AKROPOLIS

Akropolis Group, UAB

(incorporated in Lithuania with limited liability)

€300,000,000 2.875 per cent. Guaranteed Notes due 2026
guaranteed by
Aido Turtas, UAB, Ozo Turtas, UAB and Taikos Turtas, UAB

(each incorporated in Lithuania with limited liability)

and

SIA "M257"

(incorporated in Latvia with limited liability)

Issue Price: 99.428 per cent.

The €300,000,000 2.875 per cent. Guaranteed Notes due 2026 (the "**Notes**") will be issued by Akropolis Group, UAB (the "**Issuer**") and fully guaranteed on a joint and several basis by each of Aido Turtas, UAB, Ozo Turtas, UAB, Taikos Turtas, UAB and SIA "M257" (each an "**Initial Guarantor**" and together, the "**Initial Guarantors**" and together with any additional guarantor appointed pursuant to the terms and conditions of the Notes (the "**Conditions**"), the "**Guarantors**" and each a "**Guarantor**"). Interest on the Notes will be payable annually in arrear on 2 June in each year. The first payment of interest shall be payable on 2 June 2022 in respect of the period from (and including) 2 June 2021 (the "**Issue Date**") to (but excluding) 2 June 2022. Payments on the Notes will be made in euro without deduction for or on account of taxes imposed by the Republic of Lithuania ("**Lithuania**") or Latvia to the extent described under Condition 8 *(Taxation)*.

The Notes will mature on 2 June 2026 (the "**Maturity Date**"). The Notes will be subject to redemption in whole, but not in part, at their principal amount, together with interest accrued to (but excluding) the date fixed for redemption, at the option of the Issuer at any time in the event of certain changes affecting taxation in Lithuania or Latvia. The Notes will also be subject to redemption in whole, but not in part, (i) at any time prior to (and excluding) 2 March 2026 at the Make Whole Redemption Price (as defined herein) and (ii) on or after 2 March 2026 at their principal amount, in each case together with interest accrued to (but excluding) the date fixed for redemption, at the option of the Issuer. In addition, upon the occurrence of a Change of Control Put Event (as defined herein), the Notes may be redeemed at the option of the relevant holder at a price equal to 101 per cent. of their principal amount together with interest accrued to (but excluding) the Change of Control Put Date (as defined herein). See Condition 6 (*Redemption and Purchase*).

This Prospectus has been approved by the Central Bank of Ireland (the "**Central Bank**"), as competent authority under Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). This Prospectus constitutes a prospectus for the purposes of the Prospectus Regulation. The Central Bank only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval relates only to the Notes which are to be admitted to trading on the regulated market of the Irish Stock Exchange plc trading as Euronext Dublin (the "**Euronext Dublin**"). Such approval should not be considered as an endorsement of the Issuer or the Guarantors that are the subject of this Prospectus nor as an endorsement of the quality of the Notes. Investors should make their own assessment as to the suitability of investing in the Notes. Application has been made to Euronext Dublin for the Notes to be admitted to its official list (the "**Official List**") and trading on its regulated market (the "**Market**"). The Market is a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments (as amended, "**MiFID II**"). It is expected that admission of the Notes to the Official List and to trading on the Market will be granted on or about 2 June 2021, subject only to the issue of the Notes. This Prospectus is valid until 2 June 2021. The obligation to supplement the Prospectus in the event of significant new factors, material mistakes or material inaccuracies does not apply when the Prospectus is no longer valid.

Application has been made for a certificate of approval to be issued by the Central Bank to the competent authority in Lithuania. The Issuer may make an application, after the Notes are issued, for the Notes to be admitted to trading on the official debt list of Nasdaq Vilnius Stock Exchange (the "**Nasdaq**"). However, there can be no assurance that such application will be made or that such admission will take place.

The Notes will be in registered form and issued in minimum denominations of €100,000 and higher integral multiples of €1,000.

The Notes will initially be represented by a global certificate (the "**Global Certificate**"), which will be deposited with, and registered in the name of a nominee for, a common safekeeper (the "**Common Safekeeper**") on behalf of Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**") on or prior to 2 June 2021. Individual certificates evidencing holdings of Notes ("**Certificates**") will only be available in certain limited circumstances. See "*Summary of Provisions relating to the Notes while in Global Form*".

The Notes and the guarantees of the Notes (the "**Guarantees**") have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"). The Notes are being offered outside the United States by the Joint Bookrunners (as defined in *"Subscription and Sale"* below) in accordance with Regulation S under the Securities Act ("**Regulation S**") and may not be offered or sold or delivered within the United States except pursuant to an exemption from the registration requirements of the Securities Act.

The Issuer has been rated BB+ with a stable outlook by Fitch Ratings Ireland Limited ("**Fitch**") and BB+ with a negative outlook by S&P Global Ratings Europe Limited ("**S&P**") . The Notes are expected to be rated BB+ by Fitch and BB+ by S&P. Fitch and S&P are established in the European Union ("**EU**") and registered under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). As such, Fitch and S&P are included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.

Prospective investors should have regard to the factors described under the section headed "*Risk Factors*" in this Prospectus.

Joint Global Coordinators and Joint Bookrunners

BNP PARIBAS **J.P. Morgan**

Joint Bookrunner

LUMINOR

Prospectus dated 31 May 2021

IMPORTANT NOTICES

This Prospectus comprises a prospectus for the purposes of the Prospectus Regulation. The Issuer and each Guarantor accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of each of the Issuer and the Guarantors, the information contained in this Prospectus is in accordance with the facts and this Prospectus makes no omission likely to affect the import of such information.

To the fullest extent permitted by law, BNY Mellon Corporate Trustee Services Limited (the "**Trustee**"), The Bank of New York Mellon, London Branch (the "**Principal Paying Agent**"), The Bank of New York Mellon SA/NV, Dublin Branch (the "**Registrar**" and the "**Transfer Agent**", and together with the Principal Paying Agent, the "**Agents**") and the Joint Bookrunners (as defined in "*Subscription and Sale*" below) accept no responsibility whatsoever for the contents of this Prospectus or for any other statement made or purported to be made by a Joint Bookrunner, the Trustee or any Agent or on behalf of any of them in connection with the Issuer, the Guarantors or the issue and offering of the Notes. Each Joint Bookrunner, the Trustee and each Agent accordingly disclaims all and any liability whether arising in tort or contract or which it might otherwise have in respect of this Prospectus or any such statement.

No person is or has been authorised to give any information or to make any representation not contained in this Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer, the Guarantors, the Joint Bookrunners, the Trustee or the Agents. Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Guarantors since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer or the Guarantors since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that the information contained in it or any other information supplied in connection with the Notes is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Neither this Prospectus nor any other information supplied in connection with the offering of the Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, any Guarantor, any Joint Bookrunner, the Trustee or any Agent that any recipient of this Prospectus or any other information supplied in connection with the offering of the Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Guarantors. Neither this Prospectus nor any other information supplied in connection with the offering of the Notes constitutes an offer or invitation by or on behalf of the Issuer, any Guarantor, any Joint Bookrunner, the Trustee or any Agent to any person to subscribe for or to purchase any Notes.

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of the investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Prospectus or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Credit Ratings

Fitch and S&P have each assigned a credit rating to the Notes. Such credit ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances).

Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Prospectus.

Offer Restrictions

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantors or the Joint Bookrunners to subscribe or purchase, any of the Notes. The distribution of this Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Guarantors and the Joint Bookrunners to inform themselves about and to observe any such restrictions.

For a description of further restrictions on offers and sales of Notes and distribution of this Prospectus, see "*Subscription and Sale*" below.

MiFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPs ONLY TARGET MARKET – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the

"**FSMA**") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA ("**UK MiFIR**"). Consequently, no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

SINGAPORE SFA PRODUCT CLASSIFICATION – In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

NOTICE TO INVESTORS IN CANADA – The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Prospectus (including any amendment thereto) contains a misrepresentation, **provided that** the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal adviser.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Joint Bookrunners are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Stabilisation

In connection with the issue of the Notes, J.P. Morgan AG (the "**Stabilisation Manager**") (or any person acting on behalf of the Stabilisation Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the Issue Date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager (or any person acting on behalf of the Stabilisation Manager) in accordance with all applicable laws and rules.

Presentation of Financial Information

The Issuer has prepared special purpose audited combined financial statements for the Issuer, its former sister entity Akropolis Real Estate B.V. and all of their respective subsidiaries, including all of the Guarantors (the "**Combined Group**") which present financial information of the Combined Group on a combined basis as of and for the years ended 31 December 2020 and 31 December 2019 (the "**2020 Combined Financial Statements**"). The 2020 Combined Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**"); see Note 1 (*Corporate and Other Information*) to the 2020 Combined Financial Statements for further information. The financial information and related discussion and analysis are presented in euros except

as otherwise specified. Unless otherwise specified, the financial information and analysis in this Prospectus is based on the 2020 Combined Financial Statements.

The 2020 Combined Financial Statements are appended to this Prospectus. The audit opinion of PricewaterhouseCoopers UAB on the 2020 Combined Financial Statements was unqualified, but contained the following paragraphs headed "*Emphasis of Matter - Basis of accounting"*:

"*We draw attention to the fact that, as described in note 1 to the combined financial statements, the businesses included in the combined financial statements were not in a form as a legal structure with a parent company during the periods presented in the combined financial statements. These combined financial statements are, therefore, not necessarily indicative of results that would have occurred if the Combined Group had been formed as a legal structure with a parent company during the periods presented in the combined financial statements.*

The combined financial statements are prepared specifically for inclusion in the Offering Memorandum and in the anticipation of the reorganisation as described in note 1 to the combined financial statements. Our opinion is not modified in respect of this matter."

Each of the Guarantors became an indirect subsidiary of the Issuer on 24 March 2021 following a group reorganisation (the "**Group Reorganisation**"). Prior to such date, the Guarantors were owned by Vilniaus Prekyba, UAB ("**Vilniaus Prekyba**") through an intermediate holding company, Akropolis Real Estate B.V., which was a direct subsidiary of Vilniaus Prekyba and a sister entity of the Issuer. The audited non-consolidated separate financial statements of the Issuer and the Guarantors for the year ended 31 December 2020 were prepared on a statutory basis and do not take account of the Group Reorganisation which was completed after each of the Issuer and the Guarantors' respective financial year-ends. Prior to the Group Reorganisation, the Issuer did not prepare and was not required to prepare audited consolidated financial statements. The separate financial statements for each of the Issuer and each Guarantor are included in this Prospectus. See "*Financial Statements*".

The 2020 Combined Financial Statements were prepared on a combined basis and, for all periods presented, include companies that formed the Group following the Group Reorganisation.

The Issuer will issue its first annual consolidated financial statements under IFRS for the year ending 31 December 2021. The Group Reorganisation involved Akropolis Real Estate B.V. and all of its subsidiaries becoming subsidiaries of the Issuer. The Group Reorganisation is a business combination under common control, which will be accounted for using the predecessor values method in the consolidated financial statements of the Issuer for the year ending 31 December 2021, with the retrospective presentation approach. Under this approach, the consolidated financial statements of the Issuer will be presented as if the businesses have been combined from the beginning of the earliest period presented because they were under common control as of that date. Specifically, the consolidated financial statements of the Issuer for the year ending 31 December 2021 will include the comparative financial information for the year ended 31 December 2020 which will be the same as reflected in the 2020 Combined Financial Statements. The same approach will be applied in the consolidated financial statements of the Issuer for the half-year ending 30 June 2021, except that the comparative information for the six-month period ended 30 June 2020 will be derived from the Issuer's accounting records.

The Issuer and the Guarantors are presenting the 2020 Combined Financial Statements in this Prospectus because investors in the Notes will be exposed to the credit risk of the Combined Group collectively and the Issuer and the Guarantors combined represent substantially all of the revenues, profits and assets of the Combined Group.

The 2020 Combined Financial Statements have not been reviewed or approved by the Central Bank.

General

Unless otherwise specified or the context requires, references to "euro", "EUR" and "€" are to the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty establishing the European Community.

The language of this Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

FORWARD LOOKING STATEMENTS

This Prospectus includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and include, but are not limited to, statements regarding the intentions of the Issuer and/or the Guarantors, and beliefs or current expectations concerning, among other things, the business, results of operations, financial position and/or prospects of the Issuer and/or the Guarantors.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the financial position and results of operations of the Issuer and its subsidiaries (the "**Group**") and the development of the markets and the industries in which the Group operates, may differ materially from those described in, or suggested by, the forward-looking statements contained in this Prospectus. In addition, even if the Group's results of operations and financial position, and the development of the markets and the industries in which the Group operates, are consistent with the forward-looking statements contained in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. A number of risks, uncertainties and other factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements. See *"Risk Factors*" below.

These forward-looking statements are made only as at the date of this Prospectus. Except to the extent required by law, neither the Issuer nor any Guarantor is obliged to, and none of them intends to, update or revise any forward-looking statements made in this Prospectus whether as a result of new information, future events or otherwise. All subsequent written or oral forward-looking statements attributable to the Issuer or any Guarantor, or persons acting on the Issuer's or a Guarantor's behalf, are expressly qualified in their entirety by the cautionary statements contained throughout this Prospectus. As a result of these risks, uncertainties and assumptions, a prospective purchaser of the Notes should not place undue reliance on these forward-looking statements.

CONTENTS

Page

IMPORTANT NOTICES i
OVERVIEW 7
RISK FACTORS 11
DESCRIPTION OF THE GROUP 33
DESCRIPTION OF THE GUARANTORS 62
USE OF PROCEEDS 64
CONDITIONS OF THE NOTES 65
SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM 102
TAXATION 105
SUBSCRIPTION AND SALE 110
GENERAL INFORMATION 114
FINANCIAL STATEMENTS 117

OVERVIEW

The overview below describes the principal terms of the Notes and is qualified in its entirety by the more detailed information contained elsewhere in this Prospectus. Capitalised terms used herein and not otherwise defined have the respective meanings given to them in the "*Conditions of the Notes*" (the "**Conditions**").

Issuer	Akropolis Group, UAB
Legal Entity Identifier ("LEI") of the Issuer	635400V7YMHAZDSVXB57
Initial Guarantors (and LEI).............	Aido Turtas, UAB (635400C7H4K8HRDKKF59)
	Ozo Turtas, UAB (635400LF3CDKF8NDRE70)
	Taikos Turtas, UAB (6354004RDQAEBAQPKU49)
	SIA "M257" (635400ESBMV81V27HJ37)
Additional Guarantors and Release of Guarantors	Pursuant to, and in the circumstances outlined in, Condition 3(c) (*Additional Guarantees*) and Condition 4(h) (*Additional Guarantees*), the Issuer has undertaken to procure one or more Additional Guarantors. Guarantors may also be released in accordance with Condition 3(d) (*Release of the Guarantees*).
Notes	€300,000,000 2.875 per cent. Guaranteed Notes due 2026
Joint Global Coordinators	BNP Paribas
	J.P. Morgan AG
Joint Bookrunners..............................	BNP Paribas
	J.P. Morgan AG
	Luminor Bank AS Lithuanian branch
Trustee...	BNY Mellon Corporate Trustee Services Limited
Principal Paying Agent	The Bank of New York Mellon, London Branch
Registrar..	The Bank of New York Mellon, SA/NV, Dublin Branch
Transfer Agent....................................	The Bank of New York Mellon, SA/NV, Dublin Branch
Issue Price	99.428 per cent.
Issue Date	2 June 2021
Maturity Date	2 June 2026
Interest	2.875 per cent. per annum
Interest Payment Dates	Interest in respect of the Notes will be payable annually in arrear on 2 June in each year and ending on the Maturity Date (unless the Notes are previously redeemed or purchased and cancelled).
Form and Denomination.....................	The Notes will be issued in registered form in denominations of €100,000 and higher integral multiples of €1,000. The Notes will initially be represented by a Global Certificate,

	which will be deposited with, and registered in the name of a nominee for, the Common Safekeeper on behalf of Euroclear and Clearstream, Luxembourg on or prior to the Issue Date. The Notes will be issued in the new safekeeping structure. Certificates will only be available in certain limited circumstances.
Status of the Notes	The Notes will constitute direct, general and unconditional obligations of the Issuer which shall at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for certain obligations preferred by law and subject to Condition 4(a) (*Negative pledge*).
Status of the Guarantee	The guarantee of the Notes constitutes direct, general and unconditional obligations of each Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the relevant Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application and subject to Condition 4(a) (*Negative pledge*).
Redemption	Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on the Maturity Date.
Redemption for Taxation Reasons.....	The Issuer may, at its option, redeem all, but not some only, of the Notes at any time at their principal amount, together with interest accrued to (but excluding) the date fixed for redemption, in the event of certain tax changes, as further described in Condition 6(b) (*Redemption for tax reasons*).
Redemption at the Option of the Issuer	The Issuer may, at its option, redeem all, but not some only, of the Notes outstanding (i) at any time prior to (and excluding) 2 March 2026 at the Make Whole Redemption Price (as defined in the Conditions) and (ii) on or after 2 March 2026 at their principal amount, in each case together with interest accrued to (but excluding) the date fixed for redemption, as further described in Condition 6(c) (*Redemption at the option of the Issuer (Make whole*) and Condition 6(d) (*Redemption at the option of the Issuer (Issuer call*)).
Change of Control Put Option	Upon the occurrence of a Change of Control Put Event (as defined in the Conditions), each Noteholder shall have the option to require the Issuer to redeem the Notes of such holder at a price equal to 101 per cent. of their principal amount together with interest accrued to (but excluding) the Change of Control Put Date (as defined in the Conditions), as further described in Condition 6(e) (*Redemption at the option of Noteholders upon a Change of Control*).
Cross Default	The Notes will have the benefit of a cross default provision as described in Condition 10 (*Events of Default*)
Negative Pledge...................................	The Conditions include a negative pledge, as further described in Condition 4(a) (*Negative pledge*).

Certain Covenants..............................	The Conditions contain certain covenants which, *inter alia*, limit the Issuer's ability and the ability of certain restricted subsidiaries to conduct certain transactions, for example: (i) limits on making certain restricted payments; (ii) restrictions on entering into transactions with affiliates; (iii) limitations on mergers or consolidation with other entities; and (iv) restrictions on making certain asset sales, all as further described in Condition 4 (*Covenants*).
Withholding Tax.................................	All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of any Tax Jurisdiction (as defined in Condition 8 (*Taxation*) of the Notes), unless the withholding is required by law. In such event, the Issuer or (as the case may be) the Guarantors shall, subject to customary exceptions, pay such additional amounts as shall result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding been required, all as described in Condition 8 (*Taxation*). As more fully set out in "*Taxation*", the Issuer and the Guarantors may be required under certain circumstances to withhold amounts in respect of taxes, at rates of between 10 and 20 per cent., on payments on the Notes and the relevant Guarantee representing interest. See also "*Risk Factors - Notes may be redeemed prior to their stated maturity. Noteholders may be subject to additional income tax as a result of gross-up*"
Governing Law...................................	English law
Clearing and Settlement....................	Euroclear and Clearstream, Luxembourg
Listing and Admission to Trading.....	Application has been made to list the Notes on the Official List and to admit them to trading on the Market. In addition, application has been made for a certificate of approval to be issued by the Central Bank to the competent authority in Lithuania. The Issuer may make an application, after the Notes are issued, for the Notes to be admitted to trading on the official debt list of the Nasdaq. However, there can be no assurance that such application will be made or that such admission will take place.
Ratings...	The Issuer has been rated BB+ with a stable outlook by Fitch and BB+ with a negative outlook by S&P. The Notes are expected to be rated BB+ by Fitch and BB+ by S&P. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.
Selling Restrictions.............................	There are restrictions on the offer, sale and transfer of the Notes in the United States, the EEA (including Lithuania and

	Latvia), the United Kingdom, Japan and Singapore. See "*Subscription and Sale*".
United States Selling Restrictions	Regulation S, Category 1. TEFRA not applicable.
Risk Factors	For a discussion of certain risk factors relating to the Issuer, the Guarantors and the Notes that prospective investors should carefully consider prior to making an investment in the Notes, see "*Risk Factors*".
ISIN	XS2346869097
Common Code	234686909

RISK FACTORS

Each of the Issuer and the Guarantors believes that the following factors may affect its ability to fulfil its obligations under the Notes.

Factors which the Issuer and the Guarantors believe may be material for the purpose of assessing the market risks associated with the Notes are also described below.

Each of the Issuer and the Guarantors believes that the factors described below represent the principal risks inherent in investing in the Notes and the Guarantees, but the Issuer or the Guarantors may be unable to pay interest, principal or other amounts on or in connection with the Notes or the Guarantees for other reasons, and neither the Issuer nor any of the Guarantors represents that the statements below regarding the risks of holding the Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

Risks Related to the Group

Risk relating to the macro-economic environment

The global economic recession and financial crisis due to the ongoing global coronavirus pandemic may affect the Group's business and results of operations

The outbreak of the coronavirus ("**Covid-19**") pandemic, together with measures aimed at mitigating the further spread of Covid-19, such as the restrictions on travel, imposition of quarantines, prolonged closures of stores and workplaces, social distancing measures and other restrictions has had a significant adverse effect on the global economy and international financial markets. It has also had a negative effect on the Group's operations and may further significantly negatively impact the Group's business.

The closure of certain "non-essential" shops in the Group's shopping and entertainment centres, shorter opening hours for the open stores, and the quarantines and other restrictions imposed by the governments of the countries in which the Group has operations have resulted and could continue to result in lower presence and, correspondingly, consumer spending in the Group's shopping and entertainment centres and short-term absences of staff working for the Group or the Group's tenants as a result of illness or quarantines, which in turn has affected, and could continue to affect, Tenant Turnover (as defined in "*Description of the Group - Operational key performance indicators*") and their financial status, thus affecting rental collection by the Group and/or reducing its rental income (which is also impacted by Tenant Turnover in certain cases).

Moreover, the social distancing measures implemented by countries around the world to slow the spread of Covid-19 could result in a severe global recession or depression and financial crisis. As economic activity is expected to continue to be drastically reduced for several months at least, many businesses could be forced to close, leading to additional increases in unemployment and to a decrease in consumer spending. Such developments could have a number of severely negative effects on the Group's business, including the following:

- some tenants in the Group's properties could find it increasingly difficult to pay rent, thereby leading to an increase in late payments and a consequential reduction of the Group's cash flow (for example, the Group registered a lower than usual collection rate in 2020 compared to 2019; for the year ended 31 December 2020, the collection rate was 97.1 per cent., compared to 99.3 per cent. for the year ended 31 December 2019);
- other tenants in the Group's properties may go bankrupt and/or may no longer be able to afford to pay rent at all and be forced to move out, thereby further reducing the Group's revenue streams - as a result, the Group may be confronted with having lower occupancy levels or having to lower rental prices at its properties;
- the Covid-19 pandemic may have a negative impact on rental prices and overall demand, which may also affect the Group's income, cash flow and profitability and the value of the properties it holds; and

- lower consumer spending in the Group's shopping and entertainment centres, which may affect the tenants' and, correspondingly, the Group's cash flow where part of the rent is linked to Tenant Turnover.

In 2020, the Lithuanian and Latvian governments implemented measures with the aim of supporting businesses affected by the closures (in Lithuania, for example, the government implemented legislation providing partial compensation of rental payments, amounting to 50 per cent. of the lease amount payable, if certain conditions were met), although these measures have not been re-enacted in 2021. The period for such compensation ran from 16 March to 31 August 2020, on the condition that the lessor contributed an additional 30 per cent. discount. Tenants in Latvia were not granted governmental lease payment compensation and the Group negotiated discounts with Latvian tenants on a bilateral basis. Total discounts in 2020 amounted to EUR 6.2 million. After accounting for such discounts, the Group's total collection rate was 97.1 per cent. during 2020. At the end of the first quarter of 2021, the Group's cash collection rate was 94 per cent.

As at 30 April 2021, 74 per cent. of the Group's total property portfolio by gross leasable area ("**GLA**") (excluding restaurants and cafes) was open; this represents approximately 87-90 per cent. of the GLA of each property in Lithuania and 32 per cent. in Latvia. With restaurants and cafes (operating takeaway services) included, 78 per cent. of the Group's total property portfolio by GLA was open; this represents approximately 89-95 per cent. of the GLA in Lithuania and 35 per cent. in Latvia. As at the date of this Prospectus, quarantine measures are still in place and shopping centres are still under partial close-down in both Latvia and Lithuania (see *"Description of the Group - Covid-19"* for further information). The Group continues to focus on helping its tenants financially during the partial close-down, and discounts and deferrals continue to be negotiated. Discounts in the first quarter of 2021 comprised 21 per cent. of gross rental and service fee billings for the quarter and resulted in a decrease of consolidated rental and service fee income of EUR 1.15 million for the three-month period ended 31 March 2021. The remaining amount of discounts granted was deferred and will be recognised over the remaining lease term.

The extent of the impact of the Covid-19 pandemic on the Group is highly uncertain at this time and depends on a number of factors, such as the duration of the pandemic and the suitability and effectiveness of measures adopted by authorities in response to the pandemic. The continued spread of the Covid-19 pandemic and the occurrence or escalation of one or more of the above developments may severely negatively impact the Group's business, financial condition, prospects and results of operations.

The Group depends on economic, demographic and market developments in the Baltic region, in particular Lithuania and Latvia

The Group's shopping and entertainment centres are located in Lithuania and Latvia. 76.0 per cent. of the Group's rental income (excluding VAT) for the year ended 31 December 2020 was derived from its centres in Lithuania. Accordingly, due to the concentration of the Group's property portfolio, the Group depends on the trends as well as the general economic and demographic conditions in those real estate markets and the broader Baltic region generally. Negative trends in economic activity, and specifically the real estate markets in Lithuania and Latvia, may affect occupier demand, rental rates and investment valuations in respect of the Group's properties.

The Baltic states are subject to greater risks than western European markets, including legal, economic and political risks. In addition, adverse political or economic developments in neighbouring countries could have a significant negative impact on, among other things, individual countries' gross domestic product ("**GDP**"), foreign trade or the economy in general. The Group's performance could be significantly affected by events beyond its control, such as a general downturn in the economy of the region, changes in regulatory requirements and applicable laws (including in relation to taxation and planning), the condition of financial markets in the Baltic region, and interest, inflation and exchange rate fluctuations. Such events could reduce the Group's income and/or the capital value of its properties.

A deterioration in local economic conditions in Lithuania, Latvia or globally could also result in an increase in unemployment, a decline in real income or a general worsening of the business environment which could, in turn, adversely affect the financial condition of the Group's tenants and other counterparties and their ability to meet their contractual obligations to the Group, and may result in declining rental rates. Furthermore, a global economic downturn could lead to a loss of confidence by international investors and hence adversely affect the real estate markets and/or reduce the Group's access to capital.

In the current macro-economic environment, Lithuania and Latvia are supportive of foreign direct investment. If, however, either government's economic policy or approach was to change detrimentally, this could result in a fall in foreign direct investment, which would in turn affect the demand for the Group's real estate assets and result in lower rental rates and higher vacancy levels. As the Group's performance depends primarily on the amount of rent generated, any such negative economic trends could have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

The Group is exposed to certain risks relating to real estate investments

Investing in real estate is generally subject to various risks, influenced particularly by the macro-economic environment. As a developer and an operator of shopping and entertainment centres, the Group is inherently exposed to these risks, which could, *inter alia*, affect the value of its real estate portfolio or disrupt the revenue-generation of its assets. These risks include the following:

- adverse changes in national or international economic conditions;
- adverse local market conditions;
- the financial conditions of the retail sector (including tenants and buyers and sellers of real estate);
- the availability of debt and equity financing;
- changes in interest rates, real estate tax rates and other operating expenses;
- environmental and operational laws and regulations, planning laws and other governmental rules and fiscal policies;
- environmental claims arising in respect of properties acquired with undisclosed or unknown environmental problems or as to which inadequate reserves had been established;
- energy and utilities prices;
- ownership restitution risks, property ownership uncertainty and related litigation;
- changes in the relative popularity of real estate types and locations leading to an oversupply of space or a reduction in demand for a particular type of real estate in a given market; and
- risks and operating problems arising out of the possible lack of availability of certain construction materials.

These factors could cause fluctuations in rental income or operating expenses, which in turn would have a negative effect on the operating returns derived from, and the value of, the Group's properties. The value of properties may also be significantly diminished in the event of a downturn in real estate prices or the occurrence of any of the other factors mentioned above. Such a decrease in value or decrease in rental income or increase in operating expenses would have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

Increasing online retail may have an adverse effect on shopping and entertainment centres and decrease demand for commercial retail premises

The retail industry continues to transform as online retail grows and consumers increasingly shop online. It is estimated that online sales accounted for around 6.6 per cent. of total retail sales in Lithuania and 3.0 per cent. in Latvia in 2020 and are likely to grow further (*source*: National Statistics departments). Although offline sales are expected to continue to account for a large majority of all retail sales, the growth of online and other competitive retail schemes may affect customer behaviour and impact demand for commercial retail premises by new and existing tenants.

In particular, concerns surrounding the public health impact of Covid-19 could adversely impact customers' perception of shopping centres and might result in an increased shift to online shopping. Although during the course of June to August 2020, when lockdown restrictions were lifted in Lithuania and Latvia, Tenant

Turnover increased on a year-over-year basis compared to 2019, footfall figures in its shopping and entertainment centres recovered more slowly.

The increasing competition from online retail may also impact the investment needs of tenants and property owners who may be prepared to invest more in stores and shopping centres to attract consumers, which could lead to higher pressure on margins. Shopping centres will need to adapt their services and tenant offerings to meet changing consumer behaviour and demand to continue to attract customers. A significant increase in online retail internet shopping could, however, decrease shopping centre sales and the demand for commercial retail premises. The growth or perceived future growth of online retail may also impact investors' willingness to invest in retail assets including shopping centres and in companies owning shopping centres. Any of these factors could have a material adverse effect on the Group's business, results of operations, and financial condition.

Risk relating to the Group's tenants

The success of the Group's retail properties is dependent on its ability to attract and retain anchor tenants, and its financial performance relies on its ability to generally attract and retain tenants

The Group relies on the presence of anchor tenants in its shopping and entertainment centres. Anchor tenants play an important part in generating consumer traffic and making the Group's shopping and entertainment centres desirable locations for other tenants. The failure to renew the lease of an anchor tenant, the termination of an anchor tenant's lease, the failure to secure anchor tenants in a new development or the insolvency or economic decline of an anchor tenant can have a material adverse effect on the economic performance of a shopping and entertainment centre. There can be no assurance that, if one or more anchor tenants were to close or fail to renew their leases, the Group would be able to replace such anchor tenants in a timely manner or that it could do so without incurring material additional costs which would have adverse economic effects. The expiration of an anchor tenant's lease without it being replaced in a timely manner may make the refinancing of such a shopping and entertainment centre, if required, difficult. Furthermore, the deterioration of the Group's relationships with any of its anchor tenants may negatively impact on the Group's ability to secure anchor tenants for its future projects. Any of the above risks, if realised, could have an adverse effect on the Group's business, financial condition, prospects and results of operations.

The Group also faces competition from other owners, operators and developers of retail real estate. One of the primary areas of focus for the Group is the active management of its portfolio by diversifying its tenant mix and by striking a balance between retaining existing tenants and re-letting rental space to new tenants. The Group competes with local real estate developers, private investors, property funds and other retail property owners for tenants. Some of the Group's competitors may have properties that are newer, better located or in superior condition to its properties or could have a better cost structure, portfolio management or conclude acquisitions of real estate assets at more attractive pricing and, therefore, achieve higher profit margins than the Group.

The dominance of a shopping centre in a particular area is an important factor that determines the shopping centre's ability to compete for tenants. If the Group misjudges the desirability of a property's location or its intended use, it may not be able to fully rent properties or rent them at the levels it had planned. If there are several centres in the same area, competition is more intense and thus the Group may experience increased competition for tenants.

The competition for tenants may negatively affect the Group's ability to optimise its tenant mix, by attracting new tenants and retaining existing tenants, and may also negatively influence the terms of its lease agreements, including the amount of rent that the Group charges and the incentives that it provides to tenants, thereby adversely affecting the Group's business, financial condition, prospects and results of operations.

The Group has exposures to its largest tenants

The Group's largest tenants include domestic grocery companies, international and domestic fashion companies and specialty chains and cinema operators. For the year ended 31 December 2020, 28.0 per cent. of the Group's rental and service fees income was generated through lease agreements entered into with its ten largest tenants in each of its shopping and entertainment centres, which includes Maxima Grupė ("**Maxima**"), Industria de Diseño Textil, S.A ("**Inditex**"), Hennes & Mauritz AB ("**H&M**"), Sportland

Group ("**Sportland**"), LPP Spółka Akcyjna ("**LPP Group**") and Pepco Poland Sp. z o. o. ("**Pepco**"). The largest individual tenant is Maxima which accounted for 10.0 per cent. of the Group's retail rental and service fees income for the year ended 31 December 2020, whereas the other aforementioned tenants in each shopping and entertainment centre together accounted for 18.0 per cent. of the Group's rental and service fees income for the year ended 31 December 2020. Any inability of the Group to satisfy the needs of its key tenants leading to decreasing demand for retail space from such key tenants could have a material adverse effect on the occupancy rates and rental income of the Group properties. Further, as a number of the Group's largest tenants are owned by the same shareholder as the Group, Vilniaus Prekyba, the Group is further exposed to the financial performance of its shareholder. See *"The Group's main shareholder can exert considerable control over the Issuer"* for further information. Companies owned by the Group's shareholder, Vilniaus Prekyba, accounted for 16.7 per cent. of the annualised passing rent and service fees in the year ended 31 December 2020 (see "*Description of the Group – Related Party Transactions*").

Because of the relative scale of these key tenants vis-a-vis other tenants and the high concentration of the Group's revenues among such key tenants, the loss of one or more key tenants or of significant brands within a key tenant's portfolio could have a material negative impact on the Group's operations. Such key tenants could demand pricing concessions for the commercial spaces in the Group's properties, require the Group to provide additional services that would increase the Group's costs or elect to renew leases for only certain brands within their portfolios. In addition, these key tenants may also experience financial difficulties, as a result of the COVID-19 pandemic or otherwise, or be subject to business restructurings or changes in strategy. Also, as a result of changes in the retail and real estate sectors or economic conditions in Lithuania and Latvia or globally, these key tenants may have greater leverage to negotiate lease terms more favourable to them (see "*The global economic recession and financial crisis due to the ongoing global coronavirus pandemic may affect the Group's business and results of operations*"). Any of these factors could negatively affect their ability or willingness to continue to lease space in the Group's properties on current terms.

In addition to the loss of revenue, the closure of the retail units of any key tenants, which are significant contributors to footfall in the Group's properties, could also have an adverse effect on retail sales of other retail units operating in the Group's properties (which may lead to the closure of such retail units). The Group continuously adds new brands to its portfolio as the retail market evolves and to appeal to changing consumer habits, however the loss of key tenants would adversely and materially affect the Group's business, financial condition, results of operations and prospects.

The Group is subject to the counterparty risk of its tenants

The Group is subject to the counterparty risk of its tenants as the net revenue generated from the Group's properties depends on the financial stability of its tenants and its commercial relationships with them. The creditworthiness of a tenant can decline over the short or medium term (for example, as a result of the Covid-19 pandemic), leading to a risk that the tenant will become insolvent or be otherwise unable to meet its obligations under the lease.

While the Group has a diversified tenant base, it may suffer from a decline in revenues and profitability in the event that a number of its strategically important or anchor tenants are unable to pay rent owed when due or seek insolvency protection. If a tenant seeks insolvency protection, the Group may be subject to delays in receipt of rental and other contractual payments, if it is able to collect such payments at all. The Group may not be able to secure vacant possession of the property without the consent of the relevant insolvency officials and/or body, thus preventing the Group from re-letting the affected property to a new tenant.

The Group may not be able to limit its potential loss of revenues from tenants who are unable to make their lease payments. The tenants may have the right to terminate their lease agreements in certain circumstances which are not covered by the Group's business interruption insurance (although such insurance policies would not cover loss of revenue or termination of leases caused by Covid-19). In some cases, large tenants also have the right to terminate their lease agreements in case their sales decrease below a certain level or in case the occupancy rate of the relevant shopping centre decreases below certain pre-set ratios. If a lease is terminated, the Group may be unable to re-let the property at the same commercial rate, or to a tenant of comparable quality, or at all. If any of these risks are realised, this could affect the Group's business, financial condition, prospects and results of operations.

The financial performance of the Group is subject to the Group's ability to secure initial tenants, rent renewals or re-lettings and its ability to manage lease expirations

The financial performance of the Group is subject to the Group's ability to secure initial tenants, rent renewals or re-lettings and manage lease expirations which impact the occupancy rates of the Group's properties. The ability to manage occupancy of the Group's properties depends in large part on the condition of the markets in countries in which the Group has its assets. A negative change in any of the factors affecting the property market and the Group's occupancy rates, including the economic situation (as a result of the Covid-19 pandemic or other factors), may adversely affect the business, financial condition, prospects and results of operations of the Group.

The ability of the Group to manage occupancy rates is also dependent upon the remaining terms of its current lease agreements, the financial position of current tenants and the attractiveness of its properties to current and prospective tenants. As at 31 December 2020, the Group's weighted average remaining lease term was 6.7 years by GLA.

In order to retain current tenants or attract new tenants the Group may be required to offer lease incentives such as reductions in rent, capital expenditure programmes and other terms in its lease agreements that make such leases less favourable to the Group. Some of the Group's lease agreements with anchor tenants provide for break clauses after an initial tenancy period of ten-to-fifteen years for hypermarkets, do it yourself stores ("**DIYs**") and cinemas, and three-to-seven years for other tenants. It is possible that some of the tenants may choose to exercise their rights under their break clauses and terminate their leases early. The Group may also not be successful in maintaining or increasing occupancy rates or successfully negotiating favourable terms and conditions in relation to its lease agreements. A failure to do so could have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

The ability of the Group to increase rents in line with market fluctuations may be restricted

The Group may be restricted in its ability to raise rents in line with market fluctuations owing to certain terms in its lease agreements. Rental levels and market value for properties are generally affected by overall conditions in the economy. Both rental income and property values may also be affected by factors specific to the real estate market, including: (i) rent reviews with anchor tenants may not be agreed at the estimated rental values; (ii) rents are tied, at least in part, to Tenant Turnover - thus, as the turnover of such tenant fluctuates, the rent is also subject to fluctuations; and (iii) most lease agreements to which the Group is a party include clauses which provide for partial or full indexation of rent, which, in most cases, is indexed in line with a consumer price index.

Consequently, the increase in the rental proceeds from such leases is dependent not only on general economic developments or market conditions, but also on future rates of inflation, and any of these may be materially negatively impacted by (amongst other factors) the Covid-19 pandemic. Each of these factors may restrict the Group's ability to increase rents in line with market fluctuations and could therefore have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

Turnover and demand for the Group's premises may be adversely affected by decreasing private consumption

Private consumption has a material effect on Tenant Turnover and, hence, on the demand for the Group's retail premises and its net rental income. Growth in retail sales is mainly dependent on economic development, increases in household purchasing power and growth in consumer spending. However, Covid-19, and the measures and restrictions enacted by governments to halt the pandemic, have adversely impacted these typical drivers of growth. Weakness in the European economy, amplified by the Covid-19 pandemic, may further decrease consumer confidence, reduce consumption and ultimately impact growth. Should growth in private consumption slowdown in Lithuania or Latvia, this could lead to decreased demand for retail premises from potential tenants. Lower tenant demand may negatively affect the rental and occupancy levels in the Group's property portfolio, and its net rental income, which could in turn have a material adverse effect on the Group's business, results of operations, and financial condition.

The construction of shopping centres and new retail premises may increase competition for tenants and, therefore, negatively affect the Group's business

The construction of new shopping centres and other retail premises, particularly in Lithuania, is likely to result in increased competition for tenants. This may put pressure on rent levels and increase marketing costs incurred by real estate owners and managers, make it more challenging to attract and retain tenants at commercially satisfactory rental rates and increasing the vacancy rate. As a result, the need for tenant-specific alteration work and incentives to accommodate tenants' needs may increase. Any significant increase in marketing costs and tenant incentives and related investments, or the impact from difficulties in attracting and retaining suitable tenants, could have a material adverse effect on the Group's business, results of operations, and financial condition.

Risks relating to maintaining and developing the Group's properties

The Group is exposed to risks regarding development projects

The Group is active in property development as it is responsible for the construction and development of its shopping and entertainment centres. As such, the Group is exposed to numerous development risks relating to the construction, project design, project management, use of external professionals and other matters associated with such development projects. The main development risks are commercial (such as letting risks, for example, the availability of tenants for new developments), financial, technical (such as design, construction and environmental risks), procedural (such as project management) and legal (such as permitting). The Group's property development projects are also subject to the risks usually attributable to construction projects, such as delays in construction work, in obtaining the necessary permits or other unforeseen delays, changes to planning laws, increases in the cost of construction and construction materials, cost overruns, disputes with third parties (including third party contractors and local authorities), fluctuating prices and shortages in the supply of raw materials as well as shortages of qualified employees. In particular, given that in the Baltic region the process of obtaining permits can be a lengthy process, there can be significant delays between the time when the land is acquired and the time when all necessary permits and authorisations for developing a project are obtained which can have a material adverse effect on the Group's cash flow. For example, the Group currently expects to obtain a permit to commence construction of the Vingis project in the third quarter of 2021; although any delays to this timetable could impact the commencement of construction and, in turn, the target completion date of the development (see "*Description of the Group - History and Development*" for further information on the Vingis project). Delays can also result from the inability to obtain sufficient amounts of raw materials and to retain qualified employees on terms acceptable to the Group.

When considering development project investments and development risks, the Group needs to make an estimate of the economic and market conditions that will prevail in the market where the project is located at the time the project is completed and becomes operational, and there is uncertainty at the beginning of a development project about the economic and market conditions at the time of completion of the project. Such estimates are difficult to make since it takes a considerable period of time before development projects are completed and become operational. During this period, economic conditions can change unfavourably and lower the Group's expected return on the investment. For example, a given market may experience an oversupply of retail properties at the time of a project's completion, leading to lower occupancy rates. As a result, the Group may inadequately plan its development project investments and adopt an inappropriate business strategy. The realisation of any of these development risks could have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

The Group's capital expenditure and other construction, development and maintenance costs may be higher than expected

The Group's investment and development programme entails significant planned expenditures. In addition, the Group will continue to undertake construction and development work on an on-going basis with respect to its properties to meet legal and market requirements and not all of such operating expenses may be passed on to the tenants. The Group is subject to a number of construction, operating and other risks relating to the completion of its investment and development of real estate programmes that are beyond its control. These include shortages of, increases in, and/or price inflation in respect of (as applicable), the following: materials, equipment and labour, contractors' insolvency or bankruptcy, adverse weather conditions, accidents, unexpected delays and other unforeseen circumstances, any of which could result in costs that are materially higher than initially estimated by the Group. These risks are exacerbated by the Covid-19

pandemic. Furthermore, the inability to complete the construction and leasing of a property on schedule may result in increased construction or renovation costs which may result in claims by third parties for damages and termination of leases.

For large refurbishment or development projects, costs related to securing property, obtaining planning, demolition and/or construction or other required consents, dealing with counterparties and obtaining approvals and consents (both from third parties and regulators) can be significant and time consuming. There is also a risk that planning or permitted use consents are not obtained, are delayed, are subject to uneconomic or unfavourable conditions or, once received, may be challenged. The Group may delay or abandon refurbishment or development opportunities that it has started to pursue and consequently fail to recover costs already incurred. In some cases, the refurbishment or development of properties may be subject to revaluation losses due to, for example, the Group's determination that a given refurbishment or development property is not likely to yield a desired level of net rental income or occupancy. Other write-offs relating to abandoned refurbishment or development opportunities, or revaluation losses resulting from changes in the value of a refurbishment or development properties, may occur in the future. Moreover, construction defects on completed or ongoing developments may lead to property and personal damages which affect the Group and the developments themselves.

Laws in relevant jurisdictions impacting the Group may be introduced that may be applied retrospectively and affect existing building consents which would restrict development in the Group's target geographies. This could negatively affect the Group's ability to complete a development and refurbishment programme on schedule or within the estimated budget. Even if the Group is successful in implementing a project, the Group may not see a return on its investments due to unforeseen costs. Any failure by the Group to complete an investment and development programme or to otherwise undertake appropriate construction or refurbishment work could adversely affect the rental revenue earned from the affected real estate, impacting the Group's business, financial condition, prospects and results of operations.

The Group is reliant on contractors for the construction and maintenance of its development activities

The Group relies on contractors and subcontractors for all its refurbishment and development activities. If the Group cannot enter into construction agreements and/or subcontracting arrangements on acceptable terms (or at all) the Group will incur additional costs which may have an adverse effect on its business.

The competition for the services of quality contractors and subcontractors may cause delays in construction, exposing the Group to a loss of competitive advantage. Contracting and/or subcontracting arrangements may not be on favourable terms, which may result in increased development and construction costs. By relying on contractors and/or subcontractors, the Group becomes subject to a number of risks relating to these entities, such as quality of performance, varied work ethics, performance delays, construction defects and the financial stability (including potential insolvency) of the contractors and subcontractors. A shortage of workers would also have a detrimental effect on the Group's contractors and/or subcontractors and, as a result, on the Group's ability to conclude the construction phase on time and within budget.

The Group's reliance on contractors is further amplified by the Covid-19 pandemic. Quarantines and other restrictions imposed by the governments of the countries in which the Group has operations have resulted and could continue to result in:

- increased costs as a result of any necessary disinfections and other health and safety measures implemented at the Group's properties;
- short-term absences of staff working for the Group or for its contractors as a result of illness, quarantines or other restrictive measures;
- contractors' and subcontractors' insolvency or bankruptcy, leading to their inability to complete projects, delays and increased costs; and
- short-term shortages or delays in the delivery of various materials necessary for the development or refurbishing works,

any of which could have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

The Group may face claims for defective construction, which could have an adverse effect on its generation of rental income

The construction of properties is subject to the risk of claims for defective construction or other related works and associated adverse publicity. Any claim brought against the Group, and the surrounding negative publicity concerning the quality of its properties or projects, irrespective of whether the claim is successful, or an inability to complete the construction of a project on schedule or on budget, could also have a material adverse effect on how its business, properties and projects are perceived by target tenants. Where a construction company or subcontractor used on a development becomes insolvent it may prove impossible to recover compensation for defective work or materials. In addition, the Group may incur losses as a result of repairing defective work or paying damages to persons who have suffered losses as a result of such defective work. Potential damage related to construction and consequent liabilities may affect the profitability of the Group's business and lower the fair value of affected properties owned by the Group. Furthermore, these losses and costs may not be recovered from the Group's professional liability insurance, the construction company or the subcontractor. This could negatively affect the Group's ability to market and lease its properties in the future, and could have a material adverse effect on its generation of rental income and, thereby its business, financial condition, prospects and results of operations.

The Group is exposed to risks related to the modernisation and maintenance of its properties

In order to sustain demand for its properties and to generate adequate revenue in the long term, the Group must maintain and/or improve the condition of its properties to a standard that meets market and regulatory demand.

The Group has the primary responsibility for ensuring the maintenance of its properties. It bears the responsibility of meeting the contractual deadlines agreed upon with its suppliers and is liable for the payment of services, regardless of whether it is able to recover these charges from the tenants. Although the Group constantly reviews the condition of its properties and has established a reporting system to monitor and budget for necessary maintenance and modernisation measures, numerous factors may generate substantial unbudgeted costs for maintenance and modernisation.

For example, the outbreak of the Covid-19 pandemic triggered additional requirements, imposed through various legislative acts, in terms of health maintenance measures for the Group. In addition, the Group could underestimate the amount required to be invested for the targeted modernisation and maintenance of its properties. Modernisation costs may increase due to various factors, such as increased costs of materials, labour costs, energy, bad weather conditions, unexpected safety requirements or unforeseen complexities emerging on building sites.

The Group could also be exposed to risks due to delays in the implementation of maintenance or modernisation works in connection with its properties, including: delays in obtaining necessary permits and consents for planned modernisation works, lack of qualified employees, bad weather conditions or delays in the works performed by a contractor or subcontractor or the contractor or subcontractor becoming insolvent during the maintenance or modernisation project.

Higher expenditures than planned or unforeseen additional expenses for modernisation and maintenance that cannot be passed on to tenants and/or delays in any of the matters mentioned above could negatively affect the Group's business, financial condition, prospects and results of operations.

There can be no assurance that the Group will be successful in implementing its strategy or achieving its investment objectives

The Group is focused on operating and expanding its portfolio of regionally dominant assets in Lithuania and Latvia through development and acquisition of retail assets that meet its investment criteria. No assurances can be given that the implementation of the Group's strategy, and achieving its financial targets and investment objectives, will be successful under current or future market conditions. The Group's approach may be modified and revised from time to time. It is therefore possible that the approach adopted to implement its strategy and to achieve its investment objectives in the future may be different from that presently expected to be used and disclosed in this Prospectus.

The availability of potential investments that meet the Group's investment criteria will depend on the state of the economy and financial markets in the Baltic region. The supply of real estate assets might be limited

for example due to fewer sales of real estate assets by sellers. Constriction of supply could further increase competition for acquisitions of properties that would be suitable for the Group and could also motivate potential sellers to sell properties in an auction process. All this may result in an increase in the price of properties. Competition from larger real estate companies, which may have access to cheaper funding in the markets in which the Group intends to expand its business, combined with the potential entry of new international investors in the markets where the Group is already present, may make it more challenging for the Group to acquire new properties and expand its portfolio and could weaken its market share and growth possibilities.

As a result, it could be more difficult for the Group to compete and successfully acquire properties, which could limit its ability to grow its business effectively and could have an adverse effect on the Group's business, financial condition, prospects and results of operations.

The Group may be unable to be reimbursed by tenants for increases in operating and administrative expenses

The Group's operating and administrative expenses, as well as increasing repair and maintenance costs related to the gradual ageing of the Group's properties, could increase without a corresponding increase in Tenant Turnover or tenant reimbursements. Further, there may be expenses which are not recoverable from tenants. Factors which could increase operating and administrative expenses include, amongst other things, increases relating to the rate of inflation, payroll expenses, legal expenses, property taxes and other statutory charges, energy and utility costs and the costs of services provided by third party providers, movements in foreign exchange rates, increases in insurance premiums, increases in maintenance costs and increases in capital expenditure which arise as a result of defects relating to the properties needing to be rectified. Such increases, if not recovered from tenants, could have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

The Group is exposed to risks arising from the illiquidity of its portfolio

The market for the types of properties the Group owns or may acquire in the future is generally illiquid. Were the Group required to liquidate parts of its portfolio on short notice for any reason, including raising funds to support its operations or repay outstanding indebtedness, the Group may not be able to sell any portion of its portfolio on favourable terms or at all. In the case of an accelerated sale, there may be a significant shortfall between the fair value of the property and the price at which the Group could sell such property. In planned disposals in the ordinary course of business, an illiquid market may result in a sales price that is lower than anticipated or in a delay of the sale. Any such shortfall could have a material adverse effect on the Group's business, financial condition or results of operations.

The real estate sector is susceptible to fraud

Certain activities in the real estate sector have, from time to time, been subject to allegations of embezzlement of cash in connection with arranging large scale real estate transactions. Although the Group is currently not aware of any such fraud taking place within its business and has taken precautionary measures to reduce the risk as much as possible, it may become the target of fraud or other illicit behaviour in any of the markets in which it operates. This may have a material adverse effect on the Group's reputation which in turn may affect the Group's business, financial condition, prospects and results of operations.

The Group may become involved in disputes in relation to its property rights and permits may have been obtained in breach of applicable laws

Certain acquisitions or sales of property may be rendered void under applicable local law provisions as a result of insolvency, fraud, lack of consideration, gross undervaluation, avoidance of creditors, defrauding of creditors or as a result of other technical requirements in the conveyance of property. Further, there may be a risk of legal disputes with neighbouring landowners, architects, project managers and suppliers, with respect to the Group's construction and development projects (see "*Risks relating to the operations of the Group - Litigation*" below).

Even if a dispute is ultimately settled or decided in the Group's favour, the Group may not be able to recover its costs incurred in relation to the dispute. Any termination of a lease, challenges to ownership, delays to or cancellations of the development of projects or any other dispute could have a material adverse effect on the Group's business, financial condition and results of operations.

In addition, there can be no assurance that all permits necessary to legally own, develop or operate the Group's properties have been obtained in compliance with all applicable laws. While the Group conducts detailed due diligence to identify any issues related to such permits and takes all steps necessary to remedy any defects, there can be no assurance that this can be achieved on time and that regulators will not impose the suspension of the relevant properties' operation. If the Group's ownership interests over its property or permits are successfully challenged, this could have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

Risks relating to the operations of the Group

The Group may not successfully manage the risks associated with expansion and its international operations

Since the Group was established, it has expanded its operations from Lithuania and now has a shopping and entertainment centre in Riga, Latvia.

The Group continues to evaluate investment opportunities and it may expand its operations in other countries or in new markets (see "*Description of the Group — Strategy and Strengths - Strategy*"), as the Baltic market is comparatively small and offers limited opportunities for further developments of significant scale. The Group faces many risks inherent in expanding its operations, such as unexpected changes in regulatory requirements; default by the Group's partners; difficulties in staffing and managing foreign operations; increased competition in foreign markets; existing incumbents; lack of brand recognition; longer payment cycles and problems in collecting accounts receivable; and potentially adverse tax consequences. Any failure to manage the risks associated with expanding the Group's operations could have a material adverse effect on the Group's business, results of operations and financial condition.

In addition, although due diligence reviews are undertaken in relation to acquisitions, such reviews may not reveal all existing or potential risks and liabilities and the Group cannot give any assurance that its acquisitions are not or will not become subject to liabilities of which it is unaware. While warranties and indemnities are generally obtained where practical and appropriate, the Group cannot give any assurance that it would be able to enforce its contractual or other rights against the relevant sellers or that any warranties and indemnities would be adequate to cover potential liabilities. The acquisition of businesses or assets with risks or liabilities of which the Group was or may be unaware, or did not correctly assess or assume, or against which the Group did not obtain full legal protection, could have a material adverse effect on its business, results of operations and financial condition.

The Group cannot give any assurance that it will successfully integrate its acquisitions in an efficient and effective manner or that it will be able to identify and consummate future acquisitions. The Group's failure to integrate its acquisitions and to manage any of the risks and costs associated with such integration, could have a material adverse effect on its business, results of operations and financial condition.

In addition, any future acquisition of highly leveraged companies (or the funding of acquisitions through debt finance) might result in worsening of the Group's financial condition and therefore, lead to rating downgrades in the future.

The Group may incur significant costs complying with property laws and regulations

The Group and its real estate assets are be required to comply with a variety of laws and regulations of local, regional, national and European Union authorities, including planning, zoning, environmental, fire protection, health and safety, tax and other laws and regulations. If the Group or any of its real estate assets fails to comply with these laws and regulations, the Group may have to pay penalties or private damages awards. In addition, changes in existing laws or regulations, or their interpretation or enforcement, could require the Group to incur additional costs in complying with those laws or regulations, altering the investing strategy, operations or accounting and reporting systems, leading to additional costs or loss of revenue.

The Group's properties must have the requisite planning consent and permits for commercial activities of the type intended for their development and operation. In instances where the existing planning regimes are not suitable or in which the planning classification is yet to be determined, the Group will need to apply for the required consents. This procedure may be protracted, particularly where the bureaucracy is cumbersome and inefficient. The Group cannot be certain that the process of obtaining proper planning consent will be completed with sufficient speed and at a cost to enable the property to be developed ahead of competing businesses without delays, or at all. Opposition by local residents and/or non-governmental organisations to building planning applications and permits may also cause considerable delays. In addition, arbitrary changes to applicable planning consents may jeopardise projects which have already commenced. Therefore, if the Group does not receive planning consents or if the procedures for the receipt of such planning consents and/or building consents are delayed, the Group's costs will increase which may have an adverse effect on its business, financial condition and results of operations.

Funding and liquidity risk

Changes in the global credit and financial markets, including regulatory changes in respect of banks and the wider financial services sector, have in recent years affected and may continue to affect the availability of credit. In the past, the deterioration in the financial markets has contributed to a recession in the U.S., Europe and the global economy, which has led, and may continue to lead, to significant declines in employment, household wealth, customer demand and lending. Any recurrence of these developments may adversely affect economic growth in Europe and elsewhere.

Whilst the Group currently has committed facilities available that enable it to meet its current funding needs, there may be difficulty in the future in accessing the financial markets, which could make it more difficult or expensive to obtain funding. There can be no assurance that the Group will be able to continue to raise financing at a reasonable cost, or at all. The Group may also be subject to solvency risks of its banks and counterparties in its financial investments and arrangements. These may have an adverse effect on the Group' business, financial condition and results of operations.

The Group has a concentrated portfolio of income generating assets

Although the Group continues to expand its portfolio of assets through the development of the Vingis project and the potential acquisition of another operating shopping and entertainment centre in the Baltic states, as at the date of this Prospectus almost all of the Group's operating income is generated from four operational assets in Lithuania and Latvia. The Group is therefore exposed to a significant concentration risk in its portfolio, and the underperformance of one asset may have a material impact on the overall performance of the Group, which would not be the case with a more diversified portfolio.

The Issuer's ability to access credit and bond markets and the Issuer's ability to raise additional financing is in part dependent on the Issuer's credit ratings

As of the date of this Prospectus, the Issuer has been assigned a long-term senior unsecured rating of BB+ with a stable outlook by Fitch and BB+ with a negative outlook by S&P. These ratings reflect each agency's opinion of the Issuer's financial strength, operating performance and its ability to meet its debt obligations as they become due. The Issuer's ability to access the capital markets and other forms of financing (or refinancing), and the costs connected with such activities, depend in part on the Issuer's credit ratings. In the event the Issuer's credit ratings are lowered by the rating agencies, the Issuer may not be able to raise additional indebtedness on terms similar to its existing indebtedness or at all, and its ability to access credit and bond markets and other forms of financing (or refinancing) could be limited, which could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group may not timely identify or effectively respond to consumer trends or preferences, which could negatively affect the Group's relationship with its customers, interest and awareness in its shopping and entertainment centres, market share and the growth of the business

It is difficult to predict consistently and successfully the products and services the Group's customers and consumers will demand and changes in their shopping patterns. The Group's strategy concentrates on having the best and the strongest tenant mix in the Baltics with an emphasis on fashion, entertainment and food and beverages services. However, the success of the Group depends in part on how accurately it predicts consumer demand and trends, the related impact on the demand for existing products, the desirability of its tenants' products and services and the competitive environment. A range of tenants, availability of exclusive brands, entertainment options, customer experience, convenience and location are of primary importance to customers and continue to increase in importance, particularly as a result of digital tools and social media available to consumers and the choices available to consumers for purchasing products. Failure to adequately or effectively respond to changing consumer tastes, preferences and shopping patterns, or any other failure on the part of the Group to timely identify or effectively respond to changing consumer tastes, preferences and shopping patterns could negatively affect the Group's relationship with its customers, the demand for its products, its market share and the growth of the business.

The fair value of the Group's property portfolio may fluctuate

The fair value of the Group's properties is influenced by several factors, such as fluctuations in general and local economic conditions, interest rates, availability and cost of financing, inflation expectations, GDP

growth, private consumption, market rent trends, vacancy rates, property investors' yield requirements, property operating expenses, the relative attractiveness of other asset classes and competition.

In addition, city planning and building projects, as well as changes in competitive dynamics, may influence the value of properties. The Group uses the fair value model in the valuation of its properties, under which fair value changes (i.e. fair value gains and losses) of properties are recognised in the statement of comprehensive income (IAS 40).

The Group recognised net fair value gains on its properties in 2019 of EUR 11.8 million and EUR 5.1 million in 2020 (which, after adjustments for IFRS 16, was EUR 1.4 million). Gains in 2020 reflected an increase in the value of Akropolis Vilnius following refurbishment work there, offset by losses at the Group's other shopping centres reflecting (among other factors) the impact of the Coivd-19 pandemic. Changes in the fair value of its investment properties impact the Group's consolidated statement of comprehensive income and statement of financial position, but they do not have a direct effect on its cash flow statement. Significant fair value losses of the Group's investment properties could have a material adverse effect on the Group's business, results of operations, and financial condition.

Property valuation statements are inherently subjective assessments of external property appraisers

Real estate valuations are subjective assessments by external property appraisers that are influenced by a number of variables, assumptions, and methodologies that may result in the valuation being inaccurate. In particular, uncertainties impacting valuation statements include, amongst other factors, the lack of liquidity of real estate assets, the availability of debt funding, the nature of each property, its location, the expected future rental income from that particular property and the valuation methodology used to assess that property's value. This is especially true when there are few or no comparison sales. In addition, property appraisals are based on assumptions that may prove erroneous. Property appraisers make certain assumptions on the future development of the real estate market, such as market yields and market rents.

The Group appraises its property on a yearly basis. There is no single valuation standard for determining fair value in good faith and, in many cases, fair value is best expressed as a range of fair values from which a single estimate may be derived. Fair values may be established using various approaches, such as discounted cash flow, a market comparable approach that is based on a specific financial measure (such as rental income, net operating income, value per square metre or other metrics) or, in some cases, a cost basis or liquidation analysis. Valuations are inherently uncertain and may therefore fluctuate over short periods of time and may be based on estimates and determinations of fair value which may differ materially from the values that would have resulted if a liquid market had existed. Even if market quotations are available for the Group's properties, such quotations may not reflect the value that the Group would actually be able to realise because of various factors, including the illiquidity of the underlying assets, the speculative nature of investment property, future market price volatility or the potential for a future loss in market value based on poor real estate market conditions. There can also be no assurance that these valuations will be reflected in the actual transaction prices, even where any such transactions occur shortly after the relevant valuation date, or that the estimated yield and annual rental income will prove to be attainable.

Failure to maintain the Group's reputation and brand image could adversely impact its results of operations

The Group believes that its red-white "Akropolis" brand is among its most valuable assets, and that its brand image and reputation have contributed significantly to the success of its business. The Group's continued success depends on its ability to maintain, promote and grow its brand image and reputation. The Group's results of operations could be adversely impacted if its brand is tarnished or receives negative publicity, whether directly or, for example, in relation to its shareholders. In addition, adverse publicity about regulatory or legal action could damage its reputation and brand image, undermine consumer confidence in the Group and reduce long-term demand for its products, even if any such regulatory or legal action is unfounded or not material to the Group's operations, which would have a material adverse effect on the Group's business and results of operations.

Failure to attract or retain key management and personnel

The Group relies on certain qualified personnel the loss of whom could have an adverse impact on its business. The Group competes with other real estate, retail and construction companies specifically, and other employers generally, for qualified personnel. The success of the Group's property development and

operating activities depends, among other things, on the expertise of the Board (as defined herein) and the Group's executive management and other qualified personnel in identifying appropriate opportunities and managing such activities, as well as on the local level management teams of the Group companies. The loss of some or all of these individuals or an inability to attract, retain and maintain additional personnel could prevent the Group from implementing its business strategy and could adversely affect the Group's business and future financial condition or results of operations. There can be no assurance that the Group will be able to retain all of its existing senior personnel or to attract additional qualified personnel when needed which, in turn, could adversely affect the Group's business, financial condition, prospects and results of operations.

Information technology ("IT") systems, data security and data privacy

The Group's operations are increasingly dependent on IT systems and the management of information. Increasing digital interactions with tenants and consumers place ever-greater emphasis on the need for secure and reliable IT systems and infrastructure and careful management of the information that is in the Group's possession. There is also a threat from unauthorised access and misuse of sensitive information and the Group's information systems could be subject to unauthorised access or the mistaken disclosure of information which disrupts the Group's business and/or leads to loss of assets or damage to the Group's reputation.

The Group also stores and uses in its operations data for marketing purposes, in particular, and such data may be protected by data protection laws and in particular Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data. Although the Group takes precautions to protect customer data in accordance with applicable laws, the Group cannot discount the possibility of future data leakages. The Group works with third-party service providers, such as certain software companies, which may not fully comply with the relevant contractual terms and all data protection obligations imposed on them. Information technology problems, system failures, computer viruses, intentional/unintentional misuses, hacker attacks or unauthorised access to the Group's network or other failures could result in a failure to maintain and protect customer data in accordance with applicable regulations and requirements and could affect the quality of the Group's services, compromise the confidentiality of its customer data or cause service interruptions, and may result in the imposition of fines, claims for damages, prosecution of relevant employees and managers, reputational damage and tenant churn and may have a material adverse effect on its business, prospects, results of operation and financial condition.

The Group's tenants and employees are increasingly sensitive to matters of data usage and storage and security. As a result, the inherent reputational risks of the IT control environment have increased in conjunction with the financial and regulatory risks.

Crime and security risks

The Group promotes the security and safety of consumers and tenants in its properties. However, due to high visibility and the presence of large numbers of people, the Group's properties may be targets for crime and other forms of violence. Any violent attack on a property of the Group or a similar property owned by someone else may harm the operations and general condition of its tenants and, in addition to causing financial and operational losses, may directly or indirectly affect the value of its properties and their attractiveness to consumers. Any threats, whether genuine or not, can stop business operations temporarily or permanently, can cause declining visitor numbers to the affected properties and may substantially impede a tenant's business. The occurrence of any such event could lower consumer confidence and spending in the Group's retail and entertainment centres.

The Group's employees may engage in misconduct or improper activities

The Group is exposed to the risk of employee fraud or other misconduct. Misconduct by employees could include intentional failures to comply with regulations, failure to report financial information or data accurately or disclose unauthorised activities to the Group. In particular, rentals, marketing and business arrangements are subject to extensive laws and regulations intended to prevent fraud, misconduct, kickbacks, self-dealing and other abusive practices. Employee misconduct could also involve the improper use of information obtained, or illegal misappropriation of inventory. The Group has adopted a code of conduct for its employees, but it is not always possible to identify and deter employee misconduct, and the

precautions taken to detect and prevent this activity may not be effective. Any such activities could have a significant impact on the Group's business, including the imposition of significant fines or other sanctions. Moreover, any such unethical conduct may adversely affect the reputation and brand image of the Group.

The Group's insurance coverage may not be adequate

The Group's insurance policies may not cover all losses and, as a result, the Group's insurance may not fully compensate it for losses associated with damage to its real estate assets and third-party liability. In addition, there are certain types of losses, generally of a catastrophic nature, that may be uninsurable or that are not economically insurable. Further, the Group is not insured against losses arising as a result of the Covid-19 pandemic. Other factors might also result in insurance proceeds being insufficient to repair or replace a property if it is damaged or destroyed, such as inflation, taxation, changes in building codes and ordinances and environmental considerations. The Group may incur significant losses or damage to its assets or business or liability for losses or damage towards third parties for which it may not be compensated fully or at all. As a result, it may not have sufficient coverage against all losses that it may experience. Should an uninsured loss or a loss in excess of insured limits occur, the Group could lose capital invested in the affected property as well as anticipated future revenue from that property. In addition, it could be liable to repair damage caused by uninsured risks.

The Group may also remain liable for any debt or other financial obligation related to that damaged property.

Additionally, no assurance can be given that material losses in excess of insurance coverage limits will not occur in the future. Any uninsured losses or losses in excess of insured limits could have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

The Group may incur environmental liabilities or costs

The environmental laws of countries in which the Group has its operations or assets impose actual and potential obligations to conduct remedial action on sites contaminated with hazardous or toxic substances. In such circumstances, the owner's liability is generally not limited under such laws and the costs of any required removal, investigation or remediation can be substantial. The presence of such hazardous or toxic substances on, or in, any of the Group's properties, or the liability for failure to remedy property contamination from such substances, could adversely affect the Group's ability to let or sell such property or to borrow funds using such property as collateral, which could have an effect on its generation of rental income or return on investment. Furthermore, the Group may be required to comply with stricter environmental, health and safety laws or enforcement policies or become involved in claims and lawsuits relating to environmental matters. Meeting stricter compliance standards or defending potential actions may have a significant negative impact on its results of operations. If the relevant authorities in a country where the Group has its operations or assets discover violations of applicable environmental laws, the Group may be subject to fines and other penalties. Any of these matters could have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

Holding company risks

The Issuer is the ultimate holding company of the Group. The principal assets of the Issuer are the equity interests it directly or indirectly holds in its operating subsidiaries and loan balances receivable from Group entities. As a result, the Issuer is largely dependent on loans, interest, dividends and other payments from its subsidiaries to generate the funds necessary to meet its financial obligations, including the payment of interest and principal to its creditors, including the holders of the Notes. The ability of the Issuer's subsidiaries to make such distributions and other payments depends on their earnings and may be subject to statutory or contractual restrictions. Consequently, if amounts that the Issuer receives from its subsidiaries are not sufficient, the Issuer may not be able to service its obligations under the Notes and investors may be required to claim against the Guarantors in respect of any unpaid amounts.

The Group's main shareholder can exert considerable control over the Issuer

The Issuer is a subsidiary of Vilniaus Prekyba, with ultimate ownership held by an individual investor, Nerijus Numa (the "**Major Shareholder**"), who indirectly owns 77.2 per cent. of the Issuer's share capital. In addition, a number of the Group's largest tenants are also ultimately owned by the Major Shareholder; 16.7 per cent. of the annualised passing rent and service fees in the year ended 31 December 2020 derived

from Vilniaus Prekyba owned-companies including Maxima, Ermitažas and Eurovaistinė. Vilniaus Prekyba also provides certain limited management services (for example legal, financial and tax) to the Group and IT services to certain of the Group’s tenants, although the costs are not material to the Group.

As a result of the ownership structure, the Major Shareholder is able to significantly influence any matter requiring shareholder's approval, including the election of the Group's directors and approval of significant corporate transactions. The Major Shareholder may also engage in activities that may conflict with the Group's interests or the interests of the holders of the Notes and, in such events, Noteholders could be disadvantaged by these actions.

Regulatory, compliance and political risk

The Group is subject to the laws of Lithuania and other countries and jurisdictions where it operates, including Latvia and Estonia and, more generally, the EU. These laws and regulations affect many aspects of the Group's business and, in many respects, determine the manner in which the Group conducts its business and the standards applicable to its operations. Key areas subject to regulation include planning, competition, environmental, employment, consumer and tax laws and regulations relevant to the Group's business.

The impact of new laws, regulations and policies and the related interpretations and enforcement practices generally cannot be predicted, and changes in applicable laws, regulations and policies and the related interpretations and enforcement practices may require extensive system and operational changes, be difficult to implement, increase the Group's operating costs and require significant capital expenditure.

A failure by the Group to comply with legal or regulatory requirements relating to its business activities could result in fines, criminal penalties, an adverse effect on the Group's reputation or other adverse consequences including adverse impact on the Group's financial results or unfavourable effects on the Group's ability to do business. If the Group's internal procedures and controls or compliance monitoring system are insufficient, this could lead to a failure to identify weaknesses or breaches which could have an adverse impact upon the Group's financial performance.

Litigation

From time to time, the Group may be a party to litigation claims and legal proceedings, including claims relating to ownership rights in land and proceedings arising in the ordinary course of its business. The Group evaluates any litigation claims and legal proceedings to which it is a party to assess the likelihood of unfavourable outcomes and to estimate, if possible, the amount of potential losses. Based on these assessments and estimates, if any, the Group establishes reserves and/or discloses the relevant litigation claims or legal proceedings as appropriate. These assessments and estimates are based on the information available to management at the time and involve significant management judgement. See "*Description of the Group – Legal Proceedings*" for further information, including relating to land which forms part of the Akropolis Vingis site (the "**Vingis Proceedings**"). In respect of the Vingis Proceedings, the Group does not agree with the claimants' case and considers the possibility of satisfaction of the claims as low. In the meantime, the legal proceedings do not affect the Group's rights over the Vingis site and development of Akropolis Vingis continues. In the event that the claimants were to prove successful, the Vingis site could be materially reduced in size but ownership of the relevant parcel of land would not automatically revert to the claimants. If the proceedings result in such an outcome, any potential award and its implementation would be a highly complicated and complex legal issue and could have a material adverse effect on the Group.

The merit, likely outcome and potential impact on the Group of any such litigation that either has been or might potentially be brought against the Group is subject to a number of significant uncertainties. Adverse outcomes in legal proceedings, or changes in management's evaluations or predictions about any such proceedings, could have a material adverse effect on the Group's reputation, financial results and financial condition.

The Issuer could incur unforeseen taxes, tax penalties and sanctions which could adversely affect its results of operations and financial condition.

The government of Lithuania has initiated the process of reviewing tax incentives provided by the Lithuanian tax laws. The initial intention is for legislative changes to take effect as of 2023, but in the

course of political debates this may happen either earlier or later. This review may also involve changes to the tax regime applicable to interest payments on the Notes and/or payments by the Lithuanian Guarantors in relation to the Guarantees of the Notes, as well as the general tax regime currently applicable to the Group. The introduction of any new taxes or removal of existing tax incentives that the Group enjoys may have a significant impact on the Group's business, result of operations or financial position.

As from 1 January 2020 in Lithuania, taxes can generally be assessed or reassessed by the relevant tax authorities for the current calendar year and the previous three calendar years. In certain cases, indicated in the Law of the Republic of Lithuania on Tax Administration tax can also be reassessed under the statute of limitation for the previous five or ten years. When it is necessary to establish damage caused to the Lithuanian state, tax reassessment is allowed within the terms of limitation laid down in the Criminal Code of the Republic of Lithuania. Given the possibility of retrospective reassessment, the Issuer may face additional taxes, penalties or fines under the new tax regime in the future in respect of periods already passed.

Risks Related to the Notes

Restrictive covenants in the Conditions may restrict the Group's ability to operate its business. The Group's failure to comply with these covenants, including as a result of events beyond its control, could result in an Event of Default that could materially and adversely affect its financial condition and results of operations

The Conditions will contain negative covenants restricting, among other things, the Group's ability to:

- limits on making certain restricted payments;
- restrictions on entering into transactions with affiliates;
- limitations on mergers or consolidation with other entities; and
- restrictions on making certain asset sales.

As a result, the Group may be limited in the manner in which it can conduct its business. A failure to comply with the restrictions contained in the Conditions could lead to an Event of Default, which could result in an acceleration of indebtedness.

There can be no assurance that the Group's future operating results will be sufficient to ensure compliance with the covenants in the Conditions or to remedy any such default. In addition, in the event of acceleration, the Group may not have or be able to obtain sufficient funds to make any accelerated payments.

Limitation periods may apply to any claims or enforcement proceedings relating to the Notes which are brought before a Lithuanian court

According to Article 55 Part 9 of the Law on Companies of Lithuania, should the owner of notes issued by a Lithuanian company fail to request the redemption of such notes within a period of three years after the due date for redemption, as established by the resolution to issue the relevant notes, then the noteholder loses such right of claim. If, in accordance with their terms, the notes are redeemed prior to their maturity date, it is likely that the aforementioned three years period will start on the date of such earlier redemption. Although the Notes are governed by English law, and the prescription periods set out in Condition 9 (*Prescription*) are materially longer than those set out above, the application of this principle to foreign law securities is untested before the Lithuanian courts, and there remains a risk that any claims or enforcement proceedings that are not brought within three years of the redemption date of the Notes would not be recognised or enforced by the Lithuanian courts.

The Notes will be effectively subordinated to any of the Issuer's and each Guarantor's existing secured and future secured indebtedness

The Notes and the Guarantees are (subject to Condition 4(a) (*Negative pledge*)) unsecured obligations of the Issuer and the Guarantors, respectively. The Notes are effectively subordinated to the Issuer's and each Guarantor's secured indebtedness from time to time. Accordingly, holders of the Issuer's or each Guarantor's secured indebtedness will have claims that are senior to the claims of Noteholders to the extent of the value of the assets securing such other indebtedness. In the event of a bankruptcy, liquidation or dissolution of

the Issuer or any of the Guarantors, the assets that serve as collateral for any secured indebtedness of the Issuer or the Guarantors would be available to satisfy the obligations under the secured indebtedness before any payments are made on the Notes. Other than as set out in Condition 4(a) (*Negative pledge*) and Condition 4(b) (*Financial covenants*), the Conditions do not prohibit the Issuer or the Guarantors from incurring and securing future indebtedness.

Claims of Noteholders under the Notes are effectively subordinated to those of certain other creditors of the Issuer and to creditors of certain of the Issuer's subsidiaries

The Notes will be unsecured and unsubordinated obligations of the Issuer and of each Guarantor. The Notes will rank equally with all of the Issuer's and the Guarantors' other unsecured and unsubordinated indebtedness; however, the Notes will be effectively subordinated to the Issuer's and each Guarantor's secured indebtedness, if any, to the extent of the value of the assets securing such transactions, and will be subject to certain preferential obligations under Lithuanian and Latvian law, such as wages of employees. Any debt that the Issuer's subsidiaries (other than the Guarantors) may incur in the future will also rank structurally senior to the Notes. Thus, the Notes are structurally subordinated to the liabilities of the subsidiaries of the Issuer (other than the Guarantors).

A significant part of the Group's assets and income are generated by the Issuer's subsidiaries. The subsidiaries are legally separate from the Issuer and the subsidiaries' (including the Guarantors) ability to make payments to the Issuer is restricted by, among other things, the availability of funds, corporate restrictions and the law of the domicile of the respective subsidiaries.

Please also see the risk factor entitled "*The Notes will be effectively subordinated to any of the Issuer's and each Guarantor's existing secured and future secured indebtedness*".

Possible difficulties or delays in enforcing English court judgments in Lithuania and Latvia

Investors may face difficulties or delays when attempting to recognise and enforce in Lithuania and Latvia court judgments that were issued by courts, such as the English courts, of a state that is not a Member State (as defined in the Regulation (EU) No. 1215/2012 of the European Parliament and of the Council of 12 December 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters) or a contracting State of the Convention on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters made at Lugano on 30 October 2007. Foreign court judgments issued in civil and commercial matters may be recognised and enforced in Lithuania and Latvia pursuant to the general provisions of the Civil Procedure Code of the Republic of Lithuania or the Civil Procedure Law of Latvia, as applicable, or an international treaty concluded between Lithuania or Latvia and the country of origin, if applicable. As a result, recognition and enforcement of English court judgments in Lithuania and Latvia will not be automatic but the recognition and enforceability will be granted only by a Lithuanian or Latvian, as applicable, court decision. The Lithuanian and Latvian courts will not recognise and enforce an English court judgment if, *inter alia*, the judgment has not become final; the respondent was denied a possibility of defending its rights; the recognition of the judgment is in conflict with the public policy (*ordre public*) of Lithuania or Latvia; the English court, under Lithuanian or Latvian law, does not have jurisdiction or a Lithuanian or Latvian court or the courts of a third country have exclusive jurisdiction over the case; or the English court has not applied foreign law, applicable according to conflict-of-law rules of Lithuanian or Latvian private international law, as the case may be. It is not possible to provide assurance that all conditions precedent for the recognition and enforcement of English court judgments in Lithuania and/or Latvia will be met or that any particular judgment will be determined to be recognisable and enforceable in Lithuania by Lithuanian courts and in Latvia by Latvian courts.

Notes may be redeemed prior to their stated maturity. Noteholders may be subject to additional income tax as a result of gross-up

As more fully set out in the Taxation section, the Issuer and the Guarantors may be required under certain circumstances to withhold amounts in respect of taxes, at rates of between 10 and 20 per cent., on payments on the Notes and the relevant Guarantee representing interest.

Where the payment of interest would be subject to withholding tax in Lithuania or Latvia, the Issuer (or, in default, the Guarantors) have undertaken to pay additional amounts such that Noteholders receive the amount of interest they would have received had there been no such withholding tax on interest. In this case, depending on applicable income tax rules in the tax jurisdiction in which the Noteholder is resident,

the income received by the Noteholder for tax purposes may be the gross amount paid by the Issuer or the Guarantor rather than the net amount received by the Noteholder. Despite the gross-up of withholding tax, under certain conditions Noteholders (resident or non-resident individuals) may be required to pay additional personal income tax (in Lithuania) or corporation tax and there will be no obligation on the Issuer or the Guarantors to pay additional amounts to Noteholders in respect of any such tax payable by them. If the Issuer has or will become obliged to pay any other additional amounts as provided or referred to in Condition 8 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of Lithuania or Latvia or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of issue of the Notes, the Issuer may redeem all outstanding Notes in accordance with the Conditions.

The Notes are also redeemable at the Issuer's option (as more fully set out in Condition 6(c) (*Redemption at the option of the Issuer (Make whole))* and Condition 6(d) *(Redemption at the option of the Issuer (Issuer call)*). Such optional redemption feature is likely to limit the market value of the Notes. The market value of the Notes generally will not rise substantially above the price at which they can be redeemed. The Issuer may be expected to redeem the Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

In addition, the Notes are redeemable by the Noteholders on the occurrence of a Change of Control Put Event (as more fully set out in Condition 6(e) (*Redemption at the option of Noteholders upon a Change of Control*)). Exercise of such put option may affect the liquidity of the Notes in respect of which such option is not exercised. Depending on the number of Notes in respect of which the put option is exercised, any trading market for the Notes in respect of which such put option is not exercised may become illiquid. In addition, an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Notes.

Meetings of Noteholders, modification, waivers and substitution

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally and to obtain Written Resolutions (as defined in the Trust Deed) on matters relating to the Notes from Noteholders without calling a meeting. A Written Resolution signed by or on behalf of the holders of not less than three-quarters of the nominal amount of the Notes who for the time being are entitled to receive notice of a meeting in accordance with the provisions of the Trust Deed and whose Notes are outstanding shall, for all purposes, take effect as an Extraordinary Resolution. Where the Notes are held in global form in the clearing systems, the Issuer, the Guarantors and the Trustee (as the case may be) will be entitled to rely upon:

(i) where the terms of the proposed resolution have been notified through the relevant clearing system(s), approval of a resolution proposed by the Issuer, the Guarantors or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing systems in accordance with their operating rules and procedures by or on behalf of the holders of not less than three-quarters of the nominal amount of the Notes for the time being outstanding; and

(ii) where electronic consent is not being sought, consent or instructions given in writing directly to the Issuer, the Guarantors and/or the Trustee (as the case may be) by accountholders in the clearing systems with entitlements to the Notes or, where the accountholders hold such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held (directly or via one or more intermediaries).

A Written Resolution or an electronic consent as described above may be effected in connection with any matter affecting the interests of Noteholders, including the modification of the Conditions, that would otherwise be required to be passed at a meeting of Noteholders satisfying the special quorum in accordance with the provisions of the Trust Deed, and shall for all purposes take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held.

The Trust Deed permits defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Conditions also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of any of the provisions of the Trust Deed that is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable.

The Trust Deed also contains provisions which allow, without the consent of the Noteholders, a legal entity to assume the obligations of the Issuer as principal debtor under the Trust Deed and the Notes, in the circumstances described in Condition 11 (*Meetings of Noteholders, Modification, Waiver and Substitution*) of the Notes. No Noteholder shall, in connection with any such substitution, be entitled to claim any indemnification or payment in respect of any tax consequence thereof for such Noteholder except to the extent provided for in Condition 8 (*Taxation*) (or any undertaking given in addition to or substitution for it pursuant to the provisions of the Trust Deed.

It also shall be noted that the appointed Trustee does not qualify as a trustee of the holders of Notes for the purposes of Article 55 Part 6 of the Law on Companies of the Republic of Lithuania and of the Law on the Protection of Interests of Owners of Bonds issued by Public and Private Companies of the Republic of Lithuania (in Lithuanian – *Lietuvos Respublikos akcinių bendrovių ir uždarųjų akcinių bendrovių obligacijų savininkų interesų gynimo įstatymas*). The Trustee therefore does not have rights and obligations established in the above mentioned laws, including in relation to any meetings of Noteholders. Accordingly, meetings of Noteholders, as described above, do not meet the requirements of and are not regulated by the Law on the Protection of Interests of Owners of Bonds issued by Public and Private Companies of the Republic of Lithuania (in Lithuanian – *Lietuvos Respublikos akcinių bendrovių ir uždarųjų akcinių bendrovių obligacijų savininkų interesų gynimo įstatymas*).

Eligibility of the Notes for Eurosystem Monetary Policy

The Notes are intended to be held in a manner which will allow Eurosystem eligibility. This means that the Notes are upon issue deposited with one of the international central securities depositories as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem ("**Eurosystem Eligible Collateral**") either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria and other obligations (including the provision of further information) as specified by the European Central Bank from time to time. The Issuer and Guarantors do not give any representation, warranty, confirmation or guarantee to any investor in the Notes that the Notes will, either upon issue, or at any or all times during their life, satisfy all or any requirements for Eurosystem eligibility and be recognised as Eurosystem Eligible Collateral. Any potential investor in the Notes should make their own conclusions and seek their own advice with respect to whether or not the Notes constitute Eurosystem Eligible Collateral.

Risks relating to the Guarantee under Latvian law

Pursuant to the provisions of the Trust Deed, SIA "M257" (the "**Latvian Guarantor**") guarantees the Issuer's obligations in respect of the Notes. There are no rules of Latvian law or case law of the Latvian courts prohibiting such guarantees (especially those granted under foreign law), however, in certain cases the Latvian courts have assessed the adequacy of the guarantee and other obligations or encumbrances granted by Latvian companies in relation to the share capital and total assets of the company granting such guarantee. In certain insolvency-related cases the courts have invalidated transactions that potentially cause losses to the guarantor where it has insufficient assets to satisfy the claims of other creditors. Nevertheless, it has been recognised by the courts that issuing a guarantee per se cannot be considered as causing losses to a guarantor because the guarantor acquires a right of recourse against the principal debtor. Based on general principles of Latvian law, the adequacy of a guarantee should be assessed taking into account, *inter alia*, the financial standing of the guarantor, the context of the transaction, including the guarantees provided by other group companies to secure the same obligations, and the benefit received by the entity issuing the guarantee. There is therefore a risk that other creditors of the Latvian Guarantor and, in case of

insolvency of the Latvian Guarantor, an insolvency administrator may seek to challenge the validity of the guarantee provided by the Latvian Guarantor in respect of the Notes.

Risks Related to the Market

The secondary market

The Notes are new securities which may not be widely distributed and for which there is currently no active trading market. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the Group's results of operations. Application has been made to Euronext Dublin for the Notes to be admitted to the Official List and to trading on the Market and application may be made to Nasdaq Vilnius Stock Exchange for the Notes to be admitted to trading on the official debt list of Nasdaq Vilnius Stock Exchange. There is no assurance that such applications will be accepted or, considering the target market for the Notes, that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Notes. Investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a material adverse effect on the market value of the Notes.

DESCRIPTION OF THE GROUP

Overview

The Issuer's legal and commercial name is AKROPOLIS GROUP, UAB. The Issuer is incorporated in Lithuania as a private company with limited liability and registered in the Register of Legal Entities of the Republic of Lithuania with registration number 302533135. The Issuer was registered on 30 July 2010 and operates under the Law on Companies of the Republic of Lithuania (the "**Law on Companies**") and other applicable laws. The Issuer's registered office is at Ozo str. 25, LT-07150 Vilnius, Lithuania, and the telephone number of its registered office is +370 5 248 8061.

As at the date of this Prospectus, the Issuer's authorised share capital amounts to EUR 31,737,215.46 comprising 109,438,674 ordinary shares of nominal value EUR 0.29. The share capital of the Issuer is held by a sole shareholder, Vilniaus Prekyba, UAB ("**Vilniaus Prekyba**").

The principal business activity of the Issuer consists of developing and managing multifunctional shopping and entertainment centres in the Baltic states, with its operations currently focused on Lithuania and Latvia.

The Issuer believes that the Issuer and its subsidiaries (together, the "**Group**") comprise the leading shopping and entertainment centre operator in the Baltic states based on size, tenant mix and consumer-awareness. The Group's business covers all aspects of a shopping centre's development, from the initial planning and construction stage of a project to overseeing the maintenance and operations of a fully open and operational shopping and entertainment centre, which includes managing leases and tenancies and asset management activities.

The Group's property portfolio consists of four fully operational shopping and entertainment centres (three in Lithuania and one in Latvia) and two office buildings that are integrated into two such shopping centres (one in each of Lithuania and Latvia). The Group is also in the process of developing a new multifunctional retail, business, leisure and culture centre project in Vilnius, Lithuania that is expected to be completed in the second half of 2024.

The Group's shopping and entertainment centres are well positioned in the prominent local economic centres of Vilnius, Klaipėda and Šiauliai in Lithuania and Riga in Latvia. Each of these areas are affluent, densely populated and fast-growing consumer zones. Each of the Group's shopping and entertainment centres share the same red-white "AKROPOLIS" branding and, based on independent third-party market research conducted for the Group by The Nielsen Company in October 2020, "AKROPOLIS" has the best shopping mall brand-awareness in Lithuania.

As at 31 December 2020, the Group's operational property portfolio was valued at EUR 771 million (before adjustments for lease incentives and property, plant and equipment) and, through its four shopping and entertainment centres, provides its tenants with access to approximately two million consumers. The Group counts Maxima, Euroapotheca Group ("**Euroapotheca**"), Inditex, H&M, LPP Group, Pepco, VAN GRAAF GmbH & Co. KG ("**VAN GRAAF**"), Deichmann SE ("**Deichmann**"), Euronics Group ("**Topo centras**" and "**Euronics**"), Sports Direct International plc ("**Sports Direct**"), Sportland and New Yorker Group Services International GmbH & Co.KG among its key tenants.

The following table sets out a summary of key operational information on the Group's shopping and entertainment centres:

	Retail GLA (m^2)	Office GLA (m^2)	Parking spaces
Akropolis Vilnius	88,500	6,280	3,000
Akropolis Klaipėda	60,650	-	2,200
Akropolis Šiauliai	36,050	-	1,200
Akropole Riga	61,100	9,750	2,400
Total	**246,300**	**16,030**	**8,800**

The following table sets out a summary of key operational information on the Group's development properties and land plots:

	Retail GLA (m²)	Office GLA (m²)	Land plot (m²)
Akropolis Vingis development, Lithuania.....	98,000*	38,000*	-
Land plot in Kaunas, Lithuania	-	-	124,543
Land plot in Šiauliai, Lithuania	-	-	22,534
Land plot in Narva, Estonia	-	-	57,861

* GLA is as expected as at the date of this Prospectus, based upon current permits and planning consents obtained by the Group

As of 31 December 2020, the total asset value of the Group's income producing and development properties and land plots was EUR 801 million. For the year ended 31 December 2020, the total net operating income ("**NOI**") of the Group's four shopping and entertainment centres reached EUR 50.34 million compared to EUR 51.05 million in 2019. Total footfall across the Group's shopping and entertainment centres amounted to 29.97 million visitors in 2020, compared to 38.87 million in 2019. In the year ended 31 December 2020, Tenant Turnover amounted to EUR 624 million compared to EUR 698 million in the year ended 31 December 2019.

The Group's strategy for its shopping and entertainment centres concentrates on having the best and the strongest mix of tenants in the Baltic states, with an emphasis on large-format grocery and pharmacy store anchor tenants, international and domestic fashion outlets, entertainment providers (such as cinema chains and ice skating rinks) and food and beverage services. The Group believes this is what makes its shopping and entertainment centres among the most appealing venues in the Baltic states, which helps drive its strong brand recognition amongst consumers.

History and Development

The Group's first development project started in 2001, with the development and construction of the Vilnius Akropolis shopping centre in Vilnius, the capital city of Lithuania. Since then, the Group has continued to open shopping and entertainment centres across Lithuania and Latvia, in the following locations:

A timeline and description of key events in the development of the Group is set out below:

2002: **Vilnius Akropolis opened in Vilnius, the capital city of Lithuania.**

The city of Vilnius, together with the wider Vilnius district, has a population of approximately 672,000 people. Vilnius Akropolis is situated in an established mixed-use area of the city, on the top of the Šeškinės mountains, flanked by Ozo street, Ukmergės street and Geležinio Vilko street and next to Šeškinė neighbourhood. Ukmergės street and Geležinio Vilko street are two of the most intensively used streets in the city, connecting Vilnius from south to north through the city centre. The old town of Vilnius and Vilnius International Airport are approximately 6 km and 11 km, respectively, from Vilnius Akropolis.

2004: **Vilnius Akropolis was expanded and the second stage of development and construction was completed.**

As at the date of this Prospectus, Vilnius Akropolis is the largest multifunctional shopping and entertainment centre in the Baltic states and consumers can visit 243 shops and entertainment venues. Vilnius Akropolis' top tenants include large format grocery (Maxima XXX) and pharmacy (Eurovaistinė) store anchor tenants, international fashion and retail brands such as ZARA, H&M, Sports Direct, Nike, Adidas, Bershka, Massimo Dutti, Samsung, iDeal (the official retailer for Apple in the Baltic states) and McDonalds alongside domestic companies such as the do-it-yourself ("**DIY**") store chain Ermitažas and electronics retailer Topo Centras (part of the Euronics group). Visitors to Vilnius Akropolis can also enjoy restaurants and cafes seating approximately 2,400 people, an eight-screen cinema complex, an indoor real ice skating rink, a 14-lane bowling alley and a 700 m^2 children's entertainment centre. On average, approximately 36,900 people a day visited Vilnius Akropolis in 2019 and approximately 26,300 people a day in 2020 (which included periods of lock-down in Lithuania).

The following table summarises key operational data for Vilnius Akropolis as at and for the year ended 31 December 2020:

Vilnius Akropolis	
Retail GLA	88,500 m^2
Office GLA	6,280 m^2
Parking Space	3,000
Vacancy Rates	less than 1 per cent.
EBITDA	EUR 20.2 million
Fair Asset Value per external valuation report	EUR 309.0 million

2005: **Akropolis Business Centre, a six-floor, "Class B" office block integrated within Vilnius Akropolis opened.**

2005: **Klaipėda Akropolis opened in Klaipėda, the third largest city in Lithuania**.

The city of Klaipėda, together with the wider Klaipėda district, has a population of approximately 212,000 people. Klaipėda Akropolis is situated in an established mixed-use area of the city, on the corner of Taikos street and Kauno street in a central location next to the Rumpiškė neighbourhood, one of the most popular residential neighbourhoods. The Klaipėda seaport and the main ferry to the municipality of Neringa is approximately 1.5 km away.

As at the date of this Prospectus, Klaipėda Akropolis is the largest multifunctional shopping and entertainment centre in western Lithuania and consumers can visit 244 shops and entertainment venues. Klaipėda Akropolis' top tenants include large format grocery (Maxima XXX) and pharmacy (Eurovaistinė) store anchor tenants, international fashion and retail brands such as ZARA, H&M, Bershka, Nike, Adidas, Samsung, iDeal (the official retailer for Apple in the Baltic states) alongside domestic electronics retailer Technorama. Visitors to Klaipėda Akropolis can also enjoy restaurants and cafes seating approximately 1,600 people, a six-screen cinema complex, real ice skating rink, a 24-lane bowling alley, sports club and a 300 m^2 children's entertainment centre. On average, approximately 30,000 people a day visited

Klaipėda Akropolis in 2019 and approximately 19,300 people a day in 2020 (which included periods of lock-down in Lithuania)..

The following table summarises key operational data for Klaipėda Akropolis as at and for the year ended 31 December 2020:

Klaipėda Akropolis	
Retail GLA	60,650 m^2
Office GLA	n/a
Parking Space	2,200
Vacancy Rates	less than 1 per cent.
EBITDA	EUR 13.3 million
Fair Asset Value per external valuation report	EUR 196.0 million

2007: **Kaunas Akropolis opened in Kaunas, the second largest city in Lithuania.**

2008: **Kaunas Akropolis was sold in 2008 to Deka Immobilien GmbH, a real estate investment fund.**

Although the shopping and entertainment centre maintains the Group's AKROPOLIS branding, which helps to drive and enhance awareness of the AKROPOLIS brand across Lithuania with shared marketing channels and tools, it no longer forms part of the Group.

2009: **Šiauliai Akropolis opened in Šiauliai, the fourth largest city in Lithuania.**

The city of Šiauliai, together with the wider Šiauliai district, has a population of approximately 143,000 people. Šiauliai Akropolis is situated in the south-west of the city, in an established mixed-use area of the city which is recognised as a lively neighbourhood by residents and visitors. The city centre is approximately 1.5 km away. As at the date of this Prospectus, Šiauliai Akropolis is the largest multifunctional shopping and entertainment centre in northern Lithuania and consumers can visit 159 shops and entertainment venues. Šiauliai Akropolis' top tenants include large format grocery (Maxima XXX) and pharmacy (Eurovaistinė) store anchor tenants, international fashion and retail brands such as H&M and Deichmann alongside domestic electronics retailer Topo Centras (part of the Euronics group). Visitors to Šiauliai Akropolis can also enjoy restaurants (including McDonald's) and cafes seating approximately 900 people, a five-screen cinema complex, real ice skating rink, a 16-lane bowling alley and a 200 m^2 children's entertainment centre. On average, approximately 20,800 people a day visited Šiauliai Akropolis in 2019 and 14,300 a day during 2020 (which included periods of lock-down in Lithuania).

The following table summarises key operational data for Šiauliai Akropolis for the year ending 31 December 2020:

Šiauliai Akropolis	
Retail GLA	36,050 m^2
Office GLA	n/a
Parking Space	1,200
Vacancy Rates	less than 1 per cent.
EBITDA	EUR 5.8 million
Fair Asset Value per external valuation report	EUR 74.0 million

2019: **Akropole Riga opened in Riga, the capital city of Latvia, marking the Group's first international shopping and entertainment centre. The shopping and entertainment centre is built on the site of the historic Kuznetsov porcelain factory and also includes a "Class B" office building.**

The city of Riga, together with the wider Riga district, has a population of approximately 932,000 people. Akropole Riga is situated in an established mixed-use area of the city, on the right bank of the river Daugava in the Kengarags neighbourhood and on the border with the Plavnieki neighbourhood. This location is next to the main hub of the Southern Bridge, on the corner of Maskavas street, Slavu street and Salaspils street. The international airport is approximately 15 km away and Riga Central Station, Riga Passenger Port Terminal and Riga International Coach Terminal are each approximately 5 km to 6 km away.

As at the date of this Prospectus, Akropole Riga is the most recent and one of the largest shopping centres and office buildings in Latvia and consumers can visit 190 shops and entertainment venues. Akropole Riga's top tenants include large format grocery (Maxima XXX) and pharmacy (Euroaptieka) store anchor tenants, international fashion and retail brands such as Zara, Van Graaf, Euronics, Sports Direct, Nike, Adidas and Stradivarius, Samsung, iDeal (the official retailer for Apple in the Baltic states) and McDonalds. Visitors to Akropole Riga can also enjoy restaurants and cafes seating approximately 2,200 people, a nine-screen cinema complex, the only indoor ice skating rink at a shopping centre in Riga, a 16-lane bowling alley and a 1,400 m^2 children's entertainment centre. On average, approximately 25,200 people a day visited Akropole Riga in 2019 and 22,000 in 2020 (which included periods of lock-down in Latvia).

The following table summarises key operational data for Akropole Riga as at and for the year ending 31 December 2020:

Akropole Riga	
Retail GLA	61,100 m^2
Office GLA	9,750 m^2
Parking Space	2,400
Vacancy Rates	7.1 per cent.*
EBITDA	EUR 11.0 million
Fair Asset Value per external valuation report	EUR 192.0 million

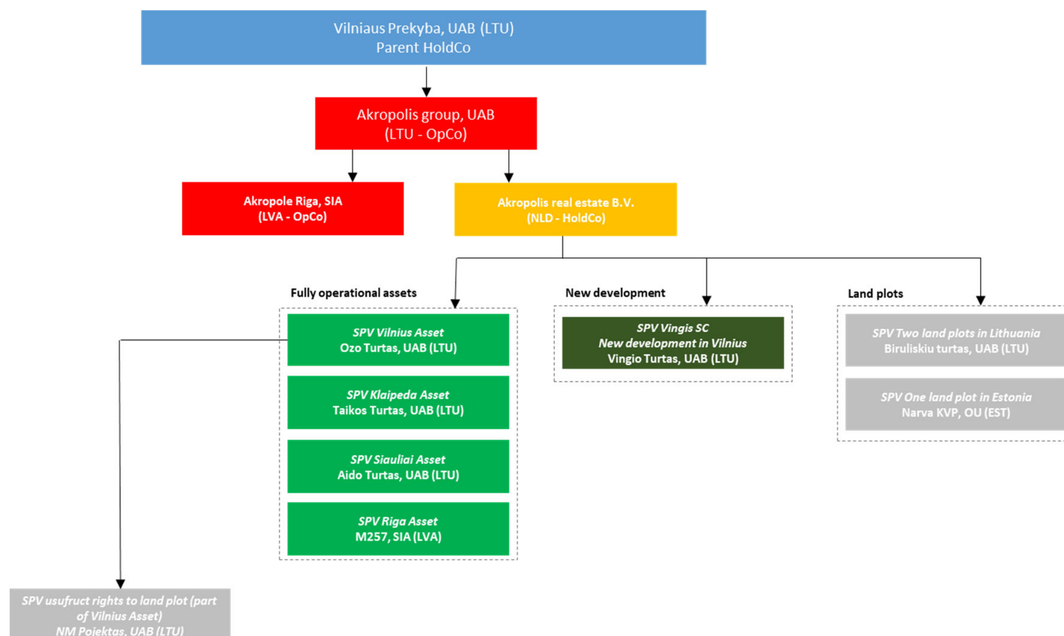
* *Vacancy due to office ramp-up period. Vacancy without offices 1 per cent.*

2021: The Group is developing a new multifunctional retail, business, leisure and culture centre in Vilnius, Akropolis Vingis. It is anticipated to open in the second half of 2024. The site is situated in the Vilkpėdė district in the south west of the city, next to the largest park in Vilnius, Vingis Park, which is near the city centre. The site is near the most active street in Vilnius, which benefits from high traffic flows and easy consumer accessibility. Vilkpėdė is on the left bank of the Neris river and the district is a mixed-use built-up area of the city. A number of other retail, industrial and residential developments are planned for the district. The Issuer believes Akropolis Vingis represents a well-balanced new-concept space where leisure, entertainment and shopping go hand in hand with culture, aesthetics and the nature of Vilnius. The area has been designated by the city municipality as a priority for regeneration from an industrial area to a mixed commercial and residential area. Therefore, special attention will be paid to the synergy with the neighbouring park and the complex will include an exclusive multi-level green space and a pedestrian alley, landscaping and renovations to the surrounding area. This multifunctional, family-oriented complex will include a new 2,500-seat concert hall, event-space and there will be three kilometres of new bicycle and pedestrian paths in the area and along the Neris riverbank. The complex will cover approximately 136,000m², of which it is

expected approximately 98,000 m² of GLA will be for shopping, services and cultural activities, in addition to an approximately 38,000 m² GLA dedicated office complex. Akropolis Vingis is also planned with sustainability in mind and the Issuer anticipates it will comply with the Building Research Establishment Environmental Assessment Method ("**BREEAM**") technical standard and implement "green" energy solutions, such as solar panelling throughout the complex.

Organisational Structure

The Issuer is the parent company of the Group. The Guarantors are direct subsidiaries of Akropolis Real Estate B.V., a directly wholly-owned subsidiary of the Issuer and hold each of the Group's assets in Lithuania, Latvia and Estonia. The Issuer is wholly owned by Vilniaus Prekyba, UAB. The structure of the Group is as follows:



Strategy and Strengths

Strategy

The Group's board of directors (the "**Board**") together with its executive management team are responsible for implementing the Group's investment and growth strategy and managing the Group's real estate portfolio. The Group's strategy is based around the following objectives:

Developing and managing prime shopping and entertainment centres in the Baltic states with a long-term view on further international expansion

The Group is focused on selective expansion and consolidating its portfolio of retail assets in Lithuania and Latvia. The Group intends to achieve this through the acquisition of retail assets that meet its investment criteria. In the longer term, the Group aims to expand its portfolio beyond the Baltic states as the Baltic market is already well served by shopping centres and has few high-density population centres suitable for further development.

Active management of the portfolio

The asset management function of the Group is undertaken internally by the Board, who implement the Group's investment and growth strategy together with appropriately skilled and experienced staff that are familiar with the Group's portfolio of properties. The asset management role of the Board is primarily to seek new investment opportunities for the Group, to consider ways of optimising performance of existing

assets and, where necessary, to work towards the disposal of assets which no longer contribute to the Group's income growth strategy.

Focusing on sustainable cash flow and aiming to lower the Group's overall cost of finance and improve its balance sheet efficiency

The Group is focused on unlocking value through long-term relationships with multinational and local tenants, and long dated, sustainable, stable cash flows. In terms of operational strategies, the Group aims to keep its historical occupancy rates (with vacancy levels less than 1 per cent.). The Group's financing strategy is also based on sustainable cash flow and aims to lower the Group's overall financing costs and improve balance sheet efficiency. The Group hopes to deliver this through unsecured debt financing such as the issue of the Notes. The Group's liquidity is closely monitored in conjunction with profitability targets and acquisition plans.

Strengths

The Group's management believes that the main competitive advantages of the Group are as follows:

1. **Leading market position in the Baltic states with strong financial track record**

   The Group's market position generates significant interest from new and existing tenants and, given its deep and long-standing relationships, particularly with anchor tenants, provides scale and efficiencies to its operations. The Group operates the largest entertainment and shopping centres in Lithuania and Latvia, with an aggregate GLA of 246,300 m^2 across both countries as at 31 December 2020, providing its tenants with access to approximately two million consumers. Whilst there are a number of shopping centre operators in the Baltic states, as at 31 December 2020 the Group's retail GLA portfolio was in excess of 120,000 m^2 larger than its nearest competitor. In terms of GLA, the Group is the largest entertainment and shopping centre operator in the Baltic states, the largest in Lithuania and the second-largest in Latvia.

2. **"One stop shop" model**

   The Group actively curates the tenants in its shopping and entertainment centres to offer consumers a multi-functional, all encompassing shopping and entertainment experience under one roof. This includes: (i) large-format "essential goods" anchor tenants offering groceries (Maxima) and pharmaceutical products (Euroapotheca), which generates stable footfall, in addition to specialist shops such as retailers of wines, confectionary, gourmet foods and health foods, (ii) international and domestic fashion brands that target the full spectrum of consumer taste, age and disposable income, and (iii) entertainment and dining offerings, such as ice skating rinks, cinemas, bowling alleys, leisure centres and children's entertainment centres. This, the Group believes, provides consumers in the Baltic states with a highly appealing shopping and entertainment offering.

3. **Brand recognition**

   The Group's well-recognised brand name allows it to generate customer loyalty, drive interest and footfall across diverse customer segments and shopping occasions and satisfy a broad range of consumer needs. The recognition of the "AKROPOLIS" brand is an important aspect of the Group's success in the retail and entertainment centre market, with research conducted on behalf of the Group by The Nielsen Company in October 2020 suggesting that its shopping and entertainment centres are the most-well known in Lithuania and second best-known in Latvia. The Group believes that its wide and diverse mix of tenants and presence in strategically convenient locations enables it to meet the needs of customers and promotes its brand across all potential target consumer groups.

4. **Operates in stable and underpenetrated markets**

   The regions in which the Group operates have strong macro-economic fundamentals and are projected to continue to enjoy steady growth. For example, in 2020 retail sales recorded growth of 2.8 per cent. in Lithuania and 1.5 per cent. in Latvia, compared with a decrease of 1.2 per cent. in the Eurozone (*Source:* Lithuania and Latvia National Statistics Department). Furthermore, as the Group's shopping and entertainment centres accommodate retailers of food and other basic

necessities, the Group has traditionally had low sensitivity to economic cycles and consistent levels of footfall.

Despite intensive economic expansion of recent years (between 2017 and 2019, the average GDP growth in Lithuania, Latvia and the EU was 4.2 per cent., 3.1 per cent. and 2.2 per cent. respectively), the economic shock caused by Covid-19 for Lithuania and Latvia was the smallest in the EU, with a GDP decrease of 0.8 per cent. for Lithuania and 3.6 per cent. for Latvia. Given both Lithuania's and Latvia's low population density of below 50 people per square kilometre, which compares to 135 people per square kilometre in the Czech Republic, 81 people per square kilometre in Romania and 105 people per square kilometre in Hungary, e-commerce in the Baltic states remains fundamentally nascent, suggesting a strong strategic position for incumbent retail players in the region. Additionally, from the real estate market perspective, prime yields offered in Vilnius and Riga are one of the highest in the entire EMEA region which suggests an underlying fundamental competitive advantage (*Source*: Colliers Q4 2020 Baltic States Property Snapshot).

5. **Robust financial profile**

The Group's business model is anchored on financial stability and sustainable and predictable cash flows which are driven by the Group's strength and experience in the retail lettings market. The Group's position as a leading shopping centre operator in the Baltic states has allowed it to negotiate leases with minimal variables and, in 2020, only 2.5 per cent. of its leases with tenants (by total rental income) were linked purely to Tenant Turnover. This has allowed the Group to generate stable revenues, even during times of unprecedented volatility in the macro-economic environment, primarily due to the Covid-19 pandemic. Combined with the Group's conservative and prudent financial and operating policy which aims for operational excellence and persistent, gradual growth, the Group is only moderately leveraged and has a robust financial profile. As at 31 December 2020 the Group had a weighted average unexpired lease term ("**WAULT**") by income of 4.9 years and the weighted average lease expiry by GLA ("**WALE by GLA**") was 6.7 years across the Group's shopping and entertainment centres and office blocks. See "*Financing - Overview*" for further information.

6. **Efficient operating model**

The Baltic retail industry benefits from being an integrated compact market in terms of overall size and with a concentration of its population around a few urban centres. This has enabled the Group to centralise its operations in one location in Vilnius, including its development, marketing, lease, facility management and financing operations, whilst still offering its tenants across Lithuania and in Latvia dedicated support and contacts.

7. **Supportive shareholders and experienced management team**

The Group is owned by Vilniaus Prekyba and benefits from certain synergies arising from its relationship. For example, companies owned by the Group's shareholder, Vilniaus Prekyba accounted for 16.7 per cent. of the annualised passing rent and service fees in the year ended 31 December 2020 and Vilniaus Prekyba provides certain limited management services (for example legal, financial and tax) to the Group and IT services to certain of the Group's tenants. The Group owns and operates approximately 50 per cent. of Vilniaus Prekyba group's real estate assets by value. Additionally, the Group has an experienced management team comprised of individuals with a significant breadth and depth of experience who are well positioned to understand and capture the Group's strategic opportunities.

The Business of the Group

The principal business of the Group is the development and management of shopping and entertainment centres in the Baltic states, currently focused on Lithuania and Latvia. The Group's corporate strategy is to consolidate its position in Lithuania and Latvia as a leading operator of shopping centres, with a longer-term view of expanding the Group's operations beyond the Baltic states. See "*Strategy*" for further information.

Property Development

A key part of the Group's business is the identification and development of sites for its shopping and entertainment centres. When identifying sites for development, the Group is looking for under-utilised sites with the potential for significant growth in value.

The Group draws on its expertise as a shopping centre operator when conceptualising and planning a new development site, particularly its existing relationships with the large multinational and domestic retailers that form its core anchor tenants at its existing shopping and entertainment centres. These strong relationships across the Baltic states means the Group can assess the potential interest in a project at a very early phase in the development process, prior the actual development of a site, which helps to minimise the risks traditionally associated with large scale development projects.

The Group has a set of investment criteria for identifying and developing new sites. A key determining factor is that the location of a new development, and the subsequent retail asset once operational, must occupy or have the potential to occupy a dominant retail location within the relevant catchment area or region and, in the opinion of the Group's management, whether such dominant position is sustainable in the long term. In assessing this, the Group considers a number of factors, including the catchment area of the site, macro-economic data of the relevant region or city, the size of the development, the potential tenant mix (both in terms of retailers and entertainment services), the potential for growth and extension, the design and technical specifications and the location, accessibility and visibility of a site. For example, the size of a site and the shopping and entertainment complex it can accommodate, is critical in ensuring the Group can have the most comprehensive tenant mix in the region, which is a key factor in generating consumer footfall and, in turn, the profitability of the Group's tenants. The Group needs to also be conscious of whether it can achieve the optimal tenant mix, which is typically a large proportion of food and fashion anchor tenants combined with a substantial leisure and entertainment offering. Similarly, a site that has the potential for further development and extension is a valuable factor as it allows the Group to accommodate new retailers, brands or entertainment services if they enter the market in the Baltic states.

Once a site had been identified, the Group retains control over the development process by vetting and appointing contractors and supervising and project-managing the construction phase of a project. Although the Group does not employ its own builders and labourers, it enters into construction agreements with reputable and professional contractors, who have a proven track record of completing similar projects on time and within budget. Once construction has begun, the financing of a development is closely monitored on an on-going basis with a view to ensuring that budgets, key milestones and deliverables are adhered to and achieved.

As a result, all of the Group's development projects have to date been finalised within budget, on time and were substantially leased on opening.

Property management

The Group retains control of the management of its properties once development is completed and the shopping and entertainment centres open for business. The Group has a central leasing and marketing team in Vilnius that handles new enquiries, letting and renewals. The team has a proven real estate track record in the Baltic states and a strong understanding of the Group's property portfolio and benefits from long-term relationships with the Group's tenants. The Group employs a shopping centre manager, technical maintenance manager and marketing manager at each of its shopping and entertainment centres; the remainder of on-site staff, which these managers supervise, are provided by contractors.

See *"Leasing and Tenant Profile*" for further information.

Description of the Group's property portfolio

As at 31 December 2020, the Group owned and operated four revenue-generating properties; Akropolis Vilnius, Akropolis Klaipėda, Akropolis Šiauliai and Akropole Riga. The combined GLA of the properties is over 260,000 m^2 and has a fair value of EUR 771 million as at 31 December 2020 (before adjustments for lease incentives and property, plant and equipment). In addition, the Group has one development project in the pipeline, Akropolis Vingis, and three land plots with a total aggregate value of EUR 30 million. Other than the Akropolis Vingis project, the Group has no other committed development plans.

The Group appointed CPB Real Estate Services SIA ("**CBRE**") to independently appraise the fair value of the Group's property portfolio for the year ended 31 December 2020. See Note 2 *(Significant Accounting Policies*) to the 2020 Combined Financial Statements for further details of how CBRE values the Group's properties. CBRE's address is Zaļā iela 1, Rīga, LV-1010, Latvia, and CBRE has no material interest in the Issuer or the Guarantors.

As at 31 December 2020, retail space accounted for 94 per cent. of the Group's property portfolio by GLA (excluding parking spaces, development properties and land plots) and office space accounted for the remaining 6 per cent. Geographically, 73 per cent. of the Group's revenue-generating properties are located in Lithuania and 27 per cent. in Latvia by GLA; when measured by fair value as at 31 December 2020, this was 75 per cent. and 25 per cent., respectively.

The following table sets out a summary of key operational information on the Group's revenue-generating properties as at and for the year ended 31 December 2020:

	Retail GLA (m^2)	**Office GLA (m^2)**	**EBITDA (EUR million)**	**Valuation, (EUR million)**	**Occupancy (%)**
Akropolis Vilnius	88,500	6,280	20.2	309	99.5
Akropolis Klaipėda	60,650	-	13.3	196	99.3
Akropolis Šiauliai	36,050	-	5.8	74	99.7
Akropole Riga	61,100	9,750	11.0	192	92.9*
Total	**246,300**	**16,030**	**50.3**	**771**	**97.7**

* Lower occupancy due to office ramp-up period. Occupancy without offices 99 per cent.

The following table sets out a summary of key operational information on the Group's development properties and land plots as at 31 December 2020:

	Retail GLA (m^2)	**Office GLA (m^2)**	**Land plot area (m^2)**	**Asset value (EUR million)**
Akropolis Vingis, Lithuania	98,000*	38,000*	-	25.0
Land plot in Kaunas district, Lithuania	-	-	124,543	3.3
Land plot in Šiauliai, Lithuania	-	-	22,534	0.32
Land plot in Narva, Estonia	-	-	57,861	1.0

* GLA is as expected as at the date of this Prospectus, based upon current permits and planning consents obtained by the Group.

Leasing and Tenant profile

Overview

The Group's tenants are at the centre of its corporate strategy. The Group is committed to generating long-standing relationships with its multinational and domestic tenants to achieve long-term growth, recurring and sustainable revenue and deep client relationships. This emphasis on tenant relationships and the reputation of AKROPOLIS in the Baltic states is, in the opinion of the Group, what makes it an attractive landlord to both existing and new tenants; by opening in an AKROPOLIS shopping and entertainment centre, a tenant will be located in a site with a wide, metropolitan catchment area and high footfall, in a centre that benefits from a large GLA that allows for a well-balanced mix of retail, entertainment and food and drink services which have been selected in line with the latest consumer demands and trends, and be entering into a relationship with a landlord that actively and professionally manages its brand and marketing. The multi-site nature of the Group's shopping and entertainment centres also means that tenants can benefit from coordinated marketing campaigns, increasing a tenant's exposure beyond just the one city they may be located in.

By curating shopping and entertainment centres that enable consumers to do their grocery shopping, browse luxury retailers, complete their daily administrative tasks and, if time permits, enjoy the services on offer, the Group has created an environment that encourages frequent and return visits from consumers. Taken together, the Group believes this makes AKROPOLIS an attractive choice for domestic and international retailers looking to start and/or expand their business in the Baltic states. This has led to the Group nurturing strong relationships with its anchor tenants and has consequently afforded the Group significant insight in relation to their trading performances and future expansion plans.

The Group's centralised leasing team is responsible for managing tenant relationships. This includes everything from the viewing of properties, enquiries from potential new tenants, existing tenant renewals, the collection of rent and the monitoring of tenant credit risk profiles. In 2020, this team was responsible for signing 53 new leases (compared to 35 in 2019) representing a total GLA of 6,660 m^2 (compared to 8,470 m^2 in 2019) and 72 renewals (compared to 130 in 2019) with a total GLA 10,250 m^2 (compared to 37,020 m^2 in 2019) across the Group's shopping and entertainment centres; 2019 saw a particularly large number of renewals as a result of the refurbishment of Vilnius Akropolis. This refurbishment project strengthened the tenant mix of Vilnius Akropolis and offered consumers more restaurants, a new children's entertainment centre, the newest concept of shopping stores from Zara and Reserved (both of which are the largest in the Baltic states) alongside new concepts for Bershka, Deichmann and Lindex stores. In addition, the refurbishment added new tenants such as Oysho, Tommy Hilfiger, Orsay and Adidas to the Group's tenant mix. Due to the manner in which the Group actively manages its mix of tenants, concentration risk is limited.

Leasing out office space is another important aspect of the Group's business. The Group aims to maintain the attractiveness of office space for existing and potential tenants through high "fit-out" standards, maintenance and services. The integrated nature of the Group's office blocks with its shopping and entertainment centres also improves the attractiveness of a site for prospective office tenants, as they will benefit from accessible locations with ready-built, modern infrastructure (including parking facilities) and instantly available amenities which will allow employees to conveniently balance and manage their working day. The integrated office blocks are similarly beneficial to the Group's retail tenants as there is consequently a regular flow of consumers at the shopping and entertainment centres.

Marketing

The Group is conscious of the strength of the AKROPOLIS brand and employs a range of strategies to maintain its "top-of-mind", number one position in Lithuania (*Source*: The Nielsen Company) and also improve the attractiveness of each of its shopping and entertainment centres. Marketing plays a key role in this and, along with curating a well-mixed tenant base, is another factor in driving consumer footfall and, consequently, sales made by tenants.

The Group actively develops and implements joint marketing campaigns across all of its shopping and entertainment centres, rather than focusing on individual, site-specific campaigns. This helps to cement the AKROPOLIS brand, rather than just a location, in consumers' minds, and also has cost and logistical benefits in terms of efficiency and scale. The Group takes a holistic approach towards marketing and, as well using traditional media and advertising channels, is active on social media platforms to help deliver targeted messages to consumers; for example, the Group develops and manages its Facebook and Instagram social media accounts, which have over 200,000 followers and reach over 1 million people a month.

Whilst varied, the Group's marketing campaigns are generally seasonal in nature and include: Spring/Autumn new collections, Winter/Summer seasonal sales, May/November flash sales, "Back-to-School" sales and Christmas campaigns. The Group also launches targeted and one-off campaigns; for example, the "Akropolis Superstars" long-term promotional campaign from August to December 2020, which was a high-intensity campaign to promote "Superstars" offers which were exclusive and valid only in the stores operating in the Group's shopping and entertainment centres. The "Superstars" campaign will be relaunched in mid-May 2021 as a core marketing communication platform for the remaining months of 2021. The Group uses campaigns of this nature to generate additional marketing opportunities and consumer interest, aimed, in this case, to offset the lower rates of footfall caused by the Covid-19 pandemic.

Cash Collection

The following table sets out the collection rates across the Group's properties:

	Collection rate (%)	
	2020	*2019*
Akropolis Vilnius	97.2	99.6
Akropolis Klaipėda	97.5	99.6
Akropolis Šiauliai	97.6	99.5
Akropole Riga*	96.3	98.3
Total	**97.1**	**99.3**

* Akropole Riga opened in April 2019. The data has therefore been annualised.

The collection rate represents an operational performance indicator computed as 100 per cent. less the applicable default rate. The default rate equals the aged accounts receivable at the end of the period divided by the rolling 12-months rental income and service charge income. Both rates are calculated based on the reduced rents agreed with certain tenants as a result of the Covid-19 pandemic. At the end of the first quarter of 2021, the Group's cash collection rate was 94 per cent.

Tenants

For the year ended 31 December 2020, the Group's top ten tenants across all of its shopping and entertainment centres accounted for approximately 28 per cent. of the annualised passing rent and service fees. The Group considers these tenants to be among its "anchor tenants" and are typically the dominant player in their respective retail category. Companies owned by the Group's shareholder, Vilniaus Prekyba accounted for 16.7 per cent. of the annualised passing rent and service fees in the year ended 31 December 2020. This includes tenants such as Maxima (grocery "hypermarkets"), Ermitažas (DIY stores) and Eurovaistinė (large-format pharmacy). The remaining tenants include multinational retail companies such as Inditex (the owner of Zara, Massimo Dutti, Oysho, Bershka, Stradivarius and Pull and Bear), H&M, Sportland (a sportswear retailer), LPP Group (the owner of Reserved, Mohito, Sinsay, House, Cropp), Pepco (a European chain of discount retailers), iDeal (the official Apple retailer in the Baltic states), Samsung, McDonalds, Van Graaf, Nike and Adidas.

The following tables set out the sectoral mix of the Group's tenants across its shopping and entertainment centres as at 31 December 2020, on the basis of GLA and rental and service fees. Although the Group's relationship with its "anchor tenants" is important to the success of its strategy, the tables illustrate how the Group has actively managed its mix of tenants to mitigate concentration risk:

Breakdown by GLA 2020 (Total Group)	***Per cent.***
Clothes	23
Supermarket/Specialized food, drinks	17
Entertainment	13
Home interior/Household	11
Offices	7
Café/Rastaurants	6
Sports/Leisure	5
Footware/Haberdashery	5
Cosmetics/Perfume/Medicine	4
Services	2
Accessories/Gifts	2
Children's goods/toys	2
Books/Stationary	2
Storage and auxiliary premises	2
Banks, quick loans	1

Breakdown by rent and service fees 2020 (Total Group)	***Per cent.***
Clothes	22
Supermarket/Specialized food, drinks	11
Home interior/Household	10
Café/Rastaurants	8
Footware/Haberdashery	8
Entertainment	7
Cosmetics/Perfume/Medicine	7
Sports/Leisure	6
Accessories/Gifts	6
Services	4
Offices	4
Children's goods/toys	2
Banks, quick loans	2
Books/Stationary	2
Storage and auxiliary premises	1

Vilnius Akropolis

Breakdown by GLA 2020	Per cent.
Home interior/Household	21
Clothes	20
Supermarket/Specialized food, drinks	16
Entertainment	9
Offices	8
Café/Restaurants	5
Sports/Leisure	5
Footwear/Haberdashery	3
Cosmetics/Perfume/Medicine	3
Books/Stationary	2
Services	2
Accessories/Gifts	2
Children's goods/toys	1
Banks, quick loans	1
Storage and auxiliary premises	1

Breakdown by rent and service fees 2020	Per cent.
Clothes	19
Home interior/Household	14
Supermarket/Specialized food, drinks	12
Café/Restaurants	8
Footwear/Haberdashery	7
Offices	6
Cosmetics/Perfume/Medicine	6
Entertainment	6
Accessories/Gifts	6
Sports/Leisure	6
Services	4
Children's goods/toys	2
Banks, quick loans	2
Books/Stationary	2
Storage and auxiliary premises	1

Klaipėda Akropolis

Breakdown by GLA 2020	Per cent.
Clothes	27
Supermarket/Specialized food, drinks	22
Entertainment	15
Café/Restaurants	7
Footwear/Haberdashery	6
Cosmetics/Perfume/Medicine	5
Home interior/Household	5
Sports/Leisure	5
Accessories/Gifts	3
Children's goods/toys	2
Services	2
Books/Stationary	1
Offices / Storages and Auxiliary premises / Banks	1

Breakdown by rent and service fees 2020	Per cent.
Clothes	26
Supermarket/Specialized food, drinks	11
Footwear/Haberdashery	10
Cosmetics/Perfume/Medicine	8
Café/Restaurants	8
Home interior/Household	8
Accessories/Gifts	7
Entertainment	6
Sports/Leisure	6
Services	4
Children's goods/toys	2
Books/Stationary	2
Banks, quick loans	1
Offices / Storage and auxiliary premises	1

Šiauliai Akropolis

Breakdown by GLA 2020	Per cent.
Supermarket/Specialized food, drinks	22
Clothes	21
Entertainment	15
Home interior/Household	8
Sports/Leisure	5
Footwear/Haberdashery	5
Café/Restaurants	5
Cosmetics/Perfume/Medicine	5
Services	5
Accessories/Gifts	3
Banks, quick loans	2
Children's goods/toys	1
Books/Stationary	1
Offices / Storage and auxiliary premises	1

Breakdown by rent and service fees 2020	Per cent.
Clothes	19
Supermarket/Specialized food, drinks	16
Entertainment	11
Home interior/Household	9
Footwear/Haberdashery	8
Cosmetics/Perfume/Medicine	7
Services	7
Accessories/Gifts	6
Café/Restaurants	6
Sports/Leisure	5
Banks, quick loans	3
Books/Stationary	2
Children's goods/toys	1
Offices / Storages and auxiliary premises	1

Akropole Riga

Breakdown by GLA 2020	Per cent.
Clothes	26
Entertainment	15
Offices	14
Supermarket/Specialized food, drinks	11
Sports/Leisure	6
Café/Restaurants	6
Footwear/Haberdashery	5
Home interior/Household	4
Storage and auxiliary premises	4
Cosmetics/Perfume/Medicine	3
Children's goods/toys	2
Services	1
Books/Stationary	1
Accessories/Gifts	1
Banks, quick loans	1

Breakdown by rent and service fees 2020	Per cent.
Clothes	23
Café/Restaurants	9
Footwear/Haberdashery	9
Supermarket/Specialized food, drinks	8
Home interior/Household	8
Entertainment	8
Sports/Leisure	7
Offices	6
Cosmetics/Perfume/Medicine	5
Accessories/Gifts	5
Services	4
Storage and auxiliary premises	3
Children's goods/toys	2
Books/Stationary	2
Banks, quick loans	1

Lease terms

As at 31 December 2020, the WALE by GLA was 6.7 years across the Group's shopping and entertainment centres and office blocks.

The terms of the leases offered by the Group vary depending on the business of the tenant; in general, the larger tenants, such as hypermarkets, DIY stores and cinemas, have a minimum term of ten years, whilst the duration of leases for smaller tenants generally range from between three to seven years. The Group does not adopt a "one-size-fits-all" policy and negotiates leases depending on the circumstances of the tenant, taking into account brand awareness, reputation, consumer appeal and financial stability. Typically, however, if the Group is leasing out a larger premise it would expect a tenant to agree to a longer lease; similarly, if a tenant is investing larger sums of money into a property, they will in turn expect to receive a longer lease. In addition, the Group's anchor tenants normally have a right to renew or extend their leases.

The Group maintained a WAULT by income of 4.9 years as at 31 December 2020. This allows the Group to adapt and react to both market conditions and changing consumer trends and means new retail and entertainment concepts can be accommodated. By actively managing the WAULT, the Group maintains a low risk profile as the lease renewal profile for a particular property is 'flattened' over time, as opposed to having the majority of tenants expiring in a particular year.

The Group negotiates all its leases in Euro and over 95 per cent. of its leases by GLA are "triple-net". This means, in addition to the base rent, tenants are required to pay property taxes, insurance and property management fees as well as costs in relation to marketing campaigns, utilities and other common areas of a shopping and entertainment centre (which form part of the service fees, as detailed below). The Group also requests cash collateral from tenants, either in the form of a deposit of typically three months' rent (inclusive of VAT) or a bank guarantee.

The service fee payable by tenants is a recurring fee for the administration and management of a tenant's respective leased areas, for marketing services and for the use, administration and management of common areas of the properties, including payments for public utilities and other services related thereto but excludes utilities directly charged to and paid by tenants. The service fee also covers taxes and all other charges payable by a landlord in relation to the leased property and common areas. The service fee is recognised in the Service Charge Income line item in the 2020 Combined Financial Statements.

As is common in the retail market, the majority of the Group's leases with tenants include provisions which are linked to Tenant Turnover. However, given the Group's leading position in the Baltic states and experienced central leasing team, an average of only 2.5 per cent. of leases by total rental income across the Group's shopping and entertainment centres in 2020 were purely linked to Tenant Turnover; the remaining 97.5 per cent. of leases had a combination of base rent plus a Tenant Turnover based upside.

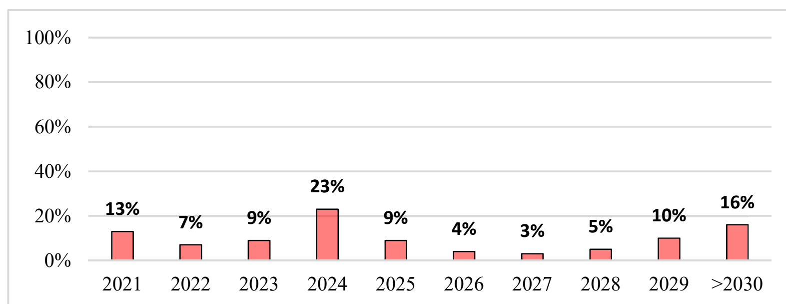
The Group's leases also include provisions for annual adjustments to reflect annual rates of inflation. Leases are indexed to both the EU consumer price index ("**CPI**") and the Lithuanian and Latvian CPI, as appropriate; indexation is included in almost all of the Group's leases by base rental income across its

shopping and entertainment centres. Approximately 78 per cent. (by rental income) of the agreements have a minimum yearly increase floor, ranging from 1.0 per cent. to 3.0 per cent.

The Group's leases with its anchor tenants and offices tenants are agreed on a similar basis to its other shopping and entertainment centre tenants. The Group does, however, from time-to-time, offer limited incentives, such as fit-out contributions and rent-free periods.

Expiry Schedule

The following graph sets out the Group's lease expiry schedule (expressed as a percentage of its income for the year ended 31 December 2020) as at 31 December 2020:



Covid-19

Lithuania and Latvia

Lithuania and Latvia are core operational countries for the Group and both combine features of high growth and, simultaneously, resilience compared to the average European economy. This is demonstrated by the resilience of the Lithuanian and Latvian economies to the shock of Covid-19, particularly when compared to the rest of the EU; in 2020, Lithuania's GDP contracted by only 0.8 per cent. while Latvia's contracted by 3.6 per cent. It is expected that unemployment in Lithuania and Latvia will remain below the average rate in the EU, while an estimated inflation rate of 1.5-2.0 per cent. in 2021/2022 will enable steady increases in prices, benefitting the Group's leases with tenants that are indexed to various CPI metrics. (*Sources:* Lithuania and Latvia National Statistics Departments and European Commission European Economic Forecast Autumn 2020).

As evidenced by retail market performance metrics, retail confidence indicators in Lithuania and Latvia have been persistently above the EU average and, even during the Covid-19 pandemic in 2020, remained in a better position to those prevailing in European countries. The evolution of retail confidence indicators through 2020 points to the possibility of a prompt recovery in consumer spending in 2021 following the easing of Covid-19 related lockdown measures. Household consumption is forecasted to expand by 7 per cent. in Latvia and 3.5 per cent. in Lithuania in 2021, boosting the performance of retailers (*Source:* Swedbank Economic Outlook January 2021).

Lithuania and Latvia are both countries that have observed some of the largest increases in the volume of retail trade over the last five years in the EU (*Source:* Eurostat). Although lockdown measures and government restrictions to halt the spread of Covid-19 derailed consumption and negatively impacted the retail market, the resultant increase in consumer savings (it is estimated consumer deposits rose by 15 per cent. to 20 per cent. in Lithuania and Latvia in 2020) and recovering consumer confidence are expected to result in a release of pent-up demand in the short- to medium-term.

Government measures

In 2020, the Lithuanian and Latvian governments implemented measures with the aim of supporting businesses affected by store closures (in Lithuania, for example, the government implemented legislation providing partial compensation of rental payments, amounting to 50 per cent. of the lease amount payable if certain conditions were met), although these measures have not been re-enacted in 2021. The period for such compensation ran from 16 March to 31 August 2020, on the condition that the lessor contributed an

additional 30 per cent. discount. Tenants in Latvia were not granted governmental lease payment compensation, and so the Group negotiated discounts for Latvian tenants on a bilateral basis. In 2020, the total discounts offered by the Group amounted to EUR 6.2 million. After accounting for such discounts, the Group's total collection rate was 97 per cent. during 2020.

At the end of 2020, governments across the Baltic region introduced a second lockdown and the impact of the Covid-19 pandemic and tightening restricts impacted the retail market. All non-essential stores were closed, although some remained open as pickup points for online orders. Similarly, all catering establishments were closed, although "takeaway" food operators were permitted to continue operating.

In 2021, the Lithuanian government approved new support measures for companies affected by the second wave of Covid-19, in particular subsidies to support the operations of enterprises which had seen their turnover decline by more than 30 per cent. This included subsidies for the salaries of "furloughed" workers in return for commitments not to terminate their employment. Companies in the retail and catering sectors were the main beneficiaries of these measures. In addition, the Lithuanian government provided loans to small-to-medium enterprises, financing for large corporations and interest compensation. In Latvia, the Latvian government adopted a regulation specifically for turnover linked to rental income where there has been a decrease of at least 30 per cent. (when compared to the relevant months in the prior year). The regulation is subject to the approval of the European Commission and it aims to compensate for the decrease in rental turnover in order to cover operational costs (such as utilities payments, including electricity, water and heat, rental of real estate, liability payments, including credit payments, and outsourcing costs) from 1 December 2020 to 31 December 2021. If approved, the amount of aid will equate to EUR 15 per m^2.

Impact on the Group in 2020

Even though there was an increase in e-commerce in Lithuania during 2020, recovering footfalls in the summer months (when lockdown measures were eased) proved consumers still preferred the in-store and in-person shopping experience. Both Lithuania and Latvia have relatively low levels of e-commerce penetration compared to the rest of Europe due to low population density and high delivery costs.

The events of early 2020 and the impact of Covid-19 on the retail sector, followed by the easing of restrictions in the summer, has demonstrated that both retail sales and consumption of services can be restored rapidly. Whilst the reintroduction of government restrictions in Latvia in November 2020 and in Lithuania in December 2020 has impacted the retail market, the Issuer expects that once these restrictions are fully lifted (currently expected to be in the second quarter of 2021, following Lithuania's easing of restrictions in April 2021; see " *Impact on the Group in the first quarter of 2021*" below) shoppers will return to their pre-lock down habits and normal, in-person way of shopping.

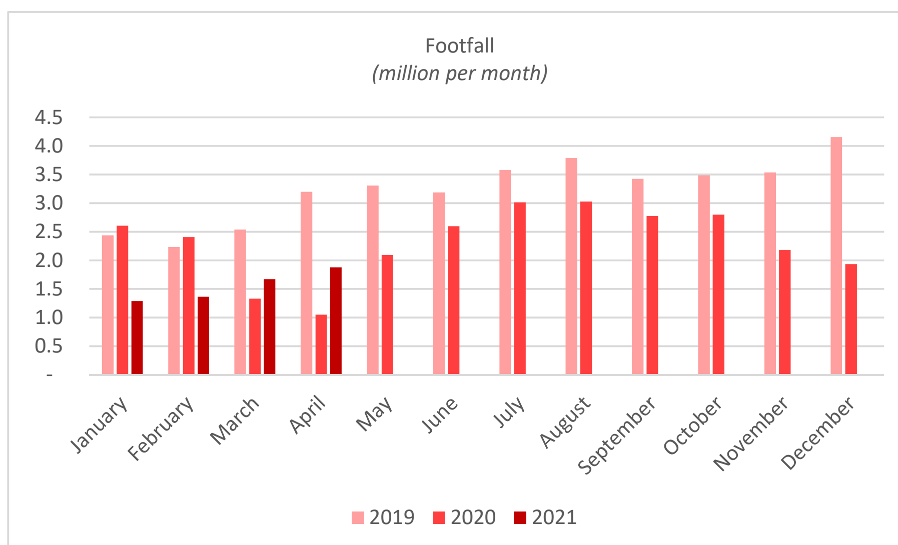
This recovery of footfall in 2020 was supported by initial monitoring conducted by the Group across its shopping and entertainment centres, as follows:

Year-over-Year 2020 versus 2019	**January and February**	**March to May**	**June to August**	**September to October**	**November to December**
Tenant Turnover........................	+21.1%	-40.6%	+1.7%	-3.6%	-37.4%
Footfall.....................................	+ 7.3%	- 50.6%	-18.2%	- 19.4%	- 46.5%
Vacancy (as at period-end)*	0.8%	0.6%	0.6%	0.7%	0.8%

* Excluding office buildings

Impact on the Group in the first quarter of 2021

The following graph illustrates the combined footfall across the Group's shopping and entertainment centres in 2019, 2020 and the first quarter of 2021. Whilst footfall was clearly impacted by government measures and restrictions to halt the spread of Covid-19 in 2020 and 2021, the graph illustrates how footfall recovered when such restrictions were eased in the summer of 2020 and since February 2021 (as detailed below):



As at the date of this Prospectus, the Group's shopping centres in Latvia remain subject to national restrictions, including partial close-downs. In Lithuania, however, there has been a phased lifting of restrictions; on 15 February 2021, beauty salons and other individual services (which could be performed in a space of 20 m^2 per customer) and shops with direct outdoor access up to 300 m^2 opened, followed by all shops with direct outdoor access on 15 March 2021. Restrictions were further eased on 19 April 2021 when all non-essential stores were allowed to open on weekdays, permitting one customer per 20 m^2, and cinemas with 30 per cent. capacity. On weekends essential stores (such as groceries, pharmacies, veterinary, pet food, flowers, optics and orthopaedic supplies), non-essential stores, having direct outdoor access and cinemas, were permitted to operate. On 22 April 2021, outdoor cafes opened and, on 26 April 2021, fitness clubs opened on the basis of one customer per 20 m^2.

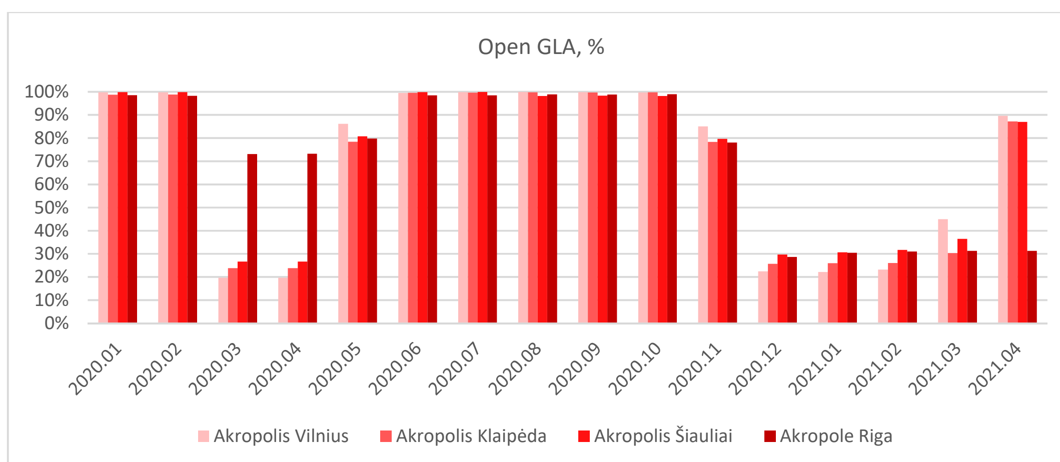
As at 30 April 2021, 74 per cent. of the Group's total property portfolio by GLA (excluding restaurants and cafes) was open; this represents approximately 87-90 per cent. of the GLA in Lithuania and 32 per cent. in Latvia. With restaurants and cafes (operating takeaway services) included, 78 per cent. of the Group's total property portfolio by GLA was open; this represents approximately 89-95 per cent. of the GLA in Lithuania and 35 per cent. in Latvia.

The breakdown across the Group's shopping and entertainment centres for the first quarter of 2021 is as follows:

Open GLA, %*	**January 2021**	**February 2021**	**March 2021**	**April 2021**
Akropolis Vilnius	22	23	45	90
Akropolis Klaipėda	26	26	30	87
Akropolis Šiauliai	31	32	36	87
Akropole Riga	30	31	31	31
Total	**26**	**27**	**37**	**74**

* *excluding stores working as pick-up points for online sales and restaurants that prepare only food for takeaway*

Further, the following graph shows the impact on the Group's GLA since the start of the Covid-19 pandemic:



With the easing of lockdown restrictions, particularly in Lithuania, footfall and consequently Tenant Turnover has started to recover in the first quarter of 2021, as follows:

Year-over-Year 2020 versus 2021	**January**	**February**	**March**	**April**
Tenant Turnover	-65.6%.	-60.3%	-18.9%	+83.1%
Footfall	-62.4%	-57.3%	-11.5%	+79.0%
Vacancy (as at period-end)*	0.8%	0.9%	0.6%	0.8%

* Excluding office buildings

The Group continues to focus on helping its tenants financially during the partial lockdown, and discounts and deferrals continue to be negotiated. Discounts in the first quarter of 2021 comprised 21 per cent. of total rental and service fee income for the quarter.

The Group has implemented certain measures, focused on maintaining a functioning, long-term retail environment. This has included:

- providing short-term discounts to tenants (negotiated on an individual basis);
- where needed, agreeing payment plans with tenants;
- new and increased marketing campaigns designed to increase consumer footfall;
- targeted advertising focusing on promotional offers from the Group's tenants; and
- optimised ongoing asset maintenance costs.

The Group, in cooperation with State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania (STI), has agreed 2 year interest free tax loan agreements for some of the Issuer's and Lithuanian Guarantors' companies tax arrears of 2020. Tax loans agreed mainly consist of corporate income tax, VAT and personal income tax. Other pandemic related benefits received during 2020 were immaterial. In 2020, the Group incurred additional expenses, amounting to EUR 0.525 million which were allocated to various health and hygiene measures to ensure safety of its employees and customers.

As at the date of this Prospectus, the Group does not anticipate any substantial bad debt write-offs as a result of tenants forfeiting or being unable to meet the terms of their leases (as adjusted to reflect agreed discounts or restructured payment timings). Further, there have been no structural changes to the Group's leases with its tenants. The Group believes that the proactive measures it implemented has assisted in stabilising its tenants' businesses. This is because the rental discounts have enabled tenants to invest in new stock and, combined with the Group's marketing campaigns and sales events across its shopping and entertainment centres, have helped to generate renewed interest and footfall.

Current Market Conditions

Shopping Centres

The Issuer is not currently aware of any shopping centres expected to be opened by any of the Group's competitors in Lithuania in 2021, although the "Vilnius Outlet" centre is planned to open at the end of 2021. The Vilnius Outlet will be a four-storey building and will host above ground parking on the first two floors and shops and entertainment services on the first, third and fourth floors, totalling around 35,000 m^2 of retail space in total. By way of comparison, the Group's own multifunctional Akropolis Vingis project (which is estimated to be completed in the second half of 2024) will offer an expected 98,000 m^2 of retail and entertainment GLA.

During the course of 2020 in Latvia, three new or expanded retail complexes opened in Riga; the Origo shopping centre, which was refurbished and expanded by 16,500 m^2, the Via Jurmala outlet centre, which occupies a site of approximately 10,000 m^2, and the Saga shopping centre, which occupies a site of approximately 50,000 m^2. By way of comparison, Akropole Riga has approximately 61,100 m^2 GLA. The vacancy rate in Riga's shopping centres increased from 2.9 per cent. to 7.4 per cent. at the end of 2020 on a like-for-like basis with 2019 (*Source:* Colliers Q4 2020 Baltic States Property Snapshot), primarily due to higher than normal availability of new retail centres.

As the following chart demonstrates (*Source:* public data compiled by the Group), even with the new developments, the Group is comfortably the largest shopping and entertainment centre provider by GLA in the Baltic states:

VILNUS

Nº	Name	GLA, m^2	Year
1	**Akropolis Vilnius**	**88 500**	**2002/2004**
2	Ozas	62 400	2009
3	Panorama	50 000	2008/2018
4	Nordika	35 500	2015/2016
5	Europa	17 379	2004
6	BIG	15 600	2006/2013
7	Parkas outlet	14 500	2010/2016
8	VCUP	12 500	1974/2003
9	Mada	12 400	2002
10	Domus Pro	11 200	2014/2015/2016
11	G9	10 900	2007/2014/2019
12	Mandarinas	8 000	2005
Development Projects			
1	**Akropolis Vingis**	**98 000**	**2024**
2	Vilnius outlet	35 000	2021

RIGA

Nº	Name	GLA, m^2	Year
1	Alfa	71 000	2001/2004/2008/2019
2	**Akropole Riga**	**61 100**	**2019**
3	Saga	52 000	2020
4	Riga Plaza	49 500	2009
5	Domina Shopping	43 002	2003/2006/2017
6	Spice	42 019	2001/2005/2014
7	Origo	34 800	2003/2020
8	Mols	24 444	1998/2002
9	Olimpia	23 584	2002/2015
10	Galeria Riga	23 500	2010/2016
11	Galerija Centrs	20 000	2006
12	Elkor plaza	20 000	2006
13	SKY & MORE	12 300	2007
14	Stockmann Riga	11 000	2003
15	Outlet village	9 500	2020
16	Dole	8 000	1997

KLAPĖDA

Nº	Name	GLA, m^2	Year
1	**Akropolis Klapėda**	**60 650**	**2005**
2	BIG Klaipada	20 000	2008
3	Molas Klaipada	16 400	2004/2019
Development Projects			
1	Mega	30 000	2023

ŠIAULIAI

Nº	Name	GLA, m^2	Year
1	**Akropolis Šiauliai**	**36 050**	**2009**
2	Saules miestas	19 881	2007
3	Tilze	24 000	2007
4	Bruklinas*	~21 400	2007

** more than 2/3 of GLA is occupied by 2 tenants: DIY and supermarket*

In terms of retail trends, the Issuer expects that the improving purchasing power of an average resident in Lithuania will lead to increased volumes of retail sales. The Issuer expects private consumption to remain strong and is expected to be boosted by household savings, which have increased during the lockdown periods associated with the Covid-19 pandemic and anticipated pent-up demand from consumers. However, as a result of discounts given to tenants during the lock-down period, it is anticipated shopping centres will generally command lower rents in 2021. Lower rents reflect the lower footfall and turnover experienced in shopping centres. Vacancy rates in prime shopping centres slightly increased in Vilnius at the end of 2020, reaching about 2 per cent. (*Source*: Colliers Q4 2020 Baltic States Property Snapshot); the Issuer expects that vacancy rates in prime shopping centres will remain low in 2021.

Across the Baltic region, prime retail yields increased at the end of 2020 by 0.5 basis points, which represented a similar increase to the rest of the Eurozone. At the end of 2020, retail yields in Riga and Vilnius increased from 6.5 per cent. to 7 per cent. In addition, Vilnius and Riga offer some of the highest

yields for prime locations compared to other cities in Europe (*Source:* Colliers Q4 2020 Baltic States Property Snapshot).

Office Market

For the last five years the Vilnius office market has been the most active market in the Baltic region, with a large development pipeline and demand from companies, which has resulted in very low vacancy levels. The current development pipeline consists of 14 new office projects, offering a total of 224,600 m^2 GLA (*Source:* Colliers Q4 2020 Baltic States Property Snapshot). Developments in Vilnius are dominated by large-scale projects, with three of the largest properties amounting to approximately half of the pipeline in terms of GLA.

Financing

Overview

The Group maintains a conservative and prudent financial policy in terms of its capital structure, liquidity and investment policies. This balanced and consistent financial policy, with conservative long-term target ratios, aims to ensure that the Group can meet its strategic objectives and deliver sustainable growth.

The Group aims to achieve its objectives by:

- maintaining at all times sufficient liquidity to enable it to finance its ongoing, planned property investments and the completion of properties under development, while maintaining the flexibility to react quickly to attractive new investment opportunities;
- managing its capital structure and maintaining its financial ratios to have a strong and attractive financial profile allowing it the flexibility to raise new debt and/or refinance existing debt on desirable conditions and to ultimately minimise its cost of borrowing; and
- actively managing its capital structure and utilising the best available financing alternatives, which in turn provides the best support to its strategic plans and maximises long-term shareholder value creation.

The Group has adopted a balanced and consistent dividend policy, which is transparent towards its shareholders, creditors and stakeholders. The level of pay-out will be decided each year by the Board, pursuant to the requirements of the Law on Companies, and is subject to:

- the Group's targeted financial ratios remaining stable and, in the assessment of the Board, any pay-out not having a material long-term negative impact on the Group's targeted financial ratios;
- the absence of significant forecasted cash outlays for the purchases of the assets and/or the completion of properties under development in the near future;
- the Group's loan to value ratio net of cash and cash equivalents not exceeding 40 per cent. in the normal course of business, with the Board being committed not to recommend payment of dividends where payment of dividends would cause leverage to go sustainably above 45 per cent.;
- the Group's interest coverage ratio not being less than four times; and
- the Group maintaining a minimum liquidity buffer (comprising cash and free overdrafts) of no less than 30 per cent. of annual turnover.

Liquidity Profile

The Group has a strong liquidity profile, with EUR 56.7 million in cash and cash equivalents as at 31 December 2020. The Group's LTV ratio was 33.4 per cent. as at 31 December 2020 (compared to 35.6 per cent. as at 31 December 2019), which was below the 40 per cent. strategic target.

Other Financial Information

For the year ended 31 December 2020, across the Group's shopping and entertainment centres, NOI was EUR 50.3 million compared to EUR 51.0 million in 2019 (which represented a decrease of less than 2 per cent. in 2020 compared to an increase of 18 per cent. in 2019) and Tenant Turnover (including VAT) was EUR 624 million compared to EUR 698 million (including VAT) in 2019.

For the year ended 31 December 2020, the Group's average cost of debt was 1.25 per cent. compared to 1.06 per cent. for the year ended 31 December 2019. As at 31 December 2020, the Group's average remaining debt maturity was 2.6 years.

The table below provides a description of the outstanding principal amount of the loans and borrowings and cash and cash equivalents of the Group, along with the Group's EBITDA, Interest coverage ratio and Net debt to EBITDA ratio as at and for the years ended 31 December 2019 and 2020:

	Outstanding amount (EUR million)		Cash and cash equivalents (EUR million)		Interest coverage ratio (%)		EBITDA (EUR millions)		Net debt/ EBITDA	
	2020	*2019*	*2020*	*2019*	*2020*	*2019*	*2020*	*2019*	*2020*	*2019*
Group	267.4	281.9	56.7	53.7	15.4	18.0	53.8	50.5	3.9	4.5

The average interest rate for the Group, including hedging costs, was approximately 1.25 per cent. for the year ended 31 December 2020.

Capitalisation Table

The following table sets forth the capitalisation and indebtedness of the Group as at 31 December 2020 and as adjusted to give effect to the issue of the Notes. The following table should be read in conjunction with the Group's 2020 Combined Financial Statements and related notes included in this Prospectus.

	Actual (EUR m)	*Adjusted (EUR m)*
Short-term borrowings		
Bank borrowings	36	~4 to 7
Long-term borrowings		
Notes to be issued	-	300
Bank borrowings+	231	~95 to 122
Total borrowings	267	~399 to 429
Parent company investment	140	140
Retained earnings	341	341
Total equity	481	481
Total capitalisation*	**748**	**880-910**

* Total capitalisation is the sum of total equity and total borrowings.
+ Bank borrowings as at 31 December 2020 comprised:

Akropolis Riga:	EUR 99m due 2022
Akropolis Vilnius:	EUR 129m due 2024
Akropolis Klaipėda	EUR 24m due 2021 (maturity extended to 2026 during first quarter of 2021)
Akropolis Šiauliai	EUR 15m due 2025

Key performance indicators

The key performance indicators used by the Group are as follows:

Financial ratios

- *Cost of debt*: this is the weighted average of stated interest rate on bank borrowings.
- *Interest coverage ratio*: this is a calculation of EBITDA after IFRS adjustments ***divided by*** interest expenses for the same period.
- *Loan-to-value* ("**LTV**"): this is a calculation of the outstanding bank borrowing in respect of a property ***divided by*** the fair value of such property.
- *Net debt / EBITDA*: this is a calculation of the sum of short-term bank borrowings and long-term bank borrowings ***less*** cash and cash equivalents ***divided by*** EBITDA.

*Alternative Performance Measures ("**APMs**")*

The following APMs should not be used instead of, or considered as alternatives to, the Group's financial results based on IFRS as set out in "*Financial Statements*". The non-IFRS measures presented in this Prospectus relate to the reporting periods stated and are not meant to be predictive of future results. The APMs as presented in this Prospectus are not defined under, or presented in accordance with, IFRS. The Group uses APMs because it believes that these measures are commonly used by lenders, investors and analysts. The Group's use of these terms, and its method of calculating these figures, may vary from other companies' use and calculation of such terms. These measures are presented for purposes of providing investors with a better understanding of the Group's financial performance, cash flows or financial position as they are used by the Group when managing its business.

- *Capex:* this means cash additions to property, plant, equipment and investment property.

- *EBITDA:* is calculated (for all purposes other than where used in the Conditions) by adjusting net profit by adding back costs and eliminating income from income tax expenses, depreciation and amortisation, finance income and costs, impairment and write-off of property, plant and equipment, investment properties and intangible assets, gain or loss from revaluation of investment property and net result on disposals of subsidiaries. Reconciliation between EBITDA and net profit, considered to be the most comparable IFRS measure, is provided in Note 4 (*Segment information*) of the 2020 Combined Financial Statements. EBITDA calculated at the asset level does not reflect lease modification adjustments made in respect of IFRS 16. EBITDA calculated at the Group level does include such IFRS 16 lease modification adjustments.

- *GLA:* this is the floorspace in m^2 which is capable of being let to tenants.

- *NOI:* this is a calculation of revenue before IFRS 16 lease incentives impact adjustment ***less*** property operating expenses. This can be calculated from the information included in Note 4 (*Segment information*) of the 2020 Combined Financial Statements.

- *NOI growth*: this growth metric is used by the Group to compare NOI in the current accounting period with NOI in the previous accounting period.

Operational key performance indicators:

- *Tenant Turnover:* this refers to revenue reported by tenants concerning sales made by the Group's tenants in their establishments in the shopping centres and is inclusive of value added tax ("**VAT**").

- *WALE by GLA*: the weighted average lease term remaining to expire across a portfolio, weighted by GLA.

- *WAULT by income*: the weighted average unexpired lease term remaining to expire across a portfolio, weighted by rental income.

Environmental, social and governance ("ESG") policies

The Group acknowledges that there is a climate emergency and recognises that the building and construction industry contributes significantly to the global carbon footprint. Given this, the Group approaches its new development and construction projects with ESG policies firmly in mind and is implementing plans to not only to make its existing shopping and entertainment centres sustainable but also certified in accordance with the BREEAM technical standards.

Akropole Riga was the Group's first shopping and entertainment centre to obtain BREEAM's "New Construction - Very Good" certification. This certification confirms Akropole Riga meets BREEAM's highest energy efficiency and sustainability technical standards and provides the most environmental and people-friendly solutions possible. The Group is also invested in preserving the heritage and wider cultural significance of its sites; Riga Akropole occupies the site of the former Kuznetsov Porcelain and faience factory and the outer facades of the factory were restored and incorporated into the development, including a museum of porcelain tableware inside the shopping and entertainment centre, providing an important link to the site's past. The office complex at Akropole Riga has also received BREEAM certification which, in addition to confirming compliance with the higher energy efficiency and sustainability technical standards, acknowledges environmental and tenant-friendly solutions designed to lower utility service charges; for example, the building's glass façade allows natural light to flow through the building, lowering electricity costs associated with commercial lighting.

The Group is also developing Akropolis Vingis with the BREEAM technical standards in mind and is aiming for another "New Construction – Very Good" certification. The site of Akropolis Vingis is next to the largest park in the city and the multifunctional cultural, leisure, business and shopping centre will be organically incorporated into the surrounding area. In addition, there will be three kilometres of new bicycle and pedestrian paths in the area and along the Neris riverbank, and the development will be powered by renewable energy sources as an array of solar panels will be installed on the roof of the development.

The Group intends to obtain BREEAM certification for its other shopping and entertainment centres in Vilnius, Klaipėda and Šiauliai. The Group has already installed energy-saving lighting in Akropolis Vilnius and plans to install similar technology in Akropolis Klaipėda and Akropolis Šiauliai. In addition to recycling and waste management schemes in each of its shopping and entertainment centres, the Group has also installed charging points for electric vehicles. The Group intends to report on the progress of its ESG policies in its annual report.

Information Technology ("IT")

The Group has an in-house team of qualified IT specialists. This team plans and implements the Group's IT infrastructure and operations and is responsible for monitoring and conducting internal compliance controls. New IT systems and technology are only rolled-out across the Group after a thorough inspection and compliance testing to ensure they meet the Group's policies and business needs. The Group's IT network is centrally accessed and managed and critical infrastructure hardware is regularly backed up. The Group uses qualified partners to develop and maintain its business management systems such as Navision and other business intelligence tools. The Group implements and maintains a range of policies to protect business and personal information and the use of IT systems and software by the Group's employees.

Capital Expenditure

The Group's ongoing Capex for its four operating assets was EUR 0.9 million in 2019 and EUR 0.8 million in 2020. The Group's investment Capex for its four operating assets was EUR 39.4 million, predominately in relation to the development of Akropole Riga, in 2019 and EUR 1.9 million in 2020. Vingis development project's investment Capex amounted EUR 2.6 million in 2019 and EUR 0.9 million in 2020. The Group expects ongoing and investment Capex spending to be approximately EUR 1.4 million in 2021 and EUR 6.0 million in 2022 for its four operating assets (primarily due to the expected refurbishment of Akropolis Klaipėda in 2022 which is budgeted at approximately EUR 5 million) . The main investment focus for 2021 and 2022 will be on the Vingis development project, for which the Group plans to spend EUR 6.3 million and EUR 64.7 million respectively.

The Group expects low Capex requirements for its other shopping and entertainment centres for the next five years. Akropolis Vilnius was extended in 2004 and the full refurbishment of the shopping and

entertainment centre was completed in 2019. Similarly, Akropolis Šiauliai and Akropole Riga are new, well-maintained shopping centres, and as such are not expected to require any major refurbishments.

Recent Developments

Group Reorganisation

The Group Reorganisation was performed by transferring Akropolis Real Estate B.V. shares to the ownership of Akropolis Group by notarial deed on 24 March 2021. Prior to such date, the Guarantors were owned by Vilniaus Prekyba through an intermediate holding company, Akropolis Real Estate B.V., which was a direct subsidiary of Vilniaus Prekyba and a sister entity of the Issuer. The Group Reorganisation was completed in April 2021. Following the Group Reorganisation, the structure of the Group is as set out in "*Description of the Group - Organisational Structure*". See Note 1 (*Corporate and Other Information*) to the 2020 Combined Financial Statements for further information.

Potential Acquisition

The Group is currently in the process of negotiating the purchase of an operational shopping centre in the Baltic states. In keeping with the Group's existing portfolio, the acquisition target is located in a metropolitan area with a wide catchment area. As at the date of this Prospectus, the acquisition remains subject to the successful conclusion of negotiations which, subject to regulatory approvals and customary conditions precedent, are expected to be completed in the second half of 2021.

Management of the Issuer

Overview

The Issuer has a two-tier management system, comprising the management board (the "**Board**") and the director of the Issuer (the "**CEO**"). There are no other supervisory committees or boards within this management structure. The Board is responsible for the strategic management of the Issuer and adopts decisions on the core transactions to be concluded by the Issuer. The CEO is a one-person executive management body that manages the Issuer's day-to-day operations and represents the Issuer in its dealings with third parties. The sole shareholder of the Issuer, Vilniaus Prekyba, has the right, *inter alia*, to appoint and revoke the appointment of members of the Board. In turn, a majority decision of the Board, which requires a quorum of 2 out of 3 Board members, can appoint or revoke the appointment of the CEO.

Beneath the Board, the Group's management team consists of departmental managers and managers of each shopping and entertainment centre.

The gender breakdown of the Group's management team and employees is as follows:

	Total	Male	Female
Board of Directors................	3	2 (67 per cent.)	1 (33 per cent.)
Managers..............................	11	5 (45 per cent.)	6 (55 per cent.)
All Group	114	56 (49 per cent.)	58 (51 per cent).

The Board

The Board is a collegial management body provided for in the articles of association of the Issuer. The Board does not have executive powers and its main function is adopting the strategic decisions of the Issuer. The powers and responsibilities of the Board are set forth in the Law on Companies and the articles of association. The Issuer’s articles of association provides some exceptions in respect of decision-making process, i.e. the Board shall adopt decisions regarding, among other things:

(i) investments, transfers and/or leases of fixed assets with a book value exceeding EUR 100,000 (calculated on an individual basis per transaction);

(ii) approval of decisions of the Issuer's subsidiaries’ management bodies that require approval of the Issuer, acting in the capacity of shareholder;

(iii) amendment of the articles of association of the Issuer’s subsidiaries;

(iv) pledges or mortgages over fixed assets with a book value exceeding EUR 100,000 (calculated on an aggregate basis);

(v) guaranteeing or insuring the fulfilment of obligations of other persons in the amount exceeding EUR 100,000;

(vi) acquiring fixed assets for more than EUR 100,000; and

(vii) issuing bonds (other than convertible bonds).

The Board must obtain approval of the shareholder(s) of the Issuer prior to making any decisions relating to the matters set out in (i), (ii), (iv), (v) and (vi) above if the amount of such transactions exceeds EUR 1,000,000 and decisions relating to acquisition of securities (regardless of value or type) and other property and/or non-property rights carried by such securities, as well as regarding transfer, pledge or other limitation or restriction of such securities and/or the property and/or non-property rights carried by such securities, as well as any decision relating to the matters set out in (iii) above.

The Board makes decisions by a simple majority of the votes of all its members present at the meeting. In the event of a tie, the vote of the chairman of the Board shall be a casting vote. A quorum is present when at least two thirds of members of the Board is present at a meeting. Each member of the Board has one vote. When necessary in matters of urgency, a decision may be made by the Board without holding a

meeting. The Board has discretion to invite to its meetings members employees or other persons. Under the Law of Companies, the CEO (if he or she is not a member of the Board) has to be invited to all meetings of the Board and provided with the opportunity to familiarise him/herself with the agenda items, if he/she is not also the member of the Board. A total of 8 meetings of the Board took place in 2020. As at the date of this Prospectus, 5 meetings of the Board have taken place in 2021.

The Board's term of office lasts for a duration of four years (however, not longer than until the ordinary general meeting of shareholders convened in the last year of the tenure of the Board) and the most recent term started on 29 April 2019. The Board consists of three members, having been reduced from five by Vilniaus Prekyba in 2020. The members of the Board of the Issuer and their principal activities are as follows:

Name	Position with Issuer	Other Principal Activities	Position held since
Manfredas Dargužis	CEO Chairman of the Board	N/A	23/10/2020 22/10/2020
Jurgita Žagunytė-Genevičienė	Head of Lease Department	N/A	22/10/2019
Karolis Kunigėlis	Head of Legal	N/A	9/3/2021

The business address of the members of the Board is Ozo str. 25, LT-07150 Vilnius, Lithuania.

No potential conflicts of interest exist between the duties of the members of the Board to the Issuer and their private interests and/or other duties.

The following are short profiles of the members of the Board:

Manfredas Dargužis: Manfredas has more than 12 years of experience in the asset management industry. After finishing banking and international finance studies at CAAS Business School in London, Manfredas started his career in Danske Bank as a financial consultant in the wealth management and investments sector. Manfredas continued his career as a fund manager in Lord LB Asset Management where he led several successful investment projects including one of the best-known business office projects "K29" in Vilnius. Manfredas was elected as chief executive officer of Victory Funds, a real estate investment management company, prior to joining the Group.

Jurgita Žagunytė-Genevičienė: after finishing an MBA at Vilnius University International Business School, Jurgita started her career as "stores operation specialist" in Rimi Lietuva, a Lithuanian food supermarket which belongs to Sweden "ICA Gruppen". Jurgita has more than ten years of experience in developing and managing operations in retail and entertainment centres. Jurgita joined the Group in 2016 as lease and sales project manager and, from 2018, has been the Head of Lease Department. Prior to joining the Group, Jurgita worked as a sales and asset manager for a number of real estate development companies that are subsidiaries of the largest commercial banks in Lithuania.

Karolis Kunigėlis: Karolis has more than ten years' experience in the legal industry. He started his career in a boutique law firm focused on litigation. Karolis then transferred to Citco Corporate & Trust, where he provided corporate governance services to multinational companies. Before joining Akropolis Group, Karolis worked for seven years at a leading pan-Baltic law firm, Sorainen and partners, where his primary practice area was commercial real estate investment transactions. During this time, Karolis advised clients on the largest Baltic commercial real estate investment transactions. Karolis is also a prominent practitioner in the commercial property lease market. He has an M.A. in law from Vilnius university and a B.Sc in economics and finance from the London School of Economics and Political Sciences.

Risk Management

The Group's management considers that the main risks facing the Group relate to property and finance. The Group's overall approach to risk can be described as conservative. There are inherent risks in the real estate and property business, such as fluctuations in the value of assets, vacancies, volatility in market rents or risks associated with development activities. Key risks are assessed by ranking exposure on the basis of

probability and magnitude. Risks of potential breaches of loan covenants are managed through a conservative financing policy and a close review of compliance indicators.

The Issuer believes that the Group has appropriate internal risk management and control systems. The Group is managed on an integrated basis, with centralised financial reporting and controls. Key elements of the internal control systems are: a management structure designed to enable effective decision making; monthly review of key performance indicators, such as Tenants Turnover, vacancies, rent collection, arrears and doubtful debtors, and review of performance against budgets. There are clearly defined guidelines and approval limits for capital and operating expenditure and other key business transactions and decisions. The internal management reporting system is designed to identify fluctuations in the value of investments, income and expenses.

Capital projects, major contracts and business property acquisitions are reviewed in detail and approved by the Board. The Group also maintains insurance against loss or damage to properties, business interruption insurance and third party liability insurance at levels which the Board believes to be prudent and in line with good industry practice.

See Note 19 (*Financial Risk Management*) to the 2020 Combined Financial Statements for further information.

Related Party Transactions

The relationships between the Group and its related parties, identified according to the principles of International Accounting Standard 24 ("**IAS 24**"), primarily consist of business transactions relating to rent income and other services. Companies owned by the Group's shareholder, Vilniaus Prekyba, accounted for 16.7 per cent. of the annualised passing rent and service fees in the year ended 31 December 2020, including Maxima, Ermitažas and Eurovaistinė. Vilniaus Prekyba provides certain limited management services (for example legal, financial and tax) to the Group and IT services to certain of the Group's tenants The Group owns and operates approximately 50 per cent. of Vilniaus Prekyba group's real estate assets by value. These all fall within the activities carried out by the Group in the ordinary course of its business. The Group's transactions with its related parties are regulated by the Law on Companies and other applicable laws in the respective countries, where the Group companies are conducting business, articles of association and transfer pricing documents, which provide for comprehensive regulation of rules concerning related party transactions and conflicts of interest between a company and members of its board of directors (and persons close to such members). All agreements with related parties are intended to be conducted on an arm's length basis.

See Note 18 (*Related Party Transactions*) to the 2020 Combined Financial Statements for further information.

The Group's related parties are as follows:

- Maxima and Barbora: Maxima is the largest retail grocery chain in the Baltic states and operates in Lithuania, Latvia, Estonia, Poland and Bulgaria and is the largest anchor tenant in each of the Group's shopping and entertainment centres. Barbora, which is operated by Maxima, is the largest e-commerce brand for food and groceries in the Baltic states.

- Euroapotheca and Azeta: Euroapotheca operates over 670 pharmacies in Lithuania, Sweden, Latvia, Estonia and Poland and is present in each of the Group's shopping and entertainment centres. AZETA is an e-pharmacy platform that has launched in Latvia and Estonia

- Ermitažas: a network of DIY stores. Ermitažas is the anchor tenant in Akropolis Vilnius.

- Trobos: a recently launched e-commerce platform to provide online shopping experiences in cooperation with the Group.

- Sollo: a payment collection platform for utilities, telecommunication and other services.

Legal Proceedings

From time to time, the Group may be a party to litigation claims and legal proceedings, including claims and proceedings arising in the ordinary course of its business. The Group evaluates any litigation claims

and legal proceedings to which it is a party to assess the likelihood of unfavourable outcomes and to estimate, if possible, the amount of potential losses. Based on these assessments and estimates, if any, the Group establishes reserves and/or discloses the relevant litigation claims or legal proceedings as appropriate. These assessments and estimates are based on the information available to management at the time and involve significant management judgement.

The Group is currently involved in legal proceedings in relation to the acquisition in 2005 by Vingio Turtas, UAB (a wholly-owned subsidiary of the Issuer) of state-owned land which forms part of the Akropolis Vingis site (the "**Vingis site**"). The claimants in the proceedings (the "**Claimants**") have asserted that part of the Vingis site was historically the territory of a local village and the subsequent sale breached their rights of property restitution, which they claim they have with respect to land attributable to this particular village territory. In January 2020, the Vilnius branch of the National Land Service, a public authority responsible for the management of state-owned land, adopted a decision stating that the Vingis site was not attributable to the village's territory. Such a decision makes the Claimants' property restitution rights unenforceable with respect to the Vingis site. The Claimants appealed this decision to the Central National Land Service and this appeal was dismissed.

As at the date of this Prospectus, the Claimants have two outstanding proceedings in relation to this matter. The first is an administrative challenge to annul the decisions of the Vilnius branch of the National Land Service which was upheld by the Central National Land Service, and which will be heard in the first instance by Vilnius Regional Administrative Court. The second, which is currently suspended pending the final decision in the administrative proceedings, is a civil case challenging (in part) the validity of the 2005 agreement for the sale of the Vingis site.

The Group does not expect the Vilnius Regional Administrative Court to reach a decision before the third quarter of 2021. In the event that the first instance Administrative Court's decision is appealed, it is not likely to be heard by the Supreme Administrative Court until late 2022 and possibly into 2023.

The Group does not agree with the Claimants' case and considers the possibility of satisfaction of the claims as low. In the meantime, the legal proceedings do not affect the Group's rights over the Vingis site and development of Akropolis Vingis continues. In the event that the Claimants were to prove successful, the Vingis site could be materially reduced in size but ownership of the relevant parcel of land would not automatically revert to the Claimants. If the proceedings result in such an outcome, any potential award and its implementation would be a highly complicated and complex legal issue. In addition, the Group would be able to appeal any decision upholding the Claimants' case.

The Group has not made any provisions in its accounts for this matter.

DESCRIPTION OF THE GUARANTORS

Ozo Turtas, UAB, Taikos Turtas, UAB and Aido Turtas, UAB (the "Lithuanian Guarantors")

The Lithuanian Guarantors are indirectly wholly-owned subsidiaries of the Issuer. Each of the Lithuanian Guarantors is incorporated in Lithuania as a private company with limited liability and operates under the Law on Companies and other applicable laws. The registered office of each of the Lithuanian Guarantors is Ozo str. 25, LT-07150 Vilnius, Lithuania, and the telephone number is +370 5 248 8061.

Further information on the incorporation and establishment of each of the Lithuanian Guarantors is as follows:

Name	Registered number	Date of incorporation	Authorised share capital
Ozo Turtas, UAB	301744866	18 June 2008	EUR 22,006,093.78
Taikos Turtas, UAB	301744873	18 June 2008	EUR 14,633,199.61
Aido Turtas, UAB	301744834	18 June 2008	EUR 6,382,381.19

For further information regarding the position of the Lithuanian Guarantors in the Group, see "*Description of the Group - Organisational Structure*". The sole shareholder of each of the Lithuanian Guarantors is Akropolis Real Estate B.V., a directly wholly-owned subsidiary of the Issuer.

The sole director of all the Lithuanian Guarantors is Violeta Tvarijonienė. Mrs Tvarijonienė was appointed on 11 February 2011 and her business address is Ozo str. 25, LT-07150 Vilnius, Lithuania. The Lithuanian Guarantors have no other supervisory or management bodies or boards. No potential conflicts of interest exist between the duties of the sole director of the Lithuanian Guarantors and her private interests and/or other duties.

The auditors of the Lithuanian Guarantors are PricewaterhouseCoopers UAB. The Lithuanian Guarantors have been consolidated and included in the 2020 Combined Financial Statements, audited by PricewaterhouseCoopers UAB.

SIA "M257"

As at the date of this Prospectus, SIA "M257" is an indirectly wholly-owned subsidiary of the Issuer. SIA "M257" is incorporated in Latvia as a private company with limited liability and registered in the Enterprise Register of the Republic of Latvia with registration number 40003698645. SIA "M257" was registered on 9 September 2004 and operates under the Commercial Law of the Republic of Latvia and other applicable laws. SIA "M257" registered office is at Maskavas iela 257, LV-1019, Riga, Latvia and the telephone number of its registered office is +371 623 02150.

For further information regarding SIA "M257"'s position in the Group, see " *Description of the Group - Organisational Structure*".

As at the date of this Prospectus, SIA "M257" authorised share capital amounts to EUR 66,359,674. The sole shareholder of SIA "M257" is Akropolis Real Estate B.V., a directly wholly-owned subsidiary of the Issuer.

The auditors of SIA "M257" are PricewaterhouseCoopers SIA. SIA "M257" has been consolidated and included in the 2020 Combined Financial Statements, audited by PricewaterhouseCoopers UAB.

The members of the board of SIA "M257" and their principal activities are outlined below:

Name	Position	Position held since
Manfredas Dargužis	Member of the Board	26 November 2020
Andris Urniks	Member of the Board	7 October 2019
Jurgita Žagunytė-Genevičienė	Member of the Board	7 July 2020

The business address of the members of the board is Maskavas iela 257, LV-1019, Riga, Latvia. No potential conflicts of interest exist between the duties of the directors to SIA "M257" and their private interests and/or other duties.

USE OF PROCEEDS

The estimated net proceeds of the issue of the Notes is expected to amount to approximately EUR 296,934,000. An amount equal to the net proceeds will be applied by the Issuer for general corporate purposes, including expansion by organic growth and/or acquisitions, development capex, the refinancing of existing indebtedness and transaction-related costs and expenses.

CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions of the Notes (the "Conditions") which (subject to completion and amendment) will be endorsed on each Note in definitive form:

The €300,000,000 2.875 per cent. Guaranteed Notes due 2026 (the "**Notes**", which expression includes any further notes issued pursuant to Condition 15 (*Further Issues*) and forming a single series therewith) of Akropolis Group, UAB (the "**Issuer**") are constituted by a trust deed dated 2 June 2021 (as amended or supplemented from time to time, the "**Trust Deed**") between the Issuer, Aido Turtas, UAB, Ozo Turtas, UAB, Taikos Turtas, UAB and SIA "M257" (each, an "**Initial Guarantor**" and together, the "**Initial Guarantors**") and BNY Mellon Corporate Trustee Services Limited as trustee (the "**Trustee**", which expression includes all persons from time to time being trustee or trustees appointed under the Trust Deed) and are the subject of an agency agreement dated 2 June 2021 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, the Initial Guarantors, The Bank of New York Mellon, London Branch as principal paying agent (the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time in connection with the Notes), The Bank of New York Mellon SA/NV, Dublin Branch as registrar (the "**Registrar**") and as transfer agent (the "**Transfer Agent**" and together with the Principal Paying Agent and the Registrar, the "**Agents**") and the Trustee. Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and subject to their detailed provisions.

The Issuer and the Initial Guarantors may be obliged to procure additional guarantees (each, an "**Additional Guarantee**") of the Issuer's obligations under the Trust Deed and the Notes by certain other Subsidiaries of the Issuer (each, an "**Additional Guarantor**" and together, the "**Additional Guarantors**", and together with the Initial Guarantors that at such time have not been released from their obligations in accordance with these Conditions, the "**Guarantors**") in the circumstances set out and as provided in Conditions 3(c) (*Additional Guarantees*) and 4(h) (*Additional Guarantees*). Guarantors may also be released from their obligations to provide a guarantee of the Issuer's obligations under the Trust Deed and the Notes in the circumstance set out and as provided in Condition 3(d) (*Release of the Guarantees*).

The Noteholders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions of the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection by Noteholders during normal business hours by appointment at the registered office for the time being of the Trustee, being at the date hereof One Canada Square, London E14 5AL, United Kingdom and at the specified offices (as defined in the Trust Deed) of each of the Agents, the initial specified offices of which are set out below or, at the Trustee's or the relevant Agent's option, such inspection may be provided electronically.

1. Form, Denomination and Title

The Notes are issued in registered form in the specified denominations of €100,000 and higher integral multiples of €1,000.

The Notes are represented by registered certificates ("Certificates") and, save as provided in Condition 2(a) (Transfer), each Certificate shall represent the entire holding of Notes by the same holder (as defined below).

Title to the Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "Register"). Except as ordered by a court of competent jurisdiction or as required by law, the holder of any Note shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

In these Conditions, "Noteholder" and "holder" means the person in whose name a Note is registered.

2. Transfers of Notes

(a) Transfer

A holding of Notes may, subject to Condition 2(e) (Closed periods), be transferred in whole or in part upon the surrender (at the specified office of the Registrar or the Transfer Agent) of the Certificate(s) representing such Notes to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or the Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Notes to a person who is already a holder of Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Notes and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(b) **Exercise of options or partial redemption in respect of Notes**

In the case of an exercise of an Issuer's or Noteholders' option in respect of part of a holding of Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or the Transfer Agent.

(c) **Delivery of new Certificates**

Each new Certificate to be issued pursuant to Condition 2(a) (Transfer) or 2(b) (Exercise of options or partial redemption in respect of Notes) shall be available for delivery within three business days of receipt of a duly completed form of transfer or Change of Control Put Exercise Notice (as defined in Condition 6(e) (Redemption at the option of Noteholders upon a Change of Control)) (to the extent applicable) and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer or Change of Control Put Exercise Notice (to the extent applicable) and Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or Change of Control Put Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(c), "business day" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the Transfer Agent or the Registrar (as the case may be).

(d) **Transfer or exercise free of charge**

Certificates, on transfer, exercise of an option or partial redemption, shall be issued and registered without charge by or on behalf of the Issuer, the Registrar or the Transfer Agent, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the Transfer Agent may require).

(e) **Closed periods**

No Noteholder may require the transfer of a Note to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of that Note, (ii) during the period of 15 days prior to (and including) any date on which Notes may be called for

redemption by the Issuer at its option pursuant to Condition 6(c) (*Redemption at the option of the Issuer* (*Make whole*)) or Condition 6(d) (*Redemption at the option of the Issuer (Issuer call)*), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(a) (*Method of payment*)).

3. **Status and Guarantees**

(a) **Status of the Notes**

The Notes constitute direct, general and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by mandatory provisions of law (and subject to Condition 4(a) (*Negative pledge*)).

(b) **Guarantees**

Each Initial Guarantor has, pursuant to the guarantee contained in the Trust Deed, jointly and severally with every other Guarantor, unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer under the Trust Deed and the Notes (each, a "**Guarantee**" and together, the "**Guarantees**"). Each Guarantee constitutes direct, general and unconditional obligations of the relevant Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured obligations of the relevant Guarantor, save for such obligations as may be preferred by mandatory provisions of law (and subject to Condition 4(a) (*Negative pledge*)).

(c) **Additional Guarantees**

The Issuer may from time to time designate a Subsidiary as an Additional Guarantor of the Notes. The Issuer will cause each Additional Guarantor to execute and deliver to the Trustee a deed of accession to the Trust Deed, pursuant to which such Additional Guarantor will, jointly and severally with every other Guarantor, unconditionally and irrevocably guarantee the due and punctual payment of all sums from time to time payable by the Issuer under the Trust Deed and the Notes. Following such accession, references in these Conditions to a "Guarantee" or the "Guarantees" shall be deemed to include the guarantee given by such Additional Guarantor, and references in these Conditions to a "Guarantor" or the "Guarantors" shall be deemed to include such Additional Guarantor.

The Issuer shall give notice to the Trustee and the Noteholders in accordance with Condition 16 (*Notices*) of the accession of each Additional Guarantor. The accession of an Additional Guarantor pursuant to this Condition 3(c) shall be conditional upon receipt by the Trustee of an Opinion of Counsel (as defined in Condition 4(l) (*Definitions*)) as to the enforceability under English law of the Guarantee in accordance with its terms from such Additional Guarantor. The Trustee shall be entitled to accept and rely on such Opinion of Counsel without further enquiry or liability to any Person (as defined in Condition 4(l) (*Definitions*)) as sufficient evidence of the matters certified therein.

(d) **Release of the Guarantees**

A Guarantee of a Guarantor shall be released automatically and without further action on the part of any Noteholder or the Trustee:

(i) in the event that such Guarantor is disposed of in a manner which is permitted by these Conditions (provided that, in any event, the disposal is not made to a Subsidiary (as defined in Condition 4(l) (*Definitions*)) of the Issuer); or

(ii) in the event that such Guarantor (A) does not account for 10 per cent. or more of Total Assets or Adjusted EBITDA calculated in accordance with Condition 4(h) (*Additional Guarantees*) and (B) is not required to be a Guarantor to satisfy the

requirements of Condition 4(h) (*Additional Guarantees*), but only upon the delivery to the Trustee of an Officer's Certificate certifying as to clauses (A) and (B) of this Condition 3(d)(ii).

The Trustee will take all actions which in its sole opinion it considers are necessary or desirable to effect any release in accordance with these provisions, subject to it being indemnified and/or secured and/or prefunded to its satisfaction before taking such action.

Notwithstanding anything to the contrary in this Condition 3(d), the Issuer and its Subsidiaries shall comply at all times with their obligation to provide Additional Guarantors in the circumstances set out and as provided in Condition 4(h) (*Additional Guarantees*).

4. **Covenants**

(a) **Negative pledge**

So long as any Note remains outstanding (as defined in the Trust Deed), none of the Issuer or any Guarantor shall, and the Issuer and each Guarantor shall procure that none of its Subsidiaries (including the Guarantors) will, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure (a) any Relevant Indebtedness of the Issuer or a Guarantor or any Subsidiary of the Issuer or any Guarantors or (b) any guarantee (as defined in Condition 4(l) (*Definitions*)) given by the Issuer or a Guarantor or any Subsidiary of the Issuer or any Guarantors in respect of Relevant Indebtedness without (i) at the same time or prior thereto securing the Notes and all amounts payable by the Guarantors under the Guarantees equally and rateably therewith to the satisfaction of the Trustee or (ii) providing such other security for the Notes as the Trustee may in its absolute discretion consider to be not materially less beneficial to the interests of the Noteholders or as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

(b) **Financial covenants**

So long as any Note remains outstanding (as defined in the Trust Deed), the Issuer undertakes that in relation to the Group as a whole:

(i) the Consolidated Leverage Ratio shall not exceed 0.60 on any Measurement Date;

(ii) the Consolidated Coverage Ratio shall be at least 2.0:1 on any Measurement Date;

(iii) the Consolidated Secured Leverage Ratio shall not exceed 0.30 on any Measurement Date; and

(iv) on any Measurement Date, the Group will own Unencumbered Consolidated Total Assets equal to 125 per cent. or more of the aggregate outstanding principal amount of Consolidated Total Unsecured Indebtedness.

The Issuer shall engage an external independent international valuation company and real estate consultant, having an appropriately recognised professional qualification and recent experience in the respective locations and categories of real estate assets being valued, to value at least 90 per cent. (by market valuation) of the Group's standing investments and land at least once per calendar year.

The Issuer will promptly notify the Trustee in accordance with the Trust Deed in the event that any of the ratios or levels in this Condition 4(b) are breached on any Measurement Date.

(c) **Equity cure**

(i) Subject to the provisions of this Condition 4(c), in the event that the Issuer fails to comply, or would otherwise fail to comply, with any of its obligations under paragraph (i) and/or paragraph (iii) of Condition 4(b) (*Financial covenants*), the Issuer shall have the right, if it so elects by written notice to the Trustee in accordance with Condition 4(c)(ii), to cure an actual or anticipated breach of the Consolidated Leverage Ratio in paragraph (i) and/or the Consolidated Secured Leverage Ratio in paragraph (iii) of Condition 4(b) (*Financial covenants*) by applying net amounts received in respect of any new equity issued by the Issuer and/or Subordinated Shareholder Debt received by the Issuer to remedy any actual or anticipated non-compliance and by having such amounts included in the calculation or recalculation of one of or both of the financial covenants contained in paragraph (i) or (iii) of Condition 4(b) (*Financial* c*ovenants*).

(ii) A notice to the Trustee under Condition 4(c)(i) will not be regarded as having been delivered unless:

(A) it is signed by an Officer of the Issuer and delivered before the date which is 30 days after the applicable Reporting Date on which the compliance certificate for the calendar year to which the non-compliance relates would have been required to be delivered pursuant to Condition 4(k) (*Officer's Certificate*);

(B) it certifies the aggregate amounts received by the Issuer in respect of any equity issued by the Issuer and/or Subordinated Shareholder Debt;

(C) it specifies the calendar year or semi-annual period to which the non-compliance relates and in relation to which the equity issued by the Issuer and/or Subordinated Shareholder Debt is to be applied; and

(D) if the Issuer makes an election under Condition 4(c)(i) during the period of 30 days after the Reporting Date on which the compliance certificate for the calendar year or semi-annual period to which the non-compliance relates would have been required to be delivered pursuant to Condition 4(k) (*Officer's Certificate*), it is accompanied by a revised compliance certificate indicating compliance with the ratios in Condition 4(b) (*Financial covenants*) after taking into account the amounts used to remedy the non-compliance.

(iii) For the purposes of this Condition 4(c), the net amounts received in cash in respect of any equity issued by the Issuer and/or Subordinated Shareholder Debt shall be deemed to be received on the Measurement Date in respect of which they are to be taken into account to remedy the non-compliance with any ratios set out in Condition 4(b) (*Financial covenants*).

(iv) If, after giving effect to the recalculation referred to in this Condition 4(c), the financial covenants are complied with, the Issuer shall be deemed to have satisfied the requirements of Condition 4(b) (*Financial covenants*) as at the relevant Measurement Date as though there had been no failure to comply with such obligations, and the applicable breach shall be deemed to have been cured for the purposes hereof.

(d) **Restricted Payments**

The Issuer undertakes that it will not, and will procure that none of its Subsidiaries (including the Guarantors), make a Restricted Payment, unless:

(i) no Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;

(ii) the Issuer would, at the time of such Restricted Payment and after giving *pro forma* effect thereto, have been in compliance with Condition 4(b) (*Financial covenants*); and

(iii) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Issuer and its Subsidiaries since 31 December 2020 in accordance with paragraphs (A), (H), (L) and (M) of Condition 4(d)(iv), is less than the sum, without duplication, of:

(A) 50 per cent. of the Consolidated Net Income of the Issuer for the period (taken as one accounting period) from 31 December 2020 to the end of the Issuer's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, *less* 100 per cent. of such deficit); *plus*

(B) 100 per cent. of the aggregate net cash proceeds and the Fair Market Value of marketable securities or other property received by the Issuer since the Issue Date as a contribution to its common equity capital or from the issue or sale of shares of common or preferred equity of the Issuer or from the issue or sale of convertible or exchangeable debt securities of the Issuer, in each case that have been converted into or exchanged for shares of common or preferred equity of the Issuer (other than shares of common or preferred equity or debt securities sold to a Subsidiary of the Issuer) or from the issuance or sale of Subordinated Shareholder Debt (other than an issuance or sale to a Subsidiary of the Issuer).

(iv) Nothing in this Condition 4(d) shall prohibit:

(A) the payment of any dividend within 60 days after the date of its resolution if at such date of its resolution such payment would have complied with the provisions of these Conditions;

(B) the making of any Restricted Payment in exchange for, or out of or with the net cash proceeds of the substantially concurrent sale or issuance (other than to a Subsidiary of the Issuer) of, shares of common or preferred equity of the Issuer, Subordinated Shareholder Debt or from the substantially concurrent contribution of common equity capital to the Issuer, provided that the amount of any such net cash proceeds that are utilised for any such Restricted Payment will be excluded from Condition 4(d)(iii)(B);

(C) the repurchase, redemption, defeasance or other acquisition or retirement for value of Indebtedness of the Issuer that is contractually subordinated to the Notes with the net cash proceeds from an incurrence of any Indebtedness for refinancing existing Indebtedness with an aggregate principal amount that is equal to or less than the aggregate principal amount of the refinanced Indebtedness;

(D) the repurchase, redemption or other acquisition or retirement for value of any shares of common or preferred equity of the Issuer or any of its Subsidiaries held by any current or former officer, director, employee or consultant of the Issuer or any of its Subsidiaries pursuant to any equity subscription agreement, stock option agreement, restricted stock grant, shareholders' agreement or similar agreement up to a purchase price or other consideration paid not to exceed €3,000,000 in any calendar year with unused amounts from such calendar year (but not including unused amounts from any prior calendar year) being available for use during the immediately succeeding calendar year; and provided that such amount in

any calendar year may be increased by an amount not to exceed the cash proceeds from the sale of shares of common or preferred equity of the Issuer or a Subsidiary received by the Issuer or a Subsidiary during such calendar year, in each case to members of management, directors or consultants of the Issuer, any of its Subsidiaries or any direct or indirect holding company of the Issuer to the extent the cash proceeds from the sale of such share of common or preferred equity have not otherwise been applied to the making of Restricted Payments pursuant to Condition 4(d)(iii)(B) or Condition 4(d)(iv)(B) above;

(E) the repurchase of shares of preferred or common equity deemed to occur upon the exercise of stock options to the extent such shares of preferred or common equity represent a portion of the exercise price of those stock options;

(F) payments of cash, dividends, distributions, advances or other Restricted Payments by the Issuer or any of its Subsidiaries to allow the payment of cash in lieu of the issuance of fractional shares upon (x) the exercise of options or warrants or (y) the conversion or exchange of capital stock of any such Person;

(G) advances or loans to (x) any future, present or former officer, director, employee or consultant of the Issuer or a Subsidiary to pay for the purchase or other acquisition for value of shares of preferred or common equity of the Issuer, or any obligation under a forward sale agreement, deferred purchase agreement or deferred payment arrangement pursuant to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or other agreement or arrangement or (y) any management equity plan, employee benefit trust or stock option plan or any other management or employee benefit or incentive plan or unit trust or the trustees of any such plan or trust to pay for the purchase or other acquisition for value of shares of preferred or common equity of the Issuer, provided that the total aggregate Restricted Payments made under this Condition 4(d)(iv)(G) do not exceed €3,000,000 in any calendar year with unused amounts from such calendar year (but not including unused amounts from any prior calendar year) being available for use during the immediately succeeding calendar year;

(H) following an IPO Event, and so long as no Event of Default has occurred and is continuing or would be caused thereby, the payment of dividends on the capital stock of the Issuer in an amount per annum not to exceed the greater of (A) 6 per cent. of the net cash proceeds received by the Issuer from a public offering of its shares of common or preferred equity and (B) 5 per cent. of the Market Capitalisation, provided that, with respect to the foregoing sub-clause (B), after giving pro forma effect to any such dividend payments, the Consolidated Leverage Ratio would not exceed 0.55;

(I) the payment of any dividend (or, in the case of any partnership or limited liability company, any similar distribution) by a Subsidiary to the holders of its shares of preferred or common equity (other than the Issuer or any Subsidiary) then entitled to participate in such dividends on a *pro rata* basis or otherwise in compliance with the terms of the instruments governing such shares of preferred or common equity;

(J) payments of guaranteed dividends or compensation payments, in each case legally required to be made to any shareholder (other than the Issuer or any of its Subsidiaries) of any other Subsidiary in connection with the entering into any domination and/or profit and loss transfer agreement between the Issuer (or any Subsidiary) and such other Subsidiary;

(K) payments pursuant to any tax sharing agreement among the Issuer or any Subsidiary and any other Person with which the Issuer or any Subsidiary files or filed a consolidated tax return or with which the Issuer or any Subsidiary is or was part of a consolidated group for tax purposes, provided that such payments shall not exceed the amount of tax that the Issuer or such Subsidiaries would owe on a stand-alone basis without taking into account such other Person;

(L) so long as no Event of Default has occurred and is continuing, any Restricted Payment, provided that after giving *pro forma* effect to such Restricted Payment the Consolidated Leverage Ratio would not exceed 0.45 to 1.00;

(M) so long as no Event of Default has occurred and is continuing, other Restricted Payments in an aggregate amount not to exceed €15,000,000 since the Issue Date.

(e) **Transactions with Affiliates**

(i) The Issuer will not, and will not cause or permit any of its Subsidiaries (including the Guarantors) to, directly or indirectly, enter into or permit to exist any transaction or series of related transactions (including, without limitation, the purchase, sale, transfer, assignment, lease, conveyance or exchange of any property or the rendering of any service) which has a value in excess of €10,000,000 with, or for the benefit of, any Affiliate (an "**Affiliate Transaction**") including, without limitation, intercompany loans, disposals or acquisitions, unless:

(A) in the good faith determination by a responsible Officer of the Issuer, the terms of such Affiliate Transaction are no less favourable to the Issuer or such Subsidiary, as the case may be, than those that could be obtained (at the time of such transaction or, if such transaction is pursuant to a written agreement, at the time of the execution of the agreement providing therefor) in a comparable arm's-length transaction with a Person that is not an Affiliate of the Issuer or such Subsidiary, as the case may be; and

(B) in the event such Affiliate Transaction involves an aggregate value in excess of €15,000,000, the terms of such transaction have been approved by a majority of the members of the Board of Directors of the Issuer.

(ii) The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of Condition 4(e)(i):

(A) any employment, management, consulting, monitoring or advisory agreement (including any termination fees), collective bargaining agreement, employee benefit plan, officer or director indemnification agreement, including any stock option, stock appreciation rights, stock incentive or similar plans or any similar arrangement entered into by the Issuer or any of its Subsidiaries in the ordinary course of business or consistent with past practice and payments or other transactions pursuant thereto;

(B) transactions (including a merger) between or among the Issuer and/or any of its Subsidiaries;

(C) payment of fees to, reimbursements of expenses and indemnity provided on behalf of, officers, directors, employees or consultants of the Issuer or any of its Subsidiaries;

(D) any issuance of shares of common or preferred equity of the Issuer, or the issuance of Subordinated Shareholder Indebtedness by the Issuer to Affiliates of the Issuer;

(E) Restricted Payments that do not violate Condition 4(d) (*Restricted Payments*);

(F) transactions effected pursuant to or contemplated by agreements or arrangements in effect or entered into on the Issue Date (or any subsequent amendment thereto (so long as any such amendment is not more disadvantageous in any material respect in the good faith judgment of the Issuer to the Noteholders when taken as a whole as compared to the applicable agreement or arrangement as in effect on the Issue Date));

(G) Hedging Obligations entered into from time to time for bona fide hedging purposes and not for speculative purposes of the Issuer and the Subsidiaries and the unwinding of any Hedging Obligations;

(H) execution, delivery and performance of any consolidated group arrangements for tax or accounting purposes, provided that any payments to be made pursuant to such arrangements are made in compliance with Condition 4(d) (*Restricted Payments*);

(I) transactions in which the Issuer or any of its Subsidiaries, as the case may be, delivers to the Trustee a letter from an Independent Financial Adviser stating that such transaction is fair to the Issuer or such Subsidiary from a financial point of view or stating that the terms are not materially less favourable, when taken as a whole, to the Issuer or its relevant Subsidiary than those that would have been obtained in a comparable transaction by the Issuer or such Subsidiary with an unrelated Person on an arm's-length basis;

(J) the existence of, or the performance by the Issuer or any of its Subsidiaries of its obligations under the terms of, any shareholders agreement to which it (or any parent company of the Issuer) is a party as of the Issue Date and any similar agreements which it (or any parent company of the Issuer) may enter into thereafter; provided that the existence of, or the performance by the Issuer or any of its Subsidiaries (or such parent company) of obligations under any future amendment to any such existing agreement or under any similar agreement entered into after the Issue Date shall only be permitted by this paragraph (J) to the extent that the terms of any such amendment or new agreement are not otherwise disadvantageous in any material respect in the good faith judgment of the Issuer to the Noteholders when taken as a whole;

(K) transactions with customers, clients, suppliers, contractors, joint venture partners or purchasers or sellers of goods or services or providers of employees or other labour that are Affiliates, in each case in the ordinary course of business or that are consistent with past practice and otherwise in compliance with the terms of the Trust Deed which are fair to the Issuer and its Subsidiaries, in the reasonable determination of the Issuer, or are on terms at least as favourable as might reasonably have been obtained at such time from an unaffiliated party;

(L) any transaction with a joint venture which would constitute an Affiliate Transaction solely because the Issuer or its Subsidiary owns an equity interest or otherwise controls such joint venture or similar entity;

(M) payments and Indebtedness and Disqualified Stock (and cancellation of any thereof) of the Issuer and its Material Subsidiaries and preferred

stock (and cancellation of any thereof) of any Material Subsidiary to any future, current or former employee, director, officer, manager or consultant (or their respective Immediate Family Members) of the Issuer, any of its Material Subsidiaries pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or agreement or any stock subscription or shareholder agreement that are, in each case, approved by the Issuer in good faith; and any employment agreements, stock option plans and other compensatory arrangements (and any successor plans thereto) and any supplemental executive retirement benefit plans or arrangements with any such employees, directors, officers, managers or consultants (or their respective permitted transferees) that are, in each case, approved by the Issuer in good faith, provided that such amounts of such transaction do not exceed €3,000,000 in the aggregate;

(N) payments to or from, and transactions with, any joint venture in the ordinary course of business or consistent with past practice (including, without limitation, any cash management activities related thereto);

(O) any lease entered into between the Issuer or any Subsidiary, as lessee, and any Affiliate of the Issuer, as lessor, provided such lease (x) is entered into in the ordinary course of business or consistent with past practice and (y) is approved by the Issuer in good faith; and

(P) intellectual property licences in the ordinary course of business.

(f) **Merger, consolidation or sale of assets**

(i) The Issuer will not, directly or indirectly (i) consolidate, amalgamate or merge with or into another Person (whether or not the Issuer is the surviving corporation) or (ii) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of the Issuer and its Subsidiaries, taken as a whole, in one or more related transactions, to another Person, unless:

(A) either: (a) the Issuer is the surviving corporation; or (b) the Person formed by or surviving any such consolidation, amalgamation or merger (if other than the Issuer) or to which such sale, assignment, transfer, lease, conveyance or other disposition has been made is an entity organised or existing under the laws of any member state of the European Union (as of the Issue Date), any state of the United States or the District of Columbia, the United Kingdom, Canada or any province of Canada, Norway, Switzerland, Australia, New Zealand or Singapore;

(B) the Person formed by or surviving any such consolidation, amalgamation or merger (if other than the Issuer) or the Person to which such sale, assignment, transfer, conveyance, lease or other disposition has been made assumes by a supplemental Trust Deed, executed and delivered to the Trustee, in form and substance satisfactory to the Trustee, all the obligations of the Issuer under the Notes, these Conditions and the Trust Deed;

(C) immediately after such transaction or transactions, no Event of Default exists;

(D) the Issuer or the Person formed by or surviving any such consolidation, amalgamation or merger (if other than the Issuer), or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made would, on the date of such transaction after giving *pro forma* effect thereto and any related financing transactions be in compliance with Condition 4(b) (*Financial covenants*); and

(E) the Issuer shall have delivered to the Trustee (x) an Officer's Certificate stating that such consolidation, amalgamation or merger or such sale, assignment, transfer, conveyance, lease or other disposition complies with this Condition 4(f)(i); and (y) an Opinion of Counsel (which may include in-house counsel) stating that such consolidation, amalgamation or merger or such sale, assignment, transfer, conveyance, lease or other disposition, and if a supplemental Trust Deed is required in connection with such transaction, such supplemental Trust Deed will, comply with this Condition 4(f)(i) and has been duly authorised, executed and delivered by the surviving Person and constitutes a legal, valid, binding and enforceable obligation of such Person. The Trustee shall be entitled to accept and rely on such Officer's Certificate and opinion without further enquiry and without liability to any person. In giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact including paragraphs (A) through (D) above.

(ii) For purposes of this Condition 4(f), the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Issuer, which properties and assets, if held by the Issuer instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the assets of the Issuer.

(iii) In addition, the Issuer will not, directly or indirectly, lease all or substantially all of the properties and assets of it and the Subsidiaries taken as a whole, in one or more related transactions, to any other Person.

(iv) Conditions 4(f)(i)(C) and (D) will not apply to any merger or consolidation of the Issuer or any Subsidiary into an Affiliate solely for the purpose of reincorporating the Issuer or such Subsidiary of the Issuer in another jurisdiction for tax reasons, or for the purpose of changing the legal form or the legal domicile of such entity. Nothing in the Trust Deed will prevent, and this Condition 4(f) will not apply to, any Subsidiary that is not the Issuer consolidating with, merging with or into or transferring all or part of its properties and assets to the Issuer or another Subsidiary, or another Subsidiary from merging into the Issuer or another Subsidiary.

(g) **Asset Sales**

(i) The Issuer shall not, and shall not cause or permit any of its Subsidiaries to, directly or indirectly, consummate an Asset Sale unless:

(A) the Issuer (or the Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the Fair Market Value (determined at the time of contracting such Asset Sale) of the assets or shares of preferred or common equity issued or sold or otherwise disposed of; and

(B) at least 75 per cent. of the consideration received in the Asset Sale by the Issuer or such Subsidiary is in the form of cash or cash equivalents.

(C) For the purposes of this provision, each of the following will be deemed to be cash:

(D) any liabilities, as recorded on the balance sheet of the Issuer or any Subsidiary (other than contingent liabilities), that are assumed by the transferee of any such assets and as a result of which the Issuer and its Subsidiaries are no longer obligated with respect to such liabilities or are indemnified against further liabilities;

(E) any securities, notes or other obligations received by the Issuer or any such Subsidiary from such transferee that are converted by the Issuer or such Subsidiary into cash or cash equivalents within 90 days following the closing of the Asset Sale, to the extent of the cash or cash equivalents received in that conversion;

(F) any capital stock or assets of the kind referred to in Condition 4(g)(iii)(B) or (D);

(G) Indebtedness of any Subsidiary that is no longer a Subsidiary as a result of such Asset Sale, to the extent that the Issuer and each Subsidiary are released from any guarantee of such Indebtedness in connection with such Asset Sale;

(H) consideration consisting of Indebtedness of the Issuer or any Subsidiary received from Persons who are not the Issuer or any Subsidiary that is cancelled; and

(I) any Designated Non-Cash Consideration received by the Issuer or any of its Subsidiaries in such Asset Sales having an aggregate Fair Market Value, when taken together with all other Designated Non-Cash Consideration received pursuant to this paragraph (F) that is at that time outstanding, not to exceed the greater of €20,000,000 and 2.0 per cent. of Total Assets, measured at the time of the receipt of such Designated Non-Cash Consideration (with the Fair Market Value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value).

(ii) Within 365 days after the receipt of any net proceeds from an Asset Sale, the Issuer (or the applicable Subsidiary, as the case may be) may apply such net proceeds (at the option of the Issuer or such Subsidiary):

(A) to repay, repurchase, prepay or redeem (i) Indebtedness of the Issuer or any Subsidiary that is secured by a Security Interest; (ii) the Notes pursuant to an offer to all Noteholders at a purchase price equal to 100 per cent. of the principal amount, plus accrued and unpaid interest and, if any, additional amounts as provided or referred to in Condition 8 (*Taxation*) to the date of purchase (a "**Notes Offer**"); or (iii) *pari passu* Indebtedness so long as the Issuer or such Subsidiary makes a Notes Offer on a *pro rata* basis;

(B) to acquire all or substantially all of the assets of, or a majority interest in the capital stock of, another Permitted Business;

(C) to make a capital expenditure;

(D) to acquire other assets (other than capital stock) not classified as current assets under IFRS that are used or useful in a Permitted Business;

(E) enter into a binding commitment to apply the net proceeds from such Asset Sale pursuant to Condition 4(g)(iii)(B), (C) or (D), provided that such commitment shall be treated as a permitted application of such net proceeds from the date of such commitment until the earlier of (x) the date on which such acquisition or expenditure is consummated and (y) the date falling 365 days after the expiration of the original 365 day period; or

(F) any combination of the foregoing.

(iii) Pending the final application of any net proceeds from an Asset Sale, the Issuer (or the applicable Subsidiary) may temporarily reduce revolving credit borrowings or otherwise invest such net proceeds in any manner that is not prohibited by these Conditions.

Any net proceeds from Asset Sales that are not applied or invested as provided for in this Condition 4(g) shall constitute "**Excess Proceeds**". When the aggregate amount of Excess Proceeds exceeds €35,000,000, within ten Business Days (as defined in Condition 7(c) (*Payments on Business Days*)) thereof, or at any earlier time at the Issuer's election, the Issuer will make an offer (an "**Asset Sale Offer**") to all Noteholders and may, to the extent the Issuer so elects, make an offer to holders of other Indebtedness that is *pari passu* with the Notes to purchase, prepay or redeem with the proceeds of sales of assets the maximum principal amount of the Notes and such other *pari passu* Indebtedness (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith) that may be purchased, prepaid or redeemed out of the Excess Proceeds. The offer price for the Notes in any Asset Sale Offer will be equal to (solely in the case of the Notes) 100 per cent. of the principal amount and (solely in the case of any other *pari passu* Indebtedness) no greater than 100 per cent. of the principal amount, in each case, plus accrued and unpaid interest and, if any, additional amounts as provided or referred to in Condition 8 (*Taxation*) to the date of purchase, prepayment or redemption, subject to the rights of Noteholders on the relevant record date to receive interest due on the relevant interest payment date, and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Issuer and its Subsidiaries may use those Excess Proceeds for any purpose not otherwise prohibited by these Conditions. If the aggregate principal amount of Notes and other *pari passu* Indebtedness tendered into (or to be prepaid or redeemed in connection with) such Asset Sale Offer exceeds the amount of Excess Proceeds, or if the aggregate principal amount of Notes tendered pursuant to an Asset Sale Offer that is an application of the net proceeds from an Asset Sale pursuant to Condition 4(g)(iii)(A) exceeds the amount of the net proceeds so applied, the Issuer will select the Notes and such other *pari passu* Indebtedness, if applicable, to be purchased on a *pro rata* basis, based on the amounts tendered or required to be prepaid or redeemed. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

(h) Additional Guarantees

(i) In the event that a Subsidiary is a Material Subsidiary in respect of the Issuer's most recently completed fiscal year but is not yet a Guarantor, the Issuer shall, within 90 days of the date the financial statements for such fiscal year are made publicly available, cause the relevant Subsidiary to execute and deliver to the Trustee an Additional Guarantee, pursuant to which such Subsidiary will, jointly and severally with every other Guarantor, unconditionally and irrevocably guarantee the due and punctual payment of all sums from time to time payable by the Issuer under the Trust Deed and the Notes; and

(ii) the Issuer shall ensure that on the Issue Date (as defined in Condition 5 (*Interest*)) and thereafter within 90 days after the date financial statements for its most recently completed fiscal year are made publicly available from time to time that:

(A) the consolidated EBITDA (determined separately and without double counting) for the most recently ended fiscal year of the Issuer and the Guarantors shall equal or exceed 90.0 per cent. of Adjusted EBITDA for such fiscal year; and

(B) the consolidated total assets (determined separately and without double counting) as of the last day of the most recently ended fiscal year of the

Issuer and the Guarantors shall equal or exceed 90.0 per cent. of Total Assets as of such date,

to the extent necessary by causing one or more of its Subsidiaries that are not Guarantors to become Guarantors to ensure the foregoing thresholds are met. A Subsidiary that is not a Guarantor may become a Guarantor if it executes and delivers to the Trustee a deed of accession to the Trust Deed, pursuant to which such Subsidiary will provide a guarantee on the terms and conditions set forth in these Conditions and the Trust Deed.

At the time of execution of any Additional Guarantee, the Issuer shall deliver an Opinion of Counsel addressed to the Trustee that the Guarantee is legal, valid, binding and enforceable (subject to customary assumptions and qualifications).

(iii) Each Additional Guarantee shall provide that, until all amounts which may be or become payable by the Issuer and the Guarantors under the Notes have been irrevocably paid in full, and to the extent lawful, the Guarantor waives, and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Issuer or any Subsidiary as a result of any payment by such Guarantor under its Guarantee.

(iv) Each such Guarantee will be released under the circumstances set out under Condition 3(d) (*Release of the Guarantees*).

(v) For purposes of calculation of the thresholds set out in paragraphs (i) and (ii) above: (x) any Person that is a Subsidiary on the date of determination will be deemed to have been a Subsidiary at all times during the relevant fiscal year; and (y) any Person that is not a Subsidiary on the date of determination will be deemed not to have been a Subsidiary at any time during the relevant fiscal year.

(i) **Reporting**

(i) For so long as any Notes are outstanding, the Issuer will furnish to the Trustee the following reports:

(A) promptly after the occurrence of any material acquisition, disposition or restructuring of the Issuer and its Subsidiaries, taken as a whole, or any changes of the chief executive officer or chief financial officer at the Issuer or change in auditors of the Issuer or any other material event that the Issuer or any of its Subsidiaries announces publicly, a report containing a description of such event; and

(B) as soon they become available but, in any event,

(x) within 180 days after the end of each of its financial years, a copy of the Issuer's audited annual consolidated financial statements for such financial year, together with the report thereon by the Issuer's independent auditors; and

(y) within 90 days after the end of each first half year of each of its financial years, a copy of the Issuer's consolidated financial statements for such six-month period,

in each case prepared in accordance with IFRS or IAS 34, as applicable, and certified in an Officer's Certificate as fairly representing the financial position of the Issuer and its consolidated Subsidiaries as at the relevant date, and the results of operations and changes in financial position of the Issuer and its consolidated Subsidiaries for the relevant period then

ended, each prepared and presented in accordance with the relevant laws of Lithuania.

(ii) The Issuer will also make available copies of all reports required by this Condition 4(i): (x) on the Issuer's website and (y) for so long as the Notes are listed and admitted to trading, in accordance with the rules of the relevant stock exchange. The Trustee's receipt of any financial statement or other document required to be provided to it under this Condition 4(i) shall be without liability to the Trustee and receipt of such financial statements or other documents shall not be deemed to give the Trustee notice of any breach of these Conditions by the Issuer or its Subsidiaries or any Event of Default in respect of the Issuer and/or any Guarantor. The Trustee shall not be required to review any such financial statements or other documents nor shall the Trustee be bound to enquire as to whether any such breach of these Conditions or any Event of Default has occurred or may occur on the basis of receipt of such financial statements or other documents.

(iii) For purposes of this Condition 4(i), an acquisition or disposition shall be deemed to be material if the entity or business acquired or disposed of represents greater than 10.0 per cent. of the Issuer's (x) total consolidated revenue or Adjusted EBITDA for the most recently ended four full fiscal quarters for which internal financial statements are available or (y) consolidated assets as of the last day of the most recently ended fiscal quarter for which internal financial statements are available.

(j) **Suspension of covenants when Notes rated investment grade**

If on any date following the Issue Date (x) the Notes have achieved Investment Grade Status and (y) no Event of Default shall have occurred and be continuing on such date, then, beginning on that day and continuing until such time, if any, at which the Notes cease to have Investment Grade Status (such period, the "**Suspension Period**"), the following Conditions will no longer be applicable to the Notes and any related default provisions in these Conditions will cease to be effective and will not be applicable to the Issuer and its Subsidiaries:

(i) Condition 4(d) (Restricted Payments);

(ii) Condition 4(e) (Transactions with Affiliates);

(iii) Condition 4(f)(i)(D); and

(iv) Condition 4(g) (*Asset Sales*).

Such covenants and any related default provisions will again apply according to their terms from the date the Notes cease to have Investment Grade Status and no action taken or omitted to be taken by the Issuer or any of its Subsidiaries prior to such reinstatement will give rise to an Event of Default under the Trust Deed; provided that (A) with respect to the Restricted Payments made after any such re-application, the amount of Restricted Payments will be calculated as though Condition 4(d) (*Restricted Payments*) had been in effect since the date of the Trust Deed but not during the Suspension Period; and (B) any Affiliate Transaction entered into after such reinstatement pursuant to an agreement or any other arrangement entered into during any Suspension Period shall be deemed to be permitted pursuant to Condition 4(e)(ii)(F). Upon the occurrence of a Suspension Period, the amount of Excess Proceeds shall be reset at zero.

The Issuer shall notify the Trustee in writing upon the occurrence of a Suspension Period and upon the end of any such Suspension Period, provided that such notice will not be a precondition of the suspension of covenants described under this Condition 4(j).

(k) **Officer's Certificate**

For so long as any Note remains outstanding, the Issuer will deliver an Officer's Certificate on each Reporting Date, certifying that the Issuer is and has been in compliance with the covenants set out in this Condition 4 at all times during the relevant period. Such Officer's Certificate may be relied on without liability by the Trustee and without further enquiry or evidence and, if relied upon by the Trustee, shall, in the absence of manifest error, be conclusive and binding on all parties.

(l) **Definitions**

In these Conditions:

"**Adjusted EBITDA**" means the consolidated profit/(loss) of the Group before taxes, depreciation, amortisation and impairments, non-controlling interest and share of profit/(loss) of joint ventures, excluding any fair value differences, the net result on sale of financial investments, financial expenses, share-based payment expenses, acquisition fees, net result on acquisitions and disposals and any other exceptional or non-recurring item, as determined by reference to the most recent consolidated statement of comprehensive income set out in the audited annual or unaudited semi-annual financial statements of the Group prepared in accordance with IFRS or IAS 34, as applicable;

"**Affiliate**" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "**control**" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "**controlling**" and "**controlled**" have meanings correlative to the foregoing;

"**Affiliate Transaction**" has the meaning given to it in Condition 4(e)(i);

"**Asset Sale**" means:

(i) the sale, lease, conveyance or other disposition of any assets by the Issuer or any of its Subsidiaries, provided that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Issuer and its Subsidiaries taken as a whole will be governed by Condition 4(f) (*Merger, consolidation or sale of assets*) and not by Condition 4(g) (*Asset Sales*); and

(ii) the issuance of shares of preferred or common equity by any Subsidiary or the sale by the Issuer or any of its Subsidiaries of shares of preferred or common equity in any Subsidiary of the Issuer (in each case, other than directors' qualifying shares).

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

(A) the lease or sublease of any real estate asset in the ordinary course of business;

(B) any single transaction or series of related transactions that involves assets having a Fair Market Value of less than the greater of (x) €7,500,000 and (y) 0.5 per cent. of Total Assets;

(C) a transfer of assets or shares of preferred or common equity between or among the Issuer and any Subsidiary;

(D) an issuance of shares of preferred or common equity by a Subsidiary to the Issuer or to another Subsidiary;

(E) the sale, lease or other transfer of accounts receivable, inventory or other assets (other than real property) in the ordinary course of business and any sale or other disposition of damaged, worn-out or obsolete assets or assets that are no longer useful in the conduct of the business of the Issuer and its Subsidiaries;

(F) licenses and sublicenses by the Issuer or any of its Subsidiaries in the ordinary course of business;

(G) any surrender or waiver of contract rights or settlement, release, recovery on or surrender of contract, tort or other claims in the ordinary course of business;

(H) the granting of Security Interests not prohibited by Condition 4(a) (*Negative Pledge*);

(I) the sale or other disposition of cash or cash equivalents;

(J) a Restricted Payment that does not violate Condition 4(d) (*Restricted Payments*) or any transaction specifically excluded from the definition of Restricted Payment;

(K) the disposition of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(L) the foreclosure, condemnation or any similar action with respect to any property or other assets or a surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind; and

(M) the disposition of assets to a Person who is providing services (the provision of which have been or are to be outsourced by the Issuer or any Subsidiary to such Person) related to such assets;

"**Board of Directors**" means:

(i) with respect to a corporation, the board of directors of the corporation or any committee thereof duly authorised to act on behalf of such board;

(ii) with respect to a partnership, the board of partners (or similar) of the partnership or the board of directors of the general partner of the partnership;

(iii) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof; and

(iv) with respect to any other Person, the board or committee of such Person serving a similar function;

"**Capital Stock**" means:

(i) in the case of a corporation, corporate stock;

(ii) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(iii) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or, membership interests; and

(iv) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock;

"**Consolidated Coverage Ratio**" means, in respect of any Measurement Date, (i) the aggregate amount of Adjusted EBITDA for the two most recent consecutive semi-annual periods ending on such Measurement Date divided by (ii) the Consolidated Interest Expense for such two semi-annual periods;

"**Consolidated Interest Expense**" means, for any period, all charges, interest, commission, fees, discounts, premiums and other finance costs in respect of Indebtedness incurred by the Group as shown in the most recent consolidated statement of comprehensive income set out in the audited annual or unaudited semi-annual financial statements of the Group prepared in accordance with IFRS or IAS 34, as applicable;

"**Consolidated Leverage Ratio**" means, in relation to the Group and in respect of any Measurement Date, the Consolidated Total Indebtedness divided by Consolidated Total Assets;

"**Consolidated Net Income**" means the aggregate of the net income/(loss) of the Issuer on a consolidated basis, determined in accordance with IFRS, provided that:

(i) solely for the purpose of determining the amount available for Restricted Payments under Condition 4(d)(iii)(A), any net income (loss) of any Subsidiary will be excluded if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Subsidiary, directly or indirectly, to the Issuer by operation of the terms of such Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Subsidiary or its shareholders (other than (i) restrictions that have been waived or otherwise released, (ii) restrictions pursuant to the Notes or these Conditions or (iii) contractual restrictions in effect on the Issue Date with respect to the Subsidiary and other restrictions with respect to such Subsidiary that, taken as a whole, are not materially less favourable to the Noteholders than such restrictions in effect on the Issue Date), except that the Issuer's equity in the net income of any such Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or cash equivalents actually distributed or that could have been distributed by such Subsidiary during such period to the Issuer or another Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Subsidiary, to the limitation contained in this paragraph);

(ii) any net gain (or loss) realised upon the sale or other disposition of any asset or disposed operations of the Issuer or any Subsidiaries (including pursuant to any sale leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by the Issuer) will be excluded;

(iii) any one time non-cash charges or any amortisation or depreciation resulting from purchase accounting, in each case, in relation to any acquisition of, or merger or consolidation with, another Person or business or resulting from any reorganisation or restructuring involving the Issuer or its Subsidiaries will be excluded;

(iv) the cumulative effect of a change in accounting principles will be excluded;

(v) any extraordinary, exceptional or nonrecurring gains or losses or any charges in respect of any restructuring, redundancy or severance (in each case as determined in good faith by the Issuer) will be excluded;

(vi) any unrealised gains or losses in respect of Hedging Obligations or any ineffectiveness recognised in earnings related to qualifying hedge transactions or the fair value or changes therein recognised in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations will be excluded;

(vii) any non-cash compensation charge or expenses arising from any grant of stock, stock options or other equity-based awards will be excluded;

(viii) any goodwill or other intangible asset impairment charges will be excluded;

(ix) all deferred financing costs written off and premium paid in connection with any early extinguishment of Indebtedness and any net gain or loss from any write-off or forgiveness of Indebtedness will be excluded;

(x) all fair value adjustments on investment properties and related non-cash tax effects will be excluded; and

(xi) the impact of any capitalised interest (including accreting or pay-in-kind interest) on any Subordinated Shareholder Debt will be excluded;

"**Consolidated Secured Leverage Ratio**" means in relation to the Group and in respect of any Measurement Date, the Secured Consolidated Total Indebtedness divided by Consolidated Total Assets;

"**Consolidated Total Assets**" means the total assets (excluding intangible assets) of the Group as shown in the most recent consolidated statement of financial position set out in the audited annual or unaudited semi-annual financial statements of the Group prepared in accordance with IFRS or IAS 34, as applicable;

"**Consolidated Total Indebtedness**" means the total Indebtedness of the Group (excluding deferred tax liabilities) as determined by reference to the most recent consolidated statement of financial position set out in the audited annual or unaudited semi-annual financial statements of the Group prepared in accordance with IFRS or IAS 34, as applicable;

"**Consolidated Total Unsecured Indebtedness**" means such amount of Consolidated Total Indebtedness in respect of which the Issuer, a Guarantor or any of their respective Subsidiaries has not granted a Security Interest over its property or assets;

"**Designated Non-Cash Consideration**" means the Fair Market Value of non-cash consideration received by the Issuer or one of its Subsidiaries in connection with an Asset Sale that is so designated as "Designated Non- Cash Consideration" pursuant to a resolution of the management board of the Issuer, setting forth the basis of such valuation, less the amount of cash or cash equivalents received in connection with a subsequent sale of such Designated Non-Cash Consideration;

"**Disqualified Stock**" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable; pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the date that is 91 days after the date on which the Notes mature; provided, that only the portion of Capital Stock which so matures or is mandatorily redeemable, or is so redeemable at the option of the holder thereof prior to such date, will be deemed to be Disqualified Stock. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the Issuer to repurchase such Capital Stock upon the occurrence of a change of control or an asset sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that the Issuer may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with

Condition 4(d) (*Restricted Payments*). For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Trust Deed and/or these Conditions, and if such price is based upon, or measured by, the Fair Market Value of such Disqualified Stock, such Fair Market Value to be determined as set forth herein;

"**EBITDA**" means, for any period with respect to any Subsidiary, the non-consolidated profit/(loss) of such Subsidiary before taxes, depreciation, amortisation and impairments, non-controlling interest and share of profit/(loss) of joint ventures, excluding any fair value differences, the net result on sale of financial investments, financial expenses, share-based payment expenses, acquisition fees, net result on acquisitions and disposals and any other exceptional or non-recurring item, as determined by reference to the most recent consolidated statement of comprehensive income set out in the audited annual financial statements of such Subsidiary prepared in accordance with IFRS;

"**Excess Proceeds**" has the meaning given to it in Condition 4(g)(iv);

"**Fair Market Value**" means the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress or necessity of either party, as determined in good faith by a responsible accounting or financial officer of the Issuer;

"**Group**" means the Issuer and its Subsidiaries (including the Guarantors) taken as a whole;

"**guarantee**" means, in relation to any Relevant Indebtedness of any Person, any obligation of another Person to pay such Relevant Indebtedness including (without limitation):

(i) any obligation to purchase such Relevant Indebtedness;

(ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services for the express purpose of providing funds for the payment of such Relevant Indebtedness;

(iii) any indemnity against the consequences of a default in the payment of such Relevant Indebtedness; and

(iv) any other agreement to be responsible for such Relevant Indebtedness;

"**Hedging Obligations**" means, with respect to any specified Person, the obligations of such Person under any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, commodity swap agreement, commodity cap agreement, commodity collar agreement, foreign exchange contract, currency swap agreement or similar agreement providing for the transfer, modification or mitigation of interest rate, currency or commodity risks either generally or under specific contingencies;

"**IAS 34**" means the International Accounting Standard 34, Interim Financial Reporting issued by the International Accounting Standards Board, as amended, supplemented or re-issued from time to time;

"**IFRS**" means International Financial Reporting Standards, as adopted by the European Union, including International Accounting Standards and Interpretations, issued by the International Accounting Standards Board (as amended, supplemented or re-issued from time to time);

"**Indebtedness**" means, with respect to any Person at any date of determination (without duplication) any debt of such Person, including:

(i) all indebtedness of such Person for borrowed money in whatever form;

(ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(iii) all obligations of such Person in respect of letters of credit or other similar instruments (including reimbursement obligations with respect thereto, except to the extent any such reimbursement obligations relate to trade payables);

(iv) all obligations of such Person to pay the deferred and unpaid purchase price of property, assets or services which purchase price is due more than 90 days after the earlier of the date of placing such property in service or taking delivery and title thereof or the completion of such services excluding:

(A) any trade payables or other liability to trade creditors; and

(B) any post-closing payment adjustments in connection with the purchase by the Issuer or any Subsidiary of the Issuer (including the Guarantors) of any business to which the seller may become entitled, to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing and provided that (x) the amount of any such payment is not determinable at the time of closing and (y) to the extent such payment thereafter becomes fixed and determined, the amount is paid within 90 days thereafter;

(v) all capitalised lease obligations of such Person, to the extent treated as indebtedness in the financial statements of such Person under IFRS;

(vi) all obligations of the type referred to in paragraphs (i) to (v) of other Persons guaranteed by such Person to the extent such obligation is guaranteed by such Person; and

(vii) any obligations of the type referred to in paragraphs (i) to (vi), where a Security Interest has been granted over any asset of such Person (including where the underlying obligation has been assumed by a third party).

For the purpose of determining the euro-equivalent of Indebtedness denominated in a foreign currency, the euro-equivalent principal amount of such Indebtedness pursuant thereto shall be calculated based on the relevant official central bank currency exchange rate in effect on the date of determination thereof.

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above provided that (i) with respect to contingent obligations as described above, the amount of Indebtedness will be the value of the contingency, if any, giving rise to the obligation as reported in that Person's financial statements and (ii) in the case of Indebtedness sold at a discount, the amount of such Indebtedness at any time will be the accreted value thereof at such time;

"**Independent Financial Adviser**" means an accounting, appraisal, investment banking firm of nationally recognised standing that is, in the good faith judgment of the Issuer, qualified to perform the task for which it has been engaged;

"**Investment Grade Status**" shall occur when the Notes receive an investment grade ratings from at least two Rating Agencies rating the Notes, which as at the Issue Date means "BBB-" or better by Fitch, "Baa3" or better by Moody's and "BBB-" or better by S&P, provided that at all times two investment grade ratings from at least two Rating Agencies will be required in order for the Notes to retain their Investment Grade Status;

"**Market Capitalisation**" means an amount equal to (a) the total number of issued and outstanding shares of common stock or common equity interests of the Issuer on the date of resolution of the relevant dividend, multiplied by (b) the arithmetic mean of the closing

prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of resolution on such dividend;

"**Material Subsidiary**" means any Subsidiary of the Issuer which, on an unconsolidated basis in accordance with IFRS for, or as at the end of, the Issuer's most recently completed fiscal year accounts for 10 per cent. or more of Total Assets or Adjusted EBITDA for, or as at the end of, such period. An Officer's Certificate of the Issuer stating that in the Officer's opinion a Subsidiary of the Issuer is or is not or was or was not at any particular time or throughout any specified period a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties;

"**Measurement Date**" means each day which is (i) the last day of the Group's financial year in any year (the "**Annual Measurement Date**") or (ii) the last day of the first half of the Group's financial year in any year (the "**Semi-Annual Measurement Date**");

"**Officer**" means, with respect to any Person, (i) any member or director of the Board of Directors, the general manager (*generalinis direktorius*), the chief executive officer, the president, the chief financial officer, any vice president, the treasurer, any managing director, the secretary or the equivalent position of any of the foregoing (A) of such Person or (B) if such Person is owned or managed by a single entity, of such entity or (ii) any other individual designated in writing to the Trustee as an "Officer" for the purposes of the Trust Deed by the Board of Directors of such Person;

"**Officer's Certificate**" means, with respect to any Person, a certificate signed by one Officer of such Person;

"**Opinion of Counsel**" means a written opinion from legal counsel of international standing who is acceptable to the Trustee;

"**Permitted Business**" means (a) any businesses in activities engaged in by the Issuer or any of its Subsidiaries on the Issue Date or (b) any businesses that are related, complementary, incidental, ancillary or similar to the foregoing or are reasonable extensions or developments of any thereof in the European Union;

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**Relevant Indebtedness**" means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, for the time being, or is of a type which is customarily, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

"**Reporting Date**" means a date falling no later than 30 days after (i) the publication of the Group's audited annual consolidated financial statements, prepared in accordance with IFRS, with respect to an Annual Measurement Date or (ii) the publication of the Group's unaudited condensed semi-annual consolidated financial statements, prepared in accordance with IAS 34, with respect to a Semi-Annual Measurement Date;

"**Restricted Payment**" means:

(i) declare or pay any dividend or make any other payment or distribution on account of the Issuer's shares of common or preferred equity or any of its Subsidiaries' shares of common or preferred equity (including, without limitation, any payment in connection with any merger or consolidation involving the Issuer or any of its Subsidiaries) or to the direct or indirect holders of the Issuer's or any of its Subsidiaries' shares of common or preferred equity in their capacity as holders (other than dividends or distributions payable in shares of common or preferred equity of the Issuer and other than dividends or distributions payable to the Issuer or a Subsidiary of the Issuer);

(ii) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving the Issuer) any shares of common or preferred equity of the Issuer or any direct or indirect holding company of the Issuer;

(iii) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness of the Issuer that is expressly contractually subordinated in right of payment to the Notes (excluding any intercompany Indebtedness between or among the Issuer and any of its Subsidiaries), except (A) a payment of interest or principal at the stated maturity thereof or (B) the purchase, repurchase or other acquisition of Indebtedness purchased in anticipation of satisfying a sinking fund obligation, principal instalment or scheduled maturity, in each case due within one year of the date of such purchase, repurchase or other acquisition; or

(iv) make any payment (except through capitalisation) on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Subordinated Shareholder Debt;

"**Secured Consolidated Total Indebtedness**" means such amount of Consolidated Total Indebtedness that is secured by a Security Interest granted by the Issuer, a Guarantor or any of their respective Subsidiaries;

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"**Subordinated Shareholder Debt**" means any indebtedness provided to the Issuer by a direct or indirect holding company of the Issuer, provided that such Subordinated Shareholder Debt:

(i) does not (including upon the happening of any event) mature or require any amortisation or other payment of principal prior to the first anniversary of the maturity of the Notes (other than through conversion or exchange of any such security or instrument for shares of common or preferred equity of the Issuer);

(ii) does not (including upon the happening of any event) require the payment of cash interest prior to the first anniversary of the maturity of the Notes;

(iii) does not (including upon the happening of any event) provide for the acceleration of its maturity nor confers on its shareholders any right (including upon the happening of any event) to declare a default or event of default or take any enforcement action, in each case, prior to the first anniversary of the maturity of the Notes;

(iv) is not secured by a Security Interest on any assets of the Issuer or a Subsidiary and is not guaranteed by any Subsidiary of the Issuer;

(v) is subordinated in right of payment to the prior payment in full in cash of the Notes in the event of any bankruptcy, liquidation, winding up or other insolvency proceeding of the Issuer; and

(vi) is not (including upon the happening of any event) mandatorily convertible or exchangeable, or convertible or exchangeable at the option of the holder, in whole or in part, prior to the date on which the Notes mature other than into or for shares of common or preferred equity of the Issuer,

provided that any event or circumstance that results in such Indebtedness ceasing to qualify as Subordinated Shareholder Debt, such Indebtedness shall constitute an incurrence of such Indebtedness by the Issuer, and any and all Restricted Payments made

through the use of the net proceeds from the incurrence of such Indebtedness since the date of the original issuance of such Subordinated Shareholder Debt shall constitute new Restricted Payments that are deemed to have been made after the date of the original issuance of such Subordinated Shareholder Debt;

"**Subsidiary**" means, in relation to any company or corporation, a company or corporation:

(i) which is controlled, directly or indirectly, by the first mentioned company or corporation;

(ii) more than half the issued share capital of which is beneficially owned, directly or indirectly by the first mentioned company or corporation;

(iii) more than half of the votes of which is controlled by the by the first mentioned company or corporation; or

(iv) which is a Subsidiary of another Subsidiary of the first mentioned company or corporation;

"**Total Assets**" means, as of any date of determination, (i) the total assets of the Issuer and its Subsidiaries on a consolidated basis in accordance with IFRS as shown on the most recent available consolidated balance sheet of the Issuer preceding such date *less* (ii) the amount of goodwill as shown on the most recent available consolidated balance sheet of the Issuer preceding such date; and

"Unencumbered Consolidated Total Assets" means such amount of the Consolidated Total Assets not pledged as Security Interest for Indebtedness.

5. **Interest**

The Notes bear interest on their outstanding principal amount from and including 2 June 2021 (the "**Issue Date**") at the rate of 2.875 per cent. per annum (the "**Rate of Interest**"), payable annually in arrear in equal instalments of €28.75 per Calculation Amount (as defined below) on 2 June in each year (each, an "**Interest Payment Date**").

Each Note will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Note, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

Where interest is required to be calculated in respect of a period which is equal to or shorter than an Interest Period (as defined below), the day count fraction used will be the number of days in the relevant period, from and including the date from which interest begins to accrue, to but excluding the date on which it falls due, divided by the number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last).

In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "**Interest Period**".

Interest in respect of any Note shall be calculated per €1,000 in principal amount of the Notes (the "**Calculation Amount**"). The amount of interest payable per Calculation Amount for any period other than an Interest Period shall be equal to the product of the Rate of Interest, the Calculation Amount and the day count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

6. **Redemption and Purchase**

(a) **Scheduled redemption**

Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 2 June 2026, subject as provided in Condition 7 (*Payments*).

(b) **Redemption for tax reasons**

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) in accordance with Condition 16 (*Notices*), at their principal amount, together with interest accrued to the date fixed for redemption if:

(i) the Issuer and/or any Guarantor has or will become obliged to pay additional amounts as provided or referred to in Condition 8 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the relevant Tax Jurisdiction, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date; and

(ii) such obligation cannot be avoided by the Issuer or the relevant Guarantor taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the relevant Guarantor would be obliged to pay such additional amounts were a payment in respect of the Notes or, as the case may be, the relevant Guarantee then due.

Prior to the publication of any notice of redemption pursuant to this Condition 6(b), the Issuer shall deliver to the Trustee (A) an Officer's Certificate stating that the obligation referred to in (i) above cannot be avoided by the Issuer or the relevant Guarantor taking reasonable measures and (B) an opinion of a nationally recognised law firm or other tax adviser in the relevant Tax Jurisdiction experienced in such matters to the effect that the relevant circumstances referred to in (i) above apply as a result of a relevant change or amendment as required by (i) above and the Trustee shall be entitled to accept and rely upon such Officer's Certificate and opinion without liability as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above, in which event it shall be conclusive and binding on the Noteholders.

Upon the expiry of any such notice as is referred to in this Condition 6(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 6(b).

(c) **Redemption at the option of the Issuer (Make whole)**

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time prior to (and excluding) 2 March 2026, on giving not less than 15 nor more than 30 days' notice to the Noteholders (which notice shall be irrevocable) in accordance with Condition 16 (*Notices*), at the Make Whole Redemption Price, together with interest accrued to the date fixed for redemption (the "**Make Whole Optional Redemption Date**").

Upon the expiry of any such notice as is referred to in this Condition 6(c), the Issuer shall be bound to redeem the Notes in accordance with this Condition 6(c).

In this Condition:

"**Bund Rate**" means shall be the yield to maturity per annum at the Determination Date of a direct obligation of the Federal Republic of Germany with a constant maturity (as officially compiled and published in the most recent financial statistics that have become publicly available at least two business days (but not more than five business days) in

Frankfurt am Main prior to the Determination Date (or, if such financial statistics are not so published or available, any publicly available source of similar market data)) most nearly equal to the period from the Make Whole Optional Redemption Date to the Maturity Date; provided that if the period from the Make Whole Optional Redemption Date to the Maturity Date is not equal to the constant maturity of the direct obligation of the Federal Republic of Germany for which a weekly average yield is given, the Bund Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of a direct obligation of the Federal Republic of Germany for which such yields are given, except that if the period from the Make Whole Optional Redemption Date to the Maturity Date is less than one year, the weekly average yield on an actually traded direct obligation of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used;

"**Determination Agent**" means a financial adviser or bank which is independent of the Issuer appointed by the Issuer (acting reasonably and in good faith) for the purpose of determining the Make Whole Redemption Price;

"**Determination Date**" means the tenth business day in Frankfurt am Main prior to the Make Whole Optional Redemption Date; and

"**Make Whole Redemption Price**" means, in respect of each Note, the higher of (a) the principal amount of such Note and (b) the sum of the then present values of the remaining scheduled payments of principal and interest discounted to the Make Whole Optional Redemption Date on an annual basis (based on the day count fraction specified in Condition 5) at the Bund Rate *plus* 50 basis points, in each case as determined by the Determination Agent.

(d) **Redemption at the option of the Issuer (Issuer call)**

The Notes may be redeemed at the option of the Issuer in whole, but not in part, on each date falling on (and including) 2 March 2026 to (but excluding) the Maturity Date, on giving not less than 15 nor more than 30 days' notice to the Noteholders (which notice shall be irrevocable) in accordance with Condition 16 (*Notices*), at their principal amount, together with interest accrued to the date fixed for redemption.

Upon the expiry of any such notice as is referred to in this Condition 6(d), the Issuer shall be bound to redeem the Notes in accordance with this Condition 6(d).

(e) **Redemption at the option of Noteholders upon a Change of Control**

If a Change of Control Put Event occurs, each Noteholder will have the option (a "**Change of Control Put Option**") (unless prior to the giving of the relevant Change of Control Put Event Notice the Issuer has given notice of redemption under Condition 6(b) (*Redemption for tax reasons*), 6(c) (*Redemption at the option of the Issuer (Make whole)*) or 6(d) (*Redemption at the option of the Issuer (Issuer call)*)) to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) all or part of its holding of Notes on the Change of Control Put Date (as defined below) at a price equal to 101 per cent. of its principal amount together with interest accrued to (but excluding) the Change of Control Put Date.

A "**Change of Control Put Event**" will be deemed to occur if a Change of Control occurs and on the Relevant Announcement Date the Notes have:

(i) been assigned a credit rating by any Rating Agency and within the Change of Control Period any such Rating Agency downgrades by one rating notch or more and does not subsequently upgrade its credit rating to the rating assigned to the Notes prior to such downgrade by the end of the Change of Control Period, and the ratings report in relation to such downgrade states that the Notes have been downgraded as a result of such Change of Control; or

(ii) not been assigned a credit rating by any Rating Agency and a Negative Rating Event occurs within the Change of Control Period.

Promptly upon the Issuer becoming aware that a Change of Control Put Event has occurred the Issuer shall, and at any time upon the Trustee becoming similarly so aware the Trustee may, and if so requested in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders, shall (subject in each case to the Trustee being indemnified and/or secured and/or prefunded to its satisfaction), give notice (a "**Change of Control Put Event Notice**") to the Noteholders in accordance with Condition 16 (*Notices*) specifying the nature of the Change of Control Put Event and the procedure for exercising the Change of Control Put Option.

To exercise the Change of Control Put Option, the holder of a Note must deposit the Certificate evidencing such Note with the Registrar or the Transfer Agent at its specified office at any time falling within the period (the "**Change of Control Put Period**") of 90 days after a Change of Control Put Event Notice is given, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the Registrar or the Transfer Agent within the Change of Control Put Period (a "**Change of Control Put Exercise Notice**"). No Certificate so deposited and option so exercised may be withdrawn without the prior consent of the Issuer. Payment in respect of any Certificate so deposited will be made, if the holder duly specified a bank account in the Change of Control Put Exercise Notice to which payment is to be made, on the date which is seven days after the expiration of the Change of Control Put Period (the "**Change of Control Put Date**") by transfer to that bank account. A Change of Control Put Exercise Notice, once given, shall be irrevocable.

The Issuer shall redeem or purchase (or procure the purchase of) the relevant Notes on the Change of Control Put Date unless previously redeemed (or purchased and cancelled).

If 80 per cent. or more in principal amount of the Notes then outstanding have been redeemed or purchased pursuant to this Condition 6(e), the Issuer may, on giving not less than 30 nor more than 60 days' notice to the Noteholders (such notice being given within 30 days after the Change of Control Put Date), redeem or purchase (or procure the purchase of), at its option, all but not some only of the remaining outstanding Notes at their principal amount, together with interest accrued to (but excluding) the date fixed for such redemption or purchase.

The Trustee is under no obligation to ascertain whether a Change of Control Put Event or Change of Control or any event which could lead to the occurrence of or could constitute a Change of Control Put Event or Change of Control has occurred, and, until it shall have received express written notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no Change of Control Put Event or Change of Control or other such event has occurred.

In this Condition:

a "**Change of Control**" will be deemed to occur if:

(i) prior to an IPO Event, any person (or persons acting in concert), other than the Permitted Holders, acquires control (or, as the case may be, operating control) of the Issuer; or

(ii) following an IPO Event, any person (or persons acting in concert) owns a greater percentage of the issued share capital or voting shares of the IPO Entity than are owned (directly or indirectly) by the Permitted Holders.

For the purpose of the definition of Change of Control above:

(A) "**acting in concert**" means a group of persons who, pursuant to an agreement or understanding (whether formal or informal), actively co-

operate, through the acquisition by any of them, either directly or indirectly, of shares in the relevant company, to obtain or consolidate control of the relevant company;

(B) "**control**" means the power (whether by way of ownership of shares, contractual arrangement or otherwise) to (A) cast or control the casting of more than 50 per cent. of the maximum number of votes that might be cast at a general meeting of the relevant company or (B) appoint or remove or control the appointment or removal of the majority of the directors or other equivalent officers of the relevant company;

(C) "**operating control**" means the power (whether by way of ownership of shares, ability to appoint or remove directors or control the appointment or removal of directors, contractual arrangement or otherwise) to give directions with respect to the operating and financial policies of the relevant company with which the directors or other equivalent officers of the relevant company are obliged to comply; and

(D) "**IPO Event**" means the occurrence of an equity offering of common stock or other common equity interests of the Issuer (or any successor of the Issuer) or a holding company of the Issuer (or any successor of the holding company of the Issuer) that has been established for purposes of an equity offering (the "**IPO Entity**") as a result of which the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognised exchange or traded on an internationally recognised market (including, but not limited to, any internationally recognised market in the European Union or in the United Kingdom (as of the Issue Date);

"**Change of Control Period**" means the period commencing on the Relevant Announcement Date and ending 90 days after the Change of Control (or such longer period for which the Notes are under consideration (such consideration having been announced publicly within the period ending 90 days after the Change of Control) for rating review or, as the case may be, rating by a Rating Agency, such period not to exceed 60 days after the public announcement of such consideration);

a "**Negative Rating Event**" shall be deemed to have occurred at any time if at such time there is no credit rating assigned to the Notes by any Rating Agency at the invitation of the Issuer and (i) the Issuer does not, either prior to, or not later than 21 days after, the occurrence of the Change of Control seek, and thereafter throughout the Change of Control Period use all reasonable endeavours to obtain, a credit rating of the Notes or (ii) if the Issuer does so seek and use such endeavours, it is unable to obtain such a credit rating that is at least equal to BB+ by the end of the Change of Control Period;

"**Investors**" means UAB Vilniaus prekyba and any funds, partnerships, co-investment vehicles and other entities, directly or indirectly, owned, managed, controlled or advised by UAB Vilniaus prekyba and its Affiliates;

"**Permitted Holder**" means any of the Investors. Any Person or group whose acquisition of beneficial ownership constitutes a Change of Control in respect of which a Change of Control Put Event occurs and for which an offer to redeem or purchase the Notes is made in accordance with the requirements of the Trust Deed, will thereafter, together with its Affiliates, constitute an additional Permitted Holder;

"**Rating Agency**" means S&P Global Ratings Europe Limited ("**S&P**"), Fitch Ratings Ireland Limited ("**Fitch**") or Moody's Investors Service Limited ("**Moody's**"), or any of their respective successors;

"**Relevant Announcement Date**" means the date that is the earlier of (i) the date of the first public announcement of the relevant Change of Control and (ii) the date of the earliest Relevant Potential Change of Control Announcement (if any); and

"**Relevant Potential Change of Control Announcement**" means any public announcement or statement by the Issuer or an IPO Entity, any actual or potential bidder or any adviser acting on behalf of any actual or potential bidder relating to any potential Change of Control where within 180 days following the date of such announcement or statement, a Change of Control occurs.

(f) **No other redemption**

The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 6(a) (*Scheduled redemption*) to 6(e) (*Redemption at the option of Noteholders upon a Change of Control*).

(g) **Purchase**

The Issuer, the Guarantors or any other Subsidiary of the Issuer may at any time purchase Notes in the open market or otherwise and at any price. The Notes so purchased, while held by or on behalf of the Issuer, any Guarantor or any other Subsidiary of the Issuer, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Condition 11(a) (*Meetings of Noteholders*).

(h) **Cancellation**

All Certificates representing Notes purchased by or on behalf of the Issuer shall be surrendered for cancellation to the Registrar and, upon surrender thereof, all such Notes shall be cancelled forthwith. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantors in respect of any such Notes shall be discharged.

7. **Payments**

(a) **Method of payment**

(i) Payments of principal shall be made (subject to surrender of the relevant Certificates at the specified office of the Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Notes represented by such Certificates) in the manner provided in paragraph (ii) below.

(ii) Interest on each Note shall be paid to the person shown on the Register at the close of business on the fifteenth calendar day prior to the due date for payment thereof (the "**Record Date**"). Payments of interest on each Note shall be made in euro by transfer to an account in euro maintained by the payee with a bank in a city in which banks have access to the TARGET System.

(iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested by the Issuer or a Noteholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of interest so paid.

(b) **Payments subject to fiscal laws**

All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(c) **Payments on Business Days**

If the due date for payment of any amount in respect of any Note is not a Business Day, the holder shall not be entitled to payment until the next following Business Day nor to any further interest or other sum in respect of such postponed payment.

In these Conditions:

"**Business Day**" means any day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the place in which the specified office of the Registrar is located and which is a TARGET Business Day;

"**TARGET Business Day**" means a day on which the TARGET System is open for the settlement of payments in euro; and

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) system or any successor thereto.

(d) **Delay in payment**

Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Note if the due date is not a Business Day or if the Noteholder is late in surrendering or cannot surrender its Certificate (if required to do so).

(e) **Appointment of Agents**

The Principal Paying Agent, the Registrar and the Transfer Agent initially appointed by the Issuer and the Guarantors and their respective specified offices are listed below. The Principal Paying Agent, the Registrar and the Transfer Agent act solely as agents of the Issuer and the Guarantors and do not assume any obligation or relationship of agency or trust for or with any Noteholder. The Issuer and the Guarantors reserve the right at any time with the approval of the Trustee to vary or terminate the appointment of the Principal Paying Agent, the Registrar or the Transfer Agent and to appoint additional or other Principal Paying Agents, Registrars or Transfer Agents, provided that the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent, (iv) such other agents as may be required by any other stock exchange on which the Notes may be listed, in each case as approved by the Trustee.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

8. **Taxation**

All payments of principal and interest by or on behalf of the Issuer or any Guarantor in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any Tax Jurisdiction, unless such withholding or deduction is required by law. In that event the Issuer or, as the case may be, the relevant Guarantor shall pay such additional amounts as shall result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note.

(a) **Other connection**: to, or to a third party on behalf of, a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of its having some connection with the relevant Tax Jurisdiction other than the mere holding of the Note; or

(b) **Presentation more than 30 days after the Relevant Date**: presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the

Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth day

If (i) payments representing interest are made under a Guarantee by or on behalf of one or more of the Guarantors, (ii) the Guarantors do not have a statutory obligation to withhold or deduct tax but, if such payment had been made by the Issuer directly, the Issuer would have been obliged to account to the tax authorities of the Tax Jurisdiction for withholding tax in respect of such payment and (iii) Noteholders who are not tax resident in a Tax Jurisdiction would have an obligation to pay corporate income tax or personal income tax on the payments received from such Guarantor(s) as income with a Tax Jurisdiction source, the Guarantors shall procure that the amount of tax due will be paid to the tax authorities in the relevant Tax Jurisdiction on behalf of the Noteholders so that the ultimate amount received by the Noteholders, taking into account tax due to be paid to the tax authorities in the relevant Tax Jurisdiction, is the same as if the payment representing interest on the Notes to the Noteholders was made by the Issuer directly and the gross-up obligation of the Issuer in this Condition 8 would have been applied. This obligation shall also apply if the Guarantors are unable to identify the Noteholders and determine the Noteholders' eligibility for a lower tax rate or exemption from withholding tax in a Tax Jurisdiction.

Notwithstanding any other provision of these Conditions, any amounts to be paid on the Notes by or on behalf of the Issuer or any Guarantor will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or otherwise imposed pursuant to Section 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "**FATCA Withholding**"). None of the Issuer, the Guarantors or any other person will be required to pay any additional amounts in respect of a FATCA Withholding.

In these Conditions:

"**Relevant Date**" in respect of any Note means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further surrender of the Certificate representing such Note being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such surrender.

"**Tax Jurisdiction**" means Lithuania (in the case of payments by the Issuer and each Guarantor, except SIA "M257") and/or Latvia (in the case of payments by SIA "M257") (or, in either case, any political subdivision or any authority thereof or therein having power to tax) or any other jurisdiction (or any political subdivision or any authority thereof or therein having power to tax) to which payments made by the Issuer or, as the case may be, the relevant Guarantor of principal and interest on the Notes become generally subject.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 8 or any undertaking given in addition to or in substitution of this Condition 8 pursuant to the Trust Deed.

Lithuanian tax rules

Under current Lithuanian laws and regulations, interest payments on any Notes (including, to the extent applicable, the difference between the redemption price and the issue price of the Notes) to a resident or non-resident individual will be subject to Lithuanian personal income tax at progressive rates of (i) 15 per cent., if the total income received by an individual during a calendar year is at or does not exceed the sum of 120 Lithuanian gross average salaries, which is determined on the basis of quarterly gross average salaries as published by Statistics Lithuania (in 2021, this figure would be EUR 162,324) and (ii) 20 per cent., on the part of the total income exceeding the above mentioned threshold. For resident individuals, such total income shall exclude income from employment, self-employment, dividends, remuneration of board members and certain other types

of income. Part of the total amount of interest (including interest on the Notes) received by a resident individual during the calendar year up to the amount of EUR 500 will be exempt from personal income tax. The tax relief will not apply on the interest received from entities established in a tax haven or from individuals whose permanent place of residence is in a tax haven. Personal income tax on the interest will be paid by a resident individual himself/herself. For non-resident individuals, such total income shall include Lithuanian-sourced interest, royalties, income from sports and entertainment activities, capital gains and rent from real estate located in the Republic of Lithuania and capital gains from movable property registerable in the Republic of Lithuania. When interest is earned by a non-resident individual, the Issuer, as a Lithuanian interest-paying entity, is to withhold 15 per cent. personal income tax and if it turns out at the end of the year that a part of the amount was subject to 20 per cent. rate, the non-resident individual is to pay the difference himself/herself. Separate double taxation treaties with the Republic of Lithuania can provide for a lower tax rate for non-residents.

Interest payments on any Notes (including to the extent applicable, the difference between the redemption price and the issue price of the Notes) to (i) resident entities will be included in the calculation of their taxable profit which will be subject to a 15 per cent. corporate income tax or an incentive rate applicable to the Noteholder; and (ii) non-resident entities that do not benefit from a double tax treaty with the Republic of Lithuania and are not registered or otherwise organised in a state of the European Economic Area will be subject to Lithuanian withholding tax at a rate of 10 per cent.

If the Issuer, as a Lithuanian interest paying person, is unable to identify the Noteholder and determine such Noteholder's eligibility for a lower tax rate exemption from the withholding tax, payments of interest in respect of the Notes to any such Noteholder (including, to the extent applicable, the difference between the redemption price and issue price of the Notes) will be subject to 15 per cent. withholding tax.

Latvian tax rules

In accordance with the Latvian Law on Personal Income Tax interest income from the Notes for Latvian resident individuals are subject to 20 per cent. withholding tax, deductible by the relevant Guarantor (as Latvian tax resident company) before the payment is made.

As the Notes are held in Euroclear and Clearstream, under current Latvian laws, regulations and prevailing administrative practice, withholding tax consequences, if any, where the interest-paying entity is unable to identify the Noteholder, are not fully clarified. Thus it is not clear how this obligation should be discharged in practice in the context of the Notes because the Latvian resident Guarantor may not be able to establish who the beneficial owners of the Notes are.

If it is established that the Latvian resident Guarantor is required to apply withholding tax in respect of all or part of the payments representing interest to the Noteholders, it might be obliged to apply 20 per cent. withholding tax with respect to such payments representing interest made to any such Noteholder.

9. Prescription

Claims against the Issuer and/or any Guarantor for payment in respect of the Notes shall be prescribed and become void unless made within ten years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10. Events of Default

If any of the following events ("**Events of Default**") occurs and is continuing, the Trustee at its discretion may and, if so requested in writing by holders of at least one-fifth of the principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution, shall (subject, in each case of the happening of any event mentioned in paragraphs (b) (*Breach of other obligations*), (e) (*Security enforced*), (k) (*Analogous events*) and, in the case of a Material Subsidiary only, (f) (*Insolvency*), (g) (*Winding-up*) and (i) (*Illegality*) below, to the Trustee having certified in writing that the happening of such event is in its opinion materially prejudicial to the interests of the Noteholders and, in all cases, to the Trustee having been indemnified and/or secured and/or

prefunded to its satisfaction) give notice to the Issuer that the Notes are, and they shall immediately become, due and payable at their principal amount together (if applicable) with accrued interest:

(a) **Non-payment**: default is made for more than 14 days (in the case of interest) or seven days (in the case of principal) in the payment on the due date of interest or principal in respect of any of the Notes; or

(b) **Breach of other obligations**: the Issuer or any Guarantor does not perform or comply with any one or more of its other obligations in the Notes or the Trust Deed which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 30 days after notice of such default shall have been given to the Issuer by the Trustee; or

(c) **Cross-Acceleration**: (A) any other present or future indebtedness of the Issuer, any Guarantor or any of their respective Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described); or (B) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period; or (C) the Issuer, any Guarantor or any of their respective Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (c) have occurred equals or exceeds €25,000,000 or its equivalent; or

(d) **Enforcement proceedings**: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer, any Guarantor or any Material Subsidiary having an aggregate value of €25,000,000 or more and is not discharged or stayed within 60 days; or

(e) **Security enforced**: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer, any Guarantor or any Material Subsidiary becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, administrator, manager or other similar person); or

(f) **Insolvency**: any of the Issuer, any Guarantor or any Material Subsidiary (A) is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts; (B) stops, suspends or threatens to stop or suspend payment of all or any substantial part of (or of a particular type of) its debts; or (C) proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts other than any assignment, arrangement or composition on a solvent basis in respect of debts not exceeding €20,000,000 in the aggregate or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer, any Guarantor or any Material Subsidiary; or

(g) **Winding-up**: an administrator is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer, any Guarantor or any Material Subsidiary, or the Issuer, any Guarantor or any Material Subsidiary shall apply or petition for a winding-up or administration order in respect of itself or ceases or through an official action of its board of directors or other relevant body (as the case may be) threatens to cease to carry on all or substantially all of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (A) on terms approved by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders or (B) in the case of a Guarantor or Material Subsidiary, whereby the undertaking and assets of that Guarantor or Material Subsidiary are transferred to or otherwise vested in the Issuer, any Guarantor or any other Material Subsidiary, provided that this paragraph (g) shall not apply to any winding-up petition which is frivolous or vexatious and is discharged, stayed or dismissed within 60 days of commencement or; or

(h) **Guarantee not in force**: any Guarantee is not (or is claimed by the relevant Guarantor not to be) in full force and effect; or

(i) **Nationalisation**: any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or, in the opinion of the Trustee, a material part of the assets of the Issuer or substantially all assets of any Guarantor or any Material Subsidiary; or

(j) **Illegality**: it is or will become unlawful for the Issuer or any Guarantor to perform or comply with any one or more of its obligations under any of the Notes or the Trust Deed; or

(k) **Analogous events**: any event occurs that under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs.

11. Meetings of Noteholders, Modification, Waiver and Substitution

(a) Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matters affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by the Trustee (subject to its being indemnified and/or prefunded and/or secured to its satisfaction) upon request by Noteholders holding not less than 10 per cent. of the principal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be one or more persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding or, at any adjourned meeting, one or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes or any date for payment of interest on the Notes, (ii) to reduce or cancel the principal amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate of interest in respect of the Notes or to vary the method or basis of calculating the rate or amount of interest or the basis for calculating any interest amount in respect of the Notes, (iv) to vary any method of, or basis for, calculating any redemption amount pursuant to Condition 6, (v) to vary the currency or currencies of payment or denomination of the Notes, (vi) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, or (vii) to modify or cancel any Guarantee, in which case the necessary quorum shall be one or more persons holding or representing not less than 75 per cent. or, at any adjourned meeting, not less than 25 per cent. of the principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed).The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. of the principal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

***Important note**: The appointed Trustee does not qualify as a trustee of the holders of Notes for the purposes of Article 55 Part 6 of the Law on Companies of the Republic of Lithuania and of the Law on the Protection of Interests of Owners of Bonds issued by Public and Private Companies of the Republic of Lithuania (in Lithuanian – Lietuvos Respublikos akcinių bendrovių ir uždarųjų akcinių bendrovių obligacijų savininkų interesų gynimo įstatymas). Unless the Trustee is a trustee of the holders of Notes for the purposes of Article 55 Part 6 of the Law on Companies of the Republic of Lithuania and of the Law on the Protection of Interests of Owners of Bonds issued by Public and Private Companies of the Republic of Lithuania (in Lithuanian - Lietuvos Respublikos akcinių bendrovių ir*

uždarųjų akcinių bendrovių obligacijų savininkų interesų gynimo įstatymas), the Trustee does not have rights and obligations established in the above mentioned laws, including in relation to any Meetings of Noteholders. Accordingly, the Meetings of Noteholders, as described above, do not meet the requirements of and are not regulated by the Law on the Protection of Interests of Owners of Bonds issued by Public and Private Companies of the Republic of Lithuania (in Lithuanian - Lietuvos Respublikos akcinių bendrovių ir uždarųjų akcinių bendrovių obligacijų savininkų interesų gynimo įstatymas).

(b) **Modification and waiver**

The Trustee may agree, without the consent of the Noteholders, to (i) any modification of any of the provisions of the Trust Deed that is, in its opinion, of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed) and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and, if the Trustee so requires, shall be notified to the Noteholders as soon as practicable.

(c) **Substitution**

The Trust Deed contains provisions permitting the Trustee to agree, subject to such conditions as the Trustee may require in the interests of the Noteholders, but without the consent of the Noteholders, to the substitution of the Issuer's successor in business or any Subsidiary of the Issuer or any Guarantor or its successor in business in place of the Issuer, or of any previous substituted company, as principal debtor under the Trust Deed and the Notes.

(d) **Entitlement of the Trustee**

In connection with the exercise of its functions (including but not limited to those referred to in this Condition 11) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer or any Guarantor any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

12. Enforcement

At any time after the Notes become due and payable, the Trustee may, at its discretion and without further notice, institute such steps, actions, steps or proceedings against the Issuer and/or the Guarantors as it may think fit to enforce the terms of the Trust Deed, the Notes and/or the Guarantees, but it need not take any such steps, actions or proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-fifth of the principal amount of the Notes outstanding and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Noteholder may proceed directly against the Issuer or any Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

13. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer, any Guarantor and any entity related to the Issuer or any Guarantor without accounting for any profit.

The Trustee may accept and rely without liability to Noteholders on a report, confirmation or certificate or any advice of any accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. Any such report, confirmation

or certificate or advice shall be binding on the Issuer, the Guarantors, the Trustee and the Noteholders.

14. Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or the Transfer Agent, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require (provided that the requirement is reasonable in light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

15. Further Issues

The Issuer may from time to time, without the consent of the Noteholders and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) and so that such further issue shall be consolidated and form a single series with the Notes. References in these Conditions to the Notes include (unless the context requires otherwise) any other notes issued pursuant to this Condition 15 and forming a single series with the Notes.

16. Notices

Notices required to be given to the Noteholders pursuant to these Conditions shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. So long as the Notes are listed and/or admitted to trading, notices required to be given to the Noteholders pursuant to these Conditions shall also be published (if such publication is required) in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are listed and/or admitted to trading. If in the opinion of the Trustee any such publication is not practicable, notice required to be given pursuant to these Conditions shall be validly given if published in a leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

17. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

18. Governing Law and Jurisdiction

(a) Governing law

The Notes and the Trust Deed and any non-contractual obligations arising out of or in connection with the Notes and the Trust Deed are governed by, and shall be construed in accordance with, English law.

(b) Jurisdiction

The Courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes or the Trust Deed and accordingly any legal action or proceedings arising out of or in connection with any Notes or the Trust Deed ("Proceedings") may be brought in such courts. The Issuer and each Guarantor has in the Trust Deed irrevocably submitted to the jurisdiction of such courts.

(c) **Service of Process**

The Issuer and each Guarantor has in the Trust Deed irrevocably appointed an agent in England to receive, for it and on its behalf, service of process in any Proceedings in England.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

The Notes will be issued in the New Safekeeping Structure ("**NSS**") form. On 22 October 2018, the European Central Bank (the "**ECB**") announced that international debt securities in global registered form issued after 30 September 2010 would only be eligible as collateral for Eurosystem credit operations when the NSS form is used. The Notes are intended to be held in a manner which would allow Eurosystem eligibility, that is in a manner which would allow the Notes to be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.

1. Initial Issue of Certificates

The Global Certificate will be registered in the name of a nominee (the "**Registered Holder**") for a common safekeeper for Euroclear and Clearstream, Luxembourg (the "**Common Safekeeper**") and may be delivered on or prior to the original issue date of the Notes. Depositing the Global Certificate with the Common Safekeeper does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue, or at any or all times during their life.

Upon the registration of the Global Certificate in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the Global Certificate to the Common Safekeeper, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

2. Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system ("**Alternative Clearing System**") as the holder of a Note represented by a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for its share of each payment made by the Issuer or the Guarantors to the holder of the Global Certificate and in relation to all other rights arising under the Global Certificate, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer or the Guarantors in respect of payments due on the Notes or under any Guarantee, as applicable, for so long as the Notes are represented by the Global Certificate and such obligations of the Issuer or the Guarantors will be discharged by payment to the holder of the Global Certificate in respect of each amount so paid.

3. Exchange

The following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by the Global Certificate pursuant to Condition 2(a) (*Transfers of Notes*) may only be made in part:

(i) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

(ii) with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to paragraph (i) or (ii) above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

4. **Amendment to Conditions**

The Global Certificate contains provisions that apply to the Notes that it represents, some of which modify the effect of the terms and conditions of the Notes set out in this Prospectus. The following is a summary of certain of those provisions:

4.1 **Payments on business days**

In the case of all payments made in respect of the Global Certificate "business day" means any day on which the TARGET System is open.

4.2 **Payments**

All payments in respect of Notes represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

4.3 **Meetings**

For the purposes of any meeting of Noteholders, the holder of the Notes represented by the Global Certificate shall be treated as being entitled to one vote in respect of each €1.

4.4 **Trustee's Powers**

In considering the interests of Noteholders while the Global Certificate is held on behalf of, or registered in the name of any nominee for, a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Global Certificate and may consider such interests, and treat such accountholders, as if such accountholders were the holders of the Notes represented by the Global Certificate.

4.5 **Exercise of put option**

In order to exercise the option contained in Condition 6(e) (*Redemption at the option of Noteholders upon a Change of Control*), a Noteholder must, within the period specified in the Conditions for the deposit of the relevant Certificate and put exercise notice, give written notice of such exercise to the Registrar or the Transfer Agent, in accordance with the rules and procedures of Euroclear, Clearstream, Luxembourg and/or other relevant clearing system, specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

4.6 **Notices**

Notwithstanding Condition 16 (*Notices*), so long as the Global Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or any other clearing system (an "**Alternative Clearing System**"), notices to Noteholders represented by the Global Certificate may be given by delivery of the relevant notice to Euroclear, Clearstream, Luxembourg or (as the case may be) such Alternative Clearing System.

5. **Electronic Consent and Written Resolution**

While the Global Certificate is registered in the name of any nominee for a clearing system, then:

(i) approval of a resolution proposed by the Issuer, the Guarantors or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than three-quarters of the nominal amount of the Notes outstanding (an "**Electronic Consent**" as defined in the Trust Deed) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting for which a special quorum (as

specified in the Trust Deed) was satisfied), take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders whether or not they participated in such Electronic Consent; and

(ii) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Trust Deed) has been validly passed, the Issuer, the Guarantors and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Issuer, the Guarantors and/or the Trustee, as the case may be, (a) by accountholders in the clearing system with entitlements to such Global Certificate and/or (b) where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer, the Guarantors and the Trustee shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, Euroclear, Clearstream, Luxembourg or any Alternative Clearing System (the "**relevant clearing system**") and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above. Any resolution passed in such manner shall be binding on all Noteholders, even if the relevant consent or instruction proves to be defective. Any such certificate or other document shall be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. None of the Issuer, the Guarantors or the Trustee shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

TAXATION

The following is a general description of the Issuer's and the Guarantors' understanding of certain Lithuanian and Latvian tax considerations relating to the Notes and the Guarantees. It is restricted to the matters of Lithuanian and Latvian taxation stated herein and is intended neither as tax advice nor as a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. Prospective purchasers of the Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of the Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This overview is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date, even with retroactive effect.

LITHUANIA

The following is a summary of certain Lithuanian tax consequences of ownership and disposition of the Notes to a resident individual or a non-resident individual acting through a fixed base in Lithuania or a resident entity or a non-resident entity acting through a permanent establishment in Lithuania (the "**Lithuanian Holder**") or a non-resident individual who is not acting through a fixed base in Lithuania or non-resident entity which is not acting through a permanent establishment in Lithuania that holds such Notes (the "**Non-Lithuanian Holder**"). The information contained within this section is limited to Lithuanian withholding and income tax issues and prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall Lithuanian tax consequences of the ownership of the Notes.

As used in the preceding paragraph, a "**resident individual**" means an individual whose permanent place of residence is in Lithuania, or whose personal, social or economic interests are located in Lithuania or who is present in Lithuania for more than 183 days in the relevant tax period or more than 280 days in two consecutive tax periods and at least 90 days in one of these tax periods, and a "resident entity" means an entity which is legally established in Lithuania, and a "**non-resident individual**" means an individual whose permanent place of residence is outside Lithuania, whose personal, social or economic interests are located outside Lithuania and who is present in Lithuania for less than 183 days in the relevant tax period and less than 280 days in two consecutive tax periods or who is present in Lithuania for more than 280 days in two consecutive tax periods, but less than 90 days in one of these tax periods, and a "**non-resident entity**" means an entity which is not legally established in Lithuania. Taxation of interest income and capital gains received by non-resident entities acting through a permanent establishment in Lithuania is the same as that of resident entities defined above, therefore, it is not separately outlined in the further sections of this Prospectus. For relevant details on the taxation of Lithuanian permanent establishments as Noteholders, please refer to the taxation of resident entities.

Withholding Tax; Income Tax

Taxation of Interest

Payments to Lithuanian Holders

Payments in respect of interest on the Notes (including, to the extent applicable, the difference between the redemption price and the issue price of the Notes) to a resident individual will be subject to personal income tax at progressive tax rates of (i) 15 per cent., if the total amount of income (excluding income from employment, self-employment, dividends, remuneration of board members and certain other types of income) received by a resident individual during the calendar year does not exceed the sum of 120 Lithuanian gross average salaries, which shall be determined on a basis of quarterly gross average salaries as published by Statistics Lithuania (in 2021 this figure would be EUR 162,324) and (ii) 20 per cent., which shall be applied to any income (excluding income from employment, self-employment, dividends, remuneration of board members and certain other types of income) received by a resident individual during the calendar year, exceeding the aforementioned threshold.

Part of the total amount of interest (including interest on the Notes) received by a resident individual during the calendar year up to the amount of EUR 500 will be exempt from personal income tax. The tax relief will not apply on the interest received from entities established in a tax haven or from individuals whose permanent place of residence is in a tax haven. Personal income tax on the interest will be paid by a resident individual himself/herself.

Payments in respect of interest on the Notes (including, to the extent applicable, the difference between the redemption price and the issue price of the Notes) to a resident entity will be included into calculation of its taxable profit. Taxable profit will be subject to corporate income tax at a general rate of 15 per cent. or an incentive rate applicable to the Noteholder. Banks and credit unions, including branches of foreign banks in Lithuania, for the fiscal years 2020 – 2022 shall pay additional 5 per cent. corporate income tax on profits (subject to special calculation rules) exceeding EUR 2 million.

Payments to Non-Lithuanian Holders

Payments in respect of interest on the Notes (including, to the extent applicable, the difference between the redemption price and the issue price of the Notes) to a non-resident individual will be subject to personal income tax at progressive tax rates of (i) 15 per cent., if the total amount of income (including Lithuanian-sourced interest, royalties, income from sports and entertainment activities, capital gains and rent from real estate located in Lithuania and capital gains from movable property registerable in Lithuania) received by a non-tax resident individual during the calendar year does not exceed the sum of 120 Lithuanian gross average salaries, which shall be determined on a basis of quarterly gross average salaries as published by Statistics Lithuania (in 2021 only, this figure would be EUR 162,324) and (ii) 20 per cent., which shall be applied to the total amount of the above listed categories of income exceeding the aforementioned threshold. Separate double tax treaties concluded by Lithuania may provide for a lower tax rate. The Issuer as a Lithuanian interest-paying entity will withhold 15 per cent. personal income tax and if it turns out at the end of the year that a part of the amount was subject to 20 per cent. rate, the non-resident individual will pay the difference himself/herself.

Payments in respect of interest on the Notes (including, to the extent applicable, the difference between the redemption price and the issue price of the Notes) to a non-resident entity which is registered or otherwise organised in a state of the European Economic Area or in a state with which Lithuania has concluded and brought into effect double tax treaty, will not be subject to withholding tax in Lithuania. Payments in respect of interest on the Notes to a non-resident entity other than listed above will be subject to 10 per cent. withholding tax.

Application of withholding tax with respect to unidentified Noteholders

If the Issuer as an interest paying entity is unable to identify the Noteholder and determine such Noteholder's eligibility for a lower tax rate or exemption from withholding tax, payments of interest in respect of the Notes (including, to the extent applicable, the difference between the redemption price and the issue price of the Notes) to any such Noteholder will be subject to 15 per cent. withholding tax to be withheld and paid to the budget of Lithuania by the Issuer.

Taxation on Disposition of Notes

Payments to Lithuanian Holders

Capital gains (i.e. the difference between the sale price and acquisition costs) on disposal of the Notes received by a resident individual will be subject to personal income tax at progressive tax rates of (i) 15 per cent., if the total amount of income (excluding income from employment, self-employment, dividends, remuneration of board members and certain other types of income) received by a resident individual during the calendar year does not exceed the sum of 120 Lithuanian gross average salaries, which shall be determined on a basis of quarterly gross average salaries as published by Statistics Lithuania (in 2021 only, this figure would be EUR 162,324) and (ii) 20 per cent., which shall be applied to any income (excluding income from employment, self-employment, dividends, remuneration of board members and certain other types of income) received by a resident individual during the calendar year, exceeding the aforementioned threshold. Part of the capital gains received from the sale of securities (including the Notes) during the calendar year up to the amount of EUR 500 is exempt from personal income tax. The tax relief will not apply if the sale proceeds are received from entities established in a tax haven or from individuals whose permanent place of residence is in a tax haven.

Capital gains (i.e. the difference between the sale price and acquisition costs) on disposal of the Notes received by a resident entity will be included into calculation of its taxable profit. Taxable profit will be subject to corporate income tax at a general rate of 15 per cent. or an incentive rate applicable to the Noteholder. Banks and credit unions, including branches of foreign banks in Lithuania, for the fiscal years

2020 – 2022 shall pay additional 5 per cent. corporate income tax on profits (subject to special calculation rules) exceeding EUR 2 million.

Payments to Non-Lithuanian Holders

The disposition of Notes by the Non-Lithuanian Holder (i.e. a non-resident individual or a non-resident entity) will not be subject to any Lithuanian income or capital gains tax.

Payments by the Guarantors

In case under the terms of the Notes payments representing interest to the Noteholders are made by the Guarantors, the above-described interest taxation regime for Lithuanian Holders and Non-Lithuanian Holders respectively may apply.

Based on the current Lithuanian laws and regulations as well as administrative practice, it is not clear if the Guarantors have a statutory withholding obligation with respect to the guarantee payments representing interest on the Notes. In case under Lithuanian laws and regulations guarantee payments representing interest are deemed to be subject to withholding tax, the Lithuanian resident Guarantors will withhold and pay such withholding tax to the budget of the Republic of Lithuania.

If payments representing interest are made under a Guarantee by or on behalf of one or more of the Guarantors and the Guarantors do not have a statutory obligation to withhold or deduct tax that would have been due in case the payment would have been made by the Issuer, Non-Lithuanian Holders may be required to pay Lithuanian corporate income tax or personal income tax on the payments received from the relevant Guarantor as Lithuanian-sourced income. In such case, the relevant Guarantor shall pay (as agreed under Condition 8) the amount of tax due to the Lithuanian tax authorities on behalf of the Non-Lithuanian Holders so that the amount received by the Non-Lithuanian Holders would be the same as if the payment representing interest on the Notes to the Non-Lithuanian Holders was made by the Issuer and the gross-up obligation of the Issuer would have been applied. This shall also apply if the Guarantors are unable to identify the Noteholders and to determine the Noteholders' eligibility for a lower tax rate or exemption from withholding tax in Lithuania.

Registration and Stamp Duty

Transfers of Notes will not be subject to any registration or stamp duty in Lithuania.

Prospective purchasers of Notes are advised to consult their own tax advisers concerning the overall Lithuanian tax consequences of the ownership of Notes.

LATVIA

This summary is based on the laws of Latvia as in force on the date of this Prospectus and is subject to any change in law that may take effect after such date, **provided that** such changes could apply also retroactively.

Latvia has entered into number of tax conventions on elimination of the double taxation, which may provide more favourable taxation regime. Therefore, if there is a valid tax convention with the country of a non-resident prospective investor, it should be also examined. The procedures for application of tax conventions in the Republic of Latvia are provided in the Regulations of the Cabinet of Ministers No. 178 "*Procedures for Application of Tax Relief Determined in International Agreements for Prevention of Double Taxation and Tax Evasion*" of 30 April 2001.

Resident Individuals

An individual will be considered as a resident of Latvia for taxation purposes:

- if the individual's declared place of residence is in the Republic of Latvia; or
- if the individual stays in the Republic of Latvia 183 days or more within any 12-month period, starting or ending in the taxation year; or

- if the individual is a citizen of the Republic of Latvia employed abroad by the government of the Republic of Latvia.

In accordance with the Law on Personal Income Tax the interest income from the Notes for resident individuals will be subject to 20 per cent. withholding tax, deductible by the Latvian resident Guarantor (Latvian company) as the case may be. The income (gain) from the disposal of any Notes by a Latvian resident individual will be subject to 20 per cent. tax, but any such tax would be payable by the individual.

Non-Resident Individuals

In accordance with the Law on Personal Income Tax the interest income received by non-Latvian resident individuals from the Notes being circulated publicly (i.e. which, for these purposes, means admitted to trading on a regulated market within the meaning of MiFID II) as well as income from the disposal of the publicly circulated (as described above) Notes will not be subject to tax in Latvia.

Resident Entities

An entity will be considered as a resident of Latvia for tax purposes if it is or should have been established and registered in the Republic of Latvia in accordance with the legislative acts of the Republic of Latvia. This also include permanent establishments of foreign entities in Latvia.

Interest payments on the Notes and proceeds from the disposal of the Notes, including distributions under the Guarantee, received by Latvian resident companies will not be subject to withholding tax in Latvia. Under the Corporate Income Tax Law retained earnings are exempt from corporate income tax and only distributions are taxed. Corporate income tax rate on gross profit distribution is 20 per cent. Corporate income tax on net amount of profit distribution is determined by dividing net amount with a coefficient of 0.8 (i.e., effective tax rate on net distributed profit is 25 per cent.).

Non-Resident Entities

In accordance with the Corporate Income Tax Law, the interest income and income from the disposal of the Notes derived by non-resident entities not having a permanent establishment in Latvia are not taxable in Latvia. In case the interest income and income from the disposal from the Notes is attributable to a Latvian permanent establishment of a non-resident entity, the retained income is not subject to corporate income tax in Latvia. Corporate income tax is levied only at the moment of the distribution of the profits from the permanent establishment to the head office of the non-resident entity.

Taxation of Low-Tax Non-Latvian Residents

In general, payments (including interest payments) to non-resident located, registered or incorporated in a no-tax or low-tax country or territory as defined in the Regulations of the Cabinet of Ministers No. 819 "Regulations on No-Tax or Low-Tax Countries and Territories", adopted on 17 December 2020; effective as of 1 January 2021 ("**Low-Tax Non-Latvian Residents**") are subject to withholding tax of 20 per cent. if the payer is a Latvian legal entity. However, pursuant to Article 5(6) of the Corporate Income Tax Law payments to Low-Tax Non-Latvian Residents for securities publicly circulated in the EU or EEA are exempt from withholding tax if made at the market price. According to publicly available information, the Ministry of Finance of the Republic of Latvia in a legally non-binding explanation has confirmed that pursuant to Article 5(6) of the Corporate Income Tax Law there is no withholding tax also on the interest payments made by an issuer to the holders of bonds publicly circulated in the EU or EEA who are Low-Tax Non-Latvian Residents, provided that the payments are made at the market price. This should correspondingly apply to the payments made by the Latvian resident Guarantor under the Guarantee.

Latvian Withholding Tax – All Investors

As described in "*Resident Individuals*" above, in accordance with the Latvian Law on Personal Income Tax interest income from the Notes for Latvian resident individuals will be subject to 20 per cent. withholding tax, deductible by the Latvian resident Guarantor before the payment is made.

As the Notes are held in Euroclear and Clearstream, under current Latvian laws, regulations and prevailing administrative practice withholding tax consequences, if any, where the interest-paying entity is unable to identify the Noteholder, are not fully clarified. As such, it is not clear how this obligation should be

discharged in practice in the context of the Notes because the Issuer or the Latvian resident Guarantor may not be able to establish who the beneficial owners of the Notes are.

If it is established that the Latvian resident Guarantor is required to apply withholding tax in respect of all or part of the interest payments to the Noteholders, the respective gross up commitment of the Guarantor would apply, so that Noteholders would receive the amount of payments representing interest they would have received had there been no such withholding tax on interest. In this case, depending on applicable income tax rules in the tax jurisdiction(s) to which they are subject, the income received by the Noteholder for tax purposes may be the gross amount paid by the Latvian resident Guarantor, rather than the net amount received by the Noteholder.

Latvian Noteholders can check if tax has been withheld with the tax authorities in Latvia or (if relevant) with their Electronic Declaration system. Noteholders who are Latvian tax resident individuals are advised to inform the Issuer if they acquire and hold Notes to enable the Issuer (or the Guarantor) to pay withholding tax on the interest.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("foreign passthru payments") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including Lithuania and Latvia) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register. Noteholders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, neither the Issuer nor the Guarantors will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

BNP Paribas, J.P. Morgan AG and Luminor Bank AS Lithuanian branch (the "**Joint Bookrunners**") have, pursuant to a Subscription Agreement dated 31 May 2021, jointly and severally agreed with the Issuer and the Guarantors, subject to the satisfaction of certain conditions, to subscribe to the Notes at 99.428 per cent. of their principal amount, less a combined management and underwriting commission. In addition, the Issuer, failing which the Guarantors, have agreed to reimburse the Joint Bookrunners for certain of their expenses in connection with the issue of the Notes. The Subscription Agreement entitles the Joint Bookrunners to terminate it in certain circumstances prior to payment being made to the Issuer.

General

Neither the Issuer nor any Guarantor nor any Joint Bookrunner has made any representation that any action will be taken in any jurisdiction by the Joint Bookrunners or the Issuer or the Guarantors that would permit a public offering of the Notes, or possession or distribution of this Prospectus (whether or not in final form) or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required. Each Joint Bookrunner has agreed that it will comply, to the best of its knowledge and belief in all material respects, with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Notes or has in its possession or distributes this Prospectus (whether or not in final form) or any such other material, in all cases at its own expense.

United States

The Notes and the Guarantees have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Joint Bookrunner has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes and the Guarantees within the United States. Accordingly, neither it, its affiliates, nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes and the Guarantees.

Prohibition of Sales to EEA Retail Investors

Each Joint Bookrunner has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA. For the purposes of this provision, the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Prohibition of Sales to UK Retail Investors

Each Joint Bookrunner has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the UK. For the purposes of this provision, the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR.

United Kingdom

Each Joint Bookrunner has represented and agreed that:

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantors; and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the UK.

Lithuania

Each Joint Bookrunner has represented and agreed that it will not, directly or indirectly, offer for subscription or purchase or issue invitations to subscribe for or buy the Notes or distribute any draft or definite document in relation to any such offer, invitation or sale in Lithuania other than in compliance with the Law on Securities of Lithuania and any other laws applicable in Lithuania governing the issue, offering and sale of Notes.

Latvia

The Notes may only be offered in Latvia in accordance with the Financial Instruments Market Law (*Finanšu instrumentu tirgus likums*) (the "**FIML**") and any other laws and regulations applicable in Latvia governing the offer of securities in Latvia. The Notes have not been and will not be registered with the Financial and Capital Market Commission (*Finanšu un kapitāla tirgus komisija*) under the FIML.

Switzerland

This Prospectus is not intended to constitute an offer or solicitation to purchase or invest in the Notes. The Notes may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act ("**FinSA**") and no application has or will be made to admit the Notes to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Notes constitutes a prospectus pursuant to the FinSA, and neither this Prospectus nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each of the Joint Bookrunners has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Hong Kong

Each Joint Bookrunner has represented and agreed that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Singapore

Each Joint Bookrunner has acknowledged that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Bookrunner has represented and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

SINGAPORE SFA PRODUCT CLASSIFICATION – In connection with Section 309B of the SFA and the CMP Regulations 2018, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

GENERAL INFORMATION

Authorisation

1. Each of the Issuer and the Guarantors has obtained all necessary consents, approvals and authorisations in Lithuania or Latvia, as applicable, in connection with the issue and performance of the Notes and of the Guarantees. The issue of the Notes was authorised by resolution of the Board of the Issuer passed on 18 May 2021. The giving of the Guarantees was authorised by resolutions of the sole shareholder of each Guarantor, registered in Lithuania on 18 May 2021 and by resolutions of the sole shareholder and the management board of SIA "M257" on 18 May 2021.

Significant/Material Change

2. There has been no material adverse change in the prospects of the Issuer or each Guarantor since 31 December 2020, being the date of the last published audited combined financial statements of the Group.

3. Save for the Group Reorganisation, there has been no significant change in the financial performance or financial position of the Group since 31 December 2020, being the end of the last financial period for which financial information has been published with respect to the Group.

Legal and Arbitration Proceedings

4. Except as disclosed on page 27 of this Prospectus, none of the Issuer or the Guarantors is, nor has been, involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantors are aware) during the 12 months preceding the date of this Prospectus which may have or have had in the recent past significant effects on the financial position or profitability of the Issuer, a Guarantor or the Group.

ISIN and Common Code

5. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). The International Securities Identification Number ("**ISIN**") for the Notes is XS2346869097 and the Common Code is 234686909. For FISN and CFI Code, see the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN.

   The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg

Auditors

6. Each of the financial statements of the Issuer and the Lithuanian Guarantors for the years ended 31 December 2020 and 31 December 2019 have been audited by PricewaterhouseCoopers UAB. PricewaterhouseCoopers UAB is a member of the Lithuanian Chambers of Auditors.

7. The financial statements of SIA "M257" for the years ended 31 December 2020 and 31 December 2019 have been audited by PricewaterhouseCoopers SIA. PricewaterhouseCoopers SIA is a certified audit company in Latvia member of the Latvian Association of Certified Auditors.

8. The 2020 Combined Financial Statements have been audited by PricewaterhouseCoopers UAB, independent auditors, as stated in their report herein.

   The audit opinion of PricewaterhouseCoopers UAB on the 2020 Combined Financial Statements was unqualified, but contained the following paragraphs headed "*Emphasis of Matter - Basis of accounting*":

   "*We draw attention to the fact that, as described in note 1 to the combined financial statements, the businesses included in the combined financial statements were not in a form as a legal structure with a parent company during the periods presented in the combined financial statements. These*

combined financial statements are, therefore, not necessarily indicative of results that would have occurred if the Combined Group had been formed as a legal structure with a parent company during the periods presented in the combined financial statements.

The combined financial statements are prepared specifically for inclusion in the Offering Memorandum and in the anticipation of the reorganisation as described in note 1 to the combined financial statements. Our opinion is not modified in respect of this matter."

Listing Agent and Expenses of Admission to Trading

9. Walkers Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the Official List or to trading on the Market.

10. The estimated expenses of the admission of the Notes to trading are EUR 4,540.

Yield

11. The yield of the Notes is 3.000 per cent. on an annual basis. The yield is calculated as at 2 June 2021 on the basis of the issue price, the interest rate of the Notes, the redemption amount of the Notes and the tenor of the Notes. It is not an indication of future yield.

Documents on Display

12. For so long as the Notes remain outstanding, copies of the following documents will be available for inspection at the website of the Issuer (https://akropolis.eu/en/for-investors / https://akropolis.eu/lt/investuotojams):

    (a) the Trust Deed (which includes the Guarantees) and the Agency Agreement;

    (b) the articles of association of the Issuer and each Guarantor; and

    (c) a copy of this Prospectus.

    This Prospectus (together with any supplement to this Prospectus or further Prospectus) will be published on the website of Euronext Dublin at https://live.euronext.com/.

    Information included on any website referred to above does not form part of this Prospectus.

Conflicts of Interest

13. There is no natural or legal person involved in the issue of the Notes and having an interest that is material to the issue of the Notes, other than certain of the Joint Bookrunners and their affiliates who have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and/or the Guarantors and their affiliates in the ordinary course of business. Certain of the Joint Bookrunners and their affiliates may have positions, deal or make markets, in the Notes, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and/or the Guarantors and their affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

    In addition, in the ordinary course of their business activities, the Joint Bookrunners and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer and/or the Guarantors and the affiliates of any of them. Certain of the Joint Bookrunners and their affiliates that have a lending relationship with the Issuer and/or the Guarantors routinely hedge their credit exposure to the Issuer and/or the Guarantors consistent with their customary risk management policies. Typically, such Joint Bookrunners and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such positions could adversely affect future trading

prices of the Notes. The Joint Bookrunners and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

FINANCIAL STATEMENTS

		Pages
1)	Combined Financial Statements of the Group for the years ended 31 December 2020 and 31 December 2019	F-1 – F-40
2)	Financial statements of the Issuer for the years ended 31 December 2020 and 31 December 2019	F-41 – F-69
3)	Financial statements of Aido Turtas, UAB for the years ended 31 December 2020 and 31 December 2019	F-70 – F-98
4)	Financial statements of Ozo Turtas, UAB for the years ended 31 December 2020 and 31 December 2019	F-99 – F-127
5)	Financial statements of Taikos Turtas, UAB for the years ended 31 December 2020 and 31 December 2019	F-128 – F-156
6)	Financial statements of SIA "M257" for the years ended 31 December 2020 and 31 December 2019	F-157 – F-185

The financial statements of the Issuer and each of the Guarantors and the respective audit opinions thereon, attached to this Prospectus as F-Pages, were issued and published by the Group for statutory purposes as part of the annual reports of the Issuer and each of the Guarantors. The audit opinions on the financial statements include separate paragraphs named "*Reporting on other information including the annual report*" or "*Reporting on other information including the management report*", however such other information is not included in the F-Pages to this Prospectus.

Independent auditor's report

To the shareholder of Akropolis Real Estate B.V. and Akropolis Group, UAB

Our opinion

In our opinion, the combined financial statements give a true and fair view of the financial position of Akropolis Real Estate B.V. and Akropolis Group, UAB (the "Companies") and their subsidiaries set out in note 1 to the combined financial statements (together - the "Combined Group") as at 31 December 2020 and 31 December 2019, and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited

The accompanying combined financial statements of the Combined Group comprise:

- the combined statements of financial position as at 31 December 2020 and 31 December 2019;
- the combined statements of comprehensive income for the years then ended;
- the combined statements of changes in equity for the years then ended;
- the combined statements of cash flows for the years then ended; and
- the notes to the combined financial statements, which include significant accounting policies and other explanatory information.

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 combined 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 Combined Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the Law of the Republic of Lithuania on the Audit of Financial Statements that are relevant to our audit of the combined financial statements in the Republic of Lithuania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Law of the Republic of Lithuania on the Audit of Financial Statements.

Emphasis of Matter - Basis of accounting

We draw attention to the fact that, as described in note 1 to the combined financial statements, the businesses included in the combined financial statements were not in a form as a legal structure with a parent company during the periods presented in the combined financial statements. These combined financial statements are, therefore, not necessarily indicative of results that would have occurred if the Combined Group had been formed as a legal structure with a parent company during the periods presented in the combined financial statements.

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Company code 111473315, registered with the Register of Legal Entities of the Republic of Lithuania

The combined financial statements are prepared specifically for inclusion in the Offering Memorandum and in the anticipation of the reorganisation as described in note 1 to the combined financial statements. Our opinion is not modified in respect of this matter.

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

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

In preparing the combined financial statements, management is responsible for assessing the Combined 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 Combined Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the Combined Group.

Auditor's responsibilities for the audit of the combined financial statements

Our objectives are to obtain reasonable assurance about whether the combined 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 combined 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 combined 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 internal control of the Combined Group.
- 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 ability to continue as a going concern of the Combined Group. 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 combined 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 Combined Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the combined 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 Combined Group to express an opinion on the combined financial statements. We are responsible for the direction, supervision and performance of the audit of the combined financial statements. 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.

On behalf of PricewaterhouseCoopers UAB

Rimvydas Jogėla
Partner
Auditor's Certificate No.000457

Vilnius, Republic of Lithuania
26 March 2021

The auditor's electronic signature is used herein to sign only the Independent Auditor's Report

COMBINED STATEMENTS OF FINANCIAL POSITION

	Notes	2020 EUR'000	2019 EUR'000
ASSETS			
Non-current assets		**800 195**	**898 997**
Property, plant and equipment	**5**	983	1 116
Investment property	**6**	795 964	791 560
Intangible assets		234	236
Deferred tax assets	**16**	111	593
Right-of-use assets	**7**	335	369
Long-term loans granted	**18**	-	105 000
Long-term receivables	**8**	2 568	123
Current assets		**61 611**	**102 268**
Inventories		68	73
Trade, other receivables and other assets	**8**	3 566	3 684
Prepaid current income tax		-	175
Loans granted	**19**	-	44 617
Other financial assets	**8**	1 237	37
Cash and cash equivalents	**9**	56 740	53 682
TOTAL ASSETS		**861 806**	**1 001 265**
EQUITY AND LIABILITIES			
Parent Company Investment	**10**	140 153	272 253
Retained earnings/(accumulated losses)		340 526	344 701
Total equity		**480 679**	**616 954**
Non-current liabilities:		**326 008**	**315 646**
Bank borrowings	**11**	231 285	228 420
Lease liabilities	**7**	326	311
Deferred tax liabilities	**16**	83 819	81 518
Income tax liabilities		1 312	-
Other long term payables	**12**	9 266	5 397
Current liabilities:		**55 119**	**68 665**
Bank borrowings	**11**	36 162	53 448
Lease liabilities	**7**	64	69
Income tax liabilities		2 801	2 604
Trade and other payables	**12**	16 092	12 544
Total liabilities		**381 127**	**384 311**
TOTAL EQUITY AND LIABILITIES		**861 806**	**1 001 265**

The accompanying explanatory notes are an integral part of these financial statements.

These financial statements were approved and signed on 26th March 2021.

Lukas Matijošius	**Manfredas Dargužis**	**Gabrielė Saponaitė**
CEO of Akropolis Real Estate B.V.	CEO of Akropolis Group, UAB	CFO of Akropolis Group, UAB

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	2020 EUR'000	2019 EUR'000
Rental income		55 572	51 905
Service charge income		21 209	24 615
Service charge expenses	13	(20 467)	(22 442)
NET RENTAL INCOME		**56 314**	**54 078**
Administrative expenses	14	(3 515)	(4 433)
Other income, net		371	499
Profit on disposal of investment property		-	(8)
Valuation gain (loss) from investment property		1 378	11 816
Loss/gain on disposal of subsidiary		-	1 605
OPERATING PROFIT (LOSS)		**54 548**	**63 557**
Interest expense	11	(3 488)	(2 802)
Interest income		838	1 758
Other financial expenses		(156)	(456)
PROFIT (LOSS) BEFORE INCOME TAX		**51 742**	**62 057**
Income tax expense	15	(5 917)	(8 391)
NET PROFIT (LOSS)		**45 825**	**53 666**
TOTAL COMPREHENSIVE INCOME (LOSS)		**45 825**	**53 666**

The accompanying explanatory notes are an integral part of these financial statements.

These financial statements were approved and signed on 26th March 2021.

Lukas Matijošius	**Manfredas Dargužis**	**Gabrielė Saponaitė**
CEO of Akropolis Real Estate B.V.	CEO of Akropolis Group, UAB	CFO of Akropolis Group, UAB

COMBINED STATEMENTS OF CHANGES IN EQUITY

The Combined Group	Notes	Parent company investment	Retained earnings	Total
		EUR'000	EUR'000	EUR'000
Balance at 31 December 2018		**277 404**	**292 036**	**569 440**
Transactions with owners:				
Reduction of authorised capital	**10**	(5 151)	(1)	(5 152)
Dividends paid		-	(1 000)	(1 000)
Total transactions with owners		**(5 151)**	**(1 001)**	**(6 152)**
Net profit		-	53 666	53 666
Total comprehensive income		**-**	**53 666**	**53 666**
Balance at 31 December 2019		**272 253**	**344 701**	**616 954**
Transactions with owners:				
Dividends paid		-	(50 000)	(50 000)
Reduction of authorised capital	**10**	(132 100)	-	(132 100)
Total transactions with owners		**(132 100)**	**(50 000)**	**(182 100)**
Net profit		-	45 825	45 825
Total comprehensive income		**-**	**45 825**	**45 825**
Balance at 31 December 2020		**140 153**	**340 526**	**480 679**

The accompanying explanatory notes are an integral part of these financial statements.

These financial statements were approved and signed on 26th March 2021.

Lukas Matijošius	**Manfredas Dargužis**	**Gabrielė Saponaitė**
CEO of Akropolis Real Estate B.V.	CEO of Akropolis Group, UAB	CFO of Akropolis Group, UAB

COMBINED STATEMENTS OF CASH FLOWS

	Notes	2020 EUR'000	2019 EUR'000
OPERATING ACTIVITIES			
Net profit (loss)		45 825	53 666
Adjustments for:			
Income tax expense		5 917	8 391
Depreciation and amortization		779	632
Write off and loss on disposal of PPE	**5**	(4)	(28)
(Profit) from sale of subsidiary		-	(1 605)
Valuation gain (loss) from investment property	**5,6**	(1 378)	(11 816)
Interest expense	**11**	3 488	2 802
Interest income		(838)	(1 758)
Operating cash flows before movements in working capital		**53 789**	**50 284**
(Increase)/decrease in trade, other receivables and other assets, and long-term receivables		202	(468)
Increase in inventories		5	65
Increase (decrease) in payables		3 661	(2 029)
Cash generated from operations		**57 657**	**47 852**
Interest paid		(3 467)	(3 003)
Income tax paid		(1 750)	(5 946)
Net cash generated from operating activities		**52 441**	**38 903**
INVESTING ACTIVITIES			
Acquisition of PPE, investment property and intangible assets	**5,6**	(3 320)	(37 566)
Disposal of subsidiaries		-	14 565
Loans granted		-	(149 000)
Repayments of loans granted		149 000	46 400
Interest received		1 455	1 239
Net cash generated from (used in) investing activities		**147 135**	**(124 362)**
FINANCING ACTIVITIES			
Decrease of share capital		(132 100)	(5 152)
Dividends paid	**10**	(50 000)	(1 000)
Proceeds from borrowings		15 000	170 397
Repayments of borrowings		(29 419)	(60 941)
Net cash generated from (used in) financing activities		**(196 519)**	**103 304**
Net increase/(decrease) in cash and cash equivalents		**3 058**	**17 845**
Cash and cash equivalents at the beginning of the period		53 682	35 837
Cash and cash equivalents at the end of the year		**56 740**	**53 682**

The accompanying explanatory notes are an integral part of these financial statements.

These financial statements were approved and signed on 26th March 2021.

Lukas Matijošius	**Manfredas Dargužis**	**Gabrielė Saponaitė**
CEO of Akropolis Real Estate B.V.	CEO of Akropolis Group, UAB	CFO of Akropolis Group, UAB

1. CORPORATE AND OTHER INFORMATION

Akropolis Group, UAB was incorporated on 30 July 2011 in Lithuania as a limited liability company under the Companies Law of Lithuania. Its registered office is Ozo St. 25, Vilnius, Lithuania.

Akropolis Real Estate B.V. was incorporated on 20 March 2008 in the Netherlands as a limited liability company under the Companies Law of Netherlands. Its registered office is Claude Debussylaan 7, 1082MC Amsterdam, The Netherlands.

These two legal entities are hereinafter referred to as the "Companies". Historically, the Shopping and entertainment Centre business of UAB "Vilniaus Prekyba", the sole shareholder of each of the Companies, was organised by separating (a) the operating and management functions, undertaken by Akropolis Group, UAB and its subsidiaries from (b) the special purpose entities holding the real estate property of the shopping centres within Akropolis Real Estate B.V. and its subsidiaries. However, the operating and management companies and the asset holding companies are dependent upon each other and closely related. In addition, the Companies were always managed as a single business. All key management are employees of Akropolis Group, UAB and its subsidiaries. The CEO of Akropolis Group, UAB is also a director of Akropolis Real Estate B.V.

The purpose of the combined financial statements

These combined financial statements for Akropolis Real Estate B.V. and Akropolis Group, UAB, including all of their respective subsidiaries (together – the "Combined Group"), were prepared as of and for the years ended 31 December 2020 and 2019. The combined financial statements for the Combined Group have been prepared specifically for inclusion in the Prospectus for a bond offering (the "Transaction") and in the anticipation of the reorganisation as described below. Akropolis Group, UAB will be the Issuer whereas Aido Turtas, UAB, Ozo Turtas, UAB, Taikos Turtas, UAB and SIA "M257", subsidiaries of Akropolis Real Estate B.V., will be the Guarantors for the Transaction.

The Combined Group does not yet represent a group as defined in IFRS 10 'Consolidated financial statements' as the group will be formed after the completion of the reorganisation. The Combined Group is undergoing a change in corporate structure whereby Akropolis Real Estate B.V. and all of its subsidiaries will become subsidiaries of Akropolis Group, UAB (the "Reorganisation"). On 22 March 2021, before the combined financial statements were authorised for issue, UAB "Vilniaus Prekyba", the sole shareholder of Akropolis Group, UAB and Akropolis Real Estate B.V., adopted a decision to increase the share capital of Akropolis Group, UAB by non-monetary contribution of the shareholder, namely, the payment of the subscription price of the newly issued shares in Akropolis Group, UAB will be performed by transferring ownership of 100% of the shares in Akropolis Real Estate B.V. from UAB "Vilniaus Prekyba" to Akropolis Group, UAB. Shares in Akropolis Real Estate B.V. were transferred to the ownership of Akropolis Group, UAB by notarial deed on 24 March 2021. The Combined Group is currently performing necessary registrations and other formal actions to finalize the Reorganisation. The said actions are expected to be completed in early April 2021. The Reorganisation represents the critical step in the finalisation of the Transaction. The Transaction can only be finalised in its intended form subject to the completion of the Reorganisation.

The combined financial statements do not constitute statutory accounts of either of the Companies. IFRS does not prescribe how to prepare combined financial statements, however, the Conceptual Framework to IFRS envisages that the reporting entity might comprise two or more entities that are not all linked by a parent-subsidiary relationship. In this case the reporting entity's financial statements are referred to as 'combined financial statements'. The Conceptual Framework to IFRS provides some guidance to determine the boundary of the reporting entity. The combined financial statements of the Issuer for years ended 31 December 2019 and 2020 will not be considered pro forma financial information because of the following:

- Both of the Companies were controlled by UAB "Vilniaus Prekyba" for the whole period covered by the combined financial statements.
- No change in control occurred over any of these entities during the period covered by the combined financial statements.
- No business combinations occurred during the period covered by the combined financial statements.
- No pro forma adjustments are included in the combined financial statements.
- The combined financial statements include all notes and disclosures required by IFRS.
- Preparation of combined financial statements does not contradict with the IFRS Conceptual Framework and is often used by companies in merger or spin-off transactions to represent full financial information of the group before the restructuring or other changes in the legal structure.

Going forward, Akropolis Group, UAB will issue its first consolidated financial statements under International Financial Reporting Standards as adopted by the European Union ("IFRS as adopted by EU") for the year ended 31 December 2021. The Reorganisation, expected to be completed in April 2021, with Akropolis Real Estate B.V. and all of its subsidiaries becoming subsidiaries of Akropolis Group, UAB, is a business combination under common control. The accounting for common control transactions is not prescribed by IFRS. One of the acceptable methods to account for such transactions, which is planned to be used by Akropolis Group, UAB, is to apply the predecessor values method (the historical carrying values from the combining businesses) in the consolidated financial statements of Akropolis Group, UAB for the year ended 31 December 2021, with the retrospective presentation approach. Under this approach, the consolidated financial statements of Akropolis Group, UAB will be presented as if the businesses have been combined from the beginning of the earliest period presented because they were under common control as of that date. Specifically, the consolidated financial statements of Akropolis Group, UAB for the year ended 31 December 2021 will include the comparative financial information for the year ended 31 December 2020 which will be the same as reflected in these combined financial statements. For these reasons management considers the Combined Group to be acceptable reporting entity as defined by the Conceptual Framework to IFRS.

The composition of the Combined Group

The details of subsidiaries owned by the Companies are provided in the table below. the Combined Group's key area of operations includes the development of real estate owned by the Combined Group and its lease to tenants based on agreements. the Combined Group consists of the Companies and their directly and indirectly controlled subsidiaries.

As at 31 December 2020 and 31 December 2019 the sole shareholder of both of the Companies, owning 100% of shares, was UAB "Vilniaus Prekyba", company code 302608755, address Ozo str. 25, Vilnius. The ultimate parent entity is Metodika B.V., address: Amstelveenseweg 500, 1081 KL, Amsterdam, Kingdom of the Netherlands, operating in the Kingdom of the Netherlands. The ultimate controlling party is Mr. Nerijus Numa.

A separate set of consolidated financial statements under IFRS as adopted by EU at the level of UAB "Vilniaus Prekyba", the immediate parent of each of the Companies, is available, which also includes other entities controlled by UAB "Vilniaus Prekyba" (other than sub-groups of Akropolis Real Estate B.V. and Akropolis Group UAB).

As at 31 December 2020 and 2019 the Combined Group had no branches and representative offices.

As at 31 December 2020 and 2019 the Combined Group had 114 and 95 employees, respectively.

As at 31 December 2020 and 2019, the Companies directly or indirectly controlled the following subsidiaries:

Name	Country	Registered office address	Principal activity	Managed	Subsidiary of as at 31.12.2020	Ownership (Effective)	
						31.12.2020	31.12.2019
OZO TURTAS, UAB	Lithuania	Ozo St. 25, Vilnius	Real estate management and development	Directly	Akropolis Real Estate B.V	100%	100%
TAIKOS TURTAS, UAB	Lithuania	Ozo St. 25, Vilnius	Real estate management and development	Directly	Akropolis Real Estate B.V	100%	100%
AIDO TURTAS, UAB	Lithuania	Ozo St. 25, Vilnius	Real estate management and development	Directly	Akropolis Real Estate B.V	100%	100%
M257, SIA	Latvia	Maskavas iela 257, Riga	Real estate management and development	Directly	Akropolis Real Estate B.V	100%	100%
AKROPOLE RIGA, SIA	Latvia	Maskavas iela 257, Riga	Real estate management and development	Directly	Akropolis Group, UAB	100%	100%
VINGIO TURTAS UAB	Lithuania	Ozo St. 25, Vilnius	Land plots under development	Directly	Akropolis Real Estate B.V	100%	100%
NARVA KVP, OU	Estonia	Mustamäe tee 45, Tallinn, 10619	Land plots for future developments	Directly	Akropolis Real Estate B.V	100%	100%
BIRULIŠKIŲ TURTAS, UAB	Lithuania	Ozo St. 25, Vilnius	Land plots for future developments	Directly	Akropolis Real Estate B.V	100%	100%
NIKOLA MUSHANOV PROJEKTAS, UAB	Lithuania	Ozo St. 25, Vilnius	Land plot	Indirectly	Akropolis Real Estate B.V	100%	100%
AKROPOLIS SOFIA, EOOD	Bulgaria	Nikola Mushanov blv. 151, Sofia	Real estate management and development	Directly	Disposed		100%
NM151, OOD	Bulgaria	Nikola Mushanov blv. 151, Sofia	Land plot	Directly	Disposed		100%

Statement of compliance

These combined financial statements have been prepared in accordance with IFRS as adopted by EU. IFRS as adopted by EU do not contain explicit guidance on the preparation of the combined financial statements and therefore it was necessary for the management to apply additional policies and judgements. The principal accounting policies applied in the preparation of these combined financial statements are set out below. These policies have been applied consistently during all periods presented. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies

in line with the Combined Group's accounting policies. The combined financial statements have been prepared on the historical cost basis, except for investment property and certain financial instruments which are measured at fair value.

These combined financial statements have been prepared on a going concern basis, which assumes that the Companies will continue its operations for at least one year period. Covid-19 pandemic related effect is disclosed in Note 22.

These combined financial statements are a continuation of previously prepared combined financial statements with the most recent combined financial statements available as of and for the year ended 31 December 2016.

Basis of combination and consolidation

The Companies are sister entities under common control of UAB "Vilniaus Prekyba". There is no holding entity over the Combined Group which includes two sub-groups headed by Akropolis Real Estate B.V. and Akropolis Group UAB. Combination of these sub-groups is the only way to present the financial position and results of the sub-groups engaged in the real estate related activities. For the purpose of preparation of the consolidated financial statements of UAB "Vilniaus Prekyba", sub-group Akropolis Real Estate B.V. and sub-group Akropolis Group UAB prepared sub-consolidation which was used for the preparation of these combined financial statements.

The combined financial statements comprise the financial statements of the Companies and their subsidiaries as at 31 December 2020 and 2019 and for the years then ended. The sub-consolidation accounts of sub-group Akropolis Real Estate B.V. and of sub-group Akropolis Group UAB are combined by adding up the respective line items – assets, liabilities, parent company investment, income and expenses. The balances and transactions between the entities in each sub-holding and between the sub-holdings are eliminated. The combined financial statements are presented from the economic entity perspective, therefore, no amounts are attributed to the non-controlling interests (if any).

the Combined Group is not a separate legal entity and has no share capital and reserves in its own right. Any equity represents the parent's net investment in the Combined Group and is labelled as 'parent company investment' in the combined financial statements. Earnings per share are not presented because the combined financial statements do not have legal share capital and it is not possible to measure earnings per share.

Subsidiaries are consolidated within each sub-group and included in the combined financial statements from the date of acquisition, being the date on which the sub-group obtains control, and continue to be consolidated and included in the combined financial statements until the date when such control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are consolidated and included in the combined financial statements from the date the sub-group gains control until the date the sub-group ceases to control the subsidiary.

Control is achieved when the sub-group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the sub-group controls an investee if, and only if, it has:

a) Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
b) Exposure, or rights, to variable returns from its involvement with the investee
c) The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the sub-Group has less than a majority of the voting or similar rights of an investee, the sub-group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

a) The contractual arrangement with the other vote holders of the investee
b) Rights arising from other contractual arrangements
c) The sub-group's voting rights and potential voting rights

The sub-group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the sub-group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

The financial statements of the subsidiaries are prepared for the same reporting period as the Companies using consistent accounting policies. There are no any significant restrictions on the ability of the subsidiaries to transfer funds to the parent in the form of cash dividends or to repay loans or advances, except credit agreements with the credit institutions, according to which advance written bank permission is required.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

Presentation currency

These financial statements are presented in a common currency of the European Union – the euro.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values of assets given, liabilities incurred or assumed, and equity instruments issued by the Combined Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRS. Changes in the fair value of contingent consideration classified as equity are not recognised.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Combined Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as at the acquisition date that, if known, would have affected the amounts recognised as at that date.

The measurement period is the period from the date of acquisition to the date the Combined Group obtains complete information about facts and circumstances that existed as at the acquisition date – and is subject to a maximum of one year.

Revenue recognition

The Combined Group generates revenue mostly from lease of investment property, as disclosed in Note 1. In addition to lease, the Combined Group provides utility, repair and similar services, and other services relating to the activities of the shopping centres.

Rental income
Rental income is recognised in a manner that is described in section 'Leases' below. When a lease contract includes elements of service, the Combined Group assesses whether the individual elements of service are separate services promised to a customer in a contract (performance obligations), and revenue from such services is recognised as described below.

Revenue from contracts with customers
Revenue from contracts with customers is recognised when a customer obtains control of service or good at the amount of consideration that the Combined Group expects to receive in exchange for that service or good. The Combined Group has determined that it acts as a principal when providing utility, repair and other services because:
- the Combined Group controls the specified good or service before that good or service is transferred to a customer;
- the Combined Group is responsible for fulfilling the promise to provide the services and is exposed to non-performance risk;
- the Combined Group has discretion, direct or indirect, in establishing the price for the specified good or service.

The Combined Group's management has also determined that generally the control of the specified services is transferred to a customer over time, and accordingly, the Combined Group satisfies the performance obligation and recognises revenue over time, because the customer simultaneously receives and consumes all of the benefits provided by the Combined Group as the Combined Group performs under a contract. Such revenue is recognised by measuring progress towards complete satisfaction of the performance obligation or by directly measuring the value of services transferred to a customer to date.

Revenue from unused *Akropolis* gift vouchers
The Company has signed the agreement with the suppliers on the distribution and administration of *Akropolis* gift vouchers. At the distribution locations of gift vouchers customers can acquire gift vouchers of different denominations which can be used instead of money to pay for goods at any store of the *Akropolis* shopping centres. Gift vouchers have a limited period of validity, i.e. they are valid for 12 months from the date of acquisition. Based on the Company's management judgement, unused gift vouchers that have already expired and that were acquired earlier than during the previous year are recognised as revenue earned by the Company. Such revenue is recognised using the agency accounting policies because:
- the Company does not assume the main responsibility for the services rendered;
- the Company has no discretion, direct or indirect, in establishing the prices.

Contract balances

Contract assets - accrued revenue
A contract asset is the right to consideration in exchange for the services provided to a customer. If the Combined Group performs by transferring services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised at an amount equal to the earned consideration that is conditional.

Trade receivables
A trade receivable represents the Combined Group's right to the earned consideration that is unconditional (i.e. consideration becomes payable, without any exceptions, upon the agreed deadline). See the accounting policy for financial assets.

Contract liabilities - advance amounts received
A contract liability is the obligation to provide services to a customer in exchange for consideration received (receivable) by the Combined Group from a customer. If a customer pays consideration before the Combined Group provides the services, a contract liability is recognised when the payment is received. A contract liability is recognised as revenue when the Combined Group satisfies the performance obligation contained in a contract.

In case of income from other activities received for unused *Akropolis* gift vouchers, a contract liability, i.e. funds received for the sale of gift vouchers that need to be transferred to the distributor of gift vouchers, is accounted for in the statement of financial position as other amounts payable.

In view of the Combined Group's business model, the management has not made any other significant accounting judgements, estimates or assumptions related to revenue from contracts with customers other than those described in this note, because there were no complex multicomponent goods or services, variable consideration, financing components, contract costs or amounts payable to customers.

Interest Income
Interest income is recognized on an accrual basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend Income
Dividend income is recognized when the shareholders' rights to receive payment have been established.

Leases

Lease is recognised as finance lease when substantially all the risks and rewards of ownership of the assets are transferred under the lease terms and conditions. An operating lease is a lease other than a finance lease.

The Combined Group as a lessor

Operating lease
Rental income from operating lease is recognised on a straight-line basis over the lease period. Initial direct costs incurred in negotiating and arranging a lease are added to the carrying amount of the leased asset and recognised over the lease term.

Discounts/temporary rent reductions are treated as the Combined Group's incentives used to retain the tenants under operating lease. The Combined Group recognises accumulated incentive costs on a straight-line basis as a reduction of rental income over the operating lease period.

Deposits from tenants
Liabilities for the deposits from tenants are initially recognised at fair value and subsequently measured at amortised cost, if material.

Depending on the lease contract term, the deposits from tenants are classified as either non-current or current. Advance amounts received under indefinite term contracts or contracts with validity term less than 12 months are classified as current liabilities, whereas advance amounts received under any other contracts are classified as non-current liabilities.

The Combined Group as a lessee

Leases previously accounted for as operating leases
The Combined Group adopted IFRS 16 from 1 January 2019. The Combined Group recognised right-of-use assets and lease liabilities for all leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid lease payments. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Right-of-use assets
The Combined Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Recognised right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and the lease term.

Lease liabilities
At the commencement date of the lease, the Combined Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable and variable lease payments that depend on an index or a rate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period when they occur. In calculating the present value of lease payments, the Combined Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The carrying amount of lease liabilities is remeasured if there is a change in the variable lease payments that depend on an index or a rate or there is a change in the lease term.

Short-term leases and leases of low-value assets
The Combined Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). The exemption is also applied to leases of office space and other equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Foreign currencies

Functional and presentation currency
The individual financial statements of each Combined Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements are presented in EUR, which is functional currency of all but Bulgarian Group companies.

At the reporting date, The Combined Group's all foreign subsidiaries conducted transactions mostly in euros.

Transactions and balances
Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. Exchange differences arising on transactions in foreign currencies are included in the profit or loss in the statement of comprehensive income when incurred. Gains and losses resulting from the translation of monetary assets or liabilities denominated in foreign currencies are included in the statement of comprehensive income for the period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The Combined Group companies
On combination, the assets and liabilities of the Combined Group's foreign operations are translated into EUR at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized as income or as expenses in the period in which the operation is disposed of or control over a foreign operation is lost.

As at 31 December following rates for the principal foreign currencies were used:

	31 December 2020 (EUR)	**31 December 2019 (EUR)**
BGN	0.5113	0.5113

Borrowing Costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Interest paid on borrowings related to investment property acquisition are presented under operating activities in statement of cash flows.

Income tax
Income tax expense represents the sum of the current tax and deferred income tax expenses.

Current income tax
Current year income tax expenses are calculated on current year profit, as adjusted for certain non-deductible expenses/non-taxable income. The tax rate used to calculate the income tax expenses is a tax rate effective at the date of preparation of the financial statements.

Effective corporate income tax rates that have been applied in calculation of current income tax:

	2020	2019
Lithuania	15%	15%
Latvia*	25%	25%
Estonia*	25%	25%
Bulgaria	10%	10%
Netherlands	20%	20%

*The taxation of corporate profits in Latvia and Estonia is postponed until those profits are distributed as dividends. All undistributed corporate profits are not taxed and effective corporate income tax is therefore 0%.

Deferred income tax
Deferred income tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred income tax liabilities are recognised on temporary tax differences, except to the extent the Combined Group is able to control the timing of the reversal of temporary differences associated with investments in subsidiaries, and it is probable that the reversal will not occur in the foreseeable future. Deferred income tax assets are recognised on deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised and that the temporary differences will reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred income tax liabilities and deferred income tax assets reflects the Combined Group's expectations, at the end of the reporting period, as to the manner in which the carrying amount of its assets and liabilities will be recovered or settled.

Deferred income tax assets and liabilities are offset only when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they are related to income taxes levied by the same taxing authority, and when the Combined Group intends to settle the amounts of current tax assets and current tax liabilities on a net basis.

Current and deferred income tax for the period
Current and deferred income tax is included in profit or loss for the period, except to the extent it relates to items recognised in other comprehensive income or directly in equity, in which case it is also recognised in other comprehensive income/equity, or it arose from initial recognition of the business combination.

In Lithuania, tax losses can be carried forward for an indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the company changes the activities that have caused the occurrence of such losses, except when the company does not continue its activities due to the reasons that are beyond its control. 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 profit earned from the transactions of the same nature. With effect from 1 January 2014, based on the Law on Corporate Income Tax of the Republic of Lithuania, tax losses available for carry forward can be used to reduce taxable income of the current tax year by maximum 70%.

With effect from 1 January 2010, based on the Law on Corporate Income Tax of the Republic of Lithuania, a group entity may transfer tax losses (or a part thereof) calculated for the tax period to another group entity, which in turn has a right to deduct the transferred losses from the amount of taxable profit calculated for the tax period in respect of which the losses (or a part thereof) transferred by another group entity were calculated.

Property, plant and equipment

Property, plant and equipment is stated at acquisition cost less subsequent accumulated depreciation and accumulated impairment losses. The acquisition cost includes replacement costs of a part of property, plant and equipment when incurred and when these costs meet the recognition criteria. When a significant part of property, plant and equipment needs to be replaced at the specific time intervals, the Combined Group depreciates such property separately based on its useful life. Accordingly, when major repairs are carried out, such repair costs are recognised in the statement of financial position as an improvement to property, plant and equipment if the recognition criteria are met. All other repair and maintenance costs are recognised in profit or loss for the period when incurred.

Depreciation is calculated each month on a straight-line basis over the entire useful life of the asset using the average estimated useful lives of property, plant and equipment, as follows:

Buildings	20 years
Equipment and other assets	3 – 6 years

All items of assets with the useful life longer than one year are capitalised. Gains or losses on disposal or write-off of property, plant and equipment are determined by reference to the proceeds from disposal less the carrying amount of the asset concerned, and the result is recognised in profit or loss.

Investment property

Investment property is property held to earn rentals and/or for capital appreciation and property under construction which will be held to earn rentals and/or for capital appreciation. Property held under an operating lease is classified as investment property when the definition of an investment property is met. Investment property comprises principally retail property and offices that are not occupied substantially for use by, or in the operations of, the Combined Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.

Such property is initially measured at cost including any transaction costs and then is carried at fair value. The fair value of investment property reflects, among other things, rental income from current leases and other assumptions market participants would make when pricing the property under current market conditions. Fair value of investment property is reviewed at each reporting date, gains or losses arising from changes in the fair value of investment property are included in the statement of comprehensive income for the period in which they arise. For the purposes of these financial statements, in order to avoid double counting, the fair value reported in the financial statements is reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and/or minimum lease payments. Repair costs related to investment property reported at fair value are recognised as expenses in the period in which they are incurred.

Investment property is derecognised when either it has 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 in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with view to sale. For a transfer from investment property to owner occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Combined Group as an owner occupied property becomes an investment property, the Combined Group accounts for such property in accordance with the policy adopted for property, plant and equipment up to the date of change in use.

For evaluation of the Combined Group's property, the following methods were used: the operating income (income capitalisation or discounted cash flow) approach for evaluation of income-generating investment property and the sales comparison approach for evaluation of investment property under construction and vacant land plots.

The operating income (income capitalisation or discounted cash flow) approach is normally applied to establish the value of income-generating properties to be acquired by an investor. This approach also relies on market data that are used to determine the current economical volumes of rent rates and expenses that form the basis of the estimated net income. Depending on the purpose of the property, the specifics of its operation and the character of cash flow as well as the typical expectations of buyers and sellers on the market, the appraiser may adopt the capitalisation approach to value. Under the direct capitalisation approach, the value of assets is calculated by dividing the net income (profit) by a capitalisation rate. When the discounted cash flow approach is applied, the value of the property is calculated by summing up the present values of future cash flows, discounted at a discount rate. Both the direct capitalisation and the discounted cash flow approach are used to determine the market value. Using the operating income (income capitalisation or discounted cash flow) approach to value, first of all, one must consider the overall income, from which the respective amounts are subtracted considering the losses for vacancies and levies, expenses and provisions. The resulting net income is capitalised or discounted at a specific rate, which is proportional to the risks related to the title to the property. According to the direct capitalisation approach, the income and expenses on one year are stabilized and the earned net operating revenues are capitalised according to a coefficient or a return rate proportional to the risk related to the ownership of the property under valuation. When capitalising the revenue under this method, account shall be taken of the competitive return offered by the alternative instruments of investment into immovable or other property. The underlying assumption of the method is based on the assumption that the forecast cash flow will be generated for a

unlimited period of time, however, this statement normally does not apply in case of compound investment into real estate. Group's income-generating properties for financial statements preparation purposes were valued using the discounted cash flow method.

Investment property under construction and vacant land plots are valued using sales comparison approach. Sales comparison approach relies on search for recent sales transactions involving comparable property and analysis of data related to the subject property. This approach is based on the price paid in actual market transactions over comparable properties to derive the market price of the subject property. This property valuation approach relies on data on fully comparable sales transactions concluded over a relatively long period of time that reflect the market conditions related to the subject property. Applying the sales comparison approach to value, the data interrelation allows determining the value of the subject property considering certain adjustments in view of the physical and economical characteristics of the property.

In 2020 the valuation of the investment property was carried out by independent property appraiser CPB Real Estate Services SIA (CBRE Baltics). The valuations have been prepared in accordance with the RICS 2020 Valuation – Professional Standards global, Lithuanian Valuation Law as well as International Valuation Standards IVS 2020 and European Valuation Standards EVS 2020. In 2019 the valuation of the investment property was carried out by independent property appraisers Kinnisvaraekspert, OU (DTZ Baltic) and Ober Haus Vertešanas Serviss SIA (Ober Haus). The valuation results were reflected in the financial statements as at 31 December 2020 and 2019 (Note 6).

Income-generating investment properties	**2020**	**2019**
Exit yields	7.0 - 7.8%	7.0 - 7.8%
Discount rates	8.4 – 8.7%	8.0 - 9.4%

Significant increase (decrease) in the discount rate and/or exit yield would lead to a significant decrease (increase) in the fair value of investment property.

Impairment of property, plant and equipment and intangible assets except for goodwill

At each reporting date the Combined Group reviews the net book amount of its property, plant and equipment and intangible assets to assess whether there is an indication that an asset may be impaired. If any such indication exists, the Combined Group estimates the asset's recoverable amount to assess impairment, if any. When the fair value of the asset cannot be estimated, the Combined Group calculates the recoverable amount of a cash-generating unit to which the asset belongs.

The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

When the calculated recoverable amount of an asset (or cash-generating unit) is lower than its net book amount, the net book amount is written down to the fair value of the asset (or cash-generating unit). Impairment losses are recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the net book amount of the asset (cash-generating unit) is increased to the re-estimated recoverable amount to the extent that such increase does not exceed the net book amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. Any increase in the value of assets is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of costs or net realisable value. Costs are determined using FIFO method.

Cash and cash equivalents

Group's cash and cash equivalents in the statement of financial position and the statement of cash flows consist of cash in hand, demand deposits and short-term bank deposits with a maturity at inception date of three months or less. The cash and cash equivalents are measured at amortised cost and the carrying amount approximates their fair value.

Financial assets

Initial recognition and measurement
On initial recognition, financial assets are grouped into the following categories: those subsequently measured at amortised cost, those measured at fair value through other comprehensive income, and those measured at fair value through profit or loss.

The classification of financial assets at initial recognition depends on the contractual cash flow characteristics of the financial assets and the Combined Group's business model for managing the financial assets. Except for trade receivables that do not contain a significant financing component, the Combined Group initially recognises financial assets at fair value, plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined in accordance with IFRS 15.

For a financial asset to be designated and measured at amortised cost or fair value through other comprehensive income, cash flows arising from the financial asset should comprise solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is called the SPPI test and is performed individually for each financial instrument.

The Combined Group's business model for managing financial assets indicates how the Combined Group manages its financial assets in order to generate cash flows. The business model determines whether cash flows will be generated by collecting contractual cash flows, by selling the financial asset or by using both options.

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Combined Group commits to purchase or sell the financial asset.

Subsequent measurement
After initial recognition, the Combined Group measures its financial assets:

a) at amortised cost (debt financial instruments);
b) at fair value through other comprehensive income, when accumulated gain or loss is transferred to profit or loss upon derecognition (debt financial instruments); As at 31 December 2020 and 2019, the Combined Group had no such financial instruments;
c) at fair value through other comprehensive income, when accumulated gain or loss is not transferred to profit or loss upon derecognition (equity instruments). As at 31 December 2020 and 2019, the Combined Group had no such financial instruments;
d) at fair value through profit or loss. As at 31 December 2020 and 2019, the Combined Group had no such financial instruments.

Financial assets measured at amortised cost (debt financial instruments)

The Combined Group classifies its financial assets as measured at amortised cost only if both of the following criteria are met:

a) the financial asset is held within a business model whose objective is to collect the contractual cash flows; and
b) the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortised cost are subsequently recorded using the effective interest method (EIR) less impairment losses. Gains or losses are recognised in the statement of comprehensive income when the asset is derecognised, replaced or identified as impaired.

The Combined Group's financial assets measured at amortised cost include trade receivables, other current and non-current receivables, loans granted and assets from contracts with customers (if any).

Impairment of financial assets
According to IFRS 9, the Combined Group recognises expected credit losses (ECLs) for all debt financial instruments that are not measured at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Combined Group expects to receive, discounted at the original effective interest rate.

(a) Assessment of impairment of trade receivables

For trade receivables and contract assets, the Combined Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

The expected loss rates are based on the historical information about the delayed payments by customers. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the tenants to settle the receivable. Such forward-looking information would include: (1) changes in economic, regulatory, technological and environmental factors, (such as industry outlook, GDP, employment and politics), (2) external market indicators, (3) customers' base.

Trade receivables are written off when they meet both of the following criteria are met: (1) receivables are past due more than a year and (2) the recovery is impossible.

(b) Assessment of impairment of loans granted

The Combined Group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Combined Group follows a three-stage model for impairment for financial assets other than trade receivables and contract assets:

- Stage 1 – balances, for which the credit risk has not increased significantly since initial recognition, or that have low credit risk at the reporting date. For these assets, 12-month ECLs are recognized and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL are the expected credit losses that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12 months.
- Stage 2 – comprises balances for which there have been a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment. For these assets, lifetime ECLs are recognized, but interest revenue is still calculated on the gross carrying amount of the asset. Lifetime ECLs are the expected credit losses that result from all possible default events over the expected life of the financial instrument. Expected credit losses are the weighted average credit losses with the probability of default ('PD') as the weight.
- Stage 3 – comprises balances with objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognized and interest revenue is calculated on the net carrying amount (that is, net of credit allowance).

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

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

Financial liabilities

Initial recognition and measurement
On initial recognition, financial liabilities are classified into the following categories: financial liabilities at fair value through profit or loss, borrowings, and amounts payable. All financial liabilities are initially recognised at fair value, less directly attributable transactions costs in case of borrowings and amounts payable. The Combined Group's financial liabilities include trade and other payables, borrowings, including lease liabilities.

Subsequent measurement of borrowings and other amounts payable
After initial recognition, borrowings and other amounts payable are accounted for at amortised cost using the effective interest rate (EIR) method. Gains and losses, as well as interest expenses, are recognised in the statement of comprehensive income when liabilities are derecognised, as well as through the amortisation process. The amortised cost is calculated by reference to the discount or premium on acquisition, as well as costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of comprehensive income.

Off-setting of financial instruments

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

Derecognition of financial assets and liabilities

Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized where:

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

Where the Combined Group has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Combined Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Combined Group could be required to repay.

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

Provisions

Provisions are recognized when the Combined Group has a present obligation (legal and 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. If the effect of the time value of money is material, provisions are made by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. Where the Combined Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income, net of any reimbursement.

Contingencies

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Effective interest method

The effective interest rate method is used to calculate the amortised cost of financial assets or financial liabilities and allocate interest income or interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash inflows or outflows through the expected life of the financial instrument or, when appropriate, a shorter period to the gross carrying amount of the financial asset or financial liability.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Combined Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Combined Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Combined Group's finance department includes a team that organizes process of the valuations of land and buildings required for financial reporting purposes, including levels 2 and 3 fair values. On an annual basis, the Combined Group engages external, independent and qualified valuators to determine the fair value of the Combined Group's land and buildings. As at 31 December 2020, the fair values of the land and buildings have been determined by the independent appraisers CBRE Baltic.

The external valuations of the level 3 land and buildings have been performed using an income approach whilst partially using unobservable inputs. The external valuator, in discussion with the Combined Group's internal valuation team, has determined these inputs based on the size, age and condition of the land and buildings, the state of the local economy and real estate market in the corresponding national economy. The external valuations of the level 2 land and construction in progress have been performed using a sales comparison approach, using the data from similar properties traded on the sales market.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Combined Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Combined Group's management performs the valuations at each reporting date. For the purpose of fair value disclosures, the Combined Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Related parties

A party is related to an entity if:

a) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries); has an interest in the entity that gives it significant influence over the entity; or has joint control over the entity;
b) the party is an associate of the entity;
c) the party is a joint venture in which the entity is a venturer;
d) the party is a member of the key management personnel of the entity or its parent;
e) the party is a close member of the family of any individual referred to in (a) or (d);
f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
g) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

Events after the reporting period

Subsequent events that provide additional information about the Combined Group's position at the reporting date (adjusting events) are reflected in the financial statements. Subsequent events that are not adjusting events are disclosed in the notes when material.

Rounding

Due to rounding the numbers in these consolidated financial statements may not sum up.

Critical accounting estimates and judgements

In applying the accounting policies, management needs to make estimates, exercise professional judgement and use assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and the related assumptions are based on past experience and other directly related factors. The actual results may differ from the estimates made.

The estimates and underlying assumptions are reviewed on an ongoing basis. The effect of a change in an accounting estimate is recognised in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both current and future periods. The areas of these financial statements that involve the use of accounting estimates are fair values of investment property (Note 6).

3. ADOPTION OF NEW AND/OR AMENDED IFRS AND INTERPRETATIONS OF THE INTERNATIONAL FINANCIAL REPORTING INTERPRETATIONS COMMITTEE (IFRIC)

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Combined Group as of 1 January 2020:

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020). The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting. The adoption of these amendments had no significant impact on the Combined Group's financial statements.

Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020). The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets). The adoption of these amendments had no significant impact on the Combined Group's financial statements.

Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020). The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The adoption of these amendments had no significant impact on the Combined Group's financial statements.

Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020). The amendments were triggered by replacement of benchmark interest rates such as LIBOR and other inter-bank offered rates ('IBORs'). The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the IBOR reform. Cash flow hedge accounting under both IFRS 9 and IAS 39 requires the future hedged cash flows to be 'highly probable'. Where these cash flows depend on an IBOR, the relief provided by the amendments requires an entity to assume that the interest rate on which the hedged cash flows are based does not change as a result of the reform. Both IAS 39 and IFRS 9 require a forward-looking prospective assessment in order to apply hedge accounting. While cash flows under IBOR and IBOR replacement rates are currently expected to be broadly equivalent, which minimises any ineffectiveness, this might no longer be the case as the date of the reform gets closer. Under the amendments, an entity may assume that the interest rate benchmark on which the cash flows of the hedged item, hedging instrument or hedged risk are based, is not altered by IBOR reform. IBOR reform might also cause a hedge to fall outside the 80–125% range required by retrospective test under IAS 39. IAS 39 has therefore been amended to provide an exception to the retrospective effectiveness test such that a hedge is not discontinued during the period of IBOR-related uncertainty solely because the retrospective effectiveness falls outside this range. However, the other requirements for hedge accounting, including the prospective assessment, would still need to be met. In some hedges, the hedged item or hedged risk is a non-contractually specified IBOR risk component. In order for hedge accounting to be applied, both IFRS 9 and IAS 39 require the designated risk component to be separately identifiable and reliably measurable. Under the amendments, the risk component only needs to be separately identifiable at initial hedge designation and not on an ongoing basis. In the context of a macro hedge, where an entity frequently resets a hedging relationship, the relief applies from when a hedged item was initially designated within that hedging relationship. Any hedge ineffectiveness will continue to be recorded in profit or loss under both IAS 39 and IFRS 9. The amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present. The amendments require entities to provide additional information to investors about their hedging relationships that are directly affected by these uncertainties, including the nominal amount of hedging instruments to which the reliefs are applied, any significant assumptions or judgements made in applying the reliefs, and qualitative disclosures about how the entity is impacted by IBOR reform and is managing the transition process. The adoption of these amendments had no significant impact on the Combined Group's financial statements.

Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 January 2020). The amendments provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; any reduction in lease payments affects only payments due on or before 30 June 2021; and there is no substantive change to other terms and conditions of the lease. If a lessee chooses to apply the practical expedient to a lease, it would apply the practical expedient consistently to all lease contracts with similar characteristics and in similar circumstances. The amendment is to be applied retrospectively in accordance with IAS 8, but lessees are not required to restate prior period figures or to provide the disclosure under paragraph 28(f) of IAS 8. The adoption of these amendments had no impact on the Combined Group's financial statements.

Standards approved but not yet effective

The Combined Group has not adopted the following newly approved but not yet effective standards:

IFRS 14, Regulatory Deferral Accounts (issued on 30 January 2014 and effective for annual periods beginning on or after 1 January 2016). IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. The adoption of the standard is not expected to have a significant impact on the Combined Group.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. These amendments have not yet been adopted by the EU. The Combined Group has not yet assessed the impact of the adoption of these amendments.

IFRS 17 "Insurance Contracts"(issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately. The standard has not yet been adopted by the EU. The adoption of the standard is not expected to have a significant impact on the Combined Group.

Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022).These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument. The Combined Group is currently assessing the impact of these amendments on its financial statements.

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).
The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.

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

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

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

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

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

The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis. The Combined Group is currently assessing the impact of these amendments on its financial statements.

Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023). The amendments include a number of clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard. The following amendments to IFRS 17 were made:

- Effective date: The effective date of IFRS 17 (incorporating the amendments) has been deferred by two years to annual reporting periods beginning on or after 1 January 2023; and the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 has also been deferred to annual reporting periods beginning on or after 1 January 2023.
- Expected recovery of insurance acquisition cash flows: An entity is required to allocate part of the acquisition costs to related expected contract renewals, and to recognise those costs as an asset until the entity recognises the contract renewals. Entities are required to assess the recoverability of the asset at each reporting date, and to provide specific information about the asset in the notes to the financial statements.

- Contractual service margin attributable to investment services: Coverage units should be identified, considering the quantity of benefits and expected period of both insurance coverage and investment services, for contracts under the variable fee approach and for other contracts with an 'investment-return service' under the general model. Costs related to investment activities should be included as cash flows within the boundary of an insurance contract, to the extent that the entity performs such activities to enhance benefits from insurance coverage for the policyholder.
- Reinsurance contracts held – recovery of losses: When an entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or on addition of onerous underlying contracts to a group, an entity should adjust the contractual service margin of a related group of reinsurance contracts held and recognise a gain on the reinsurance contracts held. The amount of the loss recovered from a reinsurance contract held is determined by multiplying the loss recognised on underlying insurance contracts and the percentage of claims on underlying insurance contracts that the entity expects to recover from the reinsurance contract held. This requirement would apply only when the reinsurance contract held is recognised before or at the same time as the loss is recognised on the underlying insurance contracts.

Other amendments: Other amendments include scope exclusions for some credit card (or similar) contracts, and some loan contracts; presentation of insurance contract assets and liabilities in the statement of financial position in portfolios instead of groups; applicability of the risk mitigation option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss; an accounting policy choice to change the estimates made in previous interim financial statements when applying IFRS 17; inclusion of income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract in the fulfilment cash flows; and selected transition reliefs and other minor amendments. The Combined Group is currently assessing the impact of these amendments on its financial statements.

Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance. The Combined Group is currently assessing the impact of these amendments on its financial statements

Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021). The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The amendments cover the following areas:

- Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform: For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognised. This practical expedient applies only to such a change and only to the extent it is necessary as a direct consequence of IBOR reform, and the new basis is economically equivalent to the previous basis. Insurers applying the temporary exemption from IFRS 9 are also required to apply the same practical expedient. IFRS 16 was also amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of IBOR reform.
- End date for Phase 1 relief for non-contractually specified risk components in hedging relationships: The Phase 2 amendments require an entity to prospectively cease to apply the Phase 1 reliefs to a non-contractually specified risk component at the earlier of when changes are made to the non-contractually specified risk component, or when the hedging relationship is discontinued. No end date was provided in the Phase 1 amendments for risk components.
- Additional temporary exceptions from applying specific hedge accounting requirements: The Phase 2 amendments provide some additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.

Additional IFRS 7 disclosures related to IBOR reform: The amendments require disclosure of: (i) how the entity is managing the transition to alternative benchmark rates, its progress and the risks arising from the transition; (ii) quantitative information about derivatives and non-derivatives that have yet to transition, disaggregated by significant interest rate benchmark; and (iii) a description of any changes to the risk management strategy as a result of IBOR reform. The Combined Group is currently assessing the impact of these amendments on its financial statements

The Combined Group plans to adopt the above mentioned standards and interpretations on their effectiveness date provided they are endorsed by the EU. Other new standards and amendments that have not yet been endorsed by the EU are not relevant for the Combined Group.

4. SEGMENT INFORMATION

The CEO of Akropolis Group, UAB and the Board of Directors of the Akropolis Group, UAB, acting in accordance with their authorizations established in the Articles of Association, are the Chief Operating Decision Maker in the Combined Group. Segments are defined based on how the Board monitors operating results of the Combined Group's business units for the purpose of making decisions about resource allocation and performance assessment. The Combined Group's operations are organised and monitored by the Board by four segments, which represent each revenue generating investment property:

- Ozo Turtas, UAB (Vilniaus Akropolis)
- Taikos Turtas, UAB (Klaipėdos Akropolis)
- Aido Turtas, UAB (Šiaulių Akropolis)
- M257, SIA (Akropole Riga)

Country and asset performance is evaluated based on revenue, EBITDA and net profit. EBITDA is one of the key indicators for the Chief Operating Decision Maker in financing, investment and other decision making. EBITDA is a non-IFRS measure, which is calculated by adjusting net profit by adding back costs and eliminating income from income tax expenses, depreciation and amortisation, finance income and costs, impairment and write-off of property, plant and equipment, investment properties and intangible assets, gain or loss from revaluation of investment property and profit from disposal of subsidiaries. Same measure was applied for both years. The Chief Operating Decision Maker does not analyse assets and liabilities by segments.

Accounting policies used for segments are the same as the accounting policies used in the preparation of the consolidated financial statements. "Adjustments" column reflects eliminations of intercompany transactions upon consolidation, together with the results of all other Group companies that are deemed insignificant to show as a separated segment. This also includes land revaluation (other than revenue generating investment properties) effect of EUR 5 137 thousand as of 31 December 2020 (EUR 352 thousand as of 31 December 2019). IFRS 16 lease modification adjustments are reflected in "Lease incentive impact" column:

Year ended 31 December 2020 (EUR'000)	**Vilniaus Akropolis, Lithuania**	**Klaipėdos Akropolis, Lithuania**	**Šiaulių Akropolis, Lithuania**	**Akropole Riga, Latvia**	**Adjust-ments**	**Total before IFRS16**	**Lease incentive impact**	**The Combined Group**
Gross Leasable Area (GLA)	**94 783**	**60 643**	**36 048**	**70 874**				
Revenue	**27 702**	**18 898**	**9 246**	**17 622**	**31**	**73 499**	**3 729**	**77 229**
Rent income	20 106	13 437	6 047	12 279	(26)	51 843	3 729	55 572
Additional fees income	6 966	5 103	3 014	4 777	(197)	19 664	-	19 664
Other income	630	358	185	565	254	1 992	-	1 992
Property operating expenses	(7 482)	(5 582)	(3 483)	(6 580)	(261)	(23 388)	-	(23 435)
EBITDA	**20 220**	**13 317**	**5 763**	**11 042**	**(230)**	**50 112**	**3 729**	**53 841**
NET PROFIT (LOSS)	**21 002**	**11 270**	**1 750**	**5 528**	**6 275**	**45 825**	**-**	**45 825**

Year ended 31 December 2019 (EUR'000)	**Vilniaus Akropolis, Lithuania**	**Klaipėdos Akropolis, Lithuania**	**Šiaulių Akropolis, Lithuania**	**Akropole Riga, Latvia**	**Adjust-ments**	**Total before IFRS16**	**Lease incentive impact**	**The Combined Group**
Gross Leasable Area (GLA)	**94 783**	**60 643**	**36 048**	**70 874**				
Revenue	**29 612**	**21 156**	**10 188**	**15 401**	**658**	**77 014**	**-**	**77 014**
Rent income	21 017	14 783	6 558	9 789	(243)	51 905	-	51 905
Additional fees income	7 790	5 922	3 405	3 761	(86)	20 792	-	20 792
Other income	805	450	225	1 851	987	4 317	-	4 317
Property operating expenses	(8 168)	(5 766)	(3 645)	(7 730)	(1 186)	(26 495)	-	(26 495)
EBITDA	**21 444**	**15 389**	**6 543**	**7 671**	**(527)**	**50 520**	**-**	**50 520**
NET PROFIT (LOSS)	**18 151**	**15 961**	**5 789**	**13 263**	**502**	**53 666**	**-**	**53 666**

Tables below present reconciliation of EBITDA to the net profit for the years ended 31 December 2020 and 31 December 2019:

Year ended 31 December 2020 (EUR'000)	Vilniaus Akropolis, Lithuania	Klaipėdos Akropolis, Lithuania	Šiaulių Akropolis, Lithuania	Akropole Riga, Latvia	Adjust-ments	Lease incentive impact	The Combined Group
EBITDA	**20 220**	**13 317**	**5 763**	**11 042**	**(230)**	**3 729**	**53 841**
Valuation gain (loss) from investment property	6 567	285	(3 521)	(3 775)	5 551	(3 729)	1 378
Interest income	691	73	33	-	41	-	838
Depreciation and amortization	(249)	(100)	(22)	(97)	(311)	-	(779)
Interest expense	(2 383)	(275)	(146)	(676)	(8)	-	(3 488)
Income tax expense	(3 700)	(1 992)	(304)	(906)	985	-	(5 917)
Other	(144)	(38)	(53)	(60)	247	-	(48)
NET PROFIT (LOSS)	**21 002**	**11 270**	**1 750**	**5 528**	**6 275**	**-**	**45 825**

Year ended 31 December 2019 (EUR'000)	Vilniaus Akropolis, Lithuania	Klaipėdos Akropolis, Lithuania	Šiaulių Akropolis, Lithuania	Akropole Riga, Latvia	Adjust-ments	Lease incentive impact	The Combined Group
EBITDA	**21 444**	**15 389**	**6 543**	**7 671**	**(527)**	**-**	**50 520**
Valuation gain (loss) from investment property	682	3 438	289	6 426	981	-	11 816
Interest income	1 461	190	89	-	18	-	1 758
Depreciation and amortization	(158)	(65)	(21)	(64)	(325)	-	(633)
Interest expense	(1 786)	(225)	(90)	(694)	(7)	-	(2 802)
Income tax expense	(3 093)	(2 797)	(1 020)	-	(1 481)	-	(8 391)
Other	(399)	31	(1)	(76)	1 843	-	1 398
NET PROFIT (LOSS)	**18 151**	**15 961**	**5 789**	**13 263**	**502**	**-**	**53 666**

5. PROPERTY, PLANT AND EQUIPMENT

As at 31 December the property, plant and equipment consisted of the following:

	Property, plant and equipment
	EUR'000
Carrying amount as of 31 December 2018	471
Additions	995
Reclassifications (to) from investment property	(7)
Disposals and write offs	(28)
Depreciation	(315)
Carrying amount as of 31 December 2019	**1 116**
At 31 December 2019	
Acquisition cost	5 148
Accumulated depreciation and impairment	(4 032)
Carrying amount as of 31 December 2019	**1 116**
Carrying amount as of 31 December 2019	1 116
Additions	282
Reclassifications (to) from investment property	13
Disposals and write offs	(4)
Depreciation	(423)
Carrying amount as of 31 December 2020	**983**
At 31 December 2020	
Acquisition cost	5 160
Accumulated depreciation and impairment	(4 177)
Carrying amount as of 31 December 2020	**983**

As at 31 December 2020 and 2019 property, plant and equipment (hereafter - PPE) consists majorly of equipment, tools and instruments.

As at 31 December 2020 the property, plant and equipment of the revenue generating investment properties under the Combined Group with the carrying amount of EUR 912 thousand (as at 2019 – EUR 1.045 thousand) was pledged to bank under loan agreements (note 11).

6. INVESTMENT PROPERTY

As at 31 December the investment property consisted of the following:

	Land	Buildings	Total
	EUR'000	EUR'000	EUR'000
At 31 December 2018	59 059	697 080	756 139
Additions	2 003	34 568	36 571
Disposal of subsidiary	(12 832)	(141)	(12 973)
Reclassifications (to) from PPE	-	7	7
Fair value gain	647	11 169	11 816
Market value per external valuation report	**48 876**	**742 684**	**791 560**
Lease incentive impact	-	-	-
Fair value as at 31 December 2019	**48 876**	**742 684**	**791 560**
Other acquisitions of property			
Additions	-	3 038	3 038
Reclassifications (to) from PPE	110	(123)	(13)
Fair value gain	6 257	6 982	13 239
Fair value loss	(1 120)	(7 011)	(8 131)
Market value per external valuation report	**54 123**	**745 571**	**799 693**
Lease incentive impact	-	(3 729)	(3 729)
Fair value as at 31 December 2020	**54 123**	**741 841**	**795 964**

As at 31 December 2020 and 2019 investment property consists of four operating commercial properties, three land plots and a property under construction held for capital appreciation or future rental income. The Combined Group's investment properties are measured at fair value.

As at 31 December 2020 the investment property of the revenue generating investment properties under the Combined Group with the carrying amount of EUR 770.088 thousand (31 December 2019 – EUR 768.055 thousand) was pledged to banks under loan agreements (note 11).

Fair value hierarchy
To provide an indication about the reliability of the inputs used in determining fair value, the Combined Group has classified its non-financial assets and liabilities into the three levels prescribed under the accounting standards.

There were no transfers between Levels 1, 2 or 3 during 2020 and 2019.

31 December 2020	**Level 1 (EUR'000)**	**Level 2 (EUR'000)**	**Level 3 (EUR'000)**	**Total (EUR'000)**
Shopping centre Vilniaus Akropolis	-	-	309 000	309 000
Shopping centre Klaipėdos Akropolis	-	-	196 000	196 000
Shopping centre Siaulių Akropolis	-	-	74 000	74 000
Shopping centre Riga Akropole	-	-	192 000	192 000
Land plot Vilnius	-	25 000	-	25 000
Land plot Kaunas	-	3 300	-	3 300
Land plot Šiauliai	-	320	-	320
Land plot Narva	-	1 000	-	1 000
Market value per external valuation report	**-**	**29 620**	**771 000**	**800 620**
Lease incentive impact	-	-	(3 729)	(3 729)
PPE elimination	-	-	(927)	(927)
Total	**-**	**29 620**	**766 344**	**795 964**

31 December 2019	**Level 1 (EUR'000)**	**Level 2 (EUR'000)**	**Level 3 (EUR'000)**	**Total (EUR'000)**
Shopping centre Vilniaus Akropolis	-	-	300 600	300 600
Shopping centre Klaipėdos Akropolis	-	-	195 500	195 500
Shopping centre Šiaulių Akropolis	-	-	77 500	77 500
Shopping centre Riga Akropole	-	-	195 500	195 500
Land plot Vilnius	-	17 900	-	17 900
Land plot Kaunas	-	3 070	-	3 070
Land plot Šiauliai	-	430	-	430
Land plot Narva	-	2 120	-	2 120
Market value per external valuation report	**-**	**23 520**	**769 100**	**792 620**
Lease incentive impact	-	-	-	-
PPE elimination	-	-	(1 060)	(1 060)
Total	**-**	**23 520**	**768 040**	**791 560**

For all Level 3 investment properties valued EUR 771 000 thousand as at 31 December 2020 (as at 31 December 2019: EUR 769 100 thousand), the valuation was determined using discounted cash flow (DCF) projections based on significant unobservable inputs. These 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; and
- **Terminal value** taking into account assumptions regarding maintenance costs, vacancy rates and market rents.

Sensitivity analysis

Presented below is the sensitivity analysis of the Level 3 fair value hierarchy investments market value and a value of associated PPE per external valuation report for changes in the exit yield and discount rate.

31 December 2020, EUR'000		**Change in exit yield**		
		-0,25%	**0,00%**	**+0,25%**
	-0,25%	798 500	783 200	770 000
Change in discount rate	**0,00%**	784 200	771 000	757 800
	+0,25%	771 000	757 800	745 600

31 December 2019, EUR'000		**Change in exit yield**		
		-0,25%	**0,00%**	**+0,25%**
	-0,25%	796 200	780 700	766 100
Change in discount rate	**0,00%**	784 200	769 100	754 800
	+0,25%	772 600	757 700	743 800

All the rental income earned as well as all direct operating expenses incurred by the Combined Group were attributable to the investment property. 20% of income is expected to be generated from related parties, as this is the current combined ratio in all four operating commercial properties as of 31 December 2020 (Note 18). Future minimum undiscounted rentals receivable under operating leases as at 31 December are, as follows:

	2020 (EUR'000)	2019 (EUR'000)
Within 1 year	51 083	54 319
Within 2 years	46 430	45 203
Within 3 years	41 331	41 330
Within 4 years	29 952	37 333
Within 5 years	21 311	27 238
After 5 years	84 826	91 755
Total	**274 933**	**297 178**

7. RIGHT-OF-USE ASSETS

The Companies have adopted new requirements of IFRS 16 from 1 January 2019 on a modified retrospective basis, therefore comparatives for the 2018 year have not been restated. In the previous periods separate Combined Group companies recognised assets and liabilities related to finance lease under IAS 17 Leases. The Combined Group leases a land plot and vehicles under operating lease contracts. Based on the management estimates, a term of 10 years has been established for the lease of land. Following the adoption of the provisions of IFRS 16, expenses for the lease of land is recognised in the balance sheet as right-of-use assets and lease liabilities. Payments for the lease of low-value office equipment are recognised as expenses on a straight-line basis over the lease term. As at 31 December 2018 and before, assets leased under operating leases in the Combined Group's activities were not capitalised, lease payments were recognised as lease expenses in the statement of comprehensive income on a straight-line basis over the lease term, whereas liabilities recognised as amounts payable were accounted for in the statement of financial position.

The statement of financial position shows the following amounts relating to leases:

Right of use assets	2020 (EUR'000)	2019 (EUR'000)
Land	221	314
Vehicles	114	56
Total	**335**	**369**

Lease liabilities	2020 (EUR'000)	2019 (EUR'000)
Current	64	69
Non-current	326	311
Total	**390**	**380**
Impact on equity as of 31 December	**(55)**	**(11)**

As at 31 December 2020, the statement of comprehensive income includes depreciation of right of use assets in the amount of EUR 83 thousand (as at 31 December 2019 – EUR 104 thousand).

8. TRADE, OTHER RECEIVABLES AND OTHER ASSETS

As at 31 December trade, other receivables and other assets consisted of the following:

	2020 EUR'000	2019 EUR'000
Trade accounts receivable	2 952	2 218
Trade accounts receivable from related parties (note 18)	424	295
Less: allowance for trade receivables impairment	(116)	-
Trade accounts receivable, net	**3 260**	**2 512**
VAT receivable	116	633
Taxes paid in advance	-	284
Prepayments	107	112
Deferred expenses, accrued income and other accounts	83	142
Total	**3 566**	**3 684**

Trade receivables of the Combined Group comprise of rent and service charge receivables that are non-interest bearing and are typically due within 30 days.

During 2020, the Combined Group provided tenants with EUR 5.3 million rental discounts, of which EUR 1.5 mln. was recognized in the statement of comprehensive income. Included within receivables, are lease incentive receivables of EUR 3.7 million (there were no such lease incentive receivables in 2019), split between long-term (EUR 2.5 million) and short-term (EUR 1.2 million) receivables.

The movement of allowance of trade receivables during the period was as follows:

	2020 EUR'000	2019 EUR'000
Allowances at the beginning of the period	-	(222)
Additions	116	-
Write-offs charged against the allowance accounts	-	222
Allowances as at 31 December	**116**	**-**

As at 31 December 2020, expected credit losses of EUR 116 thousand were recognised in relation to rent receivables. The main cause of the expected credit losses is the increased credit risk from local independent customers and global covid-19 pandemic. As at 31 December 2019, management estimates that ECL were insignificant and was therefore not accounted for.

Balances in the provision for impairment of receivables as at 31 December 2020 were, as follows:

	Not due	< 31 days	31–90 days	91–180 days	180-365 days	>365 days	Total
Expected credit loss rate	0,05%	0,05%	0,05%	49,54%	51,75%	76,65%	**3,43%**
Carrying amount (EUR'000)	1 255	1 346	554	126	85	10	**3 376**
Expected credit loss (EUR'000)	1	1	0	62	44	8	**116**
Net amount (EUR'000)	**1 255**	**1 345**	**553**	**64**	**41**	**2**	**3 260**

While loans granted are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial, as there were no cases of non-recovery or late payments of loans granted. As at 31 December 2019, all loans with the value of EUR 149 million were granted to the sole shareholder and subsequently repaid in 2020 (note 18).

Ageing of trade receivables amounts past due but not impaired:

	2020 EUR'000	2019 EUR'000
Not past due	1 255	2 003
Past due less than 30 days	1 345	290
Past due 31-60 days	436	19
Past due 61-90 days	118	79
Past due 91 days and more	107	121
Total	**3 260**	**2 512**

See note 19 on credit risk of trade receivables, which explains how the Combined Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

As at 31 December 2020 trade and other receivables with the carrying amount of EUR 1,753 thousand (31 December 2019 – EUR 1.910 thousand) were pledged to banks under loan agreements (note 11).

9. CASH AND CASH EQUIVALENTS

As at 31 December cash and cash equivalents consisted of the following:

	2020 EUR'000	2019 EUR'000
Cash at bank	56 716	53 603
Cash on hand	4	21
Cash in transit	20	58
Total	**56 740**	**53 682**

As at 31 December 2020 cash in certain bank accounts and future cash inflows into these accounts with the carrying amount of EUR 27.874 thousand (31 December 2019 – EUR 25.372 thousand) were pledged to banks under loan agreements (note 11). Credit risk exposure is provided in note 19.

10. PARENT COMPANY INVESTMENT

As at 31 December 2020 and 2019 the parent company investment of the Combined Group comprised of ordinary registered shares of Akropolis Real Estate B.V, Akropolis Group UAB.

Akropolis Real Estate B.V	**2020**	**2019**
Number of shares (in thousands)	145 948	283 552
Par value of one share, EUR	0,96	0,96
Share capital (EUR'000)	**140 110**	**272 210**
Akropolis Group UAB	**2020**	**2019**
Number of shares (in thousands)	148	148
Par value of one share, EUR	0,29	0,29
Share capital (EUR'000)	**43**	**43**
Parent company investment (EUR'000)	**140 153**	**272 253**

In 2020 the authorised share capital of parent company Akropolis Real Estate B.V was decreased by annulling 137,604 thousand ordinary registered shares with a par value of EUR 0.96 that have voting rights in the general meeting of the Company and by disbursing funds to the shareholder in cash.

In 2019 the authorised share capital of parent company Akropolis Group, UAB was decreased by annulling 20,690 thousand ordinary registered shares with a par value of EUR 0.29 that have voting rights in the general meeting of the Company and by disbursing funds to the shareholder in cash.

In 2020, dividends paid to the shareholder by Akropolis Real Estate B.V amounted to EUR 50 million. In 2019, dividends paid to the shareholder by Akropolis Group UAB amounted to EUR 1 million.

11. BORROWINGS

In 2020 and 2019 all borrowings consisted only of bank loans.

As at 31 December 2020 and 2019 the Combined Group's bank loans were secured by the following collaterals:

- As at 31 December 2020 the Combined Group's property, plant and equipment with the carrying amount of EUR 912 thousand (EUR 1.045 thousand as at 31 December 2019) (note 5);
- As at 31 December 2020 the Combined Group's investment property with the carrying amount of EUR 770.088 thousand (EUR 768.055 thousand as at 31 December 2019) (note 6);
- As at 31 December 2020 the Combined Group's 2020 trade and other receivables with the carrying amount of EUR 1.753 thousand (EUR 1.910 thousand as at 31 December 2019) (note 8);
- As at 31 December 2020 the Combined Group's 2020 cash in certain bank accounts and future cash inflows into these accounts with the carrying amount of EUR 27.874 thousand (EUR 25.372 thousand as at 31 December 2019) (note 9);
- As at 31 December 2020 the Combined Group's 2020 other assets with the carrying amount of EUR 79 thousand (EUR 153 thousand as at 31 December 2019).

As at 31 December 2020 and 2019 all Combined Group's bank loans and other borrowings were denominated in Euros.

As at 31 December 2020 and 2019, the Combined Group's bank borrowings had a variable interest rate (linked to EURIBOR) with a minimum of 0%, plus a margin meeting market conditions. The Combined Group complied with the covenants (performance indicators) specified in the loan agreements as at 31 December 2020 and 2019. The Combined group's borrowings were as follows as at 31 December:

	2020 EUR'000	2019 EUR'000
At the beginning of the year	**281 868**	**172 404**
Proceeds from borrowings	15 000	170 397
Repayments of borrowings	(29 419)	(60 941)
Interest charged	3 465	3 011
Interest paid	(3 467)	(3 003)
At the end of the year	**267 447**	**281 868**

The Combined Group's net debt was as follows as at 31 December:

	2020 EUR'000	2019 EUR'000
Non-current borrowings	231 285	228 420
Current borrowings	36 162	53 448
(Less) Cash and cash equivalents	(56 740)	(53 682)
Net borrowings	**210 707**	**228 186**

12. TRADE AND OTHER PAYABLES

As at 31 December trade and other payables consisted of the following:

	2020 (EUR '000)	2019 (EUR '000)
Non-current advance amounts received	5 856	5 326
Other non-current amounts payable	3 409	71
Non-current amounts payable	**9 266**	**5 397**
Current advance amounts received	1 661	1 634
Trade payables	3 141	2 409
VAT payable	2 836	1 134
Real estate tax payable	189	369
Advance amounts received from, and trade and other amounts payable to related parties (Note 18)	88	95
Other amounts payable and accrued expenses	8 177	6 903
Current amounts payable	**16 092**	**12 544**
Total	**25 358**	**17 941**

Other payables and accrued expenses of the Combined Group as at 31 December 2020 and 2019 mainly comprise liability for gift vouchers issued.

Advance amounts paid by customers under the lease contracts are refunded upon expiry of validity of the contract. Classification into current and non-current depends on the validity term of the contract. As at 31 December 2020, non-current portion of advance amounts received was EUR 5.9 million and it was recorded within non-current advance amounts received (31 December 2019: EUR 5.3 million).

Trade payables are interest free and usually payments are due within 20 days. The same term is set for related parties' liabilities payments. Other payables are interest free and approximately due within 20 days.

13. SERVICE CHARGE EXPENSES

For the year ended 31 December service charge expenses by nature were as follows:

	2020 EUR'000	2019 EUR'000
Expenses of directly and indirectly sold utilities	**9 844**	**9 569**
Other indirect service charge expenses:		
Advertising and marketing expenses	3 976	5 027
Taxes (excluding income tax)	1 076	945
Employee costs (remuneration and related taxes)	976	1 448
Buildings repair and maintenance expenses	2 240	3 292
Depreciation and amortization	651	491
Transportation expenses	21	25
Professional fees	114	133
Telecommunication expenses	20	19
Other expenses	1 549	1 493
Total other indirect service charge expenses	**10 623**	**12 873**
Total	**20 467**	**22 442**

14. ADMINISTRATIVE EXPENSES

For the year ended 31 December general and administrative expenses by nature were as follows:

	2020 EUR'000	2019 EUR'000
Employee costs (remuneration and related taxes)	2 750	2 903
Advertising and marketing expenses	-	3
Professional fees	265	462
Allowance for receivable amounts (note 6)	128	148
Utilities	26	41
Low value short-term rent	49	48
Transportation expenses	12	18
Taxes (excluding income tax)	39	83
Depreciation and amortization	128	142
Telecommunication expenses	20	29
Other expenses	98	556
Total	**3 515**	**4 433**

Information about Directors remuneration is disclosed in note 18.

15. INCOME TAX EXPENSE

The following table presents calculation of income tax expense using local tax rate of 15% effective in reporting period:

	2020 EUR'000	2019 EUR'000
Profit (loss) before income tax	51 742	62 057
Income tax at the 15 % tax rate applicable to the Combined Group in Lithuania	7 761	9 309
Effect of income tax rate difference between countries	(965)	2
Tax effect of non-taxable income	(35)	(76)
Tax effect of non-deductible expenses	75	21
Utilisation of previously unrecognised tax losses	(3)	(82)
Reversal of Corporate Income Tax accrual	(1 094)	-
Effect of sale of investment property	-	(802)
Other	178	19
Income tax expense	**5 917**	**8 391**
Effective income tax rate	11,44%	13,52%

For the period ended 31 December income tax expense consisted of the following:

	2020 EUR'000	2019 EUR'000
Current income tax expense	3 134	7 196
Deferred income tax expense	2 783	1 195
Income tax expense	**5 917**	**8 391**

16. DEFERRED TAX (ASSET) LIABILITIES

For the year ended 31 December the changes in deferred tax liabilities were as follows:

	Depreciation and amortization	Revaluation of investment	Other	Total
	EUR'000	EUR'000	EUR'000	EUR'000
At 31 December 2018	32 023	47 730	670	80 423
Recognized in profit or loss	1 144	621	(670)	1 095
At 31 December 2019	**33 167**	**48 351**	**-**	**81 518**
Recognized in profit or loss	1 288	1 013	-	2 301
At 31 December 2020	**34 455**	**49 364**	**-**	**83 819**

For the year ended 31 December the changes in deferred tax asset were as follows:

	Provisions for vacation	Impairment of PPE	Other	Total
	EUR'000	EUR'000	EUR'000	EUR'000
At 31 December 2018	(200)	(492)	(1)	(693)
Recognized in profit or loss	50	50	-	100
At 31 December 2019	**(150)**	**(442)**	**(1)**	**(593)**
Recognized in profit or loss	-	442	40	482
At 31 December 2020	**(150)**	**-**	**39**	**(111)**

As at 31 December the balance of the deferred tax consisted of:

	2020 EUR'000	2019 EUR'000
Deferred tax asset	111	593
Deferred tax liability	(83 819)	(81 518)
Deferred tax liability, net	**(83 708)**	**(80 925)**

17. COMMITMENTS AND CONTINGENCIES

The Combined Group is currently involved in legal proceedings (two cases) related to the 2005-11-04 acquisition by Vingio Turtas, UAB of state-owned land that is the site of Akropolis Vingis. The validity of part of the state-owned land sale and purchase agreement (Agreement) is challenged due to an alleged breach of the claimants' rights of property restitution.

The National Land Service has adopted decisions favourable to Vingio Turtas, UAB. These decisions are currently being challenged in first instance administrative proceedings. The first instance civil case directly challenging the validity of part of the Agreement is suspended pending a decision in the administrative proceedings.

The Combined Group does not agree with the claimants' case and considers the possibility of satisfaction of the claims as low. The legal proceedings do not affect the Combined Group's rights over the Vingis site and development of Akropolis Vingis. In the event that the claimants were to prove successful, the Vingis site could be materially reduced in size, however, implementation of any potential award would be a highly complicated legal issue.

As at 31 December 2019, the Combined Group had no significant contingent liabilities.

18. RELATED PARTY TRANSACTIONS

During the year ended 31 December the related party transactions were as follows:

	2020 (EUR '000)	2019 (EUR '000)
Sales to:		
Shareholders	77	108
Affiliated companies	15 106	13 627
Total	**15 183**	**13 735**
Purchases from:		
Shareholders	85	183
Affiliated companies	798	772
Total	**882**	**955**
Interest income from:		
Shareholders	838	1 758
Total	**838**	**1 758**
Loans granted to:		
Shareholders	-	149 000
Total	**-**	**149 000**
Prepayments to and amounts receivable from:		
Shareholders	1	4
Affiliated companies	423	294
Lease incentives to affiliated companies	198	-
Total	**622**	**298**
Advance amounts received from and amounts payable to:		
Shareholders	6	18
Affiliated companies	143	114
Total	**149**	**132**

Sales to related parties mostly comprise of rent income and other services. Purchases from related parties include utility, consultations and other general and administrative expenses.

Terms and conditions of transactions with related parties
Average term of rent agreements with related parties operating in shopping centres is 12 years, while average term of rent agreements with related parties operating in office buildings is 7 years or open-ended contracts. All transactions with related parties were made on terms equivalent to those that prevail in arm's length transactions.

Terms and conditions of outstanding balances
The average term of all loans granted to shareholders were 1 year. All loans granted had a variable interest rate (linked to EURIBOR) with a minimum of 0%, plus a margin meeting market conditions.

Key management compensation
The Combined Group treats directors, head of departments' and members of the management boards as the key management (the "Directors").

For the years ended 31 December 2020 and 2019 the remuneration of the Combined Group's Directors was EUR 1.481 thousand and EUR 1.405 thousand, respectively.

19. FINANCIAL RISK MANAGEMENT

Credit risk. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Combined Group. The Combined Group's credit risk is attributable to its loans granted and trade and other receivables. The Combined Group assesses the credit quality of the debtors and customers, taking into account their financial position, past experience and other factors. The amounts presented in the statement of financial position are net of allowances for doubtful loans and receivables estimated on prior experience and present economic situation. The Combined Group has no significant concentration of credit risk with exposure spread over a number of counterparties and customers.

The credit risk of liquid funds (cash and time deposits) in banks is limited because the Combined Group's counterparties are banks with investment grade credit ratings of Baa3 and above assigned by Moody's, an international credit-rating agency.

Foreign currency exchange risk. There are no significant portions of foreign currency exchange risk for the Combined Group as the majority of its transactions are carried out in the Euro. At present the Combined Group companies do not use derivative financial instruments to hedge its risks associated with foreign currency fluctuations.

Interest rate risk. The Combined Group's cash flows are exposed to interest rate fluctuations.

The Combined Group's bank borrowings bear variable interest rates linked to variable base rate. Trade and other payables are interest-free and have settlement dates within one year.

The Combined Group's cash flow and fair value interest rate risk is periodically monitored by the management. It analyses its interest rate exposure on a dynamic basis taking into consideration refinancing, renewal of existing positions, alternative financing. Based on these scenarios, the Combined Group calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for receivables and liabilities that represent the major interest-bearing positions. The Combined Group does not use any derivative financial instruments to manage the interest rate risk.

The Combined Group estimates that with an increase/decrease of variable interest rates of 100 basis points, applied to exposed amounts as at 31 December 2020 and 2019 and with all other variables held constant, would result in an increase/decrease of the Combined Group's interest expenses and a decrease/increase of profit before income tax by respectively EUR 2 819 thousand and EUR 2 674 thousand.

Liquidity risk. Liquidity risk is managed according to the principles of prudence. The Combined Group manages its cash flows and liquidity based on projected cash flows over periods of six months. According to the management, liquidity ratios for the Combined Group are sufficient and prevalent for this type of business activity. Moreover, cash provided from operating activities are sufficient for future operations and liquidity.

The Combined Group's current assets exceeded its current liabilities, what demonstrates the Combined Group's ability to meet the creditor's demands. Meanwhile, the Combined Group's generated cash flow is sufficient to cover its current liabilities, a significant proportion of which is a financial debt to credit institutions repaid on a monthly basis, as well as deposits from tenants, which are due for repayment only after termination of lease agreements under certain terms and conditions.

The table below summarises the maturity profile of the Combined Group's financial liabilities based on contractual undiscounted payments (including interest payments):

31 December 2020	**Less than 6 months (EUR'000)**	**6-12 months (EUR'000)**	**Between 1-2 years (EUR'000)**	**Between 2-5 years (EUR'000)**	**Over 5 years (EUR'000)**	**Total (EUR'000)**
Bank borrowings	10 022	28 521	105 139	131 799	-	275 482
Lease liabilities	35	31	65	150	131	411
Trade and other payables	3 706	711	4 438	-	-	8 854
Total	**13 762**	**29 263**	**109 642**	**131 949**	**131**	**284 746**

31 December 2019	**Less than 6 months (EUR'000)**	**6-12 months (EUR'000)**	**Between 1-2 years (EUR'000)**	**Between 2-5 years (EUR'000)**	**Over 5 years (EUR'000)**	**Total (EUR'000)**
Bank borrowings	10 622	45 008	12 594	221 660	-	289 884
Lease liabilities	35	56	67	176	164	498
Trade and other payables	2 409	-	-	-	-	2 409
Total	**13 067**	**45 064**	**12 661**	**221 836**	**164**	**292 791**

20. CAPITAL MANAGEMENT

The Combined Group manages its issued share capital, share premium, foreign currency translation reserve and retained earnings as capital. As at December 31 the amounts of the components of capital were:

	2020 EUR'000	2019 EUR'000
Equity	480 679	616 954

The primary objective of the Combined Group's capital management is to ensure that each of the Companies complies with the externally imposed capital requirements and meets the respective capital ratios in order to preserve its business and maximise return to the shareholders. The Combined Group has an adequate capital level to further maintain its business development.

The Combined Group manages its capital structure and makes adjustments thereto in light of changes in economic conditions and risk characteristics of its activities. To maintain or adjust the capital structure, the Combined Group may adjust the dividend payment to shareholders, return capital to the shareholders or issue new shares. No changes were made concerning the purpose, policies or processes of capital management during the periods ended 31 December 2020 and 2019.

According to Law on companies of Republic of Lithuania the equity of limited liability company cannot be less than half of the share capital. Akropolis Group UAB has satisfied minimum equity requirement as of 31 December 2020.

21. FINANCIAL INSTRUMENTS

As at 31 December carrying values of financial instruments were as follows:

	2020 EUR'000	2019 EUR'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	60 223	101 957
Financial assets at fair value through profit or loss	-	-
Financial liabilities		
Interest-bearing loans and borrowings	267 447	281 868
Other non-current payables	9 266	5 397
Trade and other current payables	16 092	12 544

According to the management's best estimate, the carrying amount of receivables, cash and cash equivalents and trade and other current payables approximates its fair value due to short maturity terms.

Non-current payables are accounted for in the financial statements at the amortized cost (calculated by applying the effective interest rate which is close to the market interest rate), therefore their carrying amount approximates the fair value.

22. EFFECT OF COVID-19

Due to COVID-19 pandemic, the Combined Group experienced inevitable influence on its financial performance.

Below is the timeline of the most significant periods to the Combined Group during 2020, related to Lithuanian government measures fighting the global pandemic.

- March 16 - April 22: Partial close down - only the most necessary business were allowed, i.e. the activities of restaurants, cafes, bars, nightclubs and other places of entertainment were prohibited, except when food could be taken away, as well as the activities of physical shops, shopping and / or entertainment centres were prohibited, except shops selling food, veterinary, pharmacy, optical goods and orthopaedic technical devices;
- April 23 - May 17: entertainment and restaurant businesses were restricted; physical shops / some beauty service providers were able to work (subject to some additional safety requirements). Restaurants were able to work only in open spaces;
- November 7 - December 15: entertainment and restaurant (except take away) businesses were restricted. Shops / service providers (including those in shopping and / or entertainment centres) were able to work with some additional safety requirements;
- Since December 16: Partial close down - only the most necessary business are allowed, i.e. shops (including those in shopping and / or entertainment centres) were not allowed to work, except shops which main activity is selling food, veterinary, optical goods and orthopaedic technical devices (subject to some additional safety requirements). Activities of beauty services were prohibited, also activities of other services that require contact with the client for longer than 15 minutes (subject to some additional safety requirements).

Furthermore, below is the timeline of the most significant periods to the Combined Group during 2020, related to Latvian government measures fighting the global pandemic.

- March 12 - June 10: A state of emergency was declared, during which companies with the economic activity of entertainment (including sports services) were temporarily or partially temporarily forbidden or restrictions were imposed on their activities; (b) restrictions were imposed on the activities of caterers; (c) restrictions on the economic activities of certain traders were imposed by limiting their duration and / or prohibiting them from working on weekends and public holidays;
- 26 October - 09 November: forbidden the provision of economic services and events related to children's entertainment;;
- Since 9 November: A state of emergency has been declared, during which the economic activity of entertainment (including sports services) companies has been temporarily or partially temporarily forbidden or restrictions have been imposed on their activities; (b) restrictions were imposed in the economic activity of mass caterers (catering only on take-away); (c) restrictions were imposed on certain service providers and / or merchants, limiting their working hours and / or prohibiting them from operating, and / or determining the range of goods permitted for traders, and from 19 December Latvia allowed only the most necessary economic types of activity.

Lithuanian businesses, whose activities were prohibited or restricted during quarantine, had a possibility to get a partial compensation of lease payments from the Lithuanian Government amounting to 50 percent of the lease amount payable. The period for such compensations was from March 16 to August 31 of 2020, on a condition that a lessor contributes an additional 30 percent discount. Thus, the Combined Group provided discounts based on continuous negotiations. Tenants in Latvia were not granted with such governmental lease payment compensation, thus the Combined Group negotiated discounts for Latvian tenants in good faith. Total discounts in 2020 amounted to EUR 6.2 million. The Combined Group collected all receivables that had been granted discounts. Increase of trade receivables by the end of 2020 results from close down of shopping centres since mid-December.

The Combined Group, in cooperation with State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania (STI), has agreed 2 year interest free tax loan agreements for some of the Lithuanian Combined Group's companies tax arrears of 2020. Tax loans agreed majorly consists of Income Tax, VAT and Personal Income Tax. Other pandemic related benefits received during 2020 were immaterial.

In 2020, the Combined Group incurred additional expenses, amounting to EUR 525 thousand, which were allocated to various health and hygiene measures to ensure safety of employees and customers. Modern automatic ultraviolet (UV) disinfection equipment was installed on all escalators and moving walkaways, as well as in elevators for automatic UV air disinfection. Also, stations with automatic sensor disinfectant dispensers were installed at each of the entrances to the shopping centres and office buildings, as well as at information centres and sanitary facilities. Additionally, all common areas and frequently touched surfaces are periodically disinfected, ventilation systems are operating at full capacity, and air filters are periodically replaced. All personnel observe strict hand hygiene and monitor their health. Only people with protective face masks are allowed into the shopping centres. Administration constantly monitors and, if needed, regulates traffic to ensure safe distances between customers and thus prevent the spread of coronavirus.

At the date of these financial statements, quarantine measures are still in place and shopping centres are still under partial close down in both Latvia and Lithuania. However due to decline in number of COVID-19 cases, government of Lithuania eased restrictions as of 15 March, 2021, it is now allowed to open stores with a separate outside entrance. As of December, 2020 both Lithuanian and Latvian governments started immunising their population against COVID-19, with the pace of vaccination expected to accelerate in the upcoming months. The Combined Group is focused on helping its tenants financially during the partial close down, i.e. discounts and deferrals are being negotiated. Already granted discounts in January, 2021 comprises of 12% of a total rental and additional fees income for a month. It is currently unknown when usual business activities will be safe to resume and thus management observes effect of the global pandemic to be visible on the financial results of 2021 as well.

Despite global pandemic, the Combined Group managed to keep 97% collection rate during 2020. Thus, management believes that liquidity position of the Combined Group is sufficient and proven track record indicates strong resilience and flexibility to subside the negative effects of coronavirus pandemic.

23. EVENTS AFTER THE REPORTING PERIOD

On 19 February 2021 the AKROPOLIS GROUP, UAB board of directors adopted a decision to evaluate the possibility of borrowing funds in capital markets on terms acceptable to the company and to hire external advisors in this process. The process is currently ongoing, no further decisions have been adopted.

The Combined Group is undergoing a change in corporate structure whereby Akropolis Real Estate B.V. and all of its subsidiaries will become subsidiaries of Akropolis Group, UAB (the "Reorganisation"). On 22 March 2021, before the combined financial statements were authorised for issue, UAB "Vilniaus Prekyba", the sole shareholder of Akropolis Group, UAB and Akropolis Real Estate B.V., adopted a decision to increase the share capital of Akropolis Group, UAB by non-monetary contribution of the shareholder, namely, the payment of the subscription price of the newly issued shares in Akropolis Group, UAB will be performed by transferring ownership of 100% of the shares in Akropolis Real Estate B.V. from UAB "Vilniaus Prekyba" to Akropolis Group, UAB. Shares in Akropolis Real Estate B.V. were transferred to the ownership of Akropolis Group, UAB by notarial deed on 24 March 2021. The Combined Group is currently performing necessary registrations and other formal actions to finalize the Reorganisation. The said actions are expected to be completed in early April 2021.

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Independent auditor's report

To the shareholder of Akropolis Group UAB

Our opinion

In our opinion, the separate financial statements give a true and fair view of the financial position of Akropolis Group UAB (the "Company") as at 31 December 2020 and 31 December 2019, and the Company's financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited

The Company's separate financial statements comprise:

- the separate statement of financial position as at 31 December 2020 and 31 December 2019;
- the separate statement of comprehensive income for the years then ended;
- the separate statement of changes in equity for the years then ended;
- the separate statement of cash flows for the years then ended; and
- the notes to the separate financial statements, which include significant accounting policies and other explanatory information.

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 separate 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 in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the Law of the Republic of Lithuania on the Audit of Financial Statements that are relevant to our audit of the financial statements in the Republic of Lithuania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Law of the Republic of Lithuania on the Audit of Financial Statements.

Reporting on other information including the annual report

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

Our opinion on the separate financial statements does not cover the other information, including the annual report.

PricewaterhouseCoopers UAB, J. Jasinskio g. 16B, LT-03163 Vilnius, Lithuania
+370 (5) 239 2300, lt_vilnius@pwc.com, www.pwc.lt

Company code 111473315, registered with the Register of Legal Entities of the Republic of Lithuania

In connection with our audit of the separate 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 separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the annual report, we considered whether the annual report includes the disclosures required by the Law of the Republic of Lithuania on Financial Reporting by Undertakings.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the annual report for the financial year for which the separate financial statements are prepared, is consistent with the separate financial statements; and
- the annual report has been prepared in accordance with the Law of the Republic of Lithuania on Financial Reporting by Undertakings.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the annual report which we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Other matter – reissuance of the separate financial statements for the year ended 31 December 2019

The accompanying separate financial statements for the year ended 31 December 2019 replace the Company's previous separate financial statements originally issued on 31 March 2020. The Company reissued its separate financial statements for the year ended 31 December 2019 for reasons stated in Note 22 of the separate financial statements. Our opinion is not qualified in respect of this matter.

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

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

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

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

Auditor's responsibilities for the audit of the separate financial statements

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

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

On behalf of PricewaterhouseCoopers UAB

Rimvydas Jogėla
Partner
Auditor's Certificate No.000457

Vilnius, Republic of Lithuania
27 April 2021

The auditor's electronic signature is used herein to sign only the Independent Auditor's Report

STATEMENT OF FINANCIAL POSITION

	Notes	2020 (EUR '000)	2019 (EUR '000)
ASSETS			
Non-current assets		**1.555**	**1.800**
Property, plant and equipment		44	38
Intangible assets	**4**	194	171
Deferred income tax assets	**14**	85	125
Investments in subsidiaries	**5**	103	110
Right-of-use assets	**6**	1.129	1.356
Current assets		**9.688**	**7.250**
Inventories		-	1
Amounts receivable and prepayments	**7**	1.070	786
Cash and cash equivalents	**8**	8.618	6.463
TOTAL ASSETS		**11.243**	**9.050**
EQUITY AND LIABILITIES			
Share capital	**9**	43	43
Legal reserve	**10**	4	4
Retained earnings		666	489
Total equity		**713**	**536**
Non-current liabilities		**1.820**	**1.310**
Non-current amounts payable	**11**	228	30
Non-current lease liabilities	**6**	1.185	1.280
Non-current income tax payable		10	-
Non-current employment-related liabilities	**12**	396	-
Current liabilities		**8.710**	**7.204**
Trade and other payables	**11**	8.056	6.817
Current employment-related liabilities	**12**	462	198
Current lease liabilities	**6**	181	181
Current income tax payable		11	8
Total payables and liabilities		**10.530**	**8.514**
TOTAL EQUITY AND LIABILITIES		**11.243**	**9.050**

The accompanying notes are an integral part of these separate financial statements.

The separate financial statements were approved and signed on 27 April 2021 by:

Manfredas Dargužis Director	Gabrielė Saponaitė Head of Finance Department	Nida Nekiūnienė Chief Accountant

STATEMENT OF COMREHENSIVE INCOME

	Notes	2020 (EUR '000)	2019 (EUR '000)
Revenue from contracts with customers		3.864	4.262
Cost of sales	**13**	(1.001)	(1.309)
GROSS PROFIT		**2.864**	**2.953**
General administrative expenses	**14**	(2.759)	(2.808)
Other income	**15**	193	421
Other costs		(25)	(19)
OPERATING PROFIT (LOSS)		**272**	**547**
Interest expenses	**6**	(38)	(46)
PROFIT (LOSS) BEFORE INCOME TAX		**234**	**501**
Income tax benefit/(expense)	**16**	(57)	(67)
NET PROFIT (LOSS)		**177**	**434**
TOTAL COMPREHENSIVE INCOME		**177**	**434**

The accompanying notes are an integral part of these separate financial statements.

The separate financial statements were approved and signed on 27 April 2021 by:

Manfredas Dargužis Director	Gabrielė Saponaitė Head of Finance Department	Nida Nekiūnienė Chief Accountant

STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital (EUR '000)	Legal reserve (EUR '000)	Retained earnings (deficit) (EUR '000)	Total (EUR '000)
Balance at 31 December 2018		**43**	**551**	**508**	**1.102**
Profit for the period		-	-	434	434
Total comprehensive income		**-**	**-**	**434**	**434**
Transactions with owners:					
Dividends paid	**9**	-	-	(1.000)	(1.000)
Profit appropriation to legal reserve		-	(547)	547	-
Total transactions with owners		**-**	**(547)**	**(453)**	**(1.000)**
Balance at 31 December 2019		**43**	**4**	**489**	**536**
Profit for the period		-	-	177	177
Total comprehensive income		**-**	**-**	**177**	**177**
		-	**-**	**-**	**-**
Balance at 31 December 2020		**43**	**4**	**666**	**713**

The accompanying notes are an integral part of these separate financial statements.

The separate financial statements were approved and signed on 27 April 2021 by:

Manfredas Dargužis Director	Gabrielė Saponaitė Head of Finance Department	Nida Nekiūnienė Chief Accountant

STATEMENT OF CASH FLOWS

	Notes	2020 (EUR '000)	2019 (EUR '000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		177	434
Reversal of non-cash items:			
Income tax		57	67
Depreciation		228	264
Amortisation		37	16
(Gain)/loss from liquidation of subsidiaries		25	-
Impairment losses of subsidiaries	**5**	-	19
Gain on disposal of subsidiaries	**15**	-	(247)
Effect of lease contract modification	**18**	116	85
Income from unused gift vouchers	**15**	159	136
Interest expenses	**18**	38	46
Cash flows from operating activities before changes in working capital		**837**	**819**
(Increase) decrease in amounts receivable, prepayments and other current assets		(283)	(69)
(Increase)/decrease in inventories		(1)	-
Increase in amounts payable and other non-current and current liabilities		1.948	1.272
Cash generated from operations		**2.501**	**2.022**
Income tax paid		-	(26)
Net cash inflow from operating activities		**2.501**	**1.996**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangible assets		(105)	(148)
Sale of property, plant and equipment and intangible assets		2	-
Sale of subsidiaries	**5**	-	510
Increase of share capital of subsidiary		(18)	-
Net cash inflow from investing activities		**(121)**	**362**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	**9**	-	(1.000)
Principal amount of lease payments	**18**	(225)	(255)
Net cash (outflow) from financing activities		**(225)**	**(1.255)**
(Decrease)/increase in cash and cash equivalents		**2.155**	**1.103**
Cash and cash equivalents at the beginning of the year	**8**	6.463	5.360
Cash and cash equivalents at the end of the year	**8**	**8.618**	**6.463**

The accompanying notes are an integral part of these separate financial statements.

The separate financial statements were approved and signed on 27 April 2021 by:

Manfredas Dargužis	Gabrielė Saponaitė	Nida Nekiūnienė
Director	Head of Finance Department	Chief Accountant

1. GENERAL INFORMATION

AKROPOLIS GROUP, UAB (the Company) was established and started its activities on 30 July 2010. The basis for the establishment was the reorganisation of company NM PROJEKTAS, UAB (named NIKOLA MUSHANOV PROJEKTAS, UAB until 30 March 2020, named AKROPOLIS, UAB until 30 July 2010) by way of spin-off. The address of the Company's head office is Ozo g. 25, Vilnius, Lithuania.

The Company's principal activities include real estate management and development and consultation services.

As at 31 December 2020 and 2019, Vilniaus Prekyba UAB, company code 302608755, address: Ozo g. 25, Vilnius, was the Company's sole shareholder. Metodika B.V., address: Amstelveenseweg 500, 1081 KL, Amsterdam, operating in the Kingdom of the Netherlands, is the ultimate parent company and Mr Nerijus Numa is the ultimate controlling party.

As at 31 December 2020 and 2019, the Company had no branches or representative offices.

As at 31 December 2020, the Company had 91 (31 December 2019: 95) employees.

As at 31 December 2020 and 2019, the Company had direct control over the following subsidiaries:

Name	Country	Head office address	Principal activities	Type of control	Effective ownership
Akropole Riga, SIA	Latvia	Maskavas iela 257, Riga	Real estate management and development	Direct	100%
AKROPOLIS SOFIA, EOOD	Bulgaria	Nikola Mushanov blv. 151, Sofia	Real estate management and development	Direct	100% (until 31 October 2020)
OZO BOULINGAS, UAB	Lithuania	Ozo g. 25, Vilnius	Restaurants, cafes	Direct	100% (until 29 March 2019)

On 31 October 2020, the Company liquidated 100% of shares of subsidiary AKROPOLIS SOFIA, EOD. Loss of EUR 25,3 thousand was accounted for as Other costs in the statement of comprehensive income.

On 29 March 2019, the Company sold 100% of shares of subsidiary OZO BOULINGAS, UAB for EUR 510 thousand.

2. ACCOUNTING POLICIES

Presented below are the principal accounting policies applied in the preparation of the Company's separate financial statements for the financial years ended 31 December 2020 and 2019.

Statement of compliance
These separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (the "EU").

Basis of preparation
The separate financial statements have been prepared on a historical cost basis.

All amounts in these financial statements are presented in the national currency of the Republic of Lithuania, the euro (EUR), as the majority of the Company's transactions is conducted in this currency.

All amounts in these financial statements are rounded to the nearest thousands of euros, and therefore, there might be insignificant mismatches between the amounts due to the rounding effects.

The Company has not prepared the consolidated financial statements for the year ended 31 December 2020 because management believes that the Company met all criteria defined in IFRS 10, Consolidated Financial Statements, and therefore was eligible for the exemption which allows not to present the consolidated financial statements. More specifically, Vilniaus prekyba, UAB, the sole shareholder of the Company, consolidates all subsidiaries and produces its consolidated financial statements according to IFRS. In addition, at the balance sheet date the Company did not have any publicly traded debt or equity instruments and did not file and was not in the process of filing its financial statements for the purpose of issuing publicly traded instruments.

The Lithuanian Law on Consolidated Accounts of the Groups of Entities also does not require the preparation of the consolidated financial statements for the year ended 31 December 2020, because the Company's parent company Vilniaus prekyba UAB consolidates all its subsidiaries and prepares the consolidated financial statements under IFRS that are made available to general public. The consolidated financial statements (including the independent auditor's report) is available at the following address: Ozo g. 25, Vilnius, Lithuania.

Investments in subsidiaries
In the Company's statement of financial position investments in subsidiaries are stated at acquisition cost less impairment. Dividends received from subsidiaries are recognised as income in the statement of comprehensive income.

Goodwill
Goodwill arising in a business combination is recognised as an asset at the date when control is acquired. Goodwill is measured as the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill is not amortised but is reviewed for impairment at least annually.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal. In the Company's separate financial statements goodwill is included in the intangible assets in the statement of financial position. If a subsidiary is reorganised by merging it with the Company, the amount of goodwill is presented separately in the line item of goodwill.

Business combinations of entities under common control
IFRS 3 *Business combinations* is not applied to business combinations of entities under common control. For the purpose of these financial statements, a business combination transaction performed between entities under common control was accounted for using the pooling of interest method. The practical application of this method involves the following procedures:

- assets and liabilities of the companies being merged are stated at the carrying amounts that were accounted for in the previous financial statements of the companies;
- no additional goodwill is recognised as a result of business combination;
- results of operations of the companies being merged, assets and liabilities are presented prospectively in the financial statements from the date on which the business combinations of entities under common control was carried out.

The merger of the previously acquired subsidiary with the Company by way of the reorganisation of the companies is not considered as a new business combination and is also accounted for using the pooling of interest method.

Revenue recognition

Revenue from contracts with customers
Revenue from contracts with customers is recognised when control of goods or services is transferred to the customer at the amount that the Company expects to receive in exchange for those goods or services. The Company determined that it acts as a principal in the revenue transaction (except for the agency activities described below) because:

- the Company controls goods and services before those goods and services are transferred to a customer;
- the Company is responsible for the provision of services and is exposed to non-performance risk;
- the Company has discretion, direct or indirect, in establishing the price.

The Company's revenue from contracts with customers mainly consists of revenue from consultation services related to real estate management and development.

The management has also determined that control of the services being rendered is generally transferred to a customer over time, therefore the Company satisfies a performance obligation and recognises revenue also over time as the customer simultaneously receives and consumes all of the benefits provided by the Company as the Company performs. Such revenue is recognised by measuring progress towards completion or by directly measuring the value of services transferred to the customer to date.

Revenue from unused *Akropolis* gift vouchers
The Company has signed the agreement with the suppliers on the distribution and administration of *Akropolis* gift vouchers. At the distribution locations of gift vouchers customers can acquire gift vouchers of different denominations which can be used instead of money to pay for goods at any store of the *Akropolis* shopping centres. Gift vouchers have a limited period of validity, i.e. they are valid for 12 months from the date of acquisition. Based on the Company's management judgement, unused gift vouchers that have already expired and that were acquired earlier than during the previous year are recognised as Other income in the Statement of Comprehensive Income. Such income is recognised using the agency accounting policies because:

- the Company does not assume the main responsibility for the services rendered;
- the Company has no discretion, direct or indirect, in establishing the prices.

Balances under the contract

Contract assets
A contract asset is the right to consideration in exchange for services rendered to the customer. If the Company renders services to a customer before a customer pays for them or before the due settlement date, the contract asset is accounted for at the amount equal to a relative consideration earned.

Trade receivables
A trade receivable represents the Company's right to the earned consideration that is unconditional (i.e. consideration should be paid, without any exceptions, after the agreed deadline). See the accounting policies section on financial assets.

Contract liability – advance amounts received and other amounts payable
A contract liability is the obligation to render services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company renders services to

the customer, a contract liability is recognised when the payment is received. A contract liability is recognised as revenue when the Company satisfies the performance obligation established in the contract (Note 11).

In case of income from other activities received for unused *Akropolis* gift vouchers, a contract liability, i.e. funds received for the sale of gift vouchers that need to be transferred to the distributor of gift vouchers, is accounted for in the statement of financial position as other amounts payable.

In view of the Company's business model, the management has not made any other significant accounting decisions, estimates or assumptions related to revenue from contracts with customers other than those described in this note because there were no complex multicomponent goods or services, variable consideration, financing components, contract costs or amounts payable to customers.

Interest income
Interest income is accrued on a time proportion basis over the entire period to maturity by reference to the principal outstanding and the effective interest rate.

Dividend Income
Dividend income is recognised when the Company's right to receive payments is established except when they represent a recovery of an investment rather than a return on such investment.

Recognition of expenses
Expenses are recognised on the basis of a reliable estimate of the fair value of the purchases of goods or services, net of value added tax and discounts and are accounted for on an accrual basis in the reporting period when incurred.

Operating expenses that are directly attributable to revenue earned or a part thereof are included in the cost of sales; operating expenses that are not directly attributable to revenue earned are included in administrative expenses.

The Company is a lessee

Leases previously accounted for as operating leases
The Company adopted IFRS 16 from 1 January 2019. The Company recognised right-of-use assets and lease liabilities for all leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid lease payments. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Right-of-use assets
The Company recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Recognised right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and the lease term.

Lease liabilities
At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable and variable lease payments that depend on an index or a rate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period when they occur. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The carrying amount of lease liabilities is remeasured if there is a change in the variable lease payments that depend on an index or a rate or there is a change in the lease term.

Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). The exemption is also applied to leases of office and other equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Foreign currency
Foreign currency transactions are translated into the euros using the official exchange rate prevailing at the date of the transaction as established by the Bank of Lithuania, which approximates the market rate. Monetary assets and liabilities are translated into the euros using the exchange rate prevailing at the date of the preparation of the statement of financial position. Exchange differences resulting from foreign currency transactions are recognised in the statement of comprehensive income when such differences arise. Foreign exchange gains and losses resulting from the translation of monetary assets and liabilities to the euros are recognised in the statement of comprehensive income.

The exchange rate of the euro in relation to other currencies is announced daily by the Bank of Lithuania.

Income tax
Income tax expense comprises the current year income tax and deferred income tax expenses.

Current income tax
The income tax expense for the current year is calculated on the current year's profit, as adjusted for certain non-deductible expenses/non-taxable income. Tax rates used to compute income tax expenses are those applicable at the date of the preparation of the financial statements. The income tax rate of 15% is applicable to the Company from 2010.

Deferred income tax
Deferred income tax assets and deferred income tax liabilities are recognised to reflect differences between the carrying amounts of assets and liabilities for financial reporting purposes and their corresponding tax base. Deferred income tax liabilities are recognised for all temporary differences that will subsequently increase taxable profit, and deferred income tax assets are recognised only to the extent to which they are expected to reduce taxable profit in the future. Such deferred income tax assets and liabilities are not recognised if temporary differences arise from the initial recognition of goodwill or from the initial recognition of assets and liabilities (other than in a business combination) in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred income tax liabilities are recognised for temporary taxable differences, except where the timing of the reversal of the temporary differences associated with investments in subsidiaries, entities under common control and associates is controlled by the Company, and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred income tax assets are recognised for deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised and that the temporary differences will reverse in the foreseeable future.

Deferred income tax assets are reviewed at each reporting date and if it is not probable that the Company will generate sufficient taxable profit to realise the total amount of these assets, they are reduced to an amount which is likely to reduce the taxable profit in future.

Deferred income tax assets and liabilities are estimated using the valid tax rate that will be applied in the year in which these temporary differences are expected to be realised or settled, based on the tax rates (and tax laws) that have been enacted by the end of the reporting period. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset the current year income tax assets against liabilities and when they are related to income taxes levied by the same taxation authorities, and when the Company intends to settle the current year income tax assets and the current year income tax liabilities on a net basis.

Current and deferred income tax for the period
Current and deferred income tax is included in profit or loss for the period, except to the extent that it relates to line items recognised in other comprehensive income or directly in equity, in which case income tax is also recognised in other comprehensive income/equity, or if it arose from initial recognition of the business combination.

Tax losses can be carried forward for an indefinite period, except for losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the Company changes its activities due to which these losses were incurred, except when the Company does not continue its activities due to reasons which do not depend on the Company itself. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature. With effect from 1 January 2014, tax losses available for carry forward can be used to reduce taxable income of the current tax year by maximum 70%.

With effect from 1 January 2010, the Law of the Republic of Lithuania on Corporate Income Tax stipulates that a group entity may transfer tax losses (or a part thereof) calculated for the tax period to another entity of a group, which in turn has a right to deduct the transferred losses from the amount of taxable profit calculated for the tax period in respect of which the losses (or a part thereof) transferred by another group entity were calculated.

Property, plant and equipment
Property, plant and equipment is stated at acquisition cost less subsequent accumulated depreciation and accumulated impairment loss. The acquisition cost includes replacement costs of a part of property, plant and equipment when incurred and when these costs meet the recognition criteria. When a significant part of non-current assets needs to be replaced at respective time intervals, the Company depreciates this property, plant and equipment separately in view of its useful life. Accordingly, when major repairs are carried out, expenses are accounted for in the statement of financial position as the modification of property, plant and equipment when the recognition criteria are met. All other repair and maintenance costs are recognised in profit or loss of the period as incurred.

Depreciation is calculated on a monthly basis apportioned equally over the entire useful life of the asset using average estimated useful lives of property, plant and equipment, as follows:

Equipment and other assets	3 – 6 years
Motor vehicles	6 years

All items of assets with the useful life longer than one year are capitalised.

Gains or losses on disposal or write-off of property, plant and equipment are determined by reference to the proceeds from disposal less the carrying amount of the asset concerned, and the result is recognised in profit or loss.

Intangible assets
Intangible assets are expected to generate economic benefits in the future. Intangible assets are stated at the acquisition cost, less accumulated amortisation and impairment. Amortisation is calculated on a straight-line basis to write off the cost of each asset over the estimated useful life of the asset of 3 to 4 years.

Impairment of property, plant and equipment and intangible assets
At each reporting date the Company reviews the net book value of its property, plant and equipment and intangible assets to assess whether there is an indication that an asset may be impaired. If any such indication exists, the Company estimates the asset's recoverable amount to assess impairment, if any. When the fair value of the asset cannot be calculated, the Company calculates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

When the calculated recoverable amount of an asset (or a cash-generating unit) is lower than its net book value, the net book value is written down to the fair value of an asset (or a cash-generating unit). An impairment loss is recognised immediately.

If after recognition of impairment losses the value of an asset increases, the net book value of an asset (cash-generating unit) is increased to the newly calculated recoverable amount of an asset. That increased recoverable amount cannot exceed the net book value of an asset (cash-generating unit) that would have been determined had no impairment losses been recognised in the previous periods. Increase in value of assets is recognised in profit or loss immediately.

Cash and cash equivalents
For the purpose of the statement of financial position and the statement of cash flows, the Company's cash and cash equivalents comprise cash on hand and in current bank accounts and cash equivalents which are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Investments normally only qualify as cash equivalents if they have a short maturity of three months or less from the date of acquisition. Financial instruments are only included in cash equivalents if they are in substance cash equivalents, e.g. debt investments with fixed redemption dates that are acquired within three months of their maturity or investments in highly liquid money market instruments and funds.

Financial assets

Initial recognition and measurement
On initial recognition, financial assets are classified as subsequently measured at amortised cost, at fair value through other comprehensive income, or at fair value through profit or loss.

The classification of financial assets on initial recognition depends on the contractual nature of the cash flows of the financial asset and the Company's business model for managing financial assets. Except for trade receivables that do not have a significant financing component, the Company initially recognises financial assets at fair value, plus, in case of financial assets not measured at fair value through profit or loss, transaction costs. Trade receivables that do not include a significant financing component are measured at the transaction price determined in accordance with IFRS 15.

For a financial asset to be designated and measured at amortised cost or fair value through other comprehensive income, cash flows arising from the financial asset should comprise solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is called the SPPI test and is performed for each financial instrument.

The Company's business model for managing financial assets indicates how the Company manages its financial assets to generate cash flows. The business model determines whether cash flows will be generated by collecting contractual cash flows, by selling the financial asset or by using both options.

Ordinary purchases or sales of financial assets are recognised on the trade date, i.e. the date on which the Company commits to purchase or sell the financial asset.

Subsequent measurement
After initial recognition, the Company measures financial assets at:

a) amortised cost (debt financial instruments);
b) fair value through other comprehensive income when accumulated profit or loss is transferred to profit or loss upon derecognition (debt financial instruments). As at 31 December 2020 and 2019, the Company had no such financial instruments;
c) fair value through other comprehensive income when accumulated profit or loss is not transferred to profit or loss upon derecognition (equity instruments). As at 31 December 2020 and 2019, the Company had no such financial instruments;
d) fair value through profit or loss. As at 31 December 2020 and 2019, the Company had no such financial instruments.

<u>Financial assets measured at amortised cost (debt financial instruments)</u>
The Company measures financial assets at amortised cost provided that both of the following conditions are met:

i) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortised cost are subsequently recorded using the effective interest rate (EIR) method less impairment losses. Gains or losses are recognised in the statement of comprehensive income when the asset is derecognised, replaced or impaired.

The Company's financial assets measured at amortised cost comprise trade receivables, other current and non-current receivables, loans granted and assets arising from contracts with customers, if any.

<u>Impairment of financial assets</u>
According to IFRS 9, the Company recognises expected credit losses (ECLs) for all debt financial instruments that are not measured at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

(a) Assessment of impairment of trade receivables
For trade receivables and contract assets, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

The expected loss rates are based on the historical information about the delayed payments by customers. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the tenants to settle the receivable. Such forward-looking information would include: (1) changes in economic, regulatory, technological and environmental factors, (such as industry outlook, GDP, employment and politics), (2) external market indicators, (3) customers' base.

Trade receivables are written off when they meet both of the following criteria are met: (1) receivables are past due more than a year and (2) the recovery is impossible.

(b) Assessment of impairment of loans granted
The Company assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Company follows a three-stage model for impairment for financial assets other than trade receivables:

- Stage 1 – balances, for which the credit risk has not increased significantly since initial recognition, or that have low credit risk at the reporting date. For these assets, 12-month ECLs are recognized and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL are the expected credit losses that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12 months.
- Stage 2 – comprises balances for which there have been a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment. For these assets, lifetime ECLs are recognized, but interest revenue is still calculated on the gross carrying amount of the asset. Lifetime ECLs are the expected credit losses that result from all possible default events over the expected life of the financial instrument. Expected credit losses are the weighted average credit losses with the probability of default ('PD') as the weight.
- Stage 3 – comprises balances with objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognized and interest revenue is calculated on the net carrying amount (that is, net of credit allowance).

The financial assets are considered as credit-impaired, if objective evidence of impairment exist at the reporting date. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in payments, the probability that they will enter bankruptcy or other financial reorganization.
Financial assets are written off, in whole or in part, when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the probability of insolvency or significant financial difficulties of the debtor. Impaired debts are derecognized when they are assessed as uncollectible.

Financial liabilities

<u>Initial recognition and measurement:</u>
On initial recognition, financial liabilities are measured at fair value through profit or loss. With an exception of lease liabilities, all financial liabilities are initially recognised at fair value and, in case of borrowings and amounts payable, directly attributable transaction costs are deducted. The Company's financial liabilities include trade and other payables, including lease liabilities.

Subsequent measurement of borrowings and other amounts payable
After initial recognition, borrowings and other amounts payable are accounted for at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in the statement of comprehensive income when liabilities are derecognised, as well as through the amortisation process. Amortised cost is calculated by reference to the discount or premium on acquisition, as well as costs that are an integral part of the EIR. EIR amortisation is included in financing costs in the statement of comprehensive income.

Off-setting of financial instruments
Financial assets and financial liabilities are set off and the net amount is presented in the statement of financial position when there is an enforceable right to set off the recognised amounts and when there is intention to settle on a net basis, i.e. to realise the asset and settle the liability simultaneously.

Derecognition of financial assets and liabilities

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

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

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Company’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities
A financial liability is derecognised when the obligation under the liability is settled, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

Effective interest rate method
The effective interest rate method is used to calculate amortised cost of financial assets or financial liabilities and allocate interest income or expenses to the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, when appropriate, a shorter period to the gross carrying amount of the financial asset or financial liability.

Fair value
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be available to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Assessments are carried out by the Company's management at each date of the preparation of the statement of financial position. For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of assets or liabilities and the level of the fair value hierarchy as explained above.

Related parties
Parties are considered to be related if one party has the ability to control the other party or to exercise significant influence over the other party in making financial and other decisions. Related parties are defined as shareholders, management personnel, their close relatives and companies that directly or indirectly (through the intermediary) control the Company or are controlled by, or are under common control with the other entity which is also recognised as a related party, except for the cases when actual circumstances indicate that in relationship between the Company and the other entity neither control nor significant influence can be present in making financial and management decisions.

Critical accounting estimates and judgements
In applying accounting policies the management is required to make estimates, judgements and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and the related assumptions are based on past experience and other directly related factors. Actual results may differ from estimates made.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The areas where estimates are significant to these financial statements include recognition of expired gift vouchers as other income.

Events after the reporting period
Events after the reporting period that provide additional information about the Company's position at the date of the statement of financial position (adjusting events) are reflected in the financial statements. Events after the reporting period other than adjusting events are disclosed in the notes to the financial statements when such events are significant.

3. ADOPTION OF NEW AND/OR AMENDED IFRS AND INTERPRETATIONS OF THE INTERNATIONAL FINANCIAL REPORTING INTERPRETATIONS COMMITTEE (IFRIC)

There were no changes in the Company's accounting policies. The following amended standards became effective from 1 January 2020, but did not have any material impact on the Company:

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020). The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting. The adoption of these amendments had no significant impact on the Company's financial statements.

Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020). The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets). The adoption of these amendments had no significant impact on the Company's financial statements.

Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020). The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The adoption of these amendments had no significant impact on the Company's financial statements.

Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020). The amendments were triggered by replacement of benchmark interest rates such as LIBOR and other inter-bank offered rates ('IBORs'). The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the IBOR reform. Cash flow hedge accounting under both IFRS 9 and IAS 39 requires the future hedged cash flows to be 'highly probable'. Where these cash flows depend on an IBOR, the relief provided by the amendments requires an entity to assume that the interest rate on which the hedged cash flows are based does not change as a result of the reform. Both IAS 39 and IFRS 9 require a forward-looking prospective assessment in order to apply hedge accounting. While cash flows under IBOR and IBOR replacement rates are currently expected to be broadly equivalent, which minimises any ineffectiveness, this might no longer be the case as the date of the reform gets closer. Under the amendments, an entity may assume that the interest rate benchmark on which the cash flows of the hedged item, hedging instrument or hedged risk are based, is not altered by IBOR reform. IBOR reform might also cause a hedge to fall outside the 80–125% range required by retrospective test under IAS 39. IAS 39 has therefore been amended to provide an exception to the retrospective effectiveness test such that a hedge is not discontinued during the period of IBOR-related uncertainty solely because the retrospective effectiveness falls outside this range. However, the other requirements for hedge accounting, including the prospective assessment, would still need to be met. In some hedges, the hedged item or hedged risk is a non-contractually specified IBOR risk component. In order for hedge accounting to be applied, both IFRS 9 and IAS 39 require the designated risk component to be separately identifiable and reliably measurable. Under the amendments, the risk component only needs to be separately identifiable at initial hedge designation and not on an ongoing basis. In the context of a macro hedge, where an entity frequently resets a hedging relationship, the relief applies from when a hedged item was initially designated within that hedging relationship. Any hedge ineffectiveness will continue to be recorded in profit or loss under both IAS 39 and IFRS 9. The amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present. The amendments require entities to provide additional information to investors about their hedging relationships that are directly affected by these uncertainties, including the nominal amount of hedging instruments to which the reliefs are applied, any significant assumptions or judgements made in applying the reliefs, and qualitative disclosures about how the entity is impacted by IBOR reform and is managing the transition process. The adoption of these amendments had no significant impact on the Company's financial statements.

Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020). The amendments provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; any reduction in lease payments affects only payments due on or before 30 June 2021; and there is no substantive change to other terms and conditions of the lease. If a lessee chooses to apply the practical expedient to a lease, it would apply the practical expedient consistently to all lease contracts with similar characteristics and in

similar circumstances. The amendment is to be applied retrospectively in accordance with IAS 8, but lessees are not required to restate prior period figures or to provide the disclosure under paragraph 28(f) of IAS 8. The adoption of these amendments had no impact on the Company's financial statements.

The following amended standards became effective from 1 January 2019:

IFRS 16 *Leases* (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019). 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. Following the adoption of IFRS 16, the Company recognised Right of use assets and lease liabilities relating to lease which was previously classified as operating lease under the principles of IAS 17 *Leases.*

IFRIC 23 *Uncertainty over income tax treatments* (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019). IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgements or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgement or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgements and estimates required by the Interpretation. The adoption of this interpretation had no significant impact on the Company's financial statements.

Prepayment features with negative compensation – Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019). The amendments enable measurement at amortised cost of certain loans and debt securities that can be prepaid at an amount below amortised cost, for example at fair value or at an amount that includes a reasonable compensation payable to the borrower equal to present value of an effect of increase in market interest rate over the remaining life of the instrument. In addition, the text added to the standard's basis for conclusion reconfirms existing guidance in IFRS 9 that modifications or exchanges of certain financial liabilities measured at amortised cost that do not result in the derecognition will result in an gain or loss in profit or loss. Reporting entities will thus in most cases not be able to revise effective interest rate for the remaining life of the loan in order to avoid an impact on profit or loss upon a loan modification. The adoption of these amendments had no significant impact on the Company's financial statements.

Long-term interests in associates and joint ventures – Amendments to IAS 28 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).The amendments clarify that reporting entities should apply IFRS 9 to long-term loans, preference shares and similar instruments that form part of a net investment in an equity method investee before they can reduce such carrying value by a share of loss of the investee that exceeds ordinary shares held by the investor. The adoption of these amendments had no significant impact on the Company's financial statements.

Annual improvements to IFRSs 2015–2017 cycle – Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019). The narrow scope amendments impact four standards. The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. Conversely, IFRS 11 now explicitly explains that the investor should not remeasure its previously held interest when it obtains joint control of a joint operation, similarly to the existing requirements when an associate becomes a joint venture and vice versa. The amended IAS 12 explains that an entity recognises all income tax consequences of dividends where it has recognised the transactions or events that generated the related distributable profits, e.g. in profit or loss or in other comprehensive income. It is now clear that this requirement applies in all circumstances as long as payments on financial instruments classified as equity are distributions of profits, and not only in cases when the tax consequences are a result of different tax rates for distributed and undistributed profits. The revised IAS 23 now includes explicit guidance that the borrowings obtained specifically for funding a specified asset are excluded from the pool of general borrowings costs eligible for capitalisation only until the specific asset is substantially complete. The adoption of these improvements had no significant impact on the Company's financial statements.

Plan amendment, curtailment or settlement – Amendments to IAS 19 (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019). The amendments specify how to determine pension expenses when changes to a defined benefit pension plan occur. When a change to a plan—an amendment, curtailment or settlement—takes place,

IAS 19 requires to remeasure net defined benefit liability or asset. The amendments require to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. Before the amendments, IAS 19 did not specify how to determine these expenses for the period after the change to the plan. By requiring the use of updated assumptions, the amendments are expected to provide useful information to users of financial statements. The adoption of these amendments had no significant impact on the Company's financial statements.

Standards approved but not yet effective

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2021 or later, and which the Company has not early adopted.

IFRS 14, Regulatory Deferral Accounts (issued on 30 January 2014 and effective for annual periods beginning on or after 1 January 2016). IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. The adoption of the standard is not expected to have a significant impact on the Company.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. These amendments have not yet been adopted by the EU. The Company has not yet assessed the impact of the adoption of these amendments.

IFRS 17 "Insurance Contracts"(issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately. The standard has not yet been adopted by the EU. The adoption of the new standard is not expected to have a significant impact on the Company.

Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022).These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument. The Company is currently assessing the impact of these amendments on its financial statements.

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).
The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.

The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.
IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.
The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.
Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.
IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.
The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis. The Company is currently assessing the impact of these amendments on its financial statements.

Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023). The amendments include a number of clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard. The following amendments to IFRS 17 were made:

- Effective date: The effective date of IFRS 17 (incorporating the amendments) has been deferred by two years to annual reporting periods beginning on or after 1 January 2023; and the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 has also been deferred to annual reporting periods beginning on or after 1 January 2023.
- Expected recovery of insurance acquisition cash flows: An entity is required to allocate part of the acquisition costs to related expected contract renewals, and to recognise those costs as an asset until the entity recognises the contract renewals. Entities are required to assess the recoverability of the asset at each reporting date, and to provide specific information about the asset in the notes to the financial statements.
- Contractual service margin attributable to investment services: Coverage units should be identified, considering the quantity of benefits and expected period of both insurance coverage and investment services, for contracts under the variable fee approach and for other contracts with an 'investment-return service' under the general model. Costs related to investment activities should be included as cash flows within the boundary of an insurance contract, to the extent that the entity performs such activities to enhance benefits from insurance coverage for the policyholder.
- Reinsurance contracts held – recovery of losses: When an entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or on addition of onerous underlying contracts to a group, an entity should adjust the contractual service margin of a related group of reinsurance contracts held and recognise a gain on the reinsurance contracts held. The amount of the loss recovered from a reinsurance contract held is determined by multiplying the loss recognised on underlying insurance contracts and the percentage of claims on underlying insurance contracts that the entity expects to recover from the reinsurance contract held. This requirement would apply only when the reinsurance contract held is recognised before or at the same time as the loss is recognised on the underlying insurance contracts.

Other amendments: Other amendments include scope exclusions for some credit card (or similar) contracts, and some loan contracts; presentation of insurance contract assets and liabilities in the statement of financial position in portfolios instead of groups; applicability of the risk mitigation option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss; an accounting policy choice to change the estimates made in previous interim financial statements when applying IFRS 17; inclusion of income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract in the fulfilment cash flows; and selected transition reliefs and other minor amendments. The Company is currently assessing the impact of these amendments on its financial statements.

Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance. The Company is currently assessing the impact of these amendments on its financial statements.

Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021). The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The amendments cover the following areas:

- Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform: For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognised. This practical expedient applies only to such a change and only to the extent it is necessary as a direct consequence of IBOR reform, and the new basis is economically equivalent to the previous basis. Insurers applying the temporary exemption from IFRS 9 are also required to apply the same practical expedient. IFRS 16 was also amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of IBOR reform.
- End date for Phase 1 relief for non-contractually specified risk components in hedging relationships: The Phase 2 amendments require an entity to prospectively cease to apply the Phase 1 reliefs to a non-contractually specified risk component at the earlier of when changes are made to the non-contractually specified risk component, or when the hedging relationship is discontinued. No end date was provided in the Phase 1 amendments for risk components.
- Additional temporary exceptions from applying specific hedge accounting requirements: The Phase 2 amendments provide some additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.

Additional IFRS 7 disclosures related to IBOR reform: The amendments require disclosure of: (i) how the entity is managing the transition to alternative benchmark rates, its progress and the risks arising from the transition; (ii) quantitative information about derivatives and non-derivatives that have yet to transition, disaggregated by significant interest rate benchmark; and (iii) a description of any changes to the risk management strategy as a result of IBOR reform. The Company is currently assessing the impact of these amendments on its financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The Company is currently assessing the impact of the amendments on its financial statements.

Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates. The Company is currently assessing the impact of the amendments on its financial statements.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Company's separate financial statements.

4. INTANGIBLE ASSETS

As at 31 December the intangible assets consisted of the following:

	Goodwill	Licences and patents	Software	Total
	EUR'000	EUR'000	EUR'000	EUR'000
Carrying amount as of 31 December 2018	-	74	11	85
Additions	-	56	46	102
Amortization	-	(7)	(8)	(16)
Carrying amount as of 31 December 2019	**-**	**122**	**49**	**171**
At 31 December 2019				
Acquisition cost	366	168	171	704
Accumulated amortization and impairment	(366)	(46)	(122)	(534)
Carrying amount as of 31 December 2019	**-**	**122**	**49**	**171**
Carrying amount as of 31 December 2019	-	122	49	171
Additions	-	47	14	60
Amortization	-	(16)	(21)	(37)
Carrying amount as of 31 December 2020	**-**	**152**	**42**	**194**
At 31 December 2020				
Acquisition cost	366	215	184	765
Accumulated amortization and impairment	(366)	(62)	(143)	(570)
Carrying amount as of 31 December 2020	**-**	**152**	**42**	**194**

Acquisition cost of fully depreciated licenses, patents and software still in use amounted to EUR 158 thousand as at 31 December 2020 (31 December 2019: EUR 143 thousand).

5. INVESTMENTS IN SUBSIDIARIES

Investments in the subsidiaries were as follows as at 31 December:

	2020		2019	
Subsidiary	**Value**	**Ownership interest**	**Value**	**Ownership interest**
	(EUR '000)	**%**	**(EUR '000)**	**%**
Akropole Riga, SIA	103	100	103	100
AKROPOLIS SOFIA, EOOD	-	-	7	100
Total	**103**		**110**	

On 18 February 2020, the Company increased shares of subsidiary AKROPOLIS SOFIA, EOOD for EUR 18,4 thousand. On 31 October 2020, the Company liquidated 100% of shares of subsidiary AKROPOLIS SOFIA, EOD with the carrying amount of EUR 25,3 thousand. Loss was accounted for as Other costs in the statement of comprehensive income.

On 29 March 2019, the Company sold 100% of shares of subsidiary OZO BOULINGAS UAB for EUR 510 thousand. Impairment of EUR 19 thousand in relation to decrease in equity of subsidiary AKROPOLIS SOFIA, EOOD was recorded as at 31 December 2019.

6. RIGHT-OF-USE ASSETS

The Company leases various offices and vehicles. Rental contracts are typically made for fixed periods of 3 to 10 years.

Statement of Financial Position shows the following amounts relating to leases:

Right-of-use assets	**2020 (EUR '000)**	**2019 (EUR '000)**
Premises	1.039	1.301
Motor vehicles	90	55
	1.129	**1.356**

Lease liabilities	**2020 (EUR '000)**	**2019 (EUR '000)**
Current portion of lease liabilities	181	181
Non-current portion of lease liabilities	1.185	1.280
Total	**1.366**	**1.461**

As of 31 December 2020 statement of comprehensive income shows depreciation expenses relating to right-of-use assets in the amount of EUR 203 thousand and EUR 229 thousand as of 31 December 2019.

7. AMOUNTS RECEIVABLE AND PREPAYMENTS

Amounts receivable and prepayments comprised as follows as at 31 December:

	2020 (EUR '000)	**2019 (EUR '000)**
Trade receivable from related parties (Note 17)	994	742
Trade receivables	2	5
Trade receivables, net	**996**	**747**
Prepayments	6	11
Deferred expenses and other amounts receivable	68	28
Total	**1.070**	**786**

The Company's management estimates that expected credit losses as at 31 December 2020 and 2019 were immaterial and thus not accounted for, as there were no cases of non-recovery of trade receivables from respective customers in the past.

The ageing analysis of these trade receivables is as follows:

	2020 (EUR '000)	**2019 (EUR '000)**
Not past due	698	635
Less than 30 days past due	220	101
31-60 days past due	46	-
61-90 days past due	-	-
91 and more days past due	32	11
Total	**996**	**747**

At the date of approval of these financial statements, 98% of all trade receivables as of 31 December 2020 and approx. 100% of all trade receivables as of 31 December 2019 have been paid in full.

8. CASH AND CASH EQUIVALENTS

As at 31 December 2020 and 2019, cash and cash equivalents consistent of the following:

	2020 EUR'000	2019 EUR'000
Cash at bank	8 616	6 462
Cash on hand	2	1
Total	**8 618**	**6 463**

Increase in cash resulted mainly from higher sales of *Akropolis* gift vouchers/cards.

Credit risk exposure is provided in note 18.

9. SHARE CAPITAL

As at 31 December 2020 and 2019, the Company's authorised share capital consisted of 147,823 ordinary registered shares with a par value of EUR 0.29 each that have voting rights in the general meeting of the Company and by disbursing funds to the shareholder in cash. All the shares were fully paid.

In 2020 no dividends were paid by the Company to its shareholder. In 2019, dividends paid to the shareholder by the Company amounted to EUR 1 million (EUR 6,76 per share).

10. LEGAL RESERVE

A legal reserve is a compulsory reserve under the Lithuanian legislation. Annual transfers of 5 per cent of net profit calculated in accordance with the Lithuanian regulatory legislation on accounting are required until the reserve reaches 10 per cent of the authorised share capital. The legal reserve is formed to cover possible losses of the Company and cannot be used for the payment of dividends or for any other purpose.

The legal reserve was fully established at the Company as at 31 December 2020 and 2019. In 2019, the legal reserve was reduced to 10% of the authorised share capital.

11. TRADE AND OTHER AMOUNTS PAYABLE

Trade and other amounts payable comprised as follows as at 31 December:

	2020 (EUR '000)	2019 (EUR '000)
Non-current advance amounts received	4	30
Non-current VAT payable	224	-
Non-current amounts payable	**228**	**30**
Trade payables	49	189
VAT payable	245	75
Trade payables to related parties (note 17)	9	22
Advances received from related parties (note 17)	178	178
Akropolis gift vouchers	7.564	6.342
Other amounts payable and accrued expenses	11	11
Current amounts payable	**8.056**	**6.817**
Total	**8.284**	**6.847**

Trade and other amounts payable (including amounts payable to related parties) are non-interest bearing and are normally settled on the term of 20 days. Other amounts payable increased as at 31 December 2020 as a result of higher sales of *Akropolis* gift vouchers.

12. EMPLOYMENT RELATED LIABILITES

Employment related liabilities as follows for the year ended 31 December:

	2020 (EUR '000)	2019 (EUR '000)
Non-current personal income tax payable	177	-
Non-current deferred social security tax	219	-
Non-current employment related liabilities	**396**	**-**
Current personal income tax payable	114	-
Current deferred social security tax	26	-
Remuneration payable	322	198
Current employment related liabilities	**462**	**198**
Total	**858**	**198**

13. COST OF SALES

Cost of sales comprised as follows for the year ended 31 December:

	2020 (EUR '000)	2019 (EUR '000)
Wages and salaries of employees and related expenses	(824)	(976)
Depreciation expenses	(76)	(66)
Public utilities	(33)	(33)
Transport expenses	(17)	(14)
Other costs	(51)	(220)
Total	**(1.001)**	**(1.309)**

14. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprised as follows for the year ended 31 December:

	2020 (EUR '000)	2019 (EUR '000)
Wages and salaries of employees and related expenses	(2.058)	(1.965)
Depreciation and amortisation expenses	(189)	(214)
Expenses of consultation services	(170)	(292)
Taxes (other than income tax)	(7)	(16)
Communication expenses	(6)	(8)
Public utilities	(32)	(35)
Transport expenses	(15)	(31)
Other costs	(280)	(247)
Total	**(2.759)**	**(2.808)**

15. OTHER INCOME

Other income comprised as follows for the year ended 31 December:

	2020 (EUR '000)	2019 (EUR '000)
Gain from disposal of subsidiary (Note 5)	-	247
Income from unused gift vouchers	159	136
Other	34	38
Total	**193**	**421**

16. INCOME TAX

	2020 (EUR '000)	2019 (EUR '000)
Current tax	17	17
Deferred tax	40	50
Total	**57**	**67**

The table below presents the calculation of income tax expenses / (benefits) using the income tax rate of 15%.

	2020 (EUR '000)	2019 (EUR '000)
Profit before income tax	234	501
Income tax calculated at a standard tax rate of 15%	35	75
Tax effects of non-taxable income	(5)	(47)
Tax effects of non-deductible expenses	27	39
Income tax expense /(benefit)	**57**	**67**
Effective income tax rate	24,5%	13,5%

The Company's accumulated tax losses totalled EUR 569 thousand as at 31 December 2020 for which deferred income tax assets were recognised. The Company's accumulated tax losses totalled EUR 837 thousand as at 31 December 2019 for which deferred income tax assets were recognised. Management expects the accumulated tax loss to be realized in the coming year.

	Deferred tax assets due to tax losses (EUR '000)
At 31 December 2018	**176**
Recognized in profit	(50)
At 31 December 2019	**125**
Recognized in profit	(40)
At 31 December 2020	**85**

17. RELATED-PARTY TRANSACTIONS

Transactions conducted with related parties during the year ended 31 December were as follows:

	2020 (EUR '000)	2019 (EUR '000)
Sales (to):		
Shareholder	10	7
Subsidiaries	-	440
Other related parties	40	25
Subsidiaries of the parent Company	4.669	4.360
Total	**4.719**	**4.833**
Purchases (from):		
Shareholder	85	183
Subsidiaries	-	12
Other related parties	2	2
Subsidiaries of the parent Company	139	229
Total	**226**	**526**
Interest expenses:		
Subsidiaries of the parent Company	37	45
Total	**37**	**45**
Prepayments made (to) and amounts receivable (from):		
Shareholder	1	4
Other related parties	4	3
Subsidiaries of the parent Company	989	735
Total	**994**	**742**
Advance amounts received (from) and amounts payable (to):		
Shareholder	6	18
Other related parties	0	1
Subsidiaries of the parent Company	181	181
Total	**187**	**200**

Sales to related parties mainly consisted of revenue from consultation services related to real estate management and development. Purchases from related parties mainly consisted of consultation and lease expenses. The Company lease premises from an associates related to a parent Company for an average of 10 years or open-ended lease term. All transactions with related parties were made on terms equivalent to those that prevail in arm's length transactions.

During the year ended 31 December 2020, the average annual number of management personnel was 9 and employment-related payments to management personnel amounted to EUR 1.137 thousand. During the year ended 31 December 2019, the average annual number of management personnel was 9 and employment-related payments to management personnel amounted to EUR 1.021 thousand.

18. FINANCIAL RISK MANAGEMENT

Credit risk. Credit risks or the risk of counterparties defaulting due to which the Company will incur financial losses. The Company is exposed to credit risk primarily in connection with amounts receivable. The Company assesses the credit quality of buyers and borrowers by evaluating their financial position, historical experience and other factors. In the statement of financial position, amounts receivable are stated less of doubtful amounts receivable, if any, which are assessed by the Company based on past experience, current economic conditions and expected future economic conditions.

Credit risk arising from liquid cash balances at banks is limited because the Company carries out transactions with the banks having investment grade credit ratings of Aa3 and above assigned by Moody's, an international credit rating agency.

The Company conducts business operations with several main clients. Liquidity issues faced by at least one of the main clients would cause significant impact on the Company's cash flows. However, since all clients of the Company are related, financially stable companies, credit risk arising from amounts receivable from them is minimal.

Foreign exchange risk. The Company is not exposed to any foreign exchange risk as all of the Company's operations is conducted in euros. At present the Company does not use derivative financial instruments to hedge its risks associated with foreign currency fluctuations.

Interest rate risk. The Company's cash flows are not affected by fluctuations in market interest rates as the Company does not have any debt instruments with a floating interest rate.

In case the Company would have or would consider having debt instruments with floating interest rates, the interest rate risk would be managed as described further. The Company's cash flow and fair value interest rate risk are periodically monitored by the management. It analyses its interest rate exposure on a dynamic basis taking into consideration refinancing, renewal of existing positions, alternative financing. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for receivables and liabilities that represent the major interest-bearing positions. The Company does not use any derivative financial instruments to manage the interest rate risk.

Liquidity risk. In managing liquidity risk the Company follows the principle of prudence. The Company manages its cash flows and liquidity risk based on cash flow projections, which are prepared on a semi-annual basis. Cash flows from the operating activities are the main source of the Company's liquidity. As at 31 December 2020 and 2019, all amounts payable by the Company mature within one year, except for an advance amount received of EUR 30 thousand and non-current lease payments.

The table below summarises the maturity profile of the Company's financial liabilities including interests, based on contractual undiscounted payments:

31 December 2020	**Less than 6 months (EUR'000)**	**6-12 months (EUR'000)**	**Between 1-2 years (EUR'000)**	**Between 2-5 years (EUR'000)**	**Over 5 years (EUR'000)**	**Total (EUR'000)**
Lease liabilities	92	90	183	534	477	1 377
Trade payables	58	-	-	-	-	58
Total	**150**	**90**	**183**	**534**	**477**	**1 435**

31 December 2019	**Less than 6 months (EUR'000)**	**6-12 months (EUR'000)**	**Between 1-2 years (EUR'000)**	**Between 2-5 years (EUR'000)**	**Over 5 years (EUR'000)**	**Total (EUR'000)**
Lease liabilities	79	89	183	549	645	1 545
Trade payables	211	-	-	-	-	211
Total	**290**	**89**	**183**	**549**	**645**	**1 756**

The table below summarises the movement of the Company's lease liabilities:

	Lease liabilities (EUR'000)
As of 1 January 2019	**1 955**
New lease agreements	13
Lease modification effect	85
Interests	46
Principal lease payments	(255)
Decrease in lease liabilities	(383)
Carrying amount as of 31 December 2019	**1 461**
New lease agreements	103
Lease modification effect	116
Interests	38
Principal lease payments	(225)
Decrease in lease liabilities	(127)
Carrying amount as of 31 December 2020	**1 366**

19. CAPITAL MANAGEMENT

For capital management purposes the Company defines capital as share capital, legal reserve and retained earnings amounting to EUR 713 thousand as at 31 December 2020 and EUR 536 thousand as at 31 December 2019.

The primary objective of the Company's capital management is to ensure that the Company complies with externally imposed capital requirements, requiring to keep respective capital ratios in order to preserve its business and maximise return to the shareholders. The Company retains a rather high level of capital for a possible further development and expansion of the Company.

The Company manages its capital structure and makes the adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to the shareholders or issue new shares. No changes were made concerning risk management objectives, policies or processes during the periods ended 31 December 2020 and 31 December 2019.

The Company is obliged to keep its shareholders' equity ratio not less than 50% of its share capital, as imposed by the Law on Companies of Republic of Lithuania. As at 31 December 2020 and 2019, the Company complied with this requirement.

20. FINANCIAL INSTRUMENTS

Financial instruments comprised as follows as at 31 December:

	2020 (EUR '000)	2019 (EUR '000)
Financial assets		
Trade and other amounts receivable	996	747
Cash and cash equivalents	8.618	6.463
Financial liabilities		
Trade payables	58	211
Advances received	178	178
Accrued expenses	12	10
Akropolis gift vouchers	7 564	6 342

All the Company's financial assets and financial liabilities are measured at amortised cost.

In the management's opinion, the carrying amount of trade and other amounts receivable, cash and cash equivalents and trade and other amounts payable approximates their fair value due to short contractual settlement terms and it is measured using fair value measurement techniques of Level 3.

21. EFFECT OF COVID-19

As Company's principal source of income is from consultation services based on the performance of managed real estate companies, global COVID-19 pandemic had an inevitable influence on Companies financial performance. Company's revenue from contracts with customers in 2020 are thus down 9% compared to 2019.

The Company, in cooperation with State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania (STI), has agreed 2 year interest free tax loan agreement for some of the Company's tax arrears of 2020. Tax loan agreed majorly consists of VAT and Personal Income Tax. The Company was also granted deferral of social insurance tax payable (note 12). Downtime compensations and employment subsidies received amounted to EUR 236 thousand during 2020. The Company did not receive any other governmental benefits relating to COVID-19 pandemic during 2020.

At the date of these financial statements, quarantine measures are still in place. It is currently unknown when usual business activities will be safe to resume and thus management observes effect of the global pandemic to be visible on the financial results of 2021 as well.

22. RECLASSIFICATION IN PREVIOUS PERIODS

In 2020, Company reclassified the gain from disposal of subsidiary from finance income to other income in the statement of comprehensive income for the year ended 31 December 2019, as it is not associated with borrowings or treasury activities to manage liquidity.

Also, in 2020 Company reviewed the application of policies regarding depreciation expenses allocation between cost of sales and general administrative expenses and, as a result, reclassified EUR 66 thousands from cost of sales to general administrative expenses. These reclassifications had no impact on the statement of financial position and net result for the year then ended.

As management believes the amounts are material, the following reclassifications had been made retrospectively in these financial statements:

	2019 originally	Reclassification	2019 presented in these FS
Cost of sales	(1.243)	(66)	(1.309)
GROSS PROFIT	**3.019**	**(66)**	**2.953**
General administrative expenses	(2.875)	66	(2.808)
Other income	107	247	421
OPERATING PROFIT (LOSS)	**300**	**247**	**547**
Other finance income	247	(247)	-
PROFIT (LOSS) BEFORE INCOME TAX	**501**	**-**	**501**

23. EVENTS AFTER REPORTING PERIOD

The Company is undergoing a change in corporate structure whereby Akropolis Real Estate B.V., a sister company of Akropolis Group, UAB, and all of its subsidiaries will become subsidiaries of Akropolis Group, UAB (the "Reorganisation"). On 22 March 2021, UAB "Vilniaus Prekyba", the sole shareholder of Akropolis Group, UAB and Akropolis Real Estate B.V., adopted a decision to increase the share capital of Akropolis Group, UAB by non-monetary contribution of EUR 479 790 000 by the shareholder, namely, the payment of the subscription price of the newly issued shares in Akropolis Group, UAB will be performed by transferring ownership of 100% of the shares in Akropolis Real Estate B.V. from UAB "Vilniaus Prekyba" to Akropolis Group, UAB. Shares in Akropolis Real Estate B.V. were transferred to the ownership of Akropolis Group, UAB by notarial deed on 24 March 2021. All formal registrations finalizing the Reorganisation were completed on 6 April 2021.

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Independent auditor's report

To the shareholder of Aido turtas UAB

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Aido turtas UAB (the "Company") as at 31 December 2020 and 31 December 2019, and the Company's financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2020 and 31 December 2019;
- the statement of comprehensive income for the years then ended;
- the statement of changes in equity for the years then ended;
- the statement of cash flows for the years then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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 in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the Law of the Republic of Lithuania on the Audit of Financial Statements that are relevant to our audit of the financial statements in the Republic of Lithuania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Law of the Republic of Lithuania on the Audit of Financial Statements.

Reporting on other information including the annual report

Management is responsible for the other information. The other information comprises the 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, including the annual report.

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.

PricewaterhouseCoopers UAB, J. Jasinskio g. 16B, LT-03163 Vilnius, Lithuania
+370 (5) 239 2300, lt_vilnius@pwc.com, www.pwc.lt

Company code 111473315, registered with the Register of Legal Entities of the Republic of Lithuania

With respect to the annual report, we considered whether the annual report includes the disclosures required by the Law of the Republic of Lithuania on Financial Reporting by Undertakings.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the annual report for the financial year for which the financial statements are prepared, is consistent with the financial statements; and
- the annual report has been prepared in accordance with the Law of the Republic of Lithuania on Financial Reporting by Undertakings.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the annual report which we obtained prior to the date of this auditor's report. 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 of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

On behalf of PricewaterhouseCoopers UAB

Rimvydas Jogėla
Partner
Auditor's Certificate No.000457

Vilnius, Republic of Lithuania
23 April 2021

The auditor's electronic signature is used herein to sign only the Independent Auditor's Report

STATEMENT OF FINANCIAL POSITION

	Notes	2020 (EUR '000)	2019 (EUR '000)
ASSETS			
Non-current assets		**73 848**	**77 500**
Property, plant and equipment	**4**	66	45
Investment property	**5**	73 554	77 455
Non-current receivables and prepayments	**6**	228	-
Current assets		**9 584**	**13 981**
Inventories		16	17
Amounts receivable and prepayments	**6**	553	325
Loans granted	**14**	-	10 026
Cash and cash equivalents	**7**	9 015	3 613
TOTAL ASSETS		**83 432**	**91 481**
Share capital	**8**	6 382	6 382
Share premium	**8**	20 876	20 876
Legal reserve	**9**	638	638
Revaluation reserve	**9**	3 626	3 626
Retained earnings		22 772	34 222
Total equity		**54 294**	**65 744**
Non-current liabilities		**26 686**	**11 820**
Borrowings	**10**	14 125	-
Non-current amounts payable	**11**	1 387	705
Non-current income tax		587	-
Deferred income tax liability	**13**	10 587	11 115
Current liabilities		**2 452**	**13 917**
Borrowings	**10**	750	12 668
Trade and other payables	**11**	1 071	776
Current income tax payable		631	473
Total amounts payable and liabilities		**29 138**	**25 737**
TOTAL EQUITY AND LIABILITIES		**83 432**	**91 481**

The accompanying notes form an integral part of these financial statements.

The financial statements were approved and signed on 23 April 2021 by:

Violeta Tvarijonienė Director	Gabrielė Saponaitė Head of Finance Department of Akropolis Group, UAB, an entity handling accounting books	Nida Nekiūnienė Chief Accountant of Akropolis Group, UAB, an entity handling accounting books

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2020 (EUR '000)	2019 (EUR '000)
Rental income		6 558	6 704
Revenue from contracts with customers	**12**	3 060	3 473
Other operating expenses	**12**	(3 466)	(3 632)
GROSS PROFIT		**6 152**	**6 545**
General and administrative expenses		(39)	(35)
Other income		9	11
Change in fair value of investment property	**5**	(3 901)	289
OPERATING PROFIT		**2 221**	**6 810**
Interest income		33	89
Interest expense	**10**	(200)	(90)
PROFIT BEFORE INCOME TAX		**2 054**	**6 809**
Income tax (expenses)	**13**	(304)	(1 020)
NET PROFIT		**1 750**	**5 789**
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		**1 750**	**5 789**

The accompanying notes form an integral part of these financial statements.

The financial statements were approved and signed on 23 April 2021 by:

Violeta Tvarijonienė Director	Gabrielė Saponaitė Head of Finance Department of Akropolis Group, UAB, an entity handling accounting books	Nida Nekiūnienė Chief Accountant of Akropolis Group, UAB, an entity handling accounting books

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Legal reserve	Reva-luation reserve	Retained earnings	Total
	(EUR '000)	(EUR '000)	(EUR '000)	(EUR '000)	(EUR '000)	(EUR '000)
Balance at 31 December 2018	**6 382**	**20 876**	**638**	**3 626**	**28 433**	**59 956**
Net profit	-	-	-	-	5 789	5 789
Total comprehensive income	**-**	**-**	**-**	**-**	**5 789**	**5 789**
Balance at 31 December 2019	**6 382**	**20 876**	**638**	**3 626**	**34 222**	**65 744**
Dividends declared	-	-	-	-	(13 200)	(13 200)
Total transactions with owners	**-**	**-**	**-**	**-**	**(13 200)**	**(13 200)**
Net profit	-	-	-	-	1 750	1 750
Total comprehensive income	**-**	**-**	**-**	**-**	**1 750**	**1 750**
Balance at 31 December 2020	**6 382**	**20 876**	**638**	**3 626**	**22 772**	**54 294**

The accompanying notes form an integral part of these financial statements.

The financial statements were approved and signed on 23 April 2021 by:

Violeta Tvarijonienė Director	Gabrielė Saponaitė Head of Finance Department of Akropolis Group, UAB, an entity handling accounting books	Nida Nekiūnienė Chief Accountant of Akropolis Group, UAB, an entity handling accounting books

STATEMENT OF CASH FLOWS

	Notes	2020 (EUR '000)	2019 (EUR '000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit		1 750	5 789
Adjustments for interest, tax and non-cash items:			
Income tax	**13**	304	1 020
Depreciation	**4**	22	21
Loss on change in fair value of investment property	**5**	3 901	(289)
Interest expense		200	90
Interest income		(33)	(89)
Cash flows from operating activities before changes in working capital		**6 144**	**6 542**
Changes in working capital:			
(Increase) decrease in amounts receivable, prepayments and of other non-current and current assets		(475)	2
(Increase) in inventories		(1)	(1)
Increase in amounts payable and other non-current and current liabilities		925	14
Cash flows generated from operating activities before interest and tax		**6 592**	**6 557**
Interest paid		(146)	(90)
Income tax paid		(87)	(1 195)
Net cash generated from (used in) operating activities		**6 359**	**5 272**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and investment property		(24)	(29)
Loans granted	**14**	-	(10 000)
Repayment of loans granted	**14**	10 000	7 200
Interest received		59	93
Net cash generated from (used in) investing activities		**10 036**	**(2 736)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	**8**	(13 200)	-
Borrowings received	**10**	15 000	-
Repayment of borrowings	**10**	(12 793)	(2 303)
Net cash generated from (used in) financing activities		**(10 993)**	**(2 303)**
Net increase in cash and cash equivalents		**5 402**	**233**
Cash and cash equivalents at the beginning of the year	**7**	3 613	3 380
Cash and cash equivalents at the end of the year	**7**	**9 015**	**3 613**

The accompanying notes form an integral part of these financial statements.

The financial statements were approved and signed on 23 April 2021 by:

Violeta Tvarijonienė Director	Gabrielė Saponaitė Head of Finance Department of Akropolis Group, UAB, an entity handling accounting books	Nida Nekiūnienė Chief Accountant of Akropolis Group, UAB, an entity handling accounting books

1. GENERAL INFORMATION

AIDO TURTAS UAB (the Company) was established and started its activities on 18 June 2008. The Company's registered office address: Ozo g. 25, Vilnius, Lithuania.

The Company's main business activity is development and operating lease of freehold real estate.

As at 31 December 2020 and 2019, the Company's sole shareholder was AKROPOLIS REAL ESTATE B.V., a limited liability company established under the laws of the Kingdom of the Netherlands, with its registered office address: Claude Debussylaan 7, 1082MC Amsterdam, Kingdom of the Netherlands, operating in the Kingdom of the Netherlands. The ultimate parent is Metodika B.V., address: Amstelveenseweg 500, 1081 KL, Amsterdam, Kingdom of the Netherlands, operating in the Kingdom of the Netherlands. The ultimate controlling party is Mr. Nerijus Numa.

As at 31 December 2020 and 2019, the Company had no branches and representative offices.

As at 31 December 2020 and 2019, the Company had 1 employee.

2. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the Company's financial statements for the year ended 31 December 2020 and 31 December 2019 are set out below.

Statement of compliance
These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU).

Basis of preparation
The financial statements have been prepared on a historical cost basis, except for the investment property measured at fair value.

All amounts in these financial statements are presented in the national currency of the Republic of Lithuania, the euro (EUR), because the Company's transactions are mostly conducted in this currency.

All amounts in these financial statements are presented in thousands of euros, and therefore, there might be mismatches due to the rounding effects.

The principal accounting policies are set out below.

Revenue recognition
The Company generates revenue mostly from lease of investment property, as disclosed in Note 1. In addition to lease, the Company provides utility, repair and similar services, and other services relating to the activities of the shopping centre.

<u>Rental income</u>
Rental income is recognised in a manner that is described in section 'Leases' below. When a lease contract includes elements of service, the Company assesses whether the individual elements of service are separate services promised to a customer in a contract (performance obligations), and revenue from such services is recognised as described below.

<u>Revenue from contracts with customers</u>
Revenue from contracts with customers is recognised when a customer obtains control of service or good at the amount of consideration that the Company expects to receive in exchange for that service or good. The Company has determined that it acts as a principal when providing utility, repair and other services because:
- the Company controls the specified good or service before that good or service is transferred to a customer;
- the Company is responsible for fulfilling the promise to provide the services and is exposed to non-performance risk;
- the Company has discretion, direct or indirect, in establishing the price for the specified good or service.

The Company's management has also determined that generally the control of the specified services is transferred to a customer over time, and accordingly, the Company satisfies the performance obligation and recognises revenue over time, because the customer simultaneously receives and consumes all of the benefits provided by the Company as the Company performs under a contract. Such revenue is recognised by measuring progress towards complete satisfaction of the performance obligation or by directly measuring the value of services transferred to a customer to date.

<u>Contract balances</u>
Contract assets - accrued revenue
A contract asset is the right to consideration in exchange for the services provided to a customer. If the Company performs by transferring services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised at an amount equal to the earned consideration that is conditional.

Trade receivables
A trade receivable represents the Company's right to the earned consideration that is unconditional (i.e. consideration becomes payable, without any exceptions, upon the agreed deadline). See the accounting policy for financial assets.

Contract liabilities - advance amounts received
A contract liability is the obligation to provide services to a customer in exchange for consideration received (receivable) by the Company from a customer. If a customer pays consideration before the Company provides the services, a contract liability is recognised when the payment is received. A contract liability is recognised as revenue when the Company satisfies the performance obligation contained in a contract.

In view of the Company's business model, the management has not made any other significant accounting judgements, estimates or assumptions related to revenue from contracts with customers other than those described in this note, because there were no complex multicomponent goods or services, variable consideration, financing components, contract costs or amounts payable to customers.

Interest income
Interest income is recognised on a time proportion basis and based on accrual principle, taking account of the principal outstanding and effective interest rate over the period to maturity.

Leases

The Company is a lessor (operating lease)
Operating lease income is recognised on a straight-line basis over the lease period. Initial direct costs incurred in negotiating and arranging a lease are added to the carrying amount of the leased asset and recognised over the lease term.

Discounts/temporary rent reductions are treated as the Company's incentives used to retain the tenants at the shopping centre. The Company recognises accumulated incentive costs on a straight-line basis as a reduction of rental income over the lease period.

Deposits from tenants
Liabilities for the deposits from tenants are initially recognised at fair value and subsequently measured at amortised cost, if material.

Depending on the lease contract term, the deposits from tenants are classified as either non-current or current. Advance amounts received under indefinite term contracts or contracts with validity term less than 12 months are classified as current liabilities, whereas advance amounts received under any other contracts are classified as non-current liabilities.

Foreign currency
Foreign currency transactions are translated into the euros using the official exchange rate set by the Bank of Lithuania at the date of the transaction, which approximates the market rate. Monetary assets and liabilities are translated into the euros using the exchange rate prevailing at the date of the statement of financial position. Exchange differences resulting from foreign currency transactions are recognised in the statement of comprehensive income when such differences arise. Foreign exchange gains and losses resulting from the translation of monetary assets and liabilities to the euros are recognised in the statement of comprehensive income.

The exchange rate of the euro in relation to other currencies is set daily by the Bank of Lithuania.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (which are assets that necessarily take a substantial period of time to get ready for their intended use or sale) are capitalised and added to the cost of the asset until such time as the asset is ready for its intended use or sale.

Investment income earned from temporary investment of specific borrowings pending their expenditure on a qualifying asset is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred. For the purpose of the cash flow statement, interest paid on borrowings intended for acquisition of investment property is attributed to operating activities.

Income tax
Income tax expenses consist of the current year income tax and deferred income tax expenses.

Current income tax
Current year income tax expenses are calculated on current year profit, as adjusted for certain non-deductible expenses/non-taxable income. The tax rate used to calculate the income tax expenses is a tax rate effective at the date of preparation of the financial statements. Income tax rate of 15% was applied to the Company in 2020 (2019: 15%).

Deferred income tax
Deferred income tax assets and deferred income tax liabilities are recognised on the differences between the carrying amounts of assets and liabilities reported in the financial statements and their tax bases. Deferred income tax liabilities are recognised for all temporary differences that will subsequently increase taxable profit, and deferred tax assets are recognised to the extent

that it is probable that future taxable profit will be available against which the temporary differences can be utilised. However, deferred income tax assets and liabilities are not recognised on temporary differences arising from the initial recognition of goodwill or 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 the accounting nor the taxable profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred income tax liabilities and deferred income tax assets reflects the Company's expectations, at the end of the reporting period, as to the manner in which the carrying amount of its assets and liabilities will be recovered or settled.
Deferred income tax assets and liabilities are offset only when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they are related to income taxes levied by the same taxing authority, and when the Company intends to settle the amounts of current tax assets and current tax liabilities on a net basis.

Current and deferred income tax for the period
Current and deferred income tax is included in profit or loss for the period, except to the extent it relates to items recognised in other comprehensive income or directly in equity, in which case it is also recognised in other comprehensive income/equity, or it arose from initial recognition of the business combination.

Tax losses can be carried forward for an indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the Company changes the activities that have caused the occurrence of such losses, except when the Company does not continue its activities due to the reasons that are beyond its control. 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 profit earned from the transactions of the same nature. With effect from 1 January 2014, tax losses available for carry forward can be used to reduce taxable income of the current tax year by maximum 70%.

With effect from 1 January 2010, based on the Law on Corporate Income Tax of the Republic of Lithuania, a group entity may transfer tax losses (or a part thereof) calculated for the tax period to another group entity, which in turn has a right to deduct the transferred losses from the amount of taxable profit calculated for the tax period in respect of which the losses (or a part thereof) transferred by another group entity were calculated.

Property, plant and equipment
Property, plant and equipment is stated at acquisition cost less subsequent accumulated depreciation and accumulated impairment losses. The acquisition cost includes replacement costs of a part of property, plant and equipment when incurred and when these costs meet the recognition criteria. When a significant part of property, plant and equipment needs to be replaced at the specific time intervals, the Company depreciates such property separately based on its useful life. Accordingly, when major repairs are carried out, such repair costs are recognised in the statement of financial position as an improvement to property, plant and equipment if the recognition criteria are met. All other repair and maintenance costs are recognised in profit or loss for the period when incurred.

Depreciation is calculated each month on a straight-line basis over the entire useful life of the asset using the average estimated useful lives of property, plant and equipment, as follows:

Equipment and other assets	3 – 6 years

All items of assets with the useful life longer than one year are capitalised.

Gains or losses on disposal or write-off of property, plant and equipment are determined by reference to the proceeds from disposal less the carrying amount of the asset concerned, and the result is recognised in profit or loss.

Investment property
Investment property is property held to earn rentals and/or for capital appreciation, or property being developed for future use as held to earn rentals and/or for capital appreciation.

Investment property comprises principally retail property and offices that are not occupied substantially for use by, or in the operations of, the Company, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.

Such property is initially measured at cost including any transaction costs and then carried at fair value. The fair value of investment property reflects, among other things, rental income from current leases and other assumptions market participants would make when pricing the property under current market conditions. The fair value of investment property is reviewed at each reporting date, and any changes therein are recorded in the statement of comprehensive income as profit or loss for the period. For the purposes of these financial statements, in order to avoid double counting, the fair value reported in the financial statements is reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and/or minimum lease payments. Repair costs related to investment property reported at fair value are recognised as expenses in the period in which they are incurred.

In 2020 the valuation of the Company's investment property was carried out by independent property valuer CPB Real Estate Services SIA (CBRE Baltics), in 2019 was carried out by independent property valuer Kinnisvaraekspert, OU (DTZ Baltic). The valuation results were reflected in the financial statements as at 31 December 2020 and 2019 (Note 5).

The income approach (income capitalisation or discounted cash flows) was used during the valuation of property to determine the values of revenue-generating properties.

The income approach (income capitalisation or discounted cash flows) is typically used for valuation of revenue-generating properties that are available for acquisition to an investor. This approach also involves market data that are used to determine the current rates of rent and costs, based on which net income is estimated. Depending on the purpose of property, its management specifics, nature of cash flows and typical expectations of sellers and buyers currently acting in the market, the valuer may choose to apply either the direct capitalisation or the discounted cash flow approach. Based on the direct capitalisation approach, the value of property is calculated as net income (gain) divided by capitalisation rate. Based on the discounted cash flow approach, the value of property is calculated as a sum of the present values of future cash flows, discounted using the discount rate. The direct capitalisation and the discounted cash flow approach are both used to determine the market value. Under the income approach (income capitalisation or discounted cash flows), first of all it is necessary to estimate the gross income to be further reduced by the respective amounts of losses arising from vacancies and charges, expenditure or provisions. The resulting net income is capitalised or discounted using a ratio, which is proportionate to the risk arising from ownership of property under valuation. Under the direct capitalisation approach, one-year income and costs are stabilised, and the resulting net operating income is capitalised using a ratio or rate of return, which is proportionate to the risk arising from ownership of the property under valuation. Such income capitalisation takes into account the competitive rate of return, which is delivered by alternative instruments of investment in real estate or other assets. The key assumption used in this approach is that the projected cash inflows will continue indefinitely, which, however, is not applicable to complex investments in real estate.

Cash and cash equivalents
For the purpose of the statement of financial position and cash flow statement, the Company's cash and cash equivalents comprise cash on hand and cash balances in current bank accounts.

Financial assets

Initial recognition and measurement
On initial recognition, financial assets are grouped into the following categories: those subsequently measured at amortised cost, those measured at fair value through other comprehensive income, and those measured at fair value through profit or loss.

The classification of financial assets at initial recognition depends on the contractual cash flow characteristics of the financial assets and the Company's business model for managing the financial assets. Except for trade receivables that do not contain a significant financing component, the Company initially recognises financial assets at fair value, plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined in accordance with IFRS 15.

For a financial asset to be designated and measured at amortised cost or fair value through other comprehensive income, cash flows arising from the financial asset should comprise solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is called the SPPI test and is performed individually for each financial instrument.

The Company's business model for managing financial assets indicates how the Company manages its financial assets in order to generate cash flows. The business model determines whether cash flows will be generated by collecting contractual cash flows, by selling the financial asset or by using both options.

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Company commits to purchase or sell the financial asset.

Subsequent measurement
After initial recognition, the Company measures its financial assets:

a) at amortised cost (debt financial instruments);
b) at fair value through other comprehensive income, when accumulated gain or loss is transferred to profit or loss upon derecognition (debt financial instruments); As at 31 December 2020 and 2019, the Company had no such financial instruments;
c) at fair value through other comprehensive income, when accumulated gain or loss is not transferred to profit or loss upon derecognition (equity instruments). As at 31 December 2020 and 2019, the Company had no such financial instruments;
d) at fair value through profit or loss. As at 31 December 2020 and 2019, the Company had no such financial instruments.

Financial assets measured at amortised cost (debt financial instruments)
The Company classifies its financial assets as measured at amortised cost only if both of the following criteria are met:
i) the financial asset is held within a business model whose objective is to collect the contractual cash flows; and
ii) the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortised cost are subsequently recorded using the effective interest method (EIR) less impairment losses. Gains or losses are recognised in the statement of comprehensive income when the asset is derecognised, replaced or identified as impaired.
The Company's financial assets measured at amortised cost include trade receivables, other current and non-current receivables, loans granted and assets from contracts with customers (if any).

Impairment of financial assets
According to IFRS 9, the Company generally recognises expected credit losses (ECLs) for all debt financial instruments that are not measured at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

a) Assessment of impairment of trade receivables
For trade receivables and contract assets, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

The expected loss rates are based on the historical information about the delayed payments by customers. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the tenants to settle the receivable. Such forward-looking information would include: (1) changes in economic, regulatory, technological and environmental factors, (such as industry outlook, GDP, employment and politics), (2) external market indicators, (3) customers' base.

Trade receivables are written off when they meet both of the following criteria are met: (1) receivables are past due more than a year and (2) the recovery is impossible.

b) Assessment of impairment of loans granted
The Company assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Company follows a three-stage model for impairment for financial assets other than trade receivables:
- Stage 1 – balances, for which the credit risk has not increased significantly since initial recognition, or that have low credit risk at the reporting date. For these assets, 12-month ECLs are recognized and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL are the expected credit losses that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12 months.
- Stage 2 – comprises balances for which there have been a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment. For these assets, lifetime ECLs are recognized, but interest revenue is still calculated on the gross carrying amount of the asset. Lifetime ECLs are the expected credit losses that result from all possible default events over the expected life of the financial instrument. Expected credit losses are the weighted average credit losses with the probability of default ('PD') as the weight.
- Stage 3 – comprises balances with objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognized and interest revenue is calculated on the net carrying amount (that is, net of credit allowance).

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

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

Financial liabilities

Initial recognition and measurement
On initial recognition, financial liabilities are classified at fair value through profit or loss. All financial liabilities are initially recognised at fair value, less directly attributable transactions costs in case of borrowings and amounts payable. The Company's financial liabilities include trade and other payables, borrowings, including finance lease liabilities.

Subsequent measurement of borrowings and other amounts payable
After initial recognition, borrowings and other amounts payable are accounted for at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in the statement of comprehensive income when liabilities are derecognised, as well as through the amortisation process. The amortised cost is calculated by reference to the discount or premium on acquisition, as well as taxes or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of comprehensive income.

Off-setting of financial instruments
Financial assets and financial liabilities are offset and recognised as net amount in the statement of financial position when there is an enforceable right to offset the reported amounts and when there is an intention to settle on a net basis, i.e. to realise the asset and settle the liability simultaneously.

Derecognition of financial assets and liabilities

Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:
- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass through” arrangement; or
- the Company has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Company’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities
A financial liability is derecognised when the obligation under the liability is settled, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability. The difference between the respective carrying amounts is recognised in profit or loss.

Financial guarantees contracts
Financial guarantees issued to secure the fulfilment of obligations by subsidiaries of the Company’s parent (i.e. entities controlled by the same parent) are recognized as a financial liability at the time the guarantee is issued.

The liability is initially measured at fair value and subsequently at the higher of:
- the amount determined in accordance with the expected credit loss model under IFRS 9 Financial Instruments and
- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

The same accounting applies where guarantees in relation to loans or other payables of associates are provided for no compensation.

Effective interest rate method
The effective interest rate method is used to calculate the amortised cost of financial assets or financial liabilities and allocate interest income or interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash inflows or outflows through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Fair value
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement assumes that the transaction to sell the asset or to transfer the liability takes place either:
- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

Fair value of assets or liabilities is established by using the assumptions that would be used by market participants in order to determine the price of assets or liabilities based on an assumption that market participants act in best economic interests. Fair value of non-financial assets is established based on the market participant's ability to generate economic benefit by using the asset in the best and most efficient way or by selling it to another market participant who would use it in the best and most efficient way.

The Company applies the valuation techniques that are appropriate for determining the fair value under the circumstances and for which sufficient data is available, by maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether any transfers have occurred between the levels in the fair value hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Assessments are made by the Company's management at each financial reporting date. For the purpose of disclosure of the fair value, the Company has grouped its assets and liabilities into categories based on the nature, characteristics and risks, and the above-mentioned level in the fair value measurement hierarchy.

Related parties

Parties are considered to be related if one party has the power to control the other party or to exercise significant influence over the other party in making financial and other decisions. Related parties are deemed to be the shareholders, management members, their close members of family and entities that directly or indirectly through an intermediary control the Company or are controlled individually or jointly with the other party that is also deemed to be related, except for the cases when actual circumstances reveal that no such control is possible between the Company and the other party, nor any significant influence in making financial and operating decisions.

Critical accounting estimates and judgements

In applying the accounting policies, management needs to make estimates, exercise professional judgement and use assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and the related assumptions are based on past experience and other directly related factors. The actual results may differ from the estimates made.

The estimates and underlying assumptions are reviewed on an ongoing basis. The effect of a change in an accounting estimate is recognised in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both current and future periods. The areas of these financial statements that involve the use of accounting estimates are fair values of investment property (Note 5).

Events after the reporting period

Post-balance sheet events that provide additional information about the Company's position at the date of the statement of financial position (adjusting events) are disclosed in the financial statements. Post-balance sheet events other than adjusting events are disclosed in the notes to the financial statements when such events are significant.

3. ADOPTION OF NEW AND/OR AMENDED IFRS AND INTERPRETATIONS OF THE INTERNATIONAL FINANCIAL REPORTING INTERPRETATIONS COMMITTEE (IFRIC)

There were no changes in the Company's accounting policies. The following amended standards became effective from 1 January 2020, but did not have any material impact on the Company:

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020). The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting. The adoption of these amendments had no significant impact on the Company's financial statements.

Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020). The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets). The adoption of these amendments had no significant impact on the Company's financial statements.

Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020). The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The adoption of these amendments had no significant impact on the Company's financial statements.

Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020). The amendments were triggered by replacement of benchmark interest rates such as LIBOR and other inter-bank offered rates ('IBORs'). The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the IBOR reform. Cash flow hedge accounting under both IFRS 9 and IAS 39 requires the future hedged cash flows to be 'highly probable'. Where these cash flows depend on an IBOR, the relief provided by the amendments requires an entity to assume that the interest rate on which the hedged cash flows are based does not change as a result of the reform. Both IAS 39 and IFRS 9 require a forward-looking prospective assessment in order to apply hedge accounting. While cash flows under IBOR and IBOR replacement rates are currently expected to be broadly equivalent, which minimises any ineffectiveness, this might no longer be the case as the date of the reform gets closer. Under the amendments, an entity may assume that the interest rate benchmark on which the cash flows of the hedged item, hedging instrument or hedged risk are based, is not altered by IBOR reform. IBOR reform might also cause a hedge to fall outside the 80–125% range required by retrospective test under IAS 39. IAS 39 has therefore been amended to provide an exception to the retrospective effectiveness test such that a hedge is not discontinued during the period of IBOR-related uncertainty solely because the retrospective effectiveness falls outside this range. However, the other requirements for hedge accounting, including the prospective assessment, would still need to be met. In some hedges, the hedged item or hedged risk is a non-contractually specified IBOR risk component. In order for hedge accounting to be applied, both IFRS 9 and IAS 39 require the designated risk component to be separately identifiable and reliably measurable. Under the amendments, the risk component only needs to be separately identifiable at initial hedge designation and not on an ongoing basis. In the context of a macro hedge, where an entity frequently resets a hedging relationship, the relief applies from when a hedged item was initially designated within that hedging relationship. Any hedge ineffectiveness will continue to be recorded in profit or loss under both IAS 39 and IFRS 9. The amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present. The amendments require entities to provide additional information to investors about their hedging relationships that are directly affected by these uncertainties, including the nominal amount of hedging instruments to which the reliefs are applied, any significant assumptions or judgements made in applying the reliefs, and qualitative disclosures about how the entity is impacted by IBOR reform and is managing the transition process. The adoption of these amendments had no significant impact on the Company's financial statements.

Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 January 2020). The amendments provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; any reduction in lease payments affects only payments due on or before 30 June 2021; and there is no substantive change to other terms and conditions of the lease. If a lessee chooses to apply the practical expedient to a lease, it would apply the practical expedient consistently to all lease contracts with similar characteristics

and in similar circumstances. The amendment is to be applied retrospectively in accordance with IAS 8, but lessees are not required to restate prior period figures or to provide the disclosure under paragraph 28(f) of IAS 8. The adoption of these amendments had no impact on the Company's financial statements.

Standards approved but not yet effective

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2021 or later, and which the Company has not early adopted:

IFRS 14, Regulatory Deferral Accounts (issued on 30 January 2014 and effective for annual periods beginning on or after 1 January 2016). IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. The adoption of the standard is not expected to have a significant impact on the Company.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. These amendments have not yet been adopted by the EU. The Company has not yet assessed the impact of the adoption of these amendments.

IFRS 17 "Insurance Contracts"(issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately. The standard has not yet been adopted by the EU. The adoption of the new standard is not expected to have a significant impact on the Company.

Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022).These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument. The Company is currently assessing the impact of these amendments on its financial statements.

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).
The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.
The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.
The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.
Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.
IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.
The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis. The Company is currently assessing the impact of these amendments on its financial statements.

Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023). The amendments include a number of clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard. The following amendments to IFRS 17 were made:

- Effective date: The effective date of IFRS 17 (incorporating the amendments) has been deferred by two years to annual reporting periods beginning on or after 1 January 2023; and the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 has also been deferred to annual reporting periods beginning on or after 1 January 2023.
- Expected recovery of insurance acquisition cash flows: An entity is required to allocate part of the acquisition costs to related expected contract renewals, and to recognise those costs as an asset until the entity recognises the contract renewals. Entities are required to assess the recoverability of the asset at each reporting date, and to provide specific information about the asset in the notes to the financial statements.
- Contractual service margin attributable to investment services: Coverage units should be identified, considering the quantity of benefits and expected period of both insurance coverage and investment services, for contracts under the variable fee approach and for other contracts with an 'investment-return service' under the general model. Costs related to investment activities should be included as cash flows within the boundary of an insurance contract, to the extent that the entity performs such activities to enhance benefits from insurance coverage for the policyholder.
- Reinsurance contracts held – recovery of losses: When an entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or on addition of onerous underlying contracts to a group, an entity should adjust the contractual service margin of a related group of reinsurance contracts held and recognise a gain on the reinsurance contracts held. The amount of the loss recovered from a reinsurance contract held is determined by multiplying the loss recognised on underlying insurance contracts and the percentage of claims on underlying insurance contracts that the entity expects to recover from the reinsurance contract held. This requirement would apply only when the reinsurance contract held is recognised before or at the same time as the loss is recognised on the underlying insurance contracts.
- Other amendments: Other amendments include scope exclusions for some credit card (or similar) contracts, and some loan contracts; presentation of insurance contract assets and liabilities in the statement of financial position in portfolios instead of groups; applicability of the risk mitigation option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss; an accounting policy choice to change the estimates made in previous interim financial statements when applying IFRS 17; inclusion of income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract in the fulfilment cash flows; and selected transition reliefs and other minor amendments.

Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance. The Company is currently assessing the impact of these amendments on its financial statements.

Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021). The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The amendments cover the following areas:

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

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The Company is currently assessing the impact of the amendments on its financial statements.

Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates. The Company is currently assessing the impact of the amendments on its financial statements.

The Company expects to adopt the above-listed new standards when they become effective and adopted by the EU.

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following as at 31 December:

Acquisition cost	Equipment and other assets (EUR '000)
At 31 December 2018	**422**
Acquisition	20
At 31 December 2019	**442**
Acquisition	43
Write-offs	(2)
At 31 December 2020	**483**
Accumulated depreciation	
At 31 December 2018	**(376)**
Charge for the year	(21)
At 31 December 2019	**(397)**
Charge for the year	(22)
Depreciation of assets written off	2
At 31 December 2020	**(417)**
Net book amount	
At 31 December 2019	**45**
At 31 December 2020	**66**

Acquisition cost of fully depreciated property, plant and equipment but still in use amounted to EUR 370 thousand as at 31 December 2020 (31 December 2019: EUR 351 thousand).

Depreciation charges of property, plant and equipment amounted to EUR 22 thousand for the year 2020 (2019: EUR 20 thousand), and they recorded within other operating expenses.

As at 31 December 2020 and 2019, the Company had no property, plant and equipment that were held under lease contracts.

5. INVESTMENT PROPERTY

Investment property consisted of the following as at 31 December:

	Investment property (EUR '000)
Fair value as at 31 December 2018	**77 155**
Additions	11
Fair value gain	289
Market value per external valuation report	**77 455**
Lease incentive impact	-
Fair value as at 31 December 2019	**77 455**
Fair value adjustment	(3 521)
Market value per external valuation report	**73 934**
Lease incentive impact	(380)
Fair value as at 31 December 2020	**73 554**

All investment property is attributed to level 3 in the fair value measurement hierarchy. The methods for determining the fair value of investment property are described in Note 2.

The value of investment property as at 31 December 2020 and 2019 was determined under the income approach. For the valuation of property as at 31 December 2020, the capitalisation rate of 7.75% (31 December 2019: 7.8%) and the discount rate of 8.67% (31 December 2019: 9.4%) were used. A significant increase (decrease) in the discount rate and the capitalisation rate would result in a significant decrease (increase) in the fair value of the investment property. The approach used to determine the fair value of the investment property is attributed to level 3 in the fair value measurement hierarchy.

As at 31 December 2020 and 2019, all investment property of the Company had been pledged to the banks as collateral repayment of loans under the loan agreements (Note 10).

As at 31 December 2020, lease incentive impact amounted to EUR 380 thousand (note 6).

18 % of income is expected to be generated from related parties, as this is the current ratio in 2020 (Note 14). There are no single external customer amount to 10 per cent or more of an entity's revenues. Future minimum rentals receivable under operating leases as at 31 December are, as follows:

	2020 (EUR'000)	2019 (EUR'000)
Within 1 year	5 738	5 778
Within 2 years	5 054	4 780
Within 3 years	4 303	4 129
Within 4 years	2 954	3 643
Within 5 years	2 163	2 539
After 5 years	8 438	12 888
Total	28 650	33 757

The valuation was determined using discounted cash flow (DCF) projections based on significant unobservable inputs. These 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; and
- **Terminal value** taking into account assumptions regarding maintenance costs, vacancy rates and market rents.

Sensitivity analysis

Presented below is the sensitivity analysis of the market value and a value of associated PPE for changes in the exit yield and discount rate:

31 December 2020, EUR'000		Exit yield		
		7,50%	**7,75%**	**8,00%**
	8,42%	76 500	75 200	74 000
Discount rate	**8,67%**	75 200	**74 000**	72 800
	8,92%	74 000	72 800	71 600

31 December 2019, EUR'000		Exit yield		
		7,50%	**7,80%**	**8,00%**
	9,00%	81 200	79 600	78 700
Discount rate	**9,40%**	79 000	**77 500**	76 600
	10,00%	75 900	74 500	73 600

6. AMOUNTS RECEIVABLE AND PREPAYMENTS

Amounts receivable and prepayments consisted of the following as at 31 December:

	2020 (EUR '000)	**2019 (EUR '000)**
Non-current deferred discounts to tenants	221	-
Non-current deferred discounts to related parties (note 14)	7	-
Non-current receivables and prepayments	**228**	**-**
Trade receivables	336	261
Trade receivables from related parties (note 14)	42	31
Less: impairment for doubtful debts	(9)	-
Trade receivables, net	**369**	**292**
Current deferred discounts to tenants	151	-
Current deferred discounts to related parties (note 14)	1	-
Prepayments	3	3
Prepayments to related parties (note 14)	26	26
Deferred expenses and other receivables	3	4
Current amounts receivable and prepayments	**553**	**325**

Amounts receivable (including amounts receivable from related parties) are interest free, and their settlement term is typically 30 days.

As at 31 December 2020, there were no receivables that had been pledged to banks. As at 31 December 2019 trade and other receivables with the carrying amount of EUR 292 thousand were pledged to banks under loan agreements (note 10).

During 2020, the Company provided tenants with EUR 0.7 million rental discounts, of which EUR 0.3 million was recognized in the statement of comprehensive income. Included within rent receivables, are lease incentive receivables of EUR 0.4 million (there were no such lease incentive receivables in 2019), split between long-term (EUR 0.2 million) and short-term (EUR 0.2 million) receivables.

Ageing of trade receivables and amounts receivable:

	2020 (EUR '000)	2019 (EUR '000)
Not yet past due	157	240
Past due up to 30 days	160	13
Past due 31–60 days	42	-
Past due 61–90 days	0	-
Past due over 91 days	9	39
Total	**369**	**292**

As at 31 December 2020, expected credit losses of Aido turtas, UAB were recognised in relation to rent receivables. The main cause of the expected credit losses is the increased credit risk from independent customers and global COVID-19 pandemic.

The Company's management estimates that expected credit losses as at 31 December 2019 were immaterial and thus not accounted for. Balances in the provision for impairment of receivables as at 31 December 2020 were, as follows:

	Not due	< 31 days	31–90 days	91–180 days	180-365 days	>365 days	Total
Expected credit loss rate	0,05%	0,05%	0,05%	46,71%	51,75%	51,75%	2,49%
Carrying amount (EUR'000)	157	160	42	10	7	2	**378**
Expected credit loss (EUR'000)	0	0	0	5	3	1	**9**
Net amount (EUR'000)	**157**	**160**	**42**	**5**	**3**	**1**	**369**

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following as at 31 December:

	2020 (EUR '000)	2019 (EUR '000)
Cash in bank	9 015	3 613

As at 31 December 2020, EUR 4,8 million cash and cash equivalents in certain bank accounts of the Company had been pledged to the banks as collateral under the loan agreements (Note 10). As at 31 December 2019, there were no cash and cash equivalents that had been pledged to banks. Credit risk exposure is provided in note 15.

8. SHARE CAPITAL AND SHARE PREMIUM

As at 31 December 2020 and 2019, the Company's authorised share capital consisted of 22,008,211 ordinary registered shares with par value of EUR 0.29 each. All the shares had been fully paid.

As at 31 December 2020 and 2019, the sole shareholder of the Company was AKROPOLIS REAL ESTATE B.V.

Share premium is the difference between the issue price and the par value of shares. Based on the laws of the Republic of Lithuania, share premium cannot be subject to distribution and can only be converted to share capital or used to cover the accumulated losses.

In 2020 13.2 million EUR dividends (0,6 EUR per share) were paid by the Company to its shareholder, in 2019 no dividends were paid.

9. RESERVES

Revaluation reserve
The revaluation reserve was concluded by transferring the difference between fair value and cost of the shopping centre from property, plant and equipment carried at cost to investment property. This reserve may be transferred to retained earnings on the sale of investment property.

Legal reserve
The legal reserve is a compulsory reserve under the Lithuanian legislation. Annual transfers of at least 5 % of net profit, which is calculated in accordance with the Lithuanian regulatory legislation on accounting, are required until the reserve reaches 10 % of the authorised share capital. The legal reserve is formed to cover the Company's potential losses and cannot be used for payment of dividends or otherwise. As at 31 December 2020 and 2019, the legal reserve had been fully formed.

10. BORROWINGS

In 2020 and 2019 all borrowings consisted only of bank loans.

As at 31 December 2020, all investment property of the Company in amount of EUR 74 million and 4,8 million cash and cash equivalents in certain banks accounts and the Company's shares had been pledged to the banks as security under the loan agreements. As at 31 December 2019, investment property in amount of EUR 77.5 million and trade and other receivables with the carrying amount of EUR 292 thousand were pledged to the banks as security (Notes 5-7).

The Company's borrowings were as follows as at 31 December:

	2020 (EUR '000)	2019 (EUR '000)
At the beginning of the year	**12 668**	**14 971**
Proceeds from borrowings	15 000	-
Repayments of borrowings	(12 793)	(2 303)
Interest charged	146	90
Interest paid	(146)	(90)
Administrative fees charged	54	-
Administrative fees paid	(54)	-
At the end of the year	**14 875**	**12 668**

The Company's net debt was as follows as at 31 December:

	2020 (EUR '000)	2019 (EUR '000)
Non-current borrowings	14 125	
Current borrowings	750	12 668
(Less) Cash and cash equivalents	(9 015)	(3 613)
Net borrowings	**5 860**	**9 055**

As at 31 December 2019, the Company had issued a financial guarantee to secure performance of obligations by its related parties in amount of EUR 29.5 million. The above-mentioned related parties had properly performed their obligations as at 31 December 2019, and accordingly, no additional liabilities were recognised in these financial statements in relation to the security granted. No such guarantees were issued as at 31 December 2020.

As at 31 December 2020 and 2019, the Company's bank borrowings had a variable interest rate (linked to variable base rate), plus a margin meeting market conditions. The Company complied with the covenants (performance indicators) specified in the loan agreements as at 31 December 2020 and 2019.

As at 31 December 2020 and 2019, all bank borrowings of the Company were denominated in the euros.

As at 31 December 2020 the Company had an unused credit limit granted by the banks in amount of EUR 23 million. At 31 December 2019, the Company had withdrawn a full amount of the credit limit granted by the banks.

11. NON-CURRENT TRADE AND OTHER AMOUNTS PAYABLE

Trade and other amounts payable consisted of the following as at 31 December:

	2020 m. (EUR '000)	2019 m. (EUR '000)
Non-current advance amounts received	717	705
Other non-current advance amounts received	670	-
Non-current amounts payable	**1 387**	**705**
Current advance amounts received	311	241
Trade payables	239	224
Trade payables to related parties (Note 14)	188	134
VAT payable	269	136
Real estate tax payable	40	26
Other amounts payable and accrued expenses	24	15
Current amounts payable	**1 071**	**776**
Total	**2 458**	**1 481**

Trade and other amounts payable (including the amounts payable to related parties) are interest free, and their settlement term is typically 20 days.

Advance amounts paid by customers under the lease contracts are refunded upon expiry of validity of the contract. Classification into current and non-current depends on the validity term of the contract. As at 31 December 2020, non-current portion of advance amounts received was EUR 0.7 million and it was recorded within non-current advance amounts received (31 December 2019: EUR 0.7 million).

12. OTHER OPERATING INCOME AND EXPENSES

Revenue from contracts with customers for the year ended 31 December mostly consisted of revenue from utility services and extra fee charged to the tenants.

Other operating expenses consisted of the following for the year ended 31 December:

	2020 (EUR '000)	2019 (EUR '000)
Other operating expenses:		
Electricity costs	(1 049)	(1 094)
Advertising, marketing and public relations expenses	(387)	(354)
Shopping centre management fee	(331)	(344)
Building, engineering and elevator maintenance expenses	(330)	(325)
Property management fee	(316)	(346)
Cleaning and waste removal costs	(264)	(250)
Building security expenses	(196)	(201)
Tax (other than income tax) expenses	(117)	(117)
Building repair and insurance expenses	(114)	(170)
Car parking facility and surrounding territory maintenance expenses	(112)	(130)
Heating expenses	(85)	(111)
Water and waste water expenses	(75)	(94)
Depreciation expenses	(22)	(21)
Other expenses	(68)	(75)
Total	**(3 466)**	**(3 632)**

13. INCOME TAX

	2020 (EUR '000)	2019 (EUR '000)
Current year income tax expenses	832	975
Deferred income tax expenses	(528)	45
Income tax expenses	**304**	**1 020**

Income tax expenses consisted of the following for the year ended 31 December:

	2020 (EUR '000)	2019 (EUR '000)
Profit before income tax	2 054	6 809
Income tax calculated at 15% tax rate	308	1 021
Tax effects of non-taxable income	(4)	(3)
Tax effects of non-deductible expenses	3	1
Previous year income tax adjustment on takeover of tax losses	(3)	-
Income tax expenses	**304**	**1 020**
Effective rate of income tax	14,80%	14,98%

Deferred income tax balances as at 31 December 2020 and 2019 consisted of deferred income tax liabilities.

Deferred income tax liabilities (net) consisted of the following as at 31 December:

	Investment property at fair value (EUR '000)	Accelerated tax depreciation (EUR '000)	Total (EUR '000)
At 31 December 2018	**(1 586)**	**(9 485)**	**(11 070)**
Recognised in profit (loss)	-	(45)	(45)
At 31 December 2019	**(1 586)**	**(9 530)**	**(11 115)**
Recognised in profit (loss)	528	-	528
At 31 December 2020	**(1 057)**	**(9 530)**	**(10 587)**

Income tax at a rate of 15% was used when calculating deferred income tax as at 31 December 2020 and 2019.

14. RELATED-PARTY TRANSACTIONS

Related-party transactions consisted of the following for the year ended 31 December 2020 and 2019:

	2020 (EUR '000)	2019 (EUR '000)
Sales (to):		
Associates related to a parent Company	1 730	1 727
Total	**1 730**	**1 727**
Purchases (from):		
Associates related to a parent Company	962	979
Total	**962**	**979**
Interest income (from):		
Intermediate parent company	33	89
Total	**33**	**89**
Loans granted (to):		
Intermediate parent company	-	10 026
Total at 31 December	**-**	**10 026**
Prepayments (to) and amounts receivable (from):		
Associates related to a parent Company	76	57
Total at 31 December	**76**	**57**
Advance amounts received (from) and amounts payable (to):		
Associates related to a parent Company	188	134
Total at 31 December	**188**	**134**

There were no transactions between Company and its parent entity during 2020 and 2019. Average term of rent agreements with related parties is 12 years. Purchases from related parties mostly comprised of consultation services. The average term of all loans granted were 1 year. All loans granted had a variable interest rate (linked to EURIBOR) with a minimum of 0%, plus a margin meeting market conditions. Purchases from related parties mainly consisted of consultation services related to real estate management and development. All transactions with related parties are made on terms equivalent to those that prevail in arm's-length transactions.

Loans granted are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial, as there were no cases of non-recovery or late payments of loans granted. As at 31 December 2019, the loan with the value of EUR 10 million was granted to the intermediate parent company and subsequently repaid in 2020.

Compensation calculated to the head of the Company for the year 2020 amounted to EUR 30 thousand (EUR 30 thousand for the year ended 31 December 2019). In 2020 and 2019, the management consisted of one person for whom compensation was calculated.

15. FINANCIAL RISK MANAGEMENT

Credit risk. Credit risk is a risk of a counterparty failing to perform its obligations, thereby leading to financial losses incurred by the Company. The Company's exposure to credit risk mostly arises from loans and receivables. For the purpose of the statement of financial position, amounts receivable are presented net of doubtful amounts receivable (if any), which are assessed by the Company based on its past experience, current economic conditions and expected future economic conditions. The Company's exposure to credit risk is insignificant, since it is distributed among many customers. The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables (note 6) and cash and cash equivalents (note 7).

The Company's exposure to credit risk arising from liquid cash at bank is limited, since the Company carries out transactions with the banks investment grade credit ratings of Baa3 and above assigned by Moody's, an international credit-rating agency.

Foreign exchange risk. The Company is not exposed to a significant foreign exchange risk as the majority of the Company's operations is conducted in euros. Currently, the Company does not use any derivative financial instruments to hedge against foreign exchange risk.

Interest rate risk. The Company's cash flows are affected by fluctuations in market interest rates.

The Company's bank borrowings bear variable interest rates linked to variable base rate. Trade and other payables are interest-free and have settlement dates within one year.

The Company's cash flow and fair value interest rate risk are periodically monitored by the management. It analyses its interest rate exposure on a dynamic basis taking into consideration refinancing, renewal of existing positions, alternative financing. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for receivables and liabilities that represent the major interest-bearing positions. The Company does not use any derivative financial instruments to manage the interest rate risk.

Based on the Company's assessment, an increase/decrease in variable interest rate by 100 basis points, given the level of borrowings of the Company as at 31 December 2020 and with the rest of parameters remaining constant, would result in an increase/decrease in the Company's interest expenses and decrease/increase in profit before tax by EUR 149 thousand (31 December 2019: EUR 127 thousand).

Liquidity risk. In managing liquidity risk the Company follows the principle of prudence. The Company manages its cash flows and liquidity risk based on cash flow projections, which are prepared on a semi-annual basis. In the opinion of the Company's management, the Company's liquidity ratio is adequate and appropriate for such nature of business activities, and cash flows generated from lease are sufficient to continue profitable activities and to ensure the Company's liquidity.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments (including interest payments):

31 December 2020	**Less than 6 months (EUR'000)**	**6-12 months (EUR'000)**	**Between 1-2 years (EUR'000)**	**Between 2-5 years (EUR'000)**	**Over 5 years (EUR'000)**	**Total (EUR'000)**
Bank borrowings	552	547	1 083	14 196	-	16 378
Trade and other payables	427	-	-	-	-	427
Total	**979**	**547**	**1 083**	**14 196**	**-**	**16 805**

31 December 2019	**Less than 6 months (EUR'000)**	**6-12 months (EUR'000)**	**Between 1-2 years (EUR'000)**	**Between 2-5 years (EUR'000)**	**Over 5 years (EUR'000)**	**Total (EUR'000)**
Bank borrowings	1 191	11 529	-	-	-	12 720
Trade and other payables	358	-	-	-	-	358
Total	**1 549**	**11 529**	**-**	**-**	**-**	**13 078**

16. CAPITAL MANAGEMENT

For the purpose of capital management, the Company's capital consists of the share capital, share premium, legal reserve, revaluation reserve and retained earnings amounting to EUR 54.3 million as at 31 December 2020 (31 December 2019: EUR 65.7 million).

The primary objective of the Company's capital management is to ensure that the Company complies with the externally imposed capital requirements and meets the respective capital ratios in order to preserve its business and maximise return to the shareholders. The Company has an adequate capital level to further maintain its business development.

The Company manages its capital structure and makes adjustments thereto in light of changes in economic conditions and risk characteristics of its activities. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to the shareholders or issue new shares. No changes were made concerning the purpose, policies or processes of capital management during the periods ended 31 December 2020 and 2019.

The Company is required to ensure that its equity accounts for not less than 50% of its share capital in accordance with the Law on Companies of the Republic of Lithuania. As at 31 December 2020 and 2019, the Company complied with the requirement.

17. FINANCIAL INSTRUMENTS

Financial instruments consisted of the following as at 31 December:

	2020 (EUR '000)	2019 (EUR '000)
Financial assets		
Loans granted	-	10 026
Trade receivables	369	292
Cash and cash equivalents	9 015	3 613
Financial liabilities		
Borrowings	14 875	12 668
Trade payables	427	358
Accrued expenses	24	15

In the management's opinion, the carrying amount of amounts receivable, cash and cash equivalents, trade and other current amounts payable approximates their fair value due to short contractual settlement terms. The carrying amount of non-current amounts payable approximates their fair value as the interest rates approximates the market interest rates.

All the Company's financial assets and financial liabilities are measured at amortised cost.

18. CONTINGENT LIABILITIES

As at 31 December 2020 and 2019, the Company had no significant contingent liabilities.

19. EFECT OF COVID-19

Due to COVID-19 pandemic, the Company experienced inevitable influence on its financial performance. Below is the timeline of the most significant periods to the Company during 2020, related to government measures fighting the global pandemic.

- March 16 - April 22: Partial close down - only the most necessary business were allowed, i.e. the activities of restaurants, cafes, bars, nightclubs and other places of entertainment were prohibited, except when food could be taken away, as well as the activities of physical shops, shopping and / or entertainment centres were prohibited, except shops selling food, veterinary, pharmacy, optical goods and orthopaedic technical devices;
- April 23 - May 17: entertainment and restaurant businesses were restricted; physical shops / some beauty service providers were able to work (subject to some additional safety requirements). Restaurants were able to work only in open spaces;
- November 7 - December 15: entertainment and restaurant (except take away) businesses were restricted. Shops / service providers (including those in shopping and / or entertainment centres) were able to work with some additional safety requirements;
- Since December 16: Partial close down - only the most necessary business are allowed, i.e. shops (including those in shopping and / or entertainment centres) were not allowed to work, except shops which main activity is selling food, veterinary, optical goods and orthopaedic technical devices (subject to some additional safety requirements). Activities of beauty services were prohibited, also activities of other services that require contact with the client for longer than 15 minutes (subject to some additional safety requirements).

Business, whose activities were prohibited or restricted during quarantine, had a possibility to get a partial compensation of lease payments amounting to 50 percent on the lease amount payable. Period for such compensations was from March 16 to August 31, on a condition that a lessor contributes an additional 30 percent discount. Thus Company provided discounts for such tenants. Total discounts for rent payments in 2020 amounted to 0.8 million EUR. The Company collected all receivables that had been granted discounts. Increase of trade receivables by the end of 2020 results from close down of shopping centre since mid-December.

The Company, in cooperation with State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania (STI), has agreed 2 year interest free tax loan agreement for some of the Company's tax arrears of 2020. Tax loan agreed majorly consists of Income Tax and VAT. The Company did not receive any other governmental benefits relating to COVID-19 pandemic during 2020.

In 2020, the Company incurred additional expenses, amounting to 98 thousand EUR, which were allocated to various health and hygiene measures to ensure safety of employees and customers. A modern automatic ultraviolet (UV) disinfection equipment was installed on all escalators and moving walkaways, as well as in elevators for automatic UV air disinfection. Also, stations with automatic sensor disinfectant dispensers were installed at each of the entrances to the Akropolis, as well as at information centres and sanitary facilities. Additionally, all common areas and frequently touched surfaces are periodically disinfected, ventilation systems are operating at full capacity, and air filters are periodically replaced. All personnel also observe strict hand hygiene and monitor their health. Only people with protective face masks are allowed into the shopping centre. Administration constantly monitors and, if needed, regulates traffic to ensure safe distances between customers and thus prevent the spread of coronavirus.

As of April 19, 2021, government of Lithuania eased restrictions on stores operating in shopping centres and entertainment businesses. It is now allowed to open stores on weekdays. The shops and entertainment businesses (e.g. cinema) are allowed to operate subject to some additional safety requirements (e.g. amount of people should be monitored, etc.). On weekends and holidays only essential shops (food, pharmacies, etc.) and shops that have separate entrance from outside (as of 15 March, 2021) are allowed to work. As of December, 2020 Lithuanian government started immunising the population against COVID-19. At the date of these financial statements, more than 20% of population has been vaccinated at least once, with the mass vaccination expected to begin in the upcoming months. The Company is focused on helping its tenants financially during the partial close down, i.e. discounts and deferrals are being negotiated. Already granted discounts in January, 2021 comprises of 10% of a total rental and additional fees income for a month. It is currently unknown when usual business activities will be safe to resume and thus management observes effect of the global pandemic to be visible on the financial results of 2021 as well.

Despite global covid-19 pandemic, Company managed to keep 98% collection rate during 2020. Thus, management believes that liquidity position of the Company is sufficient and proven track record indicates strong resilience and flexibility to subside the negative effects of coronavirus pandemic.

20. EVENTS AFTER THE REPORTING PERIOD

There were no significant post-balance sheet events that might have a significant impact on these financial statements.

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Independent auditor's report

To the shareholder of Ozo turtas UAB

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Ozo turtas UAB (the "Company") as at 31 December 2020 and 31 December 2019, and the Company's financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2020 and 31 December 2019;
- the statement of comprehensive income for the years then ended;
- the statement of changes in equity for the years then ended;
- the statement of cash flows for the years then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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 in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the Law of the Republic of Lithuania on the Audit of Financial Statements that are relevant to our audit of the financial statements in the Republic of Lithuania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Law of the Republic of Lithuania on the Audit of Financial Statements.

Reporting on other information including the annual report

Management is responsible for the other information. The other information comprises the 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, including the annual report.

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.

PricewaterhouseCoopers UAB, J. Jasinskio g. 16B, LT-03163 Vilnius, Lithuania
+370 (5) 239 2300, lt_vilnius@pwc.com, www.pwc.lt

Company code 111473315, registered with the Register of Legal Entities of the Republic of Lithuania

With respect to the annual report, we considered whether the annual report includes the disclosures required by the Law of the Republic of Lithuania on Financial Reporting by Undertakings.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the annual report for the financial year for which the financial statements are prepared, is consistent with the financial statements; and
- the annual report has been prepared in accordance with the Law of the Republic of Lithuania on Financial Reporting by Undertakings.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the annual report which we obtained prior to the date of this auditor's report. 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 of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

On behalf of PricewaterhouseCoopers UAB

Rimvydas Jogėla
Partner
Auditor's Certificate No.000457

Vilnius, Republic of Lithuania
23 April 2021

The auditor's electronic signature is used herein to sign only the Independent Auditor's Report

SEPARATE STATEMENT OF FINANCIAL POSITION

	Notes	2020 (EUR '000)	2019 (EUR '000)
ASSETS			
Non-current assets		**308 590**	**410 812**
Property, plant and equipment	**4**	535	639
Investment property	**5**	307 184	299 961
Intangible assets		35	56
Investments in subsidiaries	**6**	36	5 156
Loans granted	**15**	-	105 000
Non-current receivables and prepayments	**7**	800	-
Current assets		**17 302**	**16 416**
Inventories		20	27
Amounts receivable and prepayments	**7**	1 774	923
Prepaid income tax		-	175
Loans granted	**15**	-	530
Cash and cash equivalents	**8**	15 508	14 761
TOTAL ASSETS		**325 892**	**427 228**
EQUITY AND LIABILITIES			
Share capital	**9**	22 006	22 006
Share premium	**9**	20 488	20 488
Legal reserve	**10**	2 201	2 201
Retained earnings		99 170	199 868
Total equity		**143 865**	**244 563**
Non-current liabilities		**170 653**	**173 344**
Borrowings	**11**	121 917	128 917
Non-current amounts payable	**12**	4 029	1 729
Non-current income tax liability		715	-
Deferred income tax liability	**14**	43 992	42 698
Current liabilities		**11 374**	**9 321**
Borrowings	**11**	7 000	7 000
Trade and other payables	**12**	2 981	2 321
Current income tax payable		1 393	-
Total amounts payable and liabilities		**182 027**	**182 665**
TOTAL EQUITY AND LIABILITIES		**325 892**	**427 228**

The accompanying notes form an integral part of these financial statements.

The financial statements were approved and signed on 23 April 2021 by:

Violeta Tvarijonienė Director	Gabrielė Saponaitė Head of Finance Department of Akropolis Group UAB, an entity handling accounting books	Nida Nekiūnienė Chief Accountant of Akropolis Group UAB, an entity handling accounting books

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

	Notes	2020 (EUR '000)	2019 (EUR '000)
Rental income		21 679	21 401
Revenue from contracts with customers	13	7 172	8 074
Other operating expenses	13	(7 728)	(8 212)
GROSS PROFIT		**21 123**	**21 263**
General and administrative expenses		(124)	(116)
Other income		133	139
Change in fair value of investment property	5	5 286	682
OPERATING PROFIT		**26 418**	**21 968**
Interest income	15	691	1 461
Interest expenses		(2 407)	(2 185)
PROFIT BEFORE INCOME TAX		**24 702**	**21 244**
Income tax (expense)	14	(3 700)	(3 093)
NET PROFIT		**21 002**	**18 151**
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		**21 002**	**18 151**

The accompanying notes form an integral part of these financial statements.

The financial statements were approved and signed on 23 April 2021 by:

Violeta Tvarijonienė Director	Gabrielė Saponaitė Head of Finance Department of Akropolis Group UAB, an entity handling accounting books	Nida Nekiūnienė Chief Accountant of Akropolis Group UAB, an entity handling accounting books

SEPARATE STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Legal reserve	Retained earnings (losses)	Total
	(EUR '000)	(EUR '000)	(EUR '000)	(EUR '000)	(EUR '000)
Balance at 31 December 2018	**22 006**	**20 488**	**2 201**	**181 717**	**226 412**
Net profit	-	-	-	18 151	18 151
Total comprehensive income	-	-	-	**18 151**	**18 151**
Balance at 31 December 2019	**22 006**	**20 488**	**2 201**	**199 868**	**244 563**
Dividends declared	-	-	-	(121 700)	(121 700)
Total transactions with owners	**-**	**-**	**-**	**(121 700)**	**(121 700)**
Net profit	-	-	-	21 002	21 002
Total comprehensive income	**-**	**-**	**-**	**21 002**	**21 002**
Balance at 31 December 2020	**22 006**	**20 488**	**2 201**	**99 170**	**143 865**

The accompanying notes form an integral part of these financial statements.

The financial statements were approved and signed on 23 April 2021 by:

Violeta Tvarijonienė Director	Gabrielė Saponaitė Head of Finance Department of Akropolis Group UAB, an entity handling accounting books	Nida Nekiūnienė Chief Accountant of Akropolis Group UAB, an entity handling accounting books

SEPARATE STATEMENT OF CASH FLOWS

	Notes	2020 (EUR '000)	2019 (EUR '000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit		21 002	18 151
Adjustments for interest, tax and non-cash items:			
Income tax		3 700	3 093
Depreciation	**4**	228	148
Amortisation		21	10
(Gain) on change in fair value of investment property	**5**	(5 286)	(682)
Finance charges		2 407	2 185
Interest income		(691)	(1 461)
Operating cash flows before movements in working capital		**21 381**	**21 444**
Changes in working capital:			
Decrease (increase) in amounts receivable and prepayments, other non-current and current assets		(1 652)	110
Decrease in inventories		7	1
Increase (decrease) in amounts payable, other non-current and current liabilities		2 968	(532)
Cash flows generated from operating activities before interest and tax		**22 704**	**21 023**
Interest paid		(2 383)	(1 786)
Income tax paid		(435)	(3 326)
Net cash generated from/(used in) operating activities		**19 886**	**15 911**
CASH FLOWS FROM INVESTING ACTIVITIES			
Property, plant and equipment, investment property and intangible assets		(1 780)	(10 165)
Disposal of non-current tangible and intangible assets, and investment property		-	6
Acquisition of subsidiaries, net of cash acquired	**6**	-	(5 075)
Loans granted	**15**	-	(105 000)
Loan repayments received	**15**	105 000	21 200
Decrease of share capital of subsidiary	**6**	5 120	-
Interest received	**15**	1 221	1 145
Net cash generated from (used in) investing activities		**109 561**	**(97 889)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	**9**	(121 700)	-
Proceeds from borrowings	**11**	-	140 000
Repayment of borrowings	**11**	(7 000)	(51 142)
Net cash generated from (used in) financing activities		**(128 700)**	**88 858**
Net increase (decrease) in cash and cash equivalents		**747**	**6 880**
Cash and cash equivalents at the beginning of the year	**8**	14 761	7 882
Cash and cash equivalents at the end of the year		**15 508**	**14 761**

The accompanying notes form an integral part of these financial statements.

The financial statements were approved and signed on 23 April 2021 by:

Violeta Tvarijonienė Director	Gabrielė Saponaitė Head of Finance Department of Akropolis Group UAB, an entity handling accounting books	Nida Nekiūnienė Chief Accountant of Akropolis Group UAB, an entity handling accounting books

1. GENERAL INFORMATION

OZO TURTAS UAB (the Company) was established and started its activities on 18 June 2008. The Company's registered office address: Ozo g. 25, Vilnius, Lithuania.

The Company's main business activity is development and operating lease of freehold real estate.

As at 31 December 2020 and 2019, the Company's sole shareholder was AKROPOLIS REAL ESTATE B.V., a limited liability company established under the laws of the Kingdom of the Netherlands, with its registered office address: Claude Debussylaan 7, 1082MC Amsterdam, Kingdom of the Netherlands, operating in the Kingdom of the Netherlands. The ultimate parent is Metodika B.V., address: Amstelveenseweg 500, 1081 KL, Amsterdam, Kingdom of the Netherlands, operating in the Kingdom of the Netherlands. The ultimate controlling party is Mr. Nerijus Numa.

As at 31 December 2020 and 2019, the Company had no branches and representative offices.

As at 31 December 2020 and 2019, the Company had 1 employee.

As at 31 December 2020 and 2019, the Company had direct control over the following subsidiaries:

Name	Country	Head office address	Principal activities	Type of control	Effective ownership
NM PROJEKTAS, UAB	Lithuania	Ozo St. 25, Vilnius	Land plot	Direct	100%

2. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the Company's separate financial statements for the year ended 31 December 2020 and 31 December 2019 are set out below.

Statement of compliance
These separate financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU).

Basis of preparation
The separate financial statements have been prepared on a historical cost basis, except for the investment property measured at fair value.

All amounts in these separate financial statements are presented in the national currency of the Republic of Lithuania, the euro (EUR), because the Company's transactions are mostly conducted in this currency.

As a result of introduction of the euro as the national currency of the Republic of Lithuania with effect from 1 January 2015, the functional and presentation currency of the Company has changed.

All amounts in these separate financial statements are presented in thousands of euros, and therefore, there might be mismatches due to the rounding effects.

The Company did not prepare the consolidated financial statements for the year ended 31 December 2020 based on the exemption provided for in the International Financial Reporting Standards (IFRS) as adopted by the European Union, which allows not to present the consolidated financial statements if the ultimate parent or other parent company presents the consolidated financial statements according to IFRS. As at 31 December 2020, Vilniaus prekyba UAB an intermediate parent company prepared the consolidated financial statements in accordance with IFRS, which were made available to general public.

The Lithuanian Law on Consolidated Accounts of the Groups of Entities also does not require the preparation of the consolidated financial statements for the year ended 31 December 2020, because the Company's intermediate parent company Vilniaus prekyba UAB prepared the consolidated financial statements under IFRS that were made available to general public and included the financial statements of all its subsidiaries. The translation of the consolidated financial statements (including the independent auditor's report) into Lithuanian is available at address: Ozo g. 25, Vilnius.

Revenue recognition
The Company generates revenue mostly from lease of investment property, as disclosed in Note 1. In addition to lease, the Company provides utility, repair and similar services, and other services relating to the activities of the shopping centre.

Rental income
Rental income is recognised in a manner that is described in section 'Leases' below. When a lease contract includes elements of service, the Company assesses, as described below, whether the individual elements of service are separate services promised to a customer in a contract (performance obligations) based on IFRS 15, and revenue from such services is recognised as described below.

Revenue from contracts with customers
Revenue from contracts with customers is recognised when a customer obtains control of service or good at the amount of consideration that the Company expects to receive in exchange for that service or good. The Company has determined that it acts as a principal when providing utility, repair and other services because:
- the Company controls the specified good or service before that good or service is transferred to a customer;
- the Company is responsible for fulfilling the promise to provide the services and is exposed to non-performance risk;
- the Company has discretion, direct or indirect, in establishing the price for the specified good or service.

The Company's management has also determined that generally the control of the specified services is transferred to a customer over time, and accordingly, the Company satisfies the performance obligation and recognises revenue over time, because the customer simultaneously receives and consumes all of the benefits provided by the Company as the Company performs under a contract. Such revenue is recognised by measuring progress towards complete satisfaction of the performance obligation or by directly measuring the value of services transferred to a customer to date.

Contract balances

Contract assets - accrued revenue
A contract asset is the right to consideration in exchange for the services provided to a customer. If the Company performs by transferring services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised at an amount equal to the earned consideration that is conditional.

Trade receivables
A trade receivable represents the Company's right to the earned consideration that is unconditional (i.e. consideration becomes payable, without any exceptions, upon the agreed deadline). See the accounting policy for financial assets.

Contract liabilities - advance amounts received
A contract liability is the obligation to provide services to a customer in exchange for consideration received (receivable) by the Company from a customer. If a customer pays consideration before the Company provides the services, a contract liability is recognised when the payment is received. A contract liability is recognised as revenue when the Company satisfies the performance obligation contained in a contract.

In view of the Company's business model, the management has not made any other significant accounting judgements, estimates or assumptions related to revenue from contracts with customers other than those described in this note, because there were no complex multicomponent goods or services, variable consideration, financing components, contract costs or amounts payable to customers.

Interest income
Interest income is recognised on a time proportion basis and based on accrual principle, taking account of the principal outstanding and effective interest rate over the period to maturity.

Leases

The Company is a lessor (operating lease)
Operating lease income is recognised on a straight-line basis over the lease period. Initial direct costs incurred in negotiating and arranging a lease are added to the carrying amount of the leased asset and recognised over the lease term.

Discounts/temporary rent reductions are treated as the Company's incentives used to retain the tenants. The Company recognises accumulated incentive costs on a straight-line basis as a reduction of rental income over the lease period.

Deposits from tenants
Liabilities for the deposits from tenants are initially recognised at fair value and subsequently measured at amortised cost, if material.

Depending on the lease contract term, the deposits from tenants are classified as either non-current or current. Advance amounts received under indefinite term contracts or contracts with validity term less than 12 months are classified as current liabilities, whereas advance amounts received under any other contracts are classified as non-current liabilities.

Foreign currency
Foreign currency transactions are translated into the euros using the official exchange rate set by the Bank of Lithuania at the date of the transaction, which approximates the market rate. Monetary assets and liabilities are translated into the euros using the exchange rate prevailing at the date of the statement of financial position. Exchange differences resulting from foreign currency transactions are recognised in the statement of comprehensive income when such differences arise. Foreign exchange gains and losses resulting from the translation of monetary assets and liabilities to the euros are recognised in the statement of comprehensive income.

The exchange rate of the euro in relation to other currencies is set daily by the Bank of Lithuania.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (which are assets that necessarily take a substantial period of time to get ready for their intended use or sale) are capitalised and added to the cost of the asset until such time as the asset is ready for its intended use or sale.

Investment income earned from temporary investment of specific borrowings pending their expenditure on a qualifying asset is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred. For the purpose of the cash flow statement, interest paid on borrowings intended for acquisition of investment property is attributed to operating activities.

Income tax
Income tax expenses consist of the current year income tax and deferred income tax expenses.

Current income tax
Current year income tax expenses are calculated on current year profit, as adjusted for certain non-deductible expenses/non-taxable income. The tax rate used to calculate the income tax expenses is a tax rate effective at the date of preparation of the separate financial statements. Income tax rate of 15% is effective in Lithuania since 2010.

Deferred income tax
Deferred income tax assets and deferred income tax liabilities are recognised on the differences between the carrying amounts of assets and liabilities reported in the separate financial statements and their tax bases. Deferred income tax liabilities are recognised for all temporary differences that will subsequently increase taxable profit, and deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. However, deferred income tax assets and liabilities are not recognised on temporary differences arising from the initial recognition of goodwill or 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 the accounting nor the taxable profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred income tax liabilities and deferred income tax assets reflects the Company's expectations, at the end of the reporting period, as to the manner in which the carrying amount of its assets and liabilities will be recovered or settled.

Deferred income tax assets and liabilities are offset only when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they are related to income taxes levied by the same taxing authority, and when the Company intends to settle the amounts of current tax assets and current tax liabilities on a net basis.

Current and deferred income tax for the period
Current and deferred income tax is included in profit or loss for the period, except to the extent it relates to items recognised in other comprehensive income or directly in equity, in which case it is also recognised in other comprehensive income/equity, or it arose from initial recognition of the business combination.

Tax losses can be carried forward for an indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the Company changes the activities that have caused the occurrence of such losses, except when the Company does not continue its activities due to the reasons that are beyond its control. 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 profit earned from the transactions of the same nature. With effect from 1 January 2014, tax losses available for carry forward can be used to reduce taxable income of the current tax year by maximum 70%.

With effect from 1 January 2010, based on the Law on Corporate Income Tax of the Republic of Lithuania, a group entity may transfer tax losses (or a part thereof) calculated for the tax period to another group entity, which in turn has a right to deduct the transferred losses from the amount of taxable profit calculated for the tax period in respect of which the losses (or a part thereof) transferred by another group entity were calculated.

Property, plant and equipment
Property, plant and equipment is stated at acquisition cost less subsequent accumulated depreciation and accumulated impairment losses. The acquisition cost includes replacement costs of a part of property, plant and equipment when incurred and when these costs meet the recognition criteria. When a significant part of property, plant and equipment needs to be replaced at the specific time intervals, the Company depreciates such property separately based on its useful life. Accordingly, when major repairs are carried out, such repair costs are recognised in the statement of financial position as an improvement to property, plant and equipment if the recognition criteria are met. All other repair and maintenance costs are recognised in profit or loss for the period when incurred.

Depreciation is calculated each month on a straight-line basis over the entire useful life of the asset using the average estimated useful lives of property, plant and equipment, as follows:

Equipment and other assets	3 – 6 years

All items of assets with the useful life longer than one year are capitalised. Gains or losses on disposal or write-off of property, plant and equipment are determined by reference to the proceeds from disposal less the carrying amount of the asset concerned, and the result is recognised in profit or loss.

Investment property
Investment property is property held to earn rentals and/or for capital appreciation, or property being developed for future use as held to earn rentals and/or for capital appreciation. Investment property comprises principally retail property and offices that are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.

Such property is initially measured at cost including any transaction costs and then is carried at fair value. The fair value of investment property reflects, among other things, rental income from current leases and other assumptions market participants would make when pricing the property under current market conditions. The fair value of investment property is reviewed at each reporting date, and any changes therein are recorded in the statement of comprehensive income as profit or loss for the period. For the purposes of these separate financial statements, in order to avoid double counting, the fair value reported in the separate financial statements is reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and/or minimum lease payments. Repair costs related to investment property reported at fair value are recognised as expenses in the period in which they are incurred.

In 2020 the valuation of the Company's investment property was carried out by independent property valuer CPB Real Estate Services SIA (CBRE Baltics), in 2019 was carried out by independent property valuer Kinnisvaraekspert, OU (DTZ Baltic). The valuation results were reflected in the separate financial statements as at 31 December 2020 and 2019 (Note 5).

The income approach (income capitalisation or discounted cash flows) was used during the valuation of property to determine the values of revenue-generating properties.

The income approach (income capitalisation or discounted cash flows) is typically used for valuation of revenue-generating properties that are available for acquisition to an investor. This approach also involves market data that are used to determine the current rates of rent and costs, based on which net income is estimated. Depending on the purpose of property, its management specifics, nature of cash flows and typical expectations of sellers and buyers currently acting in the market, the valuer may choose to apply either the direct capitalisation or the discounted cash flow approach. Based on the direct capitalisation approach, the value of property is calculated as net income (gain) divided by capitalisation rate. Based on the discounted cash flow approach, the value of property is calculated as a sum of the present values of future cash flows, discounted using the discount rate. The direct capitalisation and the discounted cash flow approach are both used to determine the market value. Under the income approach (income capitalisation or discounted cash flows), first of all it is necessary to estimate the gross income to be further reduced by the respective amounts of losses arising from vacancies and charges, expenditure or provisions. The resulting net income is capitalised or discounted using a ratio, which is proportionate to the risk arising from ownership of property under valuation. Under the direct capitalisation approach, one-year income and costs are stabilised, and the resulting net operating income is capitalised using a ratio or rate of return, which is proportionate to the risk arising from ownership of the property under valuation. Such income capitalisation takes into account the competitive rate of return, which is delivered by alternative instruments of investment in real estate or other assets. The key assumption used in this approach is that the projected cash inflows will continue indefinitely, which, however, is not applicable to complex investments in real estate.

Intangible assets
Intangible assets are expected to generate economic benefits in the future. Intangible assets are stated at acquisition cost, less accumulated amortisation and impairment. Amortisation is calculated on a straight-line basis to write off the cost of each asset over the estimated useful life of 3 to 5 years.

Cash and cash equivalents
For the purpose of the statement of financial position and cash flow statement, the Company's cash and cash equivalents comprise cash on hand and cash balances in current bank accounts.

Financial assets

Initial recognition and measurement
On initial recognition, financial assets are grouped into the following categories: those subsequently measured at amortised cost, those measured at fair value through other comprehensive income, and those measured at fair value through profit or loss.

The classification of financial assets at initial recognition depends on the contractual cash flow characteristics of the financial assets and the Company's business model for managing the financial assets. Except for trade receivables that do not contain a significant financing component, the Company initially recognises financial assets at fair value, plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined in accordance with IFRS 15.

For a financial asset to be designated and measured at amortised cost or fair value through other comprehensive income, cash flows arising from the financial asset should comprise solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is called the SPPI test and is performed individually for each financial instrument.

The Company's business model for managing financial assets indicates how the Company manages its financial assets in order to generate cash flows. The business model determines whether cash flows will be generated by collecting contractual cash flows, by selling the financial asset or by using both options.

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Company commits to purchase or sell the financial asset.

Subsequent measurement
After initial recognition, the Company measures its financial assets:
a) at amortised cost (debt financial instruments);
b) at fair value through other comprehensive income, when accumulated gain or loss is transferred to profit or loss upon derecognition (debt financial instruments); As at 31 December 2020 and 2019, the Company had no such financial instruments;
c) at fair value through other comprehensive income, when accumulated gain or loss is not transferred to profit or loss upon derecognition (equity instruments). As at 31 December 2020 and 2019, the Company had no such financial instruments;
d) at fair value through profit or loss. As at 31 December 2020 and 2019, the Company had no such financial instruments.

Financial assets measured at amortised cost (debt financial instruments)
The Company classifies its financial assets as measured at amortised cost only if both of the following criteria are met:
i) the financial asset is held within a business model whose objective is to collect the contractual cash flows; and
ii) the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortised cost are subsequently recorded using the effective interest method (EIR) less impairment losses. Gains or losses are recognised in the statement of comprehensive income when the asset is derecognised, replaced or identified as impaired.

The Company's financial assets measured at amortised cost include trade receivables, other current and non-current receivables, loans granted and assets from contracts with customers (if any).

Impairment of financial assets
According to IFRS 9, the Company recognises expected credit losses (ECLs) for all debt financial instruments that are not measured at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

a) Assessment of impairment of trade receivables
For trade receivables and contract assets, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

The expected loss rates are based on the historical information about the delayed payments by customers. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the tenants to settle the receivable. Such forward-looking information would include: (1) changes in economic, regulatory, technological and environmental factors, (such as industry outlook, GDP, employment and politics), (2) external market indicators, (3) customers' base.

Trade receivables are written off when they meet both of the following criteria are met: (1) receivables are past due more than a year and (2) the recovery is impossible.

b) Assessment of impairment of loans granted
The Company assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Company follows a three-stage model for impairment for financial assets other than trade receivables:
- Stage 1 – balances, for which the credit risk has not increased significantly since initial recognition, or that have low credit risk at the reporting date. For these assets, 12-month ECLs are recognized and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL are the expected credit losses that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12 months.
- Stage 2 – comprises balances for which there have been a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment. For these assets, lifetime ECLs are recognized, but interest revenue is still calculated on the gross carrying amount of the asset. Lifetime ECLs are the expected credit losses that result from all possible default events over the expected life of the financial instrument. Expected credit losses are the weighted average credit losses with the probability of default ('PD') as the weight.

- Stage 3 – comprises balances with objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognized and interest revenue is calculated on the net carrying amount (that is, net of credit allowance).

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

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

Financial liabilities

Initial recognition and measurement
On initial recognition, financial liabilities are classified at fair value through profit or loss. All financial liabilities are initially recognised at fair value, less directly attributable transactions costs in case of borrowings and amounts payable. The Company's financial liabilities include trade and other payables, borrowings, including lease liabilities.

Subsequent measurement of borrowings and other amounts payable
After initial recognition, borrowings and other amounts payable are accounted for at amortised cost using the effective interest rate (EIR) method. Gains and losses, as well as interest expenses, are recognised in the statement of comprehensive income when liabilities are derecognised, as well as through the amortisation process. The amortised cost is calculated by reference to the discount or premium on acquisition, as well as costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of comprehensive income.

Off-setting of financial instruments
Financial assets and financial liabilities are offset and recognised as net amount in the statement of financial position when there is an enforceable right to offset the reported amounts and when there is an intention to settle on a net basis, i.e. to realise the asset and settle the liability simultaneously.

Derecognition of financial assets and liabilities

Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:
- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a qualifying "pass through" arrangement; or
- the Company has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities
A financial liability is derecognised when the obligation under the liability is settled, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability. The difference between the respective carrying amounts is recognised in profit or loss.

Financial guarantees contracts
Financial guarantees issued to secure the fulfilment of obligations by subsidiaries of the Company's parent (i.e. entities controlled by the same parent) are recognized as a financial liability at the time the guarantee is issued.

The liability is initially measured at fair value and subsequently at the higher of:
- the amount determined in accordance with the expected credit loss model under IFRS 9 Financial Instruments and
- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Same accounting applies where guarantees in relation to loans or other payables of associates are provided for no compensation.

Effective interest rate method
The effective interest rate method is used to calculate the amortised cost of financial assets or financial liabilities and allocate interest income or interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash inflows or outflows through the expected life of the financial instrument or, when appropriate, a shorter period to the gross carrying amount of the financial asset or financial liability.

Fair value
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement assumes that the transaction to sell the asset or to transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

Fair value of assets or liabilities is established by using the assumptions that would be used by market participants in order to determine the price of assets or liabilities based on an assumption that market participants act in best economic interests. Fair value of non-financial assets is established based on the market participant's ability to generate economic benefit by using the asset in the best and most efficient way or by selling it to another market participant who would use it in the best and most efficient way.
The Company applies the valuation techniques that are appropriate for determining the fair value under the circumstances and for which sufficient data is available, by maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the separate financial statements are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the separate financial statements on a recurring basis, the Company determines whether any transfers have occurred between the levels in the fair value hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Assessments are made by the Company's management at each financial reporting date. For the purpose of disclosure of the fair value, the Company has grouped its assets and liabilities into categories based on the nature, characteristics and risks, and the above-mentioned level in the fair value measurement hierarchy.

Related parties
Parties are considered to be related if one party has the power to control the other party or to exercise significant influence over the other party in making financial and other decisions. Related parties are deemed to be the shareholders, management members, their close members of family and entities that directly or indirectly through an intermediary control the Company or are controlled individually or jointly with the other party that is also deemed to be related, except for the cases when actual circumstances reveal that no such control is possible between the Company and the other party, nor any significant influence in making financial and operating decisions.

Critical accounting estimates and judgements
In applying the accounting policies, management needs to make estimates, exercise professional judgement and use assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and the related assumptions are based on past experience and other directly related factors. The actual results may differ from the estimates made.

The estimates and underlying assumptions are reviewed on an ongoing basis. The effect of a change in an accounting estimate is recognised in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both current and future periods. The areas of these separate financial statements that involve the use of accounting estimates are fair values of investment property (Note 5).

Events after the reporting period
Post-balance sheet events that provide additional information about the Company's position at the date of the statement of financial position (adjusting events) are disclosed in the separate financial statements. Post-balance sheet events other than adjusting events are disclosed in the notes to the separate financial statements when such events are significant.

3. ADOPTION OF NEW AND/OR AMENDED IFRS AND INTERPRETATIONS OF THE INTERNATIONAL FINANCIAL REPORTING INTERPRETATIONS COMMITTEE (IFRIC)

There were no changes in the Company's accounting policies. The following amended standards became effective from 1 January 2020, but did not have any material impact on the Company:

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020). The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting. The adoption of these amendments had no significant impact on the Company's separate financial statements.

Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020). The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets). The adoption of these amendments had no significant impact on the Company's separate financial statements.

Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020). The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The adoption of these amendments had no significant impact on the Company's separate financial statements.

Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020). The amendments were triggered by replacement of benchmark interest rates such as LIBOR and other inter-bank offered rates ('IBORs'). The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the IBOR reform. Cash flow hedge accounting under both IFRS 9 and IAS 39 requires the future hedged cash flows to be 'highly probable'. Where these cash flows depend on an IBOR, the relief provided by the amendments requires an entity to assume that the interest rate on which the hedged cash flows are based does not change as a result of the reform. Both IAS 39 and IFRS 9 require a forward-looking prospective assessment in order to apply hedge accounting. While cash flows under IBOR and IBOR replacement rates are currently expected to be broadly equivalent, which minimises any ineffectiveness, this might no longer be the case as the date of the reform gets closer. Under the amendments, an entity may assume that the interest rate benchmark on which the cash flows of the hedged item, hedging instrument or hedged risk are based, is not altered by IBOR reform. IBOR reform might also cause a hedge to fall outside the 80–125% range required by retrospective test under IAS 39. IAS 39 has therefore been amended to provide an exception to the retrospective effectiveness test such that a hedge is not discontinued during the period of IBOR-related uncertainty solely because the retrospective effectiveness falls outside this range. However, the other requirements for hedge accounting, including the prospective assessment, would still need to be met. In some hedges, the hedged item or hedged risk is a non-contractually specified IBOR risk component. In order for hedge accounting to be applied, both IFRS 9 and IAS 39 require the designated risk component to be separately identifiable and reliably measurable. Under the amendments, the risk component only needs to be separately identifiable at initial hedge designation and not on an ongoing basis. In the context of a macro hedge, where an entity frequently resets a hedging relationship, the relief applies from when a hedged item was initially designated within that hedging relationship. Any hedge ineffectiveness will continue to be recorded in profit or loss under both IAS 39 and IFRS 9. The amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present. The amendments require entities to provide additional information to investors about their hedging relationships that are directly affected by these uncertainties, including the nominal amount of hedging instruments to which the reliefs are applied, any significant assumptions or judgements made in applying the reliefs, and qualitative disclosures about how the entity is impacted by IBOR reform and is managing the transition process. The adoption of these amendments had no significant impact on the Company's separate financial statements.

Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020). The amendments provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; any reduction in lease payments affects only payments due on or before 30 June

2021; and there is no substantive change to other terms and conditions of the lease. If a lessee chooses to apply the practical expedient to a lease, it would apply the practical expedient consistently to all lease contracts with similar characteristics and in similar circumstances. The amendment is to be applied retrospectively in accordance with IAS 8, but lessees are not required to restate prior period figures or to provide the disclosure under paragraph 28(f) of IAS 8. The adoption of these amendments had no significant impact on the Company's separate financial statements.

Standards approved but not yet effective
Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2021 or later, and which the Company has not early adopted:

IFRS 14, Regulatory Deferral Accounts (issued on 30 January 2014 and effective for annual periods beginning on or after 1 January 2016). IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. The adoption of the standard is not expected to have a significant impact on the Company.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. These amendments have not yet been adopted by the EU. The Company has not yet assessed the impact of the adoption of these amendments.

IFRS 17 "Insurance Contracts"(issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately. The standard has not yet been adopted by the EU. The adoption of the new standard is not expected to have a significant impact on the Company.

Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022).These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument. The Company is currently assessing the impact of these amendments on its separate financial statements.

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022). The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.

The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity

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

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

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

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

The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis. The Company is currently assessing the impact of these amendments on its financial statements.

Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023). The amendments include a number of clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard. The following amendments to IFRS 17 were made:

- Effective date: The effective date of IFRS 17 (incorporating the amendments) has been deferred by two years to annual reporting periods beginning on or after 1 January 2023; and the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 has also been deferred to annual reporting periods beginning on or after 1 January 2023.
- Expected recovery of insurance acquisition cash flows: An entity is required to allocate part of the acquisition costs to related expected contract renewals, and to recognise those costs as an asset until the entity recognises the contract renewals. Entities are required to assess the recoverability of the asset at each reporting date, and to provide specific information about the asset in the notes to the financial statements.
- Contractual service margin attributable to investment services: Coverage units should be identified, considering the quantity of benefits and expected period of both insurance coverage and investment services, for contracts under the variable fee approach and for other contracts with an 'investment-return service' under the general model. Costs related to investment activities should be included as cash flows within the boundary of an insurance contract, to the extent that the entity performs such activities to enhance benefits from insurance coverage for the policyholder.
- Reinsurance contracts held – recovery of losses: When an entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or on addition of onerous underlying contracts to a group, an entity should adjust the contractual service margin of a related group of reinsurance contracts held and recognise a gain on the reinsurance contracts held. The amount of the loss recovered from a reinsurance contract held is determined by multiplying the loss recognised on underlying insurance contracts and the percentage of claims on underlying insurance contracts that the entity expects to recover from the reinsurance contract held. This requirement would apply only when the reinsurance contract held is recognised before or at the same time as the loss is recognised on the underlying insurance contracts.
- Other amendments: Other amendments include scope exclusions for some credit card (or similar) contracts, and some loan contracts; presentation of insurance contract assets and liabilities in the statement of financial position in portfolios instead of groups; applicability of the risk mitigation option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss; an accounting policy choice to change the estimates made in previous interim financial statements when applying IFRS 17; inclusion of income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract in the fulfilment cash flows; and selected transition reliefs and other minor amendments.

The Company is currently assessing the impact of these amendments on its separate financial statements.

Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more

time to implement classification changes resulting from the amended guidance. The Company is currently assessing the impact of these amendments on its separate financial statements.

Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021). The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The amendments cover the following areas:

- Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform: For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognised. This practical expedient applies only to such a change and only to the extent it is necessary as a direct consequence of IBOR reform, and the new basis is economically equivalent to the previous basis. Insurers applying the temporary exemption from IFRS 9 are also required to apply the same practical expedient. IFRS 16 was also amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of IBOR reform.
- End date for Phase 1 relief for non contractually specified risk components in hedging relationships: The Phase 2 amendments require an entity to prospectively cease to apply the Phase 1 reliefs to a non-contractually specified risk component at the earlier of when changes are made to the non-contractually specified risk component, or when the hedging relationship is discontinued. No end date was provided in the Phase 1 amendments for risk components.
- Additional temporary exceptions from applying specific hedge accounting requirements: The Phase 2 amendments provide some additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.

Additional IFRS 7 disclosures related to IBOR reform: The amendments require disclosure of: (i) how the entity is managing the transition to alternative benchmark rates, its progress and the risks arising from the transition; (ii) quantitative information about derivatives and non-derivatives that have yet to transition, disaggregated by significant interest rate benchmark; and (iii) a description of any changes to the risk management strategy as a result of IBOR reform. The Company is currently assessing the impact of these amendments on its separate financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The Company is currently assessing the impact of the amendments on its separate financial statements.

Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates. The Company is currently assessing the impact of the amendments on its separate financial statements.

The Company expects to adopt the above-listed new standards when they become effective and adopted by the EU.

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following as at 31 December:

Acquisition cost	**Equipment and other assets (EUR '000)**
At 31 December 2018	**2 716**
Acquisitions	571
Disposals and write-offs	(49)
At 31 December 2019	**3 238**
Acquisitions	125
Disposals and write-offs	(188)
At 31 December 2020	**3 175**
Accumulated depreciation	
At 31 December 2018	**(2 501)**
Depreciation for the year	(147)
Disposals and write-offs	49
At 31 December 2019	**(2 599)**
Depreciation for the year	(228)
Disposals and write-offs	187
At 31 December 2020	**(2 640)**
Carrying amount	
At 31 December 2019	**639**
At 31 December 2020	**535**

Acquisition cost of fully depreciated property, plant and equipment but still in use amounted to EUR 2.3 million as at 31 December 2020 (31 December 2019: EUR 2.2 million).

Depreciation charges of property, plant and equipment amounted to EUR 228 thousand for the year 2020 (2019: EUR 147 thousand), and they recorded within other operating expenses.

As at 31 December 2020 and 2019, the Company had no assets that were held under the lease contracts.

5. INVESTMENT PROPERTY

Investment property consisted of the following as at 31 December:

	Investment property (EUR '000)
Fair value as at 31 December 2018	**289 920**
Acquisitions	9 359
Fair value gain	682
Market value per external valuation report	**299 961**
Lease incentive impact	-
Fair value as at 31 December 2019	**299 961**
Acquisitions	1 937
Fair value gain	6 567
Market value per external valuation report	**308 465**
Lease incentive impact	(1 281)
Fair value as at 31 December 2020	**307 184**

All investment property is attributed to level 3 in the fair value measurement hierarchy. The methods for determining the fair value of investment property are described in Note 2.

The value of investment property as at 31 December 2020 and 2019 was determined under the value in use approach. For the valuation of property as at 31 December 2020, the capitalisation rate of 7% (31 December 2019: 7%) and the discount rate of 8,37% (31 December 2019: 8.6%) were used. A significant increase (decrease) in the discount rate and the capitalisation rate would result in a significant decrease (increase) in the fair value of the investment property. The approach used to determine the fair value of the investment property is attributed to level 3 in the fair value measurement hierarchy.

As at 31 December 2020 and 2019, all investment property of the Company had been pledged to the banks as collateral repayment of loans under the loan agreements (Note 11).

26% of income is expected to be generated from related parties, as this is the current ratio in 2020 (Note 15). There are no single external customer amount to 10 per cent or more of an entity's revenues. Future minimum rentals receivable under operating leases as at 31 December are, as follows:

	2020 (EUR'000)	2019 (EUR'000)
Within 1 year	19 906	19 258
Within 2 years	17 776	16 636
Within 3 years	15 531	15 061
Within 4 years	11 594	13 387
Within 5 years	7 856	9 904
After 5 years	39 216	46 481
Total	111 879	120 728

The valuation was determined using discounted cash flow (DCF) projections based on significant unobservable inputs. These 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; and
- **Terminal value** taking into account assumptions regarding maintenance costs, vacancy rates and market rents.

Sensitivity analysis
Presented below is the sensitivity analysis of the market value of investment property and a value of associated PPE per external valuation report for changes in the exit yield and discount rate:

31 December 2020, EUR'000		**Exit yield**		
		6,75%	**7,00%**	**7,25%**
	8,12%	320 000	314 000	308 000
Discount rate	**8,37%**	314 000	**309 000**	303 000
	8,62%	309 000	303 000	298 000

31 December 2019, EUR'000		**Exit yield**		
		6,75%	**7,00%**	**7,25%**
	8,00%	319 600	313 500	307 800
Discount rate	**8,60%**	306 300	**300 600**	295 200
	9,00%	297 900	292 300	287 200

6. INVESTMENTS IN SUBSIDIARIES

On 31 March 2020 by the decision of the shareholder of subsidiary NIKOLA MUSHANOV PROJEKTAS UAB, its share capital was reduced from EUR 5.1 million to EUR 36.5 thousand, cancelling 17,655,172 shares with a purpose to pay the Company's funds to the sole shareholder of the Company and at the same time the name of the subsidiary was changed to NM PROJEKTAS, UAB.

On 27 March 2019, the Company acquired 100% of shares in NIKOLA MUSHANOV PROJEKTAS UAB from its related company for the total amount of EUR 5.1 million. This company is currently dormant.

7. AMOUNTS RECEIVABLE AND PREPAYMENTS

Amounts receivable and prepayments consisted of the following as at 31 December:

	2020 (EUR '000)	**2019 (EUR '000)**
Non-current deferred discounts to tenants	708	-
Non-current deferred discounts to related parties (note 15)	92	-
Non-current receivables and prepayments	**800**	**-**
Trade receivables	1 042	688
Trade receivables from related parties (note 15)	199	132
Less: impairment for doubtful debts	(54)	-
Trade receivables, net	**1 187**	**820**
Current deferred discounts to tenants	468	-
Current deferred discounts to related parties (note 15)	14	-
Prepayments	6	6
Prepayments to related parties (note 15)	91	91
Deferred expenses and other receivable	8	5
Current amounts receivable and prepayments	**1 774**	**923**

Amounts receivable (including amounts receivable from related parties) are interest free, and their settlement term is typically 30 days.

During 2020, the Company provided tenants with EUR 1.9 million rental discounts, of which EUR 0.6 million was recognized in the statement of comprehensive income. Included within amount receivables, are lease incentive receivables of EUR 1.3 million (there were no such lease incentive receivables in 2019), split between long-term (EUR 0.8 million) and short-term (EUR 0.5 million) receivables.

Ageing of trade receivables and amounts receivable (after impairment):

	2020 (EUR '000)	2019 (EUR '000)
Not past due	472	706
Past due less than 30 days	421	78
Past due 31–60 days	190	10
Past due 61–90 days	54	11
Past due 91 days and more	50	15
Total	**1 187**	**820**

As at 31 December 2020, expected credit losses of the Company were recognised in relation to rent receivables. The main cause of the expected credit losses is the increased credit risk from independent customers and global COVID-19 pandemic.

Balances in the provision for impairment of receivables were, as follows:

	Not due	< 31 days	31–90 days	91–180 days	180-365 days	>365 days	Total
Expected credit loss rate	0,05%	0,05%	0,05%	51,75%	51,75%	51,75%	
Carrying amount (EUR'000)	472	421	244	76	26	1	**1241**
Expected credit loss (EUR'000)	0	0	0	39	13	1	**54**
Net amount (EUR'000)	**472**	**421**	**244**	**37**	**13**	**0**	**1187**

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following as at 31 December:

	2020 (EUR '000)	2019 (EUR '000)
Cash at bank	15 506	14 750
Cash in transit	2	11
Total	**15 508**	**14 761**

As at 31 December 2020 and 2019, all cash and cash equivalents of the Company had been pledged to the banks as security under the loan agreements (Note 11).

Credit risk disclosure is provided in Note 15.

9. SHARE CAPITAL AND SHARE PREMIUM

As at 31 December 2020 and 2019, the Company's authorised share capital consisted of 75,883,082 ordinary registered shares with par value of EUR 0.29 each. All the shares had been fully paid.

As at 31 December 2020, all the shares of the Company had been pledged to the banks as collateral under the loan agreements (Note 11).

As at 31 December 2020 and 2019, the sole shareholder of the Company was AKROPOLIS REAL ESTATE B.V.

Share premium is the difference between the issue price and the par value of shares. Based on the laws of the Republic of Lithuania, share premium cannot be subject to distribution and can only be converted to share capital or used to cover the accumulated losses.

In 2020 were paid 121.7 million EUR dividends (EUR 1,6 per share) by the Company to its shareholder. In 2019, no dividends were paid by the Company to its shareholder.

10. LEGAL RESERVE

The legal reserve is a compulsory reserve under the Lithuanian legislation. Annual transfers of at least 5 % of net profit, which is calculated in accordance with the Lithuanian regulatory legislation on accounting, are required until the reserve reaches 10 % of the authorised share capital. The legal reserve is formed to cover the Company's potential losses and cannot be used for payment of dividends or otherwise. As at 31 December 2020 and 2019, the legal reserve had been fully formed.

11. BORROWINGS

In 2020 and 2019 all borrowings consisted only of bank loans.

As at 31 December 2020, the Company's bank borrowings in amount of EUR 128.9 million (2019: EUR 135.9 million) were secured with assets pledged as collateral. As at 31 December 2020, all investment property and associated PPE of the Company in amount of EUR 309 million, cash and cash equivalents in amount of EUR 15.5 million and the Company's shares had been pledged to the banks as security under the loan agreement. As at 31 December 2019, investment property in amount of EUR 300.6 million had been pledged to the banks as security (Notes 5, 8, 9).

The Company's borrowings were as follows as at 31 December:

	2020 (EUR '000)	2019 (EUR '000)
At the beginning of the year	**135 917**	**47 059**
Proceeds from borrowings	-	140 000
Repayments of borrowings	(7 000)	(51 142)
Interest charged	2 383	1 786
Interest paid	(2 383)	(1 786)
Administrative fees charged	24	399
Administrative fees paid	(24)	(399)
At the end of the year	**128 917**	**135 917**

The Company's net debt was as follows as at 31 December:

	2020 (EUR '000)	2019 (EUR '000)
Non-current borrowings	121 917	128 917
Current borrowings	7 000	7 000
(Less) Cash and cash equivalents	(15 508)	(14 761)
Net borrowings	**113 409**	**121 156**

As at 31 December 2020 and 2019, the Company's bank borrowings had a variable interest rate (linked to variable base rate), plus a margin meeting market conditions. The Company complied with the covenants (performance indicators) specified in the loan agreements as at 31 December 2020 and 2019.

As at 31 December 2020 and 2019, all bank borrowings of the Company were denominated in the euros.

As at 31 December 2020 and 2019, the Company had no undrawn credit facilities from the banks.

12. NON-CURRENT TRADE AND OTHER AMOUNTS PAYABLE

Trade and other amounts payable consisted of the following as at 31 December:

	2020 (EUR '000)	2019 (EUR '000)
Non-current advance amounts received	1 969	1 723
Other non-current amounts payable	2 060	6
Non-current amounts payable	**4 029**	**1 729**
Current advance amounts received	771	722
Trade payables	972	804
VAT payable	844	370
Trade payables to related parties (Note 15)	335	347
Real estate tax payable	25	56
Other amounts payable and accrued expenses	34	21
Current amounts payable	**2 981**	**2 321**
Total	**7 010**	**4 050**

Trade and other amounts payable (including the amounts payable to related parties) are interest free, and their settlement term is typically 20 days. Other non-current amounts payable consists of deferred taxes payable to the tax authorities (note 20).

Advance amounts received from customers under the lease contracts are refunded upon expiry of validity of the contract. Classification into current and non-current depends on the validity term of the contract. As at 31 December 2020, non-current portion of advance amounts received was EUR 2 million and it was recorded within other non-current amounts receivable (31 December 2019: EUR 1.7 million).

13. OTHER OPERATING INCOME AND EXPENSES

Revenue from contracts with customers for the year ended 31 December mostly consisted of revenue from utility services and extra fee charged to the tenants.

Other operating expenses consisted of the following for the year ended 31 December:

	2020 (EUR '000)	2019 (EUR '000)
Other operating expenses:		
Electricity costs	(2 149)	(2 217)
Advertising expenses	(1 174)	(1 335)
Shopping centre management fee	(1 141)	(1 129)
Premises maintenance and cleaning expenses	(608)	(515)
Building, engineering and elevator maintenance expenses	(486)	(529)
Fee for property management services	(384)	(466)
Building repair and insurance expenses	(311)	(366)
Building security expenses	(307)	(295)
Depreciation expenses	(249)	(158)
Heating expenses	(247)	(346)
Car parking facility and surrounding territory maintenance expenses	(222)	(277)
Tax (other than income tax) expenses	(204)	(276)
Water and waste-water expenses	(107)	(126)
Other expenses	(139)	(177)
Total	**(7 728)**	**(8 212)**

14. INCOME TAX

	2020 (EUR '000)	2019 (EUR '000)
Current year income tax expenses	2 407	2 928
Income tax adjustment on takeover of tax losses	-	(82)
Deferred income tax expenses	1 293	248
Income tax expenses	**3 700**	**3 093**

Income tax expenses consisted of the following for the year ended 31 December:

	2020 (EUR '000)	2019 (EUR '000)
Profit before income tax	24 702	21 244
Income tax calculated at a 15 % tax rate	3 705	3 187
Tax effects of non-taxable income	(20)	(15)
Tax effects of non-deductible expenses	15	3
Previous year income tax adjustment on takeover of tax losses	-	(82)
Income tax expenses	**3 700**	**3 093**
Effective rate of income tax	14,98%	14,56%

In 2019, the Company took over tax losses from a group company, as a result of which the income tax for the year 2019 was reduced by EUR 82 thousand.

Deferred income tax balances as at 31 December 2020 and 2019 consisted of deferred income tax liabilities.

Deferred income tax liabilities (net) consisted of the following as at 31 December:

	Investment property at fair value (EUR '000)	Accelerated tax depreciation (EUR '000)	Total (EUR '000)
At 31 December 2018	**(32 141)**	**(10 310)**	**(42 450)**
Recognised in profit	(102)	(145)	(248)
At 31 December 2019	**(32 243)**	**(10 455)**	**(42 698)**
Recognised in profit	(985)	(309)	(1 294)
At 31 December 2020	**(33 228)**	**(10 764)**	**(43 992)**

Income tax at a rate of 15% was used when calculating deferred income tax as at 31 December 2020 and 2019.

15. RELATED-PARTY TRANSACTIONS

Related-party transactions consisted of the following for the year ended 31 December:

	2020 (EUR '000)	2019 (EUR '000)
Sales to:		
Intermediate parent company	68	-
Associates related to a parent Company	7 301	7 015
Total	**7 368**	**7 015**
Purchases from:		
Subsidiaries	-	3
Associates related to a parent Company	2 266	2 231
Total	**2 266**	**2 234**
Interest income from:		
Intermediate parent company	691	1 461
Total	**691**	**1 461**
Disposals of PPE, investment property and intangible assets to:		
Subsidiaries of the intermediate parent Company	-	6
Total	**-**	**6**
Acquisitions of PPE, investment property and intangible assets from:		
Associates related to a parent Company	1	2 002
Total	**1**	**2 002**
Acquisition of investments in subsidiaries:		
Intermediate parent company	-	5 075
Total	**-**	**5 075**
Loans granted to:		
Intermediate parent company	-	105 530
Total	**-**	**105 530**
Prepayments to and amounts receivable from:		
Associates related to a parent Company	396	223
Total	**396**	**223**
Advances received (from) and payables (to):		
Associates related to a parent Company	336	347
Total	**336**	**347**

Sales to related parties represent lease services provided in the ordinary course of business. Average term of rent agreements with related parties operating in shopping centre is 13 years, while average term of rent agreements with related parties operating in office building is either 7 years or open-ended contracts. Purchases from related parties mainly consisted of consultation services related to real estate management and development. The average term of all loans granted were 1 year. In 2020 the Company received EUR 5.1 million from cancellation of the shares of the subsidiary NIKOLA MUSHANOV PROJEKTAS UAB. All transactions with related parties were made on terms equivalent to those that prevail in arm's length transactions.

Loans granted are also subject to the expected credit loss requirements of IFRS 9, the identified impairment loss was immaterial, as there were no cases of non-recovery or late payments of loans granted. As at 31 December 2019, the loan with the value of EUR 105,5 million was granted to the intermediate parent company and subsequently repaid in 2020.

Compensation to the Company's management for the year ended 31 December:

	2020 (EUR '000)	2019 (EUR '000)
Employment-related payments to management	38	25
Average annual number of management personnel	1	1

16. FINANCIAL RISK MANAGEMENT

Credit risk. Credit risk is a risk of a counterparty failing to perform its obligations, thereby leading to financial losses incurred by the Company. The Company's exposure to credit risk mostly arises from loans and receivables. For the purpose of the statement of financial position, amounts receivable are presented net of doubtful amounts receivable (if any), which are assessed by the Company based on its past experience, current economic conditions and expected future economic conditions. The Company's exposure to credit risk is insignificant, since it is distributed among many customers. The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables (note 7) and cash and cash equivalents (note 8).

The Company's exposure to credit risk arising from liquid cash at bank is limited, since the Company carries out transactions with the banks that have investment grade credit ratings of Baa3 and above assigned by Moody's, an international credit-rating agency.

Foreign exchange risk. The Company is not exposed to significant foreign exchange risk as the Company's operations are mostly conducted in the euros. Currently, the Company does not use any derivative financial instruments to hedge against foreign exchange risk.

Interest rate risk. The Company's cash flows are affected by fluctuations in market interest rates.
The Company's bank borrowings bear variable interest rates linked to variable base rate. Trade and other payables are interest-free and have settlement dates within one year.

The Company's cash flow and fair value interest rate risk is periodically monitored by the management. It analyses its interest rate exposure on a dynamic basis taking into consideration refinancing, renewal of existing positions, alternative financing. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for receivables and liabilities that represent the major interest-bearing positions. The Company does not use any derivative financial instruments to manage the interest rate risk.

Based on the Company's assessment, an increase/decrease in variable interest rate by 100 basis points, given the level of borrowings of the Company as at 31 December 2020 and with the rest of parameters remaining constant, would result in an increase/decrease in the Company's interest expenses and decrease/increase in profit before tax by EUR 1.3 million (31 December 2019: EUR 1.4 million).

Liquidity risk. In managing liquidity risk, the Company follows the principle of prudence. The Company manages its cash flows and liquidity risk based on cash flow projections, which are prepared on a quarterly basis. In the opinion of the Company's management, the Company's liquidity ratio is adequate and appropriate for such nature of business activities, and cash flows generated from lease are sufficient to continue profitable activities and to ensure the Company's liquidity.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments (including interest payments):

31 December 2020	Less than 6 months (EUR'000)	6-12 months (EUR'000)	Between 1-2 years (EUR'000)	Between 2-5 years (EUR'000)	Over 5 years (EUR'000)	Total (EUR'000)
Interest-bearing loans and borrowings	4 461	4 450	8 805	117 013	-	134 729
Trade and other payables	1 307	-	-	-	-	1 307
	5 768	**4 450**	**8 805**	**117 013**	**-**	**136 036**

31 December 2019	Less than 6 months (EUR'000)	6-12 months (EUR'000)	Between 1-2 years (EUR'000)	Between 2-5 years (EUR'000)	Over 5 years (EUR'000)	Total (EUR'000)
Interest-bearing loans and borrowings	4 520	4 504	8 912	125 818	-	143 754
Trade and other payables	1 151	-	-	-	-	1 151
	5 672	**4 504**	**8 912**	**125 818**	**-**	**144 906**

17. CAPITAL MANAGEMENT

For the purpose of capital management, the Company's capital consists of the share capital, share premium, legal reserve and retained earnings amounting to EUR 143.9 million as at 31 December 2020 (31 December 2019: EUR 244.6 million).

The primary objective of the Company's capital management is to ensure that the Company complies with the externally imposed capital requirements and meets the respective capital ratios in order to preserve its business and maximise return to the shareholders. The Company has an adequate capital level to further maintain its business development.

The Company manages its capital structure and makes adjustments thereto in light of changes in economic conditions and risk characteristics of its activities. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to the shareholders or issue new shares. No changes were made concerning the purpose, policies or processes of capital management during the periods ended 31 December 2020 and 2019.

The Company is required to ensure that its equity accounts for not less than 50% of its share capital in accordance with the Law on Companies of the Republic of Lithuania. As at 31 December 2020 and 2019, the Company complied with the requirement.

18. FINANCIAL INSTRUMENTS

Financial instruments consisted of the following as at 31 December:

	2020 (EUR '000)	2019 (EUR '000)
Financial assets		
Loans granted	-	105 530
Trade receivables	1 187	820
Cash and cash equivalents	15 508	14 761
Financial liabilities		
Borrowings	128 917	135 917
Trade payables	1 307	1 151
Accrued expenses	32	21

In the management's opinion, the carrying amount of amounts receivable, cash and cash equivalents, trade and other current amounts payable approximates their fair value due to short contractual settlement terms. The carrying amount of non-current amounts payable approximates their fair value as the interest rates approximates the market interest rates.

All the Company's financial assets and financial liabilities are measured at amortised cost.

19. CONTINGENT LIABILITIES

As at 31 December 2020 and 2019, the Company had no significant contingent liabilities.

20. EFFECT OF COVID-19

Due to COVID-19 pandemic, the Company experienced inevitable influence on its financial performance. Below is the timeline of the most significant periods to the Company during 2020, related to government measures fighting the global pandemic.

- March 16 - April 22: Partial close down - only the most necessary business were allowed, i.e. the activities of restaurants, cafes, bars, nightclubs and other places of entertainment were prohibited, except when food could be taken away, as well as the activities of physical shops, shopping and / or entertainment centres were prohibited, except shops selling food, veterinary, pharmacy, optical goods and orthopaedic technical devices;
- April 23 - May 17: entertainment and restaurant businesses were restricted; physical shops / some beauty service providers were able to work (subject to some additional safety requirements). Restaurants were able to work only in open spaces;
- November 7 - December 15: entertainment and restaurant (except take away) businesses were restricted. Shops / service providers (including those in shopping and / or entertainment centres) were able to work with some additional safety requirements;
- Since December 16: Partial close down - only the most necessary business are allowed, i.e. shops (including those in shopping and / or entertainment centres) were not allowed to work, except shops which main activity is selling food, veterinary, optical goods and orthopaedic technical devices (subject to some additional safety requirements). Activities of beauty services were prohibited, also activities of other services that require contact with the client for longer than 15 minutes (subject to some additional safety requirements).

Business, whose activities were prohibited or restricted during quarantine, had a possibility to get a partial compensation of lease payments amounting to 50 percent on the lease amount payable. Period for such compensations was from March 16 to August 31, on a condition that a lessor contributes an additional 30 percent discount. Thus Company provided discounts for such tenants. Total discounts for rent payments in 2020 amounted to 2.2 million EUR. The Company collected all receivables that had been granted discounts. Increase of trade receivables by the end of 2020 results from close down of shopping centre since mid-December.

The Company, in cooperation with State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania (STI), has agreed 2 year interest free tax loan agreement for some of the Company's tax arrears of 2020. Tax loan agreed majorly consists of Income Tax and VAT. The Company did not receive any other governmental benefits relating to COVID-19 pandemic during 2020.

In 2020, the Company incurred additional expenses, amounting to 224 thousand EUR, which were allocated to various health and hygiene measures to ensure safety of employees and customers. A modern automatic ultraviolet (UV) disinfection equipment was installed on all escalators and moving walkaways, as well as in elevators for automatic UV air disinfection. Also, stations with automatic sensor disinfectant dispensers were installed at each of the entrances to the Akropolis, as well as at information centres and sanitary facilities. Additionally, all common areas and frequently touched surfaces are periodically disinfected, ventilation systems are operating at full capacity, and air filters are periodically replaced. All personnel also observe strict hand hygiene and monitor their health. Only people with protective face masks are allowed into the shopping centre. Administration constantly monitors and, if needed, regulates traffic to ensure safe distances between customers and thus prevent the spread of coronavirus.

As of April 19, 2021, government of Lithuania eased restrictions on stores operating in shopping centres and entertainment businesses. It is now allowed to open stores on weekdays. The shops and entertainment businesses (e.g. cinema) are allowed to operate subject to some additional safety requirements (e.g. amount of people should be monitored, etc.). On weekends and holidays only essential shops (food, pharmacies, etc.) and shops that have separate entrance from outside (as of 15 March, 2021) are allowed to work. As of December, 2020 Lithuanian government started immunising the population against COVID-19. At the date of these financial statements, more than 20% of population has been vaccinated at least once, with the mass vaccination expected to begin in the upcoming months. The Company is focused on helping its tenants financially during the partial close down, i.e. discounts and deferrals are being negotiated. Already granted discounts in January, 2021 comprises of 12% of a total rental and additional fees income for a month. It is currently unknown when usual business activities will be safe to resume and thus management observes effect of the global pandemic to be visible on the financial results of 2021 as well.

Despite global covid-19 pandemic, Company managed to keep 97% collection rate during 2020. Thus, management believes that liquidity position of the Company is sufficient and proven track record indicates strong resilience and flexibility to subside the negative effects of coronavirus pandemic.

21. EVENTS AFTER THE REPORTING PERIOD

There were no significant post-balance sheet events that could have had significant impact on these separate financial statements.

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Independent auditor's report

To the shareholder of Taikos turtas UAB

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Taikos turtas UAB (the "Company") as at 31 December 2020 and 31 December 2019, and the Company's financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2020 and 31 December 2019;
- the statement of comprehensive income for the years then ended;
- the statement of changes in equity for the years then ended;
- the statement of cash flows for the years then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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 in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the Law of the Republic of Lithuania on the Audit of Financial Statements that are relevant to our audit of the financial statements in the Republic of Lithuania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Law of the Republic of Lithuania on the Audit of Financial Statements.

Reporting on other information including the annual report

Management is responsible for the other information. The other information comprises the 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, including the annual report.

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.

With respect to the annual report, we considered whether the annual report includes the disclosures required by the Law of the Republic of Lithuania on Financial Reporting by Undertakings.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the annual report for the financial year for which the financial statements are prepared, is consistent with the financial statements; and
- the annual report has been prepared in accordance with the Law of the Republic of Lithuania on Financial Reporting by Undertakings.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the annual report which we obtained prior to the date of this auditor's report. 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 of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

On behalf of PricewaterhouseCoopers UAB

Rimvydas Jogėla
Partner
Auditor's Certificate No.000457

Vilnius, Republic of Lithuania
23 April 2021

The auditor's electronic signature is used herein to sign only the Independent Auditor's Report

STATEMENT OF FINANCIAL POSITION

	Notes	2020 (EUR '000)	2019 (EUR '000)
ASSETS			
Non-current assets		**195 748**	**195 702**
Property, plant and equipment	**4**	80	92
Investment property	**5**	194 892	195 408
Right-of-use assets		147	202
Non-current receivables	**7**	629	-
Current assets		**11 448**	**30 620**
Inventories		31	29
Amounts receivable and prepayments	**7**	1 314	804
Loans granted	**15**	-	22 057
Cash and cash equivalents	**8**	10 103	7 730
TOTAL ASSETS		**207 196**	**226 322**
EQUITY AND LIABILITIES			
Share capital	**9**	14 633	14 633
Share premium	**9**	9 773	9 773
Legal reserve	**10**	1 463	1 463
Retained earnings		122 481	140 011
Total equity		**148 350**	**165 880**
Non-current liabilities		**30 329**	**29 114**
Non-current amounts payable	**12**	1 450	1 238
Non-current lease liabilities	**6**	172	191
Deferred income tax liability	**14**	28 707	27 685
Current liabilities		**28 517**	**31 328**
Borrowings	**11**	24 146	29 512
Trade and other payables	**12**	3 582	1 677
Current lease liabilities	**6**	19	18
Income tax payable		770	121
Total amounts payable and liabilities		**58 846**	**60 442**
TOTAL EQUITY AND LIABILITIES		**207 196**	**226 322**

The accompanying notes form an integral part of these financial statements.

The financial statements were approved and signed on 23 April 2021 by:

Violeta Tvarijonienė Director	Gabrielė Saponaitė Head of Finance Department of Akropolis Group, UAB, an entity handling accounting books	Nida Nekiūnienė Chief Accountant of Akropolis Group UAB, an entity handling accounting books

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2020 (EUR '000)	2019 (EUR '000)
Rental income		14 631	14 997
Revenue from contracts with customers	**13**	5 275	6 122
Other operating expenses	**13**	(5 664)	(5 743)
GROSS PROFIT		**14 242**	**15 376**
General and administrative expenses		(43)	(59)
Other income		21	37
Change in fair value of investment property	**5**	(743)	3 438
OPERATING PROFIT		**13 477**	**18 792**
Interest income		73	190
Interest expenses		(288)	(224)
PROFIT BEFORE INCOME TAX		**13 262**	**18 758**
Income tax (expenses)	**14**	(1 992)	(2 797)
NET PROFIT		**11 270**	**15 961**
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		**11 270**	**15 961**

The accompanying notes form an integral part of these financial statements.

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Violeta Tvarijonienė Director	Gabrielė Saponaitė Head of Finance Department of Akropolis Group, UAB, an entity handling accounting books	Nida Nekiūnienė Chief Accountant of Akropolis Group UAB, an entity handling accounting books

STATEMENT OF CHANGES IN EQUITY

	Share capital (EUR '000)	Share premium (EUR '000)	Legal reserve (EUR '000)	Retained earnings (EUR '000)	Total (EUR '000)
Balance at 31 December 2018	**14 633**	**9 773**	**1 463**	**124 050**	**149 919**
Net profit	-	-	-	15 961	**15 961**
Total comprehensive income	**-**	**-**	**-**	**15 961**	**15 961**
Balance at 31 December 2019	**14 633**	**9 773**	**1 463**	**140 011**	**165 880**
Dividends declared	-	-	-	(28 800)	**(28 800)**
Transactions with shareholders, total	**-**	**-**	**-**	**(28 800)**	**(28 800)**
Net profit	-	-	-	11 270	**11 270**
Total comprehensive income	**-**	**-**	**-**	**11 270**	**11 270**
Balance at 31 December 2020	**14 633**	**9 773**	**1 463**	**122 481**	**148 350**

The accompanying notes form an integral part of these financial statements.

The financial statements were approved and signed on 23 April 2021 by:

Violeta Tvarijonienė Director	Gabrielė Saponaitė Head of Finance Department of Akropolis Group, UAB, an entity handling accounting books	Nida Nekiūnienė Chief Accountant of Akropolis Group, UAB, an entity handling accounting books

STATEMENT OF CASH FLOWS

	Notes	2020 (EUR '000)	2019 (EUR '000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit		11 270	15 961
Adjustments for interest, tax and non-cash items:			
Income tax		1 992	2 797
Depreciation	4,6	158	65
Change in fair value of financial assets through profit or loss		-	-
(Gain) on change in fair value of investment property	5	743	(3 438)
Interest expenses		288	224
Interest income		(73)	(190)
Cash flows from operating activities before changes in working capital		**14 378**	**15 419**
Changes in working capital			
(Increase) in amounts receivable, prepayments and other non-current and current assets		(1 139)	(19)
(Increase) decrease in inventories		(2)	1
Increase in amounts payable and other non-current and current liabilities		2 205	8
Cash flows generated from operating activities before interest and tax		**15 442**	**15 409**
Interest paid	11	(263)	(210)
Income tax paid		(321)	(1 371)
Net cash generated from (used in) operating activities		**14 858**	**13 828**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment, investment property and intangible assets	4,5	(421)	(110)
Loans granted	15	-	(22 000)
Loan repayments received	15	22 000	14 000
Interest received		130	193
Net cash generated from (used in) investing activities		**21 709**	**(7 917)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	9	(28 800)	-
Repayments of borrowings	11	(5 366)	(5 366)
Lease payments	6	(28)	(31)
Net cash generated from (used in) financing activities		**(34 194)**	**(5 397)**
Net increase (decrease) in cash and cash equivalents		**2 373**	**514**
Cash and cash equivalents at the beginning of the year	8	7 730	7 216
Cash and cash equivalents at the end of the year		**10 103**	**7 730**

The accompanying notes form an integral part of these financial statements.

The financial statements were approved and signed on 23 April 2021 by:

Violeta Tvarijonienė Director	Gabrielė Saponaitė Head of Finance Department of Akropolis Group, UAB, an entity handling accounting books	Nida Nekiūnienė Chief Accountant of Akropolis Group UAB, an entity handling accounting books

1. GENERAL INFORMATION

TAIKOS TURTAS UAB (the Company) was established and started its activities on 18 June 2008. The Company's registered office address: Ozo g. 25, Vilnius, Lithuania.

The Company's main business activity is development and operating lease of freehold real estate.

As at 31 December 2020 and 2019, the Company's sole shareholder was AKROPOLIS REAL ESTATE B.V., a limited liability company established under the laws of the Kingdom of the Netherlands, with its registered office address: Claude Debussylaan 7, 1082MC Amsterdam, Kingdom of the Netherlands, operating in the Kingdom of the Netherlands. The ultimate parent is Metodika B.V., address: Amstelveenseweg 500, 1081 KL, Amsterdam, Kingdom of the Netherlands, operating in the Kingdom of the Netherlands. The ultimate controlling party is Mr. Nerijus Numa.

As at 31 December 2020 and 2019, the Company had no branches and representative offices.

As at 31 December 2020 and 2019, the Company had 1 employee.

2. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the Company's financial statements for the years ended 31 December 2020 and 31 December 2019 are set out below.

Statement of compliance
These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU).

Basis of preparation
The financial statements have been prepared on a historical cost basis, except for the investment property measured at fair value.

All amounts in these financial statements are presented in the national currency of the Republic of Lithuania, the euro (EUR), because the Company's transactions are mostly conducted in this currency.

All amounts in these financial statements are presented in thousands of euros, and therefore, there might be mismatches due to the rounding effects.

The principal accounting policies are set out below.

Revenue recognition
The Company generates revenue mostly from lease of investment property, as disclosed in Note 1. In addition to lease, the Company provides utility, repair and similar services, and other services relating to the activities of the shopping centre.

<u>Rental income</u>
Rental income is recognised in a manner that is described in section 'Leases' below. When a lease contract includes elements of service, the Company assesses whether the individual elements of service are separate services promised to a customer in a contract (performance obligations), and revenue from such services is recognised as described below.

<u>Revenue from contracts with customers</u>
Revenue from contracts with customers is recognised when a customer obtains control of service or good at the amount of consideration that the Company expects to receive in exchange for that service or good. The Company has determined that it acts as a principal when providing utility, repair and other services because:
- the Company controls the specified good or service before that good or service is transferred to a customer;
- the Company is responsible for fulfilling the promise to provide the services and is exposed to non-performance risk;
- the Company has discretion, direct or indirect, in establishing the price for the specified good or service.

The Company's management has also determined that generally the control of the specified services is transferred to a customer over time, and accordingly, the Company satisfies the performance obligation and recognises revenue over time, because the customer simultaneously receives and consumes all of the benefits provided by the Company as the Company performs under a contract. Such revenue is recognised by measuring progress towards complete satisfaction of the performance obligation or by directly measuring the value of services transferred to a customer to date.

<u>Contract balances</u>
Contract assets - accrued revenue
A contract asset is the right to consideration in exchange for the services provided to a customer. If the Company performs by transferring services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised at an amount equal to the earned consideration that is conditional.

Trade receivables
A trade receivable represents the Company's right to the earned consideration that is unconditional (i.e. consideration becomes payable, without any exceptions, upon the agreed deadline). See the accounting policy for financial assets.

Contract liabilities - advance amounts received
A contract liability is the obligation to provide services to a customer in exchange for consideration received (receivable) by the Company from a customer. If a customer pays consideration before the Company provides the services, a contract liability is recognised when the payment is received. A contract liability is recognised as revenue when the Company satisfies the performance obligation contained in a contract.

In view of the Company's business model, the management has not made any other significant accounting judgements, estimates or assumptions related to revenue from contracts with customers other than those described in this note, because there were no complex multicomponent goods or services, variable consideration, financing components, contract costs or amounts payable to customers.

Interest income
Interest income is recognised on a time proportion basis and based on accrual principle, taking account of the principal outstanding and effective interest rate over the period to maturity.

Leases
Lease is recognised as finance lease when substantially all the risks and rewards of ownership of the assets are transferred under the lease terms and conditions. An operating lease is a lease other than a finance lease.

The Company is a lessor (operating lease)
Operating lease income is recognised on a straight-line basis over the lease period. Initial direct costs incurred in negotiating and arranging a lease are added to the carrying amount of the leased asset and recognised over the lease term.

Discounts/temporary rent reductions are treated as the Company's incentives used to retain the tenants under operating lease. The Company recognises accumulated incentive costs on a straight-line basis as a reduction of rental income over the operating lease period.

Right-of-use assets
The Company recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Recognised right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and the lease term.

Lease liabilities
At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable and variable lease payments that depend on an index or a rate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period when they occur. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The carrying amount of lease liabilities is remeasured if there is a change in the variable lease payments that depend on an index or a rate or there is a change in the lease term.

Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). The exemption is also applied to leases of office and other equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Deposits from tenants
Liabilities for the deposits from tenants are initially recognised at fair value and subsequently measured at amortised cost, if material.

Depending on the lease contract term, the deposits from tenants are classified as either non-current or current. Advance amounts received under indefinite term contracts or contracts with validity term less than 12 months are classified as current liabilities, whereas advance amounts received under any other contracts are classified as non-current liabilities.

Foreign currency
Foreign currency transactions are translated into the euros using the official exchange rate set by the Bank of Lithuania at the date of the transaction, which approximates the market rate. Monetary assets and liabilities are translated into the euros using the exchange rate prevailing at the date of the statement of financial position. Exchange differences resulting from foreign currency transactions are recognised in the statement of comprehensive income when such differences arise. Foreign exchange gains and losses resulting from the translation of monetary assets and liabilities to the euros are recognised in the statement of comprehensive income.
The exchange rate of the euro in relation to other currencies is set daily by the Bank of Lithuania.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (which are assets that necessarily take a substantial period of time to get ready for their intended use or sale) are capitalised and added to the cost of the asset until such time as the asset is ready for its intended use or sale.

Investment income earned from temporary investment of specific borrowings pending their expenditure on a qualifying asset is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred. For the purpose of the cash flow statement, interest paid on borrowings intended for acquisition of investment property is attributed to operating activities.

Income tax
Income tax expenses consist of the current year income tax and deferred income tax expenses.

Current income tax
Current year income tax expenses are calculated on current year profit, as adjusted for certain non-deductible expenses/non-taxable income. The tax rate used to calculate the income tax expenses is a tax rate effective at the date of preparation of the financial statements. Income tax rate of 15% was applied to the Company in 2020 (2019: 15%).

Deferred income tax
Deferred income tax assets and deferred income tax liabilities are recognised on the differences between the carrying amounts of assets and liabilities reported in the financial statements and their tax bases. Deferred income tax liabilities are recognised for all temporary differences that will subsequently increase taxable profit, and deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. However, deferred income tax assets and liabilities are not recognised on temporary differences arising from the initial recognition of goodwill or 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 the accounting nor the taxable profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred income tax liabilities and deferred income tax assets reflects the Company's expectations, at the end of the reporting period, as to the manner in which the carrying amount of its assets and liabilities will be recovered or settled.
Deferred income tax assets and liabilities are offset only when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they are related to income taxes levied by the same taxing authority, and when the Company intends to settle the amounts of current tax assets and current tax liabilities on a net basis.

Current and deferred income tax for the period
Current and deferred income tax is included in profit or loss for the period, except to the extent it relates to items recognised in other comprehensive income or directly in equity, in which case it is also recognised in other comprehensive income/equity, or it arose from initial recognition of the business combination.

Tax losses can be carried forward for an indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the Company changes the activities that have caused the occurrence of such losses, except when the Company does not continue its activities due to the reasons that are beyond its control. 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 profit earned from the transactions of the same nature. With effect from 1 January 2014, tax losses available for carry forward can be used to reduce taxable income of the current tax year by maximum 70%.

With effect from 1 January 2010, based on the Law on Corporate Income Tax of the Republic of Lithuania, a group entity may transfer tax losses (or a part thereof) calculated for the tax period to another group entity, which in turn has a right to deduct the transferred losses from the amount of taxable profit calculated for the tax period in respect of which the losses (or a part thereof) transferred by another group entity were calculated.

Property, plant and equipment
Property, plant and equipment is stated at acquisition cost less subsequent accumulated depreciation and accumulated impairment losses. The acquisition cost includes replacement costs of a part of property, plant and equipment when incurred and when these costs meet the recognition criteria. When a significant part of property, plant and equipment needs to be replaced at the specific time intervals, the Company depreciates such property separately based on its useful life. Accordingly, when major repairs are carried out, such repair costs are recognised in the statement of financial position as an improvement to property, plant and equipment if the recognition criteria are met. All other repair and maintenance costs are recognised in profit or loss for the period when incurred.

Depreciation is calculated each month on a straight-line basis over the entire useful life of the asset using the average estimated useful lives of property, plant and equipment, as follows:

Equipment and other assets	3 – 6 years

All items of assets with the useful life longer than one year are capitalised. Gains or losses on disposal or write-off of property, plant and equipment are determined by reference to the proceeds from disposal less the carrying amount of the asset concerned, and the result is recognised in profit or loss.

Investment property
Investment property is property held to earn rentals and/or for capital appreciation, or property being developed for future use as held to earn rentals and/or for capital appreciation. Investment property comprises principally retail property and offices that are not occupied substantially for use by, or in the operations of, the Company, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.

Such property is initially measured at cost including any transaction costs and then carried at fair value. The fair value of investment property reflects, among other things, rental income from current leases and other assumptions market participants would make when pricing the property under current market conditions. The fair value of investment property is reviewed at each reporting date, and any changes therein are recorded in the statement of comprehensive income as profit or loss for the period. For the purposes of these financial statements, in order to avoid double counting, the fair value reported in the financial statements is reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and/or minimum lease payments. Repair costs related to investment property reported at fair value are recognised as expenses in the period in which they are incurred.

In 2020 the valuation of the Company's investment property was carried out by independent property valuer CPB Real Estate Services SIA (CBRE Baltics), in 2019 was carried out by independent property valuer Kinnisvaraekspert, OU (DTZ Baltic). The valuation results were reflected in the financial statements as at 31 December 2020 and 2019 (Note 5).

The income approach (income capitalisation or discounted cash flows) was used during the valuation of property to determine the values of revenue-generating properties.

The income approach (income capitalisation or discounted cash flows) is typically used for valuation of revenue-generating properties that are available for acquisition to an investor. This approach also involves market data that are used to determine the current rates of rent and costs, based on which net income is estimated. Depending on the purpose of property, its management specifics, nature of cash flows and typical expectations of sellers and buyers currently acting in the market, the valuer may choose to apply either the direct capitalisation or the discounted cash flow approach. Based on the direct capitalisation approach, the value of property is calculated as net income (gain) divided by capitalisation rate. Based on the discounted cash flow approach, the value of property is calculated as a sum of the present values of future cash flows, discounted using the discount rate. The direct capitalisation and the discounted cash flow approach are both used to determine the market value. Under the income approach (income capitalisation or discounted cash flows), first of all it is necessary to estimate the gross income to be further reduced by the respective amounts of losses arising from vacancies and charges, expenditure or provisions. The resulting net income is capitalised or discounted using a ratio, which is proportionate to the risk arising from ownership of property under valuation. Under the direct capitalisation approach, one-year income and costs are stabilised, and the resulting net operating income is capitalised using a ratio or rate of return, which is proportionate to the risk arising from ownership of the property under valuation. Such income capitalisation takes into account the competitive rate of return, which is delivered by alternative instruments of investment in real estate or other assets. The key assumption used in this approach is that the projected cash inflows will continue indefinitely, which, however, is not applicable to complex investments in real estate.

Cash and cash equivalents
For the purpose of the statement of financial position and cash flow statement, the Company's cash and cash equivalents comprise cash on hand and cash balances in current bank accounts.

Financial assets

Initial recognition and measurement
On initial recognition, financial assets are grouped into the following categories: those subsequently measured at amortised cost, those measured at fair value through other comprehensive income, and those measured at fair value through profit or loss.

The classification of financial assets at initial recognition depends on the contractual cash flow characteristics of the financial assets and the Company's business model for managing the financial assets. Except for trade receivables that do not contain a significant financing component, the Company initially recognises financial assets at fair value, plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined in accordance with IFRS 15.

For a financial asset to be designated and measured at amortised cost or fair value through other comprehensive income, cash flows arising from the financial asset should comprise solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is called the SPPI test and is performed individually for each financial instrument.

The Company's business model for managing financial assets indicates how the Company manages its financial assets in order to generate cash flows. The business model determines whether cash flows will be generated by collecting contractual cash flows, by selling the financial asset or by using both options.
Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Company commits to purchase or sell the financial asset.

Subsequent measurement
After initial recognition, the Company measures its financial assets:
a) at amortised cost (debt financial instruments);
b) at fair value through other comprehensive income, when accumulated gain or loss is transferred to profit or loss upon derecognition (debt financial instruments); As at 31 December 2020 and 2019, the Company had no such financial instruments;
c) at fair value through other comprehensive income, when accumulated gain or loss is not transferred to profit or loss upon derecognition (equity instruments). As at 31 December 2020 and 2019, the Company had no such financial instruments;
d) at fair value through profit or loss. As at 31 December 2020 and 2019, the Company had no such financial instruments.

Financial assets measured at amortised cost (debt financial instruments)
The Company classifies its financial assets as measured at amortised cost only if both of the following criteria are met:
i) the financial asset is held within a business model whose objective is to collect the contractual cash flows; and
ii) the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortised cost are subsequently recorded using the effective interest method (EIR) less impairment losses. Gains or losses are recognised in the statement of comprehensive income when the asset is derecognised, replaced or identified as impaired.
The Company's financial assets measured at amortised cost include trade receivables, other current and non-current receivables, loans granted and assets from contracts with customers (if any).

Impairment of financial assets
According to IFRS 9, the Company recognises expected credit losses (ECLs) for all debt financial instruments that are not measured at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

(a) Assessment of impairment of trade receivables
For trade receivables and contract assets, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

The expected loss rates are based on the historical information about the delayed payments by customers. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the tenants to settle the receivable. Such forward-looking information would include: (1) changes in economic, regulatory, technological and environmental factors, (such as industry outlook, GDP, employment and politics), (2) external market indicators, (3) customers' base.

Trade receivables are written off when they meet both of the following criteria are met: (1) receivables are past due more than a year and (2) the recovery is impossible.

(b) Assessment of impairment of loans granted
The Company assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Company follows a three-stage model for impairment for financial assets other than trade receivables:
- Stage 1 – balances, for which the credit risk has not increased significantly since initial recognition, or that have low credit risk at the reporting date. For these assets, 12-month ECLs are recognized and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL are the expected credit losses that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12 months.
- Stage 2 – comprises balances for which there have been a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment. For these assets, lifetime ECLs are recognized, but interest revenue is still calculated on the gross carrying amount of the asset. Lifetime ECLs are the expected credit losses that result from all possible default events over the expected life of the financial instrument. Expected credit losses are the weighted average credit losses with the probability of default ('PD') as the weight.
- Stage 3 – comprises balances with objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognized and interest revenue is calculated on the net carrying amount (that is, net of credit allowance).

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

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

Financial liabilities

Initial recognition and measurement
On initial recognition, financial liabilities are classified at fair value through profit or loss. All financial liabilities are initially recognised at fair value, less directly attributable transactions costs in case of borrowings and amounts payable. The Company's financial liabilities include trade and other payables, borrowings and lease liabilities.

Subsequent measurement of borrowings and other amounts payable
After initial recognition, borrowings and other amounts payable are accounted for at amortised cost using the effective interest rate (EIR) method. Gains and losses, as well as interest expenses, are recognised in the statement of comprehensive income when liabilities are derecognised, as well as through the amortisation process. The amortised cost is calculated by reference to the discount or premium on acquisition, as well as costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of comprehensive income.

Off-setting of financial instruments
Financial assets and financial liabilities are offset and recognised as net amount in the statement of financial position when there is an enforceable right to offset the reported amounts and when there is an intention to settle on a net basis, i.e. to realise the asset and settle the liability simultaneously.

Derecognition of financial assets and liabilities

Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:
– the rights to receive cash flows from the asset have expired;
– the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement; or
– the Company has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities
A financial liability is derecognised when the obligation under the liability is settled, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability. The difference between the respective carrying amounts is recognised in profit or loss.

Financial guarantees contracts
Financial guarantees issued to secure the fulfilment of obligations by subsidiaries of the Company's parent (i.e. entities controlled by the same parent) are recognized as a financial liability at the time the guarantee is issued.

The liability is initially measured at fair value and subsequently at the higher of:
– the amount determined in accordance with the expected credit loss model under IFRS 9 Financial Instruments and
– the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Same accounting applies where guarantees in relation to loans or other payables of associates are provided for no compensation.

Effective interest rate method
The effective interest rate method is used to calculate the amortised cost of financial assets or financial liabilities and allocate interest income or interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash inflows or outflows through the expected life of the financial instrument or, when appropriate, a shorter period to the gross carrying amount of the financial asset or financial liability.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement assumes that the transaction to sell the asset or to transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

Fair value of assets or liabilities is established by using the assumptions that would be used by market participants in order to determine the price of assets or liabilities based on an assumption that market participants act in best economic interests. Fair value of non-financial assets is established based on the market participant's ability to generate economic benefit by using the asset in the best and most efficient way or by selling it to another market participant who would use it in the best and most efficient way.

The Company applies the valuation techniques that are appropriate for determining the fair value under the circumstances and for which sufficient data is available, by maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether any transfers have occurred between the levels in the fair value hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Assessments are made by the Company's management at each financial reporting date. For the purpose of disclosure of the fair value, the Company has grouped its assets and liabilities into categories based on the nature, characteristics and risks, and the above-mentioned level in the fair value measurement hierarchy.

Related parties

Parties are considered to be related if one party has the power to control the other party or to exercise significant influence over the other party in making financial and other decisions. Related parties are deemed to be the shareholders, management members, their close members of family and entities that directly or indirectly through an intermediary control the Company or are controlled individually or jointly with the other party that is also deemed to be related, except for the cases when actual circumstances reveal that no such control is possible between the Company and the other party, nor any significant influence in making financial and operating decisions.

Critical accounting estimates and judgements

In applying the accounting policies, management needs to make estimates, exercise professional judgement and use assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and the related assumptions are based on past experience and other directly related factors. The actual results may differ from the estimates made.

The estimates and underlying assumptions are reviewed on an ongoing basis. The effect of a change in an accounting estimate is recognised in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both current and future periods. The areas of these financial statements that involve the use of accounting estimates are fair values of investment property (Note 5).

Events after the reporting period

Post-balance sheet events that provide additional information about the Company's position at the date of the statement of financial position (adjusting events) are disclosed in the financial statements. Post-balance sheet events other than adjusting events are disclosed in the notes to the financial statements when such events are significant.

3. ADOPTION OF NEW AND/OR AMENDED IFRS AND INTERPRETATIONS OF THE INTERNATIONAL FINANCIAL REPORTING INTERPRETATIONS COMMITTEE (IFRIC)

There were no changes in the Company's accounting policies, except for the following new and/or amended IFRS that were adopted as from 1 January 2020:

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020). The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting. The adoption of these amendments had no significant impact on the Company's financial statements.

Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020). The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets). The adoption of these amendments had no significant impact on the Company's financial statements.

Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020). The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The adoption of these amendments had no significant impact on the Company's financial statements.

Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020). The amendments were triggered by replacement of benchmark interest rates such as LIBOR and other inter-bank offered rates ('IBORs'). The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the IBOR reform. Cash flow hedge accounting under both IFRS 9 and IAS 39 requires the future hedged cash flows to be 'highly probable'. Where these cash flows depend on an IBOR, the relief provided by the amendments requires an entity to assume that the interest rate on which the hedged cash flows are based does not change as a result of the reform. Both IAS 39 and IFRS 9 require a forward-looking prospective assessment in order to apply hedge accounting. While cash flows under IBOR and IBOR replacement rates are currently expected to be broadly equivalent, which minimises any ineffectiveness, this might no longer be the case as the date of the reform gets closer. Under the amendments, an entity may assume that the interest rate benchmark on which the cash flows of the hedged item, hedging instrument or hedged risk are based, is not altered by IBOR reform. IBOR reform might also cause a hedge to fall outside the 80–125% range required by retrospective test under IAS 39. IAS 39 has therefore been amended to provide an exception to the retrospective effectiveness test such that a hedge is not discontinued during the period of IBOR-related uncertainty solely because the retrospective effectiveness falls outside this range. However, the other requirements for hedge accounting, including the prospective assessment, would still need to be met. In some hedges, the hedged item or hedged risk is a non-contractually specified IBOR risk component. In order for hedge accounting to be applied, both IFRS 9 and IAS 39 require the designated risk component to be separately identifiable and reliably measurable. Under the amendments, the risk component only needs to be separately identifiable at initial hedge designation and not on an ongoing basis. In the context of a macro hedge, where an entity frequently resets a hedging relationship, the relief applies from when a hedged item was initially designated within that hedging relationship. Any hedge ineffectiveness will continue to be recorded in profit or loss under both IAS 39 and IFRS 9. The amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present. The amendments require entities to provide additional information to investors about their hedging relationships that are directly affected by these uncertainties, including the nominal amount of hedging instruments to which the reliefs are applied, any significant assumptions or judgements made in applying the reliefs, and qualitative disclosures about how the entity is impacted by IBOR reform and is managing the transition process. The adoption of these amendments had no significant impact on the Company's financial statements.

Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 January 2020). The amendments provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; any reduction in lease payments affects only payments due on or before 30 June 2021; and there is no substantive change to other terms and conditions of the lease. If a lessee chooses to apply the practical expedient to a lease, it would apply the practical expedient consistently to all lease contracts with similar characteristics

and in similar circumstances. The amendment is to be applied retrospectively in accordance with IAS 8, but lessees are not required to restate prior period figures or to provide the disclosure under paragraph 28(f) of IAS 8. The adoption of these amendments had no impact on the Company's financial statements.

Standards approved but not yet effective

The Company has not adopted the following newly approved but not yet effective standards:

IFRS 14, Regulatory Deferral Accounts (issued on 30 January 2014 and effective for annual periods beginning on or after 1 January 2016). IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. The adoption of the standard is not expected to have a significant impact on the Company.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. These amendments have not yet been adopted by the EU. The Company has not yet assessed the impact of the adoption of these amendments.

IFRS 17 "Insurance Contracts"(issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately. The standard has not yet been adopted by the EU. The adoption of the new standard is not expected to have a significant impact on the Company.

Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022).These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument. The Company is currently assessing the impact of these amendments on its financial statements.

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).
The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.
The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.
The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.
Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.
IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.
The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis. The Company is currently assessing the impact of these amendments on its financial statements.

Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023). The amendments include a number of clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard. The following amendments to IFRS 17 were made:

- Effective date: The effective date of IFRS 17 (incorporating the amendments) has been deferred by two years to annual reporting periods beginning on or after 1 January 2023; and the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 has also been deferred to annual reporting periods beginning on or after 1 January 2023.
- Expected recovery of insurance acquisition cash flows: An entity is required to allocate part of the acquisition costs to related expected contract renewals, and to recognise those costs as an asset until the entity recognises the contract renewals. Entities are required to assess the recoverability of the asset at each reporting date, and to provide specific information about the asset in the notes to the financial statements.
- Contractual service margin attributable to investment services: Coverage units should be identified, considering the quantity of benefits and expected period of both insurance coverage and investment services, for contracts under the variable fee approach and for other contracts with an 'investment-return service' under the general model. Costs related to investment activities should be included as cash flows within the boundary of an insurance contract, to the extent that the entity performs such activities to enhance benefits from insurance coverage for the policyholder.
- Reinsurance contracts held – recovery of losses: When an entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or on addition of onerous underlying contracts to a group, an entity should adjust the contractual service margin of a related group of reinsurance contracts held and recognise a gain on the reinsurance contracts held. The amount of the loss recovered from a reinsurance contract held is determined by multiplying the loss recognised on underlying insurance contracts and the percentage of claims on underlying insurance contracts that the entity expects to recover from the reinsurance contract held. This requirement would apply only when the reinsurance contract held is recognised before or at the same time as the loss is recognised on the underlying insurance contracts.

Other amendments: Other amendments include scope exclusions for some credit card (or similar) contracts, and some loan contracts; presentation of insurance contract assets and liabilities in the statement of financial position in portfolios instead of groups; applicability of the risk mitigation option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss; an accounting policy choice to change the estimates made in previous interim financial statements when applying IFRS 17; inclusion of income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract in the fulfilment cash flows; and selected transition reliefs and other minor amendments. The Company is currently assessing the impact of these amendments on its financial statements.

Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance. The Company is currently assessing the impact of these amendments on its financial statements.

Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021). The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The amendments cover the following areas:

•Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform: For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognised. This practical expedient applies only to such a change and only to the extent it is necessary as a direct consequence of IBOR reform, and the new basis is economically equivalent to the previous basis. Insurers applying the temporary exemption from IFRS 9 are also required to apply the same practical expedient. IFRS 16 was also amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of IBOR reform.

•End date for Phase 1 relief for non contractually specified risk components in hedging relationships: The Phase 2 amendments require an entity to prospectively cease to apply the Phase 1 reliefs to a non-contractually specified risk component at the earlier of when changes are made to the non-contractually specified risk component, or when the hedging relationship is discontinued. No end date was provided in the Phase 1 amendments for risk components.

•Additional temporary exceptions from applying specific hedge accounting requirements: The Phase 2 amendments provide some additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.
Additional IFRS 7 disclosures related to IBOR reform: The amendments require disclosure of: (i) how the entity is managing the transition to alternative benchmark rates, its progress and the risks arising from the transition; (ii) quantitative information about derivatives and non-derivatives that have yet to transition, disaggregated by significant interest rate benchmark; and (iii) a description of any changes to the risk management strategy as a result of IBOR reform. The Company is currently assessing the impact of these amendments on its financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The Company is currently assessing the impact of the amendments on its financial statements.

Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates. The Company is currently assessing the impact of the amendments on its financial statements.

The Company expects to adopt the above-listed new standards when they become effective and adopted by the EU.

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following as at 31 December:

Acquisition cost	Equipment and other assets (EUR '000)
At 31 December 2018	**856**
Additions	35
Write-offs	(1)
At 31 December 2019	**890**
Additions	23
Write-offs	(47)
At 31 December 2020	**878**
Accumulated depreciation	
At 31 December 2018	**(756)**
Charge for the year	(43)
Depreciation of assets written off	-
At 31 December 2019	**(798)**
Charge for the year	(47)
Depreciation of assets written off	47
At 31 December 2020	**(798)**
Net book amount	
At 31 December 2019	**92**
At 31 December 2020	**80**

Acquisition cost of fully depreciated property, plant and equipment but still in use amounted to EUR 0.59 million as at 31 December 2020 (31 December 2019: EUR 0.59 million).

Depreciation charges of property, plant and equipment amounted to EUR 47 thousand for the year 2020 (2019: EUR 43 thousand), and they are recorded within other operating expenses.

As at 31 December 2020 and 2019, the Company had no property, plant and equipment that were held under the lease contracts.

5. INVESTMENT PROPERTY

Investment property consisted of the following as at 31 December:

Fair value	Investment property (EUR '000)
At 31 December 2018	**191 900**
Additions	70
Fair value gain	3 438
Market value per external valuation report	**195 408**
Lease incentive impact	-
Fair value as at 31 December 2019	**195 408**
Additions	227
Fair value gain	285
Market value per external valuation report	**195 920**
Lease incentive impact (Note 7)	(1 028)
Fair value as at 31 December 2020	**194 892**

All investment property is attributed to level 3 in the fair value measurement hierarchy. The methods for determining the fair value of investment property are described in Note 2.

The value of investment property as at 31 December 2020 and 2019 was determined under the income approach. For the valuation of property as at 31 December 2020, the capitalisation rate of 7.5% (31 December 2019: 7.25%) and the discount rate of 8,67% (31 December 2019: 9%) were used. A significant increase (decrease) in the discount rate and the capitalisation rate would result in a significant decrease (increase) in the fair value of the investment property. The approach used to determine the fair value of the investment property is attributed to level 3 in the fair value measurement hierarchy.

As at 31 December 2020 and 2019, all investment property of the Company had been pledged to the banks as collateral repayment of loans under the loan agreements (Note 11).

As at 31 December 2020, lease incentive impact amounted to EUR 1 028 thousand (note 7).

16 % of income is expected to be generated from related parties, as this is the current ratio in 2020 (Note 15). There are no single external customer amount to 10 per cent or more of an entity's revenues. Future minimum rentals receivable under operating leases as at 31 December are, as follows:

	2020 (EUR'000)	2019 (EUR'000)
Within 1 year	12 976	13 172
Within 2 years	11 421	11 380
Within 3 years	9 451	9 975
Within 4 years	7 210	8 257
Within 5 years	5 735	6 601
After 5 years	20 609	26 828
Total	**67 402**	**76 213**

The valuation was determined using discounted cash flow (DCF) projections based on significant unobservable inputs. These 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; and
- **Terminal value** taking into account assumptions regarding maintenance costs, vacancy rates and market rents.

Sensitivity analysis
Presented below is the sensitivity analysis of the Level 3 fair value hierarchy investments market value and a value of associated PPE per external valuation report for changes in the exit yield and discount rate.

31 December 2020, EUR'000

		Exit yield		
		7,25%	**7,50%**	**7,75%**
	8,42%	203 000	199 000	196 000
Discount rate	**8,67%**	199 000	**196 000**	193 000
	8,92%	196 000	193 000	190 000

31 December 2019, EUR'000

		Exit yield		
		7,00%	**7,25%**	**7,50%**
	8,50%	206 000	202 300	198 900
Discount rate	**9,00%**	199 000	**195 500**	192 200
	9,50%	192 300	188 900	185 800

6. RIGHT-OF-USE ASSETS

The Company leases a land plot under operating lease contract. Based on the management estimates, a term of 10 years has been established for the lease of land.

The statement of financial position shows the following amounts relating to leases:

	2020 (EUR '000)	2019 (EUR '000)
Land	147	202
Right-of-use assets	**147**	**202**

	2020 (EUR '000)	2019 (EUR '000)
Non-current portion of lease liabilities	172	191
Current portion of lease liabilities	19	18
Lease liabilities	**191**	**209**

The statement of comprehensive income shows the following amounts relating to leases:

	2020 (EUR '000)	2019 (EUR '000)
Depreciation charge of right-of-use assets	21	22

There were no additions to the right-of-use assets during the 2020 financial year.

7. AMOUNTS RECEIVABLE AND PREPAYMENTS

Amounts receivable and prepayments consisted of the following as at 31 December:

	2020 (EUR '000)	2019 (EUR '000)
Non-current deferred discounts to tenants	579	-
Non-current deferred discounts to related parties (note 15)	50	-
Non-current receivables	**629**	**-**
Trade receivables	704	640
Trade receivables from related parties (note 15)	142	88
Less: impairment for doubtful debts	(10)	-
Trade receivables, net	**836**	**728**
Current deferred discounts to tenants	392	-
Current deferred discounts to related parties (note 15)	8	-
Prepayments	14	11
Prepayments to related parties (note 15)	61	61
Deferred expenses and other amounts receivables	3	5
Current receivables and prepayments	**1 314**	**804**

Amounts receivable (including amounts receivable from related parties) are interest free, and their settlement term is typically 30 days.

As at 31 December 2020 trade receivables with the carrying amount of EUR 836 thousand (as at 31 December 2019 – EUR 728 thousand) were pledged to banks under loan agreements (note 11).

During 2020, the Company provided tenants with EUR 1.5 million rental discounts, of which EUR 0,5 million was recognized in the statement of comprehensive income. Included within amounts receivables, are lease incentive receivables of EUR 1 million (there were no such lease incentive receivables in 2019), accounting for long-term (EUR 0,6 million) and short-term (EUR 0.4 million) receivables.

Ageing of trade receivables:

	2020 (EUR '000)	2019 (EUR '000)
Not past due	371	638
Past due less than 30 days	378	45
Past due 31–60 days	58	9
Past due 61–90 days	21	7
Past due 91 days and more	9	29
Total	**836**	**728**

The Company's management estimates that expected credit losses as at 31 December 2019 were immaterial and thus not accounted for. Balances in the provision for impairment of receivables as at 31 December 2020 were, as follows:

	Not due	< 31 days	31–90 days	91–180 days	180-365 days	>365 days	Total
Expected credit loss rate	0,05%	0,05%	0,05%	51,75%	51,75%	51,75%	**1,20%**
Carrying amount (EUR'000)	372	378	78	3	14	2	**846**
Expected credit loss (EUR'000)	0	0	0	1	7	1	**10**
Net amount (EUR'000)	**371**	**378**	**78**	**1**	**7**	**1**	**836**

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following as at 31 December:

	2020 (EUR '000)	2019 (EUR '000)
Cash at bank	10 103	7 726
Cash in transit	-	4
Total	**10 103**	**7 730**

Credit risk exposure is provided in note 16.

9. SHARE CAPITAL AND SHARE PREMIUM

As at 31 December 2020 and 2019, the Company's authorised share capital consisted of 50.459.309 ordinary registered shares with par value of EUR 0.29 each. All the shares had been fully paid.
As at 31 December 2020 and 2019, the sole shareholder of the Company was AKROPOLIS REAL ESTATE B.V.

Share premium is the difference between the issue price and the par value of shares. Based on the laws of the Republic of Lithuania, share premium cannot be subject to distribution and can only be converted to share capital or used to cover the accumulated losses.
In 2020 were paid 28.8 million EUR dividends and 2019, no dividends were paid by the Company to its shareholder.

10. LEGAL RESERVE

The legal reserve is a compulsory reserve under the Lithuanian legislation. Annual transfers of at least 5 % of net profit, which is calculated in accordance with the Lithuanian regulatory legislation on accounting, are required until the reserve reaches 10 % of the authorised share capital. The legal reserve is formed to cover the Company’s potential losses and cannot be used for payment of dividends or otherwise. As at 31 December 2020 and 2019, the legal reserve had been fully formed.

11. BORROWINGS

In 2020 and 2019 all borrowings consisted only of a bank loan.

As at 31 December 2020, all investment property and associated PPE of the Company in amount of EUR 196 million and trade receivables in amount of EUR 836 thousand had been pledged to the banks as security under the loan agreements. As at 31 December 2019, investment property in amount of EUR 195.5 million and trade receivables in amount of EUR 728 thousand had been pledged to the banks as security (Note 5).

The Company’s borrowings were as follows as at 31 December:

	2020 (EUR '000)	2019 (EUR '000)
At the beginning of the year	**29 512**	**34 878**
Proceeds from borrowings	-	-
Repayments of borrowings	(5 366)	(5 366)
Interest charged	263	210
Interest paid	(263)	(210)
At the end of the year	**24 146**	**29 512**

The Company’s net debt was as follows as at 31 December:

	2020 (EUR '000)	2019 (EUR '000)
Non-current borrowings	24 146	29 512
Less Cash and cash equivalents	(10 103)	(7 730)
Net borrowings	**14 043**	**21 782**

As at 31 December 2020 and 2019, the Company had no non-current borrowings. In 2020, the credit agreement was extended for one year until 31 August 2021.

As at 31 December 2020 and 2019, the Company's bank borrowings had a variable interest rate (linked to variable base rate), plus a margin (a margin has also been changed together with the extension of the credit agreement) meeting market conditions. The Company complied with the covenants (performance indicators) specified in the loan agreements as at 31 December 2020 and 2019.

As at 31 December 2020 and 2019, all bank borrowings of the Company were denominated in the euros.
As at 31 December 2020 and 2019, the Company had withdrawn a full amount of the credit limit granted by the banks.

This section sets out the movements in lease liabilities for the year ended 31 December 2020:

	Lease liabilities (EUR'000)
As of 1 January 2019	**223**
Increase in lease liabilities	-
Decrease in lease liabilities	(14)
Carrying amount as of 31 December 2019	**209**
Increase in lease liabilities	-
Decrease in lease liabilities	(17)
Carrying amount as of 31 December 2020	**191**

12. NON-CURRENT TRADE AND OTHER AMOUNTS PAYABLE

Trade and other amounts payable consisted of the following as at 31 December:

	2020 (EUR '000)	**2019 (EUR '000)**
Non-current advance amounts received	1 421	1 209
Non-current advance amounts received from related parties (Note 15)	29	29
Non-current amounts payable	**1 450**	**1 238**
Current advance amounts received	578	671
Trade payables	410	409
Trade amounts payable to related parties (Note 15)	341	198
VAT payable	2 049	316
Real estate tax payable	161	63
Other amounts payable and accrued expenses	43	20
Current amounts payable	**3 582**	**1 677**
Total	**5 032**	**2 915**

Trade and other amounts payable (including the amounts payable to related parties) are interest free, and their settlement term is typically 20 days.

Advance amounts paid by customers under the lease contracts are refunded upon expiry of validity of the contract. Classification into current and non-current depends on the validity term of the contract. As at 31 December 2020, non-current portion of advance amounts received was EUR 1.5 million and it was recorded within non-current advance amounts received (31 December 2019: EUR 1.2 million).

13. OTHER OPERATING INCOME AND EXPENSES

Revenue from contracts with customers for the year ended 31 December mostly consisted of revenue from utility services and extra fee charged to the tenants.

Other operating expenses consisted of the following for the year ended 31 December:

	2020 (EUR '000)	2019 (EUR '000)
Other operating expenses:		
Electricity costs	(1 889)	(1 982)
Shopping centre management fee	(768)	(810)
Advertising, marketing and public relations expenses	(692)	(500)
Premises maintenance and cleaning expenses	(407)	(376)
Fee for property management services	(322)	(372)
Building, engineering and elevator maintenance expenses	(305)	(308)
Heating expenses	(251)	(329)
Building security expenses	(241)	(236)
Tax (other than income tax) expenses	(230)	(258)
Building repair and insurance expences	(158)	(161)
Car parking facility and surrounding territory maintenance expenses	(128)	(137)
Water and waste water expenses	(102)	(137)
Depreciation expenses	(68)	(65)
Other expenses	(103)	(71)
Total	**(5 664)**	**(5 743)**

14. INCOME TAX

Income tax expenses consisted of the following for the year ended 31 December:

	2020 m. (EUR '000)	2019 m. (EUR '000)
Profit before income tax	13 262	18 758
Income tax calculated at 15 % tax rate	1 989	2 814
Tax effects of non-taxable income	(6)	(21)
Tax effects of non-deductible expenses	9	4
Income tax expense	**1 992**	**2 797**
Effective rate of income tax	15,02%	14,91%

Income tax expenses consisted of the following for the year ended 31 December:

	2020 m. (EUR '000)	2019 m. (EUR '000)
Current year income tax expenses	970	1 328
Deferred income tax expenses	1 022	1 469
Income tax expense	**1 992**	**2 797**

Deferred income tax balances as at 31 December 2020 and 2019 consisted of deferred income tax liabilities.

Deferred income tax liabilities (net) consisted of the following as at 31 December:

	Investment property at fair value (EUR '000)	Accelerated tax depreciation (EUR '000)	Total (EUR '000)
At 31 December 2018	**(13 977)**	**(12 239)**	**(26 216)**
Recognised in profit	(516)	(953)	(1 469)
At 31 December 2019	**(14 493)**	**(13 192)**	**(27 685)**
Recognised in profit	(42)	(980)	(1 022)
At 31 December 2020	**(14 535)**	**(14 172)**	**(28 707)**

Income tax at a rate of 15% was used when calculating deferred income tax as at 31 December 2020 and 2019.

15. RELATED-PARTY TRANSACTIONS

Related-party transactions consisted of the following for the year ended 31 December 2020 and 2019:

	2020 (EUR '000)	2019 (EUR '000)
Sales to:		
Associates related to a parent Company	3 271	3 177
Total	**3 271**	**3 177**
Purchases from:		
Associates related to a parent Company	1 612	1 572
Total	**1 612**	**1 572**
Interest income from:		
Intermediate parent company	73	190
Total	**73**	**190**
Loans granted to:		
Intermediate parent company	-	22 057
Total at 31 December	**-**	**22 057**
Prepayments to and amounts receivable from:		
Associates related to a parent Company	261	149
Total at 31 December	**261**	**149**
Advance amounts received from and amounts payable to:		
Associates related to a parent Company	370	227
Total at 31 December	**370**	**227**

There were no transactions between company and its parent entity. Average term of rent agreements with related parties is 13 years. Purchases from related parties mostly comprised of consultation services. The average term of all loans granted were 1 year. All loans granted had a variable interest rate (linked to EURIBOR) with a minimum of 0%, plus a margin meeting market conditions. Purchases from related parties mainly consisted of consultation services related to real estate management and development. All transactions with related parties were made on terms equivalent to those that prevail in arm's length transactions.

Loans granted are subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial, as there were no cases of non-recovery or late payments of loans granted. As at 31 December 2019, the loan with the value of EUR 22 million was granted to the intermediate parent company and subsequently repaid in 2020.

Compensation calculated to the head of the Company for the year ended 31 December 2020 amounted to EUR 29 thousand (EUR 30 thousand for the year ended 31 December 2019).

In 2020 and 2019, the management consisted of one person for whom compensation was calculated.

16. FINANCIAL RISK MANAGEMENT

Credit risk. Credit risk is a risk of a counterparty failing to perform its obligations, thereby leading to financial losses incurred by the Company. The Company's exposure to credit risk mostly arises from loans and receivables. For the purpose of the statement of financial position, amounts receivable are presented net of doubtful amounts receivable (if any), which are assessed by the Company based on its past experience, current economic conditions and expected future economic conditions.. The Company's exposure to credit risk is insignificant, since it is distributed among many customers. The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables (note 7) and cash and cash equivalents (note 8).

The Company's exposure to credit risk arising from liquid cash at bank is limited, since the Company carries out transactions with the banks that have investment grade credit ratings of Baa3 and above assigned by Moody's, an international credit-rating agency.

Foreign exchange risk. The Company is not exposed to a significant foreign exchange risk as the majority of the Company's operations is conducted in euros. Currently, the Company does not use any derivative financial instruments to hedge against foreign exchange risk.

Interest rate risk. The Company's cash flows are affected by fluctuations in market interest rates.

The Company's bank borrowings bear variable interest rates linked to variable base rate. Trade and other payables are interest-free and have settlement dates within one year.

The Company's cash flow and fair value interest rate risk are periodically monitored by the management. It analyses its interest rate exposure on a dynamic basis taking into consideration refinancing, renewal of existing positions, alternative financing. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for receivables and liabilities that represent the major interest-bearing positions. The Company does not use any derivative financial instruments to manage the interest rate risk.

Based on the Company's assessment, an increase/decrease in variable interest rate by 100 basis points, given the level of borrowings of the Company as at 31 December 2020 and with the rest of parameters remaining constant, would result in an increase/decrease in the Company's interest expenses and decrease/increase in profit before tax by EUR 0.2 million (31 December 2019: EUR 0.3 million).

Liquidity risk. In managing liquidity risk the Company follows the principle of prudence. The Company manages its cash flows and liquidity risk based on cash flow projections, which are prepared on a semi-annual basis. In the opinion of the Company's management, the Company's liquidity ratio is adequate and appropriate for such nature of business activities, and cash flows generated from lease are sufficient to continue profitable activities and to ensure the Company's liquidity. At the end of 2020, the Company's management started the negotiation regarding the possible refinancing of the existing bank loan with other banks. Please refer to note 21 regarding the refinancing of the current bank borrowings after the reporting period.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments (including interest payments):

31 December 2020	**Less than 6 months (EUR'000)**	**6-12 months (EUR'000)**	**Between 1-2 years (EUR'000)**	**Between 2-5 years (EUR'000)**	**Over 5 years (EUR'000)**	**Total (EUR'000)**
Bank borrowings	2 874	21 971	-	-	-	24 845
Lease liabilities	9	10	20	69	84	191
Trade payables	751	-	-	-	-	751
Total	**3 635**	**21 980**	**20**	**69**	**84**	**25 787**

31 December 2019	Less than 6 months (EUR'000)	6-12 months (EUR'000)	Between 1-2 years (EUR'000)	Between 2-5 years (EUR'000)	Over 5 years (EUR'000)	Total (EUR'000)
Bank borrowings	2 775	26 844	-	-	-	29 619
Lease liabilities	8	8	19	62	108	205
Trade payables	607	-	-	-	-	607
Total	**3 390**	**26 852**	**19**	**62**	**108**	**30 431**

17. CAPITAL MANAGEMENT

For the purpose of capital management, the Company's capital consists of the share capital, share premium, legal reserve and retained earnings amounting to EUR 148.4 million as at 31 December 2020 (31 December 2019: EUR 165.9 million).

The primary objective of the Company's capital management is to ensure that the Company complies with the externally imposed capital requirements and meets the respective capital ratios in order to preserve its business and maximise return to the shareholders. The Company has an adequate capital level to further maintain its business development.

The Company manages its capital structure and makes adjustments thereto in light of changes in economic conditions and risk characteristics of its activities. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to the shareholders or issue new shares. No changes were made concerning the purpose, policies or processes of capital management during the periods ended 31 December 2020 and 2019.

The Company is required to ensure that its equity accounts for not less than 50% of its share capital in accordance with the Law on Companies of the Republic of Lithuania. As at 31 December 2020 and 2019, the Company complied with the requirement.

18. FINANCIAL INSTRUMENTS

Financial instruments consisted of the following as at 31 December:

	2020 (EUR '000)	2019 (EUR '000)
Financial assets		
Loans granted	-	22 057
Trade receivables	836	728
Cash and cash equivalents	10 103	7 730
Financial liabilities		
Borrowings	24 146	29 512
Trade payables	751	607
Accrued expenses	33	20

In the management's opinion, the carrying amount of amounts receivable, cash and cash equivalents, trade and other current amounts payable approximates their fair value due to short contractual settlement terms.

All the Company's financial assets and financial liabilities are measured at amortised cost.

19. CONTINGENT LIABILITIES

As at 31 December 2020 and 2019, the Company had no significant contingent liabilities.

20. EFFECT OF COVID-19

Due to COVID-19 pandemic, the Company experienced inevitable influence on its financial performance. Below is the timeline of the most significant periods to the Company during 2020, related to government measures fighting the global pandemic.

- March 16 - April 22: Partial close down - only the most necessary business were allowed, i.e. the activities of restaurants, cafes, bars, nightclubs and other places of entertainment were prohibited, except when food could be taken away, as well as the activities of physical shops, shopping and / or entertainment centres were prohibited, except shops selling food, veterinary, pharmacy, optical goods and orthopaedic technical devices;
- April 23 - May 17: entertainment and restaurant businesses were restricted; physical shops / some beauty service providers were able to work (subject to some additional safety requirements). Restaurants were able to work only in open spaces;
- November 7 - December 15: entertainment and restaurant (except take away) businesses were restricted. Shops / service providers (including those in shopping and / or entertainment centres) were able to work with some additional safety requirements;
- Since December 16: Partial close down - only the most necessary business are allowed, i.e. shops (including those in shopping and / or entertainment centres) were not allowed to work, except shops which main activity is selling food, veterinary, optical goods and orthopaedic technical devices (subject to some additional safety requirements). Activities of beauty services were prohibited, also activities of other services that require contact with the client for longer than 15 minutes (subject to some additional safety requirements).

Business, whose activities were prohibited or restricted during quarantine, had a possibility to get a partial compensation of lease payments amounting to 50 percent on the lease amount payable. Period for such compensations was from March 16 to August 31, on a condition that a lessor contributes an additional 30 percent discount. Thus Company provided discounts for such tenants. Total discounts for rent payments in 2020 amounted to 1.8 million EUR. The Company collected all receivables that had been granted discounts. Increase of trade receivables by the end of 2020 results from close down of shopping centre since mid-December.

In 2020, the Company incurred additional expenses, amounting to 145 thousand EUR, which were allocated to various health and hygiene measures to ensure safety of employees and customers. A modern automatic ultraviolet (UV) disinfection equipment was installed on all escalators and moving walkaways, as well as in elevators for automatic UV air disinfection. Also, stations with automatic sensor disinfectant dispensers were installed at each of the entrances to the Akropolis, as well as at information centres and sanitary facilities. Additionally, all common areas and frequently touched surfaces are periodically disinfected, ventilation systems are operating at full capacity, and air filters are periodically replaced. All personnel also observe strict hand hygiene and monitor their health. Only people with protective face masks are allowed into the shopping centre. Administration constantly monitors and, if needed, regulates traffic to ensure safe distances between customers and thus prevent the spread of coronavirus.

As of April 19, 2021, government of Lithuania eased restrictions on stores operating in shopping centres and entertainment businesses. It is now allowed to open stores on weekdays. The shops and entertainment businesses (e.g. cinema) are allowed to operate subject to some additional safety requirements (e.g. amount of people should be monitored, etc.). On weekends and holidays only essential shops (food, pharmacies, etc.) and shops that have separate entrance from outside (as of 15 March, 2021) are allowed to work. As of December, 2020 Lithuanian government started immunising the population against COVID-19. At the date of these financial statements, more than 20% of population has been vaccinated at least once, with the mass vaccination expected to begin in the upcoming months. The Company is focused on helping its tenants financially during the partial close down, i.e. discounts and deferrals are being negotiated. Already granted discounts in January, 2021 comprises of 13% of a total rental and additional fees income for a month. It is currently unknown when usual business activities will be safe to resume and thus management observes effect of the global pandemic to be visible on the financial results of 2021 as well.

Despite global covid-19 pandemic, Company managed to keep 97 % collection rate during 2020. Thus, management believes that liquidity position of the Company is sufficient and proven track record indicates strong resilience and flexibility to subside the negative effects of coronavirus pandemic.

21. EVENTS AFTER THE REPORTING PERIOD

At 30 March 2021 the Company received a loan of EUR 22.8 million under a new loan agreement signed with another bank. The loan was received to refinance the current borrowings. The loan repayment deadline is March 31, 2026.

There were no other significant post-balance sheet events that might have a significant impact on these financial statements.

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Independent Auditor's Report

To the shareholder of SIA "M257"

Our opinion

In our opinion, the accompanying financial statements set out on pages 5 to 27 of the accompanying annual report give a true and fair view of the financial position of SIA "M257" (the "Company") as at 31 December 2020 and 31 December 2019, and of the Company's financial performance and cash flows for the years then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

What we have audited

The Company's financial statements comprise:

- the statements of financial position as at 31 December 2020 and 31 December 2019;
- the statements of comprehensive income for the years then ended;
- the statements of changes in equity for the years then ended;
- the statements of cash flows for the years then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (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 in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Law on Audit Services that are relevant to our audit of the financial statements in the Republic of Latvia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Law on Audit Services.

Reporting on Other Information Including the Management Report

Management is responsible for the other information. The other information comprises:

- the Management Report, as set out on page 4 of the accompanying annual report,
- the Statement on Management Responsibility, as set out on page 4 of the accompanying 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.

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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.

With respect to the Management Report, we also performed the procedures required by the Law on Audit Services. Those procedures include considering whether the Management Report is prepared in accordance with the requirements of the Law on Annual Reports and Consolidated Annual Reports.

Based on the work undertaken in the course of our audit, in our opinion, in all material respects:

- the information given in the Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Management Report has been prepared in accordance with requirements of the Law on Annual Reports and Consolidated Annual Reports.

In addition, in light of the knowledge and understanding of the entity and its environment obtained in the course of our audit, we are required to report if we have identified material misstatements in the other information. We have nothing to report in this respect.

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

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the 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 ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

PricewaterhouseCoopers SIA
Certified audit company
Licence No. 5

Eva Jansen-Diener
Partner

Ilandra Lejiņa
Certified auditor in charge
Certificate No.168

Riga, Latvia
7 May 2021

Independent Auditor's Report is signed electronically with a qualified electronic signature and contains a time stamp.

Statement of Financial Position

	Notes	31.12.2020 EUR '000	31.12.2019 EUR '000	01.01.2019 EUR '000
Assets				
Non-current assets				
Investment property	7	190 711	194 579	153 061
Property, plant and equipment	8	232	269	-
Right-of-use assets	9	2	41	-
Intangible assets		5	10	13
Trade and other receivables	10	906	122	186
Total non-current assets		**191 856**	**195 021**	**153 260**
Current assets				
Prepayments for investment property		18	652	10 639
Trade and other receivables	10	1 122	871	955
Cash and cash equivalents	11	7 586	9 091	2 732
Total current assets		**8 726**	**10 614**	**14 326**
Total assets		**200 582**	**205 635**	**167 586**

	Notes	31.12.2020 EUR '000	31.12.2019 EUR '000	01.01.2019 EUR '000
Equity and Liabilities				
Equity				
Share capital	12	66 360	66 360	66 360
Share premium	12	10 261	10 261	10 261
Retained earnings		21 794	22 267	9 005
Total equity		**98 415**	**98 888**	**85 626**
Non-current liabilities				
Borrowings	13	95 243	99 503	73 366
Non-current lease liabilities	9	2	37	-
Trade and other payables	14	1 749	1 688	1 076
Total non-current liabilities		**96 994**	**101 228**	**74 442**
Current liabilities				
Borrowings	13	4 265	4 267	2 130
Current lease liabilities	9	-	7	-
Trade and other payables	14	908	1 244	5 388
Income tax payable		-	1	-
Total current liabilities		**5 173**	**5 519**	**7 518**
Total liabilities		**102 167**	**106 747**	**81 960**
Total equity and liabilities		**200 582**	**205 635**	**167 586**

The accompanying notes on pages 9 to 30 are an integral part of these financial statements.

Statement of Comprehensive Income

	Notes	**2020** **EUR '000**	**2019** **EUR '000**
Revenue	15	18 268	14 998
Cost of sales	16	(6 539)	(7 555)
Gross profit		**11 729**	**7 443**
Other expenses		(135)	(232)
Other income		393	402
Change in the fair value of investment property	7	(4 814)	6 426
Operating profit		**7 173**	**14 039**
Finance costs	17	(740)	(750)
Profit before income tax		**6 433**	**13 289**
Income tax expense	18	(906)	(27)
Net profit		**5 527**	**13 262**
Total comprehensive income		**5 527**	**13 262**

The accompanying notes on pages 9 to 30 are an integral part of these financial statements.

Statement of Changes in Equity

	Share capital EUR '000	Share premium EUR '000	Retained earnings EUR '000	Total EUR '000
Balance at 01.01.2019	66 360	10 261	9 005	85 626
Net profit for the year	-	-	13 262	13 262
Total comprehensive income	-	-	13 262	13 262
Balance at 31.12.2019	66 360	10 261	22 267	98 888
Dividends	-	-	(6 000)	(6 000)
Net profit for the year	-	-	5 527	5 527
Total comprehensive income	-	-	5 527	5 527
Balance at 31.12.2020	**66 360**	**10 261**	**21 794**	**98 415**

The accompanying notes on pages 9 to 30 are an integral part of these financial statements.

Statement of Cash Flows

	Notes	2020 EUR '000	2019 EUR '000
Cash flows from operating activities			
Net profit		5 527	13 262
Adjustments for:			
Depreciation		92	54
Amortisation of intangible assets	9	5	3
Change in fair value of investment property	7	4 814	(6 426)
Interest costs	17	672	690
Income tax expense	18	906	27
Cash flows from operating activities before changes in working capital		**12 016**	**7 610**
Change in trade and other receivables		(1 153)	149
Change in trade and other payables		(333)	(3 530)
Interest paid		(675)	(683)
Income tax paid		(906)	(26)
Net cash generated from operating activities		**8 949**	**3 520**
Cash flows from investing activities			
Acquisition of property, plant, and equipment	8	(55)	(324)
Acquisition of investment property		(139)	(25 106)
Net cash used in investing activities		**(194)**	**(25 428)**
Cash flows from financing activities			
Borrowings received		-	30 397
Repayment of borrowings	13	(4 260)	(2 130)
Dividends paid		(6 000)	-
Net cash generated from (used in) financing activities		**(10 260)**	**28 267**
Net (decrease) / increase in cash		(1 505)	6 359
Cash and cash equivalents at 1 January		9 091	2 732
Cash and cash equivalents at 31 December		**7 586**	**9 091**

The accompanying notes on pages 9 to 30 are an integral part of these financial statements.

Notes to the Financial Statements

1. General information on the reporting entity

M257 SIA (the "Company") is a company domiciled in Latvia. The address of the Company's registered office is Maskavas street 257, Riga, Latvia. The Company owns and manages shopping and entertainment centre 'Akropole' located on Maskavas, Slāvu and Salaspils streets in Riga, Latvia.

As at 31 December 2020 and 2019, the Company's sole shareholder was AKROPOLIS REAL ESTATE B. V. The ultimate parent is Metodika B.V., address: Amstelveenseweg 500, 1081 KL, Amsterdam, Kingdom of the Netherlands, operating in the Kingdom of the Netherlands. The ultimate controlling party is Mr. Nerijus Numa.

2. Basis of preparation

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The Company has issued its first financial statements prepared in accordance with IFRS for the financial period ended 31 December 2020 with comparatives for the financial period ended 31 December 2019. In these financial statements, the Company has applied IFRS 1, *First-time Adoption of International Financial Reporting Standards*, as at 1 January 2019.

In preparing these financial statements, the Company has applied the mandatory exceptions to the retrospective application of other IFRSs in accordance with IFRS 1 and has elected to apply certain optional exemption (note 24). Subject to these exceptions and exemption, the Company consistently applied accounting policies in preparing its opening IFRS statement of financial position as at 1 January 2019 and throughout all periods presented in its first IFRS financial statements.

For the period up to 31 December 2019, the financial statements were prepared in accordance with the Law of the Republic of Latvia *"Law on Annual Accounts and Consolidated Annual Accounts"*. According to this law, companies which have investment properties should use IAS 40 for measurement and presentation of investment properties.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in note 24.

Unless stated otherwise, all amounts in these financial statements are presented in thousands of euros, and therefore, there might be mismatches due to the rounding effects.

The financial statements were authorised for issue by the Board of Directors on 7 May 2021.

3. Functional and presentation currency

These financial statements are presented in euro (EUR), which is the Company's functional currency.

4. Use of critical accounting estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and the related assumptions are based on past experience and other directly related factors. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The area of these financial statements that involve the use of accounting estimates is fair value of investment property (note 7).

5. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening IFRS statement of financial position at 1 January 2019 for the purposes of the transition to IFRS.

a) Basis of measurement

The financial statements have been prepared on a going concern and at historical cost basis, except for the investment property which is measured at fair value.

b) Foreign currency

Foreign currency transactions are translated into the euros using the official exchange rate set by the European Central Bank at the date of the transaction, which approximates the market rate.
Monetary assets and liabilities are translated into the euros using the exchange rate prevailing at the date of the statement of financial position. Exchange differences resulting from foreign currency transactions are recognised in the statement of comprehensive income when such differences arise. Foreign exchange gains and losses resulting from the translation of monetary assets and liabilities to the euros are recognised in the statement of comprehensive income.

c) Revenue recognition

The Company generates revenue mostly from lease of investment property. In addition to lease, the Company provides utility, repair and similar services, and other services relating to the activities of the shopping and entertainment centre.

Rental income

Rental income is recognised in a manner that is described in section 'Leases' below. When a lease contract includes elements of service, the Company assesses whether the individual elements of service are separate services promised to a customer in a contract (performance obligations), and revenue from such services is recognised as described below.

Revenue from contracts with customers

Revenue from contracts with customers is recognised when a customer obtains control of service or good at the amount of consideration that the Company expects to receive in exchange for that service or good. The Company has determined that it acts as a principal when providing utility, repair and other services because:
- the Company controls the specified good or service before that good or service is transferred to a customer;
- the Company is responsible for fulfilling the promise to provide the services and is exposed to non-performance risk;
- the Company has discretion, direct or indirect, in establishing the price for the specified good or service.

The Company's management has also determined that generally the control of the specified services is transferred to a customer over time, and accordingly, the Company satisfies the performance obligation and recognises revenue over time, because the customer simultaneously receives and consumes all of the benefits provided by the Company as the Company performs under a contract. Such revenue is recognised by measuring progress towards complete satisfaction of the performance obligation or by directly measuring the value of services transferred to a customer to date.

<u>Contract balances</u>

Contract assets – accrued revenue

A contract asset is the right to consideration in exchange for the services provided to a customer. If the Company performs by transferring services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised at an amount equal to the earned consideration that is conditional.

Trade receivables

A trade receivable represents the Company's right to the earned consideration that is unconditional (i.e. consideration becomes payable, without any exceptions, upon the agreed deadline). See the accounting policy for financial assets.

Contract liabilities – advance amounts received

A contract liability is the obligation to provide services to a customer in exchange for consideration received (receivable) by the Company from a customer. If a customer pays consideration before the Company provides the services, a contract liability is recognised when the payment is received. A contract liability is recognised as revenue when the Company satisfies the performance obligation contained in a contract.

In view of the Company's business model, the management has not made any other significant accounting judgements, estimates or assumptions related to revenue from contracts with customers other than those described in this note, because there were no complex multicomponent goods or services, variable consideration, financing components, contract costs or amounts payable to customers.

d) Finance costs

The Company's finance costs include interest expense and the foreign currency gain or loss on financial assets and financial liabilities.

Interest expense is recognised using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the amortised cost of the financial liability. In calculating interest expense, the effective interest rate is applied to the amortised cost of the liability.

e) Income tax

Income tax expenses consist of the current year income tax and deferred income tax expenses.

Corporate income tax

Corporate income tax for the reporting period is included in the financial statements based on the management's calculations prepared in accordance with Latvian Republic tax legislation.

Corporate income tax is calculated on the basis of distributed profit (20/80 of the net amount payable to shareholders) using 20% tax rate. Corporate tax on distributed profit will be recognized when the shareholders of the Company make a decision about profit distribution.

The Company calculates and pays corporate income tax also for the conditionally distributed profit (20/80 of calculated taxable base), which includes taxable objects in accordance with the Corporate Income Tax law, such as the expenditure not related to economic activity, the doubtful debts of debtors and the loans to the related parties, if they meet criteria provided in the Corporate Income Tax law, as well other expenses exceeding statutory limits for deduction. Corporate income tax for the conditionally distributed profit is recognized in the profit or loss statement in the year for which it is assessed. Corporate income tax for the distributed profit and corporate income tax for the conditionally distributed profit is included in the income statement line item "Corporate income tax for the reporting year" and disclosed by the components in the notes to the financial statements.

Deferred income tax

Deferred income tax assets and deferred income tax liabilities are recognised on the differences between the carrying amounts of assets and liabilities reported in the financial statements and their tax bases. Deferred income tax liabilities are recognised for all temporary differences that will subsequently increase taxable profit, and deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Current corporate income tax regime in Latvia means that temporary differences may appear only in exceptional circumstances.

f) Property, plant and equipment

Property, plant and equipment is stated at acquisition cost less subsequent accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs.

Cost includes replacement costs of a part of property, plant and equipment when incurred and when these costs meet the recognition criteria. When a significant part of property, plant and equipment needs to be replaced at the specific time intervals, the Company depreciates such property separately based on its useful life. Accordingly, when major repairs are carried out, such repair costs are recognised in the statement of financial position as an improvement to property, plant and equipment if the recognition criteria are met. All other repair and maintenance costs are recognised in profit or loss for the period when incurred.

Depreciation is calculated each month on a straight-line basis over the entire useful life of the asset using the average estimated useful lives of property, plant and equipment, as follows:

Equipment: 3-5 years

All items of assets with the useful life longer than one year are capitalised.

Gains or losses on disposal or write-off of property, plant and equipment are determined by reference to the proceeds from disposal less the carrying amount of the asset concerned, and the result is recognised in profit or loss.

g) Investment property

Investment property is property held to earn rentals and/or for capital appreciation, or property being developed for future use as held to earn rentals and/or for capital appreciation. Investment property comprises principally retail property and offices that are not occupied substantially for use by, or in the operations of, the Company, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.

Such property is initially measured at cost including any transaction costs and then is carried at fair value. Fair value of investment property is the price that would be received from sale of the asset in an orderly transaction, without deduction of any transaction costs. The best evidence of fair value is given by current prices in an active market for similar property in the same location and condition. The fair value of investment property is reviewed at each reporting date, and any changes therein are recorded in the statement of comprehensive income as profit or loss for the period.

For the purposes of these financial statements, in order to avoid double counting, the fair value reported in the financial statements is reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and/or minimum lease payments. Repair costs related to investment property reported at fair value are recognised as expenses in the period in which they are incurred.

In 2020 the valuation of the Company's investment property was carried out by independent property valuer CPB Real Estate Services SIA (CBRE Baltics), as of 1 January 2019 and 31 December 2019 was carried out by independent property valuer Ober Haus Vertesanas Serviss SIA. The valuation results were reflected in the financial statements as at 31 December 2020, 31 December 2019 and 1 January 2019 (Note 7).

The income approach (income capitalisation or discounted cash flows) was used during the valuation of property to determine the values of revenue-generating properties.

The income approach (income capitalisation or discounted cash flows) is typically used for valuation of revenue-generating properties that are available for acquisition to an investor. This approach also involves market data that are used to determine the current rates of rent and costs, based on which net income is estimated. Depending on the purpose of property, its management specifics, nature of cash flows and typical expectations of sellers and buyers currently acting in the market, the valuer may choose to apply either the direct capitalisation or the discounted cash flow approach. Based on the direct capitalisation approach, the value of property is calculated as net income (gain) divided by capitalisation rate. Based on the discounted cash flow approach, the value of property is calculated as a sum of the present values of future cash flows, discounted using the discount rate. The direct capitalisation and the discounted cash flow approach are both used to determine the market value. Under the income approach (income capitalisation or discounted cash flows), first of all it is necessary to estimate the gross income to be further reduced by the respective amounts of losses arising from vacancies and charges, expenditure or provisions. The resulting net income is capitalised or discounted using a ratio, which is proportionate to the risk arising from ownership of property under valuation. Under the direct capitalisation approach, one-year income and costs are stabilised, and the resulting net operating income is capitalised using a ratio or rate of return, which is proportionate to the risk arising from ownership of the property under valuation. Such income capitalisation takes into account the competitive rate of return, which is delivered by alternative instruments of investment in real estate or other assets. The key assumption used in this approach is that the projected cash inflows will continue indefinitely, which, however, is not applicable to complex investments in real estate.

The value of investment property as at 31 December 2020 and 2019 was determined under the income approach. For the valuation of property as at 31 December 2020, the capitalisation rate of 7,50% (31 December 2019: 7,5%) and the discount rate of 8,37% (31 December 2019: 8,00%) were used. A significant increase (decrease) in the discount rate and the capitalisation rate would result in a significant decrease (increase) in the fair value of the investment property. The approach used to determine the fair value of the investment property is attributed to level 3 in the fair value measurement hierarchy.

h) Cash and cash equivalents

For the purpose of the statement of financial position and the statement of cash flows, the Company's cash and cash equivalents comprise cash on hand and in current bank accounts and cash equivalents which are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Investments normally only qualify as cash equivalents if they have a short maturity of three months or less from the date of acquisition. Financial instruments are only included in cash equivalents if they are in substance cash equivalents, e.g. debt investments with fixed redemption dates that are acquired within three months of their maturity or investments in highly liquid money market instruments and funds.

i) Financial assets

Initial recognition and measurement

On initial recognition, financial assets are grouped into the following categories: those subsequently measured at amortised cost, those measured at fair value through other comprehensive income, and those measured at fair value through profit or loss.

The classification of financial assets at initial recognition depends on the contractual cash flow characteristics of the financial assets and the Company's business model for managing the financial assets. Except for trade receivables that do not contain a significant financing component, the Company initially recognises financial assets at fair value, plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined in accordance with IFRS 15.

For a financial asset to be designated and measured at amortised cost or fair value through other comprehensive income, cash flows arising from the financial asset should comprise solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is called the SPPI test and is performed individually for each financial instrument.

The Company's business model for managing financial assets indicates how the Company manages its financial assets in order to generate cash flows. The business model determines whether cash flows will be generated by collecting contractual cash flows, by selling the financial asset or by using both options.

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Company commits to purchase or sell the financial asset.
Subsequent measurement

After initial recognition, the Company measures its financial assets:
a) at amortised cost (debt financial instruments);
b) at fair value through other comprehensive income, when accumulated gain or loss is transferred to profit or loss upon derecognition (debt financial instruments); As at 31 December 2020 and 2019, the Company had no such financial instruments;
c) at fair value through other comprehensive income, when accumulated gain or loss is not transferred to profit or loss upon derecognition (equity instruments). As at 31 December 2020 and 2019, the Company had no such financial instruments;
d) at fair value through profit or loss. As at 31 December 2020 and 2019, the Company had no such financial instruments.

Financial assets measured at amortised cost (debt financial instruments)

The Company classifies its financial assets as measured at amortised cost only if both of the following criteria are met:
a) the financial asset is held within a business model whose objective is to collect the contractual cash flows; and
b) ii) the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortised cost are subsequently recorded using the effective interest method (EIR) less impairment losses. Gains or losses are recognised in the statement of comprehensive income when the asset is derecognised, replaced or identified as impaired.

The Company's financial assets measured at amortised cost include trade receivables, other current and non-current receivables, loans granted and assets from contracts with customers (if any).

Impairment of financial assets

According to IFRS 9, the Company recognises expected credit losses (ECLs) for all debt financial instruments that are not measured at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

(a) Assessment of impairment of trade receivables
For trade receivables and contract assets, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

The expected loss rates are based on the historical information about the delayed payments by customers. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the tenants to settle the receivable. Such forward-looking information would include: (1) changes in economic, regulatory, technological and environmental factors, (such as industry outlook, GDP, employment and politics), (2) external market indicators, (3) customers' base.

Trade receivables are written off when they meet both of the following criteria are met: (1) receivables are past due more than a year and (2) the recovery is impossible.

j) Financial liabilities
All financial liabilities are initially recognised at fair value, less directly attributable transactions costs in case of borrowings and amounts payable. The Company's financial liabilities include trade and other payables, borrowings and lease liabilities.

Subsequent measurement borrowings and other amounts payable

After initial recognition, borrowings and other amounts payable are accounted for at amortised cost using the effective interest rate (EIR) method. Gains and losses, as well as interest expenses, are recognised in the statement of comprehensive income when liabilities are derecognised, as well as through the amortisation process. The amortised cost is calculated by reference to the discount or premium on acquisition, as well as costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of comprehensive income.

k) Derecognition of financial assets and liabilities

Financial assets

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

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

Where the Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is settled, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability. The difference between the respective carrying amounts is recognised in profit or loss.

l) Leases

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

As a lessee

The Company recognises right-of-use assets and lease liabilities for all leases, except for short-term leases and leases of low-value assets.

The right-of-use assets are measured at cost, less any accumulated depreciation and impairment, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The right-of-use assets are subsequently depreciated on a straight-line basis over the shorter of their estimated useful life and the lease term.

The Company determines the lease term as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. Company reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee; and affects whether the lessee is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term. The Company revises the lease term if there is a change in the non-cancellable period of a lease.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable and variable lease payments that depend on an index or a rate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period when they occur. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The carrying amount of lease liabilities is remeasured if there is a change in the variable lease payments that depend on an index or a rate or there is a change in the lease term.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). The exemption is also applied to leases of equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

As a lessor
Rental income from operating lease is recognised on a straight-line basis over the lease period. Initial direct costs incurred in negotiating and arranging a lease are added to the carrying amount of the leased asset and recognised over the lease term.

Discounts/temporary rent reductions are treated as the Company's incentives used to retain the tenants under operating lease. The Company recognises accumulated incentive costs on a straight-line basis as a reduction of rental income over the operating lease period.

m) Deposits from tenants
Liabilities for the deposits from tenants are recognised and subsequently measured at amortised cost.

Depending on the lease contract term, the deposits from tenants are classified as either non-current or current. Advance amounts received under indefinite term contracts or contracts with validity term less than 12 months are classified as current liabilities, whereas advance amounts received under any other contracts are classified as non-current liabilities.

n) Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (which are assets that necessarily take a substantial period of time to get ready for their intended use or sale) are capitalised and added to the cost of the asset until such time as the asset is ready for its intended use or sale.

Investment income earned from temporary investment of specific borrowings pending their expenditure on a qualifying asset is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred. For the purpose of the cash flow statement, interest paid on borrowings intended for acquisition of investment property is attributed to operating activities.

o) Effective interest rate method
The effective interest rate method is used to calculate the amortised cost of financial assets or financial liabilities and allocate interest income or interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash inflows or outflows through the expected life of the financial instrument or, when appropriate, a shorter period to the gross carrying amount of the financial asset or financial liability.

p) Fair value
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement assumes that the transaction to sell the asset or to transfer the liability takes place either:
- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

Fair value of assets or liabilities is established by using the assumptions that would be used by market participants in order to determine the price of assets or liabilities based on an assumption that market participants act in best economic interests. Fair value of non-financial assets is established based on the market participant's ability to generate economic benefit by using the asset in the best and most efficient way or by selling it to another market participant who would use it in the best and most efficient way.

The Company applies the valuation techniques that are appropriate for determining the fair value under the circumstances and for which sufficient data is available, by maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1 - quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether any transfers have occurred between the levels in the fair value hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Assessments are made by the Company's management at each financial reporting date. For the purpose of disclosure of the fair value, the Company has grouped its assets and liabilities into categories based on the nature, characteristics and risks, and the above-mentioned level in the fair value measurement hierarchy.

q) Related parties

Parties are considered to be related if one party has the power to control the other party or to exercise significant influence over the other party in making financial and other decisions. Related parties are deemed to be the shareholders, management members, their close members of family and entities that directly or indirectly through an intermediary control the Company or are controlled individually or jointly with the other party that is also deemed to be related, except for the cases when actual circumstances reveal that no such control is possible between the Company and the other party, nor any significant influence in making financial and operating decisions.

r) Events after the reporting period

Post-balance sheet events that provide additional information about the Company's position at the date of the statement of financial position (adjusting events) are disclosed in the financial statements. Post-balance sheet events other than adjusting events are disclosed in the notes to the financial statements when such events are significant.

6. Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

These standards are listed below and are not expected to have a significant impact on the Company's financial statements. The Company intends to implement them on their effective date.

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16), effective from 1 January 2021
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37), effective from 1 January 2022
- Annual Improvements to IFRS Standards 2018–2020, effective from 1 January 2022
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16), effective from 1 January 2022
- Reference to the Conceptual Framework (Amendments to IFRS 3), effective from 1 January 2022
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1), effective from 1 January 2023
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts, effective from 1 January 2023
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28), effective from 1 January 2023
- Disclosure of Accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2), effective from 1 January 2023.
- Definition of Accounting Estimates (Amendments to IAS 8), effective from 1 January 2023.

7. Investment property

	2020 EUR '000	2019 EUR '000
Balance at 1 January	194 579	153 061
Additions	946	35 092
Change in fair value	(3 774)	6 426
Market value as per external valuation report	191 750	194 579
Less impact from lease incentives (note 10)	(1 039)	-
Balance at 31 December	**190 711**	**194 579**

The company owns real estate in Riga, Maskavas, Slavu and Salaspils Streets where construction of office and shopping centre Akropole project was opened for public use on 4 April 2019. Investment property is held for long-term rental yields and is not occupied by the Company. Investment property was measured at fair value model. The methods for determining the fair value of investment property are described in note 5(g).

Changes in fair values are presented in the income statement as a separate line.

The Company has no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements. Information on the Company's commercial pledges is presented in note 13.

Amounts recognised in profit or loss for investment properties

	2020 EUR '000	2019 EUR '000
Rental income recognised as sales revenue	17 090	12 596
Change in fair value recognised in the period result	(3 774)	6 426
Direct operating expenses from property that generated rental income	(2 887)	(2 763)

According to IFRS 13, valuation method applied by the Company represents a level 3 of fair value hierarchy.

Presented below is the sensitivity analysis of the market value for changes in the exit yield and discount rate:

31 December 2020, thousands EUR

		Exit yield		
		7,25%	*7,50%*	*7,75%*
	8,12%	199 000	195 000	192 000
Discount rate	*8,37%*	196 000	192 000	189 000
	8,62%	192 000	189 000	186 000

31 December 2019, thousands EUR

		Exit yield		
		7,25%	*7,50%*	*7,75%*
	7,75%	202 300	197 500	193 000
Discount rate	*8,00%*	200 200	195 500	191 000
	8,25%	198 200	193 500	189 100

1 January 2019, thousands EUR

		Exit yield		
		6,75%	*7,00%*	*7,25%*
Discount rate	*8,45%*	171 000	167 100	163 500
	8,70%	167 500	163 700	160 200
	8,95%	164 100	160 400	157 000

Unobservable inputs: Lease price per month per square metre. Relationship of unobservable inputs to fair value: The higher the price per square metre, the higher the fair value.

The valuation was determined using discounted cash flow (DCF) projections based on significant unobservable inputs. These 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; and
- Terminal value taking into account assumptions regarding maintenance costs, vacancy rates and market rents.

The Company leases out its investment property. The Company has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

Rental income recognised by the Company during 2020 was EUR 17 090 thousand (2019: EUR 12 596 thousand).

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date. 16 % of income is expected to be generated from related parties, as this is the current ratio in 2020 (Note 19). In 2019 income from related parties comprised 13 % of total income.

	2020 **EUR '000**	**2019** **EUR '000**
Less than one year	12 401	16 051
One to two years	12 164	12 401
Two to three years	12 046	12 164
Three to four years	8 194	12 046
Four to five years	5 557	8 194
More than five years	16 563	5 557
Total	**66 925**	**66 413**

8. Tangible fixed assets

	Equipment EUR '000
Cost	
01.01.2019	-
Additions	331
Transfer to investment property	(7)
31.12.2019	324
Additions	55
Transfer to investment property	-
31.12.2020	**379**
Depreciation	
01.01.2019	-
Calculated	(55)
31.12.2019	(55)
Calculated	(92)
31.12.2020	(147)
Net book value as at 01.01.2019	**-**
Net book value as at 31.12.2019	**269**
Net book value as at 31.12.2020	**232**

9. Right of use assets

In 2019 the Company has signed two lease agreements for land adjacent to the land under its ownership which is necessary for the operations of the shopping and entertainment centre.

	31.12.2020 EUR '000	31.12.2019 EUR '000	01.01.2019 EUR '000
Land	2	41	-
Right of use assets	**2**	**41**	**-**
Non-current	2	37	-
Current	-	7	-
Lease liabilities	**2**	**44**	**-**

It acquired one of the land plots during 2020 decreasing the total balance of the right of use assets and associated lease liabilities.

	2020 EUR '000	2019 EUR '000
Depreciation charge	(5)	(5)
Interest expenses	(3)	(4)
Total	**(8)**	**(9)**

There were no additions to the right-of-use assets during the 2020 financial year.

10. Trade and other receivables

	31.12.2020 EUR '000	31.12.2019 EUR '000	01.01.2019 EUR '000
Non-current receivables and other assets			
Deferred discounts on lease payments – non-current part	847	-	-
Deferred expense – non-current part	59	122	186
Total	**906**	**122**	**186**
Current receivables and other assets			
Trade receivables	900	667	753
Deferred discounts on lease payments – current part	192	-	-
Accrued income	-	101	62
Deferred expense – current part	64	68	71
Other assets	8	35	69
Impairment provision for trade receivable	(42)	-	-
Total	**1 122**	**871**	**955**
Total trade and other receivables	**2 028**	**993**	**1 141**

During 2020, the Company provided tenants with EUR 1.2 million rental discounts, of which EUR 0.2 million was recognized in the statement of comprehensive income in 2020. Included within amounts receivables, are lease incentive receivables of EUR 1.0 million (there were no such lease incentive receivables in 2019), accounting for long-term (EUR 0.2 million) and short-term (EUR 0.8 million) receivables. These changes have been recognised as a modification to the lease agreements.

As at 31 December 2020, expected credit losses of EUR 42 thousand were recognised in relation to rent receivables. The main cause of the expected credit losses is the increased credit risk from local independent customers and global covid-19 pandemic.

The Company's management estimates that expected credit losses as at 01 January 2019 and 31 December 2019 were immaterial and thus not accounted for. Balances in the provision for impairment of receivables as at 31 December 2020 were, as follows:

	Not due	<31 days	31-90 days	91-180 days	181-365 days	>365 days	Total
Expected credit loss rate	0,05%	0,05%	0,05%	51,75%	51,75%	50,00%	-
Carrying amount (EUR'000)	248	384	187	33	38	10	900
Expected credit loss (EUR'000)	-	-	-	(17)	(20)	(5)	(42)
Net amount (EUR'000)	**248**	**384**	**187**	**16**	**18**	**5**	**858**

11. Cash and cash equivalents

	31.12.2020 EUR '000	31.12.2019 EUR '000	01.01.2019 EUR '000
Cash at bank	7 567	9 030	2 732
Cash on hand	2	20	-
Money in transit	17	41	-
Total	**7 586**	**9 091**	**2 732**

12. Share capital

Registered and paid-up share capital is EUR 66,359,674 which consists of 66,359 674 ordinary shares, that have voting rights at shareholders meeting, with a nominal value of EUR 1 each.

Share premium is the difference between the issue price and the par value of shares. Based on the laws of the Republic of Latvia, share premium cannot be subject to distribution and can only be converted to share capital or used to cover the accumulated losses.

During the reporting year the shareholders approved and received dividend payment in the amount of EUR 6 million which represents EUR 0.09 per share.

13. Borrowings

	Maturity	31.12.2020 EUR '000	31.12.2019 EUR '000	01.01.2019 EUR '000
Non-current portion				
Loan from a bank	2022	95 243	99 503	73 366
Current portion				
Loans from a bank	2021	4 260	4 260	2 130
Accrued interest on loans		5	7	-
Total current		**4 265**	**4 267**	**2 130**
Total		**99 508**	**103 770**	**75 496**

	2020 EUR '000	2019 EUR '000
At the beginning of the year	**103 771**	**75 496**
Proceeds from borrowings	-	30 397
Repayments of borrowings	(4 260)	(2 130)
Interest charged	672	690
Interest paid	(675)	(683)
At the end of the year	**99 508**	**103 770**

The Company has signed an agreement with SEB banka AS at the end of year 2017. SEB banka AS granted the Company a long-term loan for the construction of the investment property owned by the Company.

As at 31 December 2020, the Company's bank borrowings in amount of EUR 99.5 million (2019: EUR 103.8 million) were secured with assets pledged as collateral. As at 31 December 2020, all investment property of the Company in amount of EUR 192 million, cash and cash equivalents in amount of EUR 7.6 million and the Company's shares had been pledged to the banks as security under the loan agreement. As at 31 December 2019, investment property in amount of EUR 195 million had been pledged to the banks as security (Notes 7, 11, 12).

As at 1 January 2019 the outstanding amount of the loan was EUR 75 496 thousand, of which EUR 2 130 thousand were due by the end of 2019.

The fair value of the non-current borrowings approximated their carrying amount. Interest rate on the loan is dependent on the covenants. The company complied with covenants specified in the loan agreements as at 31 December 2020, 31 December 2019 and 1 January 2019.

The cost of borrowing during construction was capitalized to the value of the investment property. After commissioning of the buildings, all borrowing costs are recognised as expense in the respective reporting period.

14. Trade and other payables

	31.12.2020 EUR '000	31.12.2019 EUR '000	01.01.2019 EUR '000
Non-current payables and other assets			
Deposits from tenants – non-current part	1 749	1 688	1 076
Total	**1 749**	**1 688**	**1 076**
Current payables and other liabilities			
Trade payables	559	848	4 611
VAT settlements	196	211	-
Accrued expenses	114	185	264
Deferred income	-	-	490
Other items	39	-	23
Total	**908**	**1 244**	**5 388**
Total trade and other payables	**2 657**	**2 932**	**6 464**

Trade and other amounts payable (including the amounts payable to related parties) are interest free, and their settlement term is typically 26 days. As of 1 January 2019 trade payables mainly included balances with the construction company.

Security deposits paid by customers under the lease contracts are refunded upon expiry of validity of the contract. Classification into current and non-current depends on the validity term of the contract. As at 31 December 2020 and 31 December 2019 all deposits received were due for repayment more than 12 months after the reporting date and all of them are classified as non-current.

15. Revenue

	2020 EUR '000	2019 EUR '000
Lease payments for premises	17 090	12 596
Revenue from contracts with customers:	-	-
Utilities for premises	1 005	954
Advertising services	154	847
Other services	19	601
Total	**18 268**	**14 998**

16. Cost of sales

	2020 EUR '000	2019 EUR '000
Property maintenance costs	(1 950)	(2 124)
Advertising costs	(1 582)	(2 592)
Electricity costs, utilities	(1 002)	(954)
Management services	(855)	(1 095)
Real estate tax	(372)	(139)
Building's security and insurance costs	(322)	(275)
Other taxes	(153)	(155)
Depreciation	(92)	(54)
Professional services	(62)	(82)
Impairment charges for receivables	(42)	-
Other costs	(107)	(85)
Total	**(6 539)**	**(7 555)**

17. Finance costs

	2020 EUR '000	2019 EUR '000
Interest expenses to banks	(672)	(690)
Commissions on bank loan	(65)	(48)
Interest on lease liabilities	(3)	(4)
Resource commission	-	(8)
Total	**(740)**	**(750)**

For detailed borrowing information see note 13.

18. Income tax expense

	2020 EUR '000	2019 EUR '000
Income tax on distributed profits	(905)	-
Income tax on other taxable transactions	(1)	(27)
Total	**(906)**	**(27)**

Income tax resulting from distributable profits

	31.12.2020 EUR '000	31.12.2019 EUR '000	01.01.2019 EUR '000
Retained earnings at the date	21 794	22 267	9 005
Including, maximum amount of dividends distributable from retained earnings that arose after 31.12.2017 which will be accompanied by corporate income tax on distribution	21 794	22 267	9 005
Corporate income tax payable for maximum possible amount of dividends (20/80 from net amount payable to shareholders regarding profit arisen after 31 December 2017)	5 449	5 567	2 251
Reduction of corporate income tax payable on distributed profit resulting from utilisation of accumulated tax losses (see below)	-	(595)	-

The Company would calculate corporate income tax in the amount of 20/80 from net amount payable to shareholders in case if all retained earnings would be distributed. Amount of corporate income tax calculated would be 5 449 EUR, if the whole retained profit as per end of year 2020 would be distributed as dividends to the shareholders.

As at 31 December 2019 the Company had accumulated tax losses of EUR 3 966, 15% of losses is EUR 595 which the Company utilised in 2020 to reduce corporate income tax on distributed profit retained as per end of year 2019.

As corporate income tax rate is effectively 0% on the undistributed corporate profits, therefore effective tax rate reconciliation is not presented. Corporate income tax rate 20/80 has been applied only to dividends when distributed.

19. Related party transactions

During the year the Company has not entered into significant transactions with related parties not being made at arm's length. Lease agreements with related parties have been signed for 5 to 10 years period and will end between 2024 and 2029. Purchases from related parties mostly comprised of consultation services, related to real estate management and development.

The following transactions were carried out with related parties during the year:

	2020 EUR '000	2019 EUR '000
Lease revenue from:		
Companies under control of the ultimate parent company	2 879	2 019
Total	**2 879**	**2 019**
Purchases of services from:		
Companies under control of the ultimate parent company	(885)	(1 158)
Total	**(885)**	**(1 158)**

Remuneration and associated social tax costs for the Board members of the Company comprised EUR 6 thousand during 2020 (2019: EUR 8 thousand).

As at the end of the reporting year receivables and payables at gross values to related parties were as follows:

	31.12.2020 EUR '000	31.12.2019 EUR '000	01.01.2019 EUR '000
Receivables			
Companies under control of the ultimate parent company	63	44	19
	63	**44**	**19**

Payables			
Companies under control of the ultimate parent company	163	181	365
	163	**181**	**365**

20. Off-balance sheet assets and liabilities

The Company does not have ongoing lawsuits or issued warranties or other uncertain events.

21. Financial risk management

The Company held the following financial instruments at the reporting dates:

	31.12.2020 EUR '000	31.12.2019 EUR '000	01.01.2019 EUR '000
Financial assets			
Trade receivables	858	667	753
Cash	7 586	9 091	2 732
Total financial assets	**8 444**	**9 758**	**3 485**
Financial liabilities			
Bank loan	99 508	103 770	75 496
Deposits from tenants	1 749	1 688	1 076
Trade payables	559	848	4 611
Total financial liabilities	**101 816**	**106 306**	**81 183**

Bank loan's effective interest rate is line with the average market rates and therefore management believes that its fair value is close to the carrying value measured at amortised cost.

As most of remaining financial instruments have relatively short settlement terms, management believes that their fair value is close to their carrying value as at the reporting date. The carrying amount of non-current amounts payable approximates their fair value as the interest rates approximates the market interest rates.

Risk management

Credit risk. Credit risk is a risk of a counterparty failing to perform its obligations, thereby leading to financial losses incurred by the Company. The Company's exposure to credit risk mostly arises from receivables from tenants. For the purpose of the statement of financial position, amounts receivable are presented net of doubtful amounts receivable (if any), which are assessed by the Company based on its past experience, current economic conditions and expected future economic conditions. The Company's exposure to credit risk is insignificant, as it collects deposits from tenants to mitigate credit risk. The concentration of credit risk is low, as receivables include balances with many different customers. The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables (note 10) and cash and cash equivalents (note 11).

The Company's exposure to credit risk arising from liquid cash at bank is limited, since the Company carries out transactions with the banks with investment credit ratings of Aa2 assigned by Moody's, an international credit-rating agency. At the end of 2020, the Company conducted transactions with one bank.

Credit risks are controlled by the application of credit terms and monitoring procedures. Also, when signing lease agreements the Company ensures that lease agreements are signed with customers with an appropriate credit history Additionally, for leases the Company obtains security deposits in the form of agreed amount of money transfer to the Company from the client which remains at the Company's disposal if the counterparty is in default under the terms of the agreement.

Foreign exchange risk. The Company is not exposed to a significant foreign exchange risk as all the Company's operations is conducted in euros. Currently, the Company does not use any derivative financial instruments to hedge against foreign exchange risk.

Interest rate risk. The Company's cash flows are affected by fluctuations in market interest rates.

The Company's bank borrowings bear variable interest rates linked to variable base rate. The Company's receivables from its debtors do not bear variable interest rate.

Based on the Company's assessment, an increase/decrease in variable interest rate by 100 basis points, given the level of borrowings of the Company as at 31 December 2020 and with the rest of parameters remaining constant, would result in an increase/decrease in the Company's interest expenses and decrease/increase in profit before tax

by EUR 995 thousand (31 December 2019: EUR 1,038 thousand, 1 January 2019: EUR 755 thousand). The Company does not use any derivative financial instruments to manage the interest rate risk.

The Company's cash flow and fair value interest rate risk is periodically monitored by the management. It analyses its interest rate exposure on a dynamic basis taking into consideration refinancing, renewal of existing positions, alternative financing. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for receivables and liabilities that represent the major interest-bearing positions.

The Company's receivables from its debtors do not bear variable interest rate.

Liquidity risk. In managing liquidity risk the Company follows the principle of prudence. The Company manages its cash flows and liquidity risk based on cash flow projections, which are prepared on a semi-annual basis. In the opinion of the Company's management, the Company's liquidity ratio is adequate and appropriate for such nature of business activities, and cash flows generated from lease are sufficient to continue profitable activities and to ensure the Company's liquidity.

The Company's current assets exceed its current liabilities and provide sufficient liquidity reserve for debt service payments.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments (including interest payments):

31 December 2020	Less than 6 months (EUR'000)	6-12 months (EUR'000)	Between 1-2 years (EUR'000)	Between 2-5 years (EUR'000)	Over 5 years (EUR'000)	Total (EUR'000)
Bank borrowings	2 135	2 130	95 243	-	-	99 508
Lease liabilities	-	-	2	-	-	2
Tenants deposits	-	-	109	966	674	1 749
Trade payables	559	-	-	-	-	559
Total	**2 694**	**2 130**	**95 354**	**966**	**674**	**101 818**

31 December 2019	Less than 6 months (EUR'000)	6-12 months (EUR'000)	Between 1-2 years (EUR'000)	Between 2-5 years (EUR'000)	Over 5 years (EUR'000)	Total (EUR'000)
Bank borrowings	2 137	2 130	4 260	95 243	-	103 770
Lease liabilities	21	21	2	-	-	44
Tenants deposits	-	-	38	924	726	1 688
Trade payables	848	-	-	-	-	848
Total	**3 006**	**2 151**	**4 300**	**96 167**	**726**	**106 350**

1 January 2019	Less than 6 months (EUR'000)	6-12 months (EUR'000)	Between 1-2 years (EUR'000)	Between 2-5 years (EUR'000)	Over 5 years (EUR'000)	Total (EUR'000)
Bank borrowings	1 065	1 065	4 260	69 106	-	75 496
Lease liabilities	-	-	-	-	-	-
Tenants deposits	-	-	79	529	468	1 076
Trade payables	346	4 244	21	-	-	4 611
Total	**1 411**	**5 309**	**4 360**	**69 635**	**468**	**81 183**

22. Capital management

For the purpose of capital management, the Company's capital consists of the share capital, share premium, and retained earnings amounting to EUR 98.4 million as at 31 December 2020 (31 December 2019: EUR 98.9 million; 1 January 2019: EUR 85.6 million).

The primary objective of the Company's capital management is to ensure that the Company complies with the externally imposed capital requirements and meets the respective capital ratios in order to preserve its business and maximise return to the shareholders. The Company has an adequate capital level to further maintain its business development.

The Company manages its capital structure and makes adjustments thereto in light of changes in economic conditions and risk characteristics of its activities. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to the shareholders or issue new shares. No changes were made concerning the purpose, policies or processes of capital management during the periods ended 31 December 2020 and 2019.

The Company manages its capital with reference to the debt ratio, which is calculated as 1 minus the Company's equity-to-assets ratio. The Company's policy is to maintain the debt ratio in the range of 50%.

	31.12.2020 EUR '000	**31.12.2019 EUR '000**	**01.01.2019 EUR '000**
Total equity	98 415	98 888	85 626
Total assets	200 582	205 635	167 586
Total equity / total assets	49%	48%	51%
Debt ratio	51%	52%	49%

23. Transition to IFRS

As stated in note 2, these are the Company's first financial statements prepared in accordance with the IFRS.

The accounting policies set out in note 5 have been applied in preparing the financial statements for the year ended 31 December 2020, the comparative information presented in these financial statements for the year ended 31 December 2019 and in the preparation of an opening IFRS statement of financial position at 1 January 2019 (the Company's date of transition).

In preparing its opening IFRS statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with the Latvian accounting legislation (previous GAAP), which consisted of application of Law of the Republic of Latvia *"Law on Annual Accounts and Consolidated Annual Accounts",* which requires to adopt IAS 40 to account for valuation of investment properties. Under company's application of accounting policy investment property under construction was accounted for at cost in the financial statements prepared for the year ending 31 December 2018 under previous GAAP. When transitioning to IFRS financial statements, company aligned its accounting policy to accounting policies adopted by its parent and presented investment property (under construction) at fair value as of 1 January 2019.

The company did not elect to apply any optional exemptions (fair value as deemed cost, cumulative translation differences and borrowing costs), as those were considered not applicable.
The company has applied the mandatory exception to the retrospective application: estimates exception. Estimates under IFRS at 1 January 2019 and 31 December 2019 should be consistent with estimates made for the same dates under the previous GAAP, unless there is evidence that those estimates were an error. Other mandatory exceptions are not applicable for the Company.

An explanation of how the transition from previous GAAP to IFRS has affected the Company's financial position and financial performance and cash flows is set out below.

Reconciliation of IFRS adoption effect in Statement of financial position as of 1 January 2019

	Previous GAAP EUR '000	Effect of transition EUR '000	IFRS EUR '000
Assets			
Non-current assets			
Investment property **	137 629	15 432	153 061
Property, plant and equipment *	10 639	(10 639)	-
Intangible assets	13	-	13
Trade and other receivables	186	-	186
Total non-current assets	**148 467**	**4 793**	**153 260**
Current assets			
Prepayments for investment property *	-	10 639	10 639
Trade and other receivables	733	222	955
Cash and cash equivalents	2 732	-	2 732
Total current assets	**3 465**	**10 861**	**14 326**
Total assets	**151 932**	**15 654**	**167 586**
Equity and liabilities			
Equity			
Share capital	66 360	-	66 360
Share premium	10 261	-	10 261
Retained earnings	(6 429)	15 434	9 005
Total equity	**70 192**	**14 434**	**85 626**
Non -current liabilities			
Borrowings	73 366	-	73 366
Trade and other payables	1 076	-	1 076
Total non-current liabilities	**74 442**	**-**	**74 442**
Current liabilities			
Borrowings	2 130	-	2 130
Trade and other payables	5 168	220	5 388
Total current liabilities	**7 298**	**220**	**7 518**
Total liabilities	**81 740**	**220**	**81 960**
Total equity and liabilities	**151 932**	**15 654**	**167 586**

* Prepayments for investment property that were required to be classified as Property, plant and equipment under previous GAAP were reclassified as Prepayments for investment property as of 1 January 2019 under IFRS transition.

** Company adjusted the fair value of investment property as of 1 January 2019 as a re-alignment of application of IFRS accounting policy for investment properties with its parent accounting policies and recognised fair value on the investment property under construction. Under previous GAAP accounting policy investment property under construction was accounted for at cost.

Reconciliation of IFRS adoption effect in Statement of financial position as of 31 December 2019 and Statement of comprehensive income for 2019

	Previous GAAP EUR '000	Effect of transition EUR '000	IFRS EUR '000
Assets			
Non-current assets			
Investment property	194 579	-	194 579
Property, plant and equipment	921	(652)	269
Right-of-use assets**	-	41	41
Intangible assets	10	-	10
Trade and other receivables	122	-	122
Total non-current assets	**195 632**	**(611)**	**195 021**
Current assets			
Prepayments for investment property	-	652	652
Trade and other receivables*	932	(61)	871
Cash and cash equivalents	9 091	-	9 091
Total current assets	**10 022**	**591**	**10 614**
Total assets	**205 654**	**(20)**	**205 635**
Equity and liabilities			
Equity			
Share capital	66 360	-	66 360
Share premium	10 261	-	10 261
Retained earnings	22 269	(2)	22 267
Total equity	**98 889**	**(2)**	**98 888**
Non -current liabilities			
Borrowings	99 503	-	99 503
Non-current lease liabilities**	-	37	37
Trade and other payables	1 688	-	1 688
Total non-current liabilities	**101 192**	**37**	**101 228**
Current liabilities			
Borrowings	4 267	-	4 267
Current lease liabilities**	-	7	7
Trade and other payables*	1 305	(62)	1 244
Income tax payable	1	-	1
Total current liabilities	**5 573**	**(55)**	**5 519**
Total liabilities	**106 764**	**(20)**	**106 747**
Total equity and liabilities	**205 654**	**(20)**	**205 635**

Effect on Statement of comprehensive income for 2019

	Previous GAAP EUR '000	Effect of transition EUR '000	IFRS EUR '000
Revenue	15 401	(403)	14 998
Cost of sales***	(3 734)	(3 821)	(7 555)
Gross profit	**11 667**	**(4 224)**	**7 443**
Other expenses***	(4 105)	3 873	(232)
Other income	47	355	402
Change in fair value of investment property****	21 862	(15 436)	6 426
Operating profit	**29 471**	**(15 432)**	**14 039**
Finance costs	(746)	(4)	(750)
Profit before income tax	**28 725**	(15 436)	**13 289**
Income tax expense	(27)	-	(27)
Net profit	**28 698**	**(15 436)**	**13 262**
Total comprehensive income	**28 698**	**(15 436)**	**13 262**

Impact on the cash flow statement for 2019 was considered insignificant for the disclosure purposes.

*Surplus payment of real estate tax previously presented as asset under previous GAAP was reclassified as a deduction from real estate tax liabilities in IFRS financial statements as of 31 December 2019.

** The Company implemented IFRS 16 from 1 January 2019, assessing whether a contract contains a lease, for the contracts existing on that date and in line with IFRS 1 using optional exemption for leases. No leases existed as of 1 January 2019. Following the adoption of IFRS 16, the Company recognised liabilities relating to lease entered into in 2019 which was previously classified as operating lease under previous GAAP. Under IFRS 16, these liabilities were measured at the present value of the remaining lease payments discounted using the lessee's incremental borrowing rate. Right-of-use assets were measured at an amount equal to the lease liability. Under previous GAAP, the lease payments were recorded as an expense in the Statement of Comprehensive income and classified as Cost of Services sold, recognised on a straight-line basis over the lease term.

*** Selling expenses were reclassified as Cost of Sales for IFRS financial statements, which had been recorded as Other expenses under previous GAAP.

****Change in fair value of investment property was changed due to change in the fair value of investment property at 1.1.2019

Reconciliation of IFRS adoption effect in Statement of financial position as of 31 December 2020 and Statement of comprehensive income for 2020

	Previous GAAP EUR '000	Effect of transition EUR '000	IFRS EUR '000
Assets			
Non-current assets			
Investment property	191 768	(1 057)	190 711
Property, plant and equipment	232	-	232
Right-of-use assets	-	2	2
Intangible assets	5	-	5
Trade and other receivables	58	848	906
Total non-current assets	**192 063**	**(207)**	**191 856**
Current assets			
Prepayments for investment property	-	18	18
Trade and other receivables	967	154	1 122
Cash and cash equivalents	7 586	-	7 586
Total current assets	**8 553**	**172**	**8 726**
Total assets	**200 617**	**(35)**	**200 582**
Equity and liabilities			
Equity			
Share capital	66 360	-	66 360
Share premium	10 261	-	10 261
Retained earnings	21 830	(37)	21 794
Total equity	**98 451**	**(37)**	**98 415**
Non -current liabilities			
Borrowings	95 243	-	95 243
Non-current lease liabilities	-	2	2
Trade and other payables	1 742	7	1 749
Total non-current liabilities	**96 985**	**9**	**96 994**
Current liabilities			
Borrowings	4 265	-	4 265
Trade and other payables	916	(7)	908
Total current liabilities	**5 181**	**(7)**	**5 173**
Total liabilities	**102 165**	**2**	**102 167**
Total equity and liabilities	**200 617**	**(35)**	**200 582**

Effect on Statement of comprehensive income for 2020

Revenue	17 564	704	18 268
Cost of sales*	(3 892)	(2 647)	(6 539)
Gross profit	**13 672**	**(1 943)**	**11 729**
Other expenses*	(2 773)	2 638	(135)
Other income	80	313	393
Change in fair value of investment property	(3 775)	(1 039)	(4 814)
Operating profit	**7 204**	**(31)**	**7 173**
Finance costs	(736)	(4)	(740)
Profit before income tax	**6 468**	**(31)**	**6 433**
Income tax expense	(906)	-	(906)
Net profit	**5 562**	**(35)**	**5 527**
Total comprehensive income	**5 562**	**(35)**	**5 527**

Differences in 2020 and as of 31 December 2020 mainly relate to recognition of the lease incentive asset in IFRS financial statements.

* Selling expenses were reclassified as Cost of Sales for IFRS financial statements, which had been recorded as Other expenses under previous GAAP.

24. Effect of covid-19

Due to COVID-19 pandemic, the Company experienced inevitable influence on its financial performance.

Below is the timeline of the most significant periods to the Company during 2020, related to government measures fighting the global pandemic:
• March 12 - June 10: A state of emergency was declared, during which companies with the economic activity of entertainment (including sports services) were temporarily or partially temporarily forbidden or restrictions were imposed on their activities; (b) restrictions were imposed on the activities of caterers; (c) restrictions on the economic activities of certain traders were imposed by limiting their duration and / or prohibiting them from working on weekends and public holidays;
• 26 October - 09 November forbidden the provision of economic services and events related to children's entertainment:
• Since 9 November: A state of emergency has been declared, during which the economic activity of entertainment (including sports services) companies has been temporarily or partially temporarily forbidden or restrictions have been imposed on their activities; (b) restrictions were imposed in the economic activity of mass caterers (catering only on take-away); (c) restrictions were imposed on certain service providers and / or merchants, limiting their working hours and / or prohibiting them from operating, and / or determining the range of goods permitted for traders, and from 19 December Latvia allowed only the most necessary economic types of activity.

Tenants in Latvia were not granted any governmental lease payment compensation during 2020, thus the Company allowed discounts for tenants in good faith. Total discounts for lease and other services in 2020 amounted to 1.4 million EUR.

In 2020, the Company incurred additional expenses, amounting to 57 thousand EUR, which were allocated to various health and hygiene measures to ensure safety of employees and customers. A modern automatic ultraviolet (UV) disinfection equipment was installed on all escalators and moving walkaways, as well as in elevators for automatic UV air disinfection.
Also, stations with automatic sensor disinfectant dispensers were installed at each of the entrances to the Akropole, as well as at information centres and sanitary facilities. Additionally, all common areas and frequently touched surfaces are periodically disinfected, ventilation systems are operating at full capacity, and air filters are periodically replaced. All personnel also observe strict hand hygiene and monitor their health. Only people with protective face masks are allowed into the shopping mall. Administration constantly monitors and, if needed, regulates traffic to ensure safe distances between customers and thus prevent the spread of coronavirus.

At the date of these financial statements, quarantine measures are still in place and shopping centre is still under partial close down. It is expected that the operation of the most of trading points in large shopping centres will be allowed in the near future. As of December, 2020 Latvian government started immunising the population against COVID-19. At the date of these financial statements, around 15% of population has been vaccinated at least once, with the pace of vaccination expected to increase in the upcoming months. The Company is focused on helping its tenants financially during the partial close down, i.e. discounts and deferrals are being negotiated. Already granted discounts in January comprises of 10% of a total rental and additional fees income for a month. It is currently unknown when usual business activities will be safe to resume and thus management observes effect of the global pandemic to be visible on the financial results of 2021 as well.

25. Events after the reporting period

There have been no events since the last date of the reporting year that would result in adjustments or would have significant influence on these financial statements.

26. Approval of annual report

The financial statements on pages 5 to 30 were approved by the Board of Directors and were signed on its behalf by:

Manfredas Dargužis Member of the Board	Andris Urniks Member of the Board	Jurgita Žagunytė-Genevičienė Member of the Board

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