.

6 Split-off (cont'd)

The Group

The Group elected to apply predecessor values method for transactions under common control (Note 2.5). No assets or liabilities were restated to their fair values. Instead, the Group incorporated predecessor carrying values.

Transferred net assets to the Group were as follows:

Intangible assets	552
Property, plant and equipment	29
Investment properties	116,725
Operating lease pre-payments	2,848
Loans granted	14,213
Prepayments and deferred charges	158
Trade and other receivables	1,237
Cash and cash equivalents	547
Total assets	136,309
Share capital	7,044
Share premium	10,240
Reserves	23,765
Retained earnings	7,491
<i>Total equity (net assets)</i>	<i>48,540</i>
Deferred income tax liability	12,085
Borrowings	72,254
Trade payables	231
Provisions	1,255
Advances received	150
Other liabilities	1,794
<i>Total liabilities</i>	<i>87,769</i>
Total equity and liabilities	136,309

7 Segment information

Management of the Company has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. All financial information, including the measure of profit, total assets and total liabilities, is analysed as a single reporting segment - real estate segment, therefore is not further disclosed in these financial statements. The Company and its subsidiaries are domiciled in Lithuania. There are no transactions of the Group or the Company that occur outside Lithuania, except for loans granted to Latvian entities (Note 15). Therefore, the management has not analysed revenue by geographical areas. Therefore, the Group has not disclosed any breakdown of revenue by geographical areas.

Revenues of LTL 8,038 thousand are derived from a single external customer.

8 Revenue, lease expenses, lease commitments, provision for onerous lease contract

Revenue

The Group being the lessor has entered into commercial property leases of the Group's investment properties under operating lease agreements. The majority of the agreements have remaining terms of between 1 and 5 years.

Analysis of revenue by category:

	<u>2014</u>
Rent income	9,814
Utilities revenue	2,261
Other services revenue	<u>51</u>
Total revenue	<u>12,126</u>

The Group has earned rent income from both owned and subleased premises. Breakdown of revenue by ownership of premises is presented below:

	<u>2014</u>
Rent income from owned premises	5,997
Other revenue from owned premises	<u>1,890</u>
<i>Total revenue from owned premises</i>	<i>7,887</i>
Rent income from subleased premises	3,817
Other revenue from subleased premises	<u>422</u>
<i>Total revenue from subleased premises</i>	<i>4,239</i>
Total revenue	<u>12,126</u>

8 Revenue, lease expenses, lease commitments, provision for onerous lease contract (cont'd)

Revenue (cont'd)

Future rentals receivable under non-cancellable and cancellable operating leases as at 31 December are as follows:

		<u>2014</u>
Within one year		
	- non-cancellable	4,954
	- cancellable	3,663
		<u>8,617</u>
From one to five years		
	- non-cancellable	7,585
	- cancellable	7,269
		<u>14,854</u>
After five years		
	- non-cancellable	516
	- cancellable	1,765
		<u>2,281</u>
		<u>25,752</u>

Future rentals receivable under non-cancellable and cancellable operating subleases as at 31 December are as follows:

		<u>2014</u>
Within one year		
	- non-cancellable	949
	- cancellable	4,036
		<u>4,985</u>
From one to five years		
	- non-cancellable	571
	- cancellable	4,642
		<u>5,213</u>
After five years		
	- non-cancellable	-
	- cancellable	-
		<u>-</u>
		<u>10,198</u>

For the cancellable lease and sublease agreements, tenants must notify the administrator 3–6 months in advance if they wish to cancel the rent agreement and have to pay 3–12 months' rent fee penalty for the cancellation. According to non-cancellable lease and sublease agreements tenants must pay the penalty equal to rentals receivable during the whole remaining lease period.

Part of leases and subleases includes a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

8 Revenue, lease expenses, lease commitments, provision for onerous lease contract (cont'd)

Expenses and provisions

Subsidiary AB Invalidos Nekilnojamojo Turto Fondas is leasing premises from external party until August 2017 under the lease agreement of 10 August 2007. The subsidiary had paid a one off deposit in the amount of LTL 2,848 thousand corresponding to the 6 months rental fee amount which will be set-off against the last part of lease payment at the termination of the lease. The rent payments are subject to an indexation at the end of August each year on the basis of harmonised consumer price index, if the latter is more than 1%, but there is a cap for annual indexation of 3.8%. During the reporting period the Group has incurred LTL 4,037 thousand lease expenses under this agreement. Contingent rent constitutes LTL 616 thousand within this amount. The lease expenses of the Group from other agreements amounted to LTL 52 thousand during the reporting period.

Future minimum lease payments according to the signed operating lease contracts are as follows:

		<u>Group</u>
		<u>2014</u>
Within one year		
	- lease of premises from agreement of 10 August 2007	6,284
	- other lease	71
		<u>6,355</u>
From one to five years		
	- lease of premises from agreement of 10 August 2007	10,780
	- other lease	-
		<u>10,780</u>
After five years		
	- lease of premises from agreement of 10 August 2007	-
	- other lease	-
		<u>-</u>
		<u><u>17,135</u></u>

The lease agreement of 10 August 2007 is an onerous contract, therefore there is a provision of LTL 1,261 thousand to cover the loss anticipated in connection with this contract recognised in the statement of financial position as at 31 December 2014. This amount represents the present value of future cash flows related to the lease contract. Future cash flows projections are based on the estimates of future rent income from subleased premises, contractual lease payments and estimates of maintenance and management expenses of leased premises.

The changes in the provision for onerous contract is presented below:

	<u>2014</u>
Provision received during split-off on 29 April 2014	1,255
Re-estimation of provision at the end of the year	265
Amount used (recognised as a reduction of 'Premises rent costs')	(303)
The reversal of the discount effect and changes in the discount rate	44
As of 31 December 2014	<u>1,261</u>
Non-current	629
Current	632

In addition to the above, a deferred liability of LTL 1,418 thousand arising from expense recognition on a straight-line basis is recognised in the statement of financial position within "Other non-current liabilities" as at 31 December 2014.

9 Finance costs

	<u>Group</u>	<u>Company</u>
Interest expenses of bank borrowings	(694)	-
Interest expenses of borrowings from related parties	(600)	(9)
Interest expenses of borrowings from subsidiaries	-	(163)
The reversal of the discount effect of provision for onerous contract	(28)	-
	<u>(1,322)</u>	<u>(172)</u>

10 Income tax

	2014	
	<u>Group</u>	<u>Company</u>
Components of the income tax expenses		
Current year income tax	-	-
Deferred income tax expenses	(232)	-
Income tax expenses charged to profit or loss – total	<u>(232)</u>	<u>-</u>

There is no income tax expense (credit) recognised in other comprehensive income or directly in equity.

Deferred income tax asset and liability were estimated at 15% rates as at 31 December 2014. The movement in deferred income tax assets and liabilities of the Group during 2014 is as follows:

	<u>Assets (liabilities) recognised on Split- off (Note 6)</u>	<u>Recognised in profit or loss during the year</u>	<u>Balance as at 31 December 2014</u>
Deferred tax asset			
Tax loss carry forward for indefinite period of time	252	207	459
Intangible assets	39	-	39
Accruals and provisions	439	(15)	424
Deferred tax asset available for recognition	730	192	922
Less: unrecognised deferred tax asset from tax losses carried forward for indefinite period of time	(59)	(36)	(95)
Recognised deferred income tax asset	671	156	827
Asset netted with liability of the same legal entities	(671)	(156)	(827)
Deferred income tax asset, net	<u>-</u>	<u>-</u>	<u>-</u>
Deferred tax liability			
Investment properties	(12,756)	(388)	(13,144)
Deferred income tax liability	(12,756)	(388)	(13,144)
Liability netted with asset of the same legal entities	671	156	827
Deferred income tax liability, net	<u>(12,085)</u>	<u>(232)</u>	<u>(12,317)</u>
Deferred income tax, net	<u>(12,085)</u>	<u>(232)</u>	<u>(12,317)</u>

10 Income tax (cont'd)

None tax losses were transferred during split-off to the Company. During 2014 the Company has not recognised LTL 35 thousand of deferred tax assets arising from tax loss of 2014.

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2014	
	<u>Group</u>	<u>Company</u>
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	-	-
Deferred tax assets to be recovered within 12 months	-	-
	<u>-</u>	<u>-</u>
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	-	-
Deferred tax liability to be recovered within 12 months	12,317	-
	<u>12,317</u>	<u>-</u>

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:

	2014	
	<u>Group</u>	<u>Company</u>
Profit before income tax	1,725	1,370
Tax calculated at the tax rate of 15 %	(259)	(205)
Tax effect of non-deductible expenses and non-taxable income	63	240
Deferred tax expenses arising from write-down or reversal of previous write-down	(36)	(35)
Income tax expenses recorded in the statement of comprehensive income	<u>(232)</u>	<u>-</u>

11 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 2014 was as follows:

Calculation of weighted average for the year 2014	Number of shares (thousand)	Par value (LTL)	Issued/246 (days)	Weighted average (thousand)
Shares issued as at 29 April 2014	7,044	1	246/246	7,044
Shares issued as at 31 December 2014	7,044	1	-	7,044

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

	2014 Group
Net profit (loss), attributable to the equity holders of the parent	1,493
Weighted average number of ordinary shares (thousand)	7,044
Basic earnings (deficit) per share (LTL)	0.21

For 2014 diluted earnings per share of the Group are the same as basic earnings per share.

12 Investment properties

Fair value hierarchy	Other investment properties valued using sales comparison method	Leased Investment properties	Investment properties held for future redevelopment	2014
	Level 2	Level 3	Level 3	
Received during split-off on 29 April 2014	1,975	108,170	6,580	116,725
Additions	-	-	-	-
Subsequent expenditure	-	10	-	10
Transfers	(1,975)	-	1,975	-
Gain from fair value adjustment	-	150	160	310
Loss from fair value adjustment	-	-	(175)	(175)
Balance as at 31 December 2014	-	108,330	8,540	116,870
Unrealised gains and losses for the period included within 'Net gains (losses) from fair value adjustments on investment property' in the income statement	-	150	(15)	135

Investment properties of the Group are office buildings, warehouses and old flats' building. The majority of buildings and warehouses are leased under the operating lease agreements and generate rental income. The direct operating expenses arising from investment properties that generated rental income amounted to LTL 2,709 thousand. The direct operating expenses arising from investment properties that did not generate rental income amounted to LTL 7 thousand.

12 Investment properties (cont'd)

Investment properties are measured at fair value. Leased investment properties and investment properties held for future redevelopment were valued using income approach by accredited valuer UAB OBER-HAUS Nekilnojamasis Turtas on 21 November, 8 December and 31 December 2014.

As at 29 April 2014 the fair value of the leased investment properties and investment properties held for future redevelopment has been determined based on the valuations performed by the above mentioned accredited valuer on 26-29 November 2013. There were no significant changes in the market at the end of 2013 and during the four months of 2014 that could have an effect on the value of those investment properties, therefore the updated valuation was not performed as at 29 April 2014.

Other investment properties were valued by the management using sales comparison method on 29 April 2014.

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 Group owned old flats building and had an intention to redevelop in future. Therefore, the Group's management after consultation with accredited valuer has decided that this investment property has to be valued using income approach, which reflects future redevelopment, rather than sales comparison method based on old flats market sales prices.

The fair value represents the price that would be received selling an asset in an orderly transaction between market participants at the measurement date, in compliance with the International Valuation Standards set out by the International Valuation Standards Committee. An investment property's fair value was based either on the market approach by reference to sales in the market of comparable properties or the income approach by reference to rentals obtained from the subject property or similar properties. Market approach refers to the prices of the analogues transactions in the market. These values are adjusted for differences in key attributes such as property size and quality of interior fittings. The most significant input into this valuation approach is price per square metre.

Income approach is based on the assumption that defined correlation between net activity future income and fair value of the objects exists. For leased investment properties main inputs include:

- Future rental cash inflows based on the actual location, type and quality of the properties and supported by the terms of any - existing lease, other contracts or external evidence such as current market rents for similar properties;
- Discount rates reflecting current market assessments of the uncertainty in the amount and timing of cash flows;
- Estimated vacancy rates based on current and expected future market conditions after expiry of any current lease;
- Maintenance costs including necessary investments to maintain functionality of the property for its expected useful life;
- Capitalisation rates based on actual location, size and quality of the properties and taking into account market data at the valuation date;
- Terminal value taking into account assumptions regarding maintenance costs, vacancy rates and market rents.

Investment properties held for future redevelopment were estimated taking into account the following estimates (in addition to the inputs noted above):

- Costs to complete that are based on the valuers' experience and knowledge of market conditions and term sheets outlined in approved detailed plans. Costs to complete also include a reasonable profit margin;
- Completion dates, as properties under construction require approval or permits from oversight bodies at various points in the development process, including approval or permits in respect of initial design, zoning, commissioning, and compliance with environmental regulations. Based on management's experience with similar developments, all relevant permits and approvals are expected to be obtained. However, the completion date of the development may vary depending on, among other factors, the timeliness of obtaining approvals and any remedial action required by the Group.

There were no changes to the valuation techniques during the period.

Description of valuation techniques used and key inputs to valuation on investment properties as at 31 December 2014:

	Valuation technique	Significant unobservable inputs	Range (weighted average)
Leased investment properties	Discounted cash flows	Discount rate (%)	9 – 11 (9.1)
		Capitalisation rate for terminal value (%)	7.0 – 10 (7.4)
		Vacancy rate (%)	5 – 15
		Rent price Lt per sq. m. (without VAT)	6 – 40 (27.5)
Investment properties held for future redevelopment	Discounted cash flows with estimated costs to complete	Capitalisation rate for terminal value	15 – 18 (16.0)
		Cost to completion Lt per sq. m (without VAT)	2,643 – 3,626 (3,253)
		Sales price per Lt sq. m. (with VAT)	5,100 – 8,000 (5,479)

12 Investment properties (cont'd)

Description of valuation techniques used and key inputs to valuation on investment properties as at 29 April 2014:

	Valuation technique	Significant unobservable inputs	Range (weighted average)
Leased investment properties	Discounted cash flows	Discount rate (%)	9 – 11 (9)
		Capitalisation rate for terminal value (%)	7.5 – 10 (7.6)
		Vacancy rate (%)	5 – 10
		Rent price Lt per sq. m. (without VAT)	6 – 42 (27.9)
Investment properties held for future redevelopment	Discounted cash flows with estimated costs to complete	Capitalisation rate for terminal value	15 – 17 (15.7)
		Cost to completion Lt per sq. m (without VAT)	2,100 – 2,200 (2,157)
		Sales price per Lt sq. m. (with VAT)	4,800 – 8,000 (6,633)

The sensitivity analysis of investment properties valued using income approach as at 31 December 2014 is as follows:

Reasonable possible shift +/- (%)	Increase of estimates		Decrease of estimates	
	Leased Investment properties	Investment properties held for future redevelopment	Leased Investment properties	Investment properties held for future redevelopment
Change in future rental rates by 10 %	12,820	-	(11,820)	-
Change in future sale prices of developed properties by 10%	-	2,420	-	(2,310)
Change in construction costs by 10%	-	(1,910)	-	2,010
Change in expected vacancy rates by 20%	(1,140)	-	2,130	-
Change in discount and capitalization rate by 50 bps	(6,530)	(40)	8,570	360

The sensitivity analysis of investment properties valued using income approach as at 29 April 2014 is as follows:

Reasonable possible shift +/- (%)	Increase of estimates		Decrease of estimates	
	Leased Investment properties	Investment properties held for future redevelopment	Leased Investment properties	Investment properties held for future redevelopment
Change in future rental rates by 10 %	10,390	-	(10,390)	-
Change in future sale prices of developed properties by 10%	-	1,750	-	(1,740)
Change in construction costs by 10%	-	(1,510)	-	1,520
Change in expected vacancy rates by 20%	(1,260)	-	1,160	-
Change in discount and capitalization rate by 50 bps	(6,870)	(80)	7,630	220

As at 31 December 2014 investment properties with carrying amount of LTL 114,970 thousand were pledged to the banks as collateral for the loans.

There were no restrictions on the realisation of investment properties or the remittance of income and proceeds of disposals during the year ended 31 December 2014. No material contractual obligations to purchase, construct, repair or enhance investment properties existed at the end of the period.

13 Property, plant and equipment and intangible assets

Group	Intangible assets	Property, plant and equipment	Total
Cost:			
Received during split-off on 29 April 2014	808	107	915
Additions	-	40	40
Balance as at 31 December 2014	808	147	955
Accumulated depreciation:			
Received during split-off on 29 April 2014	-	78	78
Charge for the year	-	25	25
Balance as at 31 December 2014	-	103	103
Impairment:			
Received during split-off on 29 April 2014	256	-	256
Charge for the year	-	-	-
Balance as at 31 December 2014	256	-	256
Net book value as at 29 April 2014	552	29	581
Net book value as at 31 December 2014	552	44	596

There is a technical development project where the related property is not yet built included within intangible assets. As it is not yet available for use, no amortisation is recognised during the period.

The depreciation charge of the Group's property, plant and equipment for the year 2014 amounts to LTL 25 thousand.

14 Financial instruments by category

Group	Loans and receivables	Assets at fair value through the profit and loss	Total
31 December 2014			
Assets as per statement of financial position			
Loans granted	13,745	-	13,745
Current loans granted	431	-	431
Trade and other receivables excluding tax prepayments	1,002	-	1,002
Cash and cash equivalents	1,237	-	1,237
Total	16,415	-	16,415

Company	Loans and receivables	Assets at fair value through the profit and loss	Total
31 December 2014			
Assets as per statement of financial position			
Investments into subsidiaries at fair value through profit or loss	-	39,174	39,174
Loans granted	14,912	-	14,912
Current loans granted	431	-	431
Cash and cash equivalents	147	-	147
Total	15,490	39,174	54,664

	Financial liabilities at amortised cost	
	Group	Company
31 December 2014		
Liabilities as per statement of financial position		
Borrowings	70,783	4,584
Provisions	1,261	-
Trade payables	270	10
Other current liabilities excluding taxes and employee benefits	244	13
Total	72,558	4,607

15 Loans granted

The Company's loans granted are described below:

	2014	
	Group	Company
Loans granted to Latvian entities	21,620	21,620
Loans granted to subsidiaries	-	1,167
Loans granted to entity in bankruptcy	4,006	-
Loans granted to other third parties	14	14
	<u>25,640</u>	<u>22,801</u>
Less: short-term loans	(431)	(431)
Less: allowance for impairment to entity in bankruptcy	(4,006)	-
Less: allowance for impairment to Latvian entities	<u>(7,458)</u>	<u>(7,458)</u>
<i>Total allowance for impairment</i>	<i>(11,464)</i>	<i>(7,458)</i>
Total long-term loans granted	<u>13,745</u>	<u>14,912</u>

As at 31 December 2014 the Group owned 50 % of the rights to cash flows to Latvian entities SIA Dommo Grupa and SIA Dommo Biznesa Parks according to loans agreements. The above mentioned entities comprise one group and own about 12,800 square meters of warehouse space and over 58 hectares of land around Riga, suitable for the development of logistics hub. Due to economic crisis in 2008 these entities were in the process of bankruptcy. At the end of 2014 and in the beginning of 2015 bankruptcy processes were terminated. The Group has the right to 50% of entities' generated cash flows. These rights are carried at amortised cost of LTL 14,162 thousand in the statement of financial position as at 31 December 2014.

The loan granted to SIA Dommo Biznesa Parks was acquired in 2013 by AB Invalda LT from the bank, it is not impaired and is secured by the pledge of investment property owned by the debtor. The loans granted to SIA Dommo Grupa were granted by AB Invalda LT in 2007 – 2008 and are impaired. During the year ended 31 December 2014 SIA Dommo Grupa has repaid LTL 504 thousand of loans. The Group and the Company recognised LTL 209 thousand interest income on impaired loans.

The Group has received during split-off the loan granted to previous subsidiary of AB Invalda LT, for which bankruptcy was initiated by the court in May 2014. The loan was impaired and fully provided by AB Invalda LT for before the split-off.

As at 31 December 2014 the Group's and the Company's loans granted with nominal value of LTL 17,599 thousand and 13,593 thousand, respectively, were impaired. The net amounts of impaired loans of LTL 6,135 thousand are recognised in the statement of financial position of the Group and the Company.

Movements in the allowance for impairment of granted loans (assessed individually) were as follows:

	Individually impaired	
	Group	Company
Allowances recorded under predecessor method during split-off	11,464	7,458
Charge for the year	-	-
Write-offs charged against the allowance	-	-
Recoveries of amounts previously written-off	-	-
Balance as at 31 December 2014	<u>11,464</u>	<u>7,458</u>

15 Loans granted (cont'd)

The ageing analysis of loans granted of the Group and of the Company as at 31 December 2014 is as follows:

	<u>Granted loans neither past due not impaired</u>	<u>Granted loans past due but not impaired</u>	<u>Total</u>
Group	8,041	-	8,041
Company	9,208	-	9,208

As at 31 December 2014 LTL 8,027 thousand of loans granted of the Group and the Company were granted to SIA Dommo Biznesa Parks, which was in the process of bankruptcy in the past. All other loans granted neither past due nor impaired as at 31 December 2014 have no history of counterparty defaults. The maximum credit risk as at the financial reporting date is the carrying amount of each category of amounts receivable as indicated above.

The movements of loans granted to subsidiaries during the year were:

	<u>2014</u>
Loans received on split-off	1,231
Loans converted to increased share capital	(101)
Interest income	37
Balance At 31 December 2014	1,167

The contractual maturity of loans granted to subsidiaries is 31 December 2015 according to the agreements, but the Company classifies them as long term, because intends to prolong them on maturity date. Effective interest rate of loans is 4.5 %. At each year end maturity of the loans granted is prolonged for one extra year and new market interest rate is determined.

16 Trade and other receivables

	2014 Group
Trade and other receivables, gross	1,438
Taxes receivable, gross	10
Less: allowance for doubtful trade and other receivables	(436)
	<u>1,012</u>

The Company had no trade and other receivables as at 31 December 2014.

Trade and other receivables are non-interest bearing and are generally with a credit term of 30 days.

As at 31 December 2014 the Group's trade and other receivables with nominal value of LTL 436 thousand were impaired and fully provided for.

Movements in the allowance for accounts receivable of the Group (assessed individually) were as follows:

	Individually impaired Group
Allowances recorded under predecessor method during split-off	436
Charge for the year	-
Write-offs charged against the allowance	-
Recoveries of amounts previously written-off	-
Balance as at 31 December 2014	<u>436</u>

The ageing analysis of trade and other receivables of the Group as at 31 December 2014 is as follows:

	Trade receivables neither past due nor impaired	Trade receivables past due but not impaired				Total
		Less than 30 days	30–90 days	90–180 days	More than 180 days	
Group	840	162	-	-	-	1,002

Credit quality of financial assets neither past due nor impaired

All trade receivables neither past due nor impaired as at 31 December 2014 have no history of counterparty defaults. With respect to trade and other receivables that are neither past due nor impaired, there are no indications as at the reporting date that the debtors will not meet their payment obligations. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral.

17 Share capital, acquisition of own shares and reserves

The Company's share capital is divided into 7,044,365 ordinary registered shares with the nominal value of LTL 1 each. All the shares of the Company were fully paid. The Company's share capital and equity was formed in accordance with the procedure set forth in the terms of split-off on 29 April 2014 (Note 6).

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

Own shares reserve is formed for the purpose of buying own shares in order to keep their liquidity and manage price fluctuations.

18 Borrowings

	<u>Group</u>	<u>Company</u>
Non-current:		
Non-current bank borrowings	51,136	-
Non-current borrowings from other related parties	15,959	-
	<u>67,095</u>	<u>-</u>
Current:		
Current portion of non-current borrowings	1,651	-
Borrowings from subsidiaries	-	4,584
Borrowings from other related parties	2,037	-
	<u>3,688</u>	<u>4,584</u>
Total borrowings	<u>70,783</u>	<u>4,584</u>

Borrowings in local and foreign currencies expressed in LTL were as follows:

Borrowings denominated in:	<u>Group</u>	<u>Company</u>
EUR	<u>70,783</u>	<u>4,584</u>

Borrowings with fixed or floating interest rate (with changes in 6 months period) were as follows:

Interest rate type:	<u>Group</u>	<u>Company</u>
Fixed	17,996	4,584
Floating	52,787	-
	<u>70,783</u>	<u>4,584</u>

18 Borrowings (cont'd)

The carrying amounts pledged to the banks to secure the repayment of borrowings are as follows:

	Group	Company
Investment into subsidiary		38,555
Investment properties	114,970	-
Cash	752	-

The Company has also guaranteed for borrowing from AB Šiaulių bankas.

Weighted average effective interest rates of borrowings for the period:

	Group	Company
Borrowings	2.73%	5.50%

As at 31 December 2014 all Group entities have complied with bank loan covenants.

On the date of split off the Group had LTL 56,429 thousand of long-term borrowings from Nordea bank, which were refinanced during the reporting period. On 26 September 2014 the Group has signed EUR 15,350 thousand (LTL 53,000 thousand) borrowings agreement with AB Šiaulių bankas. The term of the agreement is 5 years, repayment of the loan is by monthly instalments. The funds were disbursed on 29 September 2014. In addition, in September 2014 AB Invalda LT has lent EUR 740 thousand (LTL 2,555 thousand) to the Group. Both borrowings were used for repayment of the Nordea bank loan, which was closed on 29 September 2014.

During the period, the Group and the Company repaid respectively LTL 57,996 thousand and LTL 760 thousand of borrowings.

19 Related party transactions

The related parties of the Group were the shareholders of the Company (note 1), key management personnel, including companies under control or joint control of key management and shareholders having significant influence, the entities of the group of AB Invalda LT and entities of other groups, which were split-off from AB Invalda LT. The Group was established after the split-off from Invalda LT.

The Group's transactions with related parties during 2014 and related balances as at 31 December 2014 were as follows:

2014 Group	Revenue and other income from related parties	Purchases and interest from related parties	Receivables from related parties	Payables to related parties
AB Invalda LT (accounting services)	-	28	-	11
AB Invalda LT (borrowings)		600	-	17,996
UAB Inservis (maintenance and repair services)		792	-	117
UAB Inservis (rent and utilities)	8	-	2	-
AB FMĮ Finasta	-	2	-	2
	8	1,422	2	18,126
Liabilities to shareholders and management	-	-	-	-

19 Related party transactions (cont'd)

From the Group activities' start date until the end of the year 2014, the Group received LTL 2,887 thousand of borrowings from AB Invalda LT. From the Group activities' start date until the end of the year 2014, the Group repaid LTL 850 thousand of borrowings to AB Invalda LT and LTL 39 thousand of interests. The maturity of borrowings is till 2015, effective interest rate 4.5%. LTL 15,959 thousand of borrowing from AB Invalda LT is subordinated to bank borrowing and could be repaid only upon maturity of bank borrowing in 2019.

The Company's related parties are the subsidiaries, shareholders (Note 1), key management personnel and companies under control or joint control of key management and shareholders with significant influence, the entities of the group of AB Invalda LT and entities of other groups, which were split-off from AB Invalda LT.

Transactions of the Company with subsidiaries in 2014 and balances as at 31 December 2014 were as follows:

2014 Company	Interest income from related parties	Interest expense to related parties	Receivables from related parties	Payables to related parties
Loans and borrowings	37	163	1,167	4,584
	<u>37</u>	<u>163</u>	<u>1,167</u>	<u>4,584</u>

The maturity of loans granted is till 2015, effective interest rate 4.5% (Note 15). The maturity of borrowings is till 2015, effective interest rate 4.5%.

The Company's transactions with other related parties during 2014 and related balances as at 31 December 2014 were as follows:

2014 Company	Revenue and other income from related parties	Purchases and interest from related parties	Receivables from related parties	Payables to related parties
AB Invalda LT (accounting services)	-	6	-	-
AB Invalda LT (borrowings)	-	9	-	-
AB FMĮ Finasta	-	2	-	2
	<u>-</u>	<u>17</u>	<u>-</u>	<u>2</u>
Liabilities to shareholders and management	-	-	-	-

From the Company's activities' start date until the end of the year 2014, the Company received and repaid LTL 332 thousand of borrowings from AB Invalda LT and paid 9 thousand of interests.

The management remuneration contains short-term employees' benefits. Key management of the Company and the Group includes Board members, the Director of the Company and Directors of the subsidiaries, respectively.

	2014	
	Group	Company
Wages, salaries and bonuses	28	8
Social security contributions	8	3
Total key management compensation	<u>36</u>	<u>11</u>

There were no loans granted to key management during the reporting period or outstanding at the end of the reporting period.

In 2014 dividends were not paid.

INVL Baltic Real Estate

INVL Baltic Real Estate, AB Consolidated Annual Report for the year of 2014*

Prepared in accordance with The Rules for the Preparation and the Submission of the Periodic and Additional Information. approved by the decision No. 03-48 of the Board of the Bank of Lithuania passed on 28 February 2013.

Approved by the Board of INVL Baltic Real Estate, AB on 16 March 2015.

* The report covers the financial period of the Company, starting from the Company's establishment date on 29 April 2014 and ending on 31 December 2014.

INVL Baltic Real Estate

Translation note:

This version of the Consolidated Annual Report for the year of 2014 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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INVL Baltic Real Estate

I. GENERAL INFORMATION

1. Reporting period for which the report is prepared

The report covers the first interim financial period of INVL Baltic Real Estate, starting from the Company's establishment date on 29 April 2014 and ending on 31 December 2014.

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

2.1. Information about the Issuer

Name of the Issuer	The public joint-stock INVL Baltic Real Estate, hereinafter INVL Baltic Real Estate, AB
Code	303299735
Address	Seimyniskiu str. 1A, LT-09312, Vilnius, Lithuania
Telephone	+370 5 279 0601
Fax	+370 5 279 0530
E-mail	realestate@invalidalt.com
Website	www.invlbalticrealestate.lt
Legal form	public joint-stock company
Date and place of registration	29 April 2014. Register of Legal Entities
Register in which data about the Company are accumulated and stored	Register of Legal Entities

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

The public joint-stock company INVL Baltic Real Estate was established on 29 April 2014 on the basis of a part of assets split-off from Invalda LT, AB (code 121304349). The split-off terms are published on website http://www.invalidalt.com/en/main/news/Material_events?ID=929. Following the split-off, 30.9% of assets, equity and liabilities of Invalda LT, AB were transferred to INVL Baltic Real Estate, AB.

INVL Baltic Real Estate seeks to earn from investments in commercial real estate, ensuring the growth of rental income. The companies of INVL Baltic Real Estate have invested in an office, warehouse, manufacturing real estate objects in Lithuania and Latvia. Group companies have about 51 700 sq. m. of the real estate space. Almost all objects give rental income and have further development prospects.

Shares of INVL Baltic Real Estate are listed on NASDAQ OMX Vilnius stock exchange since 4 June 2014.

2.3. Information about the Issuer's group of companies

Companies of INVL Baltic Real Estate group owns 12 real estate properties in Vilnius and Riga.



Fig. 2.3.1. Simplified group structure of INVL Baltic Real Estate, AB as of 31 December 2014.

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2.3.1. Real estate objects owned by group companies in Vilnius (Lithuania)



Fig. 2.3.2. Real estate objects owned by group companies of INVL Baltic Real Estate, AB in Vilnius (Lithuania)

Investments in real estate

IBC class A and B business centers at Seimyniskiu str. 1a, Seimyniskiu str. 3, A.Juozapaviciaus str. 6, Slucko str. 2 in Vilnius (Invalidos Nekilnojamojo Turto Fondas, AB)

IBC Business Center – a versatile, functional business premises complex. IBC is located in a very convenient location – on the right bank of the Neris River in the central part of Vilnius, situated near important public institutions and businesses, at the main business artery in the Constitution Avenue, therefore is easily and quickly accessible from any place in Vilnius.

IBC Class A business center consists of two buildings, in which about 6 700 sq. m. are being leased (the total area of buildings - 11 400 sq. m). The center owns 250 spots parking lot in the protected courtyard, also in the two-storey covered and underground garages. IBC Business Center is being constantly developed, more and more services are offered each year.

Block F basic information:

Total area: 4 500 sq. m

Leased area: 3 400 sq. m

Land area: 1.47 ha (total area of the IBC complex)

Property market value in the end of 2014: EUR 6.5 mln.



Block G basic information:

Total area: 6 900 sq. m

Leased area: 3 300 sq. m

Land area: 1.47 ha (total area of the IBC complex)

Property market value in the end of 2014: EUR 6.1 mln.



IBC Class B business center consists of 4 buildings, in which about 9 900 sq. m of different purpose premises are being leased (the total area of buildings – 11 200 sq. m). The center owns 200 spots parking lot in the protected courtyard.

The IBC business center has a development opportunity, detailed plan of the area is prepared.

INVL Baltic Real Estate

Block A basic information:

Total area: 2 100 sq. m
Leased area: 1 700 sq. m
Land area: 1.47 ha (total area of the IBC complex)
Property market value in the end of 2014: EUR 1.9 mln.



Block B basic information:

Total area: 7 300 sq. m
Leased area: 6 900 sq. m
Land area: 1.47 ha (total area of the IBC complex)
Property market value in the end of 2014: EUR 6.5 mln.



Block C basic information:

Total area: 200 sq. m
Leased area: 100 sq. m
Land area: 1,47 ha (total area of the IBC complex)
Property market value in the end of 2014: EUR 0.2 mln.



Block D basic information:

Total area: 1 600 sq. m
Leased area: 1 200 sq. m
Land area: 1.47 ha (total area of the IBC complex)
Property market value in the end of 2014: EUR 1.1 mln.



OFFICE BUILDING AT PALANGOS STR. 4/VILNIAUS STR. 33, VILNIUS (INVALIDOS NEKILNOJAMOJO TURTO FONDAS, AB)

Business center is located in one of the busiest places in the Old Town of Vilnius, between Vilnius, Pamenkalnio, Islandijos and Palangos streets. Vilnius Old Town - one of the most important components of the city and its center, the oldest part of the city of Vilnius, situated on the left bank of the Neris River. Old Town area - protected and managed in accordance with the special heritage protection well, small business and residential function are being supported. There is a closed, guarded parking and underground garage in the area, convenient public transport access. Radvilų Palace, Teacher's House, Lithuanian Technical Library, St. Catherine's Church and other cultural attractions, cafes, restaurants are located near the building.

Block A basic information:

Total area: 5 100 sq. m
Leased area: 3 800 sq. m
Land area: 0.49 ha (total area of the complex)
Property market value in the end of 2014: EUR 4.3 mln.



INVL Baltic Real Estate

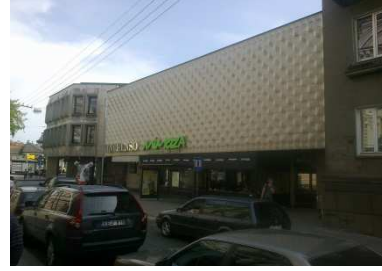
Block B basic information:

Total area: 4 700 sq. m

Leased area: 2 400 sq. m

Land area: 0.49 ha (total area of the complex)

Property market value in the end of 2014: EUR 2.9 mln.



ZYGIO BUSINESS CENTER – OFFICE BUILDING AT J. GALVYDZIO STR. 7 / ZYGIO STR. 97, VILNIUS (INVALIDOS NEKILNOJAMOJO TURTO FONDAS, AB)

Zygio business center – the yellow brick, authentic nineteenth century architecture, renovated office building, perfectly adapted to modern office activities. The building stands in the Northern Town (J. Galvydzio str. 7 / Zygio str. 97) – in a strategically attractive, busy part of Vilnius, easily accessible by car and public transport. Other commercial and business centers, banks, the State Tax Inspectorate, Social Insurance, Employment Exchange, medical clinics and various business services companies, attracting large flows of people, are located nearby. Also, even four large shopping centers – Domus Gallery, Parkas, Hyper Rimi, Banginis-Senukai, are located near the business center. Distance to the center of Vilnius is about 3.5 km. 70 spots covered parking lot is installed next to the building.

The object has a development potential, building permit for the construction of a new building is obtained.

Basic information:

Total area: 3 200 sq. m

Leased area: 2 600 sq. m

Land area: 0.60 ha

Property market value in the end of 2014: EUR 3 mln.



OFFICE BUILDING AT KIRTIMŲ STR. 33, VILNIUS (INVALIDOS NEKILNOJAMOJO TURTO FONDAS, AB)

Administrative buildings and warehouses are in a strategically convenient location, in respect to storage/manufacturing, in the industrial area, the southwestern part of Vilnius, Kirtimų street. This complex is very suitable for logistics, as it is located near the Western city bypass, which is one of the most important traffic arteries of Vilnius city. Engineering infrastructure is well-developed in the area.

Basic information:

Total area: 3 000 sq. m

Leased area: 2 500 sq. m

Land area: 0.67 ha

Property market value in the end of 2014: EUR 0.8 mln.



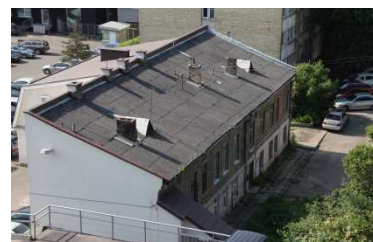
Residential house at Kalvariju str. 11, Vilnius (Rovelija, UAB)

The house borders with IBC complex area owned by Invalidos Nekilnojamojo Turto Fondas, AB. The company owns all apartments located in this building.

Basic information:

Total area: 276 sq. m

Property market value in the end of 2014: LTL 0.5 mln.



INVL Baltic Real Estate

2.3.2. Real estate objects owned by group companies in Riga (Latvia)



Fig. 2.3.3. Real estate objects owned by group companies of INVL Baltic Real Estate, AB in Riga (Latvia)

Dommo Business Park manufacturing/warehouse and office premises complex in Latvia (assets are owned by SIA DOMMO Group and SIA DOMMO Biznesa Parks, INVL Baltic Real Estate, AB, owns 50% of creditorial claims in these companies)

The area is strategically well-located, to the right of Jelgava road, in front of the intersection with Jurmala - Tallinn bypass. Distance to the center of Riga and the airport is 13 km, the port - 16 km. The area is suitable for the development of logistics centers.

Basic information:

Total area: 12 800 sq. m

Leased area: 12 600 sq. m

Land area: 58.21 ha

Property market value: EUR 8 mln.



3. Agreements with intermediaries on public trading in securities

INVL Baltic Real Estate has signed the agreement with this intermediary:

- Finasta, AB FMI (Maironio str. 11, Vilnius, Lithuania. tel. +370 5 203 2233) – the agreement on management of securities accounting.

4. Information on Issuer's branches and representative offices

INVL Baltic Real Estate, AB has no branches or representative offices.

II. INFORMATION ABOUT SECURITIES

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

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

Actual wording of the Articles of Association is dated as of 29 April 2014.

6. Structure of the authorized capital

Table 6.1. Structure of INVL Baltic Real Estate, AB authorised capital as of 31 December 2014.

Type of shares	Number of shares, units	Total voting rights granted by the issued shares, units	Nominal value, LTL	Total nominal value, LTL	Portion of the authorised capital, %
Ordinary registered shares	7,044,365	7,044,365	1	7,044,365	100

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

INVL Baltic Real Estate

6.1. Information about the Issuer's treasury shares

INVL Baltic Real Estate or its subsidiary have not implemented acquisition of shares in INVL Baltic Real Estate directly or indirectly under the order of subsidiary by persons acting by their name.

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

Table 7.1. Main characteristics of INVL Baltic Real Estate, AB shares admitted to trading

	31-12-2014 (LTL, if not stated otherwise)
Shares issued, units	7,044,365
Shares with voting rights, units	7,044,365
Nominal value, LTL	1
Total nominal value, LTL	7,044,365
ISIN code	LT0000128746
Name	INR1L
Exchange	NASDAQ OMX Vilnius
List	Baltic Secondary List
Listing date	4 June 2014

Company uses no services of liquidity providers.

Table 7.2. Trading in the company's shares 2014* (quarterly) on NASDAQ Vilnius:

Reporting period	Price, EUR			Turnover, EUR			Last trading date	Total turnover	
	high	low	last	high	low	last		units	EUR
2014 2 nd Q*	2.500	1.900	1.900	1,330	8	160	30.06.2014	2,357	4,651
2014 3 rd Q	1.900	1.820	1.830	1,721	2	0	30.09.2014	6,758	9,992
2014 4 th Q	1.840	1.830	1.840	1,993	2	0	30.12.2014	6,804	8,005

* The data is provided since 4 June 2014, from the beginning of the listing of the company in the Stock Exchange.

Table 7.3. Trading in INVL Baltic Real Estate, AB shares

	2014*
Share price, EUR	
- open	2.000
- high	2.500
- low	1.820
- medium	1.865
- last	1.840
Turnover, units	15,919
Turnover, EUR	22,947.85
Traded volume, units	125

* The data is provided since 4 June 2014, from the beginning of the listing of the company in the Stock Exchange.

INVL Baltic Real Estate

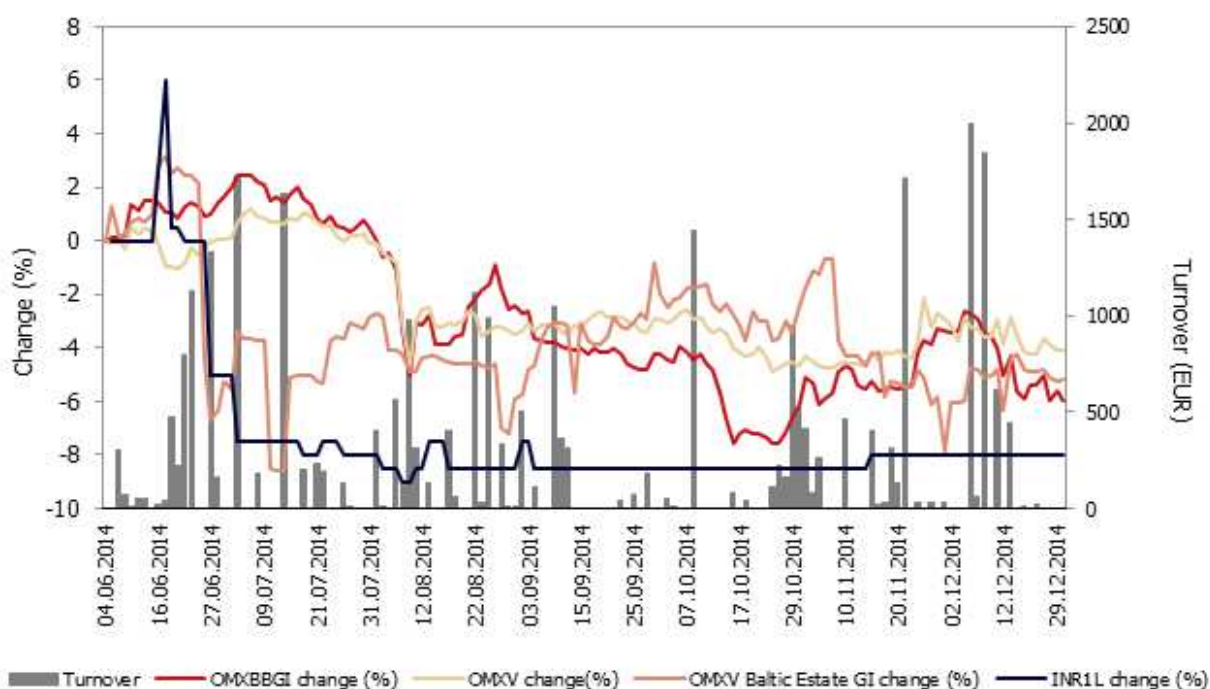


Fig. 7.4. Turnover of INVL Baltic Real Estate, AB shares, change of share price and indexes

Table 7.4. Capitalisation

Last trading date	Number of shares, units	Last price, EUR	Capitalisation, EUR
30.06.2014	7,044,365	1.900	13,384,294
29.09.2014	7,044,365	1.830	12,891,188
19.12.2014	7,044,365	1.840	12,961,632

8. Dividends

The General Shareholders' Meeting decides upon dividend payment and sets the amount of dividends. The company pays out the dividends within 1 month after the day of adoption of the resolution on profit distribution.

Persons have the right to receive dividends if they were shareholders of the company at the end of the tenth working day after the day of the General Shareholders' Meeting which issued the resolution to pay dividends.

According to the Law on Personal Income Tax and the Law on Corporate Income Tax, 15% tax is applied to the dividends since 2014. The company is responsible for calculation, withdrawn and transfer (to the benefit of the State) of applicable taxes¹.

The company did not allocate dividends during the reporting period.

¹This information should not be treated as tax consultation.

INVL Baltic Real Estate

9. Shareholders

9.1. Shareholders who held title to more than 5% of INVL Baltic Real Estate, AB authorised capital and/or votes as of 31 December 2014.

The total number of shareholders in INVL Baltic Real Estate exceed 3700 on 31 December 2014. There are no shareholders entitled to special rights of control.

Name of the shareholder or company	Number of shares held by the right of ownership, units	Share of the authorised capital held, %	Share of the votes, %		
			Share of votes given by the shares held by the right of ownership, %	Indirectly held votes, %	Total, %
LJB Investments, UAB code 300822575, Juozapavičiaus str. 9A, Vilnius	2,144,351	30.4	30.4	0	30.4
Irena Ona Mišeikienė	2,035,918	28.9	28.9	0	28.9
Invalda LT, AB code 121304349, Seimyniskiu str. 1A, Vilnius	884,862	12.6	12.6	0	12.6
Lucrum Investicija, UAB code 300806471, Šeimyniškių str. 3, Vilnius	574,349	8.2	8.2	2.0 ²	10.2
Darius Šulnis	0,00	0.00	0.00	10.2 ³	10.2
Alvydas Banys	540,750	7.7	7.7	32.4 ⁴	40.1
Indrė Mišeikytė	140,618	2.00	2.00	38.1 ⁵	40.1
Andrius Daukšas	0,00	0.00	0.00	40.1 ⁶	40.1

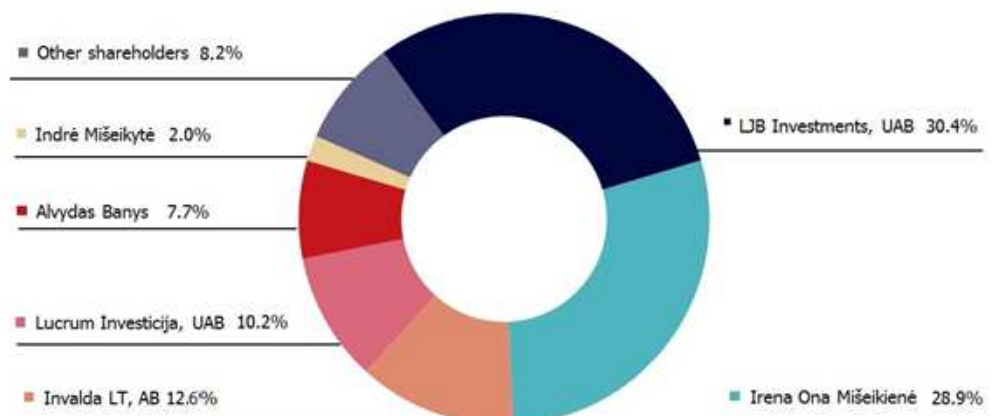


Fig. 9.1. Votes as of 31 December 2014

² Lucrum Investicija, UAB has 2% of votes according to a repurchase agreement.

³ According to Part 6 of Paragraph 1 of Article 24 of the Law on Securities of the Republic of Lithuania, it is considered that Darius Šulnis has votes of Lucrum Investicija, a company controlled by him.

⁴ According to Part 6 of Paragraph 1 of Article 24 and Paragraph 2 of Article 24 of the Law on Securities of the Republic of Lithuania, it is considered that Alvydas Banys has votes of LJB Investments, a company controlled by him, and also votes of Indre Miseikyte and Andrius Daukšas, managers of INVL Baltic Real Estate.

⁵ According to Paragraph 2 of Article 24 of the Law on Securities of the Republic of Lithuania, it is considered that Indre Miseikyte has votes of Alvydas Banys and Andrius Daukšas, managers of INVL Baltic Real Estate.

⁶ According to Paragraph 2 of Article 24 of the Law on Securities of the Republic of Lithuania, it is considered that Andrius Daukšas has votes of Alvydas Banys and Indrė Mišeikytė, managers of INVL Baltic Real Estate.

INVL Baltic Real Estate

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) 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.

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

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

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

III. ISSUER'S MANAGING BODIES

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



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

10.1. General Shareholders' Meeting

10.1.1. Powers of the General Shareholders' Meeting

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

The General Shareholders' Meeting may take decisions and shall be held valid if attended by the shareholders who hold the shares carrying not less than 1/2 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;
- 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;
- 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 on the reorganisation or split-off of the Company and approve the terms of reorganisation or split-off;
- take a decision on transformation of the Company;
- take a decision on restructuring of the Company;
- 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.

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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.

10.1.2. Convocation of the General Shareholders' Meeting of INVL Baltic Real Estate, 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.

The shareholders are entitled: (i) to propose to supplement the agenda of the General Shareholders Meeting submitting draft resolution on every additional item of agenda or, than there is no need to make a decision - explanation of the shareholder. Proposal to supplement the agenda is submitted in writing by registered mail or delivered in person against signature. 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, by registered mail or delivered in person against signature) or in writing during the General Shareholders Meeting; (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 by registered mail or delivered in person against signature.

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. 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. 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. The shareholders must inform the Company about power of attorney issued by means of electronic communications no later than before the commencement of registration for the General Shareholders Meeting. The power of attorney issued by means of electronic communications and notice about it must be written and submitted to the Company by means of electronic communications.

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. 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 delivered to the Company by means of electronic communications, registered mail or in person against signature no later than before the day of the General Shareholders Meeting.

For the convenience of the shareholders of INVL Baltic Real Estate, AB the company provides notifications about convocation of General Shareholders Meeting, draft resolutions as well as general voting bulletins and resolutions adopted in the Meetings in the section For Investors reference Shareholders' Meeting Voting Results on the company's web page.

2 (two) General Shareholders Meeting of INVL Baltic Real Estate, AB took place in 2014. The General Shareholders Meeting held on 28 April 2014 elected the Board of the company. Also, approved the registration of the company adress. The general shareholders meeting held on 23 December 2014 elected the audit company to audit company's financial statements for 2014, also the registered office of the company was changed and decisions regarding the audit committe were passed (the audit committe members were elected, the payment for the independent audit committe member was set, the audit committe rules were approved), the Board member was elected. The Ordinary shareholder meeting did not take place in 2014 since the company started its activity only in 29 April 2014.

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10.2.1. 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 procedure of work of the Board shall be laid down in the rules of procedure of the Board.

The Board shall consider and approve:

- the operating strategy of the Company;
- the management structure of the Company and the positions of the employees;
- the positions to which employees are recruited through competition;
- regulations of branches and representative offices of the Company.

The Board shall elect and dismiss from office the manager of the Company, fix his salary and set other terms of the employment contract, approve his job description, provide incentives for and impose penalties against him.

The Board shall determine which information shall be considered to be the Company's commercial secret and confidential information. Any information which must be publicly available under the laws may not be considered to be the commercial secret and confidential information.

The Board shall take the following decisions:

- for the Company to become an incorporator or a member of other legal entities;
- to open branches and representative offices of the Company;
- to invest, dispose of or lease the fixed assets which book value exceeds 1/20 of the authorised capital of the Company (calculated individually for every type of transaction);
- to pledge or mortgage the fixed assets which book value 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;
- to restructure the Company in the cases laid down by the Law on Restructuring of Enterprises of the Republic of Lithuania;
- other decisions assigned to the scope of powers of the Board by the Law on Companies of the Republic of Lithuania, Articles of Association or the decisions of the General Shareholders' Meeting.

The Board shall analyse and evaluate the information submitted by the manager of the Company on:

- the implementation of the operating strategy of the Company;
- the organisation of the activities of the Company;
- the financial status of the Company;
- the results of business activities, income and expenditure estimates, the stocktaking data and other accounting data of changes in the assets.

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

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

10.2.2. 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

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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. The Board plans to evaluate its performance once a year.

Any Member of the Board of the company must confound companies 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.

Any Member of the Board of the company within 5 (five) days must inform the Manager or the Chairman of the company on any subsequent changes in provided information that have been submitted for shareholders prior to the election of the Member of the Board. Changes in provided information are disclosed in the company's annual report.

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. 12 meetings of the Board of the company have been held in 2014. Since the start of the company, the Board consisted of Alvydas Banys, Indrė Mišeikytė and Darius Šulnis. Due to the resignation of Darius Šulnis, the General Shareholders Meeting of 23 December 2014 elected Andrius Daukšas to the Board of the company till the end of office of the current Board.

10.3. The Director

The manager of the Company (the Director) 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 Director. The Director 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 Director 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 Director is accountable to the Board.

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

The Director shall act on behalf of the Company and shall be entitled to enter into transactions at his own discretion. The Director 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 Director shall be responsible for:

- the organisation of activities and the implementation of objects of the company
- the drawing up of the annual accounts;
- 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 Securities Commission and the Central Securities Depository of Lithuania;
- the publication of information referred to in this Law in the daily indicated in the Statutes;
- 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 Director must keep commercial secrets and confidential information of the Company which he learned while holding this office.

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11. Information about members of the Board, Company providing accounting services and the Audit Committee of the Company

The Board of INVL Baltic Real Estate, AB was elected during the General Shareholders' Meeting of INVL Baltic Real Estate, AB the company split-off from Invalda LT, AB on 28 April 2014. Mr. Banys was elected as the Chairman of the Board. Mr. Šulnis and Ms. Mišeikytė were elected as the Members of the Board. Mr. Šulnis was appointed as the director of the company on 28 April 2014. By the decision of the Board of INVL Baltic Real Estate of 9 December 2014, Andrius Daukšas was elected to the position of CEO of INVL Baltic Real Estate from 10 December. He replaced Darius Šulnis who has submitted a notice of resignation from CEO position. Due to the resignation of Darius Šulnis, the General Shareholders Meeting of 23 December 2014 elected Andrius Daukšas to the Board of the company till the end of office of the current Board.



Alvydas Banys – Chairman of the Board

The term of office	From 2014 until 2017
Educational background and qualifications	Vilnius Gediminas Technical University. Faculty of Civil Engineering. Master in Engineering and Economics. Junior Scientific co-worker. Economic's Institute of Lithuania's Science Academy.
Work experience	Since 1 July 2013 Invalda LT, AB - Advisor Since 2007 LJB Investments, UAB - Director Since 2007 LJB Property, UAB - Director 1996 – 2006 Invalda, AB - Vice President 1996 – 2007 Nenuorama, UAB - President
Owned amount of shares in INVL Baltic Real Estate, AB	Personally: 540,750 units of shares, 7.7 % of authorised capital, 7.7 % of votes. Together with controlled company LJB Investments: 2,685,101 units of shares, 38.1 % of authorized capital, 38.1 % of votes. Total votes together with other Board members of INVL Baltic Real Estate - 40.1 %.
Participation in other companies	Invalda LT, AB – Chairman of the Board MP Pension Funds Baltic, UAB - Member of the Board Invalda LT Investments, UAB – Chairman of the Board INVL Baltic Farmland, AB – Chairman of the Board INVL Technology, AB – Member of the Board Litagra, UAB – Member of the Board



Indrė Mišeikytė – Member of the Board

The term of office	From 2014 until 2017
Educational background and qualifications	Vilnius Gedimino Technical University. Faculty of Architecture. Master in Architecture

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Work experience	Since May 2012 Invalda LT, AB - Advisor Since June 2013 Invalda Privatus Kapitalas, AB – Advisor Since 2002 Inreal Valdymas, UAB - Architect Since 2002 Gildeta, UAB - Architect
Owned amount of shares in INVL Baltic Real Estate, AB	Personally: 140,618 units of shares, 2 % of authorised capital - 2 % of votes Total votes together with other Board members of INVL Baltic Real Estate - 40.1 %.
Participation in other companies	Invalda LT, AB – Member of the Board Invalda Privatus Kapitalas, AB – Member of the Board INVL Baltic Farmland, AB – Member of the Board



Andrius Daukšas – Member of the Board, director

The term of office	From 2014 until 2017
Educational background and qualifications	Master's degree in banking at the Faculty of Economics of Vilnius University. Financial broker's license (general) No. G311.
Work experience	Since December 2014 – director at INVL Baltic Real Estate Since March 2010 - investment manager at Invalda LT 2008-2010 - director of the Treasury Department of the bank Finasta 2004-2008 - an accountant, later - the department manager of securities accounting at FBC Finasta
Owned amount of shares in INVL Baltic Real Estate, AB	Personally: 0 units of shares, 0,00 % of authorised capital and votes. Total votes together with other Board members of INVL Baltic Real Estate – 40.1%
Participation in other companies	Imoniu Grupe Inservis, UAB - Member of the Board, director Jurita, UAB - Member of the Board Kelio Zenklai, UAB - Chairman of the Board Invalidos Nekilnojamojo Turto Fondas, AB - Chairman of the Board

Invalda LT, AB provides accounting services and preparation of the documents related with bookkeeping for INVL Baltic Real Estate, AB according to an agreement signed on 30 April 2014 No. 20140430/01.

12. Information about the Audit Committee of the company.

The Audit Committee consists of 2 members, one of whom is independent. The members of the Audit Committee are elected by the General Shareholders' Meeting. The main functions of the Committee are the following:

- provide recommendations for 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 preparation process of company's financial reports;
- monitor the efficiency of company's internal control and risk management systems. Once a year review the need of the internal audit function;
- monitor if the company's board and/or managers properly response to the audit firm's recommendations and comments.

The Member of the Audit Committee of INVL Baltic Real Estate, AB 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

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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.

The General Shareholders Meeting which took place on 23 December 2014 decided to elect Danute Kadanaitė and Tomas Bubinas (independent member) to the Audit Committee of INVL Baltic Real Estate, AB for the 4 (four) years term of office.



Danutė Kadanaitė – Member of the Audit Committee

The term of office	Since 2014 until 2017
Educational background and qualifications	2004 – 2006 Mykolas Romeris University. Faculty of Law. Master in Financial Law 2000 – 2004 m. Faculty of Law, BA in Law 1997 International School of Management
Work experience	Since 2009 Lawyer. Legisperitus, UAB 2008 – 2009 Lawyer, Finasta FBC 2008 – Lawyer, Invalda, AB 1999 – 2002 Administrator, Office of Attorney of Law Arturas Sukevicius 1994 – 1999 Legal Consultant, Financial brokerage company Apyvarta, UAB
Owned amount of shares in INVL Baltic Real Estate, AB	-

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Tomas Bubinas – Independent Member of the Audit Committee

The term of office	Since 2014 until 2017
Educational background and qualifications	2004 – 2005 Baltic Management Institute (BMI), Executive MBA 1997 – 2000 Association of Chartered Certified Accountants. ACCA. Fellow Member 1997 Lithuanian Sworn Registered Auditor 1988 – 1993 Vilnius University, Msc. in Economics
Work experience	Since 2013 Chief Operating Officer at Biotechpharma, UAB 2010 – 2012 Senior Director, Operations. TEVA Biopharmaceuticals (USA) 1999 – 2001 Senior Manager, PricewaterhouseCoopers 1994 – 1999 Senior Auditor, Manager, Coopers & Lybrand.
Owned amount of shares in INVL Baltic Real Estate, AB	-

13. Information on the amounts calculated by the Issuer, other assets transferred and guarantees granted to the Members of the Board, director and company providing accounting services

CEO of the company is entitled only to a fixed salary. The company does not have a policy concerning payment of a variable part of remuneration to the management.

During the year 2014 the Members of the Board did not receive dividends or bonuses from the company. There were no assets transferred, no guarantees granted, no bonuses paid and no special payouts made by the company to its managers. The Members of the Board were not granted with bonuses by other companies of INVL Baltic Real Estate, AB group.

Since the beginning of activities of INVL Baltic Real Estate till the end of the reporting period the payment for the company providing accounting services amounted to 5600 litas.

Table 13.1. Information about calculated remuneration for the CEO of the issuer.

Calculated remuneration, LTL	
2014	
For members of administration (the CEO)	8 355

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

14. Overview of the Issuer and its group activity

14.1. Operational environment

Commercial real estate market was showing a strong growth trend in 2014. Together with the strengthening economy, financial situation for the most of the businesses was improving and they started looking for their office space. According to a research by UAB Inreal, during 2014 two new office centres were opened in Vilnius and they increased the overall size of the office space in Vilnius by 13,600 square meters. Almost all the new square meters were rented soon after the opening and the overall rate of vacancy continued to drop by 1.1pp to 4.0 percent in the year end. In 2015 office space market in Vilnius should grow by another 29,200 square meters of Class A and 9,000 square meters of Class B offices. Most of the free space should be taken before the end of construction, therefore the rate of vacancy should stay flat. It is expected that rent prices of Class A offices should continue growing at the rate of 6-9 percent.

Industrial real estate market recently is volatile due to a tense political situation between western countries and Russia. When comparing a high demand of warehouse space in the beginning of 2014 to the end of the year, project developers have become more prudent. During 2014 two logistics centres were opened in Vilnius together amounting to 18,500 square meters of free warehouse space. In 2015 opening of one more logistics centre (8 500 square meters) is planned. Rent price during the period have stayed stable.

In Latvia during the first three quarters of 2014 a few logistics centres were finished together amounting to 43,000 square meters of warehouse space, what is more, around 112,000 square meters were already planned for 2015. Strong excess demand in the market resulted in fully booked space before the opening. Therefore, despite the new objects being opened, the rate of vacancy has slipped by 0.7 pp to 5.1% during the 3rd quarter of 2014. During 2014 in Latvia rent prices have stayed stable as well as in Lithuania and ranged for the Class A centres near Riga between 3.5 and 4.2 euro per square meter.

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

The Company

- On 20 May 2014 the company informed that the Supervision Service of the Bank of Lithuania decided to treat the information submitted in the split-off terms of Invalda LT, AB related documentation, in the list of references related to INVL Baltic Real Estate, AB, in the description of the risk factors as information equivalent to the information that is required to be disclosed in the prospectus of INVL Baltic Real Estate, AB. The Board of INVL Baltic Real Estate decided to apply NASDAQ OMX Vilnius stock exchange to admit company's shares into the Secondary list since 4 June 2014.
- On 2 June 2014 INVL Baltic Real Estate, AB disclosed its managed assets and plans. Subsidiary companies of INVL Baltic Real Estate have invested in real estate in Vilnius and Riga and manage about 52 thousand sq. m. of the real estate space. The company's equity value was LTL 49 million (EUR 14.2 million) at the end of March 2014, the value of real estate assets, managed by the Group companies – LTL 144 million (EUR 41.7 million).
- On 20 August 2014 INVL Baltic Real Estate announced unaudited results of for 6 months of 2014. Unaudited consolidated net profit as well as consolidated net profit attributable to shareholders of INVL Baltic Real Estate amounted to LTL 145 thousand (EUR 42 thousand).
- 26 September 2014 INVL Baltic Real Estate announced that Invaldos Nekilnojamojo Turto Fondas, a subsidiary of INVL Baltic Real Estate signed EUR 15.35 million loan (LTL 53 million) loan agreement Siauliu Bankas. The term of the agreement is 5 years. Invaldos Nekilnojamojo Turto Fondas will refinance a loan of another bank.
- 14 November 2014 INVL Baltic Real Estate announced unaudited results of for 9 months of 2014. Unaudited consolidated net profit as well as consolidated net profit attributable to shareholders of INVL Baltic Real Estate amounted to LTL 476 thousand (EUR 138 thousand). INVL Baltic Real Estate consolidated equity was equal to LTL 49.774 million (EUR 14.42 million) or LTL 7.07 (EUR 2.05) per share at the end of the nine months of 2014.
- 9 December 2014 INVL Baltic Real Estate informed that Andrius Dauksas is elected as CEO of INVL Baltic Real Estate from 10 December. He has replaced Darius Sulnis who has submitted a notice of resignation from CEO position.
- 9 December 2014 INVL Baltic Real Estate announced about received notification of Darius Sulnis about his resignation from the position of the Board member effective from 23 December 2014.
- 23 December 2014 INVL Baltic Real Estate, AB announced resolutions of the Shareholders Meeting. The joint-stock company PricewaterhouseCoopers, code 111473315, was elected to audit annual financial statements of the company for the financial year 2014. The payment for the audit services not more than LT 10 000 (ten thousand litas), VAT is not included in this amount was set. The registered office of INVL Baltic Real Estate was replacement and registered at the new address in the premises located at Seimyniskiu str. 1A, Vilnius, Lithuania. Danute Kadanaite and Tomas Bubinas were elected as a members of the Audit Committee of the company. The remuneration for the independant member of the Audit Committee was settled. The regulations of the formation and activity of the Audit Committee was approved as well. Andrius Dauksas the CEO of the company was elected as a member of the Board of INVL Baltic Real Estate till the end of the term of the Board.

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- 30 December 2014 INVL Baltic Real Estate, AB announced investor's calendar for the 2015. Interim information for 12 months of 2014 will be published in 13 February 2015; Interim information for 3 months of 2015 will be published in 12 May 2015; Interim information for 6 months of 2015 - in 14 August 2015. Interim information for 9 months of 2015 will be published in 10 November 2015.

The group

Since the beginning of the activity of the Issuer until the end of the reporting period, there were no important events in the activities of the real estate companies. The companies performed usual activity during the reporting period.

Key figures of INVL Baltic Real Estate, AB

31 December 2014	THE GROUP		THE COMPANY	
	LTL million (if not stated otherwise)	EUR million (if not stated otherwise)	LTL million (if not stated otherwise)	EUR million (if not stated otherwise)
Managed common area	51,676 sq. m	51,676 sq. m	-	-
Managed rental area	40,500 sq. m	40,500 sq. m	-	-
The real estate value*	116.87	33.85	-	-
Investments into subsidiaries	-	-	39.17	11.34
Value of the loans granted for companies in Latvia	14.18	4.11	14.18	4.11
Value of the loans granted for subsidiaries	-	-	1.17	0.34
Long-term prepayment under the sublease agreement	2.85	0.82	-	-
Cash	1.24	0.36	0.15	0.04
Other assets	1.62	0.47	-	-
ASSETS	136.76	39.61	54.67	15.83
Equity	50.03	14.49	50.06	14.50
Loans from credit institutions	52.79	15.29	-	-
Loans from Invalda LT	18.00	5.21	-	-
Loans from subsidiaries	-	-	4.58	1.32
Deferred tax liability	12.32	3.57	-	-
Other payables	3.62	1.05	0.03	0.01
TOTAL EQUITY AND LIABILITIES	136.76	39.61	54.67	15.83

*Value estimated based on appraisers assessment at the end 2014.

Income of INVL Baltic Real Estate, AB

31 December 2014	THE GROUP		THE COMPANY	
	LTL million	EUR million	LTL million	EUR million
Income	12.13	3.51	-	-
<i>rental income from own objects</i>	<i>6.00</i>	<i>1.74</i>	-	-
<i>rental income from property owned by clients</i>	<i>3.82</i>	<i>1.10</i>	-	-
<i>other income</i>	<i>2.31</i>	<i>0.67</i>	-	-
Profit before tax	1.73	0.50	1.37	0.40
Net profit	1.49	0.43	1.37	0.40

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15. Employees

There is only one employee (director) at INVL Baltic Real Estate, AB. Invalda LT, AB provides accounting services for the company. Employment agreement is concluded following the requirements of the Labour Code of the Republic of Lithuania. Employees are employed and laid off following requirements of the Labour Code. There are no special employees' rights and duties described in the employment agreements.

There were 3 employees working at INVL Baltic Real Estate and subsidiary companies on 31 December 2014.

16. 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.

17. A description of the principal risks and uncertainties

Information, provided in this document, should not be considered complete and covering all aspects of the risk factors associated with public company's INVL Baltic Real Estate activity and securities.

Risk factors, associated with activities of the public joint-stock company INVL Baltic Real Estate

The total investment risk

The value of the investment in real estate can vary in the short term, depending on the general economic conditions, rent and purchase prices of real estate, demand and supply fluctuations. Investment in real estate should be carried out in the medium and long term, so that investor can avoid the short-term price fluctuations. Investing in real estate is connected with the higher than medium risks. After failure of investments or under other ill-affected circumstances (having been unable to pay for the creditors) the bankruptcy proceedings may be initiated.

Liquidity risk

It is the risk of incurring losses due to low liquidity of the market, when it becomes difficult to sell the assets at the desired time and at the desired price. In order to manage this risk, public joint-stock company INVL Baltic Real Estate will keep monitoring the real estate market, will prepare in advance for property sales process, thereby reducing the liquidity risk.

Real estate development risk

Real estate development projects, undertaken by the public joint-stock company INVL Baltic Real Estate, may take longer than anticipated or be more costly than expected, which may reduce the return on investments of the public joint-stock company INVL Baltic Real Estate. In managing this risk, the company will allocate sufficient resources to the real estate development project budgets' and time control.

Leverage usage risk

Leverage usage risk is associated with potential real estate depreciation, which was acquired using borrowed money. The higher the leverage used, the greater the likelihood of this risk. The level of bank loans of the public joint-stock company's INVL Baltic Real Estate subsidiary - Invaldos Nekilnojamojo Turto Fondas, AB, is close to 46% of its real estate market value.

Investment diversification risk

This is the risk that one failed investment will significantly influence results of the public joint-stock company INVL Baltic Real Estate. In order to reduce the risk, company will include a sufficient number of different real estate properties in its portfolio, thus maintaining an appropriate level of diversification.

Tax increase risk

Tax laws change may lead to a greater taxation of the public joint-stock company INVL Baltic Real Estate and its group companies, which in turn may reduce the profits and assets of the company.

Inflation and deflation risk

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It is likely that during its operational period public joint-stock company INVL Baltic Real Estate will face both inflation and deflation risks as investments in real estate are long term. At high inflation, the value of lease agreements, which are not subject to inflation or at high deflation, the value of lease contracts, which are linked to inflation, will decrease.

Credit risk

Public joint-stock company INVL Baltic Real Estate will seek to lease real estate in the highest price possible. There is a risk that tenants will not fulfill their obligations - it would adversely affect the profit of INVL Baltic Real Estate. Large parts of liabilities not fulfilled in time may cause disturbances in activities of public joint-stock company INVL Baltic Real Estate, there might be a need to seek additional sources of financing, which may not always be available.

Public joint-stock company INVL Baltic Real Estate has granted loans to the other companies. There is a risk that if the financial state of these companies become worse, INVL Baltic Real Estate may not receive all the loans granted.

Public joint-stock company INVL Baltic Real Estate also bears the risk of holding funds in bank accounts or investing in short-term financial instruments.

Currency risk

Public joint-stock company INVL Baltic Real Estate forms transactions in Litas or Euros; therefore the currency risk is low. Lithuania adopted the Euro since 2015.

Changes in the currency (Litas turning into Euros) affect the recalculation of the authorised capital as well as amount of shares in the company, therefore the part of the authorised capital owned by the shareholders after the recalculation may change slightly due to the rounding..

Interest rate risk

Interest rate risk mainly includes loans with a variable interest rate. Rising interest rates will increase the public joint-stock company's INVL Baltic Real Estate debt service costs, which will reduce the return on investment. If considered necessary, the public joint-stock company INVL Baltic Real Estate will get insured from interest rate risk engaging in the relevant transactions.

Reliance on the company's assets administrator

Invaldos Nekilnojamojo Turto Fondas, AB has entered into an agreement at a market price with Inreal Valdymas, UAB for the company's asset management and administration services. Under this agreement, Inreal Valdymas, UAB, as an administrator of the property, is committed to increase companies' value and maintain high quality of service for buildings' tenants and employees. In case of change in administrative prices in the market, new contracts under less favorable conditions can be created with administrator, which may directly influence company's costs' increase.

Dependence on tenants

If subsidiaries of public joint-stock company INVL Baltic Real Estate fail to achieve expected revenue from the rental of buildings or maintain high employment rate, they may be faced with permanent non-reimbursable cost problem of tenants. This risk may appear due to dramatic increase in rented accommodation supply and a drop in demand, the fall in rents. Failing to lease space under expected price/volume or after current tenants terminate their leases, could cause corporate earnings to be reduced without a change in fixed costs. Accordingly, their profits will also fall.

Sub-lease agreement risk

In 2007, Invaldos Nekilnojamojo Turto Fondas, AB has sold 5 real estate properties and entered into the lease agreement with the buyer, under which they agreed to sub-lease the property until 2017 August. Currently, the company is incurring about LTL 50 000 loss per month due to sublease. This amount varies depending on the income from the sub-lease, property maintenance costs incurred and the rent paid.

Large shareholders risk

Three public joint-stock company's INVL Baltic Real Estate shareholders together with related parties at the start of the company's activity hold more than 60% of shares and their voting will influence the election of the Members of the Board of company, essential decisions regarding the management, operations and financial position of the public joint-stock company INVL Baltic Real Estate. There is no guarantee that the major shareholders' decisions will always coincide with the opinion and interest of the minority shareholders. Large shareholders have the right to block the proposed solutions of other shareholders.

The Split-Off from the public joint-stock company Invalda LT risk

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The public joint-stock company INVL Baltic Real Estate established in the process of Split-Off of the public joint-stock company Invalda LT and took over 30.9 percent of assets, equity and liabilities of the public joint-stock company Invalda LT. If certain public joint-stock company's Invalda LT obligations will not be distributed to all companies operating after the separation, then all post-split-off-based companies will be jointly liable for it. Each of the companies' responsibility will be limited by the size of equity, attributable under the Split-Off conditions.

When any obligation of the public joint-stock company Invalda LT under the terms of the split-off will be assigned to one of the companies', established after the split-off, that company will be liable to answer the obligation. If this company does not meet the whole or part of the obligation, and there is no additional guarantee provided to creditors under the Company Law, all post-split-off companies will be jointly liable for that obligation (or part of it). Each of the companies' responsibility will be limited by the size of equity, attributable under the Split-Off conditions.

Market-related risks

Market risk

Shareholders of public joint-stock company INVL Baltic Real Estate bear the risk of incurring losses due to adverse changes in the market price of the shares. The stock price drop may be caused by negative changes in company's assets value and profitability, general stock market trends in the region and the world. Trading in shares of the public joint-stock company INVL Baltic Real Estate may depend on the broker and analyst comments and published independent analyses of the company and its activities. The unfavorable analysts' outlook of the shares of public joint-stock company INVL Baltic Real Estate may adversely affect the market price of the shares. Non-professional investors assessing the shares are advised to seek the assistance of intermediaries of public trading or other experts in this field.

Liquidity risk

If demand for shares decreases or they are unlisted from the stock exchange, investors will face the problem of realization of shares. If financial situation of public joint-stock company INVL Baltic Real Estate deteriorates, the demand for company's shares may drop, which will lead to fall in share price.

Dividend payment risk

Dividend payment to shareholders of public joint-stock company INVL Baltic Real Estate is not guaranteed and will depend on the company's profitability, investment plans and the overall financial situation.

Tax and legal risk

Changes in the equity-related legislation or state tax policy can change attractiveness of shares of the public joint-stock company INVL Baltic Real Estate. This may reduce the liquidity of the shares of the company and/or price.

Inflation risk

When inflation increases, the risk, that the stock price change may not offset the current rate of inflation, appears. In this case, the real returns from capital gain on market shares for traders may be less than expected.

18. Significant investments made during the reporting period

During the reporting period INVL Baltic Real Estate, AB has not made any acquisitions.

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

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

20. Information on the related parties' transactions

Information on the related parties' transactions is disclosed in consolidated annual financial statements' explanatory notes for the year of 2014.

21. Significant events of the Issuer and its group since the end of the financial year

- On 13 February 2014 INVL Baltic Real Estate announced the unaudited results for 12 months of 2014. Unaudited consolidated net profit as well as consolidated net profit attributable to shareholders of INVL Baltic Real Estate amounted to EUR 0.45 million (LTL 1.56 million) at the end of 2014. Consolidated equity of INVL Baltic Real Estate amounted to EUR 14.5 million (LTL 50.1 million) or EUR 2.06 per share at the end of 2014.

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

22.1. Evaluation of implementation of goals for 2014

During 2014 the companies of INVL Baltic Real Estate group have got a long term bank financing. The long term loan and a strong cash flow from operations will allow to concentrate on a long term goals to increase value and maximise returns to investors.

22.2. Activity plans and forecasts

INVL Baltic Real Estate will continue seeking to earn from investments in commercial real estate, ensuring the growth of rental income.

V. OTHER INFORMATION

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

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

24. Information on audit company

The company have not approved criteria for selection of the audit company. In the General Shareholders' Meeting of the company held 23 December 2014 the audit company PricewaterhouseCoopers, UAB was elected to provide audit services on annual financial statements of the company for the financial year of 2014. It was decided to set remuneration of LTL 10 000 (ten thousand) plus VAT for the audit of the annual financial statements. The total amount paid for the audit services of the Issuer and its group companies was equal to LTL 40 000 during the 2014.

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

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

25. Data on the publicly disclosed information

The information publicly disclosed by INVL Baltic Real Estate, AB during 2014 is presented on the company's website www.invlBalticRealEstate.lt

Table 25.1. Summary of publicly disclosed information

Date of disclosure	Brief description of disclosed information
30.12.2014	INVL Baltic Real Estate, AB investor's calendar for the 2015
23.12.2014	Resolutions of the Shareholders Meeting of INVL Baltic Real Estate, AB
19.12.2014	Notification on transaction concluded by manager of the company
11.12.2014	Notification on transaction concluded by manager of the company
09.12.2014	Supplemented agenda of the Shareholders Meeting of INVL Baltic Real Estate that is to be held on 23 December 2014
09.12.2014	Regarding the resignation of the member of the Board
09.12.2014	Andrius Dauksas is elected as CEO of INVL Baltic Real Estate
05.12.2014	Notification on transaction concluded by manager of the company
01.12.2014	Convocation of the Shareholders Meeting of INVL Baltic Real Estate and draft resolutions

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28.11.2014	Notification on transaction concluded by manager of the company
21.11.2014	Notification on transaction concluded by manager of the company
14.11.2014	Notification on transaction concluded by manager of the company
14.11.2014	Unaudited results of INVL Baltic Real Estate for 9 months of 2014
07.11.2014	Notification on transaction concluded by manager of the company
03.11.2014	Notification on transaction concluded by manager of the company
29.10.2014	Notification on transaction concluded by manager of the company
24.10.2014	Notification on transaction concluded by manager of the company
17.10.2014	Notification on transaction concluded by manager of the company
09.10.2014	Notification on transaction concluded by manager of the company
06.10.2014	Notification on transaction concluded by manager of the company
01.10.2014	Notification on transaction concluded by manager of the company
26.09.2014	Notification on transaction concluded by manager of the company
26.09.2014	INVL Baltic Real Estate group signed EUR 15.4 million loan agreement
12.09.2014	Notification on transaction concluded by manager of the company
05.09.2014	Notification on transaction concluded by manager of the company
29.08.2014	Notification on transaction concluded by manager of the company
25.08.2014	Notification on transaction concluded by manager of the company
20.08.2014	Unaudited results of INVL Baltic Real Estate for 6 months of 2014
08.08.2014	Notification on transaction concluded by manager of the company
13.06.2014	Notification on transaction concluded by manager of the company
03.06.2014	Notification about disposal and acquisition of voting rights
03.06.2014	Notification on transaction concluded by manager of the company
02.06.2014	INVL Baltic Real Estate presents owned property
20.05.2014	Regarding Invalda LT split-off terms to be equivalent to the information of prospectus of INVL Baltic Real Estate, AB

Table 25.2. Summary of the notifications on transactions in INVL Baltic Real Estate, AB shares concluded by managers of the Company during 2014.

Date	Person	Number of securities	Security price	Total value of transaction	Form of transaction	Type of transaction	Place of transaction	Form of settlement
03.06.2014	Lucrum investicija, UAB	875,038	1.82	1.592.569,16	transfer	share sale-purchase	XOFF	money
03.06.2014	Invalda LT, AB	875,038	1.82	1.592.569,16	acquisition	share sale-purchase	XOFF	money
12.06.2014	Alvydas Banys	523,556	-	-	transfer	release of pledge	-	-
12.06.2014	Lucrum investicija, UAB	523,556	-	-	acquisition	release of pledge	-	-
07.08.2014	Invalda LT, AB	68	1.82	123.76	acquisition	Share sale-purchase	AUTO	money
08.08.2014	Invalda LT, AB	211	1.82	384.02	acquisition	Share sale-purchase	AUTO	money
08.08.2014	Invalda LT, AB	8	1.82	14.56	acquisition	Share sale-purchase	AUTO	money

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Date	Person	Number of securities	Security price	Total value of transaction	Form of transaction	Type of transaction	Place of transaction	Form of settlement
08.08.2014	Invalda LT, AB	211	1.82	384.02	acquisition	Share sale-purchase	AUTO	money
08.08.2014	Invalda LT, AB	110	1.82	200.20	acquisition	Share sale-purchase	AUTO	money
22.08.2014	Invalda LT, AB	536	1.83	980.88	acquisition	Share sale-purchase	AUTO	money
25.08.2014	Invalda LT, AB	15	1.83	27.45	acquisition	Share sale-purchase	AUTO	money
26.08.2014	Invalda LT, AB	540	1.83	988.20	acquisition	Share sale-purchase	AUTO	money
28.08.2014	Invalda LT, AB	182	1.83	333.06	acquisition	Share sale-purchase	AUTO	money
29.08.2014	Invalda LT, AB	8	1.83	14.64	acquisition	Share sale-purchase	AUTO	money
01.09.2014	Invalda LT, AB	1	1.83	1.83	acquisition	Share sale-purchase	AUTO	money
04.09.2014	Invalda LT, AB	59	1.83	107.97	acquisition	Share sale-purchase	AUTO	money
09.09.2014	Invalda LT, AB	156	1.83	285.48	acquisition	Share sale-purchase	AUTO	money
09.09.2014	Invalda LT, AB	25	1.83	45.75	acquisition	Share sale-purchase	AUTO	money
09.09.2014	Invalda LT, AB	394	1.83	721.02	acquisition	Share sale-purchase	AUTO	money
10.09.2014	Invalda LT, AB	196	1.83	358.68	acquisition	Share sale-purchase	AUTO	money
11.09.2014	Invalda LT, AB	99	1.83	181.17	acquisition	Share sale-purchase	AUTO	money
11.09.2014	Invalda LT, AB	20	1.83	36.60	acquisition	Share sale-purchase	AUTO	money
11.09.2014	Invalda LT, AB	17	1.83	11628,00	acquisition	Share sale-purchase	AUTO	money
23.09.2014	Invalda LT, AB	23	1.83	15585,00	acquisition	Share sale-purchase	AUTO	money
25.09.2014	Invalda LT, AB	40	1.83	73.20	acquisition	Share sale-purchase	AUTO	money
29.09.2014	Invalda LT, AB	101	1.83	184.83	acquisition	Share sale-purchase	AUTO	money
02.10.2014	Invalda LT, AB	29	1.83	19541,00	acquisition	Share sale-purchase	AUTO	money
03.10.2014	Invalda LT, AB	2	1.83	3.66	acquisition	Share sale-purchase	AUTO	money
08.10.2014	Invalda LT, AB	215	1.83	393.45	acquisition	Share sale-purchase	AUTO	money
08.10.2014	Invalda LT, AB	23	1.83	15585,00	acquisition	Share sale-purchase	AUTO	money
08.10.2014	Invalda LT, AB	550	1.83	1,006.50	acquisition	Share sale-purchase	AUTO	money
16.10.2014	Invalda LT, AB	34	1.83	62.22	acquisition	Share sale-purchase	AUTO	money

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Date	Person	Number of securities	Security price	Total value of transaction	Form of transaction	Type of transaction	Place of transaction	Form of settlement
16.10.2014	Invalda LT, AB	8	1.83	14.64	acquisition	Share sale-purchase	AUTO	money
20.10.2014	Invalda LT, AB	23	1.83	15585,00	acquisition	Share sale-purchase	AUTO	money
24.10.2014	Invalda LT, AB	60	1.83	109.80	acquisition	Share sale-purchase	AUTO	money
27.10.2014	Invalda LT, AB	19	1.83	34.77	acquisition	Share sale-purchase	AUTO	money
27.10.2014	Invalda LT, AB	51	1.83	93.33	acquisition	Share sale-purchase	AUTO	money
27.10.2014	Invalda LT, AB	49	1.83	89.67	acquisition	Share sale-purchase	AUTO	money
28.10.2014	Invalda LT, AB	91	1.83	166.53	acquisition	Share sale-purchase	AUTO	money
29.10.2014	Invalda LT, AB	51	1.83	93.33	acquisition	Share sale-purchase	AUTO	money
29.10.2014	Invalda LT, AB	315	1.83	576.45	acquisition	Share sale-purchase	AUTO	money
29.10.2014	Invalda LT, AB	151	1.83	276.33	acquisition	Share sale-purchase	AUTO	money
30.10.2014	Invalda LT, AB	200	1.83	366.00	acquisition	Share sale-purchase	AUTO	money
30.10.2014	Invalda LT, AB	34	1.83	62.22	acquisition	Share sale-purchase	AUTO	money
30.10.2014	Invalda LT, AB	52	1.83	95.16	acquisition	Share sale-purchase	AUTO	money
31.10.2014	Invalda LT, AB	150	1.83	274.50	acquisition	Share sale-purchase	AUTO	money
31.10.2014	Invalda LT, AB	74	1.83	135.42	acquisition	Share sale-purchase	AUTO	money
03.11.2014	Invalda LT, AB	42	1.83	76.86	acquisition	Share sale-purchase	AUTO	money
04.11.2014	Invalda LT, AB	42	1.83	76.86	acquisition	Share sale-purchase	AUTO	money
04.11.2014	Invalda LT, AB	7	1.83	12.81	acquisition	Share sale-purchase	AUTO	money
04.11.2014	Invalda LT, AB	93	1.83	170.19	acquisition	Share sale-purchase	AUTO	money
10.11.2014	Invalda LT, AB	256	1.83	468.48	acquisition	Share sale-purchase	AUTO	money
14.11.2014	Invalda LT, AB	150	1.84	276.00	acquisition	Share sale-purchase	AUTO	money
14.11.2014	Invalda LT, AB	67	1.84	123.28	acquisition	Share sale-purchase	AUTO	money
17.11.2014	Invalda LT, AB	11	1.84	20.24	acquisition	Share sale-purchase	AUTO	money
18.11.2014	Invalda LT, AB	17	1.84	31.28	acquisition	Share sale-purchase	AUTO	money
19.11.2014	Invalda LT, AB	169	1.84	310.96	acquisition	Share sale-purchase	AUTO	money

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Date	Person	Number of securities	Security price	Total value of transaction	Form of transaction	Type of transaction	Place of transaction	Form of settlement
20.11.2014	Invalda LT, AB	73	1.84	134.32	acquisition	Share sale-purchase	AUTO	money
21.11.2014	Invalda LT, AB	300	1.84	552.00	acquisition	Share sale-purchase	AUTO	money
21.11.2014	Invalda LT, AB	16	1.84	29.44	acquisition	Share sale-purchase	AUTO	money
21.11.2014	Invalda LT, AB	63	1.84	115.92	acquisition	Share sale-purchase	AUTO	money
21.11.2014	Invalda LT, AB	550	1.84	1,012.00	acquisition	Share sale-purchase	AUTO	money
25.11.2014	Invalda LT, AB	17	1.84	31.28	acquisition	Share sale-purchase	AUTO	money
27.11.2014	Invalda LT, AB	17	1.84	31.28	acquisition	Share sale-purchase	AUTO	money
01.12.2014	Invalda LT, AB	17	1.84	31.28	acquisition	Share sale-purchase	AUTO	money
05.12.2014	Invalda LT, AB	533	1.84	980.72	acquisition	Share sale-purchase	AUTO	money
05.12.2014	Invalda LT, AB	550	1.84	1,012.00	acquisition	Share sale-purchase	AUTO	money
08.12.2014	Invalda LT, AB	34	1.84	62.56	acquisition	Share sale-purchase	AUTO	money
09.12.2014	Invalda LT, AB	516	1.84	949.44	acquisition	Share sale-purchase	AUTO	money
09.12.2014	Invalda LT, AB	450	1.84	828.00	acquisition	Share sale-purchase	AUTO	money
09.12.2014	Invalda LT, AB	34	1.84	62.56	acquisition	Share sale-purchase	AUTO	money
11.12.2014	Invalda LT, AB	156	1.84	287.04	acquisition	Share sale-purchase	AUTO	money
11.12.2014	Invalda LT, AB	66	1.84	121.44	acquisition	Share sale-purchase	AUTO	money
11.12.2014	Invalda LT, AB	115	1.84	211.60	acquisition	Share sale-purchase	AUTO	money
15.12.2014	Invalda LT, AB	242	1.84	445.28	acquisition	Share sale-purchase	AUTO	money
17.12.2014	Invalda LT, AB	8	1.84	14.72	acquisition	Share sale-purchase	AUTO	money

Explanations:

XOFF – OTC trade.

AUTO – automatched deals on the stock exchange

Managers of the company and closely related persons:

- Alvydas Banys – Chairman of the Board;
- Indre Miseikyte – Member of the Board;
- Andrius Dauksas - Member of the Board, director
- Lucrum Investicija, UAB – legal entity, related to Darius Sulnis (former director of the company);
- LJB Investments, UAB – legal entity, related to Alvydas Banys.

Director

Andrius Dauksas

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APPENDIX 1. INFORMATION ABOUT GROUP COMPANIES, THEIR CONTACT DETAILS

Company	Registration information	Type of activity	Contact details
Invalidos Nekilnojamojo Turto Fondas, AB	Code 152105644 Registration address A. Juozapaviciaus str. 6, Vilnius Office address – Seimyniskiu str. 1A, Vilnius Legal form – public limited liability company Registration date 28.01.1997	investments into commercial rental real estate	Telephone +370 5 273 3278 Fax +370 5 279 0530
Rovelija, UAB	Code 302575846 Registration Address Palangos str. 4, Vilnius Office address – Seimyniskiu str. 1A, Vilnius Legal form – private limited liability company Registration date 20.12.2010	investments into commercial rental real estate	Telephone +370 5 273 3278 Fax +370 5 279 0530
Perspektyvi Veikla, UAB	Code 302607087 Address Kalvariju str. 11-20, Vilnius Residence address - Seimyniskiu str. 1A, Vilnius Legal form – private limited liability company Registration date 25.03.2011	carries no activity	Telephone +370 5 273 3278 Fax +370 5 279 0530
Proprietas, UAB	Code 303252098 Address Seimyniskiu str. 1A, Vilnius Legal form – private limited liability company Registration date 27.02.2014	carries no activity	Tel. +370 5 279 0601 Fax +370 5 279 0530
INTF Investicija, UAB	In bankruptcy		

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APPENDIX 2. DISCLOSURE CONCERNING THE COMPLIANCE WITH THE GOVERNANCE CODE

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

PRINCIPLES/ RECOMMENDATIONS	YES / NO / NOT APPLICABLE	COMMENTARY
Principle I: Basic Provisions		
The overriding objective of a Company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	The Company constantly discloses information about group's activities and objectives in notifications on material event, annual information.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	The Board's and the President's activities are concentrated on the fulfillment of the Company's strategic objectives taking count of the shareholders' equity increase.
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	The Supervisory Board is not formed. Nevertheless, the Board and the President acts in close cooperation seeking to obtain the maximum benefit for the Company and its shareholders. The Board periodically reviews and assesses Company's activity results. The President may conclude the transactions referred to in subparagraphs 3, 4, 5 and 6, paragraph 4, Article 34 of the Law on Companies of the Republic of Lithuania, provided that there is a decision of the Board to enter into these transactions.
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	The Company respects all rights and interests of the persons other than the Company's shareholders participating in or connected with the Company's operation.
Principle II: The corporate governance framework		
The corporate governance framework should ensure the strategic guidance of the Company, the effective oversight of the Company's management bodies, an appropriate balance and distribution of functions between the Company's bodies, protection of the shareholders' interests.		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a General Shareholders' Meeting and the Chief Financial Officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the Chief Executive Officer, who, in its turn, facilitate a more efficient and transparent management process.	No	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. The President of the Company is accountable to the Board.

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<p>2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.</p>	<p>Yes</p>	<p>The functions set forth in this recommendation are performed by the collegial management body – the Board.</p>
<p>2.3. When a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the Supervisory Board. In such a case, the Supervisory Board is responsible for the effective monitoring of the functions performed by the company's Chief Financial Officer.</p>	<p>No</p>	<p>Only one collegial body is formed in the Company - the Board. It performs all essential management functions and ensures accountability and control of the Director of the Company. The Supervisory Board is not formed in the Company.</p>
<p>2.4. The collegial supervisory body to be elected by the General Shareholders' Meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the Board, Principles III and IV should apply to the Board as long as that does not contradict the essence and purpose of this body.</p>	<p>Yes</p>	<p>The provisions set forth in III and IV principles are applied on the Board's formation and activity as long as that does not contradict with the essence and purpose of this body.</p>
<p>2.5. Company's management and supervisory bodies should comprise such number of Board (executive directors) and Supervisory (non-executive directors) Board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.</p>	<p>Yes</p>	<p>There are 3 independent Board members in the Company who are seeking benefit to the Company and its shareholders.</p>
<p>2.6. Non-executive directors or members of the Supervisory Board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the Management Board.</p>	<p>No</p>	<p>The Supervisory Board is not formed in the Company, and there are no non-executive directors either.</p>
<p>2.7. Chairman of the collegial body elected by the General Shareholders' Meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a Supervisory Board but rather the Board, it is recommended that the chairman of the Board and Chief Financial Officer of the company should be a different person. Company's Chief Financial Officer should not be immediately nominated as the chairman of the collegial body elected by the General Shareholders' Meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.</p>	<p>Yes</p>	<p>The Chairman of the Board is not and has not been the manager of the Company. His current or past office constitutes has no obstacles to conduct independent and impartial supervision.</p>
<p>Principle III: The order of the formation of a collegial body to be elected by a General Shareholders' Meeting. The order of the formation a collegial body to be elected by a General Shareholders' Meeting should</p>		

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ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the Company's operation and its management bodies.		
3.1. The mechanism of the formation of a collegial body to be elected by a General Shareholders' Meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	The Board operates impartially, objectively and represents the interests of all shareholders equally.
3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the General Shareholders' Meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	Yes	<p>According to the Board's procedures, at least 10 days before the General Shareholders' Meeting, where it is planned to elect Board members (member), the information about the candidates to the Board will be fully disclosed to the shareholders with the indication of the candidates' names, surnames, their membership in supervisory and management bodies of other companies, shareholding of other companies exceeding 1/20, and all other circumstances that can affect the independence of the candidate as well as the data on their education, qualifications, professional experience, other important information.</p> <p>The Board members will inform the Chairman of the Board in case of the changes of the data. The information of these changes shall be disclosed to the shareholders in the Company's periodical reports.</p> <p>Information about current members of the Board, their educational background, qualification, professional experience, participation in other companies is disclosed on Company's website.</p>
3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	Yes	Information about the composition of the Board, members' education, work experience and participation in other companies is disclosed in Company's periodical reports and website.
3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the collegial body shall be determined with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the Audit Committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies. At least one of the members of the Remuneration Committee should have knowledge of and experience in the field of remuneration policy.	No	The company operates in the market less than one year. In the future the company will regularly assess the composition of the Board with consideration to the nature of Company's activity and structure. The Audit Committee members have the required experience. The Remuneration Committee is not formed.

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<p>3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.</p>	<p>No</p>	<p>Presently, members of the Board do not perform the assessment of their skills and knowledge.</p>
<p>3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient number of independent members.</p>	<p>No</p>	<p>Independency of the elected Board members is not assessed and the content of independent members' sufficiency isn't set either.</p>
<p>3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependent are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following:</p> <ol style="list-style-type: none"> 1)he/she is not an executive director or member of the Board (if a collegial body elected by the General Shareholders' Meeting is the Supervisory Board) of the company or any associated company and has not been such during the last five years; 2)he/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3)he/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 4)he/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1); 	<p>No</p>	<p>Members of the Board are elected by the General Shareholders' Meeting. They are independent and in their actions seek the benefit to the Company and its shareholders, however fail to meet the recommendation on independency.</p>

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<p>5)he/she does not have and did not have any material business relations with the company or associated companies within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counselling and consulting services), major client or organization receiving significant payments from the company or its group;</p> <p>6)he/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated companies;</p> <p>7)he/she is not an executive director or member of the Board in some other company where executive director of the company or member of the Board (if a collegial body elected by the General Shareholders' Meeting is the Supervisory Board) is non-executive director or member of the Supervisory Board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies;</p> <p>8) he/she has not been in the position of a member of the collegial body for over than 12 years;</p> <p>9)he/she is not a close relative to an executive director or member of the Board (if a collegial body elected by the General Shareholders' Meeting is the Supervisory Board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.</p>		
<p>3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he can not be considered independent due to special personal or company-related circumstances.</p>	No	No Board members' independency assessment and announcement practice is applicable in the Company.
<p>3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.</p>	No	No Board members' independency assessment and announcement practice is applicable in the Company.

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<p>3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.</p>	<p>No</p>	<p>No Board members' independency assessment and announcement practice is applicable in the Company.</p>
<p>3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds. The General Shareholders' Meeting should approve the amount of such remuneration.</p>	<p>Not applicable</p>	<p>The Board members are not remunerated for their work and participation in the meeting of the Board from the Company's funds.</p>
<p>Principle IV: The duties and liabilities of a collegial body elected by the General Shareholders' Meeting The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the General Shareholders' Meeting, and the powers granted to the collegial body should ensure effective monitoring of the Company's management bodies and protection of interests of all the Company's shareholders.</p>		
<p>4.1. The collegial body elected by the General Shareholders' Meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.</p>	<p>Yes</p>	<p>The Board submits Company's annual financial statement and consolidated annual financial statement, profit distribution drafts to the General Shareholders' Meeting, delivers consolidated annual report, also performs all other functions set forth in the legal acts of the Republic of Lithuania.</p>
<p>4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or Audit Committee and, if necessary, respective company-not-pertaining body (institution).</p>	<p>Yes</p>	<p>According to the information held with the Company, all Board members act in good will with respect to the Company, are guided by the interests of the Company, not by the personal or third parties' interests, and seek to preserve their independency while adopting the decisions.</p>
<p>4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the</p>	<p>Yes</p>	<p>The Board members perform their functions properly: they actively participate in the Board meetings and devote sufficient time for the performance of their duties as Board members.</p>

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collegial body should be present in less than a half of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.		
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	The Board treats all shareholders honestly and impartially.
4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	No	There were no significant transactions between the Company and its shareholders or management bodies. Prior approval of the Board is not required for agreements between the Company and the members of the management bodies.
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advise the human resources department, executive directors or collegial management organs of the company concerned.	Yes	The Board is independent while adopting decisions which are significant for the activity and strategy of the Company.
4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of the company's audit. Therefore	No	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.

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<p>when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish Nomination, Remuneration, and Audit Committees. Companies should ensure that the functions attributable to the Nomination, Remuneration, and Audit Committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.</p>		
<p>4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should exercise independent judgment and integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.</p>		
<p>4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the Company chooses not to set up a Supervisory Board, Remuneration and Audit Committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.</p>		
<p>4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority</p>		

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<p>delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit Committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.</p>		
<p>4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.</p>		
<p>4.12. Nomination Committee.</p> <p>4.12.1. Key functions of the Nomination Committee should be the following:</p> <ol style="list-style-type: none"> 1) identify and recommend, for the approval of the collegial body, candidates to fill Board vacancies. The Nomination Committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination Committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; 2) assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; 3) assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; 4) properly consider issues related to succession planning; 5) review the policy of the management bodies for selection and appointment of senior management. <p>4.12.2. Nomination Committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the Board (if a collegial body elected by the General Shareholders' Meeting is the Supervisory Board) and senior management, Chief Financial Officer of</p>		

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<p>the company should be consulted by, and entitled to submit proposals to the Nomination Committee.</p>		
<p>4.13. Remuneration Committee.</p> <p>4.13.1. Key functions of the Remuneration Committee should be the following:</p> <p>1) make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body;</p> <p>2) make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the Committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies;</p> <p>3) ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company;</p> <p>4) periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation;</p> <p>5) make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;</p> <p>6) assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors);</p> <p>7) make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies.</p> <p>4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the Committee should:</p> <p>1) consider general policy regarding the granting of</p>		

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<p>the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body;</p> <p>2) examine the related information that is given in the company's annual report and documents intended for the use during the General Shareholders' Meeting;</p> <p>3) make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has.</p> <p>4.13.3. Upon resolution of the issues attributable to the competence of the Remuneration Committee, the Committee should at least address the chairman of the collegial body and/or Chief Financial Officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.</p> <p>4.13.4. The Remuneration Committee should report on the exercise of its functions to the shareholders and be present at the Annual General Shareholders' Meeting for this purpose.</p>		
<p>4.14. Audit Committee.</p> <p>4.14.1. Key functions of the Audit Committee should be the following:</p> <p>1) observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group);</p> <p>2) at least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided;</p> <p>3) ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually;</p> <p>4) make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the General Shareholders' Meeting) and with the terms and conditions of his engagement. The Committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations;</p> <p>5) monitor independence and impartiality of the external auditor, in particular by reviewing the</p>	<p>Yes</p>	<p>The members of the Audit Committee are elected by the General Shareholders' Meeting. The main functions of the Audit Committee should be the following:</p> <ul style="list-style-type: none"> - provide recommendations 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. <p>In conducting of the mentioned above functions, the Audit committee supervises the process of preparation of annual accounts and gives recommendations to the Board on provision of the annual accounts for the approval of the shareholders.</p> <p>Furthermore, the Audit committee analyzes the independence and other criterias of the potential auditors and gives the necessary conclusions to the management.</p> <p>The Audit committee prepares activity report on the main conclusions regarding Company's activity.</p>

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<p>audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the Committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the May 16, 2002 Commission Recommendation 2002/590/EC, the Committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the Committee, and (c) permissible without referral to the Committee;</p> <p>6) review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.</p> <p>4.14.2. All members of the Committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the Audit Committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.</p> <p>4.14.3. The Audit Committee should decide whether participation of the chairman of the collegial body, Chief Financial Officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the Committee is required (if required, when). The Committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.</p> <p>4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the Audit Committee should act as the principal contact person for the internal and external auditors.</p> <p>4.14.5. The Audit Committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The Audit Committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The Committee should be timely furnished information on all issues arising from the audit.</p> <p>4.14.6. The Audit Committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the</p>		
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<p>company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action.</p> <p>4.14.7. The Audit Committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.</p>		
<p>4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and Committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.</p>	No	<p>Considering the fact that the company started its activity on 29 April 2014, the Board has not performed its evaluation.</p> <p>During the year 2014 the Board analyzed available information, discussed and adopted decisions concerning essential matters of INVL Baltic Real Estate, AB and its group.</p>
<p>Principle V: The working procedure of the Company's collegial bodies.</p> <p>The working procedure of supervisory and management bodies established in the Company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the Company's bodies.</p>		
<p>5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.</p>	Yes	<p>The activity of the Board is chaired by the chairman who is also responsible for convocation of the meetings as well as preparation of the agenda. Frequency of the meetings and questions of the agenda depend on the particular events or projects or they are related with ordinary functions of the Board prescribed by legal acts.</p>
<p>5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's Supervisory Board should be convened at least once in a quarter, and the company's Board should meet at least once a month⁷.</p>	Yes	<p>The Board meetings are held at least once per quarter.</p>

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

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<p>5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.</p>	<p>Yes</p>	<p>The Board meetings are being convened by the Chairman. The Chairman of the Board informs members about the meeting by phone or by email.</p>
<p>5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-ordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's Board should be free to attend meetings of the company's Supervisory Board, especially where issues concerning removal of the Board members, their liability or remuneration are discussed.</p>	<p>No</p>	<p>The Company may not implement this recommendation since only the Board is formed.</p>
<p>Principle VI: The equitable treatment of shareholders and shareholder rights. The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.</p>		
<p>6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.</p>	<p>Yes</p>	<p>Shares which compose the authorised capital of the Company grant equal rights to all shareholders.</p>
<p>6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.</p>	<p>Yes</p>	<p>The Company informs shareholders about the rights of newly issued shares. Information about the rights of already issued shares is provided in the Shareholders' Policy approved by the Board, the Articles of the Association, Company's annual report.</p>
<p>6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the General Shareholders' Meeting. All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.</p>	<p>Yes</p>	<p>Shareholders of the Company have equal opportunities to get familiarised and participate in adopting decisions important to the Company. Approval of the General Shareholders' Meeting is also necessary in cases stipulated in Chapter V of the Law on Companies of the Republic of Lithuania. No other cases when the approval of the General Shareholders' Meeting should be obtained are foreseen, since it would impair Company's business considering the nature of the Company's activity.</p>
<p>6.4. Procedures of convening and conducting a General Shareholders' Meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide</p>	<p>Yes</p>	<p>The procedures of convening and conducting of the General Shareholders' Meeting comply with the provisions of legal acts and provide the shareholders with equal opportunities to participate in the meetings get familiarised with the draft resolutions and materials necessary for adopting the decision in</p>

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<p>attendance of the shareholders. Prior to the shareholders' meeting, the Company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the General Shareholders' Meeting and receive answers to them.</p>		<p>advance, also give questions to the Board members.</p>
<p>6.5. If is possible, in order to ensure shareholders living abroad the right to access to the information, it is recommended that documents on the course of the General Shareholders' Meeting, should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages in advance. It is recommended that the minutes of the General Shareholders' Meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in Lithuanian, English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.</p>	<p>Yes</p>	<p>The information about General Shareholders' Meetings are published in Lithuanian and English on the Company's website.</p>
<p>6.6. Shareholders should be furnished with the opportunity to vote in the General Shareholders' Meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.</p>	<p>Yes</p>	<p>The Company's shareholders are furnished with the opportunity to participate in the General Shareholders' Meeting both personally and via an attorney, if such a person has a proper authorisation or if an agreement on the transfer of voting rights was concluded in the manner set forth in the legal acts. The Company provides the shareholders with conditions to vote by completing the general voting ballot.</p>
<p>6.7. With a view to increasing the shareholders' opportunities to participate effectively at General Shareholders' Meetings, the companies are recommended to expand use of modern technologies by allowing the shareholders to participate and vote in General Shareholders' Meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch shareholder meetings by means of modern technologies.</p>	<p>No</p>	<p>Shareholders can vote via an attorney or by completing the general voting ballot but for the meantime shareholders can not participate and vote in General Shareholders' Meetings via electronic means of communication.</p>
<p>Principle VII: The avoidance of conflicts of interest and their disclosure The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.</p>		
<p>7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the</p>	<p>Yes</p>	<p>The Board members fully comply with these recommendations.</p>

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<p>company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.</p>		
<p>7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the General Shareholders' Meeting or any other corporate body authorised by the meeting.</p>		
<p>7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.</p>		
<p>7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.</p>		
<p>Principle VIII: Company's remuneration policy</p>		
<p>Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the Company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of Company's remuneration policy and remuneration of directors.</p>		
<p>8.1. A Company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.</p>	<p>No</p>	<p>The Company does not prepare a remuneration policy since the majority of VIII principle items are not relevant for the present structure of the Company.</p> <p>Information about the benefits and loans for the members of the management bodies is provided in the periodical reports, financial statements.</p>
<p>8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.</p>		

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<p>8.3. Remuneration statement should leastwise include the following information:</p> <ol style="list-style-type: none"> 1) explanation of the relative importance of the variable and non-variable components of directors' remuneration; 2) sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; 3) an explanation how the choice of performance criteria contributes to the long-term interests of the company; 4) an explanation of the methods, applied in order to determine whether performance criteria have been fulfilled; 5) sufficient information on deferment periods with regard to variable components of remuneration; 6) sufficient information on the linkage between the remuneration and performance; 7) the main parameters and rationale for any annual bonus scheme and any other non-cash benefits; 8) sufficient information on the policy regarding termination payments; 9) sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code; 10) sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code; 11) sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned; 12) a description of the main characteristics of supplementary pension or early retirement schemes for directors; 13) remuneration statement should not include commercially sensitive information. 		
<p>8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.</p>		
<p>8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the</p>		

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<p>company at any time during the relevant financial year.</p> <p>8.5.1. The following remuneration and/or emoluments-related information should be disclosed:</p> <ul style="list-style-type: none">- the total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the Annual General Shareholders' Meeting;- the remuneration and advantages received from any undertaking belonging to the same group;- the remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted;- if permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director;- compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year;- total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. <p>8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed:</p> <ul style="list-style-type: none">- the number of share options offered or shares granted by the company during the relevant financial year and their conditions of application;- the number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year;- the number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights;- all changes in the terms and conditions of existing share options occurring during the financial year. <p>8.5.3. The following supplementary pension schemes-related information should be disclosed:</p> <ul style="list-style-type: none">- when the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year;- when the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. <p>8.5.4. The statement should also state amounts that the company or any subsidiary company or</p>		
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<p>entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.</p>		
<p>8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.</p>		
<p>8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.</p>		
<p>8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.</p>		
<p>8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.</p>		
<p>8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.</p>		
<p>8.11. Termination payments should not be paid if the termination is due to inadequate performance.</p>		
<p>8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of Annual General Shareholders' Meeting.</p>		
<p>8.13. Shares should not vest for at least three years after their award.</p>		
<p>8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of</p>		

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<p>shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria.</p>		
<p>8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).</p>		
<p>8.16. Remuneration of non-executive or supervisory directors should not include share options.</p>		
<p>8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend General Shareholders' Meetings where appropriate and make considered use of their votes regarding directors' remuneration.</p>		
<p>8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the Annual General Shareholders' Meeting. Remuneration statement should be put for voting in Annual General Shareholders' Meeting. The vote may be either mandatory or advisory.</p>		
<p>8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of Annual General Shareholders' Meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in Annual General Shareholders' Meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.</p>	<p>Not applicable</p>	<p>In 2014 the schemes, on which basis the managers were remunerated in shares, share selection transactions or other rights to acquire the shares or be remunerated based on the share price movements were not applied in the Company.</p>
<p>8.20. The following issues should be subject to approval by the Annual General Shareholders' Meeting:</p> <ol style="list-style-type: none"> 1) grant of share-based schemes, including share options, to directors; 2) determination of maximum number of shares and main conditions of share granting; 3) the term within which options can be exercised; 4) the conditions for any subsequent change in the exercise of the options, if permissible by law; 5) all other long-term incentive schemes for which 		

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<p>directors are eligible and which are not available to other employees of the company under similar terms. Annual General Shareholders' Meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.</p>		
<p>8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe the shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.</p>		
<p>8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the Annual General Shareholders' Meeting.</p>		
<p>8.23. Prior to the Annual General Shareholders' Meeting that is intended to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.</p>		
<p>Principle IX: The role of stakeholders in corporate governance</p> <p>The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the Company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the Company concerned.</p>		
<p>9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.</p>	<p>Yes</p>	<p>The Company respects the rights of interest holders and allows the interest holders to participate in the management of the Company in the manner set forth by the laws. The detailed information about planned</p>
<p>9.2. The corporate governance framework should</p>		

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<p>create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.</p>		<p>events has been constantly disclosed in line with requirements of legal acts; therefore, the investors (shareholders) have enough opportunities to familiarize with necessary information as well as vote on decisions. More detailed explanation about disclosure procedure is provided below in the part 10.</p>
<p>9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.</p>		
<p>Principle X: Information disclosure and transparency The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the Company, including the financial situation, performance and governance of the Company.</p>		
<p>10.1. The company should disclose information on:</p> <ol style="list-style-type: none"> 1) the financial and operating results of the company; 2) company objectives; 3) persons holding by the right of ownership or in control of a block of shares in the company; 4) members of the company's supervisory and management bodies, Chief Financial Officer of the company and their remuneration; 5) material foreseeable risk factors; 6) transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; 7) material issues regarding employees and other stakeholders; 8) governance structures and strategy. <p>This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.</p>	<p>Yes</p>	<p>Information set forth in this recommendation is disclosed in the notifications on material event, periodical reports. This information is also published on Company's website.</p>
<p>10.2. It is recommended to the company, which is the parent of other companies, that consolidated results of the whole group to which the Company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.</p>		
<p>10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, Chief Financial Officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from</p>		

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

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<p>11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's Supervisory Board and, where it is not formed, the company's Board upon their consideration which firm of auditors to propose for the General Shareholders' Meeting.</p>	<p>Not applicable</p>	<p>The audit company does not provide non-audit services to the Company.</p>
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