

To
INVL Baltic Real Estate, AB
Gynėjų g. 14,
Vilnius

INVL BALTIC REAL ESTATE, AB AUDIT COMMITTEE ACTIVITY REPORT FOR THE FINANCIAL YEAR 2015

15 April 2016, Vilnius

GENERAL PART

The Audit Committee (hereinafter – the Committee) of INVL Baltic Real Estate, AB (hereinafter – INVL Baltic Real Estate, AB or the Company) was formed for the first time by the decision of the General Meeting of Shareholders on 10 August 2015.

The Committee works in accordance with the laws of the Republic of Lithuania, the Articles of Association of INVL Baltic Real Estate, AB also Regulations of the Formation and Activity of the Audit Committee of INVL Baltic Real Estate, AB (hereinafter – the Regulations), approved by the decision of the General Meeting of Shareholders on 10 August 2015.

COMPOSITION OF THE AUDIT COMMITTEE

AB INVL Baltic Real Estate (previous name Invaldos Nekilnojamojo Turto Fondas, AB, code 152105644) is a joint stock company registered in the Republic of Lithuania. It was established on 28 January 1997. On 17 August 2015 the parent entity AB INVL Baltic Real Estate (code 30329973) was merged to the Company, which continues its operations under the name INVL Baltic Real Estate. The Company become the issuer as of 14 September 2015.

The members of the Committee – Tomas Bubinas (an independent member of the Committee) and Danutė Kadanaitė, were elected by the decision of the General Meeting of Shareholders held on 10 August 2015 (the Company's first audit committee was also formed by the same decision).

The members of the Committee correspond with the qualification and experience requirements set out in the Regulations:

- an independent member of the Committee has an university degree in economics and more than three years work experience in the field of accounting;
- Second member of the Committee has an university degree in law and more than three years work experience in the field of law.

Information and data which approve qualification and experience of the members of the Committee and which were submitted to the General Meeting of Shareholders on 10 August 2015 has not changed.

An independent member of the Committee complies with main criteria set out in the Regulations which are used for identifying whether a member of the Audit Committee can be considered as independent:

1. he is not a head of the Company or the Subsidiary and any associated company (as they are defined in paragraph 14 of the Regulations) and has not been such during the last five years;
2. he is not an employee of the Company or the Subsidiary and/or any associated company and has not been such during the last three years;
3. he is not receiving and has not been receiving significant additional remuneration from the Company or the Subsidiary and/or associated company other than remuneration for the office in the Audit Committee;
4. he is not a controlling shareholder and is not a representative of such shareholder;

5. he does not have and did not have any material business relations with the Company or the Subsidiary and/or associated company within the past year directly or as a partner, shareholder, head or employee of the administration of the subject having such relationships (a subject is considered to have business relations when it is a major supplier or service provider (including financial, legal, advisory and consulting services), major client or organisation receiving significant payments from the Company or the Subsidiary or its group);

6. he is not and has not been during the last three years a partner or employee of the current or former audit company of the Company or the Subsidiary and/or associated company;

7. he has not been in the position of a member of the Committee of the Company or the Subsidiary for over than 12 years;

8. he is not a close relative to the head of the Company or the Subsidiary or to any person specified in paragraphs 1 – 6 above (a spouse (partner), children and parents are considered to be close relatives).

FUNCTIONS AND PROCEDURE OF WORK OF THE AUDIT COMMITTEE

The main functions of the Committee:

1. provide recommendations to the Board of the Company with selection, appointment, reappointment and removal of an external audit company as well as the terms and conditions of the agreement with the audit company;

2. observe the process of external audit of the Company;

3. observe how the external auditor and audit company follow the principles of independence and objectivity;

4. observe the financial statements preparation process of the Company;

5. observe the efficiency of the internal control and risk management systems of the Company and the Subsidiary. Once a year review the need of the internal audit function;

6. observe if the members of the Board and/or the managers of the Company take into account recommendations and comments of the audit company properly.

The work of the Committee is organized taking into account the specifics of the activity of the Company external factors, changes in legal environment.

The right of initiative of convoking the meetings of the Committee is held by both members of the Committee. Usually the time of the meetings is combined with discussion of preparation process of financial and audit (including intermediate financial statements) statements.

During the reporting period the Committee discussed all questions collegially.

The Board members of the Company has worked closely with the members of the Committee, duly presented them with the activity of the Company, provided with detailed information regarding the specific peculiarities of accounting, finance and activity of the Company, informed about methods of settlement for important and unusual transactions when the settlement may be included in accounting in several different ways, provided with other information which is necessary to carry out the functions of the Committee properly.

The Committee has received information regarding all questions of the external audit from the management of the Company on time.

THE ACTIVITY OF THE AUDIT COMMITTEE IN FINANCIAL YEAR 2015

Observation of the financial statements preparation process.

Without prejudice to the responsibility and rights of the administration, the Board members also the external audit company, the Committee *inter alia* (A) observed the financial statements preparation process (including intermediate) of the Company.

The members of the Committee were informed about any possible non-compliance with the accounting policies or problems of disclosure, a regular two-way dialogue between the members of the Committee and persons, responsible for preparing financial statements took place, information regarding work of independent audit was received.

The Company pays enough attention and resources to ensure timely implementation of all legislative changes governing the preparation of financial statements.

The members of the Committee, after familiarizing with the audited set of annual financial statements for the year ended 31 December 2015, hearing from chief accountant of the Company about the preparation process of the above mentioned statements and problems related with it, recommended to the Boards of the Company to submit audited set of annual financial statements for the year ended 31 December 2015 and consolidated financial statement to the General Meeting of Shareholders of INVL Baltic Real Estate, AB, which will held on 27 April 2016.

Observation of the process of external audit.

Without prejudice to the responsibility and rights of the administration, the Board members also the external audit company, the Committee *inter alia* (B) observed the process of external audit.

Management of the Company as well as Audit Company provided the members of the Committee with information about the process of external audit of financial statements of year 2015 of the Company.

The main questions discussed with auditors of the audit for 2015: (I) accounting policy of the investments into subsidiaries together with loans granted (described in more details in Note 2.10 of the financial statements), its fair value estimation and disclosures in the financial statements according to IFRS 13 "Fair value measurement" (Note 5 of the financial statements) (II) fair value estimation of the Group's investments properties (Note 16 of the financial statements) (III) acquisition of "Dommo Grupa", SIA and its subsidiaries (Note 8 of the financial statements), (IV) segregation of operating segments (Note 9 of the financial statements), (V) the merger of the former parent entity to the Company (in the standalone financial statements is presented the comparative figures of the Company, not the former parent entity, Note 6 of the financial statements).

Independence and objectivity of external auditor and the audit company.

The Committee reviews and observes an independence of external auditor and the audit company first of all in the point of view of provision of additional services to the audited subject.

On 1 December 2015 the Committee examined received statements of independence of the audit company – "PricewaterhouseCoopers", UAB is independent of INVL Baltic Real Estate, AB, when financial statements' audit is performed for year ended on 31 December 2015. The members of the Committee confirm that:

a) The manager of the audit group, auditor Rasa Radzevičienė, and (or) the audit company – PricewaterhouseCoopers, UAB are not directly or indirectly related to the Company and there are no grounds which could harm the independence of the auditor and (or) the audit company.

b) Rasa Radzevičienė is considered to be independent from the Company since:

- she is not linked by family, close relations or related by marriage with the participants in the Company and/or

the Subsidiary or its significant subsidiaries, manager, members of the Board, chief accountant or with any other employees of the Company or its significant subsidiaries, who may have a direct and material influence on the drawing up of financial statements;

- she is not and never was an employee of the Company or its significant subsidiaries;
- she is not and never was a participant of the Company or its significant subsidiaries;
- she has not provided to the Company and its significant subsidiaries the services of asset and business valuation, book keeping and drawing up of financial statements, the services of valuation of reorganization conditions of public and private companies, did not perform internal audit;
- she is not influenced by other material conditions that might effect her independence.

c) PricewaterhouseCoopers, UAB is considered to be independent from the Company and its significant subsidiary companies since:

- neither the Company nor its significant subsidiaries are participants of the audit company;
- the audit company, participants of the audit company, its manager, board members are not participants of the Company or its significant subsidiaries;
- participants of the audit company, its manager, board members are not related by family, close relations or related by marriage with the Company or its significant subsidiaries participants;
- it has not provided to the Company or its significant subsidiaries the services of asset and business valuation, book keeping and drawing up of financial statements, the services of valuation of reorganization conditions of public and private companies, did not perform internal audit;
- the audit company does not get as much payment for the audit services from the Company or its significant subsidiaries that it could influence the independence of the audit company;
- it is not influenced by other material conditions that might effect its independence.

d) The payment for the performance of the audit, indicated in the agreement with the audit company, in the opinion of the Committee ensures that the audit will be performed according to the principles of professional ethics and requirements of international standards of audit. There are no any indefinite conditions in the agreement concluded with the audit company, which could influence the amount of payment for the audit services. The payment for other services, rendered by the same audit company, does not influence the payment for the audit services.

Observation of the efficiency of internal control and risk management systems and assessment of the need of internal audit function

Without prejudice to the responsibility and rights of the administration, the Board members also the external audit company, the Committee observed the effectiveness of internal control and risk management systems and assessed the need of internal audit function in the Company.

There is no internal audit function, but having in mind the scale of the Company's activity and complexity, the Committee still sees no need to recommend the establishment of internal audit function.

Members of the Committee:

Tomas Bubinas

Danutė Kadanaitė