INVL BALTIC REAL ESTATE

CONFIRMATION OF RESPONSIBLE PERSONS

20 March 2017

Following the Rules on Preparation And Submission Of Periodic And Additional Information of the Bank of Lithuania and the Law on Securities (article 22) of the Republic of Lithuania, management of INVL Baltic Real Estate hereby confirms that, to the best our knowledge, the attached Consolidated and Company's Financial Statements for 2016 are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, give true and fair view of the assets, liabilities, financial position and profit or loss 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 2016.
2. Consolidated Annual Report for 2016.

Real estate fund manager of the Management Company Vytautas Bakšinskas

Person authorised to conduct accounting Raimondas Rajeckas

Special closed-end type real estate investment company INVL Baltic Real Estate
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Register of the Centre of Registers

INVL BALTIC REAL ESTATE

Special Closed-Ended Type Real Estate Investment Company‘s

„INVL Baltic Real Estate“ Consolidated Annual Report, Consolidated and Company’s Financial Statements for the year ended 31 December 2016

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

Translation note:

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

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Independent auditor's report

To the shareholders of INVL Baltic Real Estate Special Closed-End Type Real Estate Investment Company

Our opinion

In our opinion, the stand-alone and consolidated financial statements present fairly, in all material respects, the stand-alone and consolidated financial position of INVL Baltic Real Estate Special Closed-End Type Real Estate Investment Company ("the Company") and its subsidiaries ("the Group") as at 31 December 2016, and their stand-alone and consolidated financial performance and their stand-alone and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited
The Company's and Group's stand-alone and consolidated financial statements comprise:

- the stand-alone and consolidated statements of financial position as at 31 December 2016;
- the stand-alone and consolidated statements of comprehensive income for the year then ended;
- the stand-alone and consolidated statements of changes in equity for the year then ended;
- the stand-alone and consolidated statements of cash flows for the year then ended; and
- the notes to the stand-alone and consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

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

Our audit approach

Overview

- Overall Company and Group materiality: €256 thousand and €304 thousand, representing 1% of total equity of the Company and the Group, respectively.

- The full scope audit was performed for the Company. The Group engagement team performed audit work on the selected balances and transactions of subsidiaries, which were assessed as material from the Group audit perspective.
- Our audit scope covered approximately 93.9% of the Group's revenues and 99.8% of the Group's total assets.

- Valuation of investment properties
- Reversal of deferred tax liability

We designed our audit by determining materiality and assessing the risks of material misstatement in the stand-alone and consolidated financial statements (together "the financial statements"). In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

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

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

Overall Company and Group materiality	Overall materiality applied to the Company and the Group amounted to € 256 thousand and € 304 thousand, respectively.
How we determined it	1% of total equity of the Company and the Group, respectively.
Rationale for the materiality benchmark applied	We chose the Company's and Group's equity as the benchmark because, in our view, it is an appropriate measure of underlying performance, and it is the benchmark against which the performance of the Company, the Group and other companies in this industry is most commonly measured by users, and it is a generally accepted benchmark. The key driver of the business and determinant of the Company's and the Group's value is investments into various properties. For this reason, the key area of focus in the audit of the financial statements of the Company and the Group is the valuation of investment properties. Accordingly, an overall Company and Group materiality was based on total equity. We chose 1%, which is within the range of acceptable quantitative materiality thresholds.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above € 13 thousand and € 15 thousand for the Company and the Group, respectively, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

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

Key audit matter	***How our audit addressed the key audit matter***
Valuation of investment properties	
Refer to Notes 2.24 and 15 to the financial statements on pages 33 and 57, respectively. The Group's/Company's investment properties represent the most significant category of the Group's/Company's assets. Investment properties are accounted at fair value. Management estimated the fair value of the Group's/Company's investment properties to be € 52,410 thousand and € 43,964 thousand at 31 December 2016, respectively, as compared to € 51,747 thousand and € 43,200 thousand at 31 December 2015, respectively.	Our procedures in relation to management's valuation of investment properties included as follows: • evaluation of the independent external valuers' competence, capabilities and objectivity; • assessment of the methodologies used and appropriateness of key assumptions based on our knowledge of real estate industry; • testing, on a sample basis, whether specific information supplied to the valuers reflected the underlying property records held by the Group/Company;

Revaluation gain of € 147 thousand and € 299 thousand was recorded as fair value gain/losses in the consolidated and stand-alone statements of comprehensive income, respectively.

The valuation of investment properties was based on the values determined by independent valuers.

In determining the value of leased-out properties, the external valuers take into account property- specific current information such as current tenancy agreements and rental income earned by the asset. Subsequently, they apply assumptions in relation to capitalisation rates and current market rental prices and their growth, based on available market data and transactions, to arrive at a range of valuation outcomes, from which they derive a point estimate. Due to unique nature of each property, the assumptions applied take into consideration the individual property characteristics at a granular tenant-by-tenant level, as well as the qualities of the property as a whole.

The valuations of investment properties under development are also dependent upon the estimated costs to complete and expected profit margin of a developer.

Given the materiality of investment properties, the revaluation to fair value had a significant impact on the financial statements. We also focused on this area as the conclusions are dependent upon significant estimates involved in performing the valuation, and they are most sensitive to the assumptions underlying those valuations. In particular, the most significant estimates relate to capitalisation, discount rates and fair market rental prices or sales prices of comparable assets, estimated costs to completion and risk premium assumptions.

For the above-mentioned reasons, due to existence of significant estimation uncertainty, we gave specific audit focus and attention to this area.

• testing the data inputs underpinning the valuation for a sample of properties, including rental income, capital expenditure, by agreeing them back to the supporting documentation;
• for selected sample of development projects, investigation of market prices and development costs in respect of property, which is in the condition and at the locations comparable to those of the Group, and comparison of those prices and costs to the values used by the management.

Because of the subjectivity involved in determining the value of investment properties and existence of alternative assumptions and valuation methods, we determined a range of values that were considered reasonable to evaluate independent property valuations used by management.

The values of investment properties adopted by the Group/Company were all within an acceptable range. We also considered whether or not there was bias in determining individual values and found no evidence of bias.

We found that the key assumptions were supported by the available evidence. We found that the disclosures in Note 15 were appropriate.

Reversal of deferred tax liability

Refer to Notes 2.21 and 13 to the financial statements on pages 32 and 54, respectively.

On 22 December 2016 the Bank of Lithuania granted a closed-end investment company licence to the Company, thereby providing a right to carry out the activities of a closed-end investment company according to the Lithuanian Law on Collective Investment Undertakings.

Following the provisions of Lithuanian Law on Corporate Income Tax, income earned by such type of companies from investment activities, including investments into real estate, is not subject to corporate income tax.

Because of this provision, the Group/Company reversed the deferred tax liability of € 4,283 thousand, and accordingly, recognised deferred income tax benefit in the statement of comprehensive income for the year ended 31 December 2016.

Change in the tax status of the Company had significant impact on current period and therefore we regarded this as a key audit matter.

We obtained the licence and checked its effective date.

We identified the local tax rules and considered how they impacted the calculation of current and deferred income tax balances, including the impact on the consolidated and stand-alone statement of comprehensive income for the year ended 31 December 2016, in order to check the adequacy of the reversal of deferred tax liability.

We found that the Group/Company reflected the identified local tax rules in their calculations.

We found that the Management has appropriately determined that a deferred tax liability does not have to be recorded in accordance with the provisions of IAS 12 and the local tax rules and that effects of the reversal were appropriately recorded in the statement of comprehensive income for the period.

How we tailored our Group audit scope

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

The Group consists of 8 entities: the Company and its subsidiaries, three subsidiaries located in Lithuania and four subsidiaries located in Latvia. The Group engagement team conducted audit work covering all significant reporting entities in Lithuania as well as in Latvia. We performed audit work on the selected balances and transactions of subsidiaries, which were assessed as material from the Group audit perspective. The Group's consolidation and the financial statements disclosures were audited by the group engagement team. Our work addressed approximately 93.9% of the Group's revenues and 99.8% of the Group's total assets.

By performing the above procedures, we have obtained sufficient and appropriate audit evidence regarding the financial information of the Group as a whole to provide a basis for our opinion on the consolidated financial statements.

Other information

Management is responsible for the other information. The other information comprises the consolidated annual report (but does not include the financial statements and our auditor's report thereon).

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and Group's internal control.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

The certified auditor on the audit resulting in this independent auditor's report is Rimvydas Jogėla.

On behalf of PricewaterhouseCoopers UAB

Rimvydas Jogėla
Partner
Auditor's Certificate No.000457

Vilnius, Republic of Lithuania
20 March 2017

(all amounts are in EUR thousand unless otherwise stated)

DETAILS OF THE COMPANY

Board of Directors (until 10.11.2016)

Mr. Alvydas Banys (chairman of the Board)
Ms. Indrė Mišeikytė
Mr. Egidijus Damulis (from 15.01.2016)
Mr. Andrius Daukšas (until 03.01.2016)

Management

Director (until 21.12.2016)

Mr. Egidijus Damulis (from 04.01.2016)
Mr. Andrius Daukšas (until 03.01.2016)

Management Company (from 22.12.2016)

UAB INVL Asset Management

Investment Committee (from 22.12.2016)

Mr. Vytautas Bakšinskas (from 02.01.2017)
Mr. Andrius Daukšas
Mr. Egidijus Damulis (until 13.02.2017)

Principal place of business and company code

Gynėjų str. 14,
Vilnius,
Lithuania

Company code 152105644

Banks

AB Šiaulių Bankas
AB SEB Bankas
ABLV Bank, AS
AS "Citadele banka"
"Swedbank" AS
AS DNB banka

Auditor

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

The financial statements were authorised for issue by the Management Company on 20 March 2017.

Mr. Vytautas Bakšinskas Real estate fund manager at UAB INVL Asset Management	Mr. Raimondas Rajeckas Authorized person according to the agreement to conduct accounting

(all amounts are in EUR thousand unless otherwise stated)

Consolidated and Company's statements of comprehensive income

		Group		Company	
	Notes	**2016**	**2015**	**2016**	**2015**
Revenue	9	**6,290**	**5,694**	**5,899**	**5,402**
Interest income		-	101	-	41
Other income	10	15	1,312	14	383
Net changes in fair value of investments into subsidiaries designated at fair value through profit or loss	5	-	-	236	272
Net gains from fair value adjustments on investment property	15	147	2,168	299	2,169
Premises rent costs	8; 9	(1,642)	(1,697)	(1,641)	(1,697)
Utilities	8	(980)	(935)	(966)	(934)
Repair and maintenance of premises	8	(878)	(658)	(846)	(650)
Management and Performance Fee	9	(819)	-	(819)	-
Property management and brokerage costs	8	(365)	(330)	(365)	(330)
Taxes on property	8	(335)	(265)	(313)	(254)
Employee benefits expenses		(178)	(40)	(140)	(13)
Impairment of assets (reversal of impairment)	11	(33)	116	(33)	117
Depreciation and amortisation		(7)	(4)	(5)	(4)
Other expenses		(164)	(203)	(127)	(156)
Operating profit		**1,051**	**5,259**	**1,193**	**4,346**
Finance costs	12	(561)	(679)	(502)	(594)
Profit before income tax		**490**	**4,580**	**691**	**3,752**
Income tax credit (expense)	13	4,017	(484)	4,019	(470)
NET PROFIT FOR THE YEAR		**4,507**	**4,096**	**4,710**	**3,282**
Other comprehensive income for the year, net of tax		**-**	**-**	**-**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**4,507**	**4,096**	**4,710**	**3,282**
Attributable to:					
Equity holders of the parent		4,507	4,096	4,710	3,282
Basic and diluted earnings per share (in EUR)	14	0.07	0.09		

(all amounts are in EUR thousand unless otherwise stated)

Consolidated and Company's statements of financial position

	Notes	Group As at 31 December 2016	Group As at 31 December 2015	Company As at 31 December 2016	Company As at 31 December 2015
ASSETS					
Non-current assets					
Property, plant and equipment		25	27	21	22
Investment properties	15	52,410	51,747	43,964	43,200
Intangible assets		48	1	48	1
Investments into subsidiaries designated at fair value through profit or loss	5	-	-	5,289	4,971
Operating lease pre-payments	9	100	825	100	825
Deferred tax assets	13	1	2	-	-
Total non-current assets		**52,584**	**52,602**	**49,422**	**49,019**
Current assets					
Inventories, prepayments and deferred charges	16	1,311	16	1,308	12
Trade and other receivables	19	413	373	401	369
Deposits	3.1, 23	150	150	-	-
Cash and cash equivalents	3.1	751	393	666	287
Total current assets		**2,625**	**932**	**2,375**	**668**
Non-current assets and assets of disposal group classified as held-for-sale	20	**-**	**981**	**-**	**981**
TOTAL ASSETS		**55,209**	**54,515**	**51,797**	**50,668**

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(all amounts are in EUR thousand unless otherwise stated)

Consolidated and Company's statements of financial position (cont'd)

		Group		Company	
	Notes	**As at 31 December 2016**	**As at 31 December 2015**	**As at 31 December 2016**	**As at 31 December 2015**
EQUITY AND LIABILITIES					
Equity					
Equity attributable to equity holders of the parent					
Share capital	6, 21	19,068	12,536	19,068	12,536
Share premium	6, 21	2,478	-	2,478	-
Reserves	6, 21	3,018	25	3,258	265
Retained earnings	6, 21	6,509	6,026	5,559	4,873
Total equity		**31,073**	**18,587**	**30,363**	**17,674**
Liabilities					
Non-current liabilities					
Non-current borrowings	23	20,792	22,876	18,334	20,194
Provisions	9	981	88	981	88
Deferred income tax liability	13	-	4,037	-	4,037
Other non-current liabilities	24	9	290	9	290
Total non-current liabilities		**21,782**	**27,291**	**19,324**	**24,609**
Current liabilities					
Current portion of non-current borrowings	23	815	1,117	583	890
Current borrowings	23	-	623	-	617
Trade payables		133	5,759	135	5,758
Income tax payable	13	12	-	12	-
Provisions	9	105	259	105	259
Advances received		99	505	99	505
Other current liabilities	24	1,190	374	1,176	356
Total current liabilities		**2,354**	**8,637**	**2,110**	**8,385**
Total liabilities		**24,136**	**35,928**	**21,434**	**32,994**
TOTAL EQUITY AND LIABILITIES		**55,209**	**54,515**	**51,797**	**50,668**

(the end)

(all amounts are in EUR thousand unless otherwise stated)

Consolidated and Company's statements of changes in equity

Group	Notes	Share capital	Share premium	Reserves: Legal reserve	Reserves: Reserve for purchase of own shares	Retained earnings	Total
Balance as at 31 December 2014		**2,040**	**2,966**	**281**	**6,602**	**2,602**	**14,491**
Net profit for the year		-	-	-	-	4,096	4,096
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**4,096**	**4,096**
The adjustment of the par value of the shares due to currency conversion to euro	21	3	-	-	-	(3)	-
Transfer to reserves		-	-	25	-	(25)	-
Effect of merger	6	10,493	(2,966)	(281)	(6,602)	(644)	-
Total transactions with owners of the Company, recognised directly in equity		**10,496**	**(2,966)**	**(256)**	**(6,602)**	**(672)**	**-**
Balance as at 31 December 2015		**12,536**	**-**	**25**	**-**	**6,026**	**18,587**
Net profit for the year		**-**	**-**	**-**	**-**	4,507	4,507
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**4,507**	**4,507**
Increase of share capital	21	6,532	2,478	-	-	(242)	8,768
Dividends approved	22	-	-	-	-	(789)	(789)
Transfer to reserves	21	-	-	165	2,828	(2,993)	-
Total transactions with owners of the Company, recognised directly in equity		**6,532**	**2,478**	**165**	**2,828**	**(4,024)**	**7,979**
Balance as at 31 December 2016		**19,068**	**2,478**	**190**	**2,828**	**6,509**	**31,073**

(all amounts are in EUR thousand unless otherwise stated)

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

				Reserves			
Company	**Notes**	**Share capital**	**Share premium**	**Legal reserve**	**Reserve for purchase of own shares**	**Retained earnings**	**Total**
Balance as at 31 December 2014		**9,634**	**-**	**240**	**-**	**1,283**	**11,157**
Net profit for the year		-	-	-	-	3,282	3,282
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**3,282**	**3,282**
Transfer to reserves		-	-	25	-	(25)	-
Effect of merger	6	2,902	-	-	-	333	3,235
Total transactions with owners of the Company, recognised directly in equity		**2,902**	**-**	**25**	**-**	**308**	**3,235**
Balance as at 31 December 2015		**12,536**	**-**	**265**	**-**	**4,873**	**17,674**
Net profit for the year		-	-	-	-	4,710	4,710
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**4,710**	**4,710**
Increase of share capital	21	6,532	2,478	-	-	(242)	8,768
Dividends approved	22	-	-	-	-	(789)	(789)
Transfer to reserves	21	-	-	165	2,828	(2,993)	-
Total transactions with owners of the Company, recognised directly in equity		**6,532**	**2,478**	**165**	**2,828**	**(4,024)**	**7,979**
Balance as at 31 December 2016		**19,068**	**2,478**	**430**	**2,828**	**5,559**	**30,363**

(all amounts are in EUR thousand unless otherwise stated)

Consolidated and Company's statements of cash flows

	Notes	Group 2016	Group 2015	Company 2016	Company 2015
Cash flows from (to) operating activities					
Net profit for the year		4,507	4,096	4,710	3,282
Adjustments for non-cash items and non-operating activities:					
Net gains from fair value adjustments on investment property	15	(147)	(2,168)	(299)	(2,169)
Depreciation and amortization		7	4	5	4
Net changes in fair value of investments into subsidiaries designated at fair value through profit or loss	5	-	-	(236)	(272)
Interest income		-	(101)	-	(41)
Interest expenses	12	561	679	502	594
Deferred taxes	13	(4,030)	468	(4,031)	470
Current income tax expenses	13	13	16	12	-
Provisions	9	737	(23)	737	(23)
Loss on settlement of pre-existing relationships	7	-	85	-	-
Gain from sale of shares of UAB INTF Investicija	5	-	(366)	-	(366)
Gain from bargain purchases	7	-	(1,014)	-	-
Gain from derecognition of non-bank borrowing		(2)	-	-	-
Impairment of assets (reversal of impairment)	11	33	(116)	33	(117)
Changes in working capital:					
Decrease (increase) in inventories		-	(7)	-	(7)
Decrease (increase) in trade and other receivables		(82)	(49)	(74)	(49)
Decrease (increase) in other current assets		180	(4)	179	(1)
(Decrease) increase in trade payables		(79)	(179)	(76)	(168)
(Decrease) increase in other current liabilities		98	458	92	548
Cash flows from (to) operating activities		**1,796**	**1,779**	**1,554**	**1,685**
Income tax paid		(1)	(16)	-	(16)
Net cash flows from (to) operating activities		**1,795**	**1,763**	**1,554**	**1,669**

(cont'd on the next page)

(all amounts are in EUR thousand unless otherwise stated)

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

	Notes	Group 2016	Group 2015	Company 2016	Company 2015
Cash flows from (to) investing activities					
Acquisition of non-current assets (except investment properties)		(52)	(16)	(51)	(13)
Acquisition of investment properties	15	(6,390)	(2,586)	(6,390)	(2,586)
Proceeds from sale of non-current assets (except investment properties)	20	100	-	100	-
Proceeds from sale of investment properties	20, 15	306	-	353	-
Acquisition of subsidiaries, net of cash acquired	5, 7	-	(2,827)	(3)	-
Proceeds from sale of shares of UAB INTF Investicija	5	-	366	-	366
Proceeds from sales of subsidiaries, net of cash disposed		-	-	2	-
Loans granted		-	-	(67)	(443)
Repayment of loans granted		176	49	176	298
Interest received		-	-	-	3
Transfer from (to) deposits	23	-	(150)	-	-
Net cash flows from (to) investing activities		**(5,860)**	**(5,164)**	**(5,880)**	**(2,375)**
Cash flows from (to) financing activities					
Cash flows related to Group owners					
Cash received during the merger	6	-	-	-	70
Issue of new shares	21	2,791	-	2,791	-
Costs of distribution of new shares	21	(248)	-	(248)	-
Dividends paid to equity holders of the parents		(773)	-	(773)	-
		1,770	-	1,770	70
Cash flows related to other sources of financing					
Proceeds from loans	23	5,300	6,966	5,300	1,411
Repayment of loans	23	(2,110)	(3,095)	(1,886)	(447)
Interest paid		(537)	(435)	(479)	(352)
		2,653	3,436	2,935	612
Net cash flows from (to) financing activities		**4,423**	**3,436**	**4,705**	**682**
Net increase (decrease) in cash and cash equivalents		**358**	**35**	**379**	**(24)**
Cash and cash equivalents at the beginning of the period		**393**	**358**	**287**	**311**
Cash and cash equivalents at the end of the period		**751**	**393**	**666**	**287**

(the end)

Notes to the financial statements

1 General information

Special Closed-Ended Type Real Estate Investment Company INVL Baltic Real Estate (hereinafter 'the Company', previous name AB Invaldos Nekilnojamojo Turto Fondas, code 152105644) is a joint stock company registered in the Republic of Lithuania. It was established on 28 January 1997. On 17 August 2015 the parent entity AB INVL Baltic Real Estate (hereinafter 'the Former Parent Company', code 30329973) was merged to the Company, which continues its operations under the name INVL Baltic Real Estate. More details about the legal merger are provided in Note 6.

On 22 December 2016 the Company was issued a closed-end investment company (UTIB) licence by the Bank of Lithuania. Under the Company's Articles of Association, the Company will operate until 22 December 2046, with an extension possibility for additional term of twenty years.

As the Company obtained the status of a closed-end investment company, its management was thereafter undertaken by UAB INVL Asset Management ('the Management Company'), which is entitled to the Management Fee (Note 2.13) and the Performance Fee (Note 2.13).

Based on the Articles of Association, for the sake of efficiency of the Company's activities and control over its investments, an Investment Committee shall be formed by a decision of the Board of the Management Company. The Investment Committee shall consist of 3 (three) members, to the positions of which the representatives of the Management Company (employees, members of management bodies of the Management Company, other persons appointed by a decision of the Board of the Management Company) shall be appointed. Members of the Investment Committee shall be appointed and removed from office by the Board of the Management Company. An approval of the Investment Committee must be obtained for all investments of the Company and for their sale.

The Company also signed an agreement on depository services with AB SEB Bankas, which acts as a depository of the Company's assets.

In 2016 the group consisted of the Company and its directly and indirectly owned subsidiaries and, additionally the Former Parent Company in 2015 (hereinafter 'the Group', Note 5).

The address of the office is Gynėjų str. 14, Vilnius, Lithuania.

The Group was established on 29 April 2014 by spinning-off from AB Invalda INVL (code 121304349) the investments into entities, which business is investment into investment properties held for future development, into commercial real estate and renting thereof. On 17 August 2015 the Former Parent Company was merged to the Company. As a result of the Merger the Former Parent Company ceased to exist and the Company changed its name to AB INVL Baltic Real Estate and became the parent of the Group. The reorganisation, being the legal merger only, had no impact on the consolidated financial statements of the Group, except for reclassification within shareholders' equity lines to reflect the change of the parent entity that consolidates the Group. Accordingly, it had no impact on the Group's assets, liabilities and performance measurement (Note 6). Financial information that is and will be prepared by the Group for the periods after 17 August 2015 represents the continuation of the financial information prepared by the Group until 17 August 2015.

The Group has invested in commercial real estate: business centres and manufacturing and warehouse properties in Lithuania and Latvia. All the properties generate leasing income and most of them offer prospects for further development.

The Group seeks to earn profit from investments in commercial real estate by ensuring the growth of leasing income. When it makes business sense, the Company also considers investments in the reorganisation of its existing portfolio of properties, taking advantage of their good location.

(all amounts are in EUR thousand unless otherwise stated)

1 General information (cont'd)

The Management Company shall manage the Company's portfolio of investment instruments following the principles of diversification (the conformity of the Company's portfolio of investment instruments to the diversification principles shall be achieved within four years after the Bank of Lithuania has issued a permission to certify the Company's incorporation documents and to choose the Depository) as set forth in the Articles of Association. The Company cannot invest directly or indirectly more than 30% of its net asset value into a single real estate object. The total amount of investments into real estate objects under construction cannot exceed 20% of net asset value of the Company. The total amount of investments into a real estate object and movable property and/or equipment necessary for its use cannot exceed 40% of net asset value of the Company. The Company cannot invest more than 30% of its net asset value into any single issuer of the instruments. More detailed requirements are set out in the Articles of Association of the Company.

As at 31 December 2016 the Company's share capital was divided into 65,750,000 (as at 31 December 2015: 43,226,252) ordinary registered shares with the nominal value of EUR 0.29 each. All the shares of the Company were fully paid. Subsidiaries did not hold any shares of the Company. As at 31 December 2016 and 2015 the shareholders were (by votes):

	2016		2015	
	Number of votes held	**Percentage**	**Number of votes held**	**Percentage**
AB Invalda INVL	21,089,449	32.08	5,512,324	12.75
UAB LJB Investments (controlling shareholder Mr. Alvydas Banys)	13,158,474	20.01	13,158,474	30.44
Mrs. Irena Ona Mišeikienė	12,492,979	19.00	12,492,979	28.90
Mr. Alvydas Banys	3,318,198	5.05	3,318,198	7.68
Other minor shareholders	15,690,900	23.86	8,744,277	20.23
Total	65,750,000	100.00	43,226,252	100.00

The Company's shares are traded on the Baltic Secondary List of NASDAQ Vilnius from 16 September 2015. Before the merger the shares of the Former Parent Company were traded on the Baltic Secondary List of NASDAQ Vilnius from 4 June 2014 until 17 August 2015.

As at 31 December 2016 the number of employees of the Group and the Company was 4 and nil, respectively. As at 31 December 2015 the number of employees of the Group and the Company was 4 and 2, 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 2016 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 euro (EUR) and all values are rounded to the nearest thousand except when otherwise indicated. From 1 January 2015 the euro became local currency of the Republic of Lithuania.

Adoption of new and/or changed IFRSs and IFRIC interpretations

The Group has adopted the new and amended IFRS and IFRIC interpretations as of 1 January 2016:

- Amendments to IAS 27: *Equity Method in Separate Financial Statements* effective 1 January 2016;
- *Annual Improvements to IFRSs 2010-2012 Cycle* effective 1 February 2015;
- *Annual Improvements to IFRSs 2012-2014 Cycle* effective 1 January 2016;
- Amendments to IAS 19 – *Defined benefit plans: Employee contributions* effective 1 February 2015;
- Amendments to IFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations* effective 1 January 2016;
- Amendments to IAS 16 and IAS 38: *Clarification of Acceptable Methods of Depreciation and Amortisation Operations* effective 1 January 2016;
- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer plants* effective 1 January 2016;
- Amendments to IAS 1: *Disclosure Initiative* effective 1 January 2016;
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception effective 1 January 2016.

The principal effects of these changes are as follows:

Amendments to IAS 27: *Equity Method in Separate Financial Statements*

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Company measures investments in subsidiaries at fair value and has no intention to change measurement method.

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

Annual Improvements to IFRSs 2010-2012 Cycle

The improvements consist of changes to seven standards.

- IFRS 2 was amended to clarify the definition of a 'vesting condition' and to define separately 'performance condition' and 'service condition'; The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014.
- IFRS 3 was amended to clarify that (1) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (2) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014.
- IFRS 8 was amended to require (1) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (2) a reconciliation of segment assets to the entity's assets when segment assets are reported.
- The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial.
- IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.
- IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided.

The amendments had no material effect on the Company's and Group's financial statements for the year ended 31 December 2016, except the Group disclose the judgements made by management in aggregating operating segments in the Note 8, and the Group disclose amounts charged to the Company by the Management Company.

All other amendments adopted as of 1 January 2016 had no impact on the Group's/Company's financial statements for the year ended 31 December 2016.

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

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

IFRS 9 *Financial Instruments* (effective for annual periods beginning on or after 1 January 2018)

Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated as at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The Group and the Company are currently assessing the impact of the new standard on their financial statements. The Group and the Company have financial assets attributed to the categories of financial assets 'Loans and receivables' and 'Assets at fair value through profit or loss'. The loans granted to subsidiaries are also attributed to the latter category. Therefore, the Group and the Company do not expect the new guidance to have a significant impact on the classification and measurement of its financial assets. The Group and the Company have only financial liabilities attributed to the category 'Other financial liabilities'. Therefore, there will be no impact on the Group's and the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss. The changes in hedge accounting will not have impact on the Group's and the Company's financial statements as the Group and the Company have no hedge accounting. While the Group and the Company have not undertaken yet a detailed assessment of the affect of the new ECL model on its impairment provisions, it may result in an earlier recognition of credit losses. The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's and the Company's disclosures of their financial instruments, particularly in the year of the adoption of the new standard. The Group and the Company do not intend to adopt IFRS 9 before its mandatory date.

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

Standards adopted by the EU but not yet effective and have not been early adopted (cont'd)

IFRS 15 *Revenue from Contracts with Customers* (effective for annual periods beginning on or after 1 January 2018)

The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Group and the Company are currently assessing the impact of the standard on its financial statements, but is not expected that the impact of the standard on its financial statements would be material, because the main revenue of the Group is rental income. The Group and the Company do not intend to adopt IFRS 15 before its mandatory date.

Standards not yet adopted by the EU

IFRS 16 *Leases* (effective for annual periods beginning on or after 1 January 2019 once adopted by the EU)

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group and the Company are currently assessing the impact of the standard on their financial statements, but are not expecting that impact would be material. The Group and the Company do not intend to adopt IFRS 16 before its mandatory date.

Amendments to IAS 7 *Disclosure Initiative* (effective for annual periods beginning on or after 1 January 2017 once adopted by the EU)

The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities. The amendments would have no impact on the Group's financial position or performance, but the additional disclosures would be added.

Amendments to IAS 40 *Transfers of Investment Property* (effective for annual periods beginning on or after 1 January 2018 once adopted by the EU)

The amendment clarified that to transfer to, or from, investment properties there must be a change in use. This change must be supported by evidence; a change in intention, in isolation, is not enough to support a transfer. The Group and the Company are currently assessing the impact of the amendments on their financial statements.

Other amendments to existing standards and new standards, which are not yet adopted by the EU, are not relevant to the Group and the Company.

2 Summary of significant accounting policies (cont'd)

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.

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

From 1 January 2015 the euro became local currency of the Republic of Lithuania. The financial statements are prepared in euro (EUR), which is local currency of the Republic of Lithuania, and presented in EUR thousand. Euro is also the local currency of the Republic of Latvia. Euro is the Company's and the Group's functional and presentation currency. The exchange rates in relation to other currencies are set daily by the European Central Bank and the Bank of Lithuania.

As these financial statements are presented in EUR 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, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

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.

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)

2.4 Business combinations and goodwill (cont'd)

The Group and the acquiree may have a preexisting relationship or other arrangement before negotiations for the business combination began, or they may enter into an arrangement during the negotiations that is separate from the business combination. In either situation, the Group identifies any amounts that are not part of what the Group and the acquiree (or its former owners) exchanged in the business combination. The Group recognises as part of applying the acquisition method only the consideration transferred for the acquiree and the assets acquired and liabilities assumed in the exchange for the acquiree.

The Group identifies any preexisting relationships to determine which ones have been effectively settled. Typically, a pre-existing relationship will be effectively settled, since such a relationship becomes an "intercompany" relationship upon the acquisition and is eliminated in the postcombination financial statements. If the preexisting relationship effectively settled is a debt financing issued by the acquiree to the Group, the Group effectively is settling a receivable. The Group recognises a gain or loss if there is an effective settlement of a preexisting relationship. When there is more than one contract or agreement between the parties with a preexisting relationship or more than one preexisting relationship, the settlement of each contract and each preexisting relationship is assessed separately. Settlement gains and losses from noncontractual relationships are measured at fair value on the acquisition date.

2.5. Accounting of the legal merger (the Company)

During the legal merger the Company recognises additional assets and liabilities received at their carrying values of the merged entity with the difference recognised directly in equity from the date on which the legal merger occurred. Comparative financial statements of the Company are 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 3 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. Where the Group/Company owns the buildings, but not the land on which they are built, land is leased from the municipality under operating lease. Land held under operating leases is classified and accounted for by the Group/Company as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease at the present value of the minimum lease payments with the exception of future land rent tax payments to municipality that are effectively a replacement of land tax, paid by the owner of land.

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. The fair value of investment property is determined annually by qualified independent valuers (Note 15).

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group/Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

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 (3 – 5 years).

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.

2 Summary of significant accounting policies (cont'd)

2.9. Investments into subsidiaries (the Company)

Since the merger with the Former Parent Company, investments into subsidiaries together with loans granted to subsidiaries are classified as financial assets designated at fair value through profit or loss at inception, because:

- they are managed together and their performance is evaluated on a combined fair value basis in accordance with the Company's documented investment strategy; and
- information about the Group is provided internally on combined basis to the Company's Board of Directors and Director. After becoming a closed-end investment company, information is provided to the Management Company and the Investment Committee.

Subsequent to initial recognition, investments into subsidiaries together with loans granted to subsidiaries are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets designated at fair value through profit or loss' category are presented in the statement of comprehensive income within 'Net changes in fair value of investments into subsidiaries designated at fair value through profit or loss"' in the period in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income within dividend income when the Company's right to receive payments is established. Interest on loans granted at fair value through profit or loss is not recognised separately in the statement of comprehensive income, only fair value changes are recognised within gains or losses on fair value of loans granted.

When the fair value of investments into subsidiaries together with loans granted to subsidiaries is determined (and unrecognised part of 'day 1 profit' is deducted), the value is split into legal components, i.e. between debt and equity instruments. If the amortised cost of loans granted to a subsidiary exceeds the total fair value of investment in that subsidiary, the fair value is fully attributed to loans. The remaining value is attributed to equity instruments of the subsidiary.

Investments in subsidiaries existing before merger are carried as investments available-for-sale. These investments are carried at fair value. Changes in the fair value and exchange differences arising on translation are recognised in other comprehensive income and accumulated in a separate reserve within equity. Amounts are reclassified to profit or loss when the associated assets are sold or impaired.

2.10. 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. If the fair value of the financial asset at initial recognition differs from the transaction price, it is recognised at fair value and '1 day gain' is recognised only if that fair value is evidenced by a quoted price in an active market for an identical asset or based on a valuation technique that uses only data from observable markets. In all other cases the difference between the fair value at initial recognition and the transaction price is deferred. For loans granted measured at fair value through profit or loss this difference is recognised using the straight-line method over the estimated maturity of financial asset.

The Group and the Company determine the classification of its financial assets at initial recognition.

Financial assets are derecognised only when the contractual rights to the cash flows from the financial asset expire or the Group/Company transfers substantially all risks and rewards of ownership. Judgment is required in assessing whether a change in the contractual terms (such as a change in the remaining term of the loan) is substantial enough to represent an expiry of the original instrument (or a part thereof).

The Group's financial assets consist of loans and receivables. The Company's financial assets consist of loans and receivables, and of financial assets at fair value through profit or loss (Note 2.9).

2 Summary of significant accounting policies (cont'd)

2.10 Financial assets (cont'd)

Loans and receivables

Financial assets recognised in the statement of financial position as loans granted, trade and other receivables, deposits and cash and cash equivalents are classified as 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.

2.11. Impairment of financial assets

Assets carried at amortised cost

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

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

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. The Group/Company 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 Summary of significant accounting policies (cont'd)

2.12. 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. Deposits with original maturity of more than three months are classified as deposits on the statement of financial position.

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.

2.13. Performance Fee and Management Fee

The Management Fee is remuneration paid to the Management Company for management of the assets of the Company, which is payable for each quarter of a calendar year and is 0.375% of the weighted average capitalisation of the Company, calculated according to the Articles of Association.

The quarterly payable Management Fee is recorded as financial liability and is accounted for at amortised cost.

The Performance Fee depends on the return earned by the Company, which is calculated for the whole Company rather than for an individual shareholder, and is based on internal rate of return. The Performance Fee amounts to 20% of return in excess of the annual internal rate return of 8% (a high water-mark principle is applied).The Performance Fee is paid to the Management Company on a quarterly basis if both the internal rate of return and the stock price growth (including dividends) exceed 8% annually.

The Performance fee is accounted as a provision until the conditions, as described above, for the payment of the fee are satisfied.

More detailed requirements are set out in the Articles of Association of the Company.

2.14. Financial liabilities

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

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

All financial liabilities of the Company and the Group are classified as other financial liabilities. The measurement of financial liabilities depends on their classification as follows:

Trade and other payables

These amounts represent liabilities for goods and services provided to the Company and the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. 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/Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2 Summary of significant accounting policies (cont'd)

2.15. 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.

<u>Provisions for onerous contracts</u>

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/Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

<u>Provisions for the Performance Fee</u>

The Company is obliged to pay the Performance Fee to the Management Company (Note 2.13). There is an obligation to pay the Performance Fee, which becomes payable only in the event of outperformance of the benchmark over the defined period as described in Note 2.13 and the Company's Articles of Association.

As services are provided over time, the obligating past event arises and a provision for the Company's management services needs to be recognised. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

2.16. Share capital

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

2.17. Leases

<u>Group and Company are the lessor in an operating lease</u>

Leases in which a significant portion of the risks and rewards of ownership are retained by the Group and the Company as the lessor 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 statement of financial position (Note 15). See Note 2.18 for the recognition of rental income.

<u>Group and Company are the lessee in an operating lease</u>

Leases where the lessor retains all the risk and benefits of ownership of the asset are classified as operating leases. Operating lease payments, including prepayments, (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. Contingent rents are charged as expenses in the periods in which they are incurred.

2 Summary of significant accounting policies (cont'd)

2.18. Revenue recognition

The Group/Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's/Company'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:

<u>Rental income</u>

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms. When the Group/Company 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.

<u>Utilities and other services income</u>

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

<u>Interest income</u>

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group/Company 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.

2.19. 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 until becoming closed-end investment company. Afterwards the chief operating decision-maker has been identified as the Management Company and the Investment Committee.

2 Summary of significant accounting policies (cont'd)

2.20. 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.

2.21. Current and deferred income tax

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

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 and in Latvia was 15 % in 2015 and 2016. Starting from 2010, tax losses can be transferred within Lithuania at no consideration or in exchange for certain consideration between the group companies if certain conditions are met.

Deferred income 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 in Lithuania 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. In Latvia gains from the sale of shares are not taxed, and losses are not deductible.

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

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)

2.22. 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/Company 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.

2.23. Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs of disposal unless the assets are investment properties measured at fair value or financial assets in the scope of IAS 39 in which case they are measured in accordance with those standards.

2.24. Significant accounting judgements and estimates

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

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

Judgements

In the process of applying the accounting policies, management has made the following judgements, which had the most significant effect on the amounts recognised in these financial statements:

Financial assets designated at fair value through profit and loss on initial recognition

Investments in subsidiaries are designated at fair value through profit or loss on initial recognition in the stand-alone financial statements of the Company, because the management believes that this presentation represents best the way these investments are managed and their performance is evaluated and provides more relevant information to the users of financial statements.

The Group acts as principal in relation to utility services

The management has concluded that the Company acts as a principal in relation to utility services. The Company has latitude in establishing prices, earns a margin as well bears the customer's credit risk for the amounts receivable from the customer.

2 Summary of significant accounting policies (cont'd)

2.24 Significant accounting judgements and estimates (cont'd)

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group/Company 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/Company. 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

Fair value of investment properties 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, location. 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 Company's investment properties located in Lithuania have to be valued twice a year by two qualified independent valuers in accordance with the Lithuanian Law on Collective Investment Undertakings. In the process of valuation the Management has discussions with the qualified independent valuers about significant unobservable inputs. If both valuers select the same approach and determine the same use of the property, but use slightly different unobservable inputs, the valuation creates a range of fair values on the basis of which the management estimate the most appropriate fair value. If the valuers determine different use of the property, the management selects to use the valuation of the valuer whose use of the property satisfies the highest and the best use principle.

The fair value of the investment properties of the Group and the Company as at 31 December 2016 was EUR 52,410 thousand and EUR 43,964 thousand, respectively (as at 31 December 2015 – EUR 51,747 thousand and EUR 43,200 thousand, respectively) (described in more details in Note 15).

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

The fair values of investments into subsidiaries together with loans granted to 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, including loans granted by the Company. The main assets of subsidiaries are investment properties, which are measured at fair value using the income approach. The main liabilities of subsidiaries are borrowings from 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 2016 was EUR 5,289 thousand (as at 31 December 2015 – EUR 4,971 thousand) (described in more details in Note 5).

2 Summary of significant accounting policies (cont'd)

2.24 Significant accounting judgements and estimates (cont'd)

Estimates and assumptions (cont'd)

The provision for onerous lease

The amount of provision for onerous lease 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 estimates are reviewed at the end of each reporting period. When estimating the provision for onerous contract assumption is made that property will be leased out in the future as well, that is beyond the rental periods contracted with current tenants, therefore rent income to estimate provision is much higher than future rentals receivable disclosed in Note 9.

The provision for onerous lease was EUR 272 thousand as at 31 December 2016 (as at 31 December 2015 – EUR 347 thousand, (described in more details in Note 9). If the inflation estimation would be change by 50 basis points the carrying amount of onerous contract provision would be an estimated EUR 34 thousand higher/lower as at 31 December 2016.

The provision for the Performance Fee

The amount of provision for the Performance Fee represents the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. As at 31 December 2016, it was calculated according to the Articles of Association of the Company as an amount equal to 20% of return in excess of the annual internal rate of return of 8% for December 2016 (i.e. the first period with a status of a closed-end investment company). The provision was estimated as a most likely outcome. Given that the Performance Fee would become payable only if the stock price growth (including dividends) exceeded 8% annually and in view of uncertain future performance of the Company, the timing and the amount of the Performance Fee payable in future are uncertain.

The provision for the Performance Fee was EUR 814 thousand as at 31 December 2016 (Note 9).

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. On an overall Group level strategical risk management was executed by the Board of Directors. After obtaining the status of a closed-end investment company, the strategical risk management is executed by the Management Company. Operational risk management is carried out at each entity level by directors. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

The Group's and the Company's principal financial liabilities comprise borrowings, trade and other payables. The main purpose of the borrowings 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.

(all amounts are in EUR thousand unless otherwise stated)

3 Financial risk management (cont'd)

3.1 Financial risk factors (cont'd)

Credit risk

Credit risk arises from cash and cash equivalents, deposits, credit exposures to outstanding trade receivables and loans granted. The Group/Company 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/Company of loans and receivable balances. The maximum exposure to credit risk is disclosed in Notes 18 and 19. The maximum exposure to credit risk for loans granted to subsidiaries measured at fair value through profit or loss are their carrying amounts (Note 5). There are no transactions of the Group or the Company that occur outside Lithuania and Latvia.

The Company has an agreement with external entity, which provides property management services to the Company in Lithuania. The rent income and related revenues from the Company's owned properties in Lithuania, except newly acquired investment property located at Gynėjų str. 14 and three tenants in other 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/Company has significant concentration of credit risk with respect to this entity. This third party accounts for approximately 55% and 50% of the total Group's trade and other receivables as at 31 December 2016 and 2015, respectively. This third party accounts for approximately 56% and 51% of the total Company's trade and other receivables as at 31 December 2016 and 2015, respectively.

With respect to credit risk arising from cash and cash equivalents and deposits 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.

According to the provisions of the borrowing agreement deposit is placed on the ABLV Bank, AS in Latvia (Note 23), which is not rated.

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
Moody's short-term ratings				
Prime-1	96	130	77	124
Prime-2	-	-	-	-
Not Prime	605	165	589	163
Not rated	50	98	-	-
	751	393	666	287

(all amounts are in EUR thousand unless otherwise stated)

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/Company's exposure to the risk of changes in market interest rates relates primarily to the debt obligations with floating interest rates. The borrowings from related party AB Invalda INVL are with fixed interest rates for one year.

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 and the Company's profit before tax (through the impact on floating rate borrowings). There is no impact on the Group's and the Company's equity other than current year profit impact.

	Increase/decrease in basis points	Group	Company
2016			
EUR	+50 bps	(108)	(94)
2015			
EUR	+50 bps	(89)	(74)
EUR	decrease to zero	4	4

Foreign exchange risk

The Group and the Company holds assets and liabilities denominated only in the Euro, which is functional and presentation currency of the Group. Therefore, the Group and the Company are not exposed to foreign exchange risk.

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's operation in Lithuania and the Company is controlled on an overall Group level. The liquidity risk of the Group's operation in Latvia is controlled on an entity 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's liquidity ratio (total current assets including assets held for sale / total current liabilities) as at 31 December 2016 and 2015 was approximately 1.12 and 0.2, respectively. The Company's liquidity ratio as at 31 December 2016 and 2015 was approximately 1.13 and 0.2.

(all amounts are in EUR thousand unless otherwise stated)

3 Financial risk management (cont'd)

3.1 Financial risk factors (cont'd)

Liquidity risk (cont'd)

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2016 and 2015 based on contractual undiscounted payments.

	On demand	Less than 3 months	4 to 12 months	2 to 5 years	More than 5 years	Total
Interest bearing borrowings	-	286	961	8,232	14,462	23,941
Trade and other payables	-	133	-	-	-	133
Provision for onerous contract	-	29	76	56	114	275
Other liabilities	16	302	470	-	-	788
Balance as at 31 December 2016	**16**	**750**	**1,507**	**8,288**	**14,576**	**25,137**
Interest bearing borrowings	-	321	1,795	24,830	-	26,946
Trade and other payables	-	5,759	-	-	-	5,759
Provision for onerous contract	-	87	175	89	-	351
Other liabilities	-	286	-	-	-	286
Balance as at 31 December 2015	**-**	**6,543**	**1,970**	**24,919**	**-**	**33,342**

The table below summarises the maturity profile of the Company's financial liabilities as at 31 December 2016 and 2015 based on contractual undiscounted payments.

	On demand	Less than 3 months	4 to 12 months	2 to 5 years	More than 5 years	Total
Interest bearing borrowings	-	215	749	5,659	14,462	21,085
Trade and other payables	-	135	-	-	-	135
Provision for onerous contract	-	29	76	56	114	275
Other liabilities	16	301	470	-	-	787
Balance as at 31 December 2016	**16**	**680**	**1,295**	**5,715**	**14,576**	**22,282**
Interest bearing borrowings	-	250	1,582	21,974	-	23,806
Trade and other payables	-	5,758	-	-	-	5,758
Provision for onerous contract	-	87	175	89	-	351
Other liabilities	-	286	-	-	-	286
Balance as at 31 December 2015	**-**	**6,381**	**1,757**	**22,063**	**-**	**30,201**

Provision for onerous contract is disclosed in the tables above, because it is a financial liability arising from the unavoidable cost of meeting the obligation of contract. The amounts disclosed are undiscounted future loss amounts used to calculate provision.

(all amounts are in EUR thousand unless otherwise stated)

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.

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 complied with this requirement as at 31 December 2016 and 2015, except for two subsidiaries in 2016 and two dormant subsidiaries in 2015. There are no plans yet to rectify the situation in Lithuania. Pursuant to the Latvian Commercial Law the authorised share capital of a private limited liability company must be not less than EUR 2,800. As of 31 December 2016 and 2015, all Latvian subsidiaries complied with this requirement.

Starting from 2016 the Company has the right to pay dividends without bank consent if the ratio of EBITDA (earnings before interest, tax, depreciation and amortization) divided by the sum of debt service costs (interest and principal repayments) and dividends would be higher than 1.1. In addition, on 15 January 2016 the Company has approved dividend policy which stipulates the payment of dividends per share of no less than EUR 0.012 each year, if the legal and contractual requirements do not restrict this.

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 2016.

	Level 1	Level 2	Level 3	Total balance
Assets of the Group				
Investment properties (Note 15)	-	4,017	48,393	52,410
Assets of the Company				
Investment properties (Note 15)	-	862	43,102	43,964
Investment into subsidiaries (Note 5)	-		5,289	5,289

(all amounts are in EUR thousand unless otherwise stated)

4 Fair value estimation (cont'd)

Assets carried at fair value (cont'd)

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 2015.

	Level 1	Level 2	Level 3	Total balance
Assets of the Group				
Investment properties (Note 15)	-	3,735	48,012	51,747
Assets of the Company				
Investment properties (Note 15)	-	561	42,639	43,200
Investment into subsidiaries (Note 5)	-	-	4,971	4,971

There were no transfers of assets between the Level 1 and Level 2 of the fair value hierarchy during 2015 and 2016.

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

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, deposits, trade and other receivables, loans granted to parties other than subsidiaries, trade and other payables, non-current and current borrowings, provision for onerous contract.

The carrying amount of the cash and cash equivalents, deposits, trade and other receivables, trade and other payables of the Group and the Company as at 31 December 2016 and 2015 approximated their fair value because they are short-term and the impact of discounting is immaterial.

The carrying amount of borrowings of the Group and the Company and provision for onerous contract as at 31 December 2016 and 2015 approximated their fair value. Bank borrowings have floating interest rate and were renegotiated recently, therefore their interest rate represents the current market rate. The interest rates of borrowings from related party are reviewed at the end of each financial year and adjusted in line with market rates changes, therefore it was concluded that their fair value approximates carrying amount. The fair values of non-current borrowings are based on discounted cash flows using a current interest rate. They are classified as level 3 fair values in the fair value hierarchy due to use of unobservable inputs, including own credit risk.

5 Investments into subsidiaries

The Group had the following subsidiaries directly or indirectly owned by the Company as at 31 December 2016 and 2015:

Name	Country of incorporation and place of business	Proportion of shares (voting rights) directly/indirectly held by the Company/Group (%)	Nature of business
UAB Rovelija*	Lithuania	100.00	Real estate owner and lessor
UAB Perspektyvi veikla**	Lithuania	100.00	Dormant
UAB Proprietas*	Lithuania	100.00	Real estate owner and lessor
SIA Dommo Grupa*	Latvia	100.00	Real estate owner and lessor
SIA Dommo Biznesa Parks	Latvia	100.00	Real estate owner and lessor
SIA Dommo	Latvia	100.00	Real estate management
SIA DBP Invest	Latvia	100.00	Dormant

*These subsidiaries are directly owned by the Company.
**The subsidiary was directly owned by the Company in 2015 and is indirectly owned by the Company as from 29 September 2016.

In 2015 the Group also included the Former Parent Company.
All subsidiary undertakings listed in the tables above are included in the consolidation.

(all amounts are in EUR thousand unless otherwise stated)

5 Investments into subsidiaries (cont'd)

In 2016 the Company invested additional amount of EUR 17 thousand to increase the share capital of subsidiaries, from which EUR 3 thousand was paid by cash instalments. The Company sold subsidiary UAB Perspektyvi Veikla to UAB Rovelija for EUR 2 thousand.

The Company also owned 100% of the shares of UAB INTF Investicija. The investment in UAB INTF Investicija was impaired to nil in the financial statements of the Company and not consolidated in the financial statements of the Group due to bankruptcy proceedings.On 23 April 2015 the Company has signed agreement concerning the sale of 100 percent of the shares of UAB INTF Investicija. The sale of the shares was completed on 19 August 2015. The Company has received EUR 366 thousand for the shares (Note 10). The Company has also a right to receive contingent consideration which is determined as 50 percent of the deferred tax assets value arising from entity's tax losses accumulated until the end of 2014 (up to EUR 158 thousand). The buyer would pay only for actually used tax losses. The Company has not recognised this amount as income, because according to the management the sold entity is not expected to earn taxable profit in the foreseeable future.

In 2015 the Company had no right to pay dividends without a bank's written consent according to the loan agreements, and until the legal merger the shares of the Company were pledged to the banks as collateral to secure the repayment of borrowings. Starting from 2016 the Company has the right to pay dividends without a bank's consent if the ratio of EBITDA (earnings before interest, tax, depreciation and amortization) divided by the sum of debt service costs (interest and principal repayments) and dividends was higher than 1.1. The subsidiary SIA Dommo Bizness Parks has no right to pay dividends without a bank's written consent according to the loan agreements. The bank shall give its consent to pay dividends if a subsidiary's ability to repay borrowings is not degraded subsequently, and the subsidiary performs its obligation under the loan agreement as at the moment of giving the aforementioned consent. The loans granted (including accumulated interest thereon) to SIA Dommo Grupa and SIA Dommo Bizness Parks are subordinate to the bank borrowings and can be repaid only upon maturity of the bank borrowings in 2020.

Fair value of investments into subsidiaries

Investments into subsidiaries together with loans granted to subsidiaries are measured at fair value through profit or loss in the Company's stand-alone financial statements in 2016 and 2015. It is Level 3 fair value measurement. The fair value of investments is measured at the fair value of their net assets including loans granted by the Company. The main assets of dormant entities are cash. The main assets of active subsidiaries are investment properties, which are measured at fair value using the income approach. The main liabilities of subsidiaries are borrowings from external financial institutions, which are measured using an income approach, such as a present value technique.

The split of carrying amounts of the investment into subsidiaries by legal components is as follows:

	2016	**2015**
Shares	127	162
Loans granted	5,162	4,809
	5,289	**4,971**

Key inputs to valuation on subsidiaries as at 31 December 2016:

Significant unobservable inputs	**Value of input or range**
Sales price EUR per sq. m. (with VAT)	1,810
Cost to completion EUR per sq. m (without VAT)	887
Profit on cost ratio of the entire project (%)	30
Discount rate (%)	9.5 - 11
Capitalisation rate for terminal value (%)	9 - 10
Vacancy rate (%)	5 - 10
Increase of rents per year (%)	0.7 - 2.0
Inflation (%)	0.7-2.5

(all amounts are in EUR thousand unless otherwise stated)

5 Investments into subsidiaries (cont'd)

Fair value of investments into subsidiaries (cont'd)

The sensitivity analysis of fair value of subsidiaries as at 31 December 2016 is as follows:

Reasonable possible shift +/- (%)	**Increase of estimates**	**Decrease of estimates**
Change in future sale prices of developed properties by 10%	160	(170)
Change in construction costs by 10%	(130)	130
Change in profit on cost ratio of the entire project by 200 bps	(30)	20
Change in Increase of rents per year by 100 bps or change in future rental rates by 1%	92	(109)
Change in expected vacancy rates by 20%	(73)	53
Change in discount and capitalization rate by 50 bps	(261)	270

Key inputs to valuation on subsidiaries as at 31 December 2015:

Significant unobservable inputs	**Value of input or range**
Sales price EUR per sq. m. (with VAT)	1,800
Cost to completion EUR per sq. m (without VAT)	860
Profit on cost ratio of the entire project (%)	20
Discount rate (%)	11
Capitalisation rate for terminal value (%)	9
Vacancy rate (%)	5 (30 in first year and 10 in fourth year)
Increase of rents per year (%)	2.5

The sensitivity analysis of fair value of subsidiaries as at 31 December 2015 is as follows:

Reasonable possible shift +/- (%)	**Increase of estimates**	**Decrease of estimates**
Change in future sale prices of developed properties by 10%	180	(180)
Change in construction costs by 10%	(120)	130
Change in profit on cost ratio of the entire project by 200 bps	(30)	30
Change in Increase of rents per year by 100 bps	200	(200)
Change in expected vacancy rates by 20%	(100)	100
Change in discount and capitalization rate by 50 bps	(400)	100

(all amounts are in EUR thousand unless otherwise stated)

5 Investments into subsidiaries (cont'd)

The following table presents the movement in Level 3 instruments for the year ended 31 December 2016 and 2015:

Fair value as at 31 December 2014	**1**
Impact of merger	4,695
Loans granted during year	3
Gains and losses recognised in profit or loss (within 'Net changes in fair value of investment into subsidiaries designated at fair value through profit or loss')	272
Fair value as at 31 December 2015	**4,971**
Increase in share capital	17
Disposal of subsidiaries	(2)
Loans granted during a year (Note 25)	67
Gains and losses recognised in profit or loss (within 'Net changes in fair value of investment into subsidiaries designated at fair value through profit or loss')	236
Fair value as at 31 December 2016	**5,289**
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of 2016	236
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of 2015	272

During the merger investments into subsidiaries together with loans granted to them were transferred to the Company (Note 6). The main part of these investments are loans granted to Latvian entities. 50% of these loans were acquired by the Former Parent Company at a price below their estimated fair value which was measured as 50% of fair value of net assets of subsidiaries, over which control was obtain by the Former Parent Company (Note 7). On the acquisition day, the difference amounted to EUR 1,014 thousand. As the fair value was not determined based on observable inputs, this '1 day profit' was not recognised immediately but is deferred and is recognised during the estimated maturity of the loans. During 2016 and 2015 the Company has recognised EUR 202 thousand and EUR 102 thousand of this '1 day profit' within 'Net changes in fair value of investment into subsidiaries designated at fair value through profit or loss' in the statement of comprehensive income, respectively. As at 31 December 2016 and as at 31 December 2015 unrecognised part of '1 day profit' was EUR 710 thousand and EUR 912 thousand, respectively. Therefore, the total fair value of loans granted by the Company was EUR 5,872 thousand and EUR 5,721 thousand as at 31 December 2016 and 2015, respectively (their carrying amount – EUR 5,162 thousand and EUR 4,809 thousand, respectively). It is Level 3 measurement.

(all amounts are in EUR thousand unless otherwise stated)

6 Merger of the Former Parent Company and the Company

On 10 August 2015 the Shareholder Meetings of the Former Parent Company and of the Company have approved that the Former Parent Company is merged with the Company being the wholly owned subsidiary of the Former Parent Company. The merger was completed on 17 August 2015. After the merger process the Company continues its operations under the name INVL Baltic Real Estate and from 16 September 2015 is listed on NASDAQ OMX Vilnius stock exchange. Shareholders of the Former Parent Company received 6.136287941 shares of the Company in exchange for every ordinary share they had before the merger. During the merger, new 43,226,252 shares at the total par value of EUR 12,536 thousand, were issued by the Company in exchange for the 7,044,365 shares of the Former Parent Company, simultaneously cancelling the old 33,265,440 shares of the Company with the par value of EUR 0.29 each. The Board and manager of the Company are the same as of the Former Parent Company.

The Group

The merger between the parent and fully owned subsidiary has not changed the composition of the Group. Thus the legal merger had no impact on the consolidated financial statements of the Group, except for reclassification within shareholders' equity lines to reflect the change of the parent entity that consolidates the Group. Accordingly, it had no impact on the Group's assets, liabilities and performance measurement. The table below presents the merger effect on the shareholders equity of the Group:

	Elimination of the equity items of the Former Parent Company	New shares' issue according to the legal merger terms	Effect of the merger
Share capital	(2,043)	12,536	10,493
Share premium	(2,966)	-	(2,966)
Legal reserve	(281)	-	(281)
Reserve for purchase of own shares	(6,602)	-	(6,602)
Retained earnings	11,892	(12,536)	(644)
Total equity	**-**	**-**	**-**

The Company

The table below presents the impact of merger to the assets, liabilities and equity of the Company:

Assets and liabilities of the Former Parent Company, recognised by the Company:

Investments into subsidiaries - shares	180
Investments into subsidiaries - Loans granted	4,515
Trade and other receivables	1
Cash and cash equivalents	70
Total assets	***4,766***
Trade payables	(6)
Income tax payable	(16)
Other liabilities	(1)
Total liabilities	***(23)***
Total net assets recognised	**4,743**
Borrowing from the Company to the Former Parent Company derecognised (Note 25)	*(1,508)*
Effect of the merger to the equity	**3,235**
Additional share capital issued	2,902
Difference recognised in retained earnings	333

7 Acquisition of Latvian entities

<u>The Group</u>

As at 31 December 2014 the Group owned 50 percent of all the claims of creditors towards the Latvian entities SIA Dommo Grupa and its 100% subsidiary SIA Dommo Biznesa Parks. As the receivables are impaired and their recoverable amounts were considerably below their nominal amounts, the receivables, in substance, entitled the Group to 50% of rights to cash flows generated by these entities. Also, the Group had an option to acquire 50 % of shares of SIA Dommo Grupa for a nominal amount. As in December 2014 the bankruptcy proceedings of SIA Dommo Grupa were completed, the option represents substantive potential voting rights providing the Group joint control over the entity. Therefore, Latvian Dommo Group was a joint venture as at 31 December 2014.

In May 2015 the Group exercised the option and acquired the legal title of 50% of SIA Dommo Grupa shares. On 9 April 2015 the Group signed agreements with UAB MG Valda and its related entities for the acquisition of remaining 50% shares and impaired loans to increase the economic interest into these Latvian entities from 50 to 100 percent for the consideration of EUR 3,059 thousand. The consideration was paid in April and July, and control over the shares and receivables was transferred on 2 July 2015. From this date the Group owns 100 percent of the shares of SIA Dommo Grupa and has control over that entity and its 100% subsidiary SIA Dommo Biznesa parks.

As a part of the business combination, the Group derecognised its receivables from Dommo Grupa and its subsidiary, in the amount of EUR 4,158 thousand. The fair value of the receivables at the date of transaction was determined to be EUR 4,073 thousand; thus the Group recognised a loss from settlement of previously existing relationship in the amount of EUR 85 thousand (Note 10).

The Latvian entities own about 12,800 square meters of warehouse space and over 58 hectares of land around Riga, suitable for the development of logistics hub.

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair values
Investment properties	8,027
Property, plant and equipment	2
Trade and other receivables	2
Other current assets	1
Cash and cash equivalents	232
Total assets	**8,264**
Current liabilities excluding the Group's loans to Latvian entities	(118)
Total liabilities	**(118)**
Total identifiable net assets	**8,146**
Cash paid	(3,059)
Fair value of previously granted loans – settlement of pre-existing relationship	(4,073)
Total purchase consideration	**(7,132)**
Gain on a bargain purchase (Note 10)	**1,014**

The transaction resulted in a gain because investment into commercial real estate in Latvia was no longer among strategic objectives of the previous owner of Latvian entities and quick exit could have been exercised only by selling shares and receivables to the other shareholder having 50% interest, i.e. the Group.

The valuation of investment properties is described in Note 15.

The acquired business contributed EUR 288 thousand of revenue and EUR 184 thousand of profit to the Group for the period from 1 July to 31 December 2015. If the acquisition of Latvian entities had occurred on 1 January 2015, the consolidated revenue and net profit would have been EUR 5,984 thousand and EUR 4,127 thousand respectively for the year ended on 31 December 2015.

(all amounts are in EUR thousand unless otherwise stated)

7 Acquisition of Latvian entities (cont'd)

The Company

The loans granted to Latvian entities and an option to acquire 50 % of shares were held as well as remaining 50% of all the claims of creditors were acquired by the Former Parent Company before the merger. Therefore, this transaction was recognised in the accounting records of the Former Parent Company and only the balances were transferred to the Company during the merger (Note 6).

8 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. The Board of Directors analyses performance of the Group on property-by-property basis of owned premises, while leased premises are reported on a combined basis. Performance is evaluated based on net operating income. Net operating income is calculated by deducting from revenue premises rent costs (excluding provision for onerous contract), utilities expenses, repair and maintenance expenses, property management and brokerage costs, taxes on property and insurance costs. Segment assets and liabilities are not reported to the Board of Directors. After becoming a closed-end investment company, the segment information is reviewed and analysed by the Investment Committee of the Management Company. Management of the Company has determined the following reportable segments:

- Owned property in Lithuania. The reportable segment comprises five operating segments on a property-by-property basis, which are aggregated. The operating segments have similar economic characteristics, because all owned premises are located in Vilnius, Lithuania. These are office buildings with some warehouse premises. Most of them have further development opportunities. All properties are multi-tenant. Corporate tenants dominate, but some premises are also leased to governmental and retail tenants.
- Leasehold property. They are located in Vilnius and Kaunas, Lithuania. These are office buildings and warehouses.
- Owned property in Latvia. Revenue is earned from warehouse located in Riga, Latvia. The segment was acquired in 2015.

The following table presents performance of reportable segments of the Group for the year ended 31 December 2016:

	Owned property in Lithuania	Leasehold property	Owned property in Latvia	Total
Year ended 31 December 2016				
Revenue	**4,138**	**1,764**	**387**	**6,289**
Expenses				
Premises rent costs	(19)	(1,699)	(1)	(1,719)
Utilities	(809)	(158)	(13)	(980)
Repair and maintenance of premises	(764)	(80)	(34)	(878)
Property management and brokerage costs	(191)	(174)	-	(365)
Taxes on property	(318)	-	(17)	(335)
Insurance costs	(7)	-	(3)	(10)
Net operating income for the year	**2,030**	**(347)**	**319**	**2,002**

(all amounts are in EUR thousand unless otherwise stated)

8 Segment information (cont'd)

The following table presents performance of reportable segments of the Group for the year ended 31 December 2015:

	Owned property in Lithuania	Leasehold property	Owned property in Latvia	Total
Year ended 31 December 2015				
Revenue	**3,538**	**1,841**	**288**	**5,667**
Expenses				
Premises rent costs	(19)	(1,701)	-	(1,720)
Utilities	(770)	(165)	-	(935)
Repair and maintenance of premises	(581)	(69)	(8)	(658)
Property management and brokerage costs	(151)	(179)	-	(330)
Taxes on property	(256)	-	(9)	(265)
Insurance costs	(7)	-	(2)	(9)
Net operating income for the year	**1,754**	**(273)**	**269**	**1,750**

The following table presents reconciliation of the Group's operating profits to net operating income, rent costs and revenue.

	2016			2015		
	Net operating income to operating profit	Premises rent costs	Revenue	Net operating income to operating profit	Premises rent costs	Revenue
From reportable segment	**2,002**	**(1,719)**	**6,289**	**1,750**	**(1,720)**	**5,667**
Provision for onerous contracts	77	77	-	23	23	-
Other revenue not included in reportable segments	1	-	1	27	-	27
Add back insurance costs (included within 'other expenses')	10	-	-	9	-	-
Management and Performance Fee	(819)	-	-	-	-	-
Impairment of assets (reversal of impairment)	(33)	-	-	116	-	-
Employee benefits expenses	(178)	-	-	(40)	-	-
Depreciation and amortisation	(7)	-	-	(4)	-	-
Other expenses	(164)	-	-	(203)	-	-
Interest income	-	-	-	101	-	-
Other income	15	-	-	1,312	-	-
Net gains from fair value adjustments on investment property	147	-	-	2,168	-	-
Total	**1,051**	**(1,642)**	**6,290**	**5,259**	**(1,697)**	**5,694**

(all amounts are in EUR thousand unless otherwise stated)

8 Segment information (cont'd)

The table below presents distribution of the Group non-current assets (other than financial instruments and deferred tax assets) by geographical area as at 31 December 2016 and 2015:

	Lithuania	Latvia	Total
As at 31 December 2016	44,533	8,050	52,583
As at 31 December 2015	44,568	8,032	52,600

9 Revenue, lease expenses, lease commitments, provisions

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:

	Group		Company	
	2016	2015	2016	2015
Rent income	5,184	4,616	4,794	4,325
Utilities revenue	1,009	1,026	1,008	1,025
Other services revenue	97	52	97	52
Total revenue	**6,290**	**5,694**	**5,899**	**5,402**

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

	Group		Company	
	2016	2015	2016	2015
Rent income from owned premises	3,595	2,960	3,205	2,669
Other revenue from owned premises	931	893	930	892
Total revenue from owned premises	*4,526*	*3,853*	*4,135*	*3,561*
Rent income from subleased premises	1,589	1,656	1,589	1,656
Other revenue from subleased premises	175	185	175	185
Total revenue from subleased premises	*1,764*	*1,841*	*1,764*	*1,841*
Total revenue	**6,290**	**5,694**	**5,899**	**5,402**

Analysis of revenue of the Group by geographical areas:

	Group	
	2016	2015
Lithuania	5,903	5,406
Latvia	387	288
Total	**6,290**	**5,694**

Revenues of EUR 3,573 thousand in the Group are derived from a single external customer in Lithuania for the year ended 31 December 2016 (for the year ended 31 December 2015: EUR 3,454 thousand).

(all amounts are in EUR thousand unless otherwise stated)

9 Revenue, lease expenses, lease commitments, provisions (cont'd)

Revenue (cont'd)

The Group's and the Company's future rentals receivable under non-cancellable and cancellable operating leases as at 31 December 2016 are as follows:

		Group	Company
Within one year			
	- non-cancellable lease	1,672	1,631
	- non-cancellable amount of cancellable lease	1,040	935
	- minimum lease payments, total	*2,712*	*2,566*
	- cancellable amount of cancellable lease	843	531
		3,555	3,097
From one to five years			
	- non-cancellable lease	4,757	4,743
	- non-cancellable amount of cancellable lease	195	195
	- minimum lease payments, total	*4,952*	*4,938*
	- cancellable amount of cancellable lease	2,081	1,529
		7,033	6,467
After five years			
	- non-cancellable lease	1,698	1,698
	- non-cancellable amount of cancellable lease	-	-
	- minimum lease payments, total	*1,698*	*1,698*
	- cancellable amount of cancellable lease	309	309
		2,007	2,007
Total		**12,595**	**11,571**
	- non-cancellable lease	8,127	8,072
	- non-cancellable of cancellable lease	1,235	1,130
	- minimum lease payments, total	*9,362*	*9,202*
	- cancellable amount of cancellable lease	3,233	2,369

(all amounts are in EUR thousand unless otherwise stated)

9 Revenue, lease expenses, lease commitments, provisions (cont'd)

Revenue (cont'd)

The Group's and the Company's future rentals receivable under non-cancellable and cancellable operating leases as at 31 December 2015 are as follows:

		Group	Company
Within one year			
	- non-cancellable	1,775	1,772
	- cancellable	1,547	1,223
		3,322	2,995
From one to five years			
	- non-cancellable	3,359	3,359
	- cancellable	2,247	1,591
		5,606	4,950
After five years			
	- non-cancellable	1,481	1,481
	- cancellable	367	367
		1,848	1,848
Total		**10,776**	**9,793**
	- non-cancellable	6,615	6,612
	- cancellable	4,161	3,181

The Company's and the Group's future rentals receivable under non-cancellable and cancellable operating subleases as at 31 December 2016 are as follows:

		2016
Within one year		
	- non-cancellable lease	431
	- non-cancellable amount of cancellable lease	661
	- minimum lease payments, total	*1,092*
	- cancellable amount of cancellable lease	77
		1,169
From one to five years		
	- non-cancellable lease	809
	- minimum lease payments, total	*809*
After five years		
	- non-cancellable lease	809
	- minimum lease payments total	*809*
Total		**2,787**
	- non-cancellable lease	2,049
	- non-cancellable of cancellable lease	661
	- minimum lease payments, total	*2,710*
	- cancellable amount of cancellable lease	77

(all amounts are in EUR thousand unless otherwise stated)

9 Revenue, lease expenses, lease commitments, provisions (cont'd)

Revenue (cont'd)

The Company's and the Group's future rentals receivable under non-cancellable and cancellable operating subleases as at 31 December 2015 are as follows:

		2015
Within one year		
	- non-cancellable	544
	- cancellable	984
		1,528
From one to five years		
	- non-cancellable	363
	- cancellable	657
		1,020
After five years		
	- non-cancellable	-
	- cancellable	-
		-
Total		**2,548**
	- non-cancellable	907
	- cancellable	1,641

For the cancellable lease and sublease agreements, tenants must notify the administrator 1–12 months in advance if they wish to cancel the rent agreement and have to pay 1–6 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.

Some of lease and sublease agreements have a clause enabling upward revision of the rental charges on an annual basis according to prevailing market conditions.

Expenses and provisions

The Company is leasing premises from an external party until August 2017 under the lease agreement of 10 August 2007, except for one property, which is leased until the expiry of the current sublease agreement (31 December 2025). The Company had paid a one off deposit in the amount of EUR 825 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%. In November of 2016 the amendment to the lease agreement was signed. According to the amendment, EUR 275 thousand of prepayments was set off against lease payables in 2016, EUR 450 thousand of prepayments has to be set off in 2017, and EUR 100 thousand of prepayments has to be set off in 2025.

During the year ended 31 December 2016 and 2015 the Group and the Company has incurred EUR 1,622 thousand and EUR 1,676 thousand lease expenses under this agreement, respectively. Contingent rent constitutes EUR 268 thousand and EUR 268 thousand within this amount during the year ended 31 December 2016 and 2015, respectively in the Group and in the Company.

The lease expenses of the Group from other agreements amounted to EUR 21 thousand and EUR 23 thousand during the year ended 31 December 2016 and 2015, respectively. The lease expenses of the Company from other agreements amounted to EUR 20 thousand and EUR 23 thousand during the year ended 31 December 2016 and 2015, respectively.

(all amounts are in EUR thousand unless otherwise stated)

9 Revenue, lease expenses, lease commitments, provisions (cont'd)

Expenses and provisions (cont'd)

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

		Group		Company	
		2016	**2015**	**2016**	**2015**
Within one year					
	- lease of premises from agreement of 10 August 2007**	687	1,820	683	1,820
	- other lease	19	19	24	19
		706	1,839	707	1,839
From one to five years					
	- lease of premises from agreement of 10 August 2007*	825	477	819	477
	- other lease	-	-	10	-
		825	477	829	477
After five years					
	- lease of premises from agreement of 10 August 2007**	719	-	719	-
	- other lease	-	-	-	-
		719	-	719	-
		2,250	**2,316**	**2,255**	**2,316**

*In 2015 the prepayment of EUR 825 thousand was deducted from the future lease payments in the caption 'from one to five years'.
** In 2016 the prepayment of EUR 450 thousand was deducted from the future lease payments in the caption 'within one year' and the prepayment of EUR 100 thousand was deducted from the future lease payments in the caption 'after five years'.

The lease agreement of 10 August 2007 is an onerous contract, therefore there is a provision of EUR 272 thousand and EUR 347 thousand to cover the loss anticipated in connection with this contract recognised in the statement of financial position as at 31 December 2016 and 2015, respectively. 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:

	2016	2015
As at 1 January	**347**	**365**
Re-estimation of provision at the end of the year	183	161
Amount used (recognised as a reduction of 'Premises rent costs')	(261)	(185)
Unwinding of the discount and changes in the discount rate	3	6
As at 31 December	**272**	**347**
Non-current	167	88
Current	105	259

In addition to the above, deferred charges of EUR 820 thousand arising from expense recognition on a straight-line basis were recognised in the statement of financial position of the Group and the Company within "Inventories, prepayments and deferred charges" (Note 16) as at 31 December 2016. A deferred liability of EUR 290 thousand arising from expense recognition on a straight-line basis were recognised in the statement of financial position of the Group and the Company within "Other non-current liabilities" (Note 24) as at 31 December 2015.

As at 31 December 2016 the Company recognised non-current provision for the Performance Fee of EUR 814 thousand (Notes 2.13 and 2.24).

(all amounts are in EUR thousand unless otherwise stated)

10 Other income

	Group		Company	
	2016	**2015**	**2016**	**2015**
Loss on settlement of pre-existing relationships (Note 7)	-	(85)	-	-
Gain from sale of shares of UAB INTF Investicija (Note 5)	-	366	-	366
Gain from bargain purchases (Note 7)	-	1,014	-	-
Other income	15	17	14	17
	15	1,312	14	383

11 Impairment of assets (reversal of impairment)

	Group		Company	
	2016	**2015**	**2016**	**2015**
Impairment of trade receivables (Note 19)	(33)	-	(33)	-
The reversal of impairment of loans granted (Notes 18 and 20)	-	176	-	176
Total impairment of financial assets	*(33)*	*176*	*(33)*	*176*
Impairment of other assets	-	(1)	-	-
Impairment of intangible assets (Note 20)	-	(59)	-	(59)
Total impairment of non-financial assets	-	*(60)*	-	*(59)*
	(33)	116	(33)	117

12 Finance costs

	Group		Company	
	2016	**2015**	**2016**	**2015**
Interest expenses of bank borrowings	(490)	(388)	(431)	(350)
Interest expenses of borrowings from related parties	(58)	(248)	(58)	(239)
Interest expenses from third parties	(11)	(38)	(11)	-
Unwinding of the discount of provision for onerous contract	(2)	(5)	(2)	(5)
	(561)	(679)	(502)	(594)

(all amounts are in EUR thousand unless otherwise stated)

13 Income tax

	Group		Company	
	2016	2015	2016	2015
Components of the income tax (expenses)/credit				
Current income tax (expense)/credit	(13)	(16)	(12)	-
Discount on tax losses transferred within the Group	-	-	-	-
Deferred income tax (expense)/credit	4,030	(468)	4,031	(470)
Income tax (expense)/credit charged to profit or loss – total	4,017	(484)	4,019	(470)

There is no income tax expense (credit) recognised in other comprehensive income. Deferred tax asset of EUR 6 thousand arising from the costs of issue of new shares was recognised directly in equity in 2016.

Deferred income tax asset and liability were estimated at 15% rates as at 31 December 2016 and 2015.

The movement in deferred income tax assets and liabilities of the Group during 2016 is as follows:

	Balance as at 31 December 2015	Recognised in profit or loss during the year	Recognised in equity	Becoming closed-end investment company	Balance as at 31 December 2016
Deferred tax asset					
Tax loss carry forward for indefinite period of time	1,216	6	6	(116)	1,112
Intangible assets	20	(20)	-	-	-
Accruals and provisions	96	24	-	(120)	-
Investment properties	18	99	-	-	117
Receivables	1	70	-	(70)	1
Deferred tax asset available for recognition	1,351	179	6	(306)	1,230
Less: unrecognised deferred tax asset from tax losses carried forward for indefinite period of time	(1,062)	100	-	-	(962)
Less: unrecognised deferred tax asset due to future uncertainties	(19)	(99)	-	-	(118)
Recognised deferred income tax asset	270	180	6	(306)	150
Asset netted with liability of the same legal entities	(268)	(187)	-	306	(149)
Deferred income tax asset, net	**2**	**(7)**	**6**	**-**	**1**
Deferred tax liability					
Investment properties	(4,305)	(379)	-	4,535	(149)
Deferred charges	-	(54)	-	54	-
Deferred income tax liability	(4,305)	(433)	-	4,589	(149)
Liability netted with asset of the same legal entities	268	187	-	(306)	149
Deferred income tax liability, net	**(4,037)**	**(246)**	**-**	**4,283**	**-**
Deferred income tax, net	**(4,035)**	**(253)**	**6**	**4,283**	**1**

Following the provisions of the Lithuanian Law on Corporate Income Tax, investment income of closed-end investment companies operating in accordance with the Lithuanian Law on Collective Investment Undertakings shall not be subject to taxation. Therefore, after obtaining the status of a closed-end investment company, the Group/Company reversed the deferred tax liabilities of EUR 4,283 thousand.

(all amounts are in EUR thousand unless otherwise stated)

13 Income tax (cont'd)

The movement in deferred income tax assets and liabilities of the Group during 2015 is as follows:

	Balance as at 31 December 2014	Recognised in profit or loss during the year	Acquisition of subsidiary	Balance as at 31 December 2015
Deferred tax asset				
Tax loss carry forward for indefinite period of time	133	47	1,036	1,216
Intangible assets	11	9	-	20
Accruals and provisions	123	(27)	-	96
Investment properties	-	(36)	54	18
Receivables	-	-	1	1
Deferred tax asset available for recognition	267	(7)	1,091	1,351
Less: unrecognised deferred tax asset from tax losses carried forward for indefinite period of time	(28)	2	(1,036)	(1,062)
Less: unrecognised deferred tax asset due to future uncertainties	-	36	(55)	(19)
Recognised deferred income tax asset	239	31	-	270
Asset netted with liability of the same legal entities	(239)	(29)	-	(268)
Deferred income tax asset, net	**-**	**2**	**-**	**2**
Deferred tax liability				
Investment properties	(3,806)	(499)	-	(4,305)
Deferred income tax liability	(3,806)	(499)	-	(4,305)
Liability netted with asset of the same legal entities	239	29	-	268
Deferred income tax liability, net	**(3,567)**	**(470)**	**-**	**(4,037)**
Deferred income tax, net	**(3,567)**	**(468)**	**-**	**(4,035)**

The movement in deferred income tax assets and liabilities of the Company during 2016 is as follows:

	Balance as at 31 December 2015	Recognised in profit or loss during the year	Recognised in equity	Becoming closed-end investment company	Balance as at 31 December 2016
Deferred tax asset					
Tax loss carry forward for indefinite period of time	146	(36)	6	(116)	-
Intangible assets	20	(20)	-	-	-
Accruals and provisions	96	24	-	(120)	-
Receivables	-	70	-	(70)	-
Deferred tax asset available for recognition	262	38	6	(306)	-
Recognised deferred income tax asset	262	38	6	(306)	-
Asset netted with liability of the same legal entities	(262)	(44)	-	306	-
Deferred income tax asset, net	**-**	**(6)**	**6**	**-**	**-**
Deferred tax liability					
Investment properties	(4,299)	(236)	-	4,535	-
Deferred charges	-	(54)	-	54	-
Deferred income tax liability	(4,299)	(290)	-	4,589	-
Liability netted with asset of the same legal entities	262	44	-	(306)	-
Deferred income tax liability, net	**(4,037)**	**(246)**	**-**	**4,283**	**-**
Deferred income tax, net	**(4,037)**	**(252)**	**6**	**4,283**	**-**

(all amounts are in EUR thousand unless otherwise stated)

13 Income tax (cont'd)

The movement in deferred income tax assets and liabilities of the Company during 2015 is as follows:

	Balance as at 31 December 2014	Recognised in profit or loss during the year	Balance as at 31 December 2015
Deferred tax asset			
Tax loss carry forward for indefinite period of time	100	46	146
Intangible assets	11	9	20
Accruals and provisions	123	(27)	96
Deferred tax asset available for recognition	234	28	262
Less: unrecognised deferred tax asset from tax losses carried forward for indefinite period of time	-	-	-
Recognised deferred income tax asset	234	28	262
Asset netted with liability of the same legal entities	(234)	(28)	(262)
Deferred income tax asset, net	-	**-**	**-**
Deferred tax liability			
Investment properties	(3,801)	(498)	(4,299)
Deferred income tax liability	(3,801)	(498)	(4,299)
Liability netted with asset of the same legal entities	234	28	262
Deferred income tax liability, net	**(3,567)**	**(470)**	**(4,037)**
Deferred income tax, net	**(3,567)**	**(470)**	**(4,037)**

The Group's deferred tax assets are to be recovered within 12 months as of 31 December 2016. The Group's and the Company's deferred tax assets and deferred tax liabilities would be recovered after more than 12 months as of 31 December 2015.

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
Profit before income tax	**490**	**4,580**	**691**	**3,752**
Tax calculated at the tax rate of 15 %	(74)	(687)	(104)	(563)
Tax effect of non-deductible expenses and non-taxable income	(193)	173	(160)	100
Deferred tax expenses arising from write-down, or reversal of a previous write-down, of deferred tax asset due to changes in probability to utilise it	1	(7)	-	(7)
The amount of the benefit arising from previously unrecognised tax loss or temporary difference of a prior period that is used to reduce current tax expense	-	37	-	-
Deferred income tax credit arising from becoming a closed-end investment company	4,283		4,283	-
Income tax (expense)/credit recorded in the statement of comprehensive income	4,017	(484)	4,019	(470)

Following the provisions of the Lithuanian Law on Corporate Income Tax, investment income of closed-end investment companies operating in accordance with the Lithuanian Law on Collective Investment Undertakings shall not be subject to taxation. Therefore, after obtaining the status of a closed-end investment company, the Group/Company reversed the deferred tax liabilities of EUR 4,283 thousand, and accordingly, recognised deferred income tax credit in the statement of comprehensive income for the year ended 31 December 2016. The main non-deductible expenses of the Group/Company for 2016 were provisions.

14 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 in 2016 was as follows:

Calculation of weighted average for the year 2016	Number of shares (thousand)	Par value (EUR)	Issued/366 (days)	Weighted average (thousand)
Shares issued as at 31 December 2015	43,226	0.29	366/366	43,226
New shares issued as at 8 March 2016 (Note 21)	22,524	0.29	298/366	18,339
Shares issued as at 31 December 2016	65,750	0.29		61,565

There were new shares issued of the Company after merger in 2015 (Note 6). Before the merger the Former Parent Company had 7,044 thousand of shares in issue. The issue of the shares during the merger process is considered as shares' split, therefore for basic earnings per share calculation 43,226 thousand of shares are used for 2015. There were no other share movements in the Group.

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

	Group	
	2016	**2015**
Net profit (loss), attributable to the equity holders of the parent	4,507	4,096
Weighted average number of ordinary shares (thousand)	61,565	43,226
Basic earnings (deficit) per share (EUR)	0.07	0.09

For 2015 and 2016 diluted earnings per share of the Group are the same as basic earnings per share.

15 Investment properties

The movements of investment properties of the Group were:

Group	Other investment properties valued using sales comparison method	Properties leased out by the entity	Investment properties held for future redevelopment	Total
Fair value hierarchy	**Level 2**	**Level 3**	**Level 3**	
Balance as at 31 December 2014	**-**	**31,375**	**2,473**	**33,848**
Additions	527	7,008	-	7,535
Acquired through business combination (Note 7)	3,174	4,853	-	8,027
Subsequent expenditure	-	669	205	874
Reclassified to assets held-for-sale	-	-	(705)	(705)
Gain from fair value adjustment	34	2,403	-	2,437
Loss from fair value adjustment	-	(16)	(253)	(269)
Balance as at 31 December 2015	**3,735**	**46,292**	**1,720**	**51,747**
Additions	228	-	-	228
Subsequent expenditure	-	288	-	288
Gain from fair value adjustment	259	1,635	-	1,894
Loss from fair value adjustment	(205)	(172)	(1,370)	(1,747)
Balance as at 31 December 2016	**4,017**	**48,043**	**350**	**52,410**

(all amounts are in EUR thousand unless otherwise stated)

15 Investment properties (cont'd)

The movements of investment properties of the Company were:

Company

	Other investment properties valued using sales comparison method	Properties leased out by the entity	Investment properties held for future redevelopment	Total
Fair value hierarchy	**Level 2**	**Level 3**	**Level 3**	
Balance as at 31 December 2014	**-**	**31,375**	**1,952**	**33,327**
Additions	527	7,008	-	7,535
Subsequent expenditure	-	669	205	874
Reclassified to held-for-sale assets	-	-	(705)	(705)
Gain from fair value adjustment	34	2,403	-	2,437
Loss from fair value adjustment	-	(16)	(252)	(268)
Balance as at 31 December 2015	**561**	**41,439**	**1,200**	**43,200**
Additions	228	-	-	228
Subsequent expenditure	-	288	-	288
Disposals	(51)	-	-	(51)
Gain from fair value adjustment	259	1,547	-	1,806
Loss from fair value adjustment	(135)	(172)	(1,200)	(1,507)
Balance as at 31 December 2016	**862**	**43,102**	**-**	**43,964**

Investment properties of the Group are office buildings, warehouses and the entire building of old apartments. The majority of buildings and warehouses are leased out under the operating lease agreements and generate rental income.

The direct operating expenses arising from investment properties can be allocated as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
To properties that generated rental income	1,304	1,028	1,255	1,011
To properties that did not generate rental income	94	17	86	12
	1,398	**1,045**	**1,341**	**1,023**

During 2015 the Group acquired investment properties amounting to EUR 8,027 thousand as a result of business combination in Latvia (Note 7).

On 1 October 2015 the Company acquired 6,400 square metres of commercial premises including 0.26 hectare of land and 1,683 square metres of parking area in Vilnius Gynėjų str. 14. The ownership was transferred on 1 October 2015. In 4th Quarter of 2015 the Company received permission to install windows in a part of the premises and approximately additional 300 square meters of common space was assigned to the premises acquired. According to the agreements the Company has to pay for all these premises EUR 7,523 thousand excluding VAT (VAT payable was EUR 1,528 thousand). Until 31 December 2015 the Company has paid EUR 2,032 thousand including VAT (EUR 1,905 thousand without VAT). The debt assignment agreement in the amount of EUR 1,398 thousand was signed, whereby the seller's debt to the State Tax Inspectorate of Lithuania was assigned to the Company. The State Tax Inspectorate of Lithuania has provided its consent for the conclusion of the above transaction. The Company has offset the amount of EUR 1,398 thousand payable for premises with its VAT receivable. As at 31 December 2015 the remaining amount payable based on these agreements was EUR 5,621 thousand (EUR 5,618 thousand excluding VAT). The settlement of the liability occurred in 2016. Moreover, before the purchase of these premises the Company had signed a rental agreement for part of the premises in June 2015. The space had to be reconstructed in order to adapt it to the needs of the Company. Reconstruction expenses of EUR 669 thousand incurred before the acquisition of premises were added to the acquisition cost of the premises. The acquisition cost also included EUR 12 thousand of notary fees. In 2016 the Company obtained ownership of additional 11 parking spaces by paying for them EUR 228 thousand (excluding VAT). In 2016 the Company incurred reconstruction expenses of EUR 288 thousand at Gynėjų str. 14 to arrange premises for rent, which were capitalised and added to the acquisition cost of investment property.

15 Investment properties (cont'd)

In 2016 the Group and the Company additionally invested EUR 51 thousand into investment property located at Žygio str. 97, Vilnius, where the new building foundation was laid (in 2015 investments totalled EUR 205 thousand). The Company has paid for this investment in 2016. In 2015 the Company signed preliminary agreement, according to which the constructed building foundation with leased land attributed to it would be sold for EUR 500 thousand plus the cost of building foundation. Therefore this part of investment property was measured according to the disposal price and was classified as non-current assets held-for-sale as at 31 December 2015. The deal was completed in December 2016 (Note 20).

During 2016 the Company sold 6 parking spaces (that were acquired in 2016) to the subsidiary UAB Proprietas for EUR 51 thousand. EUR 47 thousand was received in cash, and the remaining amount was set off by increasing the share capital of the subsidiary. During 2015 the Group and the Company did not sell any investment property.

Investment properties are measured at fair value. As at 31 December 2016 and 31 December 2015, properties leased out by the entity and investment properties held for future redevelopment in Lithuania were valued on 31 October 2016 and 23 October–4 November 2015, respectively, by an accredited valuer UAB OBER-HAUS Nekilnojamasis Turtas (hereinafter together with SIA OBER-HAUS Vertešanas Serviss referred to as 'Oberhaus') using an income approach. As at 31 December 2016 investment properties located in Lithuania were also valued by an accredited valuer UAB Newsec Valuations (hereinafter 'Newsec') using an income approach and market approach. As at 31 December 2016, investment properties located in Latvia were valued in August 2016 by an accredited valuer SIA OBER-HAUS Vertešanas Serviss and in September 2016 by SIA City Real Estate Company (hereinafter CRE) using a market approach for land and using an income approach for warehouse. Investment properties located in Latvia were valued using market approach for land and using income approach for warehouse by accredited valuer SIA OBER-HAUS Vertešanas serviss in October 2015 as of the date of business combination. There were no significant changes in the market during second half year of 2015 that could have an effect on the value of those investment properties, therefore the updated valuation was not performed as at 31 December 2015.

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 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, location 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 properties leased out by the entity 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):
- Sales prices based on the valuers' experience and knowledge of market conditions of residential and commercial properties;
- 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
were no changes to the valuation techniques during the period;
- Profit on cost ratio reflecting current market assessment of profitability margin of developments projects. It is based on the internal rate of returns for similar projects.

(all amounts are in EUR thousand unless otherwise stated)

15 Investment properties (cont'd)

The split of carrying amounts of the properties leased out by the entity by type:

	Group		Company	
	2016	**2015**	**2016**	**2015**
Offices premises in city centre – Lithuania	42,296	40,659	42,296	40,659
Warehouse and office premises in industrial area - Lithuania	806	780	806	780
Warehouse – Latvia	4,941	4,853	-	-
	48,043	**46,292**	**43,102**	**41,439**

Description of valuation techniques used and key inputs to valuation on investment properties located in Lithuania as at 31 December 2016:

	Valuation technique	**Significant unobservable inputs**	**Range (weighted average) Oberhaus**	**Newsec**
Properties leased out by the entity	Discounted cash flows	Discount rate (%)	8.5 – 10 (9.12)	9.06 – 10.90 (9.14)
		Capitalisation rate for terminal value (%)	7.0 – 9.5 (7.64)	7.5 – 9.0 (7.68)
		Vacancy rate (%)	3 – 15	3 – 12
		Office premises in city centre - Rent price EUR per sq. m. (without VAT)	7.25 – 19.60 (10.0)	7.16 – 19.0 (10.0)
		Warehouse and office premises in industrial area - Rent price EUR per sq. m. (without VAT)	2.0 – 6.0 (3.28)	2.37 – 5.80 (3.57)
Investment properties held for future redevelopment	Discounted cash flows with estimated costs to complete	Profit on cost ratio of the entire project (%)	30	-
		Cost to completion EUR per sq. m (without VAT)	887	-
		Sales price EUR per sq. m. (with VAT)*	1,810	-
		Completion date, years	2	-

Inputs for investment properties held for future developments are not relevant to the Company. All other inputs in the Company are the same as in the Group.

Description of valuation techniques used and key inputs to valuation on investment properties located in Lithuania as at 31 December 2015:

	Valuation technique	**Significant unobservable inputs**	**Range (weighted average)**
Properties leased out by the entity	Discounted cash flows	Discount rate (%)	8.5 – 10 (9.1)
		Capitalisation rate for terminal value (%)	7.0 – 9.5 (7.6)
		Vacancy rate (%)	3 – 15
		Office premises in city centre - Rent price EUR per sq. m. (without VAT)	7.2 – 19.0 (9.3)
		Warehouse and office premises in industrial area - Rent price EUR per sq. m. (without VAT)	1.6 – 5.8 (3.2)
Investment properties held for future redevelopment	Discounted cash flows with estimated costs to complete	Discount rate (%)	20
		Profit on cost ratio of the entire project (%)	20
		Cost to completion EUR per sq. m (without VAT)*	860 – 1,100 (1,024)
		Sales price EUR per sq. m. (with VAT)*	1,800 – 2,300 (2,143)
		Completion date, years	2-3

*In the Company the following inputs vary from those of the Group: cost to complete is 1,100 EUR per sq. m and sales price is 2,300 EUR per sq. m. The input 'profit on cost ratio of the entire project' is not relevant to the Company. All other inputs in the Company are the same as in the Group.

(all amounts are in EUR thousand unless otherwise stated)

15 Investment properties (cont'd)

Description of valuation techniques used and key inputs to valuation on investment properties located in Latvia as at 31 December 2016:

	Valuation technique	Significant unobservable inputs	Value of input or range Oberhaus	CRE
Properties leased out by the entity	Discounted cash flows (five year estimated)	Discount rate (%)	11	9.5
		Capitalisation rate for terminal value (%)	9	10
		Vacancy rate (%)	5 (20 in first year and 10 in fourth year)	5 – 10
		Rent price EUR per sq. m. (excl. VAT)*	-	3.5 – 5.0
		Increase of rents per year (%)*	0.7-2.0	-
		Inflation (%)	0.7-2.0	2.5

*Oberhaus is used for valuation of current contractual rent prices and has indexed these prices by input of increase of rents per year. CRE is used for valuation of contractual rent prices for the periods of the current rent contracts. CRE is used inputs of rent price, disclosed in the table above, for the periods after expiry of the current rent contracts.

Description of valuation techniques used and key inputs to valuation on investment properties located in Latvia as at 1 July and 31 December 2015:

	Valuation technique	Significant unobservable inputs	Value of input or range
Properties leased out by the entity	Discounted cash flows (five year estimated)	Discount rate (%)	11
		Capitalisation rate for terminal value (%)	9
		Vacancy rate (%)	5 (30 in first year and 10 in fourth year)
		Increase of rents per year (%)	2.5

The sensitivity analysis of investment properties located in Lithuania valued using income approach as at 31 December 2016 is as follows:

Group **Reasonable possible shift +/- (%)**	**Increase of estimates** **Properties leased out by the entity**	**Investment properties held for future redevelopment**	**Decrease of estimates** **Properties leased out by the entity**	**Investment properties held for future redevelopment**
Change in future rental rates by 10 %	4.904	-	(4.949)	-
Change in future sale prices of developed properties by 10%	-	160	-	(170)
Change in construction costs by 10%	-	(130)	-	130
Change in expected vacancy rates by 20%	(601)	-	611	-
Change in discount and capitalization rate by 50 bps	(2.832)	-	3.160	-
Change in profit on cost ratio of the entire project by 200 bps	-	(30)	-	20

Company **Reasonable possible shift +/- (%)**	**Increase of estimates** **Properties leased out by the entity**	**Investment properties held for future redevelopment**	**Decrease of estimates** **Properties leased out by the entity**	**Investment properties held for future redevelopment**
Change in future rental rates by 10 %	4.904	-	(4.949)	-
Change in expected vacancy rates by 20%	(601)	-	611	-
Change in discount and capitalization rate by 50 bps	(2.832)	-	3.160	-

(all amounts are in EUR thousand unless otherwise stated)

15 Investment properties (cont'd)

The sensitivity analysis of investment properties located in Latvia valued using income approach as at 31 December 2016 is as follows:

Reasonable possible shift +/- (%)	Increase of estimates	Decrease of estimates
Change in Increase of rents per year by 100 bps or change in future rental rates by 1%	92	(109)
Change in expected vacancy rates by 20%	(73)	53
Change in discount and capitalization rate by 50 bps	(261)	270

The sensitivity analysis of investment properties located in Lithuania valued using income approach as at 31 December 2015 is as follows:

Group	Increase of estimates		Decrease of estimates	
Reasonable possible shift +/- (%)	Properties leased out by the entity	Investment properties held for future redevelopment	Properties leased out by the entity	Investment properties held for future redevelopment
Change in future rental rates by 10 %	4,533	-	(4,647)	-
Change in future sale prices of developed properties by 10%	-	580	-	(480)
Change in construction costs by 10%	-	(320)	-	430
Change in expected vacancy rates by 20%	(608)	-	579	-
Change in discount and capitalization rate by 50 bps	(2,755)	-*	2,995	100
Change in profit on cost ratio of the entire project by 200 bps	-	(30)	-	30

*Change in discount rate as disclosed in the table above have no significant impact to the fair value of investment properties held for future redevelopment.

Company	Increase of estimates		Decrease of estimates	
Reasonable possible shift +/- (%)	Properties leased out by the entity	Investment properties held for future redevelopment	Properties leased out by the entity	Investment properties held for future redevelopment
Change in future rental rates by 10 %	4,533	-	(4,647)	-
Change in future sale prices of developed properties by 10%	-	400	-	(300)
Change in construction costs by 10%	-	(200)	-	300
Change in expected vacancy rates by 20%	(608)	-	579	-
Change in discount and capitalization rate by 50 bps	(2,755)	-	2,995	100

The sensitivity analysis of investment properties located in Latvia valued using income approach as at 31 December 2015 is as follows:

Reasonable possible shift +/- (%)	Increase of estimates	Decrease of estimates
Change in Increase of rents per year by 100 bps	200	(200)
Change in expected vacancy rates by 20%	(100)	100
Change in discount and capitalization rate by 50 bps	(400)	100

(all amounts are in EUR thousand unless otherwise stated)

15 Investment properties (cont'd)

As at 31 December 2016 the Group's investment properties (including reclassified to assets held-for-sale) with carrying amount of EUR 51,942 thousand (EUR 41,622 thousand as at 31 December 2015) were pledged to the banks as collateral for the loans (Note 23).

As at 31 December 2016 the Company's investment properties (including reclassified to assets held-for-sale) with carrying amount of EUR 43,897 thousand (EUR 33,595 thousand as at 31 December 2015) were pledged to the banks as collateral for the loans (Note 23).

As at 31 December 2015 new acquired investment property with the carrying amount of EUR 10,280 thousand located at Gynėjų str. 14 was pledged to the bank of the property's seller. After completion of settlements in January 2016 the pledge was removed and investment property was pledged to the bank financing the Company.

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 2015. As at 31 December 2016 a written consent was required for sale of investment property from AB SEB bankas as a depository service provider. According to the Lithuanian Law on Collective Investment Undertakings, the sale price of investment properties may not be lower by more than 15% of the value determined by the independent qualified valuer. Having concluded a contract on sale of investment properties, when the above-described condition is not satisfied, the Management Company must, in exceptional cases and provided that interests of participants of the Company are not harmed, notify the supervisory authority thereof immediately. The 5 parking spaces acquired by the Company with the carrying amount of EUR 42 thousand are subject to interim measures not to sell them to third parties if the legal dispute is in process. The legal dispute between the seller of the parking spaces and third entity is regarding the right to land and legitimacy of construction of parking spaces. No material contractual obligations to purchase, construct, repair or enhance investment properties existed at the end of the period.

16 Inventories, pre-payments and deferred charges

Inventories, pre-payments and deferred charges are presented in the table below:

	Group		Company	
	2016	**2015**	**2016**	**2015**
Inventories	7	7	7	7
Operating lease deferred charges (Note 9)	820	-	820	-
Current portion of operating lease pre-payments (Note 9)	450	-	450	-
Pre-payments and other deferred charges	34	9	31	5
Total inventories, pre-payments and deferred charges	1,311	16	1,308	12

(all amounts are in EUR thousand unless otherwise stated)

17 Financial instruments by category

Group	Loans and receivables	
	2016	**2015**
Assets as per statement of financial position		
Loans granted as part of disposal group	-	176
Trade and other receivables excluding tax prepayments	402	316
Deposits	150	150
Cash and cash equivalents	751	393
Total	**1,303**	**1,035**

Company	Loans and receivables	Assets at fair value through the profit and loss	Total
31 December 2016			
Assets as per statement of financial position			
Investments into subsidiaries designated at fair value through profit or loss	-	5,289	5,289
Trade and other receivables excluding tax prepayments	401	-	401
Cash and cash equivalents	666	-	666
Total	**1,067**	**5,289**	**6,356**

Company	Loans and receivables	Assets at fair value through the profit and loss	Total
31 December 2015			
Assets as per statement of financial position			
Investments into subsidiaries designated at fair value through profit or loss	-	4,971	4,971
Loans granted as part of disposal group	176	-	176
Trade and other receivables excluding tax prepayments	314	-	314
Cash and cash equivalents	287	-	287
Total	**777**	**4,971**	**5,748**

Group	Financial liabilities at amortised cost	
	2016	**2015**
Liabilities as per statement of financial position		
Borrowings	21,607	24,616
Provision for onerous lease contract	272	347
Trade payables	133	5,759
Other current liabilities excluding taxes and employee benefits	788	286
Total	**22,800**	**31,008**

Company	Financial liabilities at amortised cost	
	2016	**2015**
Liabilities as per statement of financial position		
Borrowings	18,917	21,701
Provision for onerous lease contract	272	347
Trade payables	135	5,758
Other current liabilities excluding taxes and employee benefits	787	286
Total	**20,111**	**28,092**

(all amounts are in EUR thousand unless otherwise stated)

18 Loans granted

The Company and the Group have no loans granted measured at amortised cost as at 31 December 2015 and 2016.

Loans to Latvian entities

As at 31 December 2014 the Group owned 50 % of all the claims of creditors towards the Latvian entities SIA Dommo Grupa and SIA Dommo Biznesa Parks according to loans agreements. 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. Both loans, with the total gross carrying amount of EUR 6,262 thousand, were considered impaired as of 31 December 2014 due to significant delay in payments compared to the contractual payment schedule. In 2015 the Group acquired remaining 50% of all the claims to Dommo Group and acquired 100% of its shares. Therefore, the entities became subsidiaries and the loans granted were derecognised in the consolidated financial statements (described more details in Note 7). After the acquisition of remaining loans granted to Latvian entities, in July 2015 Dommo Group received a new bank borrowing with maturity of 5 years and the loans granted and acquired by the Group were subordinate to the bank borrowing. As a result, the estimated future cash flows of the previously existing loans had changed significantly. Therefore, these previously existing loans were derecognised and new loans granted were recognised at fair value in the financial statements of the Former Parent Company. As a consequence the loss of EUR 85 thousand was recognised in profit or loss of the Former Parent Company and subsequently impacted the amount recognised by the Company in its equity as a result of the merger. In the Company's financial statements the loans granted to Latvian entities are measured at fair value as part of investment into subsidiaries designated at fair value through profit or loss (Note 5).

The Group recognised EUR 101 thousand interest income on impaired loans for the year ended 31 December 2015.

Loans to entity in bankruptcy

The Group has received during spin-off the loan granted to previous subsidiary of AB Invalda INVL (the loan was granted by the Company in 2009-2012), for which bankruptcy was initiated by the court in May 2014. The loan was impaired and fully provided for by AB Invalda INVL before the spin-off. In December 2015 agreement regarding sale of this impaired loan was signed (described more details in Note 20).

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

	Individually impaired	
	Group	**Company**
Balance as at 31 December 2014	**3,320**	**1,115**
Reclassified to held-for-sale assets (Note 20)	(984)	(939)
Write-offs charged against the allowance – derecognising of loans granted to Latvian entities	(2,160)	-
Reversal of amounts previously written-off (Note 20)	(176)	(176)
Balance as at 31 December 2015	-	-

19 Trade and other receivables

	Group		Company	
	2016	**2015**	**2016**	**2015**
Trade and other receivables, gross	435	316	434	314
Taxes receivable, gross	11	57	-	55
Less: allowance for doubtful trade and other receivables	(33)	-	(33)	-
	413	373	401	369

Trade and other receivables are non-interest bearing and are generally with a credit term of 30 days. As at 31 December 2016 the Group's trade and other receivables with nominal value of EUR 42 thousand were past due and impaired. The net amount of EUR 9 thousand is presented in the statement of financial position of the Group as at 31 December 2016.

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

	Group	Company
Balance as at 31 December 2014	**126**	**-**
Charge for the year	-	-
Write-offs charged against the allowance	(126)	-
Recoveries of amounts previously written-off	-	-
Balance as at 31 December 2015	**-**	**-**
Charge for the year	33	33
Write-offs charged against the allowance	-	-
Recoveries of amounts previously written-off	-	-
Balance as at 31 December 2016	**33**	**33**

The ageing analysis of trade and other receivables of the Group as at 31 December 2016 and 2015 is as follows:

		Trade receivables past due but not impaired				
	Trade receivables neither past due nor impaired	**Less than 30 days**	**30–90 days**	**90–180 days**	**More than 180 days**	**Total**
2016	259	48	34	21	31	393
2015	213	60	23	15	5	316

The ageing analysis of trade and other receivables of the Company as at 31 December 2016 and 2015 is as follows:

		Trade receivables past due but not impaired				
	Trade receivables neither past due nor impaired	**Less than 30 days**	**30–90 days**	**90–180 days**	**More than 180 days**	**Total**
2016	259	48	34	21	30	392
2015	211	60	23	15	5	314

Credit quality of financial assets neither past due nor impaired

Trade receivables neither past due nor impaired from the counterparties whose other trade receivables are past due but not impaired amounted to 5 EUR thousand as at 31 December 2016. These trade receivables had been settled as at the date of issue of the financial statements. All other trade receivables neither past due nor impaired as at 31 December 2016 and 2015 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/Company does not hold any collateral.

(all amounts are in EUR thousand unless otherwise stated)

20 Non-current assets and assets of disposal group held for sale

	Group		Company	
	2016	**2015**	**2016**	**2015**
Non-current assets and assets of disposal group classified as held-for-sale				
Investment properties held-for-sale	-	705	-	705
Intangible assets as part of disposal group	-	100	-	100
Loans granted as part of disposal group	-	176	-	176
	-	**981**	**-**	**981**

Assets related with enterprise in bankruptcy UAB Sago (disposal group)

On 17 December 2015 the Board of Directors has approved the sale of the technical development project and loans granted related with enterprise in bankruptcy UAB Sago. The sale agreements were signed on 31 December 2015. The sale was completed in January 2016 after settlement was made. Therefore, the above mentioned assets were evaluated at disposal price and were classified as held-for-sale as at 31 December 2015.

Investment property

The Company has signed preliminary agreement, according to which the constructed building foundation with attributed to it leased land would be sold for EUR 500 thousand plus construction cost of building foundation (as at 31 December 2015 – EUR 205 thousand). The Company has received in advance EUR 450 thousand from the buyer until 31 December 2015. Therefore this part of investment property located at Žygio str. 97, Vilnius, was measured according to the sale price and was classified as non-current assets held-for-sale as at 31 December 2015. The deal was completed in December 2016. In 2016 additional amount of EUR 51 thousand was invested to building foundation. Therefore, the final sale price was EUR 756 thousand which included land rent right to 0.15 hectare. If under the law requirements the Company ultimately loses the land rent right to additional up to 0.13 hectare, then the Buyer will have to pay a contingent consideration of up to of EUR 433 thousand. The contingent consideration was not recognised as revenue in the financial statements of the Group and the Company, because the management believed it was more likely that land rent right to 0.15 hectare would be sufficient for the Buyer. In 2016 the Group and the Company received from this sale EUR 306 thousand in cash.

21 Share capital and reserves

As at 31 December 2016 the Company's and the Group's share capital was divided into 65,750,000 (as of 31 December 2015: 43,226,252) ordinary registered shares with the nominal value of EUR 0.29 each. All the shares of the Company were fully paid.

Changes during 2016

The new shares were offered through public offering from 4 January until 4 March 2016. During the public offering the investors subscribed for 22,523,748 shares, the issue price of one share was EUR 0.40, the total issue proceeds – EUR 9,010 thousand. Share capital was increased by EUR 6,532 thousand and rest amount of EUR 2,478 thousand was attributed to share premium. The Company received cash inflows of EUR 2,791 thousand from investors during the public offering. AB Invalda INVL subscribed for 15,546,663 new shares. They were paid by offsetting the Company's liabilities of EUR 6,219 thousand arising from the borrowings provided by AB Invalda INVL. The costs of issue of new shares amounted to EUR 248 thousand. Deferred income tax credit related to the issue costs amounted to EUR 6 thousand and was recognised directly within retained earnings. Cash inflows were used to repay to AB Invalda INVL the remaining borrowings of EUR 1,501 thousand, including interest accrued thereon during 2016. The remaining amount was used in the operating activity of the Company.

On 8 March 2016 a new share capital was registered in the Register of Legal Entities, and from that date the total number of ordinary registered shares is 65,750,000 with the par value of EUR 0.29 each, and the Company's authorised share capital is equal to EUR 19,067,500.

On 27 April 2016 the Annual General Meeting of Shareholders decided to transfer from retained earnings EUR 165 thousand to the legal reserve and EUR 2,828 thousand to the reserve for acquisition of own shares.

21 Share capital and reserves (cont'd)

Changes during 2015

As at 31 December 2014 the Company's share capital was divided into 33,265,440 ordinary registered shares with the nominal value of LTL 1 each. During the merger the shares of the Company were cancelled and new shares were issued (more details described in Note 6).

As at 31 December 2014 the Group's share capital represents the share capital of the Former Parent Company. Its share capital was divided into 7,044,365 ordinary registered shares with the nominal value of LTL 1 each. The changes in the currency of par value of one share of the Former Parent Company were registered in the Register of Legal entities on 14 May 2015 and share capital increased by EUR 3 thousand as a result.

Both the legal reserve and reserve for the acquisition of own shares presented in the consolidated financial statements represent the reserves of Former Parent Company until the merger, and the reserves of the Company from the merger onwards.

<u>Legal reserve</u>

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.

<u>Reserve for the acquisition of own shares</u>

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

22 Dividends

On 15 January 2016 the Company's General Meeting of Shareholders approved the dividend policy which stipulates annual payment of dividends per share of no less than EUR 0.012 if such payment is not restricted under the legal and contractual requirements. Payment of dividends of EUR 0.012 per share and total amount of dividends of EUR 789 thousand in respect of the year ended 31 December 2015 was approved at the Annual General Meeting of Shareholders on 27 April 2016.

(all amounts are in EUR thousand unless otherwise stated)

23 Borrowings

	Group		Company	
	2016	**2015**	**2016**	**2015**
Non-current:				
Non-current bank borrowings	20,788	16,631	18,334	13,949
Non-current borrowings from other related parties	-	6,245	-	6,245
Non-current other borrowings	4	-	-	
	20,792	22,876	18,334	20,194
Current:				
Current portion of non-current borrowings	815	1,117	583	890
Borrowings from related parties	-	617	-	617
Other borrowings	-	6	-	-
	815	1,740	583	1,507
Total borrowings	21,607	24,616	18,917	21,701

All borrowings are expressed in EUR.

Borrowings with fixed or floating interest rate (with changes in 3 and 6 months period) were as follows:

Interest rate type:	Group		Company	
	2016	**2015**	**2016**	**2015**
Fixed	4	6,868	-	6,862
Floating	21,603	17,748	18,917	14,839
	21,607	24,616	18,917	21,701

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
Investment properties (Note 15)	51,942	41,622	43,897	33,595
Property, plant and equipment	4	4	-	-
Trade receivables	1	3	-	-
Prepayments	2	3	-	-
Deposits	150	150	-	-
Cash	638	261	588	162

The shares of SIA Dommo Grupa and SIA Dommo Bizness parks are pledged to the bank in Latvia.

Weighted average effective interest rates of borrowings for the period:

	Group		Company	
	2016	**2015**	**2016**	**2015**
Borrowings	2.36%	2.86%	2.39%	2.89%

As at 31 December 2016 and 2015 all Group entities have complied with bank loan covenants.

(all amounts are in EUR thousand unless otherwise stated)

23 Borrowings (cont'd)

On 26 January 2016 the Company signed an amendment to the loan agreement with AB Šiaulių Bankas. Therefore, the amount of borrowings was increased from EUR 14,754 thousand to EUR 19,254 thousand, the validity of the agreement was extended from 25 September 2019 until 5 January 2023, and the settlement schedule was changed. In 2016 the Company has to repay the amount of EUR 466 thousand instead of the amount of EUR 862 thousand. The investment properties located at Gynėjų str. 14, Vilnius, were pledged to AB Šiaulių Bankas and the pledge to the Seller's bank was removed accordingly. According to the amendments to the loan agreement, the Company has a right to pay dividends in future without the bank's consent if the ratio of EBITDA divided by the sum of debt service payments (interest and principal repayments) and dividends becomes higher than 1.1, also to repay subordinated loans and pay dividends for the year 2015 (regardless of the above-mentioned ratio) from cash inflows from the issue of new shares

The Group received EUR 800 thousand of borrowings from AB Invalda INVL before the issue of new shares. After the issue of new shares the borrowings from related parties were offset and repaid (Notes 21 and 25).

After acquisition of Latvian entities on 15 July 2015 the Group has signed borrowings agreement with ABLV Bank, AS for financing Latvian entities in amount of EUR 3,000 thousand. The term of the agreement is 5 years, repayment of the loan is by monthly annuity instalments with balloon payment of EUR 1,861 thousand at the end of borrowing agreement. All investment properties acquired in Latvia were pledged to the ABLV Bank, AS. The borrowing was disbursed on 27 July 2015 and was used to repay part of loans granted by the Former Parent Company to Latvian entities (Note 18). According to the agreement amount of EUR 150 thousand was deposited to secure borrowing. The Group has recognised the deposit as "Deposits" in the statement of financial position.

In 4th Quarter 2015 the Group and the Company has received EUR 1,411 thousand of borrowings from AB Invalda INVL to make partial payment to the seller of investment property located at Gynėjų str. 14. The Group has also has received and repaid to AB Invalda INVL EUR 2,555 thousand of borrowings, which was used to settle with UAB MG Valda for acquisition of loans granted to Latvian entity.

During the year ended 31 December 2016 the Group and the Company repaid respectively EUR 2,110 thousand and EUR 1,886 thousand of borrowings. During the year ended 31 December 2015 the Group and the Company repaid respectively EUR 3,095 thousand and EUR 447 thousand of borrowings.

24 Other liabilities

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
Financial liabilities				
Dividends payable	16	-	16	-
Operating lease payment (Note 9)	752	-	752	-
Other amounts payable	20	286	19	286
	788	286	787	286
Non – financial liabilities				
Salaries and social security contributions payable	2	8	-	-
Tax payable	400	79	389	70
Deferred liability from operating lease (Note 9)		290		290
Other amounts payable	9	-	9	-
	411	377	398	360
Total other current and non-current liabilities	1,199	663	1,185	646
Non-current liabilities	9	290	9	290
Current liabilities	1,190	374	1,176	356

(all amounts are in EUR thousand unless otherwise stated)

25 Related party transactions

The related parties of the Group were the shareholders of the Company, who have significance influence (note 1), key management personnel, including companies under control or joint control of key management and shareholders having significant influence, and additionally joint ventures in 2015. AB Invalda INVL and the entities controlled by AB Invalda INVL (hereinafter the Other related parties) are also considered to be related parties, because the shareholders of the Company, having significance influence, also have a joint control over AB Invalda INVL group through shareholders' agreement.

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

2016 Group	**Revenue and other income from related parties**	**Purchases and interest from related parties**	**Receivables from related parties**	**Payables to related parties**
AB Invalda INVL (accounting services)	-	12	-	-
AB Invalda INVL (borrowings)	-	58	-	-
Other related parties (maintenance and repair services)	-	331	-	4
Other related parties (rent utilities and other)	219	5	5	-
Other related parties (distribution of new shares)	-	187	-	-
	219	593	5	4

The Group's transactions with related parties during 2015 and related balances as at 31 December 2015 were as follows:

2015 Group	**Revenue and other income from related parties**	**Purchases and interest from related parties**	**Receivables from related parties**	**Payables to related parties**
AB Invalda INVL (accounting services)	-	13	-	-
AB Invalda INVL (borrowings)	-	248	-	6,862
Other related parties (maintenance and repair services)	-	1,010	-	141
Other related parties (rent and utilities)	61	-	12	-
Other related parties (purchase of inventories)	-	50	-	-
Other related parties (services to issuer)	-	3	-	-
	61	1,324	12	7,003

The maturity of borrowings was till 31 December 2016, effective interest rate 4.5%. As at 31 December 2015 EUR 6,245 thousand of borrowing from AB Invalda INVL was subordinate to bank borrowing and could be repaid only upon maturity of bank borrowing in 2019; therefore it was classified as non-current at 31 December 2015 . After signing amendments to borrowings agreement in January 2016, these loans could only been repaid upon maturity of bank borrowing in 2023 or using cash inflows from new shares' issue. The borrowing was repaid in the amount of EUR 1,501 thousand in cash and was offset against receivable for the new share issue in the amount of EUR 6,219 thousand in 2016 (see note 21).

Latvian entities were joint ventures of the Group as at 31 December 2014 and became subsidiary from 1 July 2015. From 1 January till 30 June 2015 the Group has received EUR 49 thousand as repayment of these loans granted.

(all amounts are in EUR thousand unless otherwise stated)

25 Related party transactions (cont'd)

The Company's related parties are the subsidiaries, shareholders (Note 1), which have significance influence, key management personnel and companies under control or joint control of key management and shareholders with significant influence. AB Invalda INVL and the entities controlled by AB Invalda INVL (hereinafter the Other related parties) are also considered to be related parties, because the shareholders of the Company, having significance influence, also have a joint control over AB Invalda INVL group through shareholders' agreement.

Transactions of the Company with subsidiaries in 2016 and balances as at 31 December 2016 were as follows:

2016 Company	**Revenue and other income from related parties**	**Purchases and interest from related parties**	**Receivables from related parties**	**Payables to related parties**
Loans to subsidiaries	-	-	5,162	-
Sales of investment properties to subsidiaries	51	-	-	-
Other	-	2	-	2
	51	2	5,162	2

Loans granted to Latvian entities are subordinate to the bank borrowings and can be repaid only upon maturity of the bank borrowings in 2020. The repayment date of the loans granted to subsidiaries in Lithuania is 31 December 2017. As described in Note 2.9, the Company measured the loans granted to subsidiaries at fair value and did not recognise interest income separately.

Transactions of the Company with subsidiaries and the Former Parent Company in 2015 and balances as at 31 December 2015 were as follows:

2015 Company	**Revenue and other income from related parties**	**Purchases and interest from related parties**	**Receivables from related parties**	**Payables to related parties**
Loans to the Former Parent Company	41	-	-	-
Loans to subsidiaries	-	-	4,809	-
	41	-	4,809	-

Loans granted to Latvian entities were subordinate to the bank borrowings and can be repaid only upon maturity of the bank borrowings in 2020. The repayment date of the loans granted to UAB Rovelija is 31 December 2016. As described in Note 2.9, the Company measured the loans granted to subsidiaries at fair value and did not recognise interest income separately.

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

2016 Company	**Revenue and other income from related parties**	**Purchases and interest from related parties**	**Receivables from related parties**	**Payables to related parties**
AB Invalda INVL (accounting services)	-	10	-	-
AB Invalda INVL (borrowings)	-	58	-	-
Other related parties (maintenance and repair services)	-	331	-	4
Other related parties (rent utilities and other)	215	4	5	-
Other related parties (distribution of new shares)	-	187	-	-
	215	590	5	-

(all amounts are in EUR thousand unless otherwise stated)

25 Related party transactions (cont'd)

The Company's transactions with other related parties during 2015 and related balances as at 31 December 2015 were as follows:

2015 Company	**Revenue and other income from related parties**	**Purchases and interest from related parties**	**Receivables from related parties**	**Payables to related parties**
AB Invalda INVL (accounting services)	-	9	-	-
AB Invalda INVL (borrowings)	-	239	-	6,862
Other related parties (maintenance and repair services)	-	1,010	-	141
Other related parties (rent and utilities)	57	-	11	-
Other related parties (purchase of inventories)	-	50	-	-
Other related parties (services to issuer)	-	1	-	-
	57	1,309	11	7,003

The maturity of borrowings was till 31 December 2016, effective interest rate 4.5%. As at 31 December 2015 EUR 6,245 thousand of borrowing from AB Invalda INVL was subordinate to bank borrowing and could been repaid only upon maturity of bank borrowing in 2019; therefore it was classified as non-current at 31 December 2015. After signing amendments to borrowings agreement in January 2016, these loans could only be repaid upon maturity of bank borrowing in 2023 or using cash inflows from new shares' issue. The borrowing was repaid in the amount of EUR 1,501 thousand in cash and was offset against receivable for the new share issue in the amount of EUR 6,219 thousand in 2016 (see note 21).

The movements of borrowings from AB Invalda INVL were:

	Group		**Company**	
	2016	**2015**	**2016**	**2015**
At 1 January	**6,862**	**5,212**	**6,862**	**5,212**
Borrowings received during the year	800	3,966	800	1,411
Borrowings repaid during the year	(1,458)	(2,555)	(1,458)	-
Borrowings offset against receivables	(6,219)	-	(6,219)	-
Interest charged	58	248	58	239
Interest paid	(43)	(9)	(43)	-
At 31 December	**-**	**6,862**	**-**	**6,862**

The movements of loans granted to subsidiaries and the Former Parent Company of the Group were:

	Company	
	2016	**2015**
At 1 January	**4,809**	**1,328**
Loans granted during year	67	443
Loans repayment received	-	(298)
Loans and interest converted to increased share capital	(145)	-
Loans granted to the Former Parent Company derecognised during merger	-	(1,508)
Loans granted to subsidiaries received during the merger	-	4,515
Interest charged	-	41
Changes in fair value of loans granted	431	291
Interest received	-	(3)
At 31 December	**5,162**	**4,809**

(all amounts are in EUR thousand unless otherwise stated)

25 Related party transactions (cont'd)

The management remuneration contains short-term employee benefits. Key management of the Company and the Group includes Board members (until 10 November 2016), the Director of the Company (until 21 December 2016) and the Board member of Latvian subsidiaries. In 2015 key management additionally included the Directors of the subsidiaries and the Former Parent Company.

	Group		**Company**	
	2016	**2015**	**2016**	**2015**
Wages, salaries and bonuses	99	28	69	10
Social security contributions	29	8	21	3
Total key management compensation	128	36	90	13

In 2016 the Management Fee of EUR 5 thousand and provisions for the Performance Fee of EUR 814 thousand were recognised. There were no loans granted to key management during the reporting period or outstanding at the end of the reporting period. In 2015 dividends were not paid.

During 2016 EUR 43 thousand of dividends, net of tax, were paid to the Board members who are shareholders of the Company. EUR 203 thousand of dividends, net of tax, were paid to the entities controlled by the Board members. EUR 127 thousand of dividends, net of tax, were paid to the natural persons related to the Board members the Company. EUR 253 thousand of dividends, net of tax, were paid by the Company to AB Invalda INVL.

26 Events after the reporting period

<u>Dividends</u>

Payment of dividends of EUR 0.012 per share and total dividends of EUR 789 thousand in respect of the year ended 31 December 2016 is to be proposed at the Annual General Meeting of Shareholders on 11 April 2017. These financial statements do not reflect these dividends payable.

BALTIC REAL ESTATE

The special closed-ended type real estate investment company

INVL Baltic Real Estate, Consolidated annual report for the year of 2016

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.

Translation note:
This version of the Consolidated Annual Report for the year of 2016 is a translation from the original, which was prepared in Lithuanian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version takes precedence over this translation.

CONTENTS:

I. GENERAL INFORMATION

1 Reporting period for which the report is prepared

The report covers the financial period of INVL Baltic Real Estate, starting from 1 January 2016 and ending on 31 December 2016.

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

2.1. Information about the Issuer

Name	Special closed-ended type real estate investment company „INVL Baltic Real Estate“
Code	152105644
Registration address	Gynėjų str. 14, 01109, Vilnius, Lithuania
Telephone	+370 5 279 0601
Fax	+370 5 279 0530
E-mail	breinfo@invl.com
Website	www.invlbalticrealestate.com
Legal form	joint-stock company
Company type	special closed-ended type real estate investment company
Date and place of registration	28 January 1997; Register of Legal Entities
Date of the Supervisory authority approval of collective investment entity formation documents	22 December 2016
Register in which data about the Company are accumulated and stored	Register of Legal Entities
Management company	INVL Asset Management, UAB, code 126263073, licence No. VĮK-005
Depository	SEB bankas, AB, code 112021238, bank licence No. 2

2.2. Information on company's goals and strategy

INVL Baltic Real Estate – real estate investment company was founded on 28 January 1997, former name – Invaldos Nekilnojamo Turto Fondas, AB. On 17 August 2015 the Company was merged with its parent company; therefore the Company took over all its rights and obligations.

INVL Baltic Real Estate seeks to profit from investments in commercial real estate property, guaranteeing rental income growth. INVL Baltic Real Estate manages about 58,200 square meters of real estate space in Vilnius and Riga: mainly business centers and other commercial buildings. The company's managed objects are characterized by high occupancy rates and generate stable financial flows. In addition, part of them has further development potential.

INVL Baltic Real Estate shares have been listed on NASDAQ Vilnius Baltic Additional trading list since 4 June 2014. Since the start of trading until the end of the reporting period the share price of INVL Baltic Real Estate on the NASDAQ Vilnius exchange has risen 19.04%. The company has approved a dividend policy which stipulates the annual payment of dividend per share of no less than EUR 0.012.

On 22 December 2016 the bank of Lithuania for INVL Baltic Real Estate (legal entity code 152105644, with its registered address at Gyneju str. 14, Vilnius, Republic of Lithuania) issued the closed-ended type investment company operating license enabling to engage in the closed-ended type investment company's activities under the Law of the Republic of Lithuania Collective Investment Undertakings. The special closed-ended type real estate investment company will work 30 years from receiving the special closed-ended real estate investment company license, the term of company's activity may be further extended for a period of no longer than 20 years. Upon receipt of the license, the company's management was transferred to the management company INVL Asset Management (hereinafter – Management company).

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.

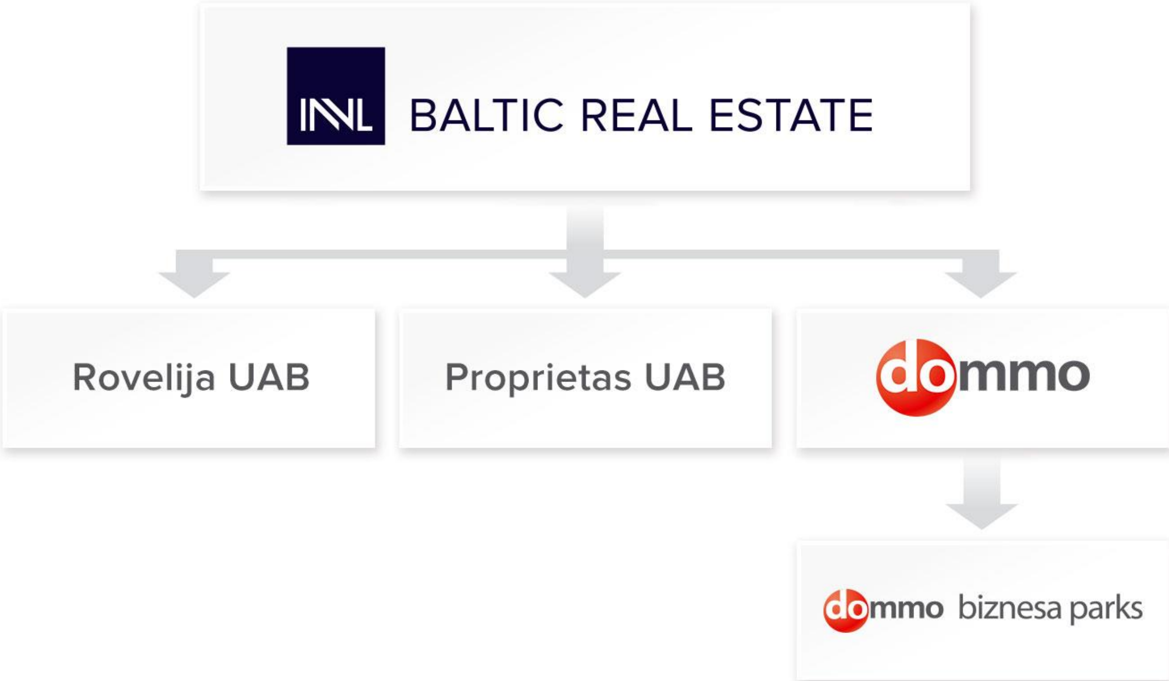


Fig. 2.3.1. Simplified group structure of INVL Baltic Real Estate as of 31 December 2016.

2.3.1. REAL ESTATE OBJECTS OWNED BY GROUP COMPANIES IN VILNIUS (LITHUANIA)

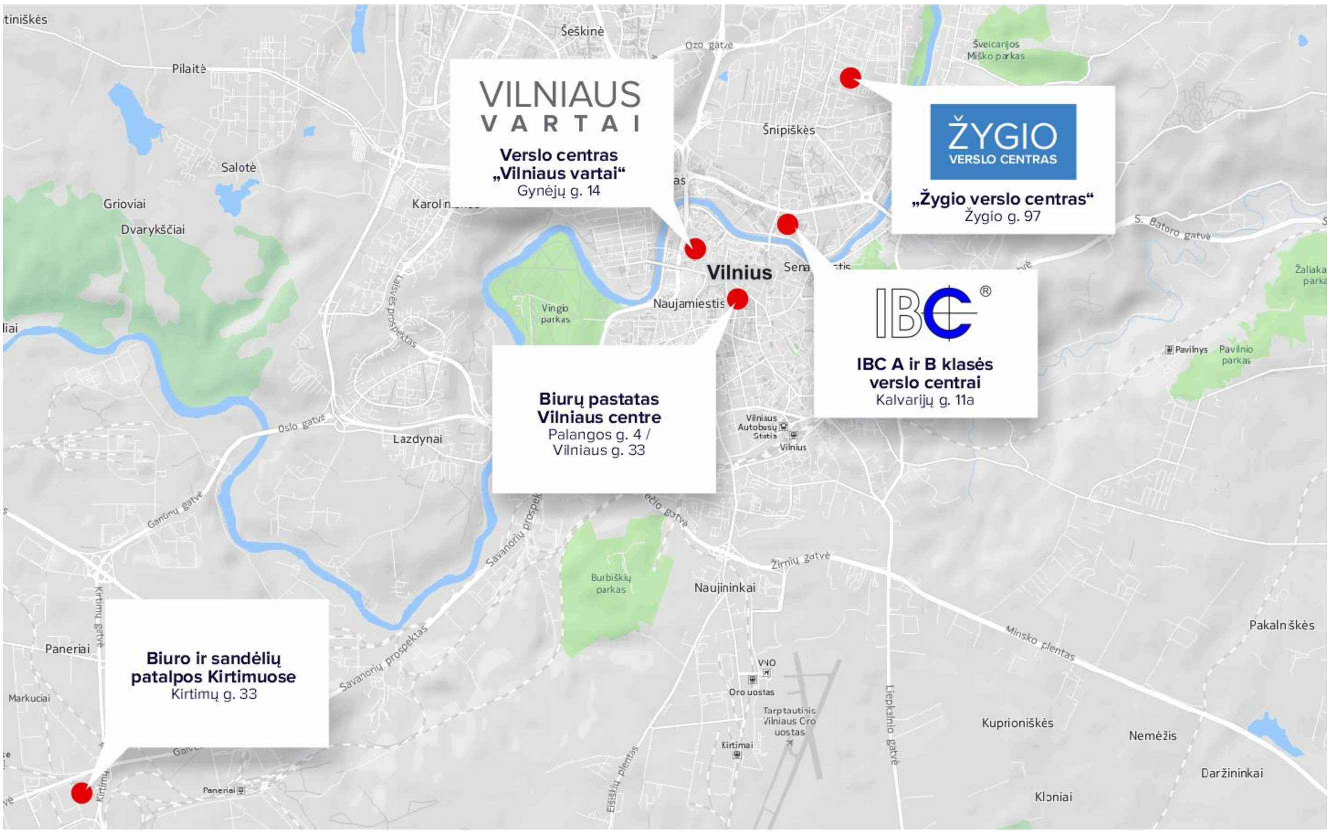


Fig. 2.3.2. Real estate objects owned by group companies of INVL Baltic Real Estate in Vilnius (Lithuania)

INVESTMENTS IN REAL ESTATE

VILNIUS GATES BUSINESS CENTRE

AREA 8,100 SQ.M.

Vilnius Gates is an excellent choice for those who value the chance to work in the very centre of the capital city, right beside Vilnius's main street – Gedimino Avenue – and one of the city's key transport arteries – Geležinio Vilko Street.

Renovated and reorganised, this business centre in an exclusive urban area is now even more luminous and convenient. Flexible planning of space and the option of a separate entrance just for your company ensure a sense of comfort and distinctiveness.

INVL Baltic Real Estate owns two floors of premises in this complex – they start from the playful inverted glass frustum edifice with a restaurant on the ground floor and continue along Gynėjų Street, also including 55 parking spaces in the underground car park. The company acquired these premises in late 2015.

The full Vilnius Gates complex comprises more than 53 000 sq. m. of varied-use premises, making it a highly attractive location for restaurants and providers of healthcare, fitness and other services. It's an ideal setting for service centres, creative agencies, providers of financial and legal services, IT firms and startups.

Currently, the building design is completed and the building conversion works are carried out.

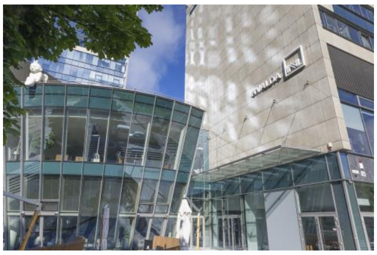
The main tenants located here: the offices of Invalda INVL, one of the leading asset management groups in the Baltics; Rise Vilnius, which is a purpose-built workspace for the FinTech community; restaurant Stebuklai; Go Vilnius; Swedbank and others. Find out more about the premises INVL Batlic Real Estate owns in the Vilnius Gates complex at www.vvartai.lt.

Occupancy at the end of 2016 - 39%.

Address: Gyneju str. 14, Vilnius.

Basic information

Total area	**8,100 sq. m**
Leased area	**6,400 sq. m**
Land area	**0.26 ha**
Property market value at the end of 2016	**EUR 10.9 million**



IBC class A and B business centres at Seimyniskiu str. 1a, Seimyniskiu str. 3, A.Juozapaviciaus str. 6, Slucko str. 2 in Vilnius

IBC Business Centre – 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 CENTRE

AREA 11,400 SQ.M.

IBC Class A business centre consists of two buildings, in which about 7,100 sq. m. are being leased (the total area of buildings – 11,400 sq. m).

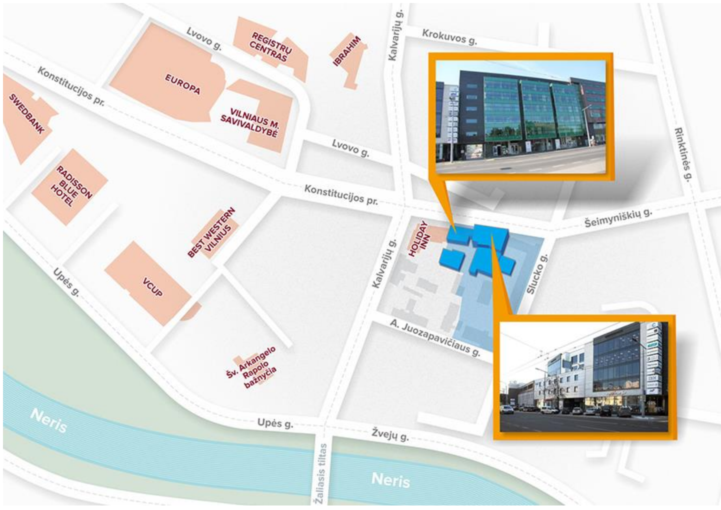
The centre owns 250 spots parking lot in the protected courtyard, also in the two-storey covered and underground garages.

IBC Business Centre is being constantly developed, more and more services are offered each year.

Main tenants: IBM Lietuva, UAB, Šiaulių bankas, AB, Amber Food, UAB, Drogas, UAB, Sportland, UAB.

Occupancy at the end of 2016 - 96%.

Address: Seimyniskiu str. 1a, Seimyniskiu str. 3, Juozapaviciaus str. 6, Vilnius.



Block F basic information

Total area	**4,500 sq. m**
Leased area	**3,800 sq. m**
Land area	**1.47 ha (total area of the IBC complex)**
Property market value at the end of 2016	**EUR 6.0 million**

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 at the end of 2016	**EUR 6.0 million**

„IBC" CLASS B BUSINESS CENTRE

AREA 11,300 SQ.M

IBC Class B business centre consists of 4 buildings, in which about 10,600 sq. m of different purpose premises are being leased (the total area of buildings – 11,300 sq. m). The centre owns 200 spots parking lot in the protected courtyard.

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

Main tenants: Sanofi-aventis Lietuva, ACNielsen Baltics, BAIP, State data protection inspectorate, Sandoz Pharmaceuticals.

Occupancy at the end of 2016 - 96%.

Address: Seimyniskiu str. 3, Seimyniskiu str. 3a, Juozapaviciaus str. 6, Slucko str. 2, Vilnius.

Block A basic information	
Total area	**2,100 sq. m**
Leased area	**1,900 sq. m**
Land area	**1.47 ha (total area of the IBC complex)**
Property market value at the end of 2016	**EUR 2.1 million**

Block B basic information	
Total area	**7,400 sq. m**
Leased area	**7,200 sq. m**
Land area	**1.47 ha (total area of the IBC complex)**
Property market value at the end of 2016	**EUR 6.6 million**

Block C basic information	
Total area	**200 sq. m**
Leased area	**200 sq. m**
Land area	**1.47 ha (total area of the IBC complex)**
Property market value at the end of 2016	**EUR 0.2 million**

Block D basic information	
Total area	**1,600 sq. m**
Leased area	**1,300 sq. m**
Land area	**1.47 ha (total area of the IBC complex)**
Property market value at the end of 2016	**EUR 1.3 million**

OFFICE BUILDING IN THE CENTRE OF VILNIUS

AREA 9,800 SQ.M.

Business centre 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 centre, 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.

Occupancy at the end of 2016 - 98%.

Address: Palangos str. 4/ Vilniaus str. 33, Vilnius.

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 at the end of 2016	**EUR 4.4 million**

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 at the end of 2016	**EUR 3.2 million**

„ŽYGIS BUSSINESS CENTRE

AREA 3,200 SQ.M.

Zygio business centre – the yellow brick, authentic nineteenth century architecture, renovated office building, perfectly adapted to modern office activities.

The building stands in the Northern Town – in a strategically attractive, busy part of Vilnius, easily accessible by car and public transport.

Other commercial and business centres, 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 centres – Domus Gallery, Parkas, Hyper Rimi, Banginis-Senukai, are located near the business centre. Distance to the centre of Vilnius is about 3.5 km. 70 spots covered parking lot is installed next to the building.

Occupancy at the end of 2016 - 100%.

Address: J. Galvydžio str. 7 / Žygio str. 97, Vilnius.

Basic information

Total area	**3,200 sq. m**
Leased area	**2,600 sq. m**
Land area	**0.6 ha**
Property market value at the end of 2016	**EUR 2.5 million**

OFFICE AND WAREHOUSE PREMISES IN KIRTIMAI

AREA 3,000 SQ.M.

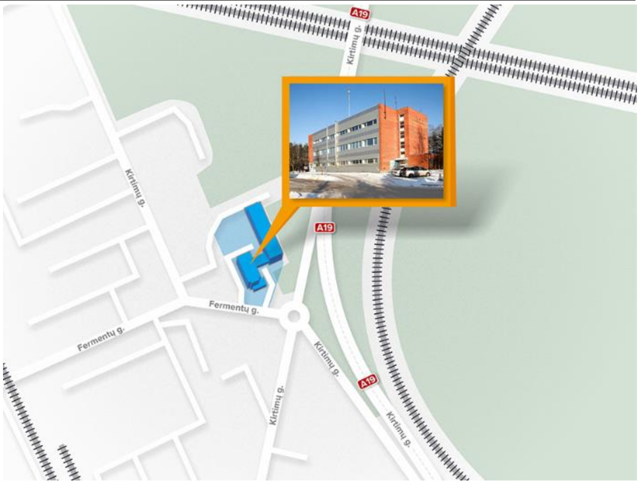
Administrative buildings and warehouses are in a strategically convenient location, in respect to storage/manufacturing, in the industrial area, the southwestern part of Vilnius, Kirtimų Street.

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.

Occupancy at the end of 2016 - 94%.

Address: Kirtimu str. 33, Vilnius.



Basic information	
Total area	**3,000 sq. m**
Leased area	**2,500 sq. m**
Land area	**0.67 ha**
Property market value at the end of 2016	**EUR 0.8 million**

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

The house borders with IBC complex area owned by INVL Baltic Real Estate. Rovelija, which is owned by INVL Baltic Real Estate, owns all apartments located in this building.

Basic information	
Total area	**276 sq.m**
Property market value at the end of 2016	**EUR 0.35 million**

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 COMPLEX

AREA 12,800 SQ.M.

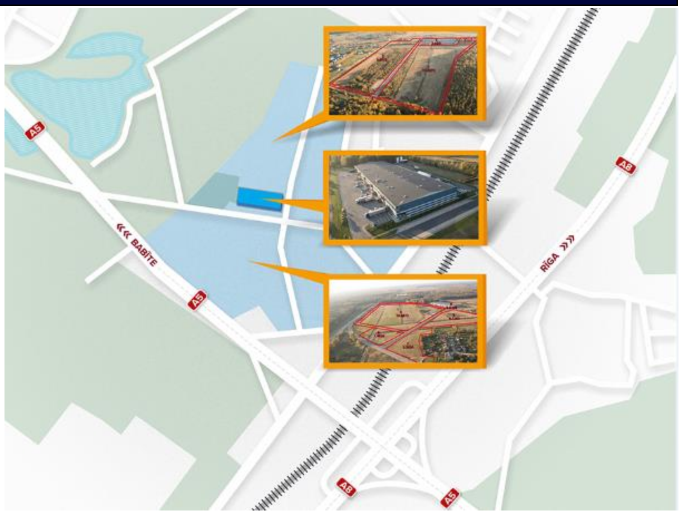
Dommo Business Park manufacturing/warehouse and office premises complex in Latvia.

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

The area is suitable for the development of logistics centres.

Occupancy at the end of 2016 - 80%.

Address: Stūnyši, Olaines region.



Basic information

Total area	**12,800 sq. m**
Leased area	**12,800 sq. m**
Land area	**58.21 ha**
Property market value at the end of 2016	**EUR 8.05 million**

II. FINANCIAL INFORMATION AND SIGNIFICANT EVENTS

3 Overview of the Issuer and its group activity

3.1. Comment made by INVL Asset Management real estate fund manager Vytautas Bakšinskas

INVL Baltic Real Estate consolidated net operating income from its own facilities in 2016 amounted to EUR 2.3 million or 16 percent more than in 2015 (EUR 2.0 million). INVL Baltic Real Estate consolidated revenue in 2016 amounted to EUR 6.29 million or 10.5 percent more than in 2015 (EUR 5.694 million), from them consolidated rental income from their own objects increased by 21.5 percent to EUR 3.6 million.

We were working intensively in 2016 in order to redesign and lease out the space of 6500 square metres in the property most recently purchased by the company – the Vilnius Gates Business Centre. Contract works of the first phase of the redesigning were completed in September 2016 and the technical design works of the second phase – in December 2016. We are pleased that this work yielded results at the end of the year already – tenancy contracts for the premises for more than 2750 square metres were signed and the occupancy of the Vilnius Gate Business Centre will reach 80 per cent at the beginning of 2018, according to the tenancy contracts signed at the end of 2016.

The last year was particularly successful for the IBC Business Centre – the largest asset facility managed by INVL Baltic Real Estate. Not only a high level of occupancy has been retained and performance results have been improved but also all the main negotiations undertaken in 2016 on the extension of tenancy contracts have been successfully completed.

Other facilities operated by INVL Baltic Real Estate also showed high occupancy indicators and improving performance results in 2016. We are delighted that our clients stay loyal and trust INVL Baltic Real Estate as a reliable and long-term partner and we will make every effort to retain this trust.

In 2016, INVL Baltic Real Estate offered an opportunity to invest into the company with a valuable diversified real estate portfolio by issuing a new share emission of EUR 9 million. A closed-end investment company license has been obtained. With this license, INVL Baltic Real Estate operates as an investment fund with the duration of activities of 30 years. The properties operated by INVL Baltic Real Estate are located in highly attractive locations in the central part of Vilnius, which gives a competitive advantage over newer but outlying business centres. The rapidly growing demand for business centres promises not only an increasing competition for existing and potential property tenants but also decreasing occupancy indicators, however, we are certain that our professional and long-term relations with tenants and exclusive characteristics of the facilities operated will help not only retain high occupancy indicators but also further improve performance results.

3.2. Operational environment

In 2016, Vilnius demonstrated the highest level of activity in the business centre segment. The year 2016 saw the opening of five new business centres which supplemented the market with an area of 86,200 sq.m. available for lease. During 2016, the total vacancy rate in Vilnius grew from 3.4 % to 4.8 % and available space grew in all the segments.

Furthermore, the construction projects of at least another ten business centres were implemented. During 2017, new business centres will supplement the market with an area of approx. 78,400 sq.m. of leasable space, around 25–40 % of which will probably be still available for lease as of the opening date; therefore, the vacancy rate could jump up to 8–12 % or even more at the end of 2017. Despite the strong demand for modern business centres remaining in the capital, so many new premises will undoubtedly increase the vacancy rates and competition among their managers; therefore, the growth in rent rates over the next two years is hardly likely, and tenants can expect to receive various discounts or free services generating the value added.

During 2016, two new business centres with an area of 4,100 sq.m. were opened in Kaunas. At the end of the year, the available floor space ratio dropped by almost 1% and stood at 3.7% in the provisional capital, compared to the respective period in 2015. During 2017–2018, the total area of 69,080 sq.m. will be offered for lease in Kaunas; therefore, it is likely that vacancy will increase up to 5 – 10 % at the end of 2017.

In 2016, a business centre with an area of 2,000 sq.m. was opened in Klaipėda. At the end of 2016, the total vacancy rate in the port city stood at 11.9 % and declined by 0.3 % during the year. The opening of a new business centre which will supplement the market with an area of 2,000 sq.m. is scheduled in Klaipėda for 2017.

In 2016, rent rates in the major cities have remained stable. In Vilnius, the strong demand reduced the amount of available space on the market and increased the preconditions for rental price growth in the first half of the year. However, in the second half of 2016, the vacancy rate grew as the active development of business centres offered more leasable space to the market, and this increased competition between the lessors and amortised the potential price growth. In Kaunas, the strong demand remained for the entire year, whereas the vacancy level was minimal, and therefore, the prices grew by approx. 3–5 % within the year. In 2016, there was too much leasable space in Klaipėda even to consider the probability of rental price growth. In 2017, the rapidly growing demand for leasable space and competition in Vilnius and Kaunas will not allow for rental price growth, and in some segments, particularly in older B2 class offices, rent rates can slightly decline. In Klaipėda, the rent prices of modern offices should remain stable provided that there are no changes in the current situation.

In 2016, a minor vacancy decline was observed in the warehouse premises lease segment in the major cities of the country but only in Vilnius there is a merely few per cent of available space. Meanwhile, due to vacated premises and new development, the vacancy rate stood at 11–13 % in Kaunas and Klaipėda, and this is a serious signal that there is a surplus on the warehousing market in these cities, especially when a similar vacancy rate has existed for some time already.

The year 2016 saw the completion of two logistics centres in Vilnius (*Woodline*, 6,800 sq.m.) and Klaipėda (*VPA Logistics*, 17,500 sq.m.). In 2017, the construction projects of at least three logistics centres intended for lease in Vilnius are scheduled for completion. They will supplement the market with an area of approx. 30,000 sq.m.

In 2016, the vacancy rate on the Latvian warehousing and logistics market stood at around 5 %. During 2016, rental prices remained stable and varied from EUR 3.5 to 4.5 per sq.m. in A class centres located close to Riga.

Sources:
http://www.colliers.com/-/media/files/emea/latvia/research/2016/colliers_baltic_quarterly_report_3q16_final_sec.pdf
http://www.inreal.lt/file/6/3/7/2017_NT-rinkos-apzvalga_Inreal_SB_Cobalt_2017-02-07.pdf

3.3. Key figures of INVL Baltic Real Estate

EUR million	Group			Company		
	31.12.2014	31.12.2015	31.12.2016	31.12.2014	31.12.2015	31.12.2016
Managed common area	51,776 sq. m	59,876 sq. m	59,876 sq. m	38,700 sq. m.	46,800 sq. m.	46,800 sq. m
Managed rental area	42,076 sq. m	48,476 sq. m	48,476 sq. m	29,000 sq. m.	35,400 sq. m.	35,400 sq. m
The real estate value	33.85	51.75	52.41	33.33	43.20	43.96
Investments into subsidiaries (including loans granted to subsidiaries)	-	-	-	-	4.97	5.29
Carrying amount of the loans granted for companies in Latvia	4.11	-	-	-	-	-
Carrying amount of the loans granted for the Former Parent Company	-	-	-	1.33	-	-
Long-term prepayment under the sublease agreement	0.82	0.82	0.10	0.82	0.82	0.10
Cash	0.36	0.39	0.75	0.31	0.29	0.67
Other assets	0.47	1.55	1.95	0.47	1.39	1.78
Assets	**39.61**	**54.51**	**55.21**	**36.26**	**50.67**	**51.80**
Equity	14.49	18.59	31.07	11.16	17.67	30.36
Borrowings from credit institutions	15.29	17.75	21.60	15.29	14.84	18.92
Borrowings from Invalda INVL	5.21	6.86	-	5.21	6.86	-
Other payables	4.62	11.31	2.54	4.60	11.30	2.52
Total equity and liabilities	39.61	54.51	55.21	36.26	50.67	51.80
Total equity for one share	EUR 0.34	EUR 0.43	EUR 0.47	-	-	-

3.4. Results of INVL Baltic Real Estate

EUR million	Group			Company		
	29.04.2014 – 31.12.2014	01.01.2015 – 31.12.2015	01.01.2016 – 31.12.2016	29.04.2014 – 31.12.2014	01.01.2015 – 31.12.2015	01.01.2016 – 31.12.2016
Revenue	3.51	5.69	6.29	5.35	5.40	5.90
rental income from owned premises	*1.74*	*2.96*	3.60	*2.57*	*2.67*	3.21
rental income from subleased premises	*1.10*	*1.65*	1.59	*1.66*	*1.65*	1.59
other revenue	*0.67*	*1.08*	1.10	*1.12*	*1.08*	1.10
Investment property revaluation	0.04	2.17	0.15	0.09	2.17	0.30
Net operating income from owned properties	1.06	2.02	2.35	-	-	-
Profit before tax	0.50	4.58	0.49	0.60	3.75	0.69
Net profit	0.43	4.10	4.51	0.50	3.28	4.71
Earnings per share	EUR 0.01	EUR 0.09	EUR 0.07	EUR 0.01	EUR 0.08	EUR 0.08

3.5. Financial ratios

EUR million	Group			Company		
	2014	2015	2016	2014	2015	2016
Return on Equity (ROE), %	3.03	24.77	18.15	4.58	22.77	19.61
Return on Assets (ROA), %	1.09	8.70	8.22	1.37	7.55	9.19
Debt ratio	0.63	0.66	0.44	0.69	0.65	0.41
Debt – Equity ratio	1.73	1.93	0.78	2.25	1.87	0.71
Gearing ratio	0.58	0.57	0.40	0.64	0.55	0.38
Liquidity ratio	0.51	0.22	1.12	1.28	0.20	1.13
Pre-tax profit margin, %	14.21	80.44	7.79	11.15	69.46	11.71
Normalized operating profit, thousand EUR	704	1,678	1,703	984	1,481	1,458
Normalized operating profit margin, %	20.05	29.47	27.07	18.39	27.42	24.72
Net profit margin, %	12.30	71.94	71.65	9.34	60.76	79.84
Earnings per share (EPS), EUR	0.01	0.09	0.07	0.01	0.08	0.08
Price to earnings ratio (P/E)	30.00	4.0	5.54	-	4.50	4.85

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

3.6.1. Significant Issuer's events

- On 6 January INVL Baltic Real Estate announced about the disposal and acquisition of voting rights.
- On 13 January 2016 INVL Baltic Real Estate published the presentation of the new issue of shares for the investors.
- On 15 January 2016 INVL Baltic Real Estate announced decisions of the General Shareholders Meeting. During the meeting of the public joint-stock company INVL Baltic Real Estate the Shareholders approved the dividend policy and elected Egidijus Damulis, who replaced the resigned member Andrius Daukšas, to the Board of the company till the end of office of the current Board.

- On 27 January 2016 the company announced preliminary operating results and factsheet for 12 months of 2015. Unaudited consolidated net profit of the AB INVL Baltic Real Estate company group and the part of profit attributable to the shareholders of AB INVL Baltic Real Estate was EUR 4.1 million.
- On 29 January 2016 INVL Baltic Real Estate informed about the completed EUR 7.5 million transaction to acquire 6,500 square metres of commercial and office premises at the Vilnius Gates complex.
- On 2 March 2016 INVL Baltic Real Estate announced that has signed a market-making agreement with Šiaulių Bankas, which has undertaken to act as market maker for the company‘s shares to increase their liquidity.
- On 7 March 2016 INVL Baltic Real Estate announced the notification on the final number of allocated shares and allocation thereof.
- On 9 March 2016 INVL Baltic Real Estate informed that on 8 March 2016 the increased authorized capital of the Company and its new wording of Articles of Association has been registered with the Register of Legal Entities.
- On 14 March 2016 INVL Baltic Real Estate announced the received Notifications about acquisition and disposal of voting rights.
- On 18 March 2016 INVL Baltic Real Estate announced about the cost of Public Offering.
- On 5 April 2016 INVL Baltic Real Estate announced consolidated audited results of INVL Baltic Real Estate group of 2015. At the end of 2015, Audited consolidated net profit as well as consolidated net profit attributable to shareholders of INVL Baltic Real Estate amounted to EUR 4,096 thousand. The audited net profit of INVL Baltic Real Estate, AB for 2015 amounted to EUR 3,282 thousand.
- On 27 April 2016 AB INVL Baltic Real Estate, AB announced decisions of the General Shareholders Meeting. During the meeting the Shareholders were presented with the consolidated annual report of the Company and independent auditor's report on the financial statements, approved the consolidated and companies financial statements for 2015, approved the distribution of the profit of the Company and decided to purchase com. Information about convened General Shareholders Meeting was published on 5 April 2016.
- On 27 April 2016 AB INVL Baltic Real Estate announced the annual information (consolidated and Company’s financial statements, consolidated annual report) and the confirmation of responsible persons of INVL Baltic Real Estate for the year 2015.
- On 6 May 2016 the Board of INVL Baltic Real Estate applied to the Bank of Lithuania for issuance of the closed-end investment company license.
- On 10 May 2016 AB INVL Baltic Real Estate announced that an unaudited consolidated net profit for 3 months of 2016, the unaudited consolidated net profit of the AB INVL Baltic Real Estate group and the part of profit attributable to the shareholders of AB INVL Baltic Real Estate was EUR 341 thousand, the revenue was EUR 1,618 thousand.
- On 23 May 2016 AB INVL Baltic Real Estate announced information about the procedure for the payout of dividends for the year 2015.
- On 25 May 2016 INVL Baltic Real Estate, AB has received notification on the disposal of voting rights from the shareholder Lucrum investicija, UAB. An event changing the breakdown of voting rights - disposal of voting rights according to the shares sale-purchase agreement.
- On 12 August 2016 the company announced unaudited results of INVL Baltic Real Estate for 6 months of 2016. Unaudited consolidated net profit as well as consolidated net profit attributable to shareholders of the company amounted to EUR 591 thousand for 6 months of 2016 (for 6 months of 2015 consolidated net profit was EUR 436 thousand).
- On 3 November 2016 INVL Baltic Real Estate announced an unaudited results for 9 months of 2016: unaudited consolidated net profit as well as consolidated net profit attributable to shareholders of INVL Baltic Real Estate amounted to EUR 909 thousand for 9 months of 2016 (for 9 months of 2015 consolidated net profit was EUR 1,870 thousand).
- On 10 November 2016 INVL Baltic Real Estate announced decisions of the extraordinary General Shareholders Meeting. During the meeting of INVL Baltic Real Estate the Shareholders approved new wording of the Articles of Association and the Management Agreement of special closed-end type real estate investment company INVL Baltic Real Estate with the management company UAB INVL Asset Management. They also decided to select AB SEB bankas as a depository of the special closed-ended type real estate investment company INVL Baltic Real Estate and approved the Depository Services Agreement. The questions regarding the approval of the rules for formation and activities of the audit committee of special closed-end type real estate investment company INVL Baltic Real Estate, election of members of the audit committee and setting remuneration for the independent member of the audit committee were decided. Information about convened General Shareholders Meeting was published on 20 October 2016 and added with the alternative draft decisions on issues of the agenda on 4 November 2016.
- On 11 November 2016 INVL Baltic Real Estate has signed a management agreement with INVL Asset Management and an agreement on depository services with SEB bankas.
- On 11 November 2016 INVL Baltic Real Estate announced that on 10 November 2016 the Register of Legal Entities has registered Articles of Association of the special closed-ended type real estate investment company INVL Baltic Real Estate.

- On 11 November 2016 INVL Baltic Real Estate informed that the powers of the Management Board of INVL Baltic Real Estate have terminated on 10 November 2016 due to the registration of the Articles of Association of a special closed-end type real estate investment company INVL Baltic Real Estate.
- On 14 November 2016 INVL Baltic Real Estate announced the received notifications on the disposal of voting rights of the former Board members: Alvydas Banys, Indrė Mišeikytė and Egidijus Damulis. An event changing the breakdown of voting rights - disposal of voting rights due to change of the legal form of the issuer.
- On 21 December 2016 INVL Baltic Real Estate provided a request to suspend trading in shares of INVL Baltic Real Estate in NASDAQ Vilnius Stock Exchange from 22 of December 2016 until the prospectus will be approved by the Central Bank of the Republic of Lithuania.
- On 22 December 2016 INVL Baltic Real Estate announced that the Central Bank of the Republic of Lithuania granted special closed-ended type real estate investment company INVL Baltic Real Estate the license of closed-ended type investment company providing a right to carry–out activities of the closed-ended type investment company according to the Lithuanian Law on Collective Investment Undertakings.
- The investors' calendar for 2017 was announced on 28 December 2016: 20 March 2017 – notice on convocation of the ordinary general shareholders meeting, draft resolutions for the convened general shareholders meeting; 11 April 2017 – resolutions of the general shareholders meeting and an audited annual information for 2016; 28 April 2017 – Net Asset Value and Preliminary operating results for 3 months of 2017; 16 August 2017 - Net Asset Value and Interim information for 6 months of 2017; 30 October 2017 – Net Asset Value and Preliminary operating results for 9 months of 2017.
- On 29 December 2016 INVL Baltic Real Estate announced an approved prospectus of share admission of INVL Baltic Real Estate to trading on regulated market.

3.6.2. Sigificant group's events

There were no important events in the activities of the real estate companies in 2016. The companies performed usual activity during the reporting period.

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

- On 10 February 2017 it was announced that Egidijus Damulis will leave the investment committee for the real estate investment company INVL Baltic Real Estate, which is managed by INVL Asset Management, as of 13 February this year. Vytautas Bakšinskas and Andrius Daukšas will continue on the committee.

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

5.1. Evaluation of implementation of goals for 2016

INVL Baltic Real Estate managed to implement its main goals during 2016: a new share emission of EUR 9 million was successfully issued, the licence of closed-ended type investment company has been received, the management of the Company has been transferred to INVL Asset Management. The Company managed to improve its operating results and to complete the planned restructuring works of Vilnius Gates business centre.

5.2. 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 and cost optimisation. . Features of the managed assets of INVL Baltic Real Estate make it reasonable to expect continuous growth in the value of assets.

III. INFORMATION ABOUT SECURITIES

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

The Articles of Association of INVL Baltic Real Estate 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).
During the reporting period the Articles of Association were amended twice:

- On 8 March 2016 wording of Articles of Association has been registered with the Register of Legal Entities, which entered into force after the new share issue placement. The wording of this Articles of Association was approved by the General shareholders meeting held on 28 October 2015.
- On 10 November 2016 the Register of Legal Entities has registered Articles of Association of the special closed-ended type real estate investment company INVL Baltic Real Estate. The wording of this Articles of Association was approved by the General shareholders meeting held on 10 November 2016.

Actual wording of the Articles of Association is dated as of 10 November 2016, which entered into force after the new share issue placement. The Articles of Association are available on the company's website.

7 Structure of the authorized capital

7.1. Share capital changes

Table 7.1. Structure of INVL Baltic Real Estate authorised capital as of 31 December 2016.

Type of shares	Number of shares, units	Total voting rights granted by the issued shares, units	Nominal value, EUR	Total nominal value, EUR	Portion of the authorised capital, %
Ordinary registered shares	65,750,000	65,750,000	0.29	19,067,500	100

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

7.2. Information about the Issuer's treasury shares

INVL Baltic Real Estate or its portfolio companies 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.

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

8.1. table. Main characteristics of INVL Baltic Real Estate, AB shares admitted to trading

Shares issued, units	65,750,000
Shares with voting rights, units	65,750,000
Nominal value, EUR	0.29
Total nominal value, EUR	19,067,500
ISIN code	LT0000127151
Name	INR1L
Exchange	NASDAQ Vilnius
List	Baltic Secondary list
Listing date	04.06.2014
Included into indexes	B8000GI, OMX BALTIC FINANCIALS GI, (SE0004384154) B8000PI, OMX BALTIC FINANCIALS PI, (SE0004384444) B8600GI, OMX BALTIC REAL ESTATE GI, (SE0004384188) B8600PI, OMX BALTIC REAL ESTATE PI, (SE0004384477) OMXBGI, OMX_BALTIC_GI, (SE0001849977) OMXBPI, OMX_BALTIC_PI, (SE0001849985) OMXVGI, OMX VILNIUS_GI, (LT0000999963)

Company has signed a market-making agreement with Šiaulių bankas, AB on 1 March 2016.

Table 8.2. Trading in the company's shares on NASDAQ Vilnius

Reporting period	Price, EUR			Turnover, EUR			Last trading date	Total turnover	
	high	low	last	high	low	last		units	EUR
2014 2nd Q*	2.500	1.900	1.900	1,330	8	160	30.06.2014	2,357	4,651
2014 3rd Q	1.900	1.820	1.830	1,721	1.84	0	30.09.2014	6,758	9,992
2014 4th Q	1.840	1.830	1.840	1,993	1.83	0	20.12.2014	6,804	8,005
2015 1st Q	1.900	1.840	1.860	1,890.56	3.7	0	31.03.2015	4,552	8,398.7
2015 2nd Q	1.910	1.600	1.890	1,017.5	5.67	32.13	30.06.2015	5,894	10,965.52
2015 3rd Q	1.900	0.200	0.200	1,211.49	3.78	0	30.09.2015	3,127	4,863.44
2015 4th Q	0.390	0.315	0.360	2,526.51	25.16	511.92	30.12.2015	41,254	14,135.72
2016 1st Q	0.447	0.390	0.405	6,062.45	71.38	799.49	31.30.2016	143,323	58,066.95
2016 2nd Q	0.417	0.380	0.390	5,534.83	4.03	1,167.14	30.06.2016	89,786	35,761.02
2016 3rd Q	0.413	0.381	0.402	5,959.64	6.11	0	30.09.2016	158,675	64,033.03
2016 4th Q	0.400	0.388	0.388	6,786.26	35.97	1,159.57	30.12.2016	99,641	39,314.25

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

Table 8.3. Trading in INVL Baltic Real Estate shares 2014* – 2016

	2014*	2015	2016
Share price, EUR:			
open	0.326	0.300	0.399
high	0.407	0.380	0.447
low	0.297	0.200	0.380
medium	0.304	0.333	0.401
last	0.300	0.360	0.388
Turnover, units	15,919	54,827	491,425
Turnover, EUR	22,947.85	38,363.38	197,175.25
Traded volume, units	125	170	382

** The data is provided since 4 June 2014, from the beginning of the listing of the Former Parent Company in the Stock Exchange. For 2014-2015 the share price was adjusted due to the Reorganization.*

8.4. Table. Capitalisation 2014* - 2016

Last trading date	Number of shares having voting rights, units	Last price, EUR	Capitalisation, EUR
30.06.2014	7,044,365	1.900	13,384,294
30.09.2014	7,044,365	1.830	12,891,188
30.12.2014	7,044,365	1.840	12,961,632
31.03.2015	7,044,365	1.860	13,102,519
30.06.2015	7,044,365	1.890	13,313,850
30.09.2015*	43,226,252	0.200	8,645,250
30.12.2015	43,226,252	0.360	15,561,451
31.03.2016**	65,750,000	0.405	26,628,750
30.06.2016	65,750,000	0.390	25,642,500
30.09.2016	65,750,000	0.402	26,431,500
30.12.2016	65,750,000	0.388	25,511,000

** 17 August 2015 the Company was merged by its parent company, therefore the capital share significantly changed*
*** Share capital increased after the new share issue placement on 8 March 2016*

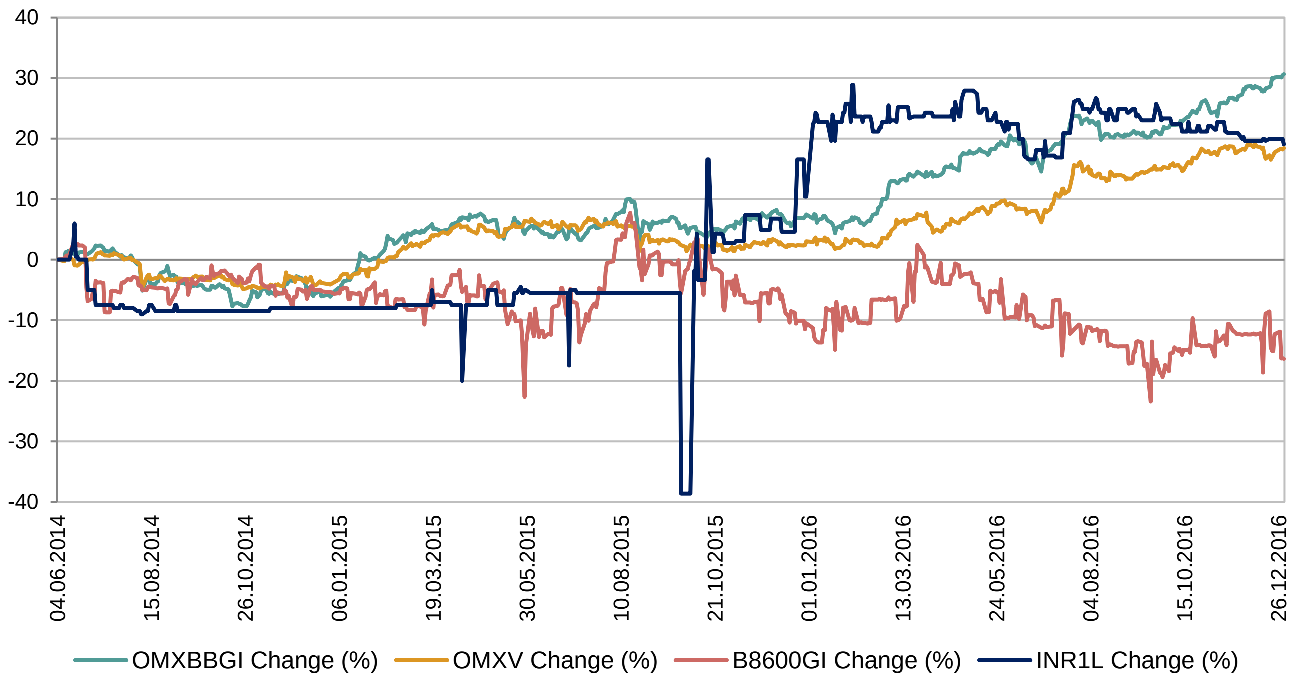


Fig. 8.1. INVL Baltic Real Estate change of share price and indexes[1]

[1] OMX index is an all-share index which includes all the shares listed on the Main and Secondary lists on the NASDAQ Vilnius with exception of the shares of the companies where a single shareholder controls at least 90% of the outstanding shares. The OMX Baltic Real Estate GI index is based on the Industry Classification Benchmark (ICB) developed by FTSE Group (FTSE).

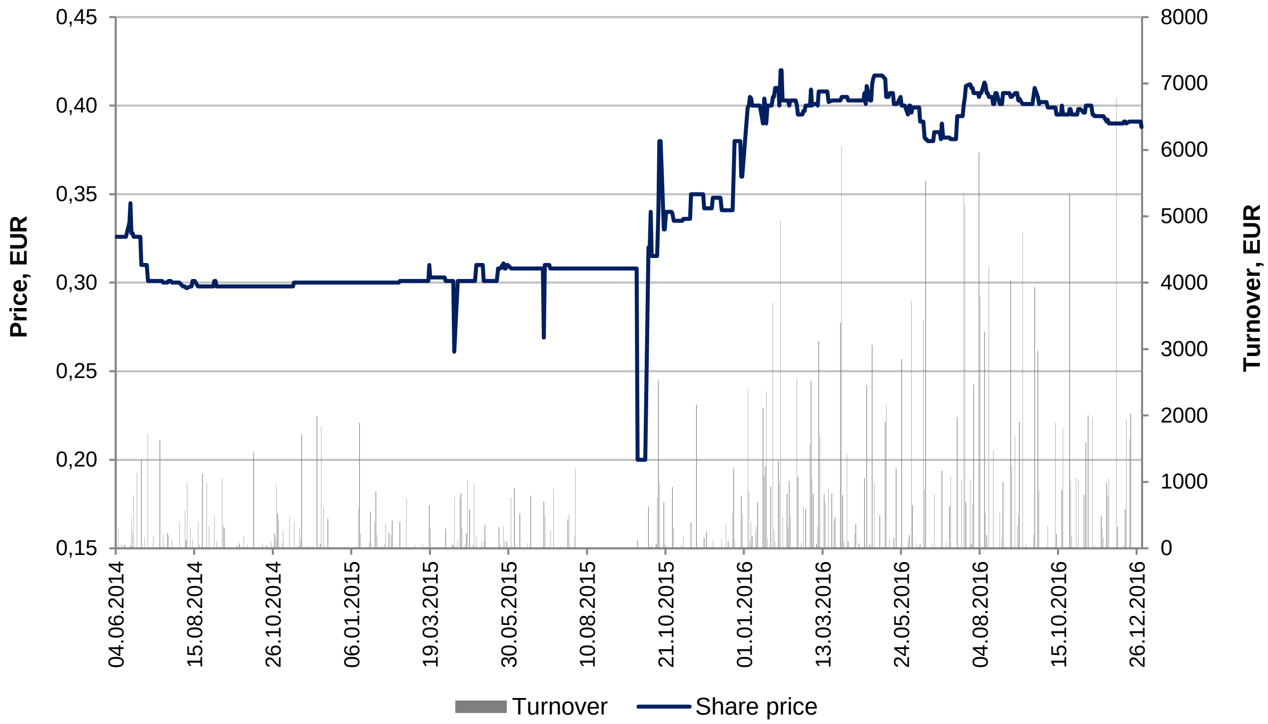


Fig. 8.2. Change of share price of INVL Baltic Real Estate and turnover

9 Shareholders

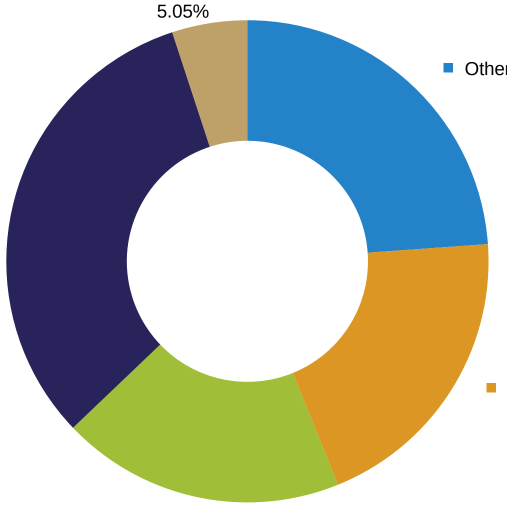
9.1. Information about company‘s shareholders

The total number of shareholders in INVL Baltic Real Estate was 3,694 on 31 December 2016. There are no shareholders entitled to special rights of control.

9.1.1. table. Shareholders who held title to more than 5% of INVL Baltic Real Estate authorised capital and/or votes as of 31 December 2016.

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	13,158,474	20.01	20.01	0	20.01
Irena Ona Mišeikienė	12,492,979	19.00	19.00	0	19.00
Invalda INVL, AB code 121304349, Gynėjų str. 14, Vilnius	21,089,449	32.08	32.08	0	32.08
Alvydas Banys	3,318,198	5.05	5.05	20.01[2]	25.06

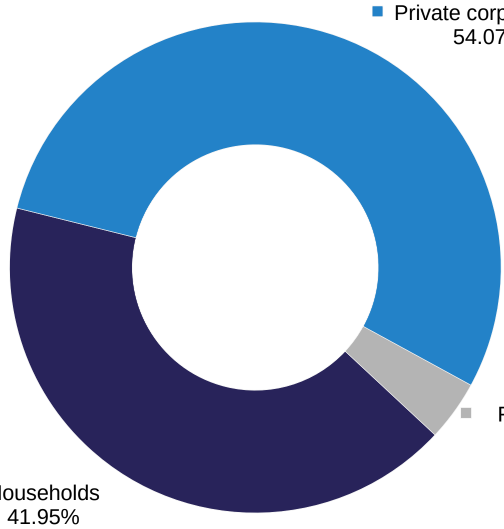
[2] *According to section 1 item 6 of article 24 of the Law on Securities of the Republic of Lithuania, Alvydas Banys is considered to hold the voting rights of the controlled company UAB LJB Investments.*



9.1.1. Fig. Votes as of 31 December 2016.

9.1.2. Table. Distribution of securities by investors' groups as of 31 December 2016

Investors	Shareholders		Share of votes given by the owned shares	
	Amount	Part, %	Amount	Part, %
Households	3,671	99.38	27,582,404	41.95
Private corporations	16	0.43	35,547,949	54.07
Financial institutions and insurance corporations	7	0.19	2,619,647	3.98
Total	**3,694**		**65,750,000**	



9.1.2. Fig. Distribution of securities by investors' groups as of 31 December 2016

9.1.3. Table. Distribution of securities by countries as of 31 December 2016

Regions	Shareholders		Share of votes given by the owned shares	
	Amount	Part, %	Amount	Part, %
Lithuania	3,640	98.54	64,672,127	98.36
Other EU members	36	0.97	1,058,820	1.61
Non- EU countries	18	0.49	19,053	0.03
Total	**3,694**		**65,750,000**	

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 Lithuanian Law on Companies, if the Company proves that the shareholder knew or should have known thereof.

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

10 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 Lithuanian Law on Personal Income Tax and the Lithuanian Law on Corporate Income Tax, 15 % tax is applied to the dividends since 2014. The company is responsible for calculation, withdrawn and transfer (to the benefit of the State) of applicable taxes[3].

INVL Baltic Real Estate on 15 January 2016 approved a dividend policy which stipulates the yearly payment of dividends per share of no less than EUR 0.012, which is equal to 3% of the offering price.

On 27 April 2016, the General Shareholders Meeting of INVL Baltic Real Estate decided to allocate EUR 0.012 dividend per share.

Dividends were allocated to the shareholders, who at the end of the tenth business day following the day of the General Shareholders Meeting that adopted a decision on dividend payment, i.e. on 11 May 2016 were shareholders of INVL Baltic Real Estate.

On 23 May 2016 INVL Baltic Real Estate announced that the company will start to allocate dividends from 26 May 2016. Dividends were allocated to those shareholders of the company, who has provided existing bank accounts.

10.1. Table. Indexes related with shares

Company's	2014	2015	2016
Net Asset Value per share, EUR	0.34	0.43	0.47
Price to book value (P/Bv)	0.88	0.84	0.83
Dividend yield	-	-	3.1
Dividends/ Net profit	-	-	0.18

**https://bre.invl.com/lit/en/for-investors/reports/formulas-of-performance-indicators*

IV. ISSUER'S MANAGING BODIES

11 Structure, authorities, the procedure for appointment and replacement

At the beginning of the reporting period the governing bodies of INVL Baltic Real Estate were: the General Shareholders' Meeting, sole governing body – the director and a collegial governing body – the Board. The Supervisory Board was not formed.

The powers of the Management Board of INVL Baltic Real Estate have terminated on 10 November 2016 due to the registration of the Articles of Association of a special closed-ended type real estate investment company INVL Baltic Real Estate. The director of the company continued to operate until the Bank of Lithuania issued the closed-ended type investment company license.

The management of INVL Baltic Real Estate was transferred to the management company INVL Asset Management on 22 December 2016 as soon as the Central Bank of the Republic of Lithuania granted special closed-ended type real estate investment company INVL Baltic Real Estate the license of closed-ended type investment company. The rights and duties of the Board and the head of the Company were also transferred to the Management Company.

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

11.1. General Shareholders' Meeting

11.1.1. Powers of the General Shareholders' Meeting

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

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

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

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

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

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

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

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

The right to initiate convocation of the meeting shall be vested in the Management Company and Shareholders, Shares owned by which carry at least 1/10 of all the votes in the general meeting of Shareholders.

The convocation of a general meeting of Shareholders shall be organised by the Management Company.

The Management Company must present its recommendations on draft decisions on issues indicated in Articles of Association hereof together with the announced draft decisions proposed by the Management Company. In case draft decisions are proposed not by the Management Company but by Shareholders, the Management Company must, no later than within 5 (five) Business Days after presentation of such a draft decision to the Company, prepare a relevant recommendation and announce it in the manner in which draft decisions are announced. In any case recommendations of the Management Company regarding all draft decisions on relevant issues of the agenda must be announced no later than 3 (three) Business Days until the date of the general meeting of Shareholders.

In case the general meeting of Shareholders takes a decision not following the recommendations given by the Management Company, the Management Company shall not be responsible if such decisions violate requirements for management of the Company or there are other negative consequences.

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 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.

There was 3 (three) General Shareholders Meetings of INVL Baltic Real Estate during the 2016.

The General Shareholders Meeting was held on 15 January 2016. During this meeting the Shareholders approved the Dividend payment policy and decided to elect Egidijus Damulis instead of the resigned member Andrius Daukšas to the Board of INVL Baltic Real Estate till the end of the term of the Board.

The General Shareholders Meeting was held on 27 April 2016. During this meeting the Shareholders were presented with the consolidated annual report of the Company and independent auditor's report on the financial statements, approved the consolidated and companies financial statements for 2015, distribution of the profit of the Company, made decisions regarding the change of INVL Baltic Real Estate share capital and par value of its shares.

Extraordinary Shareholders Meeting of INVL Baltic Real Estate was held on 10 November 2016. During this meeting the Shareholders approved new wording of the Articles of Association and the Management Agreement of special closed-end type real estate investment company INVL Baltic Real Estate with the management company UAB INVL Asset Management. They also decided to select AB SEB bankas (code 112021238, registered office address Gedimino av. 12, Vilnius, Republic of Lithuania) as a depository of the special closed-ended type real estate investment company INVL Baltic Real Estate and approved the Depository Services Agreement. The questions regarding the approval of the rules for formation and activities of the audit committee of special closed-end type real estate investment company INVL Baltic Real Estate, election of members of the audit committee and setting remuneration for the independent member of the audit committee were decided.

11.2. The Board

11.2.1. 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.

11.2.2. Procedure of work of the Board

Each Member of the Board actively participated in the Meetings of Board and devoted sufficient time and attention to perform his duties as the Member of the Board. 14 meetings of the Board of the company have been held in 2016. Avydas Banys attended all the Meetings of the Board personally. Indrė Mišeikytė attended all the Meetings of the Board personally. Egidijus Damulis attended all the Meetings of the Board: one of which attended by distance.

General Shareholders Meeting elected the Board of the company for 4 (four) years term of office on 10 August 2015. Till 3 January 2016 the Board consisted of Chairman of the Board Alvydas Banys and members of the Board Indre Miseikytė and Andrius Dauksas. This Board was also the Board of the Former Parent Company before the reorganization. Since 15 January 2016 the Board consisted of Alvydas Banys, Indre Miseikytė and Egidijus Damulis, who was elected as a Board member till the end of the office of the current Board by the General Shareholders Meeting held of 15 January 2016. The powers of the Management Board of INVL Baltic Real Estate have terminated on 10 November 2016 due to the registration of the Articles of Association of a special closed-ended type real estate investment company INVL Baltic Real Estate.

11.3. 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.

In the period starting with registration of Articles of Association and lasting till Supervisory Authority will grant license to the Company INVL Baltic Real Estate had a sole management body – director. During aforementioned period the director had a right to individually enter into contracts on behalf of the Company, to authorize other persons to act on behalf of the Company and to perform other rights and obligations that are provided to the director of the Company in the respective laws. The Director also had all rights prescribed to the Management Company in the Articles of Association if such authority provided to the Director according to the applicable legislation.

On 22 December 2016 INVL Baltic Real Estate was granted the closed-ended type investment company license and the management of the Company was transferred to the management company INVL Asset Management which also carries the functions of the board and the manager.

11.4. Management company

Since the Central Bank of the Republic of Lithuania granted the license of closed-ended type investment company to INVL Real Estate, the management of the Company has been transferred to the Management Company, therefore, following the Law of the Republic of Lithuania on Collective Investment Undertakings, and the rights and duties of the Board and the head of the Company, as set in the Law of the Republic of Lithuania on Companies, have been transferred to the Management Company.

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

The Management Company has the right:

- to perform all actions of management bodies of the Company and other actions assigned to the competence of the Management Company according to effective legal acts and/or these Articles of Association;
- to get the Management Fee and the Performance Fee, as they are defined in the Articles of Association;
- to conduct and perform transactions in connection with management of the assets of the Company at the expense and in the interests of the Company;
- to make deductions from assets of the Company provided for in these Articles of Association;
- subject to approval of the general meeting of Shareholders, to instruct a company, having the right to provide relevant services, to perform some of its management functions;
- other rights established in these Articles of Association and legal acts of the Republic of Lithuania.

The Management Company must:

- act in a fair, correct and professional manner on the terms best for the Company and its Shareholders and in their interests and ensure integrity of the market;
- act carefully, professionally and prudently;
- have and use means and procedures necessary for its activities;
- have reliable administration and accounting procedures, electronic data processing control and security measures and a proper mechanism of internal control, including the rules on personal transactions in financial instruments conducted by employees of the Management Company and transactions in financial instruments conducted at the expense of the Management Company;

- ensure that documents of and information about taken investment decisions, conducted transactions would be kept for at least 10 years after the date of taking an investment decision, conduction of a transaction or performance of an operation, unless legal acts set a longer term of keeping documents;
- have such an organisational structure that would help to avoid conflicts of interest. When it is impossible to avoid conflicts of interest, the Management Company must ensure that Shareholders are treated fairly;
- ensure that persons taking decisions on management of the Company would have qualification and experience established by the Supervisory Authority, be of sufficiently good repute;
- ensure that assets of the Company would be invested according to the investment strategy set in these Articles of Association and requirements set in legal acts of the Republic of Lithuania;
- prepare the Prospectus, the key investor information document, annual and semi-annual reports under the procedure set by legal acts;
- perform other duties set in these Articles of Association and legal acts of the Republic of Lithuania.

The Company management agreement with the Management Company must be approved by the general meeting of Shareholders. A copy of the management agreement must be presented to the Supervisory Authority and the Depository.
The Management Company can be replaced by a decision of the general meeting of Shareholders of the Company.
The Management Company can be replaced by a decision of the general meeting of Shareholders in cases when:

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

The Management Company could be replaced after receipt of a prior permission of the Supervisory Authority.
The CEO, the Board and the Investment committee formed by a decision of the Board are acting to ensure the management of INVL Baltic Real Estate in the Management Company.

The CEO of the Management Company is Darius Šulnis, the managing director INVL Asset Management.

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

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

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

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

For the sake of efficiency of the Company's activities and control over its investments, an Investment Committee is being formed by a decision of the Board of the Management Company. The Investment Committee (hereinafter – the IC) of Management Company for the closed-end investment company INVL Baltic Real Estate is the collegial investment and management decision-making body responsible for adopting decisions regarding the management of the Managed Company's assets and representing and protecting the Managed Company's interests.

The Investment Committee shall consist of 3 (three) members, representatives of the Management Company (employees, members of management bodies of the Management Company, other persons appointed by a decision of the Board of the Management Company) shall be appointed to their positions. Members of the Investment Committee shall be appointed by a decision of the Management Company. Members of the Investment Committee shall be appointed and removed from office by the Board of the Management Company. An approval of the Investment Committee must be obtained for all investments of the Company and for their sale.

The procedure of formation, responsibilities, functions of the Investment Committee, decision-making procedure and other procedures of the Investment Committee shall be set in the regulations of the Investment Committee.

There are 2 members in the Investment committee at the moment, appointed from the representatives of the Management Company: Vytautas Bakšinskas, Andrius Daukšas. Members of the Investment Committee shall be appointed by a decision of the Management Company. Members of the Investment Committee shall be appointed and removed from office by the Board of the Management Company. The procedure of formation, responsibilities, functions of the Investment Committee, decision-making procedure and other procedures of the Investment Committee shall be set in the regulations of the Investment Committee.

For the sake of efficiency of activities of the Company, an Advisory Committee may be formed by a decision of the Board of the Management Company. It is a collegial advisory body composed of representatives of the shareholders of the Management Company which is intended to advise the Investment Committee for the Company regarding the adoption of investment decisions.

The purpose of the Advisory Committee is to ensure having knowledge about investments objects, into which the Company's assets may be invested, and knowing their specifics. The Advisory Committee shall present its opinion and conclusions to the Investment Committee regarding investments of the Company.

The procedure of formation, responsibilities, functions of the Advisory Committee, decision-making procedure and other procedures of the Advisory Committee will be set in the regulations of the Advisory Committee.

The Advisory Committee is not formed at the moment.

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

12.1. THE ISSUER'S MANAGEMENT BODIES BEFORE THE ISSUE OF THE CLOSED-END TYPE INVESTMENT COMPANY LICENCE

General Shareholders Meeting elected Alvydas Banys, Andrius Dauksas and Indre Miseikyte to the Board of the company for 4 (four) years term of office on 10 August 2015. Till 3 January 2016 the Board consisted of Chairman of the Board Alvydas Banys and members of the Board Indre Miseikytė and Andrius Dauksas. This Board was also the Board of the Former Parent Company before the reorganization. Since 3 January 2016, the General Shareholders Meeting of 15 January 2016 elected Egidijus Damulis to the Board of the company till the end of office of the current Board. The powers of the Management Board of INVL Baltic Real Estate have terminated on 10 November 2016 due to the registration of the Articles of Association of a special closed-ended type real estate investment company INVL Baltic Real Estate.

The former board members were considered to be acting separately in the purpose of application of the Law of Securities of the Republic of Lithuania.

By the decision of the Board of INVL Baltic Real Estate, Andrius Daukšas was elected to the position of CEO of INVL Baltic Real Estate from 17 August 2015 and held this position till 3 January 2016. Andrius Daukšas also was the CEO of Former Parent Company. Since 4 January 2016 Egidijus Damulis replaced Andrius Daukšas, who has submitted a notice of resignation from CEO position, and operated as a CEO untill the 21 December 2016. On 22 December 2016 the the Bank of Lithuania issued the closed-ended type investment company license and the management of INVL Baltic Real Estate was assumed by the management company INVL Asset Management. Egidijus Damulis, former CEO and the Board member, has joined the team of INVL Asset Management.

Alvydas Banys – Chairman of the Board

The term of office	From 2015 till 10 November 2016
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 2013 Invalda INVL, 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	Personally: 3,318,198 units of shares, 5.05% of authorised capital, 5.05% of votes. Together with controlled company LJB Investments: 16,476,672 units of shares, 25.06% of authorized capital, 25.06% of votes.
Participation in other companies	Invalda INVL, AB – Chairman of the Board INVL Baltic Farmland, AB – Chairman of the Board Litagra, UAB – Member of the Board

Indrė Mišeikytė - Member of the Board

The term of office	From 2015 till 10 November 2016
Educational background and qualifications	Vilnius Gedimino Technical University. Faculty of Architecture. Master in Architecture
Work experience	Since May 2012 Invalda INVL, 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	Personally: 862,873 units of shares, 1.31% of authorised capital and votes
Participation in other companies	Invalda INVL, AB – Member of the Board Invalda Privatus Kapitalas, AB – Member of the Board INVL Baltic Farmland, AB – Member of the Board

Egidijus Damulis - Member of the Board, CEO (from 04.01.2016 till 21.12.2016)

The term of office	From 2015 till 10 November 2016
Educational background and qualifications	ISM University of Management and Economics and BI Norwegian Business School, Executive MBA. Vilnius University International Business School, International Business and Economics. Kaunas University of Technology, Informatics and Digital Technologies. Qualification as a Property and Business Appraiser Assistant.
Work experience	January 2016 – 21 December 2016 – INVL Baltic Real Estate – CEO Since December 2007 - Oslo Namai, UAB – CEO 2008-2016 - Eicore, UAB – CEO Since May 2001 - Selvaag Lietuva, UAB – CEO
Owned amount of shares in INVL Baltic Real Estate	Personally: 5,000 units of shares; 0.01% of authorised capital and votes.
Participation in other companies	Baltic Sea Properties AS - Member of the Board Lithuanian Real Estate Development Association (LNTPA) - Member of the Board

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

12.2. THE ISSUER'S MANAGEMENT BODIES AFTER THE ISSUE OF THE CLOSED-END TYPE INVESTMENT COMPANY LICENCE

The management of INVL Baltic Real Estate was transferred to the management company INVL Asset Management on 22 December 2016 as soon as the Central Bank of the Republic of Lithuania granted special closed-ended type real estate investment company INVL Baltic Real Estate the license of closed-ended type investment company. The rights and duties of the Board and the head of the Company were also transferred to the Management Company.

The CEO of the Management Company is Darius Šulnis, the managing director INVL Asset Management.

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

On 6 May 2016 Egidijus Damulis and Andrius Daukšas were appointed as the Members of the Investment Committee by a decision of the Board of the Management Company. Vytautas Bakšinskas joined the Investment Committee on 2 January 2017. He was appointed by the decision of the Board of the Management Company dated 22 December 2016.

There are 2 members in the Investment committee at the moment: Vytautas Bakšinskas, Andrius Daukšas. Egidijus Damulis was removed from the members of the Investment Committee on 10 February 2017 by the decision of the Board of the Management Company.

The Advisory Committee is not formed.

Darius Šulnis – CEO and the Chairman of the Board of the Management Company INVL Asset Management

Educational background and qualifications	Duke University (USA). Business Administration. Global Executive MBA. Vilnius University. Faculty of Economics. Master in Accounting and Audit. Financial broker's license (General) No. A109.
Work experience	Since the beginning of the 2015 – general director of INVL Asset Management, UAB 2006 – 2011 Invalda, AB – President. 2011 – 2013 Invalda, AB – Advisor. Since May 2013 Invalda INVL, AB – President 2002 – 2006 Invalda Real Estate, UAB (current name Inreal Valdymas) – Director 1994 – 2002 FBC Finasta, AB – Director
Owned amount of shares in INVL Baltic Real Estate	Personally: 0 units of shares. Together with controlled company Lucrum Investicija: 1,224,371 units of shares, 1.86 % of authorised capital, 3.17 % of votes (including votes granted by the shares transferred by the repurchase agreement).
Participation in other companies	Invalda INVL, AB – Member of the Board, the president Litagra, UAB – Member of the Board INVL Asset Management, UAB – Chairman of the Board, general director IPAS INVL Asset Management (Latvia) – Member of the Supervisory Board AS INVL atklātajs pensiju fonds (Latvia) – Member of the Supervisory Board Šiaulių bankas, AB – Member of the Supervisory Board

Nerijus Drobavičius – Member of the Board of Management Company

Educational background and qualifications	In 1998 graduated Vytautas Magnus University and gained his Bachelor's degree in Business management. Graduated Vytautas Magnus University in 2000 and gained his Master's degree in banking and finance.
Work experience	Since 2015 – INVL Asset Management, UAB, Head of Finance and IT department Since 2014 works at Invalda INVL, AB group 2012 – 2014 Independent financial expert 2007 – 2011 CFO in Sanitas Group 2001 – 2007 Sampo Bank. Head of Accounting and Reporting department, later – CFO of the bank
Owned amount of shares in INVL Baltic Real Estate	-
Participation in other companies	IPAS INVL Asset Management (Latvia) – Member of the Supervisory Board AS INVL atklātais pensiju fonds (Latvija) – Member of the Supervisory Board Andmevara AS - The Chairman of the Supervisory Board Inservis, UAB – The Chairman of the Board Imoniu grupe Inservis, UAB – The Chairman of the Board Jurita, UAB - The Chairman of the Board Etronika, UAB - Member of the Board INVL Technology, CEF – Member of the Investment Committee

Vytautas Plunksnis – Member of the Board of Management Company

Educational background and qualifications	Graduated the studies in economics at Kaunas University of Technology in 2001, gained Bachelor's degree in Management. Financial broker's licence (General) No. G091.
Work experience	Since 2016 - INVL Asset Management, UAB, Head of Private Equity Funds Since 2015 – Inventio, UAB, Director Since 2014 – Consult Invalda, UAB, Director 2009 – 2015 Fund Manager at Invalda INVL, AB 2006 – 2009 Finasta Asset Management, UAB – analyst, fund manager, strategic analyst 2004 ELTA redactor (business news) 2002 – 2004 Baltic News Service business journalist
Owned amount of shares in INVL Baltic Real Estate	Personally: 5,000 units of shares; 0.01% of authorised capital and votes.

Participation in other companies	IPAS INVL Asset Management (Latvia) – Deputy Chairman of the Supervisory Board AS INVL atklātais pensiju fonds (Latvia) – Deputy Chairman of the Supervisory Board AS Norway Registers Development – Member of the Board NRD, UAB – Member of the Board NRD CS, UAB - Member of the Board Algoritmu sistemos, UAB - Chairman of the Board Vernitas, AB – Member of the Supervisory Board Investuotoju Asociacija – Chairman of the Board INVL Farmland Management, UAB – Chairman of the Board INVL Finasta, UAB FMI - Member of the Board Inventio, UAB - director INVL Technology, CEF – Member of the Investment Committee

Vytautas Bakšinskas – Member of the Investment Committee

Work experience	Since 2 January 2017 – Real Estate Fund Manager at INVL Asset Management 2016 – 31.12.2016 – director at Dizaino institutas, UAB 2016 – 31.12.2016 – director at Variagis, UAB 2014 – 31.12.2016 – director at Riešės investicija, UAB 2013 – 31.12.2016 – director at Tripolio valda, UAB 2013 – 31.12.2016 – director at Paralelių valda, UAB 2013 – 31.12.2016 – director at Dipolio valda, UAB 2013 – 31.12.2016 – director at Etanija, UAB 2012 – 31.12.2016 – director at Justiniškių valda, UAB 2011 – 31.12.2016- – head of Lease department at Inreal valdymas, UAB 2015-06 – 2016-01 – director at Elniakampio namai, UAB 2014-03 – 2016-06 – director at Akvilas, UAB 2014-03 – 2015-07 – director at Aikstentis, UAB 2014-03 – 2015-07 – director at Trakų kelias, UAB 2013-01 – 2013-02 – project manager at Naujoji švara, UAB 2010-04 – 2013-02 – project manager at Sago, UAB 2008-11 – 2011-08 – project manager at Inreal valdymas, UAB 2007-01 – 2008-10 – assistant of project manager at Inreal valdymas, UAB
Owned amount of shares in INVL Baltic Real Estate	-
Participation in other companies	-

Andrius Daukšas – Member of the Investment Committee

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 22 December 2016 – Investment Manager at INVL Asset Management 3 January 2016 – 21 December 2016 – deputy director at INVL Baltic Real Estate December 2014 - January 2016 – director at INVL Baltic Real Estate March 2010 – 21 December 2016 - investment manager at Invalda INVL 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	Personally: 25,000 units of shares, 0.04% of authorised capital and votes.
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

13 Information about the Audit Committee of the company.

The Audit Committee consists of 2 members, one of which is independent. The members of the Audit Committee are elected by the General Shareholders' Meeting at the proposal of the Company's shareholders or the Management company).

The main functions of the Committee are the following:

- provide recommendations to the Management company with selection, appointment, reappointment and removal of an external audit company of the Company as well as the terms and conditions of engagement with the audit company;
- monitor the process of external audit of the Company;
- monitor how the external auditor and audit company follow the principles of independence and objectivity;
- observe the process of preparation of financial reports of the Company;
- monitor the efficiency of the internal control and risk management systems of the Management company directly related to the management of the Company. Once a year review the need of the dedicated internal audit function for the Company within the Management company;
- monitor if the Management company gives due consideration to the recommendations or comments provided by the audit company regarding management of the Company.

Any member of the Audit Committee should have the right to resign upon submitting a 14 (fourteen) days written notice to the Management company. When the Management company receives the notice of resignation of a member of the Audit Committee and considers all circumstances related to the resignation, it may decide:

- either to convene an Extraordinary General Shareholders Meeting to elect new member of the Audit Committee;
- or to postpone the question on the election of the new member of the Audit Committee till the next General Shareholders Meeting of the Company.

The new member is elected till the end of term of office of the operating Audit Committee.

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, with the draft of which he is familiar with – by voting in advance in writing. Voting in writing should be considered equal to voting by telecommunication end devices, provided text protection is ensured and it is possible to identify the signature. The right of initiative of convoking the meetings of the Audit Committee is held by both members of the Audit Committee. The other member of the Audit Committee should be informed about the convoked meeting, questions that will be discussed there and the suggested drafts of decisions not later than 3 (three) business days in advance in writing (by e-mail or fax). The meetings of the Audit Committee should not be 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 Management company. The decision should be written down and signed within 7 (seven) days from the day of the meeting of the Audit Committee.

The Audit Committee should have the right to invite the head of the Management company, member(s) of the Board, the chief financier, employees responsible for finance, accounting and treasury issues of the managed Company as well as external auditors of the Company to its meetings.

Members of the Audit Committee may receive remuneration for their work in the committee. The remuneration for the Audit Committee members is approved by the General Shareholders Meeting fixing the maximum hourly rate.

The General Shareholders Meeting which took place on 10 November 2016 decided to elect Danute Kadanaite, the lawyer at Legisperitus, UAB and Tomas Bubinas (independent member), Chief Operating Officer at Biotechpharma, UAB to the Audit Committee of INVL Baltic Real Estate, they were also the members of the Audit Committee of Former Parent Company.

Danutė Kadanaitė – Member of the Audit Committee

The term of office	Since 2016 till 2020
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	-

Tomas Bubinas – Independent Member of the Audit Committee

The term of office	Since 2016 till 2020
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) 2004 - 2010 CFO for Baltic countries, Teva Pharmaceuticals 2001 - 2004 m. CFO, Sicor Biotech 1999 - 2001 Senior Manager, PricewaterhouseCoopers 1994 - 1999 Senior Auditor, Manager, Coopers & Lybrand.
Owned amount of shares in INVL Baltic Real Estate	-

14 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

14.1. BEFORE THE ISSUE OF THE CLOSED-END TYPE INVESTMENT COMPANY LICENCE

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 2016 the Board members, which were shareholders of the Company, were paid EUR 43 thousand of dividends, net of tax. The entities, which are controlled by the Board members, were paid EUR 203 thousand of dividends, net of tax. Natural persons, who are related to the Board members of the company, were paid EUR 127 thousand of dividends, net of tax. 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 group.

INVL Baltic Real Estate Group and the Company for the company providing accounting services respectively paid EUR 12 thousand and EUR 10 thousand during the reporting period (in 2015 – respectively EUR 13 thousand and EUR 9 thousand; in 2014 – respectively EUR 9 thousand and EUR 7 thousand).

Table 14.1. Information about calculated remuneration for the CEO of the issuer during 2014 – 2016 in EUR.

Company's	2014	2015	2016
For members of administration (the CEO)	6,623	7,902	69,217

14.2. AFTER THE ISSUE OF THE CLOSED-END TYPE INVESTMENT COMPANY LICENCE

The management fee payable to the Management Company (hereinafter – Management Fee) is the remuneration for management of the assets of the Company, which shall be payable for each quarter of a calendar year. The Management Fee for a full quarter of a calendar year shall be 0.375% of the weighted average capitalisation of the Company. The Performance Fee shall be additionally paid to the Management Company under the procedure set in the Articles of Association.

V. OTHER INFORMATION

15 Agreements with intermediaries on public trading in securities

INVL Baltic Real Estate has signed these agreements with this intermediary:

- Siauliu bankas (Seimyniskiu str. 1A, Vilnius, Lithuania. tel. +370 5 203 2233) – the agreement on management of securities accounting, the market maker services agreement and service agreement on the payment of dividends.
- AB SEB bankas (Gedimino pr. 12, Vilnius, Lithuania tel. +370 5 268 2800) – agreement on depository services.

16 Information on Issuer's branches and representative offices

INVL Baltic Real Estate has no branches or representative offices.

17 Employees

Invalda INVL, AB provides accounting services for the company. At the end of 2016 INVL Baltic Real Estate did not have any empoyees. There were two employees at INVL Baltic Real Estate at the end of 2015.

The number of employees has changed because of the changes of the legal status of the Company. The management and all the functions earlier performed by the Company's employees were transferred to the Management Company.

There were 4 employees working at INVL Baltic Real Estate and portfolio companies on 31 December 2016, 4 employees – in 2015.

18 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.

19 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. There are only basic risks and their descriptions provided in this report. Detailed descriptions of the risks are published on the Company's website.

General Risk Factors in the Business Field Where the Group Operates

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

After the issuance of the Licence by the LB on 22 December 2016, the Company started to operate not only according to the Law on Companies and Law on Securities and other related legal acts, as it was until obtaining a Licence, but also under the Law on Collective Investment Undertakings and other related legal acts, which establish certain specific obligations in respect of the protection of Company's shareholders and certain operating restrictions, e.g. the Company is entitled to invest the managed funds following the requirements of the investment strategy of the Company, certain limitations of the applicable laws are applied to the Company with regards its investments, their diversification, management thereof, etc. Furthermore, the Company's operating expenses might be increased because of the requirements to conduct periodic property's assessment, protect the Company's property in the Depository and other.

It should also be noted that investments into Shares of the Company (holding a Licence) are related to higher than average, long-term risk. The Company cannot guarantee that the shareholders will get invested funds back. Therefore, Shares of the Company are suitable only for investors, who seek higher long term returns but could afford to take higher than average risk, including loss of principal.

General risk

The value of an investment into real estate can fluctuate in the short term depending on the general economic situation, real estate lease and sale prices, demand and supply fluctuations. Investments into real estate should be made for a medium or long period in order that the investor could avoid the risk of short-term price fluctuations. Investments into real estate are related to higher than average risk. If investments are not profitable or in case of other unfavourable circumstances (inability to pay creditors in time), bankruptcy proceedings can be instituted against the Company. Redemption of the Shares is limited, i.e. a shareholder cannot demand that the Company or the Management Company, which took over its management, would redeem the Shares. But a shareholder will have a possibility to sell Shares in the secondary market.

Real estate development risk

Real estate projects developed by the Company can take longer than planned or cost more than planned and return on investments of the Company may decrease for this reason. Managing this risk, the Company will assign sufficient resources for control over the budgets and performance terms of real estate development projects.

Risk of inflation and deflation

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

Macroeconomic environment

Real estate development tends to follow the general developments in the macroeconomic environment. Interest rates, unemployment, inflation, private consumption, capital expenditure and other macroeconomic indicators have significant influence on real estate developments and hence the operations and the potential profitability of the Group.

Favourable developments in the macroeconomic environment increase demand for real properties, allow the real estate companies to increase rent rates of properties and other prices related to activities of the Group. Adverse developments increase pressure on real estate prices, rent rates and yields. Hence the Group’s results are dependent on general macroeconomic environment and adverse developments in the environment might lead to reconsideration of some of the Group’s development plans, negative pressure on prices and rents of the Group’s properties or other changes in relation to the Group’s properties that might have a material adverse effect on the Group’s business, results of operations, financial condition and profitability.

Cyclicality of the real estate sector

Real estate development is a cyclical sector. The number of real estate related transactions fluctuates significantly depending on the stage of the real estate cycle. Cyclicality in the Baltic countries has been relatively high lately as a fast growth in prices fuelled by availability of cheap financing was followed by a steep decline as a result of financial crisis. In the future the Baltic real estate market might regain the lost momentum, again inflating the price levels, which might be followed by overheating of the market and downward pressure on the prices, thus, starting the next real estate cycle.

RISK FACTORS CHARACTERISTIC OF THE GROUP

Risk of the management and human resources

The success of the Company’s investments will largely depend on decisions taken by persons in the Management Company who are responsible for management of the Company and on experience and capabilities of the said persons. There is no guarantee that the same persons will always remain responsible for management of the Company, however efforts will be used that activities of the Company would always be taken care of by properly qualified persons.

Dependence on external financing

The Group’s cash inflows currently are sufficient to finance operating cash outflows and to pay monthly instalments of repayments and interests payments of bank borrowings. However, further development of the Group’s activities will require substantial amounts of capital to fund capital expenditures. For this reason, failure to secure adequate levels of external financing might limit the Group's growth plans and place it at competitive disadvantage as compared to well-capitalized peers. Failure to obtain external financing may lead to forced sale of assets at unfavourable prices or even cause insolvency which may have a material adverse effect on the Group's business, results of operation or financial condition and may destroy the shareholders' value.

Risk related to lease agreements

The Group's lease agreements may be divided into two categories: non-cancellable fixed-term lease agreements and cancellable lease agreements entered into for an unspecified term. For the cancellable lease and sublease agreements, tenants must notify the administrator 1-12 months in advance, if they wish to cancel the rent agreement and have to pay 1-6 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.

The Group seeks to use both types of agreements, depending on the market situation and the properties in question. Lease agreements entered into for an unspecified term involve nevertheless a risk that a large number of such agreements may be terminated within a short period of time. The Group aims at renewing the fixed term lease agreements flexibly in cooperation with its tenants. There are, however, no guarantees that the Group will be successful in this. In order to prevent tenants from terminating the lease agreements, the Group may also be forced to agree on the reduction of rent fees. The reduction of rent fees payable to the Group under a large number of lease agreements and/or concurrent termination of a large number of lease agreements could have a material adverse effect on the Group's business, results of operations and financial condition.

Reliance on the administrator of the Company's property

On 2 January 2013 the Company has entered into an agreement with a third party for property management and administration services on part of Company's asset portfolio. The detailed list of buildings, administered, based on this agreement is provided in Section 2.3. of the Company's consolidated annual report "Investment restrictions". Under this agreement the third party, as an administrator of the property, is committed to increase Company's 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 favourable conditions can be entered into with administrator, which may directly influence the increase in Company's costs.

Interest rate risk

There is a risk that in case of fast recovery of the global economy or increase in inflation, central banks will increase interest rates and it will be more expensive to service loans in connection with the Company's investments, therefore, the value of the Company's investments can decrease. In order to avoid this risk, the Management Company shall seek that the Company would get most of its loans at fixed interest rates. If it seems necessary, the Company shall hedge against interest rate risk when entering into relevant transactions.

Furthermore, interest rate risk mainly includes loans with a variable interest rate. On 26 August 2014 the Company and Šiaulių Bankas AB entered into a credit agreement for EUR 15.35 million credit (on 29 January 2016 a credit was increased by EUR 4.5 million) with variable interest rate – 6 month EURIBOR and fixed margin. In addition to that, on 15 July 2015 the Subsidiary Dommo Biznesa Parks SIA and ABLV Bank AS entered into a credit agreement in an amount of 3 million with variable interest rate – 3 month EURIBOR and fixed margin. Rising interest rates will increase the Group's debt service costs, which will reduce the return on investment. If considered necessary, the Group will manage interest rate risk by entering into financial derivatives' contracts.

Leverage risk

Leverage risk is related to possible depreciation of real estate objects acquired with borrowed money. The bigger the leverage, the higher probability of this risk is. The level of borrowings of the Group was 41% of its investment property market value as of 31 December 2016 (47% as of 31 December 2015).

Credit risk

The Company has given and may have given loans to other companies, therefore, in case of deterioration of the financial condition of those companies, there is a risk that the Company will not get back all the loans granted by it.

Liquidity risk

This is a risk to incur losses due to low liquidity of the market, when it becomes difficult to sell assets at the desired time at the desired price. In management of this risk, the Company will regularly monitor the real estate market, will get ready for the property sale process in advance, in this way reducing the liquidity risk. Acquiring Shares, the shareholders also assume the risk of securities liquidity – in case of a drop in demand for Shares or delisting them from the stock exchange, investors would find it difficult to sell them. In case of deterioration of the Company's financial situation, the demand for Shares, as well as their price may decrease. Liquidity risk also covers the cash flow disruption risk incurred by the Company due to late payments and/or full default on monetary obligations by insolvent tenants.

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, etc. Investment in real estate should be carried out in the medium and long term, so that the investor could avoid short-term price fluctuations. Investing in real estate is related to higher than medium risks. Failure of investments of the Group or under other ill-affected circumstances (having been unable to pay for the creditors) can have a significant adverse effect on the Group's performance and financial situation or in the worst case scenario bankruptcy proceedings may be initiated.

Investment diversification risk

This is a risk that one bad investment can have a significant effect on the results of the Company. In order to reduce this risk, the Company will have a sufficient number of different real estate objects in its portfolio, in this way maintaining the proper diversification level.

Tenants' risk

The Company will seek to let real estate objects at as high prices as possible. Though currently the rent is paid in time (overdue obligations of tenants are very small and are not significant for activities of the Company), there is a risk that upon change (deterioration) of the economic situation the tenants will default on their obligations – this would have a negative impact on the profit and cash flows of the Company. In case of late performance of a large part of obligations, the ordinary business of the Company may be disrupted, it may be necessary to search for additional sources of financing, which may be not always available. The Company, in case of failure to earn planned income from lease or to maintain a high percentage of occupation of the buildings, can face the problem of costs that are not compensated by permanent tenants. This risk may manifest itself in case of big increase in the supply of rented premises and reduction in demand, drop in rental fees. In case of a failure to let the premises at planned prices or in planned scopes, also in case current tenants terminate their lease agreements, the income of the Company could decrease, whereas fixed costs would remain the same. Accordingly, the profit of the Company would decrease.

Sub-lease agreement risk

In 2007 the Company has sold 5 real estate properties and entered into the operating lease agreement with the buyer until August 2017. All these properties are sub-leased to third parties. For the remaining part of the contract the Company is incurring about EUR 20,000 loss (future rent income from subleased premises minus contractual lease payments and estimates of maintenance and management expenses of leased premises) per month due to this sublease arrangement. This amount varies depending on the income from the sub-lease, property maintenance costs incurred and the rent fees paid.

Risk of valuation of the Company's assets

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

Competition risk

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

RISK FACTORS RELATED TO THE COMPANY'S SHARES (INVESTMENTS THERETO)

Market risk

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

Dividend payment risk

Though the Company has approved its dividend payment policy, payment of dividend to Shareholders is not guaranteed and will depend on profitability of activities, investments plans and the general financial situation. For more information regarding payment of dividend by the Company please see Section 4.14.3 *Dividend Policy* as well as Part X of the Articles of Association, which is incorporated by reference to this Prospectus.

Liquidity of the Issuer's Shares is not guaranteed

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

20 Significant investments made during the reporting period

On 29 January 2016 INVL Baltic Real Estate, CEF completed the transaction to acquire 6,400 square metres of commercial and office premises at Gyneju str. 14, Vilnius. The value of transaction amounted to EUR 7.5 million. The transaction was partially financed by Šiauliu Bankas, which granted a loan of EUR 4.5 million, and by placed new share issue. During 2016 additionally was invested EUR 450 thousand into reconstruction and arrangement of this object.

21 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.

22 Information on the related parties' transactions

Information on the related parties' transactions is disclosed in consolidated annual financial statements' 25 note of explanatory notes for the year of 2016.

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' of explanatory notes for the year of 2016.

24 Information on Audit Company

The company have not approved criteria for selection of the audit company. The audit of the annual financial statements of the company for the financial year of 2016 was provided by the audit company PricewaterhouseCoopers. During the General Shareholders' Meeting of the company, held on 10 August 2015, the audit company PricewaterhouseCoopers, UAB was elected to provide audit services on annual financial statements of the company for the financial year of 2015, 2016, 2017. It was decided to set remuneration of EUR 10,500 plus VAT for the audit of the annual financial statements.

Audit Company	PricewaterhouseCoopers, UAB
Address of the registered office	J. Jasinskio str. 16B, LT-03163, Vilnius
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 during 2016 is presented on the company's website www.invlbalticrealestate.com.

Table 25.1. Summary of publicly disclosed information

Date of disclosure	Brief description of disclosed information
06.01.2016	Notification about disposal and acquisition of voting rights
08.01.2016	Notification on transaction concluded by manager of the company
13.01.2016	INVL Baltic Real Estate AB presentation of the new issue of shares for the investors
15.01.2016	Resolutions of the Shareholders Meeting of INVL Baltic Real Estate, AB
15.01.2016	Notification on transaction concluded by manager of the company
22.01.2016	Notification on transaction concluded by manager of the company
27.01.2016	AB INVL Baltic Real Estate preliminary operating results and factsheet for 12 months of 2015
29.01.2016	INVL Baltic Real Estate, AB completes acquisition of Vilnius Gates premises
29.01.2016	Notification on transaction concluded by manager of the company
02.03.2016	The market maker services agreement with INVL Baltic Real Estate, AB and Šiaulių Bankas, AB has been signed
07.03.2016	INVL Baltic Real Estate AB notification on the final number of allocated shares and allocation thereof
09.03.2016	New wording of Articles of Association of INVL Baltic Real Estate AB was registered
09.03.2016	Notification on transaction concluded by manager of the company
14.03.2016	Notification about acquisition and disposal of voting rights
18.03.2016	Announcement about Cost of Public Offering
05.04.2016	Audited results of INVL Baltic Real Estate group of 2015
05.04.2016	Convocation of the Shareholders Meeting of INVL Baltic Real Estate and draft resolutions
27.04.2016	Resolutions of the Shareholders Meeting of INVL Baltic Real Estate, AB

27.04.2016	Annual information of the public joint - stock company INVL Baltic Real Estate
06.05.2016	INVL Baltic Real Estate, AB applied for issuance of the closed-end investment company license
10.05.2016	AB INVL Baltic Real Estate unaudited results and factsheet for 3 months of 2016
23.05.2016	Procedure for the payout of dividends for the year 2015
25.05.2016	Notification on the disposal of voting rights
12.08.2016	Unaudited results of INVL Baltic Real Estate for 6 months of 2016
20.10.2016	Convocation of an extraordinary general meeting of shareholders of AB INVL Baltic Real Estate and publication of draft resolutions
03.11.2016	Unaudited results and factsheet of INVL Baltic Real Estate for 9 months of 2016
04.11.2016	Regarding alternative draft decisions on issues of the agenda of an extraordinary general meeting of shareholders of AB INVL Baltic Real Estate to be held on 10 November 2016
10.11.2016	Resolutions of the extraordinary general meeting of shareholders of AB INVL Baltic Real Estate
11.11.2016	INVL Baltic Real Estate has signed a management agreement and an agreement on depository services
11.11.2016	Articles of Association of the INVL Baltic Real Estate were registered
11.11.2016	The powers of the management board of INVL Baltic Real Estate have terminated
14.11.2016	Notifications on the disposal of voting rights
21.12.2016	Trading in INVL Baltic Real Estate will be suspended on 22 of December 2016
22.12.2016	Notification of INVL Baltic Real Estate on license of closed-ended type investment company
28.12.2016	Special closed-ended type real estate investment company's INVL Baltic Real Estate investor's calendar for the 2017
29.12.2016	Approved prospectus of share admission of INVL Baltic Real Estate, SCETREIC to trading on regulated market

Table 25.2. Summary of the notifications on transactions in INVL Baltic Real Estate shares concluded by managers of the Company during 2016.

Date	Person	Number of securities	Security price (EUR)	Total Value of transaction (EUR)	Form of transaction	Type of transaction	Place of transaction	Form of settlement
04.01.2016	Invalda INVL, AB	1,000	0.399	399	acquisition	Share sale-purchase	AUTO	money
04.01.2016	Invalda INVL, AB	4,000	0.399	1,596	acquisition	Share sale-purchase	AUTO	money
04.01.2016	Invalda INVL, AB	1,000	0.399	399	acquisition	Share sale-purchase	AUTO	money
05.01.2016	Invalda INVL, AB	2,142	0.400	856.80	acquisition	Share sale-purchase	AUTO	money
07.01.2016	Invalda INVL, AB	411	0.400	164.40	acquisition	Share sale-purchase	AUTO	money
07.01.2016	Invalda INVL, AB	411	0.400	164.40	acquisition	Share sale-purchase	AUTO	money
08.01.2016	Invalda INVL, AB	319	0.400	127.60	acquisition	Share sale-purchase	AUTO	money
08.01.2016	Invalda INVL, AB	117	0.400	46.80	acquisition	Share sale-purchase	AUTO	money
08.01.2016	Invalda INVL, AB	31	0.400	12.40	acquisition	Share sale-purchase	AUTO	money
11.01.2016	Invalda INVL, AB	600	0.400	240	acquisition	Share sale-purchase	AUTO	money

12.01.2016	Invalda INVL, AB	828	0.400	331.20	acquisition	Share sale-purchase	AUTO	money
13.01.2016	Invalda INVL, AB	1,724	0.400	689.60	acquisition	Share sale-purchase	AUTO	money
18.01.2016	Invalda INVL, AB	5,000	0.400	2,000	acquisition	Share sale-purchase	AUTO	money
19.01.2016	Invalda INVL, AB	2,099	0.400	839.60	acquisition	Share sale-purchase	AUTO	money
19.01.2016	Invalda INVL, AB	86	0.400	34.40	acquisition	Share sale-purchase	AUTO	money
20.01.2016	Invalda INVL, AB	2,240	0.400	896	acquisition	Share sale-purchase	AUTO	money
20.01.2016	Invalda INVL, AB	18	0.400	7.20	acquisition	Share sale-purchase	AUTO	money
20.01.2016	Invalda INVL, AB	828	0.400	331.20	acquisition	Share sale-purchase	AUTO	money
21.01.2016	Invalda INVL, AB	1,914	0.400	765.60	acquisition	Share sale-purchase	AUTO	money
21.01.2016	Invalda INVL, AB	386	0.400	154.40	acquisition	Share sale-purchase	AUTO	money
21.01.2016	Invalda INVL, AB	1,874	0.400	749.60	acquisition	Share sale-purchase	AUTO	money
21.01.2016	Invalda INVL, AB	740	0.400	296	acquisition	Share sale-purchase	AUTO	money
22.01.2016	Invalda INVL, AB	374	0.400	149.60	acquisition	Share sale-purchase	AUTO	money
25.01.2016	Invalda INVL, AB	1,160	0.400	464	acquisition	Share sale-purchase	AUTO	money
25.01.2016	Invalda INVL, AB	1,160	0.400	464	acquisition	Share sale-purchase	AUTO	money
08.03.2016	Invalda INVL, AB	15,546,663	0.400	6,218,665.2	acquisition	Share subscription at the time of the offering	XOFF	money
08.03.2016	Egidijus Damulis	5,000	0.400	2,000	acquisition	Share subscription at the time of the offering	XOFF	money

Explanations:
XOFF – OTC trade.
AUTO – automated trade concluded on a regulated market.

Real estate fund manager of the Management Company
„INVL Asset Management“ Vytautas Bakšinskas

APPENDIX 1. INFORMATION ABOUT GROUP COMPANIES, THEIR CONTACT DETAILS

Company	Registration information	Type of activity	Contact details
Rovelija, UAB	Code 302575846 Address – Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 20.12.2010	investments into commercial rental real estate	Tel. +370 5 259 5056 breinfo@invl.com
Perspektyvi Veikla, UAB	Code 302607087 Address – Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 25.03.2011	carries no activity	Tel. +370 5 259 5056 breinfo@invl.com
Proprietas, UAB	Code 303252098 Address – Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 27.02.2014	investments into commercial rental real estate	Tel. +370 5 259 5056 breinfo@invl.com
DOMMO grupa SIA	Code 40003733866 Address – Lapegles, Stūnīši, Olaines pag., Olaines nov., LV-2127 Latvia Legal form – private limited liability company Registration date 17.03.2005	investments into commercial rental real estate	Tel. +370 5 259 5056 breinfo@invl.com
DOMMO biznesa parks SIA	Code 40003865398 Address – Lapegles, Stūnīši, Olaines pag., Olaines nov., LV-2127 Latvia Legal form – private limited liability company Registration date 13.10.2006	investments into commercial rental real estate	Tel. +370 5 259 5056 breinfo@invl.com
DOMMO SIA	Code 40003787271 Address – Lapegles, Stūnīši, Olaines pag., Olaines nov., LV-2127 Latvia Legal form – private limited liability company Registration date 05.12.2005	Real estate	Tel. +370 5 259 5056 breinfo@invl.com
DBP Invest SIA	Code 40103463830 Address – Brīvības iela 74-3, Rīga, LV-1011 Latvia Legal form – private limited liability company Registration date 28.09.2011	carries no activity	

APPENDIX 2. DISCLOSURE CONCERNING THE COMPLIANCE WITH THE GOVERNANCE CODE

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

The management of INVL Baltic Real Estate was transferred to the management company INVL Asset Management on 22 December 2016 as soon as the Central Bank of the Republic of Lithuania granted special closed-ended type real estate investment company INVL Baltic Real Estate the license of closed-ended type investment company. The rights and duties of the Board and the head of the Company were also transferred to the Management Company.

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

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

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

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

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

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.		
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes	The functions set forth in this recommendation are performed by the Management Company.
2.3. When a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the Supervisory Board. In such a case, the Supervisory Board is responsible for the effective monitoring of the functions performed by the company's Chief Financial Officer.	No	The Supervisory Board is not formed in the Company.
2.4. The collegial supervisory body to be elected by the General Shareholders' Meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the Board, Principles III and IV should apply to the Board as long as that does not contradict the essence and purpose of this body.	Yes	The principles III ir IV are applied to the Management Company which performs the management of the Company.
2.5. Company's management and supervisory bodies should comprise such number of Board (executive directors) and Supervisory (non-executive directors) Board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.	N/A	The management of the Company is transferred to the Management Company.
2.6. Non-executive directors or members of the Supervisory Board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the Management Board.	No	The Supervisory Board is not formed in the Company, and there are no non–executive directors either.
2.7. Chairman of the collegial body elected by the General Shareholders' Meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a Supervisory Board but rather the Board, it is recommended that the chairman of the Board and Chief Financial Officer of the company should be a different person. Company's Chief Financial Officer	N/A	The management of the Company is transferred to the Management Company.

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.		
Principle III: The order of the formation of a collegial body to be elected by a General Shareholders' Meeting. **The order of the formation a collegial body to be elected by a General Shareholders' Meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the Company's operation and its management bodies.**		
3.1. The mechanism of the formation of a collegial body to be elected by a General Shareholders' Meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	The Management Company operates objectively, impartially and represents the interests of all shareholders equally.
3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the General Shareholders' Meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	Yes	The agreement with the Management Company has to be approved by the Company's General Shareholders Meeting. But shareholders do not approve the managing bodies of the Management company.
3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	Yes	Information about the Management Company and the education, work experience and participation in other companies of the Head of the Management Company is disclosed in Company's periodical reports.
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	Yes	The Head, the Board members and the Investment committee members of the Management Company have sufficient experience to perform its functions and the required diversity of knowledge to complete their tasks properly. The Audit Committee members have the required experience. The Remuneration Committee is not formed.

have knowledge of and experience in the field of remuneration policy.		
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	No	Presently, the members of the Board of the Management Company do not perform the assessment of their skills and knowledge.
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient number of independent members.	No	Independency of the elected Board members of the Management Company is not assessed and the content of independent members' sufficiency isn't set either.
3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependent are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: he/ she is not an executive director or member of the Board (if a collegial body elected by the General Shareholders' Meeting is the Supervisory Board) of the company or any associated company and has not been such during the last five years; he/ she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; he/ she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); he/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1); he/ she does not have and did not have any material business relations with the company or associated companies within the past year directly or as a partner,	No	The Head and the Board of the Management Company are independent and in their actions seek the benefit to the Company and its shareholders, however do not meet the recommendation on independency.

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

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

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

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.		
4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should exercise independent judgment and integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.		
4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the Company chooses not to set up a Supervisory Board, Remuneration and Audit Committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.		
4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also		

make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit Committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.		
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.		
4.12. Nomination Committee. 4.12.1. Key functions of the Nomination Committee should be the following: 1) identify and recommend, for the approval of the collegial body, candidates to fill Board vacancies. The Nomination Committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination Committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; 2) assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; 3) assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; 4) properly consider issues related to succession planning; 5) review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination Committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the Board (if a collegial body elected by the General Shareholders' Meeting is the Supervisory Board) and senior management, Chief Financial Officer of the company should be consulted by, and entitled to submit proposals to the Nomination Committee.		
4.13. Remuneration Committee. 4.13.1. Key functions of the Remuneration Committee should be the following: 1) make proposals, for the approval of the collegial body, on the remuneration policy for members of		

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

3) make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. 4.13.3. Upon resolution of the issues attributable to the competence of the Remuneration Committee, the Committee should at least address the chairman of the collegial body and/or Chief Financial Officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies. 4.13.4. The Remuneration Committee should report on the exercise of its functions to the shareholders and be present at the Annual General Shareholders' Meeting for this purpose.		
4.14. Audit Committee. 4.14.1. Key functions of the Audit Committee should be the following: 1) observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); 2) at least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; 3) ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; 4) make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the General Shareholders' Meeting) and with the terms and conditions of his engagement. The Committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; 5) monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the Committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to	Yes	The members of the Audit Committee are elected by the General Shareholders' Meeting at the proposal of the Company's shareholders or the Management company). The main functions of the Committee are the following: provide recommendations to the Management company with selection, appointment, reappointment and removal of an external audit company of the Company as well as the terms and conditions of engagement with the audit company; monitor the process of external audit of the Company; monitor how the external auditor and audit company follow the principles of independence and objectivity; observe the process of preparation of financial reports of the Company; monitor the efficiency of the internal control and risk management systems of the Management company directly related to the management of the Company. Once a year review the need of the dedicated internal audit function for the Company within the Management company; monitor if the Management company gives due consideration to the recommendations or comments provided by the audit company regarding management of the Company. The Audit Committee should account for its activities to the Annual General Shareholders Meeting providing a report about its work during the last financial year. In conducting of the mentioned above functions, the Audit committee supervises the process of preparation of annual accounts and gives recommendations to the Management Company on provision of the annual accounts for the approval of the shareholders. Furthermore, the Audit committee analyzes the independence and other criteria of the potential auditors and gives the necessary conclusions to the management. The Audit committee prepares activity report on the main conclusions regarding Company's activity.

the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the May 16, 2002 Commission Recommendation 2002/590/EC, the Committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the Committee, and (c) permissible without referral to the Committee; 6) review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. 4.14.2. All members of the Committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the Audit Committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations. 4.14.3. The Audit Committee should decide whether participation of the chairman of the collegial body, Chief Financial Officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the Committee is required (if required, when). The Committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present. 4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the Audit Committee should act as the principal contact person for the internal and external auditors. 4.14.5. The Audit Committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The Audit Committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The Committee should be timely furnished information on all issues arising from the audit. 4.14.6. The Audit Committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent		

investigation of these issues and for appropriate follow-up action. 4.14.7. The Audit Committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.		
4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and Committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.	N/A	The management of the Company was transferred to the Management Company only in the end of the reporting period. Therefore, it is inexpedient for the Management Company to conduct the assessment of its activities.
Principle V: The working procedure of the Company's collegial bodies. **The working procedure of supervisory and management bodies established in the Company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the Company's bodies.**		
5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	Yes	The heads of departments and managing bodies of the Management Company, which are taking part in Company's activity, are responsible for convocation of the meetings as well as preparation of the agenda. Frequency of the meetings and questions of the agenda depend on the particular events or projects or they are related with ordinary functions prescribed by legal acts.
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's Supervisory Board should be convened at least once in a quarter, and the company's Board should meet at least once a month4.	Yes	The meetings of the heads of departments and managing bodies of the Management Company are being convened at such intervals, which guarantee an interrupted resolution of the essential corporate governance issues.

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

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

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

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

8.3. Remuneration statement should leastwise include the following information: 1) explanation of the relative importance of the variable and non-variable components of directors' remuneration; 2) sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; 3) an explanation how the choice of performance criteria contributes to the long-term interests of the company; 4) an explanation of the methods, applied in order to determine whether performance criteria have been fulfilled; 5) sufficient information on deferment periods with regard to variable components of remuneration; 6) sufficient information on the linkage between the remuneration and performance; 7) the main parameters and rationale for any annual bonus scheme and any other non-cash benefits; 8) sufficient information on the policy regarding termination payments; 9) sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code; 10) sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code; 11) sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned; 12) a description of the main characteristics of supplementary pension or early retirement schemes for directors; 13) remuneration statement should not include commercially sensitive information.		
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.		
8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year.		

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

8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.		
8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.		
8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.		
8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.		
8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.		
8.11. Termination payments should not be paid if the termination is due to inadequate performance.		
8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of Annual General Shareholders' Meeting.		
8.13. Shares should not vest for at least three years after their award.		
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria.		
8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).		

8.16. Remuneration of non-executive or supervisory directors should not include share options.		
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend General Shareholders' Meetings where appropriate and make considered use of their votes regarding directors' remuneration.		
8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the Annual General Shareholders' Meeting. Remuneration statement should be put for voting in Annual General Shareholders' Meeting. The vote may be either mandatory or advisory.		
8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of Annual General Shareholders' Meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in Annual General Shareholders' Meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	N/A	In 2016 the schemes, on which basis the Management Company was remunerated in shares, share selection transactions or other rights to acquire the shares or be remunerated based on the share price movements were not applied in the Company.
8.20. The following issues should be subject to approval by the Annual General Shareholders' Meeting: 1) grant of share-based schemes, including share options, to directors; 2) determination of maximum number of shares and main conditions of share granting; 3) the term within which options can be exercised; 4) the conditions for any subsequent change in the exercise of the options, if permissible by law; 5) all other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual General Shareholders' Meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.		
8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe the shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is		

determined, should also be subject to the shareholders' approval.		
8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the Annual General Shareholders' Meeting.		
8.23. Prior to the Annual General Shareholders' Meeting that is intended to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.		
Principle IX: The role of stakeholders in corporate governance **The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the Company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the Company concerned.**		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The Company respects the rights of interest holders and allows the interest holders to participate in the management of the Company in the manner set forth by the laws. The detailed information about planned events has been constantly disclosed in line with requirements of legal acts; therefore, the investors (shareholders) have enough opportunities to familiarize with necessary information as well as vote on decisions. More detailed explanation about disclosure procedure is provided below in the part 10.
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.		
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.		
Principle X: Information disclosure and transparency		

The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the Company, including the financial situation, performance and governance of the Company.		
10.1. The company should disclose information on: the financial and operating results of the company; company objectives; persons holding by the right of ownership or in control of a block of shares in the company; members of the company's supervisory and management bodies, Chief Financial Officer of the company and their remuneration; material foreseeable risk factors; transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; material issues regarding employees and other stakeholders; governance structures and strategy. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.	Yes	Information set forth in this recommendation is disclosed in the notifications on material event, periodical reports. This information is also published on Company's website.
10.2. It is recommended to the company, which is the parent of other companies, that consolidated results of the whole group to which the Company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.		
10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, Chief Financial Officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and Chief Financial Officer as per Principle VIII.		
10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.		
10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be	Yes	The company discloses information via NASDAQ news distribution service so that the public in Lithuania and other EU countries should have equal access to the information. The information is disclosed in Lithuanian and English.

announced before or after a trading session on the NASDAQ Vilnius, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.		The company publishes its information prior to or after the trade sessions on the NASDAQ Vilnius. The company does not disclose information that may have an effect on the price of shares in the commentaries, interview or other ways as long as such information is publicly announced via NASDAQ news distribution service.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	The information is disclosed in Lithuanian and English simultaneously via NASDAQ news distribution service. It is also published on company's website.
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	The company publishes all information indicated in this recommendation on its website.
Principle XI: The selection of the Company's auditor **The mechanism of the selection of the Company's auditor should ensure independence of the firm of auditor's conclusion and opinion.**		
11.1. An annual audit of the company's financial reports and interim reports should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	The annual Company's and consolidated financial statements and consolidated annual report are conducted by the independent audit company. The interim financial statements are not conducted by the audit company.
11.2. It is recommended that the company's Supervisory Board and, where it is not set up, the company's Board should propose a candidate firm of auditors to the General Shareholders' Meeting.	Yes	The candidate audit company is suggested to the General Shareholders' Meeting by the Management of the Company.
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's Supervisory Board and, where it is not formed, the company's Board upon their consideration which firm of auditors to propose for the General Shareholders' Meeting.	N/A	The audit company does not provide non-audit services to the Company.