AB INVL BALTIC REAL ESTATE

CONSOLIDATED ANNUAL REPORT, CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION PRESENTED TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

Translation note:

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

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Independent Auditor's Report

To the shareholders of AB INVL Baltic Real Estate

Report on the financial statements

We have audited the accompanying stand-alone and consolidated financial statements of AB INVL Baltic Real Estate ("the Company") and its subsidiaries ("the Group") set out on pages 5 to 68, which comprise the stand-alone and consolidated statements of financial position as of 31 December 2015 and the stand-alone and consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information ("the financial statements").

Management's responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company and the Group as of 31 December 2015, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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Report on other legal and regulatory requirements

Furthermore, we have read the consolidated annual report for the year ended 31 December 2015 set out on pages 69 to 134 and have not noted any material inconsistencies between the financial information included in it and the audited financial statements for the year ended 31 December 2015.

On behalf of PricewaterhouseCoopers UAB

Rimvydas Jogėla
Partner
Auditor's Certificate No.000457

Rasa Radzevičienė
Auditor's Certificate No.000377

Vilnius, Republic of Lithuania
4 April 2016

DETAILS OF THE COMPANY

Board of Directors

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

Management (director)

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

Principal place of business and company code

Office address
Gynėjų str. 14,
Vilnius,
Lithuania

Company code 152105644

Banks

AB Šiaulių Bankas
AB SEB Bankas
ABLV Bank, AS
AB DNB Bankas
Nordea Bank AB Lithuania Branch
Nordea Bank AB Latvia Branch
AS "Citadele banka"
"Swedbank" AS
AS DNB banka

Auditor

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

The financial statements were approved and signed by the Management and the Board of Directors on 4 April 2016.

Mr. Egidijus Damulis
Director

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

(all amounts are in EUR thousand unless otherwise stated)

Consolidated and Company's statements of comprehensive income

		Group		Company	
	Notes	**01.01.2015-31.12.2015**	**29.04.2014-31.12.2014**	**01.01.2015-31.12.2015**	**01.01.2014-31.12.2014**
Revenue	10	**5,694**	**3,512**	**5,402**	**5,352**
Interest income		101	135	41	73
Other income	11	1,312	4	383	4
Net changes in fair value of investments into subsidiaries designated at fair value through profit or loss	5	-	-	272	-
Net gains from fair value adjustments on investment property	16	2,168	39	2,169	90
Premises rent costs	9; 10	(1,697)	(1,183)	(1,697)	(1,747)
Utilities	9	(935)	(603)	(934)	(1,017)
Repair and maintenance of premises	9	(658)	(475)	(650)	(785)
Property management and brokerage costs	9	(330)	(194)	(330)	(289)
Taxes on property	9	(265)	(180)	(254)	(242)
Impairment of assets (reversal of impairment)	12	116	-	117	(79)
Employee benefits expenses		(40)	(10)	(13)	(9)
Depreciation and amortisation	17	(4)	(7)	(4)	(11)
Other expenses		(203)	(156)	(156)	(189)
Operating profit		**5,259**	**882**	**4,346**	**1,151**
Finance costs	13	(679)	(383)	(594)	(554)
Profit before income tax		**4,580**	**499**	**3,752**	**597**
Income tax expense	14	(484)	(67)	(470)	(97)
NET PROFIT FOR THE YEAR		**4,096**	**432**	**3,282**	**500**
Other comprehensive income for the year, net of tax		**-**	**-**	**-**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**4,096**	**432**	**3,282**	**500**
Attributable to:					
Equity holders of the parent		4,096	432	3,282	500
Basic and diluted earnings per share (in EUR)	15	0.09	0.01		

(all amounts are in EUR thousand unless otherwise stated)

Consolidated and Company's statements of financial position

	Notes	Group As at 31 December 2015	Group As at 31 December 2014	Company As at 31 December 2015	Company As at 31 December 2014
ASSETS					
Non-current assets					
Property, plant and equipment	17	27	13	22	13
Investment properties	16	51,747	33,848	43,200	33,327
Intangible assets	17	1	160	1	160
Investments into subsidiaries designated at fair value through profit or loss	5	-	-	4,971	1
Loans granted	19	-	3,981	-	-
Operating lease pre-payments	10	825	825	825	825
Deferred tax assets	14	2	-	-	-
Total non-current assets		**52,602**	**38,827**	**49,019**	**34,326**
Current assets					
Inventories, prepayments and deferred charges		16	5	12	4
Trade and other receivables	20	373	293	369	290
Current loans granted	19	-	125	-	1,328
Deposits	3.1, 23	150	-	-	-
Cash and cash equivalents	3.1	393	358	287	311
Total current assets		**932**	**781**	**668**	**1,933**
Non-current assets and assets of disposal group classified as held-for-sale	21	**981**	**-**	**981**	**-**
TOTAL ASSETS		**54,515**	**39,608**	**50,668**	**36,259**

(cont'd on the next page)

(all amounts are in EUR thousand unless otherwise stated)

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

	Notes	Group As at 31 December 2015	Group As at 31 December 2014	Company As at 31 December 2015	Company As at 31 December 2014
EQUITY AND LIABILITIES					
Equity					
Equity attributable to equity holders of the parent					
Share capital	6, 7, 22	12,536	2,040	12,536	9,634
Share premium	6, 7, 22	-	2,966	-	-
Reserves	6, 7, 22	25	6,883	265	240
Retained earnings	6, 7, 22	6,026	2,602	4,873	1,283
Total equity		**18,587**	**14,491**	**17,674**	**11,157**
Liabilities					
Non-current liabilities					
Non-current borrowings	23	22,876	19,432	20,194	19,432
Provisions	10	88	182	88	182
Deferred income tax liability	14	4,037	3,567	4,037	3,567
Other non-current liabilities	10	290	411	290	411
Total non-current liabilities		**27,291**	**23,592**	**24,609**	**23,592**
Current liabilities					
Current portion of non-current borrowings	23	1,117	478	890	478
Current borrowings	23	623	590	617	590
Trade payables	16	5,759	78	5,758	68
Provisions	10	259	183	259	183
Advances received	21	505	44	505	44
Other current liabilities		374	152	356	147
Total current liabilities		**8,637**	**1,525**	**8,385**	**1,510**
Total liabilities		**35,928**	**25,117**	**32,994**	**25,102**
TOTAL EQUITY AND LIABILITIES		**54,515**	**39,608**	**50,668**	**36,259**

(the end)

(all amounts are in EUR thousand unless otherwise stated)

Consolidated and Company's statements of changes in equity

				Reserves			
Group	**Notes**	**Share capital**	**Share premium**	**Legal reserve**	**Reserve for purchase of own shares**	**Retained earnings**	**Total**
The Group's equity formed on 29 April 2014 under spin-off conditions according to predecessor values method	7	2,040	2,966	281	6,602	2,170	14,059
Total transactions with owners of the Company, recognised directly in equity		**2,040**	**2,966**	**281**	**6,602**	**2,170**	**14,059**
Net profit for the year		-	-	-	-	432	432
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**432**	**432**
Balance as at 31 December 2014		**2,040**	**2,966**	**281**	**6,602**	**2,602**	**14,491**
Net profit for the year		-	-	-	-	4,096	4,096
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**4,096**	**4,096**
The adjustment of the par value of the shares due to currency conversion to euro	22	3	-	-	-	(3)	-
Transfer to reserves		-	-	25	-	(25)	-
Effect of merger	6	10,493	(2,966)	(281)	(6,602)	(644)	-
Total transactions with owners of the Company, recognised directly in equity		**10,496**	**(2,966)**	**(256)**	**(6,602)**	**(672)**	**-**
Balance as at 31 December 2015		**12.536**	**-**	**25**	**-**	**6,026**	**18.587**

(all amounts are in EUR thousand unless otherwise stated)

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

				Reserves			
Company	**Notes**	**Share capital**	**Share premium**	**Legal reserve**	**Reserve for purchase of own shares**	**Retained earnings**	**Total**
Balance as at 31 December 2013		**9,634**	**-**	**240**	**-**	**783**	**10,657**
Net profit for the year		-	-	-	-	500	500
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**500**	**500**
Balance as at 31 December 2014		**9,634**	**-**	**240**	**-**	**1,283**	**11,157**
Net profit for the year		-	-	-	-	3,282	3,282
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**3,282**	**3,282**
Transfer to reserves		-	-	25	-	(25)	-
Effect of merger	6	2,902	-	-	-	333	3,235
Total transactions with owners of the Company, recognised directly in equity		**2,902**	**-**	**25**	**-**	**308**	**3,235**
Balance as at 31 December 2015		**12,536**	**-**	**265**	**-**	**4,873**	**17,674**

(all amounts are in EUR thousand unless otherwise stated)

Consolidated and Company's statements of cash flows

	Notes	Group		Company	
		01.01.2015-31.12.2015	**29.04.2014-31.12.2014**	**01.01.2015-31.12.2015**	**01.01.2014-31.12.2014**
Cash flows from (to) operating activities					
Net profit for the year		4,096	432	3,282	500
Adjustments for non-cash items and non-operating activities:					
Net gains from fair value adjustments on investment property	16	(2,168)	(39)	(2,169)	(90)
Depreciation and amortization	17	4	7	4	11
Net changes in fair value of investments into subsidiaries designated at fair value through profit or loss	5	-	-	(272)	-
Interest income		(101)	(135)	(41)	(73)
Interest expenses	13	679	383	594	554
Deferred taxes	14	468	67	470	97
Current income tax expenses	14	16	-	-	-
Provisions		(23)	(7)	(23)	(50)
Loss on settlement of pre-existing relationships	8	85	-	-	-
Gain from sale of shares of UAB INTF Investicija	5	(366)	-	(366)	-
Gain from bargain purchases	8	(1,014)	-	-	-
Impairment of assets (reversal of impairment)	12	(116)	-	(117)	79
Changes in working capital:					
Decrease (increase) in inventories		(7)	-	(7)	-
Decrease (increase) in trade and other receivables		(49)	63	(49)	79
Decrease (increase) in other current assets		(4)	41	(1)	18
(Decrease) increase in trade payables		(179)	11	(168)	66
(Decrease) increase in other current liabilities		458	45	548	21
Cash flows from (to) operating activities		**1,779**	**868**	**1,685**	**1,212**
Income tax paid		(16)	-	(16)	-
Net cash flows from (to) operating activities		**1,763**	**868**	**1,669**	**1,212**

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(all amounts are in EUR thousand unless otherwise stated)

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

		Group		Company	
	Notes	**01.01.2015-31.12.2015**	**29.04.2014-31.12.2014**	**01.01.2015-31.12.2015**	**01.01.2014-31.12.2014**
Cash flows from (to) investing activities					
Acquisition of non-current assets (except investment properties)	17	(16)	(12)	(13)	(12)
Acquisition of investment properties	16	(2,586)	(3)	(2,586)	(3)
Acquisition of subsidiaries, net of cash acquired	8	(2,827)	-	-	-
Proceeds from sale of shares of UAB INTF Investicija	5	366	-	366	-
Loans granted		-	-	(443)	(2)
Repayment of loans granted		49	146	298	191
Interest received		-	-	3	16
Transfer from (to) deposits	23	(150)	-	-	391
Net cash flows from (to) investing activities		**(5,164)**	**131**	**(2,375)**	**581**
Cash flows from (to) financing activities					
Cash flows related to Group owners					
Cash received during the merger	6	-	-	70	-
Cash received according to spin-off terms	7	-	158	-	-
		-	158	70	-
Cash flows related to other sources of financing					
Proceeds from loans	23	6,966	16,186	1,411	16,090
Repayment of loans	23	(3,095)	(16,797)	(447)	(17,368)
Interest paid		(435)	(188)	(352)	(273)
		3,436	(799)	612	(1,551)
Net cash flows from (to) financing activities		**3,436**	**(641)**	**682**	**(1,551)**
Net increase (decrease) in cash and cash equivalents		**35**	**358**	**(24)**	**242**
Cash and cash equivalents at the beginning of the period		**358**	**-**	**311**	**69**
Cash and cash equivalents at the end of the period		**393**	**358**	**287**	**311**

(the end)

(all amounts are in EUR thousand unless otherwise stated)

Notes to the financial statements

1 General information

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

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

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

The Group was established on 29 April 2014 by spinning-off from AB Invalda INVL (code 121304349) the investments into entities, which business is investment into investment properties held for future development, into commercial real estate and renting thereof. More details about the spin-off are disclosed in Note 7. On 17 August 2015 the Former Parent Company was merged to the Company. As a result of the Merger the Former Parent Company ceased to exist and the Company changed its name to AB INVL Baltic Real Estate and became the parent of the Group. The reorganisation, being the legal merger only, had no impact on the consolidated financial statements of the Group, except for reclassification within shareholders' equity lines to reflect the change of the parent enity that consolidates the Group. Accordingly, it had no impact on the Group's assets, liabilities and performance measurement (Note 6). Financial information that is and will be prepared by the Group for the periods after 17 August 2015 represents the continuation of the financial information prepared by the Group until 17 August 2015.

The comparative figures of the Group for the year ended 31 December 2014 cover period starting from 29 April 2014 and ending on 31 December 2014 in these financial statements. In the stand-alone financial statements comparative figures are disclosed for the Company, not for the Former Parent Company. The assets, liabilities, revenue, income and expenses of the Former Parent Company are included in the stand-alone financial statements from the date of the legal merger.

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

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

As at 31 December 2015 the Company's share capital is divided into 43,226,252 ordinary registered shares with the nominal value of EUR 0.29 each. All the shares of the Company were fully paid. Subsidiaries did not hold any shares of the Company. As at 31 December 2014 the sole shareholder of the Company (33,265,440 ordinary registered shares with the nominal value of LTL 1 each) was the Former Parent Company. The shareholders of the Company as at 31 December 2015 are disclosed in the table below. As at 31 December 2015 and 2014 the shareholders were (by votes)*:

	2015 Group and Company		**2014 Group and Former Parent Company**	
	Number of votes held	**Percentage**	**Number of votes held**	**Percentage**
UAB LJB Investments (controlling shareholder Mr. Alvydas Banys)	13,158,474	30.44	2,144,351	30.44
Mrs. Irena Ona Mišeikienė	12,492,979	28.90	2,035,918	28.90
AB Invalda INVL	5,512,324	12.75	884,862	12.56
UAB Lucrum Investicija (sole shareholder Mr. Darius Šulnis)	4,387,244	10.15	714,967	10.15
Mr. Alvydas Banys	3,318,198	7.68	540,750	7.68
Ms. Indrė Mišeikytė	862,873	2.00	140,618	2.00
Other minor shareholders	3,494,160	8.08	582,899	8.27
Total	43,226,252	100.00	7,044,365	100.00

*One shareholder sold part of his shares under repo agreement (so did not hold the legal ownership title of shares), but he retained the voting rights of transferred shares.

1 General information (cont'd)

On the spin-off date the shareholders of the AB Invalda INVL – Mr. Alvydas Banys, UAB LJB Investments, Mrs. Irena Ona Mišeikienė, Ms. Indrė Mišeikytė, Mr. Darius Šulnis and UAB Lucrum investicija – had a joint control over AB Invalda INVL based on the agreement on the implementation of a long-term corporate governance policy. No agreement establishing joint control over the Group was signed after spin-off for the Former Parent Company, therefore there was no single controlling party as of 31 December 2014 and 2015.

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

As at 31 December 2015 the number of employees of the Group and the Company was 4 and 2, respectively. As at 31 December 2014 the number of employees of the Group and the Company was 3 and 1, respectively.

According to the Law on Companies of Republic of Lithuania, the annual financial statements prepared by the Management are authorised by the General Shareholders' meeting. The shareholders hold the power not to approve the annual financial statements and the right to request new financial statements to be prepared.

2 Summary of significant accounting policies

The principal accounting policies applied in preparing the Group's and the Company's financial statements for the year ended 31 December 2015 are as follows:

2.1. Basis of preparation

Statement of compliance

The financial statements of the Company and the consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (hereinafter the EU).

These financial statements have been prepared on a historical cost basis, except for investment properties and investments in subsidiaries that have been measured at fair value. The financial statements are presented in thousands of euro (EUR) and all values are rounded to the nearest thousand except when otherwise indicated. From 1 January 2015 the euro became local currency of the Republic of Lithuania. The comparative information of the previous year was recalculated using the official conversion ratio of litas to euro: 1 euro = 3.4528 litas.

Adoption of new and/or changed IFRSs and IFRIC interpretations

The Group has adopted the new and amended IFRS and IFRIC interpretations as of 1 January 2015:

– IFRIC 21 *Levies* effective 17 June 2014;
– *Annual Improvements* to IFRSs 2013 effective 1 January 2015.

None of the new amendment standards and interpetations had a material effect on the Company's and Group's financial statements for the year ended 31 December 2015.

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

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

Amendments to IAS 27: *Equity Method in Separate Financial Statements* (effective for annual periods beginning on or after 1 January 2016)

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

The following amendments to existing standards are adopted by the EU, but not yet effective, have not been early adopted and are not expected to have a material impact on the Company and the Group, except that the Group will have to disclose the judgements made by management in aggregating operating segments in the financial statements:

- *Annual Improvements* to IFRSs *2010-2012 Cycle* (effective for annual periods beginning on or after 1 February 2015);
- *Annual Improvements to* IFRSs *2012-2014 Cycle (*effective for annual periods beginning on or after 1 January 2016*);*
- Amendments to IAS 19 – *Defined benefit plans: Employee contributions* (effective for annual periods beginning on or after 1 February 2015);
- Amendments to IFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations* (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 16 and IAS 38: *Clarification of Acceptable Methods of Depreciation and Amortisation Operations* (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer plants* (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 1: *Disclosure Initiative* (effective for annual periods beginning on or after 1 January 2016).

Standards not yet adopted by the EU

IFRS 9 *Financial Instruments* (effective for annual periods beginning on or after 1 January 2018 once adopted by the EU)

Key features of the new standard are:

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

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

Standards not yet adopted by the EU (cont'd)

IFRS 9 (cont'd)

- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The Group and the Company are currently assessing the impact of the new standard on their financial statements.

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

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

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

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

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

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

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

2 Summary of significant accounting policies (cont'd)

2.2. Basis of consolidation

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

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions that are recognised in assets, are eliminated in full.

When the group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or retained earnings, as appropriate.

2.3. Functional and presentation currency

From 1 January 2015 the euro became local currency of the Republic of Lithuania. The financial statements are prepared in euro (EUR), which is local currency of the Republic of Lithuania, and presented in EUR thousand. Euro is also the local currency of the Republic of Latvia. Euro is the Company's and the Group's functional and presentation currency. The exchange rates in relation to other currencies are set daily by the European Central Bank and the Bank of Lithuania. The comparative information of the previous year was recalculated using the official litas to euro conversion ratio: 1 euro = 3.4528 litas.

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

2.4. Business combinations and goodwill

The group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

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

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

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

2.4 Business combinations and goodwill (cont'd)

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

2.5. Business combinations under common control

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

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

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

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

The spin-off was accounted for as a reorganisation using the policies for business combinations under common control according to policies described above.

2.6. Accounting of the legal merger (the Company)

During the legal merger the Company recognises additional assets and liabilities received at their carrying values of the merged entity with the difference recognised directly in equity from the date on which the legal merger occurred. Comparative financial statements of the Company are not restated.

2 Summary of significant accounting policies (cont'd)

2.7. Property, plant and equipment

Property, plant and equipment is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment losses. The carrying values of property, plant and equipment are reviewed for impairment when events or change in circumstances indicate that the carrying value may not be recoverable. Depreciation is calculated using the straight-line method over the estimated useful lives of 3 to 6 years.

The asset residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end to ensure that they are consistent with the expected pattern of economic benefits from items in property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income within "other income" in the year the asset is derecognised.

2.8. Investment properties

Properties that are held for long-term rental yields and for capital appreciation are classified as investment properties. Where the Group owns the buildings, but not the land on which they are built, land is leased from the municipality under operating lease. Land held under operating leases is classified and accounted for by the Group as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease at the present value of the minimum lease payments with the exeption of future land rent tax payments to municipality that are effectively a replacement of land tax, paid by the owner of land.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise. The fair value of investment property is determined annually by qualified independent valuers (Note 16).

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

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

2.9. Intangible assets other than goodwill

Intangible assets are measured initially at cost. Intangible assets are recognised if it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets other than goodwill are assessed to be finite. Intangible assets are amortised using the straight-line method over their expected useful lives (3 – 5 years).

Intangible assets not yet available for use, such as technical development projects where the related property is not built, are tested annually for impairment and whenever there is an indication that the intangible asset may be impaired.

2 Summary of significant accounting policies (cont'd)

2.10. Investments into subsidiaries (the Company)

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

- they are managed together and their performance is evaluated on a combined fair value basis in accordance with the Company's documented investment strategy; and
- information about the group is provided internally on combined basis to the Company's Board of Directors and Director.

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

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

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

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

Investments into subsidiaries in stand-alone financial statements of the Company in previous years were carried at cost, less impairment. The Company has changed its accounting policy for investments in subsidiaries from cost method to fair value method, as the Company believes that fair value model more effectively demonstrates its financial position and the fair value model was used by the Former Parent Company in the financial statements for the year ended 31 December 2014. The change in accounting policy had no impact to the carrying value of investments in subsidiaries, because the Company had only immaterial investment, which had only single asset – cash. Both the recoverable amount and the fair value of investments into subsidiary was lower than their initial acquisition cost.

2.11. Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses are recognised in profit or loss.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss. Impairment losses recognised in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

2 Summary of significant accounting policies (cont'd)

2.12. Financial assets

Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The classification depends on the purpose for which the financial assets were acquired. When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial asset or financial liability not at fair value through profit or loss, directly attributable transaction costs. If the fair value of the financial asset at initial recognition differs from the transaction price, it is recognised at fair value and '1 day gain' is recognised only if that fair value is evidenced by a quoted price in an active market for an identical asset or based on a valuation technique that uses only data from observable markets. In all other cases the difference between the fair value at initial recognition and the transaction price is deferred. For loans granted measured at fair value through profit or loss this difference is recognised using the straight-line method over the estimated maturity of financial asset.

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

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

The Group's financial assets consist of loans and receivables. The Company's financial assets consist of loans and receivables, and of financial assets at fair value through profit or loss (Note 2.10).

<u>Loans and receivables</u>

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

2.13. Impairment of financial assets

<u>Assets carried at amortised cost</u>

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

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

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

2 Summary of significant accounting policies (cont'd)

2.13 Impairment of financial assets (cont'd)

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

2.14. Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less. Deposits with original maturity of more than three months are classified as deposits on the statement of financial position.

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and in current bank account as well as deposit in bank with an original maturity of three months or less.

2.15. Financial liabilities

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

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

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

<u>Trade and other payables</u>

These amounts represent liabilities for goods and services provided to the Company and the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

<u>Borrowings</u>

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

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

2.16. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the profit or loss. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

<u>Provisions for onerous contracts</u>

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

2 Summary of significant accounting policies (cont'd)

2.17. Share capital

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

2.18. Leases

Group and Company are the lessor in an operating lease

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

Property leased out under operating leases is included in investment property in the consolidated statement of financial position (Note 16). See Note 2.19 for the recognition of rental income.

Group and Company are the lessee in an operating lease

Leases where the lessor retains all the risk and benefits of ownership of the asset are classified as operating leases. Operating lease payments, including prepayments, (net of any incentives received from the lessor) are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term. Contingent rents are charged as expenses in the periods in which they are incurred.

2.19. Revenue recognition

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

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

Rental income

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

Utilities and other services income

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

Interest income

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

2 Summary of significant accounting policies (cont'd)

2.20. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

2.21. Borrowing costs

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

2.22. Current and deferred income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted by the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The standard income tax rate in Lithuania and in Latvia was 15 % in 2014 and 2015. Starting from 2010, tax losses can be transferred within Lithuania at no consideration or in exchange for certain consideration between the group companies if certain conditions are met.

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

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

Following the provisions of Law on Corporate Income Tax in Lithuania the sale of shares of an entity, registered or otherwise organised in a state of the European Economic Area or in a state with which a treaty for the avoidance of double taxation has been concluded and brought into effect and which is a payer of corporate income tax or an equivalent tax, to another entity or a natural person shall not be taxed where the entity transferring the shares held more than 25% of voting shares in that entity for an uninterrupted period of at least two years. If mentioned condition is met or is expected to be met by the management of the Company, no deferred tax liabilities or assets are recognised in respect of temporary differences associated with carrying amounts of these investments. In Latvia gains from the sale of shares are not taxed, and losses are not deductible.

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 Summary of significant accounting policies (cont'd)

2.23. Employee benefits

Social security contributions

The Company and the Group pay social security contributions to the state Social Security Fund (the Fund) on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution plan is a plan under which the Group pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. Social security contributions are recognised as expenses on an accrual basis and included in payroll expenses.

Bonus plans

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

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

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

2.25. Significant accounting judgements and estimates

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

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

Judgements

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

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

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

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

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

2 Summary of significant accounting policies (cont'd)

2.25 Significant accounting judgements and estimates (cont'd)

Judgements (cont'd)

The Group acts as principal in relation to utility services

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

The Company as a reporting entity in the stand-alone financial statements

The management has chose that after the legal merger the continuing entity for reporting purposes in the stand-alone financial statements is the Company as it is under legal terms of the merger, but not the Former Parent Company. Therefore, in the stand-alone financial statements comparative figures are disclosed for the Company. The assets, liabilities, revenue, income and expenses of the Former Parent Company are included in the stand-alone financial statements from the date of the legal merger. The management concluded that this presentation will allow to provide more useful financial information.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

The significant areas of estimation used in the preparation of these financial statements are discussed below.

Fair value of investment properties in consolidated financial statements

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

The fair value of the investment properties of the Group and the Company as at 31 December 2015 was EUR 51,747 thousand and EUR 43,200 thousand, respectively (as at 31 December 2014 – EUR 33,848 thousand and EUR 33,327 thousand, respectively) (described in more details in Note 16).

2 Summary of significant accounting policies (cont'd)

2.25 Significant accounting judgements and estimates (cont'd)

<u>Estimates and assumptions (cont'd)</u>

<u>Fair value of investments into subsidiaries in stand-alone financial statements</u>

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

The fair value of the investments in subsidiaries as at 31 December 2015 was EUR 4,971 thousand (described in more details in Note 5).

<u>The provision for onerous lease</u>

The amount of provision for onerous lease represents the present value of future cash flows related to the lease contract. Future cash flows projections are based on the estimates of future rent income from subleased premises, contractual lease payments and estimates of maintenance and management expenses of leased premises. The estimates are reviewed at the end of each reporting period. When estimating the provision for onerous contract assumption is made that property will be leased out in the future as well, that is beyond the rental periods contracted with current tenants, therefore rent income to estimate provision is much higher than future rentals receivable disclosed in Note 10.

The provision for onerous lease was EUR 347 thousand as at 31 December 2015 (as at 31 December 2014 – EUR 365 thousand, (described in more details in Note 10). Was the future rent income assumed in the estimate to decrease by 10% from management's estimates, the carrying amount of onerous contract provision would be an estimated EUR 16 thousand higher as at 31 December 2015.

3 Financial risk management

3.1. Financial risk factors

The risk management function within the Group is carried out in respect of financial risks, operational risks and legal risks. On an overall Group level strategical risk management is executed by the Board of Directors. Operational risk management is carried out at each entity level by directors. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

The Group's and the Company's principal financial liabilities comprise borrowings, trade and other payables. The main purpose of the borrowings is to raise finance for the Group's and the Company's operations. The Group and the Company have various financial assets such as trade and other receivables, loans granted and cash which arise directly from its operations. The Company and the Group have not used any derivative instruments so far, as management considered that there is no necessity for them.

The main risks arising from the financial instruments are market risk (including currency risk, cash flow and fair value interest rate risk and price risk), liquidity risk and credit risk. The risks are identified and disclosed below.

(all amounts are in EUR thousand unless otherwise stated)

3 Financial risk management (cont'd)

3.1 Financial risk factors (cont'd)

Credit risk

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

At the date of financial statements there are no indications of worsening credit quality of trade and other receivables and loans granted, which are neither past due, nor impaired, due to constant control by the Group of loans and receivable balances. The maximum exposure to credit risk is disclosed in Notes 19 and 20. The maximum exposure to credit risk for loans granted to subsidiaries measured at fair value through profit or loss are their carrying amounts (Note 5). There are no transactions of the Group or the Company that occur outside Lithuania and Latvia.

The Group has an agreement with external entity, which provides property management services to the Group in Lithuania. The rent income and related revenues from the Group's owned properties in Lithuania, except newly acquired investment property located at Gynėjų str. 14 and three tenants in other properties, are collected through this entity, which issues the invoices for rent and related services to tenants at the end of each month. Therefore, the Group has significant concentration of credit risk with respect to this entity. This third party accounts for approximately 50% and 81% of the total Group's trade and other receivables as at 31 December 2015 and 2014, respectively. This third party accounts for approximately 51% and 82% of the total Company's trade and other receivables as at 31 December 2015 and 2014, respectively.

With respect to credit risk arising from cash and cash equivalents and deposits the Group's and the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

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

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

	Group		**Company**	
	2015	**2014**	**2015**	**2014**
Moody's short-term ratings				
Prime-1	130	140	124	93
Prime-2	-	-	-	-
Not Prime	165	218	163	218
Not rated	98	-	-	-
	393	358	287	311

(all amounts are in EUR thousand unless otherwise stated)

3 Financial risk management (cont'd)

3.1 Financial risk factors (cont'd)

Market risk

Cash flow and fair value interest rate risk

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

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

	Increase/decrease in basis points	Group	Company
2015			
EUR	+50 bps	(89)	(74)
EUR	decrease to zero	4	4
2014			
EUR	+50 bps	(76)	(76)
EUR	(10 bps)	15	15

Foreign exchange risk

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

(all amounts are in EUR thousand unless otherwise stated)

3 Financial risk management (cont'd)

3.1 Financial risk factors (cont'd)

Liquidity risk

The Group's and the Company's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet their commitments at a given date in accordance with strategic plans. The liquidity risk of the Group's operation in Lithuania and the Company is controlled on an overall Group level. The liquidity risk of the Group's operation in Latvia is controlled on an entity level. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The liquidity risk management is divided into long-term and short-term risk management.

The aim of the short-term liquidity management is to meet daily needs for funds. Short-term liquidity for the Group and the Company is controlled through monthly monitoring of the liquidity status and needs of funds.

Long-term liquidity risk is managed by analysing the predicted future cash flows taking into account the possible financing sources. Before approving the new investment projects the Group and the Company evaluate the possibilities to attract needed funds.

The Group's liquidity ratio (total current assets including assets held for sale / total current liabilities) as at 31 December 2015 and 2014 was approximately 0.2 and 0.5, respectively. The Company's liquidity ratio as at 31 December 2015 and 2014 was approximately 0.2 and 1.28.

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2015 and 2014 based on contractual undiscounted payments.

	On demand	Less than 3 months	4 to 12 months	2 to 5 years	More than 5 years	Total
Interest bearing borrowings	-	321	1,795	24,830	-	26,946
Trade and other payables	-	5,759	-	-	-	5,759
Provision for onerous contract	-	87	175	89	-	351
Other liabilities	-	286	-	-	-	286
Balance as at 31 December 2015	**-**	**6,543**	**1,970**	**24,919**	**-**	**33,342**
Interest bearing borrowings	-	184	1,244	21,586	-	23,014
Trade and other payables	-	78	-	-	-	78
Provision for onerous contract	-	47	137	187	-	371
Other liabilities	-	71	-	-	-	71
Balance as at 31 December 2014	**-**	**380**	**1,381**	**21,773**	**-**	**23,534**

(all amounts are in EUR thousand unless otherwise stated)

3 Financial risk management (cont'd)

3.1 Financial risk factors (cont'd)

Liquidity risk (cont'd)

The table below summarises the maturity profile of the Company's financial liabilities as at 31 December 2015 and 2014 based on contractual undiscounted payments.

	On demand	Less than 3 months	4 to 12 months	2 to 5 years	More than 5 years	Total
Interest bearing borrowings	-	250	1,582	21,974	-	23,806
Trade and other payables	-	5,758	-	-	-	5,758
Provision for onerous contract	-	87	175	89	-	351
Other liabilities	-	286	-	-	-	286
Balance as at 31 December 2015	**-**	**6,381**	**1,757**	**22,063**	**-**	**30,201**
Interest bearing borrowings	-	184	1,244	21,586	-	23,014
Trade and other payables	-	68	-	-	-	68
Provision for onerous contract	-	47	137	187	-	371
Other liabilities	-	67	-	-	-	67
Balance as at 31 December 2014	**-**	**366**	**1,381**	**21,773**	**-**	**23,520**

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

As at 31 December 2015 the current assets including assets held for sale were lower than current liabilities by EUR 6,724 thousand in the Group and EUR 6,736 thousand in the Company. Management of the Group and the Company forecasted the cash flows of the Group and the Company for 2016 and the forecast indicates that the Group and the Company will have sufficient funds to cover liabilities, which fall due in 2016. In January 2016 the Group and the Company have financed the acquisition of investment property located at Gynėjų str. 14, Vilnius through additional bank borrowing and loan from the related party AB Invalda INVL. The Group and the Company had also prolonged maturity date of borrowing from AB Šiaulių bankas and repayment schedule was changed. In addition, in March 2016 the Group and the Company have completed new shares' issue in the amount of EUR 9,010 thousand. More details about all these events are provided in Note 25. As at 31 December 2015 the Group and the Company had borrowings of EUR 6,862 thousand from related party AB Invalda INVL. Amendments to borrowings agreements signed in 2016 allowed subordinated borrowings to be settled by either offsetting them against amounts due for new subscribed shares or by repaying the debt in cash from new share issue proceeds. The Company has used this right (Note 25).

(all amounts are in EUR thousand unless otherwise stated)

3 Financial risk management (cont'd)

3.2. Capital management

The primary objective of the capital management is to ensure that the Group and the Company maintain a strong credit health and healthy capital ratios in order to support their business and maximise shareholder value. The Company's management supervises the investments so that they are in compliance with requirements applied to the capital, specified in the appropriate legal acts, as well as provide the Group's management with necessary information.

The Group's and the Company's capital comprises share capital, share premium, reserves and retained earnings.

The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions and specific risks of their activity. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Company is obliged to keep its equity ratio at not less than 50 % of its share capital, as imposed by the Law on Companies of Republic of Lithuania. The Company and the Group complied with this requirement as at 31 December 2015 and 2014, except for one dormant subsidiary in 2014 and two dormant subsidiaries in 2015. There are no plans yet to rectify the situation Lithuania. Pursuant to the Latvian Commercial Law the authorised share capital of a private limited liability company must be not less than EUR 2,800. As of 31 December 2015, all Latvian subsidiaries complied with this requirement.

The Company had right to pay dividends only with bank's written consent. In January 2016 the borrowing agreement was changed. Starting from 2016 the Company has the right to pay dividends without bank consent if the ratio of EBITDA (earnings before interest, tax, depreciation and amortization) divided by the sum of debt service costs (interest and principal repayments) and dividends would be higher than 1.1. The Company has also the right to use cash inflows from the new shares' issue to pay dividends for the year of 2015 regardless of the above mentioned ratio. In addition, on 15 January 2016 the Company has approved dividend policy which stipulates the payment of dividends per share of no less than EUR 0.012 each year, if the legal and contractual requirements do not restrict this.

4 Fair value estimation

Assets carried at fair value

The fair value hierarchy has the following levels:
Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table provides the fair value measurement hierarchy of the Group's and the Company's assets measured at fair value in the statement of financial position as at 31 December 2015.

	Level 1	Level 2	Level 3	Total balance
Assets of the Group				
Investment properties (Note 16)	-	3,735	48,012	51,747
Assets of the Company				
Investment properties (Note 16)	-	561	42,639	43,200
Investment into subsidiaries (Note 5)	-	-	4,971	4,971

(all amounts are in EUR thousand unless otherwise stated)

4 Fair value estimation (cont'd)

Assets carried at fair value (cont'd)

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

	Level 1	Level 2	Level 3	Total balance
Assets of the Group				
Investment properties (Note 16)	-	-	33,848	33,848
Assets of the Company				
Investment properties	-	-	33,327	33,327
Subsidiaries (Note 5)	-	-	1	1

There were no transfers of assets between the Level 1 and Level 2 of the fair value hierarchy during 2014 and 2015, but there were transfers between Level 2 and Level 3 in 2014 (Note 16) in the Group.

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

Financial instruments that are not carried at fair value

The Group's and the Company's principal financial instruments that are not carried at fair value in the statement of financial position are cash and cash equivalents, deposits, trade and other receivables, loans granted to parties other than subsidiaries, trade and other payables, non-current and current borrowings, provision for onerous contract.

The carrying amount of the cash and cash equivalents, deposits, trade and other receivables, trade and other payables of the Group and the Company as at 31 December 2015 and 2014 approximated their fair value because they are short-term and the impact of discounting is immaterial.

The fair value of loans granted by the Company and the Group was EUR 1,328 thousand and EUR 4,138 thousand as at 31 December 2014, respectively (their carrying amount – EUR 1,328 thousand and EUR 4,106 thousand respectively). Their fair value is based on cash flows discounted using 4.5 % interest rate as at 31 December 2014. It is Level 3 fair value measurement.

The carrying amount of borrowings of the Group and the Company and provision for onerous contract as at 31 December 2015 and 2014 approximated their fair value. Bank borrowings have floating interest rate and were renegotiated recently, therefore their interest rate represents the current market rate. The interest rates of borrowings from related party are reviewed at the end of each financial year and adjusted in line with market rates changes, therefore it was concluded that their fair value approximates carrying amount.The fair values of non-current borrowings are based on discounted cash flows using a current interest rate. They are classified as level 3 fair values in the fair value hierarchy due to use of unobservable inputs, including own credit risk.

(all amounts are in EUR thousand unless otherwise stated)

5 Investments into subsidiaries and joint venture

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

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

*These subsidiaries are directly owned by the Company.

The Group consisted of the following entities as at 31 December 2014:

Name	Country of incorporation and place of business	Proportion of shares (voting rights) directly/indirectly held by the parent entity (%)	Nature of business
AB INVL Baltic Real Estate (the Former Parent Company, code 30329973)	Lithuania	-	Investor into real estate entities
AB Invaldos Nekilnojamojo Turto Fondas (the current parent company)	Lithuania	100.00	Real estate owner and lessor
UAB Rovelija	Lithuania	100.00	Real estate owner and lessor
UAB Perspektyvi veikla*	Lithuania	100.00	Dormant
UAB Proprietas	Lithuania	100.00	Dormant

*This subsidiary was directly owned by the Company.

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

The Company also owned 100% of the shares of UAB INTF Investicija as at 31 December 2014. In May 2014 the bankruptcy was instituted by the court for this entity and it ceased to be a subsidiary as a result of loss of control and was not consolidated by the Group. Through the appointment of bankruptcy administrator changes to decision-making rights occurred and it meant that the relevant activities were no longer directed through voting rights the Group had, but instead gave bankruptcy administrator the ability to direct the relevant activities. The investment in UAB INTF Investicija was impaired to nil in the financial statements of the Company and not consolidated in the financial statements of the Group as at 31 December 2014.

On 23 April 2015 the Company has signed agreement concerning the sale of 100 percent of the shares of UAB INTF Investicija. The sale of the shares was completed on 19 August 2015. The Company has received EUR 366 thousand for the shares (Note 11). The Company has also a right to receive contingent consideration which is determined as 50 percent of the deferred tax assets value arising from entity's tax losses accumulated until the end of 2014 (up to EUR 158 thousand). The buyer would pay only for actually used tax losses. The Company has not recognised this amount as income, because according to the management the sold entity is not expected to earn taxable profit in the foreseeable future.

(all amounts are in EUR thousand unless otherwise stated)

5 Investments into subsidiaries and joint venture (cont'd)

In 2014 and 2015 the Company had no right to pay dividends without bank's written consent according to borrowings agreements and the shares of the Company were pledged to the banks as collateral for the borrowing (changes in the restrictions are disclosed in Note 25). The subsidiary SIA Dommo Bizness parks has no right to pay dividends without bank's written consent according to borrowings agreements. The bank shall give its consent to pay dividends if subsidiary's ability to repay borrowing is not degraded consequently and the subsidiary performs its obligation under borrowings agreement as at the moment of giving the said consent. The loans granted (including accumulated interest) to SIA Dommo Grupa and SIA Dommo Bizness parks are subordinated to bank borrowing and could be repaid only upon maturity of bank borrowing in 2020.

Fair value of investments into susidiaries

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

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

	2015
Shares	162
Loans granted	4,809
	4,971

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

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

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

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

(all amounts are in EUR thousand unless otherwise stated)

5 Investments into subsidiaries and joint venture (cont'd)

Fair value of investments into subsidiaries (cont'd)

The following table presents the movement in Level 3 instruments for the year ended 31 December 2015 and 2014:

Fair value as at 31 December 2013	**-**
Increase of share capital by conversion of loans granted to subsidiaries, net of impairment of loans granted (Note 19)	6
Impairment of avalaible-for-sale assets (within 'Impairment of assets (reversal of impairment)')	(5)
Fair value as at 31 December 2014	**1**
Impact of merger	4,695
Loans granted during year	3
Gains and losses recognised in profit or loss (within 'Net changes in fair value of investment into subsidiaries designated at fair value through profit or loss')	272
Fair value as at 31 December 2015	**4,971**
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period	272

During the merger investments into subsidiaries together with loans granted to them were transferred to the Company (Note 6). The main part of these investments loans granted to Latvian entities. 50% of these loans were acquired by the Former Parent Company at a price below their estimated fair value which was measured as 50% of fair value of net assets of subsidiaries, over which control was obtain by the Former Parent Company (Note 8). On the acquisition day, the difference amounted to EUR 1,014 thousand. As the fair value was not determined based on observable inputs, this '1 day profit' was not recognised immediately but is deferred and is recognised during the estimated maturity of the loans. During 2015 the Company has recognised EUR 102 thousand of this '1 day profit' within 'Net changes in fair value of investment into subsidiaries designated at fair value through profit or loss' in the statement of comprehensive income. As at 31 December 2015 unrecognised part of '1day profit' is EUR 912 thousand. Therefore, the total fair value of loans granted by the Company was EUR 5,721 thousand as at 31 December 2015 (their carrying amount – EUR 4,809 thousand). It is Level 3 meaurement.

Joint venture

As at 31 December 2014 the Group had an option to acquire 50 % of shares of SIA Dommo Grupa for a nominal amount. In addition, the Group owned 50 % of the rights to cash flows to SIA Dommo Grupa according to loan agreements. As in December 2014 the bankruptcy proceedings of SIA Dommo Grupa were completed, the option represents substantive potential voting rights providing the Group joint control over the entity. Therefore, Latvian Dommo Group was a joint venture as at 31 December 2014. The fair value of investment into joint venture was nil as at 31 December 2014. In 2015 the Group took control over SIA Dommo Grupa and its subsidiaries (described more details in Note 8).

(all amounts are in EUR thousand unless otherwise stated)

6 Merger of the Former Parent Company and the Company

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

The Group

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

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

The Company

The table below presents the impact of merger to the assets, liabilities and equity of the Company (Note 2.25):

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

Investments into subsidiaries - shares	180
Investments into subsidiaries - Loans granted	4,515
Trade and other receivables	1
Cash and cash equivalents	70
Total assets	***4,766***
Trade payables	(6)
Income tax payable	(16)
Other liabilities	(1)
Total liabilities	***(23)***
Total net assets recognised	**4,743**
Borrowing from the Company to the Former Parent Company derecognised (Note 24)	*(1,508)*
Effect of the merger to the equity	**3,235**
Additional share capital issued	2,902
Difference recognised in retained earnings	333

(all amounts are in EUR thousand unless otherwise stated)

7 Spin-off

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

The Company

The spin-off had an impact on the Former Parent Company as it was formed during the spin-off. These stand-alone financial statements reflected continuity of the Company, not the Former Parent Company, therofore, the spin-off had no impact on these stand-alone financial statements.

The Group

To account for the reorganisation, the group applied predecessor values method (Note 2.5). No assets or liabilities were restated to their fair values. Instead, the Group incorporated predecessor carrying values.

Transferred net assets as at 29 April 2014 to the Group were as follows:

Intangible assets	160
Property, plant and equipment	8
Investment properties	33,806
Operating lease pre-payments	825
Loans granted	4,117
Prepayments and deferred charges	46
Trade and other receivables	358
Cash and cash equivalents	158
Total assets	**39,478**
Share capital	2,040
Share premium	2,966
Reserves	6,883
Retained earnings	2,170
Total equity (net assets)	*14,059*
Deferred income tax liability	3,500
Borrowings	20,926
Trade payables	67
Provisions	364
Advances received	43
Other liabilities	519
Total liabilities	*25,419*
Total equity and liabilities	**39,478**

8 Acquisition of Latvian entities

The Group

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

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

As a part of the business combination, the Group derecognised its receivables from Dommo Grupa and its subsidiary, in the amount of EUR 4,158 thousand. The fair value of the receivables at the date of transaction was determined to be EUR 4,073 thousand; thus the Group recognised a loss from settlement of previously existing relationship in the amount of EUR 85 thousand (Note 11).

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

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

	Fair values
Investment properties	8,027
Property, plant and equipment	2
Trade and other receivables	2
Other current assets	1
Cash and cash equivalents	232
Total assets	**8,264**
Current liabilities excluding the Group's loans to Latvian entities	(118)
Total liabilities	**(118)**
Total identifiable net assets	**8,146**
Cash paid	(3,059)
Fair value of previously granted loans – settlement of pre-existing relationship	(4,073)
Total purchase consideration	**(7,132)**
Gain on a bargain purchase (Note 11)	**1,014**

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

The valuation of investment properties is described in Note 16.

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

(all amounts are in EUR thousand unless otherwise stated)

8 Acquisition of Latvian entities (cont'd)

The Company

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

9 Segment information

Management of the Company has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The Board of Directors analyses performance of the Group on property-by-property basis of owned premises, while leased premises are reported on a combined basis. Performance is evaluated based on triple net profit. Triple net profit is calculated by deducting from revenue premises rent costs (excluding provision for onerous contract), utilities expenses, repair and maintenance expenses, property management and brokerage costs, taxes on property and insurance costs. Segment assets and liabilities are not reported to the Board of Directors. Management of the Company has determined following reportable segments:

- Owned property in Lithuania. All owned premises are located in Vilnius, Lithuania. These are office buildings with some warehouse premises. Most of them have further development opportunities.
- Leasehold property. They are located in Vilnius and Kaunas, Lithuania. These are office buildings and warehouses.
- Owned property in Latvia. Revenue is earned from warehouse located in Riga, Latvia. The segment was acquired in 2015.

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

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

(all amounts are in EUR thousand unless otherwise stated)

9 Segment information (cont'd)

The following table presents performance of reportable segments of the Group for the year ended 31 December 2014:

	Owned premises in Lithuania	Leasehold property	Owned premises in Latvia	Total
Year ended 31 December 2014				
Revenue	**2,284**	**1,228**	**-**	**3,512**
Expenses				
Premises rent costs	(13)	(1,177)	-	(1,190)
Utilities	(494)	(109)	-	(603)
Repair and maintenance of premises	(426)	(49)	-	(475)
Property management and brokerage costs	(103)	(91)	-	(194)
Taxes on property	(180)	-	-	(180)
Insurance costs	(5)	-	-	(5)
Triple net profit for the year	**1,063**	**(198)**	**-**	**865**

The following table presents reconciliation of the Group's operating profits from triple net profit, rent costs and revenue.

	01.01.2015 - 31.12.2015			04.29.2014 - 31.12.2014		
	Triple net to operating profit	Premises rent costs	Revenue	Triple net to operating profit	Premises rent costs	Revenue
From reportable segment	**1,750**	**(1,720)**	**5,667**	**865**	**(1,190)**	**3,512**
Provision for onerous contracts	23	23	-	7	7	-
Other revenue not included in reportable segments	27	-	27	-	-	-
Add back insurance costs (included within 'other expenses')	9	-	-	5	-	-
Impairment of assets (reversal of impairment)	116	-	-	-	-	-
Employee benefits expenses	(40)	-	-	(10)	-	-
Depreciation and amortisation	(4)	-	-	(7)	-	-
Other expenses	(203)	-	-	(156)	-	-
Interest income	101	-	-	135	-	-
Other income	1,312	-	-	4	-	-
Net gains from fair value adjustments on investment property	2,168	-	-	39	-	-
Total	**5,259**	**(1,697)**	**5,694**	**882**	**(1,183)**	**3,512**

The table below presents distribution of the Group non-current assets (other than financial instruments and deferred tax assets) by geographical area as at 31 December 2015 and 2014:

	Lithuania	Latvia	Total
As at 31 December 2015	44,568	8,032	52,600
As at 31 December 2014	34,846	-	34,846

(all amounts are in EUR thousand unless otherwise stated)

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

Revenue

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

Analysis of revenue by category:

	Group		Company	
	01.01.2015-31.12.2015	**29.04.2014-31.12.2014**	**01.01.2015-31.12.2015**	**01.01.2014-31.12.2014**
Rent income	4,616	2,842	4,325	4,229
Utilities revenue	1,026	655	1,025	1,097
Other services revenue	52	15	52	26
Total revenue	**5,694**	**3,512**	**5,402**	**5,352**

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

	Group		Company	
	01.01.2015-31.12.2015	**29.04.2014-31.12.2014**	**01.01.2015-31.12.2015**	**01.01.2014-31.12.2014**
Rent income from owned premises	2,960	1,737	2,669	2,570
Other revenue from owned premises	893	547	892	911
Total revenue from owned premises	*3,853*	*2,284*	*3,561*	*3,481*
Rent income from subleased premises	1,656	1,105	1,656	1,659
Other revenue from subleased premises	185	123	185	212
Total revenue from subleased premises	*1,841*	*1,228*	*1,841*	*1,871*
Total revenue	**5,694**	**3,512**	**5,402**	**5,352**

Analysis of revenue of the Group by geographical areas:

	Group	
	01.01.2015 - 31.12.2015	**29.04.2014 - 31.12.2014**
Lithuania	5,406	3,512
Latvia	288	-
Total	**5,694**	**3,512**

Revenues of EUR 3,454 thousand in the Group are derived from a single external customer in Lithuania for the year ended 31 December 2015 (29.04.2014 – 31.12.2014: EUR 2,328 thousand).

(all amounts are in EUR thousand unless otherwise stated)

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

Revenue (cont'd)

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

		Group		Company	
		2015	2014	2015	2014
Within one year					
	- non-cancellable	1,775	1,435	1,772	1,435
	- cancellable	1,547	1,061	1,223	1,061
		3,322	2,496	2,995	2,496
From one to five years					
	- non-cancellable	3,359	2,197	3,359	2,197
	- cancellable	2,247	2,105	1,591	2,105
		5,606	4,302	4,950	4,302
After five years					
	- non-cancellable	1,481	149	1,481	149
	- cancellable	367	511	367	511
		1,848	660	1,848	660
Total		**10,776**	**7,458**	**9,793**	**7,458**
	- non-cancellable	6,615	3,781	6,612	3,781
	- cancellable	4,161	3,677	3,181	3,677

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

		2015	2014
Within one year			
	- non-cancellable	544	275
	- cancellable	984	1,169
		1,528	1,444
From one to five years			
	- non-cancellable	363	166
	- cancellable	657	1,344
		1,020	1,510
After five years			
	- non-cancellable	-	-
	- cancellable	-	-
		-	-
Total		**2,548**	**2,954**
	- non-cancellable	907	441
	- cancellable	1,641	2,513

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

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

(all amounts are in EUR thousand unless otherwise stated)

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

Expenses and provisions

The Company is leasing premises from external party until August 2017 under the lease agreement of 10 August 2007. The Company had paid a one off deposit in the amount of EUR 825 thousand corresponding to the 6 months rental fee amount which will be set-off against the last part of lease payment at the termination of the lease. The rent payments are subject to an indexation at the end of August each year on the basis of harmonised consumer price index, if the latter is more than 1%, but there is a cap for annual indexation of 3.8%.

During the year ended 31 December 2015 and 2014 the Group has incurred EUR 1,676 thousand and EUR 1,169 thousand lease expenses under this agreement, respectively. Contingent rent constitutes EUR 268 thousand and EUR 178 thousand within this amount during the year ended 31 December 2015 and 2014, respectively in the Group.

During the year ended 31 December 2015 and 2014 the Company has incurred EUR 1,676 thousand and EUR 1,725 thousand lease expenses under this agreement, respectively. Contingent rent constitutes EUR 268 thousand and EUR 268 thousand within this amount during the year ended 31 December 2015 and 2014, respectively in the Company.

The lease expenses of the Group from other agreements amounted to EUR 23 thousand and EUR 15 thousand during the year ended 31 December 2015 and 2014, respectively. The lease expenses of the Company from other agreements amounted to EUR 23 thousand and EUR 22 thousand during the year ended 31 December 2015 and 2014, respectively.

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

		Group		Company	
		2015	**2014**	**2015**	**2014**
Within one year					
	- lease of premises from agreement of 10 August 2007	1,820	1,820	1,820	1,820
	- other lease	19	20	19	20
		1,839	1,840	1,839	1,840
From one to five years					
	- lease of premises from agreement of 10 August 2007*	477	2,297	477	2,297
	- other lease	-	-	-	-
		477	2,297	477	2,297
After five years					
	- lease of premises from agreement of 10 August 2007	-	-	-	-
	- other lease	-	-	-	-
		-	-	-	-
		2,316	**4,137**	**2,316**	**4,137**

*The prepayment of EUR 825 thousand is deducted from the future lease payments disclosed above.

(all amounts are in EUR thousand unless otherwise stated)

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

Expenses and provisions (cont'd)

The lease agreement of 10 August 2007 is an onerous contract, therefore there is a provision of EUR 347 thousand and EUR 365 thousand to cover the loss anticipated in connection with this contract recognised in the statement of financial position as at 31 December 2015 and 2014, respectively. This amount represents the present value of future cash flows related to the lease contract. Future cash flows projections are based on the estimates of future rent income from subleased premises, contractual lease payments and estimates of maintenance and management expenses of leased premises.

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

	Group	Company
As of 31 December 2013		**405**
Provision received during spin-off on 29 April 2014	364	-
Re-estimation of provision at the end of the year	77	77
Amount used (recognised as a reduction of 'Premises rent costs')	(88)	(133)
Unwinding of the discount and changes in the discount rate	12	16
As of 31 December 2014	**365**	**365**
Non-current	182	182
Current	183	183
Re-estimation of provision at the end of the year	161	161
Amount used (recognised as a reduction of 'Premises rent costs')	(185)	(185)
Unwinding of the discount and changes in the discount rate	6	6
As of 31 December 2015	**347**	**347**
Non-current	88	88
Current	259	259

In addition to the above, a deferred liability of EUR 290 thousand and EUR 411 thousand arising from expense recognition on a straight-line basis is recognised in the statement of financial position of the Group and the Company within "Other non-current liabilities" as at 31 December 2015 and 2014, respectively.

(all amounts are in EUR thousand unless otherwise stated)

11 Other income

	Group		Company	
	01.01.2015-31.12.2015	**29.04.2014-31.12.2014**	**01.01.2015-31.12.2015**	**01.01.2014-31.12.2014**
Loss on settlement of pre-existing relationships (Note 8)	(85)	-	-	-
Gain from sale of shares of UAB INTF Investicija (Note 5)	366	-	366	-
Gain from bargain purchases (Note 8)	1,014	-	-	-
Other income	17	4	17	4
	1,312	4	383	4

12 Impairment of assets (reversal of impairment)

	Group		Company	
	01.01.2015-31.12.2015	**29.04.2014-31.12.2014**	**01.01.2015-31.12.2015**	**01.01.2014-31.12.2014**
Impairment of available-for-sale assets	-	-	-	(5)
The reversal of impairment of loans granted (Note 21)	176	-	176	-
Total impairment of financial assets	*176*	-	*176*	*(5)*
Impairment of other assets	(1)	-	-	-
Impairment of intangible assets (Note 21)	(59)	-	(59)	(74)
Total impairment of non-financial assets	*(60)*	-	*(59)*	*(74)*
	116	-	117	(79)

13 Finance costs

	Group		Company	
	01.01.2015-31.12.2015	**29.04.2014-31.12.2014**	**01.01.2015-31.12.2015**	**01.01.2014-31.12.2014**
Interest expenses of bank borrowings	(388)	(201)	(350)	(296)
Interest expenses of borrowings from related parties	(248)	(174)	(239)	(248)
Interest expenses from third parties	(38)	-	-	-
Unwinding of the discount of provision for onerous contract	(5)	(8)	(5)	(10)
	(679)	(383)	(594)	(554)

(all amounts are in EUR thousand unless otherwise stated)

14 Income tax

	Group		Company	
	01.01.2015-31.12.2015	29.04.2014-31.12.2014	01.01.2015-31.12.2015	01.01.2014-31.12.2014
Components of the income tax expenses				
Current income tax expense	(16)	-	-	-
Discount on tax losses transferred within the Group	-	-	-	(2)
Deferred income tax expense	(468)	(67)	(470)	(95)
Income tax expense charged to profit or loss – total	(484)	(67)	(470)	(97)

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

Deferred income tax asset and liability were estimated at 15% rates as at 31 December 2015 and 2014.

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

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

(all amounts are in EUR thousand unless otherwise stated)

14 Income tax (cont'd)

The movement in deferred income tax assets and liabilities of the Group during 2014 is as follows:

	Assets (liabilities) recognised on Spin-off (Note 7)	Recognised in profit or loss during the year	Balance as at 31 December 2014
Deferred tax asset			
Tax loss carry forward for indefinite period of time	73	60	133
Intangible assets	11	-	11
Accruals and provisions	127	(4)	123
Deferred tax asset available for recognition	211	56	267
Less: unrecognised deferred tax asset from tax losses carried forward for indefinite period of time	(17)	(11)	(28)
Recognised deferred income tax asset	194	45	239
Asset netted with liability of the same legal entities	(194)	(45)	(239)
Deferred income tax asset, net	**-**	**-**	**-**
Deferred tax liability			
Investment properties	(3,694)	(112)	(3,806)
Deferred income tax liability	(3,694)	(112)	(3,806)
Liability netted with asset of the same legal entities	194	45	239
Deferred income tax liability, net	**(3,500)**	**(67)**	**(3,567)**
Deferred income tax, net	**(3,500)**	**(67)**	**(3,567)**

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

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

(all amounts are in EUR thousand unless otherwise stated)

14 Income tax (cont'd)

The movement in deferred income tax assets and liabilities of the Company during 2014 is as follows:

	Balance as at 31 December 2013	Recognised in profit or loss during the year	Carry-forward of tax losses	Balance as at 31 December 2014
Deferred tax asset				
Tax loss carry forward for indefinite period of time	133	78	(111)	100
Intangible assets	-	11	-	11
Accruals and provisions	134	(11)	-	123
Deferred tax asset available for recognition	267	78	(111)	234
Less: unrecognised deferred tax asset from tax losses carried forward for indefinite period of time	-	-	-	-
Recognised deferred income tax asset	267	78	(111)	234
Asset netted with liability of the same legal entities	(267)	(78)	111	(234)
Deferred income tax asset, net	-	-	-	-
Deferred tax liability				
Investment properties	(3,628)	(173)	-	(3,801)
Deferred income tax liability	(3,628)	(173)	-	(3,801)
Liability netted with asset of the same legal entities	267	78	-	234
Deferred income tax liability, net	**(3,361)**	**(95)**	**-**	**(3,567)**
Deferred income tax, net	**(3,361)**	**(95)**	**-**	**(3,567)**

The Group's and the Company's deferred tax assets and deferred tax liabilities would be recovered after more than 12 months as of 31 December 2015 and 2014.

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

	Group		**Company**	
	01.01.2015-31.12.2015	**29.04.2014-31.12.2014**	**01.01.2015-31.12.2015**	**01.01.2014-31.12.2014**
Profit before income tax	**4,580**	**499**	**3,752**	**597**
Tax calculated at the tax rate of 15 %	(687)	(75)	(563)	(89)
Tax effect of non-deductible expenses and non-taxable income	173	18	100	(6)
Deferred tax expenses arising from write-down of deferred tax asset due to changes in probability to utilise it	(7)	(10)	(7)	-
The amount of the benefit arising from previously unrecognised tax loss or temporary difference of a prior period that is used to reduce current tax expense	37	-	-	-
Income tax expense recorded in the statement of comprehensive income	(484)	(67)	(470)	(95)

In 2015 non-taxable income of the Group was gain from sale of shares and from bargain purchase (Note 11).

15 Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Weighted average number of ordinary shares was 43,226 thousand. There were new shares issued of the Company after merger (Note 6). Before the merger the Former Parent Company had 7,044 thousand of shares in issue. The issue of the shares during the merger process is considered as shares' split, therefore for basic earnings per share calculation closing shares' quantities are used for 2014 and 2015. There were no other share movements in the Group.

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

	Group	
	2015	**2014**
Net profit (loss), attributable to the equity holders of the parent	4,096	432
Weighted average number of ordinary shares (thousand)	43,226	43,226
Basic earnings (deficit) per share (EUR)	0.09	0.01

For 2014 and 2015 diluted earnings per share of the Group are the same as basic earnings per share.

16 Investment properties

The movements of investment properties of the Group were:

Group	**Other investment properties valued using sales comparison method**	**Properties leased out by the entity**	**Investment properties held for future redevelopment**	**Total**
Fair value hierarchy	**Level 2**	**Level 3**	**Level 3**	
Received during spin-off on 29 April 2014	**572**	**31,328**	**1,906**	**33,806**
Additions	-	-	-	-
Subsequent expenditure	-	3	-	3
Transfers between categories	(572)	-	572	-
Gain from fair value adjustment	-	44	46	90
Loss from fair value adjustment	-	-	(51)	(51)
Balance as at 31 December 2014	**-**	**31,375**	**2,473**	**33,848**
Additions	527	7,008	-	7,535
Acquired through business combination (Note 8)	3,174	4,853	-	8,027
Subsequent expenditure	-	669	205	874
Reclassified to assets held-for-sale	-	-	(705)	(705)
Gain from fair value adjustment	34	2,403	-	2,437
Loss from fair value adjustment	-	(16)	(253)	(269)
Balance as at 31 December 2015	**3,735**	**46,292**	**1,720**	**51,747**

(all amounts are in EUR thousand unless otherwise stated)

16 Investment properties (cont'd)

The movements of investment properties of the Company were:

Company	Other investment properties valued using sales comparison method	Properties leased out by the entity	Investment properties held for future redevelopment	Total
Fair value hierarchy	**Level 2**	**Level 3**	**Level 3**	
Balance as at 31 December 2013	**-**	**31,328**	**1,906**	**33,234**
Additions	-	-	-	-
Subsequent expenditure	-	3	-	3
Gain from fair value adjustment	-	44	46	90
Loss from fair value adjustment	-	-	-	-
Balance as at 31 December 2014	**-**	**31,375**	**1,952**	**33,327**
Additions	527	7,008	-	7,535
Subsequent expenditure	-	669	205	874
Reclassified to held-for-sale assets	-	-	(705)	(705)
Gain from fair value adjustment	34	2,403	-	2,437
Loss from fair value adjustment	-	(16)	(252)	(268)
Balance as at 31 December 2015	**561**	**41,439**	**1,200**	**43,200**

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

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

	Group		**Company**	
	01.01.2015-31.12.2015	**29.04.2014-31.12.2014**	**01.01.2015-31.12.2015**	**01.01.2014-31.12.2014**
To properties that generated rental income	1,028	725	1,011	1,143
To properties that did not generate rental income	17	2	12	-
	1,045	**727**	**1,023**	**1,143**

During 2015 the Group has acquired investment properties during business combination in Latvia (EUR 8,027 thousand, note 8).

On 1 October 2015 the Company acquired 6,400 square metres of commercial premises including 0.26 hectare of land and 1,683 square metres of parking area in Vilnius Gynėjų str. 14. The ownership was transferred on 1 October 2015. In 4th Quarter of 2015 the Company received permission to install windows in a part of the premises and approximately additional 300 square meters of common space was assigned to the premises acquired. According to the agreements the Company has to pay for all these premises EUR 7,523 thousand excluding VAT (VAT payable was EUR 1,528 thousand). Until 31 December 2015 the Company has paid EUR 2,032 thousand including VAT (EUR 1,905 thousand without VAT). The debt assignment agreement in the amount of EUR 1,398 thousand was signed, whereby the seller's debt to the State Tax Inspectorate of Lithuania was assigned to the Company. The State Tax Inspectorate of Lithuania has provided its consent for the conclusion of the above transaction. The Company has offset the amount of EUR 1,398 thousand payable for premises with its VAT receivable. As at 31 December 2015 the remaining amount payable based on these agreements was EUR 5,621 thousand. The settlement of the liability occurred in 2016 (Note 25). There was also a possibility foreseen in the agreement to obtain ownership of additional 11 parking spaces, paying for them EUR 275 thousand. This is not executed yet and the amount will be payable after fulfilment thereof.

Moreover, before the purchase of these premises the Group had signed a rental agreement for part of the premises in June 2015. The space had to be reconstructed in order to adapt it to the needs of the Group. Reconstruction expenses of EUR 669 thousand incurred before the acquisition of premises were added to the acquisition cost of the premises. The acquisition cost also included EUR 12 thousand of notary fees.

16 Investment properties (cont'd)

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

During 2015 and 2014 the Group and the Company have not sold any investment property.

Investment properties are measured at fair value. Properties leased out by the entity and investment properties held for future redevelopment in Lithuania were valued using income approach by accredited valuer UAB OBER-HAUS Nekilnojamasis Turtas as at 31 December 2014 on 21 November, 8 December and 31 December 2014 and as at 31 December 2015 on 23 October – 4 November 2015. Investment properties located in Latvia were valued using market approach for land and using income approach for warehouse by accredited valuer SIA OBER-HAUS Vertešanas serviss in October 2015 as of the date of business combination. There were no significant changes in the market during second half year of 2015 that could have an effect on the value of those investment properties, therefore the updated valuation was not performed as at 31 December 2015.

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

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. The Group owned old flats building and had an intention to redevelop in future. Therefore, the Group's management after consultation with accredited valuer has decided that this investment property has to be valued using income approach, which reflects future redevelopment, rather than sales comparison method based on old flats market sales prices.

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

Income approach is based on the assumption that defined correlation between net activity future income and fair value of the objects exists. For properties leased out by the entity main inputs include:
- Future rental cash inflows based on the actual location, type and quality of the properties and supported by the terms of any - existing lease, other contracts or external evidence such as current market rents for similar properties;
- Discount rates reflecting current market assessments of the uncertainty in the amount and timing of cash flows;
- Estimated vacancy rates based on current and expected future market conditions after expiry of any current lease;
- Maintenance costs including necessary investments to maintain functionality of the property for its expected useful life;
- Capitalisation rates based on actual location, size and quality of the properties and taking into account market data at the valuation date;
- Terminal value taking into account assumptions regarding maintenance costs, vacancy rates and market rents.

Investment properties held for future redevelopment were estimated taking into account the following estimates (in addition to the inputs noted above):
- Sales prices based on the valuers' experience and knowledge of market conditions of residential and commercial properties;
- Costs to complete that are based on the valuers' experience and knowledge of market conditions and term sheets outlined in approved detailed plans. Costs to complete also include a reasonable profit margin;
- Completion dates, as properties under construction require approval or permits from oversight bodies at various points in the development process, including approval or permits in respect of initial design, zoning, commissioning, and compliance with environmental regulations. Based on management's experience with similar developments, all relevant permits and approvals are expected to be obtained. However, the completion date of the development may vary depending on, among other factors, the
were no changes to the valuation techniques during the period;
- Profit on cost ratio reflecting current market assessment of profitability margin of developments projects. It is based on the internal rate of returns for similar projects.

(all amounts are in EUR thousand unless otherwise stated)

16 Investment properties (cont'd)

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
Offices premises in city centre – Lithuania	40,659	30,610	40,659	30,610
Warehouse and office premises in industrial area - Lithuania	780	765	780	765
Warehouse – Latvia	4,853	-	-	-
	46,292	**31,375**	**41,439**	**31,375**

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

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

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

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

	Valuation technique	**Significant unobservable inputs**	**Range (weighted average)**
Properties leased out by the entity	Discounted cash flows	Discount rate (%)	9 – 11 (9.1)
		Capitalisation rate for terminal value (%)	7.0 – 10 (7.4)
		Vacancy rate (%)	5 – 15
		Office premises in city centre - Rent price EUR per sq. m. (without VAT)	7.2 – 11.6 (8.7)
		Warehouse premises, office premises in industrial area - Rent price EUR per sq. m. (without VAT)	1.7 – 5.8 (3.1)
Investment properties held for future redevelopment	Discounted cash flows with estimated costs to complete	Discount rate (%)	15
		Profit on cost ratio of the entire project (%)	15 – 18 (16.5)
		Cost to completion EUR per sq. m (without VAT)*	727 – 1,050 (897)
		Sales price EUR per sq. m. (with VAT)*	1,477 – 2,317 (1,845)
		Completion date, years	2-3

*In the Company the following inputs vary from those of the Group: cost to complete is 765 – 1,050 (942) EUR per sq. m, sales price is 1,477 – 2,317 (1,920) EUR per sq. m. and profit cost ratio of the entire project is 18%. All other inputs in the Company are the same as in the Group.

(all amounts are in EUR thousand unless otherwise stated)

16 Investment properties (cont'd)

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

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

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

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

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

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

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

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

(all amounts are in EUR thousand unless otherwise stated)

16 Investment properties (cont'd)

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

Group **Reasonable possible shift +/- (%)**	**Increase of estimates**		**Decrease of estimates**	
	Properties leased out by the entity	**Investment properties held for future redevelopment**	**Properties leased out by the entity**	**Investment properties held for future redevelopment**
Change in future rental rates by 10 %	3,713	-	(3,423)	-
Change in future sale prices of developed properties by 10%	-	701	-	(669)
Change in construction costs by 10%	-	(553)	-	582
Change in expected vacancy rates by 20%	(330)	-	617	-
Change in discount and capitalization rate by 50 bps	(1,891)	-	2,482	58
Change in profit on cost ratio of the entire project by 200 bps	-	(84)	-	55

Company **Reasonable possible shift +/- (%)**	**Increase of estimates**		**Decrease of estimates**	
	Properties leased out by the entity	**Investment properties held for future redevelopment**	**Properties leased out by the entity**	**Investment properties held for future redevelopment**
Change in future rental rates by 10 %	3,713	-	(3,423)	-
Change in future sale prices of developed properties by 10%	-	527	-	(524)
Change in construction costs by 10%	-	(466)	-	466
Change in expected vacancy rates by 20%	(330)	-	617	-
Change in discount and capitalization rate by 50 bps	(1,891)	-	2,482	58
Change in profit on cost ratio of the entire project by 200 bps	-	(41)	-	41

As at 31 December 2015 the Group's investment properties (including reclassified to assets held-for-sale) with carrying amount of EUR 41,622 thousand (EUR 33,297 thousand as at 31 December 2014) were pledged to the banks as collateral for the loans (Note 23).

As at 31 December 2015 the Company's investment properties (including reclassified to assets held-for-sale) with carrying amount of EUR 33,595 thousand (EUR 33,297 thousand as at 31 December 2014) were pledged to the banks as collateral for the loans (Note 23).

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

There were no restrictions on the realisation of investment properties or the remittance of income and proceeds of disposals during the year ended 31 December 2015 and 2014. No material contractual obligations to purchase, construct, repair or enhance investment properties existed at the end of the period.

(all amounts are in EUR thousand unless otherwise stated)

17 Property, plant and equipment and intangible assets

Group	Intangible assets	Property, plant and equipment	Total
Cost:			
Received during spin-off on 29 April 2014	234	31	265
Additions	-	12	12
Balance as at 31 December 2014	234	43	277
Additions	-	16	16
Acquisition of subsidiaries	-	2	2
Reclassified to assets held-for-sale	(233)	-	(233)
Balance as at 31 December 2015	1	61	62
Accumulated depreciation:			
Received during spin-off on 29 April 2014	-	23	23
Charge for the year	-	7	7
Balance as at 31 December 2014	-	30	30
Charge for the year	-	4	4
Balance as at 31 December 2015	-	34	34
Impairment:			
Received during spin-off on 29 April 2014	74	-	74
Charge for the year	-	-	-
Balance as at 31 December 2014	74	-	74
Charge for the year	59	-	59
Reclassified to assets held-for-sale	(133)	-	(133)
Balance as at 31 December 2015	-	-	-
Net book value as at 31 December 2014	**160**	**13**	**173**
Net book value as at 31 December 2015	**1**	**27**	**28**

There is a technical development project where the related property is not yet built included within intangible assets. As it is not yet available for use, no amortisation was recognised during the period. The project was reclassified to disposal group held for sale and additional impairment was recognised to match the sales price (Note 21).

Property, plant and equipment of the Group with a net book value of EUR 4 thousand as at 31 December 2015 (nil as at 31 December 2014) was pledged to the banks as a collateral for the loans (Note 23).

(all amounts are in EUR thousand unless otherwise stated)

17 Property, plant and equipment and intangible assets (cont'd)

Company	**Intangible assets**	**Property, plant and equipment**	**Total**
Cost:			
Balance as at 31 December 2013	234	31	265
Additions	-	12	12
Balance as at 31 December 2014	234	43	277
Additions		13	13
Reclassified to assets held-for-sale	(233)	-	(233)
Balance as at 31 December 2015	1	56	57
Accumulated depreciation:			
Balance as at 31 December 2013	-	19	19
Charge for the year	-	11	11
Balance as at 31 December 2014	-	30	30
Charge for the year	-	4	4
Balance as at 31 December 2015	-	34	34
Impairment:			
Balance as at 31 December 2013	-	-	-
Charge for the year	74	-	74
Balance as at 31 December 2014	74	-	74
Charge for the year	59	-	59
Reclassified to assets held-for-sale	(133)	-	(133)
Balance as at 31 December 2015	-	-	-
Net book value as at 31 December 2014	**160**	**13**	**173**
Net book value as at 31 December 2015	**1**	**22**	**23**

The depreciation charge of the Company's property, plant and equipment for the year 2014 amounts to EUR 11 thousand and for the year 2015 amounts to EUR 4 thousand.

(all amounts are in EUR thousand unless otherwise stated)

18 Financial instruments by category

Group	Loans and receivables	
	2015	**2014**
Assets as per statement of financial position		
Loans granted	-	3,981
Current loans granted	-	125
Loans granted as part of disposal group	176	-
Trade and other receivables excluding tax prepayments	316	290
Deposits	150	-
Cash and cash equivalents	393	358
Total	**1,035**	**4,754**

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

Company	Loans and receivables	Assets at fair value through the profit and loss	Total
31 December 2014			
Assets as per statement of financial position			
Investments into subsidiaries at fair value through profit or loss	-	1	1
Current loans granted	1,328	-	1,328
Trade and other receivables excluding tax prepayments	290	-	290
Cash and cash equivalents	311	-	311
Total	**1,929**	**1**	**1,930**

	Financial liabilities at amortised cost	
	Group	**Company**
31 December 2015		
Liabilities as per statement of financial position		
Borrowings	24,616	21,701
Provisions	347	347
Trade payables	5,759	5,758
Other current liabilities excluding taxes and employee benefits	286	286
Total	**31,008**	**28,092**

	Financial liabilities at amortised cost	
	Group	**Company**
31 December 2014		
Liabilities as per statement of financial position		
Borrowings	20,500	20,500
Provisions	365	365
Trade payables	78	68
Other current liabilities excluding taxes and employee benefits	71	67
Total	**21,014**	**21,000**

(all amounts are in EUR thousand unless otherwise stated)

19 Loans granted

The Company and the Group have no loans granted measured at amortised cost as at 31 December 2015. As at 31 December 2014 the Company's and the Group's loans granted are described below:

	Group	Company
Loans granted to Latvian entities (subsidiaries from 1 July 2015)	6,262	-
Loans granted to other subsidiaries	-	-
Loans granted to the Former Parent Company	-	1,328
Loans granted to entity in bankruptcy	1,160	1,115
Loans granted to other third parties	4	-
	7,426	2,443
Less: short-term loans	(125)	(1,328)
Less: allowance for impairment to entity in bankruptcy	(1,160)	(1,115)
Less: allowance for impairment to Latvian entities	(2,160)	-
Total allowance for impairment	*(3,320)*	*(1,115)*
Total long-term loans granted	**3,981**	**-**

Loans to Latvian entities

As at 31 December 2014 the Group owned 50 % of all the claims of creditors towards the Latvian entities SIA Dommo Grupa and SIA Dommo Biznesa Parks according to loans agreements. Due to economic crisis in 2008 these entities were in the process of bankruptcy. At the end of 2014 and in the beginning of 2015 bankruptcy processes were terminated. The loan granted to SIA Dommo Biznesa Parks was acquired in 2013 by AB Invalda INVL from the bank at a significant discount and was secured by the pledge of investment property owned by the debtor. The loans granted to SIA Dommo Grupa were granted by AB Invalda INVL in 2007 – 2008. Both loans, with the total gross carrying amount of EUR 6,262 thousand, were considered impaired as of 31 December 2014 due to significant delay in payments compared to the contractual payment schedule.

In 2015 the Group acquired remaining 50% of all the claims to Dommo Group and acquired 100% of its shares. Therefore, the entities became subsidiaries and the loans granted were derecognised in the consolidated financial statements (described more details in Note 8).

After the acquisition of remaining loans granted to Latvian entities, in July 2015 Dommo Group received a new bank borrowing with maturity of 5 years and the loans granted and acquired by the Group were subordinated to the bank borrowing. As a result, the estimated future cash flows of the previously existing loans had changed significantly. Therefore, these previously existing loans were derecognised and new loans granted were recognised at fair value in the financial statements of the Former Parent Company. As a consequence the loss of EUR 85 thousand was recognised in profit or loss of the Former Parent Company and subsequently impacted the amount recognised by the Company in its equity as a result of the merger. In the Company's financial statements the loans granted to Latvian entities are measured at fair value as part of investment into subsidiaries designated at fair value through profit or loss (Note 5).

The Group recognised EUR 101 thousand and EUR 135 thousand interest income on impaired loans for the year ended 31 December 2015 and 2014, respectively.

Loans to entity in bankruptcy

The Group has received during spin-off the loan granted to previous subsidiary of AB Invalda INVL (the loan was granted by the Company in 2009-2012), for which bankruptcy was initiated by the court in May 2014. The loan was impaired and fully provided for by AB Invalda INVL before the spin-off. In December 2015 agreement regarding sale of this impaired loan was signed (described more details in Note 21).

(all amounts are in EUR thousand unless otherwise stated)

19 Loans granted (cont'd)

As at 31 December 2014 impairment loss was recognised for the Group's and the Company's loans granted with gross carrying amount of EUR 5,097 thousand and EUR 1,115 thousand, respectively. The net amounts of these loans of EUR 1,777 thousand and nil are recognised in the statement of financial position of the Group and the Company, respectively.

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

	Individually impaired	
	Group	**Company**
Balance as at 31 December 2013	**-**	**1,173**
Allowances recorded under predecessor method during spin-off (Note 7)	3,320	-
Loans converted into share capital of the subsidiary	-	(58)
Balance as at 31 December 2014	**3,320**	**1,115**
Reclassified to held-for-sale assets (Note 21)	(984)	(939)
Write-offs charged against the allowance – derecognising of loans granted to Latvian entities	(2,160)	-
Reversal of amounts previously written-off (Note 21)	(176)	(176)
Balance as at 31 December 2015	-	-

(all amounts are in EUR thousand unless otherwise stated)

20 Trade and other receivables

	Group		Company	
	2015	**2014**	**2015**	**2014**
Trade and other receivables, gross	316	416	314	290
Taxes receivable, gross	57	3	55	-
Less: allowance for doubtful trade and other receivables	-	(126)	-	-
	373	293	369	290

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

As at 31 December 2014 the Group's trade and other receivables with nominal value of EUR 126 thousand were impaired and fully provided for.

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

	Individually impaired Group
Allowances recorded under predecessor method during spin-off	126
Charge for the year	-
Write-offs charged against the allowance	-
Recoveries of amounts previously written-off	-
Balance as at 31 December 2014	126
Charge for the year	-
Write-offs charged against the allowance	(126)
Recoveries of amounts previously written-off	-
Balance as at 31 December 2015	-

The ageing analysis of trade and other receivables of the Group as at 31 December 2015 and 2014 is as follows:

		Trade receivables past due but not impaired				
	Trade receivables neither past due nor impaired	**Less than 30 days**	**30–90 days**	**90–180 days**	**More than 180 days**	**Total**
2015	213	60	23	15	5	316
2014	243	47	-	-	-	290

The ageing analysis of trade and other receivables of the Company as at 31 December 2015 and 2014 is as follows:

		Trade receivables past due but not impaired				
	Trade receivables neither past due nor impaired	**Less than 30 days**	**30–90 days**	**90–180 days**	**More than 180 days**	**Total**
2015	211	60	23	15	5	314
2014	243	47	-	-	-	290

Credit quality of financial assets neither past due nor impaired

All trade receivables neither past due nor impaired as at 31 December 2015 and 2014 have no history of counterparty defaults. With respect to trade and other receivables that are neither past due nor impaired, there are no indications as at the reporting date that the debtors will not meet their payment obligations. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral.

(all amounts are in EUR thousand unless otherwise stated)

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
Non-current assets and assets of disposal group classified as held-for-sale				
Investment properties held-for-sale	705	-	705	-
Intangible assets as part of disposal group	100	-	100	-
Loans granted as part of disposal group	176	-	176	-
	981	-	981	-

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

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

Investment property

The Company has signed preliminary agreement, according to which the constructed building foundation with attributed to it leased land would be sold for EUR 500 thousand plus construction cost of building foundation (as at 31 December 2015 – EUR 205 thousand). The Company has received in advance EUR 450 thousand from the buyer until 31 December 2015. The deal will be completed in 2016. Therefore this part of investment property located at Žygio str. 97, Vilnius, is measured according to the disposal price and was classified as non-current assets held-for-sale as at 31 December 2015.

22 Share capital and reserves

As at 31 December 2015 the Company's and the Group's share capital is divided into 43,226,252 ordinary registered shares with the nominal value of EUR 0.29 each.

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

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

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

Legal reserve

Legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5 % of net profit, calculated in accordance with the statutory financial statements, are compulsory until the reserve reaches 10 % of the share capital. The reserve can be used only to cover the accumulated losses.

Reserve for the acquisition of own shares

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

(all amounts are in EUR thousand unless otherwise stated)

23 Borrowings

	Group		Company	
	2015	**2014**	**2015**	**2014**
Non-current:				
Non-current bank borrowings	16,631	14,810	13,949	14,810
Non-current borrowings from other related parties	6,245	4,622	6,245	4,622
	22,876	19,432	20,194	19,432
Current:				
Current portion of non-current borrowings	1,117	478	890	478
Borrowings from related parties	617	-	617	-
Other borrowings	6	590	-	590
	1,740	1,068	1,507	1,068
Total borrowings	24,616	20,500	21,701	20,500

All borrowings are expressed in EUR.

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

Interest rate type:	Group		Company	
	2015	**2014**	**2015**	**2014**
Fixed	6,868	5,212	6,862	5,212
Floating	17,748	15,288	14,839	15,288
	24,616	20,500	21,701	20,500

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
Investment properties	41,622	33,297	33,595	33,297
Property, plant and equipment	4	-	-	-
Trade receivables	3	-	-	-
Prepayments	3	-	-	-
Deposits	150	-	-	-
Cash	261	218	162	218

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

Weighted average effective interest rates of borrowings for the period:

	Group		Company	
	2015	**2014**	**2015**	**2014**
Borrowings	2.86%	2.73%	2.89%	2.50%

As at 31 December 2015 and 2014 all Group entities have complied with bank loan covenants.

(all amounts are in EUR thousand unless otherwise stated)

23 Borrowings (cont'd)

After acquisition of Latvian entities on 15 July 2015 the Group has signed borrowings agreement with ABLV Bank, AS for financing Latvian entities in amount of EUR 3,000 thousand. The term of the agreement is 5 years, repayment of the loan is by monthly annuity instalments with balloon payment of EUR 1,861 thousand at the end of borrowing agreement. All investment properties acquired in Latvia were pledged to the ABLV Bank, AS. The borrowing was disbursed on 27 July 2015 and was used to repay part of loans granted by the Former Parent Company to Latvian entities (Note 19). According to the agreement amount of EUR 150 thousand was deposited to secure borrowing. The Group has recognised the deposit as "Deposits" in the statement of financial position.

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

On the date of spin-off the Group had EUR 16,343 thousand of long-term borrowings from Nordea bank, which were refinanced later in 2014. On 26 September 2014 the Group has signed borrowings agreement with AB Šiaulių bankas in amount of EUR 15,350 thousand. The term of the agreement is 5 years, repayment of the loan is by monthly instalments. The funds were disbursed on 29 September 2014. In addition, in September 2014 AB Invalda INVL has lent EUR 740 thousand to the Group. Both borrowings were used for repayment of the Nordea bank loan, which was closed on 29 September 2014. In January 2016 amendments of borrowings agreement was signed (described more details in Note 25).

During the spin-off part of liability rising from credit agreement with Šiaulių bankas was transferred to the Group (EUR 124 thousand). The credit was fully repaid in the beginning of May 2014.

During the year ended 31 December 2015 the Group and the Company repaid respectively EUR 3,095 thousand and EUR 447 thousand of borrowings. During the year ended 31 December 2014 the Group and the Company repaid respectively EUR 16,797 thousand and EUR 17,368 thousand of borrowings.

24 Related party transactions

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

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

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

The maturity of borrowings is till 31 December 2016, effective interest rate 4.5%. As at 31 December 2015 EUR 6,245 thousand of borrowing from AB Invalda INVL is subordinated to bank borrowing and could be repaid only upon maturity of bank borrowing in 2019; therefore it was classified as non-current at 31 December 2015 . After signing amendments to borrowings agreement in January 2016, these loans could only be repaid upon maturity of bank borrowing in 2023 or using cash inflows from new shares' issue. The borrowing was repaid in the amount of EUR 1,501 thousand in cash and was offset against receivable for the new share issue in the amount of EUR 6,219 thousand in 2016 (see note 25).

(all amounts are in EUR thousand unless otherwise stated)

24 Related party transactions (cont'd)

Latvian entities were joint ventures of the Group as at 31 December 2014 and became subsidiary from 1 July 2015. The carrying amount of loans granted to them as at 31 December 2014 was EUR 4,102 thousand. From 1 January till 30 June 2015 the Group has received EUR 49 thousand as repayment of these loans granted.

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

2014 Group	**Revenue and other income from related parties**	**Purchases and interest from related parties**	**Receivables from related parties**	**Payables to related parties**
AB Invalda INVL (accounting services)	-	9	-	3
AB Invalda INVL (borrowings)	-	174	-	5,212
Other related parties (maintenance and repair services)	-	229	-	34
Other related parties (rent and utilities)	2	-	1	-
Other related parties (services to issuer)	-	1	-	1
	2	413	1	5,250

The maturity of borrowings was till 31 December 2015, effective interest rate 4.5%. EUR 4,622 thousand of borrowing from AB Invalda INVL was subordinated to bank borrowing and could be repaid only upon maturity of bank borrowing in 2019, therefore it was classified as non-current as at 31 December 2014.

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

Transactions of the Company with subsidiaries and the Former Parent Company in 2015 and 2014 and balances as at 31 December 2015 and 2014 were as follows:

Company	**2015**		**2014**	
	Interest income from related parties	**Receivables from related parties**	**Interest income from related parties**	**Receivables from related parties**
Loans to the Former Parent Company	41	-	47	1,328
Loans to subsidiaries	-	4,809	1	-
	41	4,809	48	1,328

Loans granted to Latvian entities are subordinated to bank borrowing and could be repaid only upon maturity of bank borrowing in 2020. The maturity of loans granted to UAB Rovelija is till 31 December 2016. As described in Note 2.10, the Company measured loans granted to subsidiaries at fair value and not recognised interest income separately.

As at 31 December 2014 the maturity of loans granted to the Former Parent Company was till 31 December 2015, effective interest rate 4.5% .

(all amounts are in EUR thousand unless otherwise stated)

24 Related party transactions (cont'd)

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

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

The maturity of borrowings is till 31 December 2016, effective interest rate 4.5%. %. As at 31 December 2015 EUR 6,245 thousand of borrowing from AB Invalda INVL is subordinated to bank borrowing and could be repaid only upon maturity of bank borrowing in 2019; therefore it was classified as non-current at 31 December 2015. After signing amendments to borrowings agreement in January 2016, these loans could only be repaid upon maturity of bank borrowing in 2023 or using cash inflows from new shares' issue. The borrowing was repaid in the amount of EUR 1,501 thousand in cash and was offset against receivable for the new share issue in the amount of EUR 6,219 thousand in 2016 (see note 25).

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

2014 Company	**Revenue and other income from related parties**	**Purchases and interest from related parties**	**Receivables from related parties**	**Payables to related parties**
AB Invalda INVL (accounting services)	-	7	-	-
AB Invalda INVL (loans and borrowings)	25	248	-	5,212
Other related parties (maintenance and repair services)	-	391	-	34
	25	646	-	5,246

The maturity of borrowings was till 31 December 2015, effective interest rate 4.5%. EUR 4,622 thousand of borrowing from AB Invalda INVL was subordinated to bank borrowing and could be repaid only upon maturity of bank borrowing in 2019. During spin-off the loan granted to AB Invalda INVL was transferred to the Former Parent Company on 29 April 2014. From 1 January 2014 until 29 April 2014 the interest revenue from this loan amounted to EUR 25 thousand. In the same period the Company has received EUR 153 thousand as repayment of loan and EUR 12 thousand as interest paid from AB Invalda INVL.

The movements of borrowings from AB Invalda INVL were:

	Group		**Company**	
	2015	**2014**	**2015**	**2014**
At 1 January	**5,212**	**-**	**5,212**	**4,295**
Borrowings received during year	3,966	836	1,411	827
Borrowings repaid during year	(2,555)	(246)	-	(150)
Borrowings received during the spin-off	-	4,459	-	-
Interest charged	248	174	239	248
Interest paid	(9)	(11)	-	(8)
At 31 December	**6,862**	**5,212**	**6,862**	**5,212**

(all amounts are in EUR thousand unless otherwise stated)

24 Related party transactions (cont'd)

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

	Company	
	2015	**2014**
At 1 January	**1,328**	**102**
Loans granted to the Former Parent Company as consequence of spin-off	-	1,281
Loans granted during year	443	2
Loans repayment received	(298)	(38)
Loans and interest converted to increased share capital	-	(64)
Loans granted to the Former Parent Company derecognised during merger	(1,508)	-
Loans granted to subsidiaries received during the merger	4,515	-
Interest charged	41	48
Changes in fair value of loans granted	291	-
Interest received	(3)	(3)
At 31 December	**4,809**	**1,328**

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
Wages, salaries and bonuses	28	8	10	7
Social security contributions	8	2	3	2
Total key management compensation	36	10	13	9

There were no loans granted to key management during the reporting period or outstanding at the end of the reporting period. In 2014 and 2015 dividends were not paid.

25 Events after the reporting period

Settlement of liability for Gynėjų str. 14 and new bank borrowing

On 29 January 2016 the Company has completed the acquisition of investment properties located at Gynėjų str. 14, Vilnius, by settling outstanding payables. The final settlement was financed by additional borrowings from the related party AB Invalda INVL (EUR 800 thousand) and from AB Šiaulių bankas (EUR 4,500 thousand).

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

(all amounts are in EUR thousand unless otherwise stated)

25 Events after the reporting period (cont'd)

New shares' issue

The new shares were offered through public offering from 4 January until 4 March 2016. During the public offering the investors have subscribed for 22,523,748 shares, the issue price of one share was EUR 0.40, the total issue proceeds – EUR 9,010 thousand. The Company has received cash inflows of EUR 2,791 thousand from investors during the public offering. AB Invalda INVL has subscribed for 15,546,663 new shares. They were paid by offsetting the Company's liabilities of EUR 6,219 thousand arising from the borrowings provided by AB Invalda INVL. Issue costs of new shares' issue amounted to EUR 248 thousand. Cash inflows was used to repay remaining borrowings of EUR 1,501 thousand to AB Invalda INVL including accrued interests during 2016. Remaining amount would be used in the operating activity of the Company.

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

After the above mentioned transactions the shareholders of the Company are (by votes):

	Number of votes held	**Percentage**
AB Invalda INVL	21,089,449	32.08
UAB LJB Investments (controlling shareholder Mr. Alvydas Banys)	13,158,474	20.01
Mrs. Irena Ona Mišeikienė	12,492,979	19.00
UAB Lucrum Investicija (sole shareholder Mr. Darius Šulnis)	4,387,244	6.67
Mr. Alvydas Banys	3,318,198	5.05
Ms. Indrė Mišeikytė	862,873	1.31
Other minor shareholders	10,440,783	15.88
Total	65,750,000	100.00

Dividends and dividends policy

On 15 January 2016 the General Shareholder Meeting of the Company has approved the dividend policy which stipulates the payment each year of dividends per share of no less than EUR 0.012, if the legal and contractual requirements did not restrict that. A dividend in respect of the year ended 31 December 2015 of EUR 0.012 per share, amounting to a total dividend of EUR 789 thousand, is to be proposed at the annual general meeting on 27 April 2016. These financial statements do not reflect this dividend payable.

INVL Baltic Real Estate, AB Consolidated Annual Report for the year of 2015

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

Approved by the Board of INVL Baltic Real Estate, AB on 4 April 2015.

Translation note:

This version of the Consolidated Annual Report for the year of 2015 is a translation from the original, which was prepared in Lithuanian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version takes precedence over this translation.

CONTENTS

INVL BALTIC REAL ESTATE

I. GENERAL INFORMATION

1. Reporting period for which the report is prepared

The report covers the financial period of INVL Baltic Real Estate, starting from 1 January 2015 and ending on 31 December 2015. The report was audited.

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

2.1. Information about the Issuer

Name of the Issuer	The public joint-stock INVL Baltic Real Estate, hereinafter INVL Baltic Real Estate, AB
Code	152105644
Address	Gyneju str. 14, LT-01109, Vilnius, Lithuania
Telephone	+370 5 279 0601
Fax	+370 5 279 0530
E-mail	breinfo@invl.com
Website	www.bre.invl.com
Legal form	public joint-stock company
Date and place of registration	28 January 1997; Register of Legal Entities
Register in which data about the Company are accumulated and stored	Register of Legal Entities

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

The public joint-stock company INVL Baltic Real Estate was established on 28 January 1997. On 17 August 2015 the company was reorganized in the manner of joining, merging the company into public joint-stock company Invaldos Nekilnojamojo Turto Fondas, which after the reorganization became successor to all rights and obligations of the public joint-stock company INVL Baltic Real Estate, including the name, and continues its operations under a new name as a public joint-stock company INVL Baltic Real Estate.

The former parent company and the group were established on 29 April 2014 on the basis of a part of assets split-off from Invalda INVL, AB (former name Invalda LT, AB, code 121304349). Following the split-off, 30.9% of assets, equity and liabilities of Invalda INVL, AB were transferred to INVL Baltic Real Estate, AB.

INVL Baltic Real Estate seeks to profit on investments in commercial real estate by ensuring the growth of leasing income and steadily developing the potential of existing properties, taking advantage of their location. The companies owned by INVL Baltic Real Estate, AB have investments in office, warehouse and manufacturing properties in Lithuania and Latvia. All the properties generate leasing income and most of them offer prospects for further development. INVL Baltic Real Estate manages about 58,200 square metres of real estate in Vilnius and Riga – mostly business centres and other commercial premises. These properties have high occupancy rates and generate stable cash flows. In addition, some of them have further development potential.

INVL Baltic Real Estate has approved a dividend policy which stipulates the annual payment of dividend per share of no less than EUR 0.012.

Shares of INVL Baltic Real Estate are listed on the Baltic Secondary List of Nasdaq Vilnius, AB stock exchange since 16 September 2015. Before the reorganization the former parent company has been listed on the NASDAQ Vilnius, AB exchange since 4 June 2014.

Later it is intended to get a license from the Bank of Lithuania and achieve the closed-end investment company.

2.3. Information about the Issuer‘s group of companies

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

Fig. 2.3.1. Simplified group structure of INVL Baltic Real Estate, AB as of 31 December 2015.

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

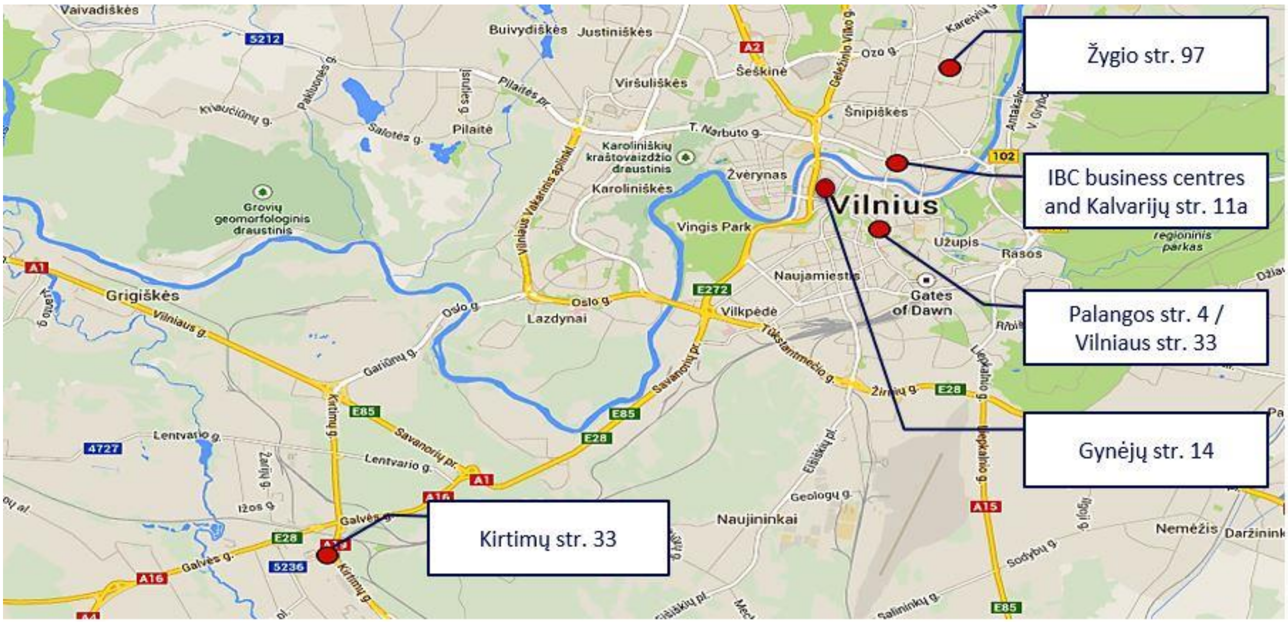

Fig. 2.3.2. Real estate objects owned by group companies of INVL Baltic Real Estate, AB in Vilnius (Lithuania)

Investments in real estate

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

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

IBC Class A business centre consists of two buildings, in which about 7,100 sq. m. are being leased (the total area of buildings – 11,400 sq. m). The centre owns 250 spots parking lot in the protected courtyard, also in the two-storey covered and underground garages. IBC Business Centre is being constantly developed, more and more services are offered each year.

Block F basic information:

Total area: 4,500 sq. m

Leased area: 3,800 sq. m

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

Property market value in the end of 2015: EUR 6.6 million

Block G basic information:

Total area: 6,900 sq. m

Leased area: 3,300 sq. m

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

Property market value in the end of 2015: EUR 5.5 million

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

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

Block A basic information:

Total area: 2,100 sq. m

Leased area: 1,900 sq. m

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

Property market value in the end of 2015: EUR 2.1 million

Block B basic information:

Total area: 7,400 sq. m

Leased area: 7,200 sq. m

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

Property market value in the end of 2015: EUR 6.6 million

Block C basic information:

Total area: 200 sq. m

Leased area: 200 sq. m

Land area: 1,47 ha (total area of the IBC complex)

Property market value in the end of 2015: EUR 0.2 million

Block D basic information:

Total area: 1,600 sq. m

Leased area: 1,300 sq. m

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

Property market value in the end of 2015: EUR 1.3 million

Office building at Palangos str. 4/Vilniaus str. 33, Vilnius

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

Block A basic information:

Total area: 5,100 sq. m

Leased area: 3,800 sq. m

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

Property market value in the end of 2015: EUR 4.4 million

Block B basic information:

Total area: 4,700 sq. m

Leased area: 2,400 sq. m

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

Property market value in the end of 2015: EUR 2.9 million

Zygio Business Centre – office building at J. Galvydzio str. 7 / Zygio str. 97, Vilnius

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

Basic information:

Total area: 3,200 sq. m

Leased area: 2,600 sq. m

Land area: 0.60 ha

Property market value in the end of 2015: EUR 3.04 million

INVL BALTIC REAL ESTATE

Vilnius Gates Business centre, Gyneju str. 14, Vilnius

This building beside the main street of Vilnius – Gedimino Prospektas – and one of the capital's key transport arteries – Geležinio Vilko Street – stands out not just for its great location but also for its architectural concept.

INVL Baltic Real Estate owns two floors of premises in this complex – they start from the playful inverted glass frustum edifice with a restaurant on the ground floor and continue along Gynėjų Street, also including 55 parking spaces in the underground car park. The company acquired these premises in late 2015. The building is under restructuring at the moment. This will help to meet the needs of tenants better.

Basic information:

Total area: 8,100 sq. m

Leased area: 6,400 sq. m

Land area: 0.26 ha

Property market value in the end of 2015: EUR 10.28 million

Office building at Kirtimų str. 33, Vilnius

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

Basic information:

Total area: 3,000 sq. m

Leased area: 2,500 sq. m

Land area: 0.67 ha

Property market value in the end of 2015: EUR 0.78 million

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

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

Basic information:

Total area: 276 sq. m

Property market value in the end of 2015: EUR 0.52 million

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

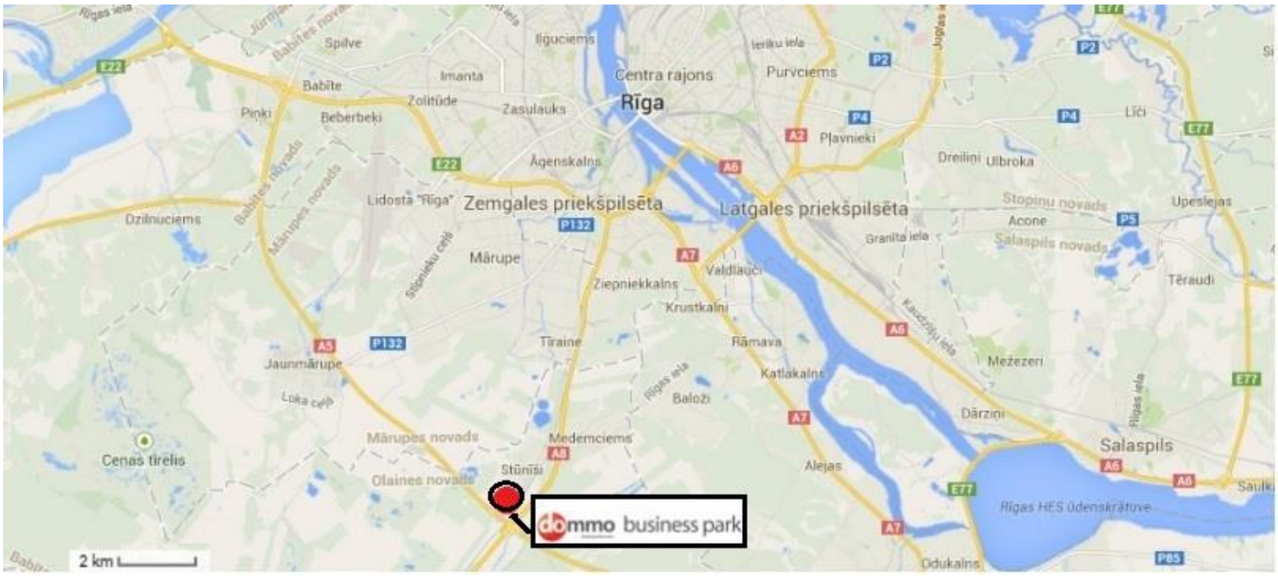

Fig. 2.3.3. Real estate objects owned by group companies of INVL Baltic Real Estate, AB in Riga (Latvia)

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

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

Basic information:

Total area: 12,800 sq. m

Leased area: 12,600 sq. m

Land area: 58.21 ha

Property market value: EUR 8.03 million

3. Agreements with intermediaries on public trading in securities

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

- Siauliu bankas (Seimyniskiu str. 1A, Vilnius, Lithuania. tel. +370 5 203 2233) – the agreement on management of securities accounting and the market maker services agreement.

4. Information on Issuer's branches and representative offices

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

II. INFORMATION ABOUT SECURITIES

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

The Articles of Association of INVL Baltic Real Estate, AB may be amended by resolution of the General Shareholders' Meeting, passed by more than 2/3 of votes (except in cases provided for by the Law on Companies of the Republic of Lithuania).
Actual wording of the Articles of Association is dated as of 8 March 2015, which entered into force after the new share issue placement. The 17 August 2015 wording of the Articles of Association was valid until 8 March 2015.

6. Structure of the authorized capital

Table 6.1. Structure of INVL Baltic Real Estate, AB authorised capital as of 31 December 2015

Type of shares	Number of shares, units	Total voting rights granted by the issued shares, units	Nominal value, EUR	Total nominal value, EUR	Portion of the authorised capital, %
Ordinary registered shares	43,226,252	43,226,252	0.29	12,535,613.08	100

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

Table 6.2. Structure of INVL Baltic Real Estate, AB authorised capital as of 8 March 2016 (after the new issue placement)

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

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

6.1. Information about the Issuer's treasury shares

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

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

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

	31.12.2015 (EUR, if not stated otherwise)	08.03.2016 (EUR, if not stated otherwise
Shares issued, units	43,226,252	65,750,000
Shares with voting rights, units	43,226,252	65,750,000
Nominal value, EUR	0.29	0.29
Total nominal value, EUR	12,535,613.08	19,067,500
ISIN code	LT0000127151	LT0000127151
Name	INR1L	INR1L
Exchange	NASDAQ Vilnius	NASDAQ Vilnius
List	Baltic Secondary list	Baltic Secondary list
Listing date	16.09.2015	08.03.2016

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

Table 7.2. Trading in the company's shares 2014*-2015 (quarterly) on NASDAQ Vilnius:

Reporting period	Price, EUR			Turnover, EUR			Last trading date	Total turnover	
	high	low	last	high	low	last		units	EUR
2014 2nd Q*	2.500	1.900	1.900	1,330	8	160	30.06.2014	2,357	4,651
2014 3rd Q	1.900	1.820	1.830	1,721	2	0	30.09.2014	6,758	9,992
2014 4th Q	1.840	1.830	1.840	1,993	2	0	30.12.2014	6,804	8,005
2015 1st Q	1.900	1.840	1.860	1,890.56	3.7	0	31.03.2015	4,552	8,398.7
2015 2nd Q	1.910	1.600	1.890	1,017.5	5.67	32.13	30.06.2015	5,894	10,965.52
2015 3rd Q	1.900	0.200	0.200	1,211.49	3.78	0	30.09.2015	3,127	4,863.44
2015 4th Q	0.390	0.315	0.360	2,526.51	25.16	511.92	30.12.2015	41,254	14,135.72

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

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

	2014*	2015
Share price, EUR		
- open	2.000	0.300**
- high	2.500	0.380**
- low	1.820	0.200
- medium	1.865	0.333**
- last	1.840	0.360
Turnover, units	15,919	54,827
Turnover, EUR	22,947.85	38,363.38
Traded volume, units	125	170

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

** Adjusted share price due to the Reorganization

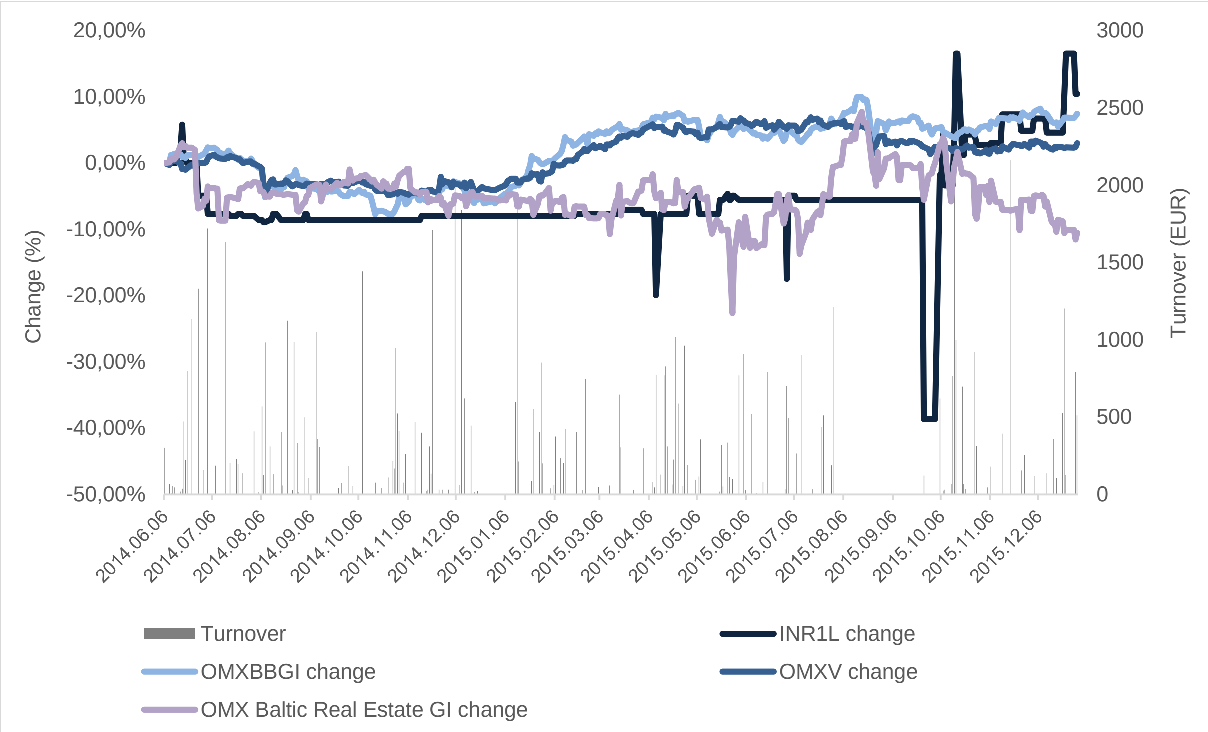

Fig. 7.4. Turnover of INVL Baltic Real Estate, AB shares, change of share price and indexes

Table 7.4. Capitalisation 2014* - 2015

Last trading date	Number of shares, units	Last price, EUR	Capitalisation, EUR
30.06.2014	7,044,365	1.900	13,384,294
29.09.2014	7,044,365	1.830	12,891,188
19.12.2014	7,044,365	1.840	12,961,632
31.30.2015	7,044,365	1.860	13,102,519
30.06.2015	7,044,365	1.890	13,313,850
29.09.2015	43,226,252	0.200	8,645,250
19.12.2015	43,226,252	0.360	15,561,451

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

8. Dividends

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

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

According to the Law on Personal Income Tax and the Law on Corporate Income Tax, 15 % tax is applied to the dividends since 2014. The company is responsible for calculation, withdrawn and transfer (to the benefit of the State) of applicable taxes[1].

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

The company did not allocate dividends during the reporting period.

Table 8.1. Indexes related with shares

Company's	2014	2015
Net Asset Value per share, EUR	0.34	0.43
Price to book value (P/Bv)	0.88	0.93

9. Shareholders

9.1. Information about company's shareholders

Table 9.1.1. Shareholders who held title to more than 5% of INVL Baltic Real Estate, AB authorised capital and/or votes as of 31 December 2015.
The total number of shareholders in INVL Baltic Real Estate was 3,662 on 31 December 2015. There are no shareholders entitled to special rights of control.

Name of the shareholder or company	Number of shares held by the right of ownership, units	Share of the authorised capital held, %	Share of the votes, %		
			Share of votes given by the shares held by the right of ownership, %	Indirectly held votes, %	Total, %
LJB Investments, UAB code 300822575, Juozapaviciaus str. 9A, Vilnius	13,158,474	30.44	30.44	0	30.44
Irena Ona Miseikiene	12,492,979	28.90	28.90	0	28.90
Invalda INVL, AB code 121304349, Gyneju str. 14, Vilnius	5,512,324	12.75	12.75	0	12.75
Lucrum Investicija, UAB code 300806471, Šeimyniskiu str. 3, Vilnius	3,524,371	8.15	8.15	2.0[2]	10.15
Darius Sulnis	0.00	0.00	0.00	10.15[3]	10.15
Alvydas Banys	3,318,198	7.68	7.68	32.44[4]	40.12
Indre Miseikyte	862,873	2.00	2.00	38.12[5]	40.12
Andrius Dauksas	0.00	0.00	0.00	40.12[6]	40.12

[1]This information should not be treated as tax consultation.
[2] Lucrum investicija, UAB holds 2% of voting rights under a repurchase agreement.
[3] According to section 1 item 6 of article 24 of the Law on Securities of the Republic of Lithuania, Darius Sulnis is considered to hold the voting rights of the controlled company UAB Lucrum Investicija.
[4] According to section 1 item 6 and section 2 of article 24 of the Law on Securities of the Republic of Lithuania, Alvydas Banys is considered to hold the voting rights of the controlled company UAB LJB Investments and the voting rights of AB INVL Baltic Real Estate managers Andrius Dauksas and Indre Miseikyte.
[5] According to section 2 of article 24 of the Law on Securities of the Republic of Lithuania, Indre Miseikyte is considered to hold the voting rights of INVL Baltic Real Estate managers Alvydas Banys and Andrius Dauksas.
[6] According to section 2 of article 24 of the Law on Securities of the Republic of Lithuania, Andrius Dauksas is considered to hold the voting rights of INVL Baltic Real Estate managers Alvydas Banys and Indre Miseikyte.

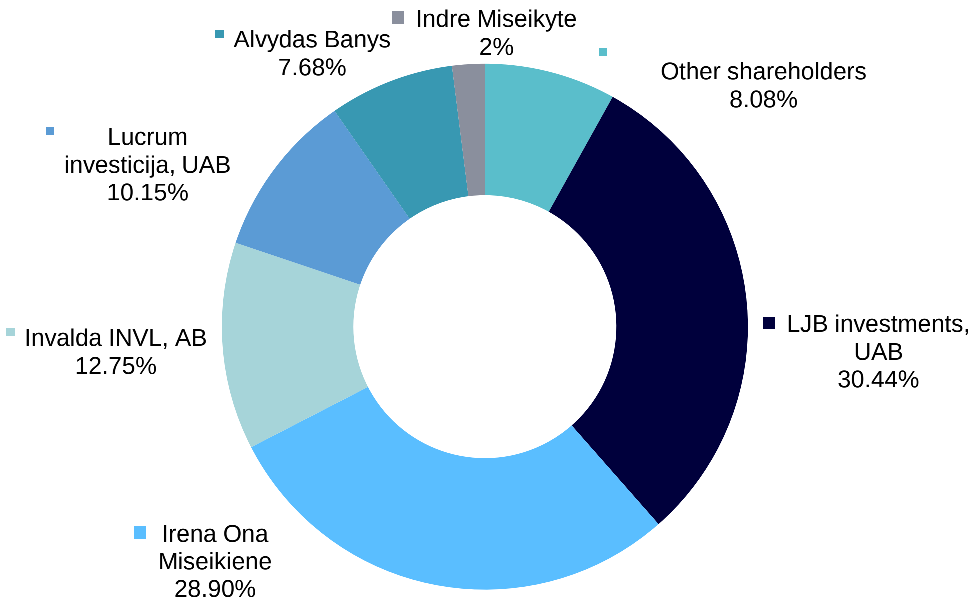

Fig. 9.1.2. Votes as of 31 December 2015

Table 9.1.3. Shareholders who held title to more than 5% of INVL Baltic Real Estate, AB authorised capital and/or votes as of 8 March 2016.

Name of the shareholder or company	Number of shares held by the right of ownership, units	Share of the authorised capital held, %	Share of the votes, %		
			Share of votes given by the shares held by the right of ownership, %	Indirectly held votes, %	Total, %
LJB Investments, UAB code 300822575, Juozapaviciaus str. 9A, Vilnius	13,158,474	20.01	20.01	0	20.01
Irena Ona Miseikiene	12,492,979	19.00	19.00	0	19.00
Invalda INVL, AB code 121304349, Gyneju str. 14, Vilnius	5,512,324	32.08	32.08	0	32.08
Lucrum Investicija, UAB code 300806471, Šeimyniskiu str. 3, Vilnius	3,524,371	5.36	5.36	1.31[7]	10.15
Darius Sulnis	0	0.00	0.00	6.67[8]	6.67
Alvydas Banys	3,318,198	5.05	5.05	21.33[9]	26.38
Indre Miseikyte	862,873	1.31	1.31	25.07[10]	26.38
Egidijus Damulis	5,000	0.01	0.01	26.37[11]	26.38

[7] Lucrum investicija, UAB holds 2% of voting rights under a repurchase agreement.
[8] According to section 1 item 6 of article 24 of the Law on Securities of the Republic of Lithuania, Darius Sulnis is considered to hold the voting rights of the controlled company UAB Lucrum Investicija.
[9] According to section 1 item 6 and section 2 of article 24 of the Law on Securities of the Republic of Lithuania, Alvydas Banys is considered to hold the voting rights of the controlled company UAB LJB Investments and the voting rights of AB INVL Baltic Real Estate managers Egidijus Damulis and Indre Miseikyte.
[10] According to section 2 of article 24 of the Law on Securities of the Republic of Lithuania, Indre Miseikyte is considered to hold the voting rights of INVL Baltic Real Estate managers Alvydas Banys and Egidijus Damulis.
[11] According to section 2 of article 24 of the Law on Securities of the Republic of Lithuania, Egidijus Damulis is considered to hold the voting rights of INVL Baltic Real Estate managers Alvydas Banys and Indre Miseikyte.

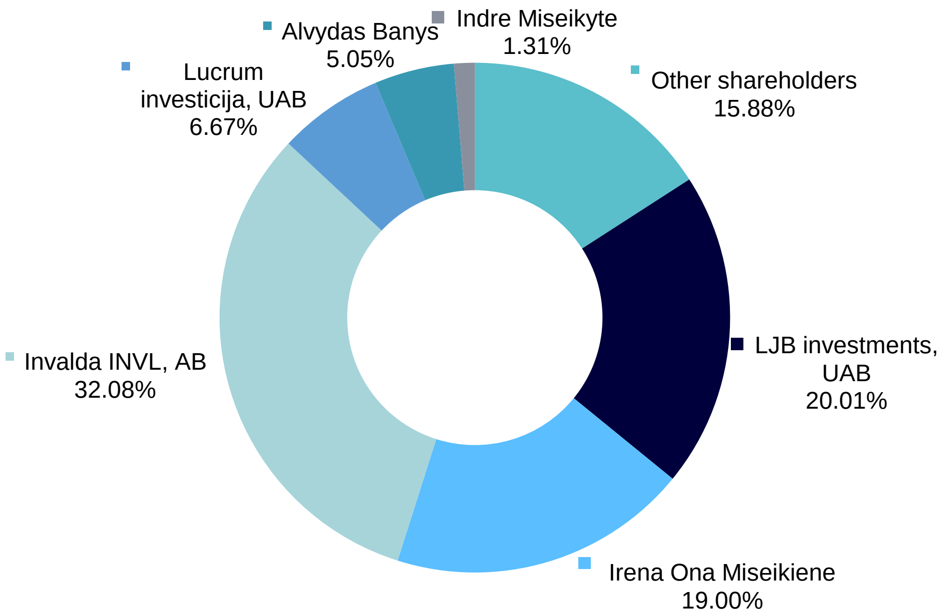

Fig. 9.1.4. Votes as of 8 March 2016

9.2. Rights and obligations carried by the shares

9.2.1. Rights of the shareholders

The Company's shareholders have the following property and non-property rights:

1) to receive a part of the Company's profit (dividend);
2) to receive the company's funds when the authorised capital of the company is reduced with a view to paying out the company's funds to the shareholders;
3) to receive a part of assets of the company in liquidation;
4) to receive shares without payment if the authorised capital is increased out of the Company funds, except in cases provided by the laws of the Republic of Lithuania;
5) to have the pre-emption right in acquiring shares or convertible debentures issued by the Company, except in cases when the General Shareholders' Meeting in the manner prescribed in the Law on Companies of the Republic of Lithuania decides to withdraw the pre-emption right in acquiring the Company's newly issued shares or convertible debentures for all the shareholders;
6) to lend to the company in the manner prescribed by law; however, when borrowing from its shareholders, the company may not pledge its assets to the shareholders. When the company borrows from a shareholder, the interest may not be higher than the average interest rate offered by commercial banks of the locality where the lender has his place of residence or business, which was in effect on the day of conclusion of the loan agreement. In such a case the company and shareholders shall be prohibited from negotiating a higher interest rate;
7) other property rights provided by laws;
8) to attend the General Shareholders' Meetings;
9) to submit to the Company in advance the questions connected with the issues on the agenda of the General Meeting of Shareholders;
10) to vote at the General Shareholders' Meetings according to voting rights carried by their shares;
11) to receive information on the Company specified in the Law on Companies of the Republic of Lithuania;
12) to appeal to the court for reparation of damage resulting from nonfeasance or malfeasance by the Company's manager and the Board members of their obligations prescribed by the Law on Companies of Republic of Lithuania and other laws of the Republic of Lithuania and the Company's Articles of Association as well as in other cases laid down by laws;
13) other non-property rights established by laws and the Company's Articles of Association.

9.2.2. Obligations of the shareholders

The shareholders have no property obligations to the Company, except for the obligation to pay up, in the established manner, all the shares subscribed for at their issue price.

If the General Shareholders' Meeting takes a decision to cover the losses of the Company from additional contributions made by the shareholders, the shareholders who voted "for" shall be obligated to pay the contributions. The shareholders who did not attend the General Shareholders' Meeting or voted against such a resolution shall have the right to refrain from paying additional contributions.

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

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

A shareholder shall repay the Company any dividend paid out in violation of the mandatory norms of the Law on Companies, if the Company proves that the shareholder knew or should have known thereof.

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

III. Issuer's Managing Bodies

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

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

10.1. General Shareholders' Meeting

10.1.1. Powers of the General Shareholders' Meeting

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

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

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

The General Shareholders' Meeting shall have the exclusive right to:

- amend the Articles of Association of the Company, unless otherwise provided for by the Law on Companies of the Republic of Lithuania;
- elect members of the Board;
- dismiss the Board or its members;
- elect and dismiss the firm of auditors, set the conditions for auditor remuneration;
- determine the class, number, nominal value and the minimum issue price of the shares issued by the Company;
- take a decision regarding conversion of shares of one class into shares of another class, approve share conversion procedure;
- take a decision to replace private limited liability company share certificates by shares;
- approve the annual accounts and the report on company operations;
- take a decision on profit/loss appropriation;
- take a decision on the formation, use, reduction and liquidation of reserves;
- take a decision on the issue of convertible debentures;
- take a decision on withdrawal for all the shareholders the pre-emption right to acquire the Company's shares or convertible debentures of the specific issue;
- take a decision to increase the authorised capital;

- take a decision to reduce the authorised capital, except the cases provided for by the Law on Companies of the Republic of Lithuania;
- take a decision for the Company to purchase its own shares;
- take a decision on the reorganisation or split-off of the Company and approve the terms of reorganisation or split-off;
- take a decision on transformation of the Company;
- take a decision on restructuring of the Company;
- take a decision to liquidate the Company, cancel the liquidation of the Company, except the cases provided by the Law on Companies of the Republic of Lithuania;
- elect and dismiss the liquidator of the Company, except the cases provided by the Law on Companies of the Republic of Lithuania.

The General Shareholders' Meeting may also decide on other matters assigned within the scope of its powers by the Articles of Association of the Company, unless these have been assigned under the Law on Companies of the Republic of Lithuania within the scope of powers of other organs of the Company and provided that, in their essence, these are not the functions of the governing bodies.

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

The documents related to the agenda, draft resolutions on every item of agenda, documents what have to be submitted to the General Shareholders Meeting and other information related to realization of shareholders rights are available at the registered office of the Company during working hours.

The shareholders are entitled: (i) to propose to supplement the agenda of the General Shareholders Meeting submitting draft resolution on every additional item of agenda or, than there is no need to make a decision - explanation of the shareholder. Proposal to supplement the agenda is submitted in writing by registered mail or delivered in person against signature. The agenda is supplemented if the proposal is received no later than 14 before the General Shareholders Meeting; (ii) to propose draft resolutions on the issues already included or to be included in the agenda of the General Shareholders Meeting at any time prior to the date of the General Shareholders meeting (in writing, by registered mail or delivered in person against signature) or in writing during the General Shareholders Meeting; (iii) to submit questions to the Company related to the issues of agenda of the General Shareholders Meeting in advance but no later than 3 business days prior to the General Shareholders Meeting in writing by registered mail or delivered in person against signature.

Shareholder participating at the General Shareholders Meeting and having the right to vote must submit documents confirming personal identity. Each shareholder may authorize either a natural or a legal person to participate and to vote on the shareholder's behalf at the General Shareholders Meeting. The representative has the same rights as his represented shareholder at the General Shareholders Meeting. The authorized persons must have documents confirming their personal identity and power of attorney approved in the manner specified by law which must be submitted to the Company no later than before the commencement of registration for the General Shareholders Meeting. Shareholder is entitled to issue power of attorney by means of electronic communications for legal or natural persons to participate and to vote on its behalf at the General Shareholders Meeting. The shareholders must inform the Company about power of attorney issued by means of electronic communications no later than before the commencement of registration for the General Shareholders Meeting. The power of attorney issued by means of electronic communications and notice about it must be written and submitted to the Company by means of electronic communications.

Shareholder or its representative may vote in writing by filling general voting bulletin, in such a case the requirement to deliver a personal identity document does not apply. The form of general voting bulletin is presented at the Company's webpage. If shareholder requests, the Company shall send the general voting bulletin to the requesting shareholder by registered mail or shall deliver it in person against signature no later than 10 days prior to the General Shareholders Meeting free of charge. The filled general voting bulletin must be signed by the shareholder or its authorized representative. Document confirming the right to vote must be added to the general voting bulletin if authorized person is voting. The filled general voting bulletin must be delivered to the Company by means of electronic communications, registered mail or in person against signature no later than before the day of the General Shareholders Meeting.

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

3 (three) General Shareholders Meeting of INVL Baltic Real Estate, AB took place in 2015.

During the General Shareholders Meeting of 30 April 2015 INVL Baltic Real Estate, AB the Shareholders were presented with the consolidated annual report of the Company and independent auditor's report on the financial statements, approved the consolidated and companies financial statements for 2015, approved distribution of the profit of the Company, changed the par value of share from LTL 1 to EUR 0.29 and the share capital accordingly from LTL 7,044,365 to EUR 2,042,865.85, approved the new wording of the Articles of Association, approved the preparation of the reorganization terms of INVL Baltic Real Estate, AB on the basis to these terms the public joint-stock company INVL Baltic Real Estate is merged with the public joint-stock company Invaldos Nekilnojamojo Turto Fondas.

During the General Shareholders Meeting of 10 August 2015 decisions regarding the reorganization issues were passed. Shareholders also approved the Terms of Reorganization of public joint-stock company INVL Baltic Real Estate and the public joint-stock company Invaldos Nekilnojamojo Turto Fondas, approved new wording of the Articles of Association of the company resulting from the reorganisation, also the decisions regarding the audit committee resulting from the reorganization were passed (the audit committee members were elected, the payment for the independent audit committee member was set, the audit committee rules were approved), the audit company to audit company‘s financial statements for 2015, 2016, 2017 and set the payment conditions for the audit services was elected, resulting from the reorganization of the company the registered office of the company was changed, the board of the company *in corpore* was removed and Alvydas Banys, Andrius Dauksas and Indre Miseikyte were elected as the members of the new board.

During the General Shareholders Meeting of 28 October 2015 shareholders increased the authorized capital of the public joint-stock company INVL Baltic Real Estate, set the class of the issued shares, the amount, the par value, the minimal issue price and the payment for the issued shares; also withdraw the pre-emptive right of company’s shareholders to acquire newly issued ordinary registered; approved the new edition of the Articles of Association of the public joint-stock company INVL Baltic Real Estate by changing the whole text of the Statute; changed the registered office of the company with the new registered address at municipality of Vilnius, Vilnius city, Gyneju str. 14; decisions regarding the application for a licence of the closed-end investment company and regarding the takeover bid to purchase the ordinary registered shares of INVL Baltic Real Estate were passed.

10.2.1. Powers of the Board

The Board shall continue in office for the 4 year period or until a new Board is elected and commences its activities, but not longer than until the date of the Annual General Shareholders’ Meeting to be held during the final year of the term of office of the Board. If individual members of the Board are elected, they shall serve only until the expiry of the term of office of the current Board.

The Board or its members shall commence their activities after the close of the General Shareholders’ Meeting which elected the Board or its members. Where the Articles of Association of the Company are amended due to the increase in the number of its members, newly elected members of the Board may commence their activities solely from the date of registration of the amended Articles of Association. The Board shall elect the chairman of the Board from among its members.

The General Shareholders’ Meeting may dismiss from the office the entire Board or its individual members (as well as the Chairman of the Board) before the expiry of their term of office. A member of the Board may resign from his post before the expiry of his term of office, notifying the Board in writing at least 14 calendar days in advance.

The Board shall have all authorities provided for in the Articles of Association of the Company as well as those assigned to the Board by the laws. The activities of the Board shall be based on collegial consideration of issues and decision-making as well as shared responsibility to the General Shareholders’ Meeting for the consequences of the decisions made. Striving for as big benefit for the Company and shareholders as possible and in order to ensure the integrity and transparency of the control system, the Board closely cooperates with the manager of the Company. The procedure of work of the Board shall be laid down in the rules of procedure of the Board.

The Board shall consider and approve:

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

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

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

The Board shall take the following decisions:

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

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

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

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

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

10.2.2. Procedure of work of the Board

The order of the formation of the Board of the company should ensure objective, impartial and fair representation of minority shareholders of the company: names and surnames of the candidates to become members of the Board of the company, information about their education, qualification, professional background, positions taken in supervisory and management Boards of other companies, owned block of shares in other companies, larger than 1/20, potential conflicts of interest, information on whether the candidates are applied to administrative sanctions or punishment for violations / crimes against the economy, business policy, property, property rights and property interests, or do they have no obligations neither functions which would threaten the safe and reliable operations of the company, or whether candidates meet the legal requirements made for the Managers, are disclosed not later than 10 days prior the General Shareholders' Meeting in which the election of the Members of the Board is intended, so that the shareholders would have sufficient time to make an informed voting decision.

In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the Board of the company are determined with regard to the company's structure and activities. The Board plans to evaluate its performance once a year.

Any Member of the Board of the company must confound companies property with its own property and do not use it or information which they received while holding position as the Members of the Board for personal benefit or for the benefit of third party on other way than the General Shareholders Meeting and the Board allows it.

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

Each Member of the Board actively participates in the Meetings of Board and devotes sufficient time and attention to perform his duties as the Member of the Board. 17 meetings of the Board of the company have been held in 2015.

General Shareholders Meeting elected Alvydas Banys, Andrius Dauksas and Indre Miseikyte to the Board of the company for 4 (four) years term of office on 10 August 2015. Till 3 January 2016 the Board consisted of Chairman of the Board Alvydas Banys and members of the Board Indre Miseikytė and Andrius Dauksas. This Board was also the Board of the Former Parent Company before the reorganization. Due to the resignation of Andrius Daukšas since 3 January 2016, the General Shareholders Meeting of 15 January 2016 elected Egidijus Damulis to the Board of the company till the end of office of the current Board.

10.3. The Director

The manager of the Company (the Director) shall be elected and dismissed from office by the Board which shall also fix his salary, approve his job description, provide incentives and impose penalties. An employment contract shall be concluded with the Director. The Director shall assume office after the election, unless otherwise provided for in the contract concluded with him. If the Board adopts a decision on his removal from office, the employment contract therewith shall be terminated.

In his activities, the Director shall be guided by laws and other legal acts, the Articles of Association of the Company, decisions of the General Shareholders' Meeting and the Board, his job description. The Director is accountable to the Board.

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

The Director shall act on behalf of the Company and shall be entitled to enter into transactions at his own discretion. The Director may conclude the transactions to invest, dispose of or lease the fixed assets for the book value which exceeds 1/20 of the authorised capital of the Company (calculated individually for every type of transaction), to pledge or mortgage the fixed assets for the book value which exceeds 1/20 of the authorised capital of the Company (calculated for the total amount of transactions), to offer surety or guarantee for the discharge of obligations of third parties for the amount which exceeds 1/20 of the authorised capital of the Company, to acquire the fixed assets for the price which exceeds 1/20 of the authorised capital of the Company, provided there is a decision of the Board to enter into these transactions.

The Director shall be responsible for:

- the organisation of activities and the implementation of objects of the company
- the drawing up of the annual accounts;
- the conclusion of the contract with the firm of auditors where the audit is mandatory or required under the Statutes of the company;
- the submission of information and documents to the General Meeting, the Supervisory Board and the Board in cases laid down in this Law or at their request;
- the submission of documents and particulars of the company to the administrator of the Register of Legal Persons;
- the submission of the documents of a public limited liability company to the Securities Commission and the Central Securities Depository of Lithuania;

- the publication of information referred to in this Law in the daily indicated in the Statutes;
- the submission of information to shareholders;
- the fulfilment of other duties laid down in this Law and other laws and legal acts as well as in the Statutes and the staff regulations of the manager of the company.

The Director must keep commercial secrets and confidential information of the Company which he learned while holding this office.

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

General Shareholders Meeting elected Alvydas Banys, Andrius Dauksas and Indre Miseikyte to the Board of the company for 4 (four) years term of office on 10 August 2015. Till 3 January 2016 the Board consisted of Chairman of the Board Alvydas Banys and members of the Board Indre Miseikytė and Andrius Dauksas. This Board was also the Board of the Former Parent Company before the reorganization. Due to the resignation of Andrius Daukšas since 3 January 2016, the General Shareholders Meeting of 15 January 2016 elected Egidijus Damulis to the Board of the company till the end of office of the current Board.

By the decision of the Board of INVL Baltic Real Estate, Andrius Daukšas was elected to the position of CEO of INVL Baltic Real Estate from 17 August 2015 and held this position till 3 January 2016. Andrius Daukšas also was the CEO of Former Parent Company. Since 4 January 2016 Egidijus Damulis replaced Andrius Daukšas who has submitted a notice of resignation from CEO position.

Alvydas Banys – Chairman of the Board

The term of office	From 2015 untill 2019
Educational background and qualifications	Vilnius Gediminas Technical University. Faculty of Civil Engineering. Master in Engineering and Economics. Junior Scientific co-worker. Economic‘s Institute of Lithuania‘s Science Academy.
Work experience	Since 2013 Invalda LT, AB - Advisor Since 2007 LJB Investments, UAB - Director Since 2007 LJB Property, UAB - Director 1996 – 2006 Invalda, AB - Vice President 1996 – 2007 Nenuorama, UAB – President
Owned amount of shares in INVL Baltic Real Estate, AB 31 December 2015	Personally: 3,318,198 units of shares, 7.68% of authorised capital, 7.68% of votes. Together with controlled company LJB Investments: 16,476,672 units of shares, 38.12% of authorized capital, and 38.12% of votes. Total votes together with other Board members of INVL Baltic Real Estate - 40.12%.
Participation in other companies	Invalda INVL, AB – Chairman of the Board Invalda LT Investments, UAB – Chairman of the Board INVL Baltic Farmland, AB – Chairman of the Board INVL Technology, AB – Member of the Board Litagra, UAB – Member of the Board

Indrė Mišeikytė – Member of the Board

The term of office	From 2015 untill 2019
Educational background and qualifications	Vilnius Gedimino Technical University. Faculty of Architecture. Master in Architecture
Work experience	Since May 2012 Invalda INVL, AB - Advisor Since June 2013 Invalda Privatus Kapitalas, AB – Advisor Since 2002 Inreal Valdymas, UAB - Architect Since 2002 Gildeta, UAB – Architect
Owned amount of shares in INVL Baltic Real Estate, AB 31 December 2015	Personally: 862,873 units of shares, 2% of authorised capital - 2% of votes Total votes together with other Board members of INVL Baltic Real Estate - 40.12%.
Participation in other companies	Invalda INVL, AB – Member of the Board Invalda Privatus Kapitalas, AB – Member of the Board INVL Baltic Farmland, AB – Member of the Board

Andrius Daukšas – Member of the Board, director (till 03.01.2016)

The term of office	From 2015 untill 2016
Educational background and qualifications	Master's degree in banking at the Faculty of Economics of Vilnius University. Financial broker's license (general) No. G311.
Work experience	December 2014 - January 2016 – director at INVL Baltic Real Estate Since March 2010 - investment manager at Invalda INVL 2008-2010 - director of the Treasury Department of the bank Finasta 2004-2008 - an accountant, later - the department manager of securities accounting at FBC Finasta
Owned amount of shares in INVL Baltic Real Estate, AB 31 December 2015	Personally: 0 units of shares, 0.00% of authorised capital and votes. Total votes together with other Board members of INVL Baltic Real Estate – 40.12%.
Participation in other companies	Imoniu Grupe Inservis, UAB - Member of the Board, director Jurita, UAB - Member of the Board Kelio Zenklai, UAB - Chairman of the Board Invaldos Nekilnojamojo Turto Fondas, AB - Chairman of the Board

Egidijus Damulis – Member of the Board (since 15.01.2016), director (since 04.01.2016)

The term of office	From 2016 untill 2019
Educational background and qualifications	ISM University of Management and Economics and BI Norwegian Business School, Executive MBA. Vilnius University International Business School, International Business and Economics. Kaunas University of Technology, Informatics and Digital Technologies. Qualification as a Property and Business Appraiser Assistant.
Work experience	Since January 2016 - INVL Baltic Real Estate – director Since December 2007 - Oslo Namai, UAB – CEO Since August 2008 - Eicore, UAB – CEO Since May 2001 - Selvaag Lietuva, UAB – CEO
Owned amount of shares in INVL Baltic Real Estate, AB 31 December 2015	Personally: 0 units of shares; 0 % of authorised capital and votes. Total votes together with other Board members of INVL Baltic Real Estate – 0 %.
Participation in other companies	Baltic Sea Properties AS - Member of the Board Lithuanian Real Estate Development Association (LNTPA) - Member of the Board

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

12. Information about the Audit Committee of the company.

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

- provide recommendations for the Board of the company with selection, appointment, reappointment and removal of an external audit company as well as the terms and conditions of engagement with the audit company;
- monitor the process of external audit;
- monitor how the external auditor and audit company follow the principles of independence and objectivity;
- observe the preparation process of company's financial reports;
- monitor the efficiency of company's internal control and risk management systems. Once a year review the need of the internal audit function;
- monitor if the company's board and/or managers properly response to the audit firm's recommendations and comments.

The Member of the Audit Committee of INVL Baltic Real Estate, AB may resign from his post before the expiry of term of office, notifying the Board of the company in writing at least 14 calendar days in advance. When the Board of the Company receives the notice of resignation and estimates all circumstances related to it, the Board may pass the decision either to convene the Extraordinary General Shareholders Meeting to elect the new member of the Audit Committee or to postpone the question upon the election of the new member of the Audit Committee until the nearest General Shareholders Meeting. In any case the new member is elected till the end of term of office of the operating Audit Committee.

Procedure of work of the audit committee

The Audit Committee is a collegial body, taking decisions during meetings. The Audit Committee may take decisions and its meeting should be considered valid, when both members of the Committee participate in it. The decision should be passed when both members of the Audit Committee vote for it. The Member of the Audit Committee may express his will – for or against the decision in question, the draft of which he is familiar with – by voting in advance in writing. Voting in writing should be considered equal to voting by telecommunication end devices, provided text protection is ensured and it is possible to identify the signature. The right of initiative of convoking the meetings of the Audit Committee is held by both Members of the Audit Committee. The other Member of the Audit Committee should be informed about the convoked meeting, questions that will be discussed there and the suggested drafts of decisions not later than 3 (three) business days in advance in writing (by e-mail or fax). The meetings of the Audit Committee should not be recorded, and the taken decisions should be signed by both Members of the committee. When both Audit Committee Members vote in writing, the decision should be written down and signed by the secretary of the Audit Committee who should be appointed by the Board of the Company. The decision should be written down and signed within 7 (seven) days from the day of the meeting of the Audit Committee.

The Audit Committee should have the right to invite the Manager of the Company, Member(s) of the Board, the chief financier, and employees responsible for finance, accounting and treasury issues as well as external auditors to its meetings. Members of the Audit Committee may receive remuneration for their work in the committee at the maximum hourly rate approved by the General Shareholders' Meeting.

The General Shareholders Meeting which took place on 10 August 2015 decided to elect Danute Kadanaite, the lawyer at Legisperitus, UAB and Tomas Bubinas (independent member), Chief Operating Officer at Biotechpharma, UAB to the Audit Committee of INVL Baltic Real Estate, AB for the 4 (four) years term of office. They were also the members of the Audit Committee of Former Parent Company.

Danutė Kadanaitė – Member of the Audit Committee

The term of office	Since 2015 until 2019
Educational background and qualifications	2004 – 2006 Mykolas Romeris University. Faculty of Law. Master in Financial Law 2000 – 2004 m. Faculty of Law, BA in Law 1997 International School of Management
Work experience	Since 2009 Lawyer. Legisperitus, UAB 2008 – 2009 Lawyer, Finasta FBC 2008 – Lawyer, Invalda, AB 1999 – 2002 Administrator, Office of Attorney of Law Arturas Sukevicius 1994 – 1999 Legal Consultant, Financial brokerage company Apyvarta, UAB
Owned amount of shares in INVL Baltic Real Estate, AB	-

Tomas Bubinas – Independent Member of the Audit Committee

The term of office	Since 2015 until 2019
Educational background and qualifications	2004 – 2005 Baltic Management Institute (BMI), Executive MBA 1997 – 2000 Association of Chartered Certified Accountants. ACCA. Fellow Member 1997 Lithuanian Sworn Registered Auditor 1988 – 1993 Vilnius University, Msc. in Economics
Work experience	Since 2013 Chief Operating Officer at Biotechpharma, UAB 2010 – 2012 Senior Director, Operations. TEVA Biopharmaceuticals (USA) 2004 – 2010 CFO for Baltic countries. Teva Pharmaceuticals 2001 – 2004 CFO. Sicor Biotech 1999 – 2001 Senior Manager, PricewaterhouseCoopers 1994 – 1999 Senior Auditor, Manager, Coopers & Lybrand.
Owned amount of shares in INVL Baltic Real Estate, AB	-

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

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

During the year 2015 the Members of the Board did not receive dividends or bonuses from the company. There were no assets transferred, no guarantees granted, no bonuses paid and no special payouts made by the company to its managers. The Members of the Board were not granted with bonuses by other companies of INVL Baltic Real Estate, AB group.

INVL Baltic Real Estate, AB group for the company providing accounting services paid EUR 13 thousand during the reporting period (in 2014 – EUR 9 thousand). INVL Baltic Real Estate, AB for the company providing accounting services paid EUR 9 thousand during the reporting period (in 2014 – EUR 7 thousand).

Table 13.1. Information about calculated remuneration for the CEO of the issuer for 2014 – 2015.

	2014	2015
For members of administration (the CEO)	6,623	7,902

IV. Information about the Issuer's and its Group Companies' activity

14. Overview of the Issuer and its group activity

14.1. Operational environment

According to the real estate market report for 2015 prepared by Inreal, UAB, Vilnius stood out in the segment of business centres – five new business centres were opened: Premium, One, Sostena BC, k29, UNIQ. They have supplied the market of modern offices in Vilnius by approx. 37,600 sq.m GLA.

Despite the impressive development of business centres in Vilnius, the overall rate of vacancies decreased from 4.3 percent at the end of 2014 to 3.4 percent at the end of 2015. Lease prices in the largest cities have remained stable in 2015 as Vilnius market satisfies the growing demand by newly developed business centres, and modern office rental market in Kaunas and Klaipeda is not very active.

In 2016, at least 4 new modern business centres will be offered for Vilnius market; they will supply the market with approx. 66,900 sq.m GLA. In early 2017, the market will also be supplied with another 4 business centres, which will offer 47,500 sq.m GLA.

The expectations of warehousing lease segment deteriorated at the end of 2015. The situation remains changeable due to geopolitical tensions between Russia and Western countries. Vilnius has maintained a stable level of vacant premises only, despite the fact that two new logistics centres, which added 14,000 sq.m GLA, were opened in Vilnius in 2015. Vacancy rates in Kaunas and Klaipėda have become worse. There were about 6,330 sq.m of modern warehousing premises vacated in the logistics centre Kaunas Terminal, which is located in the free economic area. Several modern logistics centres offered vacant premises in Klaipėda market. Taking into account the fact that 2 modern logistics centres were being built in Klaipėda and they will supply the market with up to 29,000 sq.m GLA, i.e. up to 24 percent of the entire supply of logistics centres in Klaipėda, it can be expected that the vacancy rate will also be higher in 2016 than in 2015. This, in turn, will increase the pressure on warehouse lessees and impede the expansion of logistics centres.

During 2015 the logistic centres market of Latvia added approx. 110,000 sq.m. GLA. This is the largest space increase since 2009. By the end of 2015, a number of projects were under construction with total volume close to 30,500 sq.m. GLA, most of which were speculative premises and a total of 84,500 sq.m. GLA were at the planning stage in a number of potential properties. The overall rate of vacancies increased from 2.2 percent at the end of 2014 to 5.1 percent at the end of 2015. During 2015, rent rates in industrial premises remained unchanged and for A class industrial premises (located near Riga) stood at 3.5 – 4.5 EUR/sq.m. per month.

Sources:

http://www.colliers.com/-/media/files/emea/latvia/research/2016/latvia_industrial_market_overview_2016.pdf

http://www.inreal.lt/real-estate/en/market-review/2015-2016-lithuanian-economy-and-real-estate-market-report--5217

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

The Company

- On 13 February 2015 AB INVL Baltic Real Estate (code 30329973) announced the unaudited results for 12 months of 2014. Unaudited consolidated net profit as well as consolidated net profit attributable to shareholders of AB INVL Baltic Real Estate (code 30329973) amounted to EUR 0.45 million (LTL 1.56 million) at the end of 2014. Consolidated equity of AB INVL Baltic Real Estate (code 30329973) amounted to EUR 14.5 million (LTL 50.1 million) or EUR 2.06 per share at the end of 2014.
- On 16 March 2015 AB INVL Baltic Real Estate (code 30329973) announced consolidated audited results of INVL Baltic Real Estate group of 2014. At the end of 2014, consolidated net profit as well as consolidated net profit attributable to shareholders of AB INVL Baltic Real Estate (code 30329973) amounted to EUR 0.43 million (LTL 1.5 million).

- On 10 April 2015 AB INVL Baltic Real Estate (code 30329973) announced that on 9th April 2015 signed agreements to increase economic interest in nearby Riga located logistics complex Dommo from 50 to 100 per cent for EUR 3.1 million
- On 30 April 2015 AB INVL Baltic Real Estate (code 30329973) announced decisions of the General Shareholders Meeting. During the meeting of the public joint-stock company AB INVL Baltic Real Estate (code 30329973) the Shareholders were presented with the consolidated annual report and independent auditor's report on the financial statements of AB INVL Baltic Real Estate (code 30329973), approved the consolidated and companies financial statements for 2014, the new wording of AB INVL Baltic Real Estate (code 30329973) and preparation of the reorganization terms of the public joint-stock company INVL Baltic Real Estate (code 30329973). It was also decided to reduce authorized capital and change the par value of one share of INVL Baltic Real Estate (code 30329973) from LTL 1 to EUR 0.29 cents, accordingly changing share capital from LTL 7,044,365 to EUR 2,042,865.85.
- On 30 April 2015 AB INVL Baltic Real Estate (code 30329973) announced the annual information (consolidated and Company's financial statements, consolidated annual report) and the confirmation of responsible persons of INVL Baltic Real Estate (code 30329973) for the year 2014.
- On 12 May 2015 AB INVL Baltic Real Estate (code 30329973) announced that an unaudited consolidated net profit of 3 months of 2015 as well as consolidated net profit attributable to shareholders of INVL Baltic Real Estate (code 30329973) amounted to EUR 276 thousand.
- On 30 June 2015 AB INVL Baltic Real Estate (code 30329973) announced about drawn - up reorganization terms of the public joint - stock company Invaldos Nekilnojamojo Turto Fondas and the public joint - stock company INVL Baltic Real Estate (code 30329973).
- On 2 July 2015 AB INVL Baltic Real Estate (code 30329973) announced that it completed acquisition process and increased share in nearby Riga located logistics complex Dommo from 50 to 100 per cent for EUR 3.1 million.
- On 29 July 2015 AB INVL Baltic Real Estate (code 30329973) announced that in order to ensure the well-organized reorganization process of the public joint stock companies INVL Baltic Real Estate (code 30329973) and Invaldos Nekilnojamojo Turto Fondas, the trading in shares of AB INVL Baltic Real Estate (code 30329973) in NASDAQ Vilnius Stock Exchange is expected to be suspended from 3 August 2015 until the completion of the reorganization.
- On 10 August 2015 AB INVL Baltic Real Estate (code 30329973) announced decisions of the General Shareholders Meeting. During the meeting of the public joint-stock company INVL Baltic Real Estate (code 30329973) the Shareholders decided to reorganize public joint-stock company INVL Baltic Real Estate (code 30329973) in the manner of joining, merging the company into public joint-stock company Invaldos Nekilnojamojo Turto Fondas (code 152105644), which after the reorganization becomes successor to all rights and obligations of the public joint-stock company INVL Baltic Real Estate, including the name, to approve the Terms of Reorganization of public joint-stock company INVL Baltic Real Estate, the New Wording of the company resulting from the reorganization Articles of Association, audit committee formation and rules of activity, the election of members and the setting of remuneration for the independent member of audit committee. Also the Shareholders decided to enter into contract with private limited liability company PricewaterhouseCoopers (code 111473315) for carrying out the audit of 2015, 2016 and 2017 set of annual financial statements, setting 10,550 EUR remuneration for each year of the set of annual financial statements audit, to change the registered office address and to register the office at municipality of Vilnius, Vilnius city, Šeimyniškių str. 1A and to remove the board of the company *in corpore* and to elect Alvydas Banys, Andrius Daukšas and Indrė Mišeikytė as the members of the new board.
- On 14 August 2015 AB INVL Baltic Real Estate announced that an unaudited consolidated net profit as well consolidated net profit attributable to shareholders of INVL Baltic Real Estate amounted to EUR 617 thousand for 6 months of 2015.
- On 17 August 2015 Reorganization of the public joint stock company INVL Baltic Real Estate and the public joint stock company Invaldos Nekilnojamojo Turto Fondas was completed. The public joint stock company INVL Baltic Real Estate was merged into the public joint stock company Invaldos Nekilnojamojo Turto Fondas. The company operating in the market - the public joint-stock company INVL Baltic Real Estate announces that after the completion of reorganization, the Authorized capital and a new wording of the Articles of Association of the company has been registered on 17 August 2015. The company operating in the market - the public joint-stock company INVL Baltic Real Estate security information: shares issued (units) -43,226,252; total voting rights granted by the issued shares (units) – 43,226,252; nominal par value (EUR) – 0.29; authorized capital (EUR) - 12,535,613.08; ISIN code: LT0000127151. Alvydas Banys, Indrė Mišeikytė and Andrius Daukšas were elected to the Board of the public joint stock company INVL Baltic Real Estate. A. Daukšas was appointed as a director of the company.
- On 14 September 2015 the public joint stock company INVL Baltic Real Estate announced that according to the Directors of the Supervisory Authority of the Bank of Lithuania decision the information in INVL Baltic Real Estate and Invaldos Nekilnojamojo Turto Fondas reorganization terms and other documents should be treated as equivalent to information of prospectus. INVL Baltic Real Estate also informed about the decision to apply to NASDAQ Vilnius stock exchange and renew trading in companies shares since 16 September 2015.
- On 17 September 2015 the public joint stock company INVL Baltic Real Estate announced AB investor‘s calendar for the 2015.
- On 2 October INVL Baltic Real Estate announced that is planning to acquire 6,500 square metres of commercial premises at the Vilnius Gates complex in the Lithuanian capital (address: Gynėjų str. 14, Vilnius).

- On 28 August 2015 AB INVL Baltic Real Estate announced decisions of the General Shareholders Meeting. During the meeting of the public joint-stock company INVL Baltic Real Estate the Shareholders decided to increase the authorized capital of the public joint-stock company INVL Baltic Real Estate with additional contributions from EUR 12,535,613.08 to EUR 20,880,000 (the authorized capital will be increased by no more than EUR 8,344,386.92); to withdraw the pre-emptive right of Company‘s shareholders to acquire newly issued ordinary registered shares of the public joint-stock company INVL Baltic Real Estate; to approve the new edition of the Articles of Association (attached) of the public joint-stock company INVL Baltic Real Estate by changing the whole text of the Statute; regarding the application for a licence of the closed-end investment company – to reorganize the activity of the public joint-stock company INVL Baltic Real Estate so it would operate as the closed-end investment company under the Law of the Republic of Lithuania on Collective Investment Undertaking; regarding the takeover bid to purchase the ordinary registered shares of the public joint-stock company INVL Baltic Real Estate – within one month from the General Shareholders Meeting will have to announce a voluntary takeover bid to purchase the rest of the ordinary registered shares of the public joint-stock company INVL Baltic Real Estate (one or several shareholders will have the right to fulfil this duty for the other shareholders); it was also decided to change the registered office of public joint-stock company INVL Baltic Real Estate and to register new address at municipality of Vilnius, Vilnius city, Gynėjų str. 14.
- On 4 November 2015 the Registry of Legal Entities registered the new office address of INVL Baltic Real Estate, a public joint-stock company which invests in real estate. The new registered address of the company is Gyneju St. 14, Vilnius.
- On 6 November 2015 Public joint-stock company INVL Baltic Real Estate received the announcement from public joint-stock company Invalda INVL about the intention to submit a voluntary tender offer for INVL Baltic Real Estate, AB shares.
- On 10 November 2015 INVL Baltic Real Estate announced an unaudited results for 9 months of 2015: the unaudited consolidated net profit of the AB INVL Baltic Real Estate group and the part of profit attributable to the shareholders of AB INVL Baltic Real Estate was EUR 1.87 million;
- On 17 November 2015 INVL Baltic Real Estate announced that Supervision Service of the Bank of Lithuania approved the company’s “Invalda INVL” voluntary tender offer for “INVL Baltic Real Estate” shares.
- On 17 November 2015 INVL Baltic Real Estate announced the opinion of Management Board of the company regarding the tender offer for “INVL Baltic Real Estate”, AB shares.
- On 3 December 2015 INVL Baltic Real Estate informed about the completion of the official tender offer to buy up shares in INVL Baltic Real Estate, AB.
- On 7 December 2015 INVL Baltic Real Estate announced the received Statement on the voluntary official tender offer implementation on behalf of the offer of the public joint-stock company Invalda INVL.
- On 15 December 2015 INVL Baltic Real Estate informed that the CEO of INVL Baltic Real Estate from 4 January 2016 will be Egidijus Damulis.
- On 22 December 2015 INVL Baltic Real Estate announced about the Convocation of the Shareholders Meeting of INVL Baltic Real Estate and draft resolutions. The General Shareholders Meeting of INVL Baltic Real Estate, AB is to be held on 15 January 2016 in the office of Gyneju str. 14, Vilnius, Lithuania. The agenda of the Meeting includes: 1. Approval of the Dividend payment policy of the public joint stock company INVL Baltic Real Estate; 2. Election of the Member of the Board of the public joint stock company INVL Baltic Real Estate.
- On 22 December 2015 INVL Baltic Real Estate announced that on 21 December 2015 the Bank of Lithuania approved the prospectus of issue of INVL Baltic Real Estate AB ordinary registered shares.
- On 22 December 2015 INVL Baltic Real Estate announced that in the new share issue prospectus is disclosed that the value of the investment property owned by the group at the time of approval of the prospectus amounted to EUR 52.267 million.
- On 23 December 2015 INVL Baltic Real Estate announced that instead of interim financial statements the company will publish preliminary operating results and factsheet.
- The investors‘ calendar for 2016 was announced on 23 December: 27 January 2016 – preliminary operating results and factsheet for 12 months of 2015; 10 May 2016 – preliminary operating results and factsheet for 3 months of 2016; 12 August 2016 - Interim information for 6 months of 2016; 3 November 2016 – preliminary operating results and factsheet for 9 months of 2016.

The group

There were no important events in the activities of the real estate companies in 2015. The companies performed usual activity during the reporting period.

INVL BALTIC REAL ESTATE

Key figures of INVL Baltic Real Estate, AB

EUR million	THE GROUP		THE COMPANY	
	31 December 2014	31 December 2015	31 December 2014	31 December 2015
Managed common area	51,776 sq. m	59,876 sq. m	38,700 sq. m.	46,800 sq. m.
Managed rental area	42,076 sq. m	48,476 sq. m	29,000 sq. m.	35,400 sq. m.
The real estate value	33.85	51.75	33.33	43.20
Investments into subsidiaries (including loans granted to subsidiaries)	-	-	-	4.97
Carrying amount of the loans granted for companies in Latvia	4.11	-	-	-
Carrying amount of the loans granted for the Former Parent Company	-	-	1.33	-
Long-term prepayment under the sublease agreement	0.82	0.82	0.82	0.82
Cash	0.36	0.39	0.31	0.29
Other assets	0.47	1.55	0.47	1.39
ASSETS	**39.61**	**54.51**	**36.26**	**50.67**
Equity	14.49	18.59	11.16	17.67
Borrowings from credit institutions	15.29	17.75	15.29	14.84
Borrowings from Invalda INVL	5.21	6.86	5.21	6.86
Payable for Gyneju str.	-	5.62	-	5.62
Deferred tax liability	3.57	4.04	3.57	4.04
Other payables	1.05	1.65	1.03	1.64
TOTAL EQUITY AND LIABILITIES	**39.61**	**54.51**	**36.26**	**50.67**
TOTAL EQUITY FOR ONE SHARE	**EUR 0.34**	**EUR 0.43**	**EUR 0.26**	**EUR 0.41**

Results of INVL Baltic Real Estate, AB

EUR million	THE GROUP		THE COMPANY	
	29.04.2014-31.12.2014	01.01.2015-31.12.2015	01.01.2014-31.12.2014	01.01.2015-31.12.2015
Revenue	**3.51**	**5.69**	**5.35**	**5.40**
rental income from owned premises	*1.74*	*2.96*	2.57	2.67
rental income from subleased premises	*1.10*	*1.65*	1.66	1.65
other revenue	*0.67*	*1.08*	1.12	1.08
Investment property revaluation	**0.04**	**2.17**	**0.09**	**2.17**
Profit before tax	**0.50**	**4.58**	**0.60**	**3.75**
Net profit	**0.43**	**4.10**	**0.50**	**3.28**
Earnings per share	**EUR 0.01**	**EUR 0.09**	**EUR 0.01**	**EUR 0.08**

Financial ratios

	THE GROUP		THE COMPANY	
	2014	2015	2014	2015
Return on Equity (ROE), %	3.03	24.77	4.58	22.77
Return on Assets (ROA), %	1.09	8.70	1.37	7.55
Debt ratio	0.63	0.66	0.69	0.65
Debt – Equity ratio	1.73	1.93	2.25	1.87
Gearing ratio	0.58	0.57	0.64	0.55
Liquidity ratio	0.51	0.22	1.28	0.20
Pre-tax profit margin, %	14.21	80.44	11.15	69.46
Normalized operating profit, thousand EUR	704	1,678	984	1,481
Normalized operating profit margin, %	20.05	29.47	18.39	27.42
Earnings per share (EPS), EUR	0.01	0.09	0.01	0.08
Price to earnings ratio (P/E)	30.00	4.44	-	5.00

15. Employees

There were two employees at INVL Baltic Real Estate, AB in 2015. Invalda INVL, AB provides accounting services for the company. Employment agreement is concluded following the requirements of the Labour Code of the Republic of Lithuania. Employees are employed and laid off following requirements of the Labour Code. There are no special employees' rights and duties described in the employment agreements.

There were 4 employees working at INVL Baltic Real Estate and subsidiary companies on 31 December 2015, and 3 employees – in 2014.

16. Information about agreements of the Company and the members of the Board, or the employees' agreements providing for compensation in case of the resignation or in case they are dismissed without a due reason or their employment is terminated in view of the change of the control of the Company.

There are no agreements of the company and the Members of the Board, or the employees' agreements providing for compensation in case of the resignation or in case they are dismissed without a due reason or their employment is terminated in view of the change of the control of the company.

17. A description of the principal risks and uncertainties

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

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

Potential fluctuations of the value of investment property

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

The recent global sovereign debt crisis could result in higher borrowing costs and more limited availability of credit

Due to on-going recession and financial disturbance in Europe the availability of capital can be limited and therefore the cost of borrowing can increase. Poor economic situation in Greece, Spain, Cyprus and other EU member states might further negatively affect the commercial situation of many banks operating in Europe. In addition, the risk of lower consumer confidence can have an adverse impact on financial markets and economic conditions in the EU and throughout the world and, in turn, the market's anticipation or reflection of these impacts could have a material adverse effect on the Group's business in a variety of ways:

- difficulty or inability to acquire capital for further Group's acquisitions and to cover financial obligations of current debt;
- increased risk of weak financial condition of the Group's debtors resulting from current economic situation, etc.

Macroeconomic environment

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

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

Eurozone risk

Recent turmoil related to some of the Eurozone economies may affect the Group's operating environment, either directly or indirectly through common currency and monetary policy changes. Prolonged and deep national budget deficits of certain Eurozone countries may adversely impact all the area's attractiveness. Full or partial collapse of the Eurozone might have a material impact on the Group's business.

Cyclicality of the real estate sector

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

Risks relating to doing business in the Baltic States

Lithuanian, Latvian and Estonian markets as emerging markets are subject to greater risks than more mature markets, including legal, economic and political risks. Lithuania, Latvia and Estonia have experienced significant political, legal and economic changes and liberalization during the last two decades of transition from the planned economy to a market economy.

For the purposes of accession to the EU, Lithuania, Latvia and Estonia implemented significant social and economic changes, as well as reforms of their legal and regulatory framework. As a result, the volume of Lithuanian, Latvian and Estonian legislation and other regulations has increased and is expected to increase further pursuant to the obligation to apply European Community law.

Lithuanian, Latvian and Estonian civil codes and corporate, competition, securities, environmental and other laws have been substantially revised during the last two decades as part of Lithuania's, Latvia's and Estonia's transition to a market economy and to meet EU requirements and standards. The new legislation remains in part largely untested in courts and no clear administrative or judicial practice has evolved.

Competition

The Group is operating in a competitive environment with high number of other companies engaged in the real estate development in the Baltic States. Even though market downturn in 2008-2010 has somewhat decreased the competitive pressure, there are still some relatively well capitalized competitors who can pursue development projects (i.e. to commence constructing and to proceed with the announced projects, as well as to implement new projects) that might compete with the Group's developments.

Recent increase in real estate market activity and improved availability of financing has had a positive effect on some of the Group's competitors who have started the development of some of the new projects in their portfolios. Recent pick-up in market activity has also increased the interest of some of the international investors in the Baltic real estate increasing the risk that some of the competitive projects will obtain the necessary funding. Sales of seized recently developed properties by some of the commercial banks in the Baltic States might also compete with the Group's developments.

Profitability of the Group's future developments and new acquisitions can be significantly impacted by increase of renovation and construction costs if competitors will pursue their developments. Additionally, if competitors will commence intended and announced projects the competition for tenants and marketing related costs will also increase. All of the above aspects related to the competitive landscape of the Group's industry might have an adverse effect on the Group's business, results of operations, financial condition and profitability.

Changes in customer preferences

Real estate sub-markets where the Group is operating in (commercial real estate) are subject to changing customer trends, demands and preferences. In particular, customer trends, demands and preferences may vary depending on economic factors, as well as customer preferences for the style of developments. The Group reassesses different risks, including potential changes in customer preferences, at different phases of a project. Should the Group find changes in customer preferences or other potential threats to the profitability of a project, the Group tries to adjust the project outline to meet the changed market expectations. However, there can be no assurance that the Group will be able to recognise such changes and adapt its existing developments or planned developments in timely fashion to suit such changes in customer preferences. If customer preferences in the markets where the Group operates cease to favour the Group's developments, this could have an adverse effect on the business, results of operations and financial condition of the Group.

Inflation

The upcoming years may entail considerable inflation. Relevant expenses of the Group, e.g., repair & maintenance and administrative services that are being outsourced to third party companies, are closely related to the general price level. Growing inflation may prevent the businesses from changing the rental prices respectively to preserve the existing profit margin or may even lead to losses. Thus, the Group's expenditures would increase considerably due to inflation and the Issuer would have to cover its increased costs from internal resources, unless it manages to increase rent prices. Thus, strong inflation may have a considerable adverse influence on the Group's financial situation and business results.

Increase of salaries

The Group is dependent on administrative services which are labour cost sensitive. Though workforce is cheaper in Lithuania and in Latvia than in western EU Member States, the difference should decrease constantly as the Lithuanian and Latvian economies are catching up with the average of the EU. Willing to remain competitive and retain its relations with administrators, contractors and other third parties the Issuer may be forced to increase its expenses on administrative services at a faster pace than it used to do previously. If the Issuer fails to retain healthy relations with third party service providers by increasing these costs, this may have a considerable adverse effect on the Issuer's financial situation and business results.

Catastrophic events, terrorist attacks, acts of war, hostilities, riots, civil unrest, pandemic diseases and other unpredictable events may materially adversely affect the Group

Catastrophic events, terrorist attacks, acts of war or hostilities, riots, civil unrest, pandemic diseases and other similarly unpredictable events, and responses to those events or acts, may reduce the number of workable days and therefore prevent the Group, its employees and service companies from being able to provide services to its customers.

Those events and acts may also create economic and political uncertainties which may have an adverse effect on the economic conditions. Such events and acts are difficult to predict and may also affect employees, property manager and other service companies. If the Group's business continuity plans do not fully address such events or cannot be implemented under the circumstances, it may incur losses. Unforeseen events can also lead to lower revenue or additional operating costs, such as fixed employee costs not recovered by revenue due to inability to deliver services, higher insurance premiums and the implementation of redundant back-up systems. Insurance coverage for certain unforeseeable risks may also be unavailable. A materialisation of these risks may have a material adverse effect on the Group's business, results of operation or financial condition.

Risk Factors Characteristic of the Group

Dependence on external financing

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

Transactions with related parties

There are quite a few transactions with related parties. Detailed information about such transactions is presented in Note 24 *Related Party Transactions* of annual financial statement for the year ended 31 December 2015. Following applicable taxation legislation, transactions with related parties must be conducted at arm's length. In spite of the fact that the Company's Management uses all efforts in order to ensure the conformity with the above-mentioned standard, a theoretical taxation risk remains here, i.e. the risk that applicable taxes will be calculated according to prices applicable at arm's length in case it is determined that certain transactions were conducted disregarding this principle, also the risk that relevant fines and default interest will be imposed. Besides, neither the Company nor its Subsidiaries have approved their transfer pricing policy.

The Group is exposed to various risks due to long duration of real estate development projects

The core business of the Group is to ensure steady return from the current portfolio of assets. However, in order to achieve that the Group has to work on real estate development projects. The process of real estate development from the identification of the potential project to the disposal of the developed property usually lasts several years. Accordingly, the Group's acquisition and development activities are subject to significant risks of non-completion and loss due to:

- changing market conditions, which may result in diminished opportunities for acquiring desired properties, higher than expected development costs, lower than expected rental rates and lower than expected disposal prices;
- competition from other market participants, which may diminish the Group's opportunities for acquiring desired properties on favourable terms or at all;
- the Group's inability to acquire land at commercially acceptable terms or obtain detailed planning, including construction rights to the acquired land;
- budget overruns and completion delays;
- the Group's potential inability to obtain financing on favourable terms or at all for individual projects or in the context of multiple projects being developed at the same time;
- failure to meet the covenants in financing agreements, which may result in the lenders accelerating the repayments of loans under cross-default provisions;
- defects in the legal title to land acquired by the Group, or defects in approvals or other authorisations relating to land held by the Group;
- defects in acquired or developed properties, including latent defects in construction work that may not reveal themselves until many years after the Group has put a property in service and potential environmental damages;
- potential significant amendments to the existing governmental rules and regulations or fiscal or monetary policies or introducing of a new governmental rules and regulations or fiscal or monetary policies applicable to the Group's existing and future operations;
- potential liabilities relating to the acquired land (incl. for example obligation to make certain investments and potential environmental damages), properties or entities owning properties for which the Group may have limited or no recourse;
- property appraisers use assumptions, which are not stable and subject to changing market conditions which leads to fluctuations in property values.

Although many of these risks are beyond the control of the Group, any negative change in one or more of the factors listed above could adversely affect the business, results of operations and financial condition of the Group.

Dependence on small number of large projects

A small number of large projects in or near the capital cities of Lithuania and Latvia form substantially all of the Group's development business. Concentration of large projects may increase the volatility of the Group's results and increase its exposure to risks attaching to individual projects. Larger projects may also lead to proportionally larger cost overruns, which may negatively affect the Group's operating margins. Geographic focus on capital cities of Lithuania and Latvia makes the Group vulnerable in case of a downturn in the property market in any of those cities.

Management believes that relatively few major projects in a limited number of geographic locations will continue representing a major part of the Group's business in the foreseeable future. If the Group fails to achieve the expected margins or suffers losses on one or more of these large projects or if the property markets significantly deteriorate in Riga or Vilnius, this could have a material adverse effect on the Group's results of operations or financial condition.

Inaccuracy of the forecasts

The Group's profitability partly depends on its ability to forecast market prices, rents, property related costs, anticipated working capital needs, availability of financing, property values, etc. In connection with the Group's acquisition of property for its development business, the Group bases the purchase prices it agrees for the property in part on projections of development costs, property values at the time of sale, future market rents, availability of financing and anticipated working capital etc. If the Group's projections are inaccurate, it could experience lower profits, which could have a material adverse effect on its results of operations and financial condition.

Lack of insurance cover and specific reserves for indemnifying damages

The properties belonging to the Group could suffer physical damage caused by natural disasters, fire or other causes, resulting in losses which may be not fully compensated by insurance. The Group has obtained insurance coverage for its properties, which it believes to be in line with standard industry practice. The insurance covers, for example, losses and liability resulting from fire, break-in, diffusion, robbery, vandalism, pipe leakages, lightning, explosion, implementation of the extinguishing system storm, etc.

However, liability insurance aimed to cover damage caused to third parties is only some of the Group Subsidiaries' insurance policies. A number of the Subsidiaries have valid business interruption insurance. However, insurance coverage is subject to limits and limitations and some risks (e.g. certain natural disasters and terrorist acts) are not covered by insurance for various reasons (e.g. because such risks are uninsurable or the cost of insurance is, according to Management's belief, prohibitively high when compared to risk).

Even if the insurance is adequate to cover Group's direct losses, the Group could be adversely affected by loss of earnings caused by or relating to its properties. The occurrence of any of the above referred harmful effects or insufficient insurance coverage may have a material adverse effect on the business, results of operations and financial conditions of the Group. This *inter alia* means that the Group could:

- lose capital invested in the affected property as well as anticipated future lease income or sale proceeds from that property;
- be held liable to repair damage caused by the event; and
- remain liable for any debt or other financial obligation related to that property.

In addition to that the Group does not maintain separate funds nor does it set aside reserves for the above-referred types of events.

Risk related to lease agreements

The Group's lease agreements could be divided into two categories: non-cancellable fixed-term lease agreements and cancellable lease agreements entered into for an unspecified term. For the cancellable lease and sublease agreements, tenants must notify the administrator 3–6 months in advance, if they wish to cancel the rent agreement and have to pay 3–12 months' rent fee penalty for the cancellation. According to non-cancellable lease and sublease agreements tenants must pay the penalty equal to rentals receivable during the whole remaining lease period.

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

Reliance on the administrator of the Company's property

On 2 January 2013 the Company has entered into an agreement with a third party for property management and administration services on part of Company's asset portfolio. Under this agreement the third party, as an administrator of the property, is committed to increase Company's value and maintain high quality of service for buildings' tenants and employees. In case of change in administrative prices in the market, new contracts under less favourable conditions can be entered into with administrator, which may directly influence the increase in Company's costs.

Possible future reliance on the asset management company

In the future the Company plans to apply for a closed-end investment company licence and it would make the Company dependent on the performance of the asset management company. This would also include dependence on its ability to attract talents and maintain strong management team.

Group's liquidity

The values of the Current ratio of the Group as of 31 December 2015 are 0.2 and (as of 31 December 2014 –0.5). Therefore, a risk remains that circumstances could appear in which the Company would fulfil its current obligations only partially.

The values of the Debt to Equity ratio and the Debt ratio of the Group as of 31 December 2015 are 1.93 and 0.66 respectively (as of 31 December 2014 – 1.73 and 0.63 respectively). There is a risk that the Group could reach such a level of liabilities, where credit institutions would lend funds to the Group under less favourable conditions than they lend on the date of the Prospectus. Appearance of such circumstances could have an adverse effect on the Issuer's possibilities to raise borrowed funds for its investments.

Interest rate risk

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

Credit risk

The Group seeks to lease its owned real estate at the highest possible price. However, there is a risk that tenants will not fulfil their obligations, which can have a significant adverse effect on performance and financial situation of the Group. Large parts of undue liabilities in time may cause disturbances in the activities of the Group; there might be a need to seek additional sources of financing, which may be not always available. Although the Group continuously monitors payment behaviour of its tenants, however, there is no assurance that this risk could be managed.

Moreover, in addition to contractual monetary obligations, the tenants may be not able to compensate the Group for the damages caused as a result of breaches of their non-monetary obligations. Such defaults by tenants could *inter alia* result in the Group companies defaulting under their other contracts and being obliged to pay compensation to their other counterparties without being respectively compensated by the tenants that initially defaulted, which could have a material adverse effect on the Group's business, results of operations and financial condition.

Furthermore, the Group has an agreement with Inreal Valdymas UAB, which provides property management services to the Group on part of its assets. The rent income and related revenues from the Group's owned properties are collected through this entity, which issues the invoices for rent and related services to tenants at the end of each month. Therefore, the Group has significant concentration of credit risk with respect to this entity. This third party accounted for approximately 50% and 81% of the total Group's trade and other receivables as at 31 December 2015 and 31 December 2014, respectively.

The Group also bears the risk of holding funds in bank accounts or investing in short-term financial instruments. Currently short-term financial instruments are not purchased, excess funds are held in bank accounts or used to cover liabilities of the Group.

Reorganisation risk

The Company after the reorganisation – the Merger of Former Parent Company with the Company (previous name – Invalda nekilnojamojo turto fondas AB), which continues its activities after the Merger, took over all the assets, equity and liabilities of the Former Parent Company. For any and all the obligations of the Former Parent Company after the reorganisation, the Company took responsibility.

Total investment risk

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

Investments illiquidity risk

There is a risk of incurring losses by the Group due to low liquidity of the real estate market, when it becomes difficult to sell the assets, held by the Group at the desired time and at the desired price. In order to manage this risk, the Management keeps monitoring the real estate market, prepares in advance for property sales process, thereby reducing the liquidity risk. Disregarding the above, there can be no assurance that this risk would be fully eliminated.

Leverage risk

Leverage risk is associated with potential decrease in real estate market value, which was acquired using the borrowed funds of the Group. The higher the leverage used, the greater the likelihood of this risk.

Dependence on tenants

If the Group fails to achieve expected revenue from the rental of buildings or maintain high employment rate, it may be faced with permanent non-reimbursable cost problem of tenants. This risk may appear due to dramatic increase in rented accommodation supply and a drop in demand, fall in rents, etc. Failing to lease space under expected price/volume or termination of leases by the current tenants, could cause corporate earnings to be reduced without a change in fixed costs. Accordingly, the profits could also fall.

Sub-lease agreement risk

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

The Group's reputation may be damaged

The Group's ability to attract purchasers of property, attract and retain tenants, raise the necessary financing for the development projects as well as retain personnel in its employment may suffer if the Group's reputation is damaged. Matters affecting the Group's reputation may include, among other things, the quality and safety of its premises and compliance with laws and regulations. Any damage to the Group's reputation due to, for example, including but not limited to the aforementioned matters, may have a material adverse effect on the business, results of operations and financial condition of the Group.

Dependence on IT systems

The Group is dependent on a variety of 3rd party developed and used IT systems and web-based solutions for operations, including internal accounting and management information systems, handling of customer and tenant information, project designs and specifications, and general administrative functions. Failures or significant disruptions to the 3rd parties' IT systems could prevent them from providing their services to the Group efficiently. Furthermore, should the 3rd parties experience a significant security breakdown or other disruption to their IT systems, sensitive information could be compromised and their operations could be disrupted which in turn could harm Group's relationship with its customers and suppliers, or otherwise have a material adverse effect on the Group's business, results of operations and financial condition.

Risk Factors Related to the Company's Shares

The price of the Company's Shares may fluctuate significantly

The trading prices of the Shares may be subject to significant price and volume fluctuations in response to many factors including, but not limited to:

- variations in the Group's operating results and those of other companies operating in sectors, in which the Group is active;
- negative research reports or adverse brokers comments;
- future sales of Shares owned by the Issuer's significant shareholders, or the perception that such sales will occur;
- general economic, political or regulatory conditions in Lithuania or in the sector, in which the Group is active generally; and
- price and volume fluctuations on Nasdaq or other stock exchanges, including those in other emerging markets.

Fluctuations in the price and volume of the Shares may not be correlated in a predictable way to the Group's performance or operating results.

Turmoil in emerging markets could cause the value of the Shares to suffer

Financial or other turmoil in emerging markets has in the recent past adversely affected market prices in the world's securities markets for companies operating in the affected developing economies. There can be no assurance that renewed volatility stemming from future financial turmoil, or other factors, such as political unrests that may arise in other emerging markets or otherwise, will not adversely affect the value of the Shares even if the Lithuanian economy remains relatively stable.

The market value of Shares may be adversely affected by future sales or issues of substantial amounts of Shares

All the Shares of the Company may be provided for sale without any restrictions and there can be no assurance as to whether or not they will be sold on the market.

The Company cannot predict what affect such future sales or offerings of Shares, if any, may have on the market price of the Shares. However, such transactions may have a material adverse effect, even if temporary, on the market price of the Shares. Therefore, there can be no assurance that the market price of the Shares will not decrease due to subsequent sales of the Shares held by the existing shareholders of the Company or a new Share issue by the Company.

The marketability of the Shares may decline and the market price of the Company's Shares may fluctuate disproportionately in response to adverse developments that are unrelated to the Company's operating performance

The Company cannot assure that the marketability of the Shares will improve or remain consistent. Shares listed on regulated markets, such as Nasdaq, have from time to time experienced, and may experience in the future, significant price fluctuations in response to developments that are unrelated to the operating performance of particular companies. The market price of the Shares may fluctuate widely, depending on many factors beyond the Company's control. These factors include, amongst other things, actual or anticipated variations in operating results and earnings by the Group companies and/or their competitors, changes in financial estimates by securities analysts, market conditions in the industry and in general the status of the securities market, governmental legislation and regulations, as well as general economic and general market conditions, such as recession. These and other factors may cause the market price and demand for the Shares to fluctuate substantially and any such development, if adverse, may have an adverse effect on the market price of the Shares which may decline disproportionately to the Group companies' operating performance. The market price of the Shares is also subject to fluctuations in response to further issuance of Shares by the Company, sales of Shares by the Company's existing shareholders, the liquidity of trading in the Shares and capital reduction or purchases of Shares by the Company as well as investor perception.

There is no guarantee that the Company will pay dividends in the future

INVL Baltic Real Estate, AB on 15 January 2016 approved a dividend policy which stipulates the minimum payment of yearly EUR 0.012 dividends per Share (3 percent of the Offer Price). Dividends could be increased depending on the free cash flow of the Company and funds needed for investment projects.

However, there is a risk that the dividends will not be paid if the company's financial results will not be good enough to pay out the provided dividends, there will be lack of working capital for them to pay or the dividend payout rates provided by the bank will not be carried out.

Liquidity of the Issuer's Shares is not guaranteed

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

Large shareholders' risk

81.5 percent of Shares and voting rights granted thereby are held by five Major Shareholders: LJB investments UAB – 20.0 percent, Irena Ona Miseikiene – 19.0 percent, Invalda INVL AB – 32.1 percent, Lucrum investicija UAB – 5.4 percent (of votes), Alvydas Banys – 5.0 percent. Voting of the shareholders mentioned above will influence the election of the members of the Management Board, essential decisions regarding the management, operations and financial position of the Company. There is no guarantee that the Major Shareholders' decisions will always coincide with the opinion and interest of the minority shareholders. Major Shareholders (or several of them) have also the possibility to block the proposed decisions of other shareholders of the Company.

Legal and Taxation Risk Factors

Legal requirements and regulations of the markets, in which the Group operates, may be changed

If the Group fails to adapt itself in time to new requirements of legal acts or decisions regulating issues specified above, fines may be imposed, the Group's activities may be restricted, etc., which can have a relevant effect on its activities and business prospects, call for unexpected expenses necessary for fulfilment of certain obligations or for payment of fines.

Besides, in case of changes in legal acts or the state taxation policy with regard to equities, the attractiveness of the Company's Shares may change. This may lead to reduction of liquidity and/or the price of the Company's Shares.

Issuer does not fully comply with Nasdaq Corporate Governance Code

The Issuer does not fully comply with Nasdaq Corporate Governance Code: it has not formed the Nomination and Remuneration Committee, the collegial bodies of the Issuer do not conduct the assessment of their activities every year, no public statements are made regarding the Company's remuneration policy, etc.

Tax contingencies and uncertain tax positions

Lithuanian tax legislation which was enacted or substantively enacted at the end of the reporting period may be subject to varying interpretations. Consequently, tax positions taken by the Management and the formal documentation supporting the tax positions may be successfully challenged by relevant authorities. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years proceedings the year of review. The Management is not aware of any circumstances that could lead to significant tax charges and penalties in the future that have not been provided for or disclosed in these financial statements. The Group's uncertain tax positions are reassessed by the Management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by the Management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognized based on the Management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Possible change of the legal status of the Company

Following the decision of the General Meeting of the Company, dated 28 October 2015, it was *inter alia* decided to reorganize the activities of the Company so that it would operate as the closed-end investment company under the Law on Collective Investment Undertakings.

The Company intends to apply for a closed-end investment company license, to be issued by the LB. If the licence is issued, this would lead to changes in the protection of Company's shareholders and certain operating restrictions, as established in the Law on Collective Investment Undertakings, e.g. the Shares of the Company will be replaced with investment units, the Company will be entitled to invest the managed funds, certain limitations of the applicable laws shall be applied to the Company with regards its investments, their diversification, etc. Furthermore, the Company's operating expenses might be increased because of the requirements to conduct periodic property's assessment, protect the Company's property in the depository and other.

18. Significant investments made during the reporting period

INVL Baltic Real Estate, AB completed acquisition process and increased share in nearby Riga located logistics complex Dommo from 50 to 100 per cent for EUR 3.1 million. The payment for deal process was completed on 2 July 2015. Complex Dommo, which 100 per cent is now owned by INVL Baltic Real Estate, owns 12,800 square meters logistics centre and 58 hectares of land.

On 1 October 2015 INVL Baltic Real Estate, AB has signed an agreement and acquired 6,400 sq.m. of commercial premises at the Vilnius Gates complex (address: Gynėjų str. 14) with 0.26 hectares of land and 1,683 sq. m. of parking area. The transaction value is EUR 7.5 million, partly funded by the Šiaulių bankas, AB, which has granted EUR 4.5 million loan, and investment company Invalda INVL, AB, which has lent INVL Baltic Real Estate, AB EUR 2.2 million.

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

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

20. Information on the related parties’ transactions

Information on the related parties’ transactions is disclosed in consolidated annual financial statements’ 24 point of explanatory notes for the year of 2015.

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

- On 13 January 2016 INVL Baltic Real Estate published the presentation of the new issue of shares for the investors.
- On 15 January 2016 INVL Baltic Real Estate announced decisions of the General Shareholders Meeting. During the meeting of the public joint-stock company INVL Baltic Real Estate the Shareholders approved the dividend policy and elected Egidijus Damulis, who replaced the resigned member Andrius Daukšas, to the Board of the company till the end of office of the current Board.
- On 27 January 2016 the company announced preliminary operating results and factsheet for 12 months of 2015. Unaudited consolidated net profit of the AB INVL Baltic Real Estate company group and the part of profit attributable to the shareholders of AB INVL Baltic Real Estate was EUR 4.1 million.
- On 29 January 2016 INVL Baltic Real Estate informed about the completed EUR 7.5 million transaction to acquire 6,500 square metres of commercial and office premises at the Vilnius Gates complex.
- On 2 March 2016 INVL Baltic Real Estate announced that has signed a market-making agreement with Šiaulių Bankas, which has undertaken to act as market maker for the company‘s shares to increase their liquidity.
- On 7 March 2016 INVL Baltic Real Estate announced the notification on the final number of allocated shares and allocation thereof.
- On 9 March 2016 INVL Baltic Real Estate informed that on 8 March 2016 the increased authorized capital of the Company and its new wording of Articles of Association has been registered with the Register of Legal Entities.
- On 14 March 2016 INVL Baltic Real Estate announced the received Notifications about acquisition and disposal of voting rights.
- On 18 March 2016 INVL Baltic Real Estate announced about the cost of Public Offering.

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

22.1. Evaluation of implementation of goals for 2015

The reorganization of INVL Baltic Real Estate, AB and Invaldos nekilnojamojo turto fondas, AB allowed to simplify the group structure. The company continues to concentrate on a long term goals to increase value and maximise returns to investors.

22.2. Activity plans and forecasts

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

V. Other Information

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

All data is presented in consolidated and company’s financial statements’ 24 point of explanatory notes.

24. Information on Audit Company

The company have not approved criteria for selection of the audit company. The audit of the annual financial statements of the company for the financial year of 2015 was provided by the audit company PricewaterhouseCoopers. During the General Shareholders' Meeting of the company, held on 10 August 2015, the audit company PricewaterhouseCoopers, UAB was elected to provide audit services on annual financial statements of the company for the financial year of 2015, 2016, 2017. It was decided to set remuneration of EUR 10,550 thousand plus VAT for the audit of the annual financial statements.

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

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

25. Data on the publicly disclosed information

The information publicly disclosed by INVL Baltic Real Estate, AB during 2015 is presented on the company's website www.bre.invl.com.

Table 25.1. Summary of publicly disclosed information

Date of disclosure	Brief description of disclosed information
2015.01.16	Notification on transaction concluded by manager of the company
2015.01.19	Notification about disposal and acquisition of voting rights
2015.01.23	Notification on transaction concluded by manager of the company
2015.01.26	Notification on transaction concluded by manager of the company
2015.01.30	Notification on transaction concluded by manager of the company
2015.02.06	Notification on transaction concluded by manager of the company
2015.02.12	Notification on transaction concluded by manager of the company
2015.02.13	Unaudited results of INVL Baltic Real Estate for 12 months of 2014
2015.02.20	Notification on transaction concluded by manager of the company
2015.02.27	Notification on transaction concluded by manager of the company
2015.03.06	Notification on transaction concluded by manager of the company
2015.03.16	Audited results of INVL Baltic Real Estate group of 2014
2015.03.17	Notification on transaction concluded by manager of the company
2015.04.03	Convocation of the Shareholders Meeting of INVL Baltic Real Estate and draft resolutions
2015.04.03	Notification on transaction concluded by manager of the company
2015.04.10	INVL Baltic Real Estate increases its share in Latvian Dommo to 100 per cent
2015.04.10	Notification on transaction concluded by manager of the company
2015.04.17	Notification on transaction concluded by manager of the company

2015.04.24	Notification on transaction concluded by manager of the company
2015.04.29	Notification on transaction concluded by manager of the company
2015.04.30	Resolutions of the Shareholders Meeting of INVL Baltic Real Estate, AB
2015.04.30	Annual information of the public joint - stock company INVL Baltic Real Estate for 2014
2015.05.08	Notification on transaction concluded by manager of the company
2015.05.12	Unaudited results of INVL Baltic Real Estate for 3 months of 2015
2015.05.22	Notification on transaction concluded by manager of the company
2015.05.29	Notification on transaction concluded by manager of the company
2015.06.05	Notification on transaction concluded by manager of the company
2015.06.12	Notification on transaction concluded by manager of the company
2015.06.19	Notification on transaction concluded by manager of the company
2015.06.30	Notification on the drawn-up reorganization terms of Invaldos Nekilnojamojo Turto Fondas, AB and INVL Baltic Real Estate, AB
2015.07.02	INVL Baltic Real Estate increased economic interest in Latvian Dommo to 100 per cent
2015.07.03	Notification on transaction concluded by manager of the company
2015.07.10	Convocation of the Shareholders Meeting of INVL Baltic Real Estate and draft resolutions
2015.07.10	Notification on transaction concluded by manager of the company
2015.07.17	Notification on transaction concluded by manager of the company
2015.07.23	Notification on transaction concluded by manager of the company
2015.07.29	Trading in INVL Baltic Real Estate shares is expected to be suspended starting from 3 August 2015
2015.07.29	Notification on transaction concluded by manager of the company
2015.08.03	Notification on transaction concluded by manager of the company
2015.08.10	Resolutions of the Shareholders Meeting of INVL Baltic Real Estate, AB
2015.08.14	Unaudited results of INVL Baltic Real Estate for 6 months of 2015
2015.08.17	Reorganization of INVL Baltic Real Estate, AB and Invaldos Nekilnojamojo Turto Fondas, AB has been completed, the Articles of Association of INVL Baltic Real Estate has been registered
2015.09.14	Regarding information in INVL Baltic Real Estate and Invaldos Nekilnojamojo Turto Fondas reorganization terms and other documents to be equivalent to information of prospectus
2015.09.17	INVL Baltic Real Estate, AB investor‘s calendar for the 2015
2015.10.02	INVL Baltic Real Estate Buys 6,500 m2 Portion of Vilnius Gates
2015.10.06	Convocation of the Shareholders Meeting of INVL Baltic Real Estate and draft resolutions
2015.10.09	Notification on transaction concluded by manager of the company
2015.10.16	Notification on transaction concluded by manager of the company
2015.10.28	Resolutions of the Shareholders Meeting of INVL Baltic Real Estate, AB
2015.11.05	Notification on the registration of the new office address of the public joint-stock company INVL Baltic Real Estate
2015.11.06	Announcement about the intention to submit a voluntary tender offer for INVL Baltic Real Estate, AB shares
2015.11.10	AB INVL Baltic Real Estate unaudited interim report for 9 months of 2015

2015.11.17	"INVALDA INVL" voluntary tender offer for "INVL Baltic Real Estate" shares is approved
2015.11.17	Boards of INVL Baltic Real Estate, AB opinion regarding tender offer
2015.12.03	On the completion of the official tender offer to buy up shares in INVL Baltic Real Estate AB
2015.12.07	On the statement of the official tender offer implementation
2015.12.07	Notification on transaction concluded by manager of the company
2015.12.11	Notification on transaction concluded by manager of the company
2015.12.15	INVL Baltic Real Estate's CEO from 4 January 2016 will be Egidijus Damulis
2015.12.18	Notification on transaction concluded by manager of the company
2015.12.22	Convocation of the Shareholders Meeting of INVL Baltic Real Estate and draft resolutions
2015.12.22	Approved prospectus of share issue of INVL Baltic Real Estate AB
2015.12.22	Value of INVL Baltic Real Estate investment property – EUR 52.3 million
2015.12.23	Regarding the announcement of interim financial information
2015.12.23	INVL Baltic Real Estate, AB investor's calendar for the 2016
2015.12.28	Notification on transaction concluded by manager of the company

Table 25.2. Summary of the notifications on transactions in INVL Baltic Real Estate, AB shares concluded by managers of the Company during 2015.

Date	Person	Number of securities	Security price (EUR)	Total Value of transaction (EUR)	Form of transaction	Type of transaction	Place of transaction	Form of settlement
12.01.2015	Invalda LT, AB	325	1.84	598.00	acquisition	Share sale-purchase	AUTO	money
13.01.2015	Invalda LT, AB	21	1.84	38.64	acquisition	Share sale-purchase	AUTO	money
13.01.2015	Invalda LT, AB	221	1.84	406.64	acquisition	Share sale-purchase	AUTO	money
14.01.2015	Invalda LT, AB	116	1.84	213.44	acquisition	Share sale-purchase	AUTO	money
22.01.2015	Invalda LT, AB	47	1.84	86.48	acquisition	Share sale-purchase	AUTO	money
23.01.2015	Invalda LT, AB	300	1.84	552.00	acquisition	Share sale-purchase	AUTO	money
27.01.2015	Invalda LT, AB	87	1.84	160.08	acquisition	Share sale-purchase	AUTO	money
27.01.2015	Invalda LT, AB	98	1.84	180.32	acquisition	Share sale-purchase	AUTO	money
27.01.2015	Invalda LT, AB	34	1.84	62.56	acquisition	Share sale-purchase	AUTO	money
28.01.2015	Invalda LT, AB	464	1.84	853.76	acquisition	Share sale-purchase	AUTO	money
29.01.2015	Invalda LT, AB	109	1.84	200.56	acquisition	Share sale-purchase	AUTO	money
03.02.2015	Invalda LT, AB	21	1.84	38.64	acquisition	Share sale-purchase	AUTO	money

Date	Person	Number of securities	Security price (EUR)	Total Value of transaction (EUR)	Form of transaction	Type of transaction	Place of transaction	Form of settlement
05.02.2015	Invalda LT, AB	34	1.84	62.56	acquisition	Share sale-purchase	AUTO	money
06.02.2015	Invalda LT, AB	101	1.84	185.84	acquisition	Share sale-purchase	AUTO	money
06.02.2015	Invalda LT, AB	1	1.84	1.84	acquisition	Share sale-purchase	AUTO	money
09.02.2015	Invalda LT, AB	38	1.84	69.92	acquisition	Share sale-purchase	AUTO	money
09.02.2015	Invalda LT, AB	89	1.84	163.76	acquisition	Share sale-purchase	AUTO	money
11.02.2015	Invalda LT, AB	111	1.84	204.24	acquisition	Share sale-purchase	AUTO	money
12.02.2015	Invalda LT, AB	77	1.84	141.68	acquisition	Share sale-purchase	AUTO	money
12.02.2015	Invalda LT, AB	88	1.84	161.92	acquisition	Share sale-purchase	AUTO	money
12.02.2015	Invalda LT, AB	64	1.84	117.76	acquisition	Share sale-purchase	AUTO	money
19.02.2015	Invalda LT, AB	218	1.85	403.30	acquisition	Share sale-purchase	AUTO	money
23.02.2015	Invalda LT, AB	14	1.85	25.90	acquisition	Share sale-purchase	AUTO	money
25.02.2015	Invalda LT, AB	404	1.85	747.40	acquisition	Share sale-purchase	AUTO	money
27.02.2015	Invalda LT, AB	2	1.85	3.70	acquisition	Share sale-purchase	AUTO	money
05.03.2015	Invalda LT, AB	27	1.85	49.95	acquisition	Share sale-purchase	AUTO	money
12.03.2015	Invalda LT, AB	31	1.85	57.35	acquisition	Share sale-purchase	AUTO	money
02.04.2015	Invalda LT, AB	93	1.85	172.05	acquisition	Share sale-purchase	AUTO	money
02.04.2015	Invalda LT, AB	59	1.85	109.15	acquisition	Share sale-purchase	AUTO	money
08.04.2015	Invalda LT, AB	42	1.85	77.70	acquisition	Share sale-purchase	AUTO	money
09.04.2015	Invalda LT, AB	25	1.85	46.25	acquisition	Share sale-purchase	AUTO	money
10.04.2015	Invalda LT, AB	185	1.85	342.25	acquisition	Share sale-purchase	AUTO	money
13.04.2015	Invalda LT, AB	69	1.85	127.65	acquisition	Share sale-purchase	AUTO	money
15.04.2015	Invalda LT, AB	396	1.85	732.60	acquisition	Share sale-purchase	AUTO	money
15.04.2015	Invalda LT, AB	20	1.85	37.00	acquisition	Share sale-purchase	AUTO	money

Date	Person	Number of securities	Security price (EUR)	Total Value of transaction (EUR)	Form of transaction	Type of transaction	Place of transaction	Form of settlement
16.04.2015	Invalda LT, AB	73	1.85	135.05	acquisition	Share sale-purchase	AUTO	money
16.04.2015	Invalda LT, AB	291	1.85	538.35	acquisition	Share sale-purchase	AUTO	money
16.04.2015	Invalda LT, AB	83	1.85	153.55	acquisition	Share sale-purchase	AUTO	money
17.04.2015	Invalda LT, AB	17	1.85	31.45	acquisition	Share sale-purchase	AUTO	money
17.04.2015	Invalda LT, AB	151	1.85	279.35	acquisition	Share sale-purchase	AUTO	money
20.04.2015	Invalda LT, AB	34	1.85	62.90	acquisition	Share sale-purchase	AUTO	money
21.04.2015	Invalda LT, AB	55	1.85	101.75	acquisition	Share sale-purchase	AUTO	money
21.04.2015	Invalda LT, AB	67	1.85	123.95	acquisition	Share sale-purchase	AUTO	money
22.04.2015	Invalda LT, AB	76	1.85	140.60	acquisition	Share sale-purchase	AUTO	money
22.04.2015	Invalda LT, AB	474	1.85	876.90	acquisition	Share sale-purchase	AUTO	money
24.04.2015	Invalda LT, AB	67	1.85	123.95	acquisition	Share sale-purchase	AUTO	money
24.04.2015	Invalda LT, AB	251	1.85	464.35	acquisition	Share sale-purchase	AUTO	money
27.04.2015	Invalda LT, AB	29	1.85	53.65	acquisition	Share sale-purchase	AUTO	money
28.04.2015	Invalda LT, AB	47	1.85	86.95	acquisition	Share sale-purchase	AUTO	money
28.04.2015	Invalda LT, AB	71	1.85	131.35	acquisition	Share sale-purchase	AUTO	money
28.04.2015	Invalda LT, AB	340	1.85	629.00	acquisition	Share sale-purchase	AUTO	money
07.05.2015	Invalda LT, AB	62	1.85	114.70	acquisition	Share sale-purchase	AUTO	money
07.05.2015	Invalda LT, AB	192	1.85	355.20	acquisition	Share sale-purchase	AUTO	money
20.05.2015	Invalda INVL, AB	10	1.89	18.90	acquisition	Share sale-purchase	AUTO	money
21.05.2015	Invalda INVL, AB	169	1.89	319.41	acquisition	Share sale-purchase	AUTO	money
22.05.2015	Invalda INVL, AB	27	1.89	51.03	acquisition	Share sale-purchase	AUTO	money
26.05.2015	Invalda INVL, AB	59	1.89	111.51	acquisition	Share sale-purchase	AUTO	money
01.06.2015	Invalda INVL, AB	200	1.89	378.00	acquisition	Share sale-purchase	AUTO	money

Date	Person	Number of securities	Security price (EUR)	Total Value of transaction (EUR)	Form of transaction	Type of transaction	Place of transaction	Form of settlement
01.06.2015	Invalda INVL, AB	148	1.89	279.72	acquisition	Share sale-purchase	AUTO	money
01.06.2015	Invalda INVL, AB	7	1.89	13.23	acquisition	Share sale-purchase	AUTO	money
04.06.2015	Invalda INVL, AB	2	1.89	3.78	acquisition	Share sale-purchase	AUTO	money
04.06.2015	Invalda INVL, AB	478	1.89	903.42	acquisition	Share sale-purchase	AUTO	money
05.06.2015	Invalda INVL, AB	14	1.89	26.46	acquisition	Share sale-purchase	AUTO	money
09.06.2015	Invalda INVL, AB	270	1.89	510.30	acquisition	Share sale-purchase	AUTO	money
09.06.2015	Invalda INVL, AB	6	1.89	11.34	acquisition	Share sale-purchase	AUTO	money
12.06.2015	Invalda INVL, AB	3	1.89	5.67	acquisition	Share sale-purchase	AUTO	money
16.06.2015	Invalda INVL, AB	43	1.89	81.27	acquisition	Share sale-purchase	AUTO	money
19.06.2015	Invalda INVL, AB	418	1.89	790.02	acquisition	Share sale-purchase	AUTO	money
30.06.2015	Invalda INVL, AB	17	1.89	32.13	acquisition	Share sale-purchase	AUTO	money
01.07.2015	Invalda INVL, AB	54	1.89	102.06	acquisition	Share sale-purchase	AUTO	money
01.07.2015	Invalda INVL, AB	25	1.89	47.25	acquisition	Share sale-purchase	AUTO	money
01.07.2015	Invalda INVL, AB	250	1.89	472.50	acquisition	Share sale-purchase	AUTO	money
07.07.2015	Invalda INVL, AB	14	1.89	26.46	acquisition	Share sale-purchase	AUTO	money
07.07.2015	Invalda INVL, AB	126	1.89	238.14	acquisition	Share sale-purchase	AUTO	money
10.07.2015	Invalda INVL, AB	416	1.89	786.24	acquisition	Share sale-purchase	AUTO	money
17.07.2015	Invalda INVL, AB	17	1.89	32.13	acquisition	Share sale-purchase	AUTO	money
21.07.2015	Invalda INVL, AB	2	1.89	3.78	acquisition	Share sale-purchase	AUTO	money
23.07.2015	Invalda INVL, AB	231	1.89	436.59	acquisition	Share sale-purchase	AUTO	money
24.07.2015	Invalda INVL, AB	270	1.89	510.30	acquisition	Share sale-purchase	AUTO	money
29.07.2015	Invalda INVL, AB	99	1.89	187.11	acquisition	Share sale-purchase	AUTO	money
30.07.2015	Invalda INVL, AB	550	1.89	1,039.50	acquisition	Share sale-purchase	AUTO	money

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Date	Person	Number of securities	Security price (EUR)	Total Value of transaction (EUR)	Form of transaction	Type of transaction	Place of transaction	Form of settlement
30.07.2015	Invalda INVL, AB	91	1.89	171.99	acquisition	Share sale-purchase	AUTO	money
05.10.2015	Invalda INVL, AB	515	0.315	162.23	acquisition	Share sale-purchase	AUTO	money
05.10.2015	Invalda INVL, AB	404	0.315	127.26	acquisition	Share sale-purchase	AUTO	money
08.10.2015	Invalda INVL, AB	98	0.315	30.87	acquisition	Share sale-purchase	AUTO	money
12.10.2015	Invalda INVL, AB	210	0.315	66.15	acquisition	Share sale-purchase	AUTO	money
13.10.2015	Invalda INVL, AB	92	0.315	28.98	acquisition	Share sale-purchase	AUTO	money
13.10.2015	Invalda INVL, AB	2,338	0.315	736.47	acquisition	Share sale-purchase	AUTO	money
03.12.2015	Invalda INVL, AB	11,608	0.35	4,062.80	acquisition	Share sale-purchase	TS***	money
11.12.2015	Invalda INVL, AB	399	0.341	136.06	acquisition	Share sale-purchase	AUTO	money
15.12.2015	Invalda INVL, AB	49	0.341	16.71	acquisition	Share sale-purchase	AUTO	money
15.12.2015	Invalda INVL, AB	1,000	0.341	341.00	acquisition	Share sale-purchase	AUTO	money
17.12.2015	Invalda INVL, AB	313	0.341	106.73	acquisition	Share sale-purchase	AUTO	money
21.12.2015	Invalda INVL, AB	209	0.341	71.27	acquisition	Share sale-purchase	AUTO	money
21.12.2015	Invalda INVL, AB	1,338	0.341	456.26	acquisition	Share sale-purchase	AUTO	money

Explanations:
XOFF – OTC trade.
AUTO – automatched deals on the stock exchange
Managers of the company and closely related persons:

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

Director Egidijus Damulis

BALTIC REAL ESTATE

APPENDIX 1. INFORMATION ABOUT GROUP COMPANIES, THEIR CONTACT DETAILS

Company	Registration information	Type of activity	Contact details
Rovelija, UAB	Code 302575846 Address – Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 20.12.2010	investments into commercial rental real estate	Telephone +370 5 273 3278 Fax +370 5 279 0530
Perspektyvi Veikla, UAB	Code 302607087 Address – Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 25.03.2011	carries no activity	Telephone +370 5 273 3278 Fax +370 5 279 0530
Proprietas, UAB	Code 303252098 Address – Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 27.02.2014	carries no activity	Tel. +370 5 279 0601 Fax +370 5 279 0530
DOMMO grupa SIA	Code 40003733866 Address – Lapegles, Stūnīši, Olaines pag., Olaines nov., LV-2127 Latvia Legal form – private limited liability company Registration date 17.03.2005	investments into commercial rental real estate	Telephone +371 67627417 Fax +371 67627793
DOMMO biznesa parks SIA	Code 40003865398 Address – Lapegles, Stūnīši, Olaines pag., Olaines nov., LV-2127 Latvia Legal form – private limited liability company Registration date 13.10.2006	investments into commercial rental real estate	Telephone +37167152757
DOMMO SIA	Code 40003787271 Address – Lapegles, Stūnīši, Olaines pag., Olaines nov., LV-2127 Latvia Legal form – private limited liability company Registration date 05.12.2005	Real estate	Telephone +371 67630627
DBP Invest SIA	Code 40103463830 Address – Brīvības iela 74-3, Rīga, LV-1011 Latvia Legal form – private limited liability company Registration date 28.09.2011	carries no activity	

APPENDIX 2. DISCLOSURE CONCERNING THE COMPLIANCE WITH THE GOVERNANCE CODE

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

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

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

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

3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient number of independent members.	No	Independency of the elected Board members is not assessed and the content of independent members' sufficiency isn't set either.
3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependent are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: 1) he/she is not an executive director or member of the Board (if a collegial body elected by the General Shareholders' Meeting is the Supervisory Board) of the company or any associated company and has not been such during the last five years; 2) he/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) he/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 4) he/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1); 5) he/she does not have and did not have any material business relations with the company or associated companies within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counselling and consulting services), major client or organization	No	Members of the Board are elected by the General Shareholders' Meeting. They are independent and in their actions seek the benefit to the Company and its shareholders, however some of them fail to meet the recommendation on independency.

receiving significant payments from the company or its group; 6) he/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated companies; 7) he/she is not an executive director or member of the Board in some other company where executive director of the company or member of the Board (if a collegial body elected by the General Shareholders' Meeting is the Supervisory Board) is non-executive director or member of the Supervisory Board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies; 8) he/she has not been in the position of a member of the collegial body for over than 12 years; 9) he/she is not a close relative to an executive director or member of the Board (if a collegial body elected by the General Shareholders' Meeting is the Supervisory Board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.		
3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.	No	No Board members' independency assessment and announcement practice is applicable in the Company.
3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	No	No Board members' independency assessment and announcement practice is applicable in the Company.
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	No	No Board members' independency assessment and announcement practice is applicable in the Company.

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

of the collegial body when communicating with and committing to shareholders.		
4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	No	There were no significant transactions between the Company and its shareholders or management bodies. Prior approval of the Board is not required for agreements between the Company and the members of the management bodies.
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advice the human resources department, executive directors or collegial management organs of the company concerned.	Yes	The Board is independent while adopting decisions which are significant for the activity and strategy of the Company.
4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of the company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish Nomination, Remuneration, and Audit Committees. Companies should ensure that the functions attributable to the Nomination, Remuneration, and Audit Committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be	No	Due to simplicity of the Company's management structure and small number of employees, it is not expedient to form the Nomination and Remuneration committees.

performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.		
4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should exercise independent judgment and integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.		
4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the Company chooses not to set up a Supervisory Board, Remuneration and Audit Committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.		
4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit Committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.		
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the		

committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.		
4.12. Nomination Committee. 4.12.1. Key functions of the Nomination Committee should be the following: 1) identify and recommend, for the approval of the collegial body, candidates to fill Board vacancies. The Nomination Committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination Committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; 2) assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; 3) assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; 4) properly consider issues related to succession planning; 5) review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination Committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the Board (if a collegial body elected by the General Shareholders' Meeting is the Supervisory Board) and senior management, Chief Financial Officer of the company should be consulted by, and entitled to submit proposals to the Nomination Committee.		
4.13. Remuneration Committee. 4.13.1. Key functions of the Remuneration Committee should be the following: 1) make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term		

interests of the shareholders and the objectives set by the collegial body; 2) make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the Committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; 3) ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company; 4) periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation; 5) make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; 6) assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); 7) make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. 4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the Committee should: 1) consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; 2) examine the related information that is given in the company's annual report and documents intended for the use during the General Shareholders' Meeting; 3) make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. 4.13.3. Upon resolution of the issues attributable to the competence of the Remuneration Committee, the Committee should at least address the chairman of the collegial body and/or Chief Financial Officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies. 4.13.4. The Remuneration Committee should report on the exercise of its functions to the		

shareholders and be present at the Annual General Shareholders' Meeting for this purpose.		
4.14. Audit Committee. 4.14.1. Key functions of the Audit Committee should be the following: 1) observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); 2) at least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; 3) ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; 4) make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the General Shareholders' Meeting) and with the terms and conditions of his engagement. The Committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; 5) monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the Committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the May 16, 2002 Commission Recommendation 2002/590/EC, the Committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the Committee, and (c) permissible without referral to the Committee; 6) review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. 4.14.2. All members of the Committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the Audit Committee of the methods used to	Yes	The members of the Audit Committee are elected by the General Shareholders' Meeting. The main functions of the Audit Committee should be the following: - provide recommendations with selection, appointment, reappointment and removal of an external Audit Company as well as the terms and conditions of engagement with the Audit Company; - monitor the process of external audit; - monitor how the external auditor and Audit Company follow the principles of independence and objectivity; - observe the process of preparation of financial reports of the Company; - monitor the efficiency of the internal control and risk management systems of the Company. Once a year review the need of the internal audit function; - monitor the implementation of the audit firm's recommendations and comments imposed by the Board and the manager of the company. In conducting of the mentioned above functions, the Audit committee supervises the process of preparation of annual accounts and gives recommendations to the Board on provision of the annual accounts for the approval of the shareholders. Furthermore, the Audit committee analyzes the independence and other criteria of the potential auditors and gives the necessary conclusions to the management. The Audit committee prepares activity report on the main conclusions regarding Company's activity.

account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations. 4.14.3. The Audit Committee should decide whether participation of the chairman of the collegial body, Chief Financial Officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the Committee is required (if required, when). The Committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present. 4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the Audit Committee should act as the principal contact person for the internal and external auditors. 4.14.5. The Audit Committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The Audit Committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The Committee should be timely furnished information on all issues arising from the audit. 4.14.6. The Audit Committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action. 4.14.7. The Audit Committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.		
4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and Committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.	Yes	The Board once a year conducted self-assessment of its activities and found that The Board members performed their functions properly. In 2015 the Board analyzed available information, discussed and adopted decisions on all main issues concerning the activities of INVL Baltic Farmland and its group.

Principle V: The working procedure of the Company's collegial bodies. The working procedure of supervisory and management bodies established in the Company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the Company's bodies.		
5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	Yes	The activity of the Board is chaired by the chairman who is also responsible for convocation of the meetings as well as preparation of the agenda. Frequency of the meetings and questions of the agenda depend on the particular events or projects or they are related with ordinary functions of the Board prescribed by legal acts.
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's Supervisory Board should be convened at least once in a quarter, and the company's Board should meet at least once a month[12].	Yes	The Board meetings are held at least once per quarter.
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	The Board meetings are being convened by the Chairman. The Chairman of the Board informs members about the meeting by phone or by email.
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's Board should be free to attend meetings of the company's Supervisory Board, especially where issues concerning removal of the Board members, their liability or remuneration are discussed.	No	The Company may not implement this recommendation since only the Board is formed.

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

Principle VI: The equitable treatment of shareholders and shareholder rights. **The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.**		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	Shares which compose the authorised capital of the Company grant equal rights to all shareholders.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The Company informs shareholders about the rights of newly issued shares. Information about the rights of already issued shares is provided in the Shareholders' Policy approved by the Board, the Articles of the Association, Company's annual report.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the General Shareholders' Meeting. All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	Yes	Shareholders of the Company have equal opportunities to get familiarised and participate in adopting decisions important to the Company. Approval of the General Shareholders' Meeting is also necessary in cases stipulated in Chapter V of the Law on Companies of the Republic of Lithuania. No other cases when the approval of the General Shareholders' Meeting should be obtained are foreseen, since it would impair Company's business considering the nature of the Company's activity.
6.4. Procedures of convening and conducting a General Shareholders' Meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the Company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the General Share-holders' Meeting and receive answers to them.	Yes	The procedures of convening and conducting of the General Shareholders' Meeting comply with the provisions of legal acts and provide the shareholders with equal opportunities to participate in the meetings get familiarised with the draft resolutions and materials necessary for adopting the decision in advance, also give questions to the Board members.
6.5. If is possible, in order to ensure shareholders living abroad the right to access to the information, it is recommended that documents on the course of the General Shareholders' Meeting, should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages in advance. It is recommended that the minutes of the General Shareholders' Meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in Lithuanian, English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	The information about General Shareholders' Meetings are published in Lithuanian and English on the Company's website.
6.6. Shareholders should be furnished with the opportunity to vote in the General Shareholders'	Yes	The Company's shareholders are furnished with the opportunity to participate in the General

Meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.		Shareholders' Meeting both personally and via an attorney, if such a person has a proper authorisation or if an agreement on the transfer of voting rights was concluded in the manner set forth in the legal acts. The Company provides the shareholders with conditions to vote by completing the general voting ballot.
6.7. With a view to increasing the shareholders' opportunities to participate effectively at General Shareholders' Meetings, the companies are recommended to expand use of modern technologies by allowing the shareholders to participate and vote in General Shareholders' Meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch shareholder meetings by means of modern technologies.	No	Shareholders can vote via an attorney or by completing the general voting ballot but for the meantime shareholders cannot participate and vote in General Shareholders' Meetings via electronic means of communication.
Principle VII: The avoidance of conflicts of interest and their disclosure **The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.**		
7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	The Board members fully comply with these recommendations.
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the General Shareholders' Meeting or any other corporate body authorised by the meeting.		
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions		

specified in this recommendation are also subject to recommendation 4.5.		
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.		
Principle VIII: Company's remuneration policy **Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the Company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of Company's remuneration policy and remuneration of directors.**		
8.1. A Company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.	No	The Company does not prepare a remuneration policy since the majority of VIII principle items are not relevant for the present structure of the Company. Information about the benefits and loans for the members of the management bodies is provided in the periodical reports, financial statements.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.		
8.3. Remuneration statement should leastwise include the following information: 1) explanation of the relative importance of the variable and non-variable components of directors' remuneration; 2) sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; 3) an explanation how the choice of performance criteria contributes to the long-term interests of the company; 4) an explanation of the methods, applied in order to determine whether performance criteria have been fulfilled; 5) sufficient information on deferment periods with regard to variable components of remuneration; 6) sufficient information on the linkage between the remuneration and performance; 7) the main parameters and rationale for any annual bonus scheme and any other non-cash benefits; 8) sufficient information on the policy regarding termination payments; 9) sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code; 10) sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code;		

11) sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned; 12) a description of the main characteristics of supplementary pension or early retirement schemes for directors; 13) remuneration statement should not include commercially sensitive information.		
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.		
8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.5.1. The following remuneration and/or emoluments-related information should be disclosed: - the total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the Annual General Shareholders' Meeting; - the remuneration and advantages received from any undertaking belonging to the same group; - the remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; - if permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; - compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; - total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed:		

- the number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; - the number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; - the number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; - all changes in the terms and conditions of existing share options occurring during the financial year. 8.5.3. The following supplementary pension schemes-related information should be disclosed: - when the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; - when the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. 8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.		
8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.		
8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.		
8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.		
8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.		
8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be		

higher than two years of the non-variable component of remuneration or the equivalent thereof.		
8.11. Termination payments should not be paid if the termination is due to inadequate performance.		
8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of Annual General Shareholders' Meeting.		
8.13. Shares should not vest for at least three years after their award.		
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria.		
8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).		
8.16. Remuneration of non-executive or supervisory directors should not include share options.		
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend General Shareholders' Meetings where appropriate and make considered use of their votes regarding directors' remuneration.		
8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the Annual General Shareholders' Meeting. Remuneration statement should be put for voting in Annual General Shareholders' Meeting. The vote may be either mandatory or advisory.		
8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of Annual General Shareholders' Meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to	Not applicable	In 2015 the schemes, on which basis the managers were remunerated in shares, share selection transactions or other rights to acquire the shares or be remunerated based on the share price movements were not applied in the Company.

individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in Annual General Shareholders' Meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.		
8.20. The following issues should be subject to approval by the Annual General Shareholders' Meeting: 1) grant of share-based schemes, including share options, to directors; 2) determination of maximum number of shares and main conditions of share granting; 3) the term within which options can be exercised; 4) the conditions for any subsequent change in the exercise of the options, if permissible by law; 5) all other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual General Shareholders' Meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.		
8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe the shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.		
8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the Annual General Shareholders' Meeting.		
8.23. Prior to the Annual General Shareholders' Meeting that is intended to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the		

market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.		
Principle IX: The role of stakeholders in corporate governance **The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the Company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the Company concerned.**		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The Company respects the rights of interest holders and allows the interest holders to participate in the management of the Company in the manner set forth by the laws. The detailed information about planned events has been constantly disclosed in line with requirements of legal acts; therefore, the investors (shareholders) have enough opportunities to familiarize with necessary information as well as vote on decisions. More detailed explanation about disclosure procedure is provided below in the part 10.
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.		
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.		
Principle X: Information disclosure and transparency **The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the Company, including the financial situation, performance and governance of the Company.**		
10.1. The company should disclose information on: 1) the financial and operating results of the company; 2) company objectives; 3) persons holding by the right of ownership or in control of a block of shares in the company; 4) members of the company's supervisory and management bodies, Chief Financial Officer of the company and their remuneration; 5) material foreseeable risk factors; 6) transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; 7) material issues regarding employees and other stakeholders; 8) governance structures and strategy. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.	Yes	Information set forth in this recommendation is disclosed in the notifications on material event, periodical reports. This information is also published on Company's website.

10.2. It is recommended to the company, which is the parent of other companies, that consolidated results of the whole group to which the Company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.		
10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, Chief Financial Officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and Chief Financial Officer as per Principle VIII.		
10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.		
10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the NASDAQ Vilnius, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	Yes	The company discloses information via NASDAQ news distribution service so that the public in Lithuania and other EU countries should have equal access to the information. The information is disclosed in Lithuanian and English. The company publishes its information prior to or after the trade sessions on the NASDAQ Vilnius. The company does not disclose information that may have an effect on the price of shares in the commentaries, interview or other ways as long as such information is publicly announced via NASDAQ news distribution service.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	The information is disclosed in Lithuanian and English simultaneously via NASDAQ news distribution service. It is also published on company's website.
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	The company publishes all information indicated in this recommendation on its website.

Principle XI: The selection of the Company's auditor The mechanism of the selection of the Company's auditor should ensure independence of the firm of auditor's conclusion and opinion.		
11.1. An annual audit of the company's financial reports and interim reports should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	The annual Company's and consolidated financial statements and consolidated annual report are conducted by the independent audit company. The interim financial statements are not conducted by the audit company.
11.2. It is recommended that the company's Supervisory Board and, where it is not set up, the company's Board should propose a candidate firm of auditors to the General Shareholders' Meeting.	Yes	The candidate audit company is suggested to the General Shareholders' Meeting by the Board.
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's Supervisory Board and, where it is not formed, the company's Board upon their consideration which firm of auditors to propose for the General Shareholders' Meeting.	Not applicable	The audit company does not provide non-audit services to the Company.