INVL BALTIC REAL ESTATE

Special Closed-End Type Real Estate Investment Company‘s

„INVL Baltic Real Estate“ Consolidated Annual Report, Consolidated and Company’s Financial Statements for the year ended 31 December 2018

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

Translation note:

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

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Independent auditor's report

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

Report on the audit of the Company's and consolidated financial statements

Our opinion

In our opinion, the Company's separate and consolidated financial statements give a true and fair view of the Company's and consolidated financial position of INVL Baltic Real Estate Special Closed-End Type Real Estate Investment Company ("the Company") and its subsidiaries ("the Group") as at 31 December 2018, and of their Company's and consolidated financial performance and their Company's and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee.

What we have audited
The Company's and the Group's financial statements comprise:

- the Company's and consolidated statement of financial position as at 31 December 2018;
- the Company's and consolidated statements of comprehensive income for the year then ended;
- the Company's and consolidated statement of changes in equity for the year then ended;
- the Company's and consolidated statement of cash flows for the year then ended; and
- the notes to the Company's and consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

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

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Company and the Group are in accordance with the applicable law and regulations in the Republic of Lithuania and that we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014 considering the exemptions of Regulation (EU) No 537/2014 endorsed in the Law of the Republic of Lithuania on the Audit of Financial Statements.

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The non-audit services that we have provided to the Company and the Group, in the period from 1 January 2018 to 31 December 2018, are disclosed in Consolidated Annual report page 123.

Our audit approach

Overview

- Overall Company and Group materiality: €350 thousand and €353 thousand (2017: €295 thousand and €359 thousand), representing 1% of total equity of the Company and the Group, respectively.
- The full scope audit was performed for the Company. The Group engagement team performed audit work on the selected balances and transactions of subsidiaries, which were assessed as material from the Group audit perspective.
- Our audit scope covered all of the Group's revenues and 99% of the Group's total assets.
- Valuation of investment properties

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the Company's and consolidated financial statements (together "the financial statements"). In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

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

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

Overall Company and Group materiality	Overall materiality applied to the Company and the Group amounted to € 350 thousand and € 353 thousand (2017:€ 295 thousand and € 359 thousand), respectively.
How we determined it	1% of total equity of the Company and the Group, respectively.
Rationale for the materiality benchmark applied	We chose the Company's and Group's equity as the benchmark because, in our view, it is an appropriate measure of underlying performance, and it is the benchmark against which the performance of the Company, the Group and other companies in this industry is most commonly measured by users, and it is a generally accepted benchmark. The key driver of the business and determinant of the Company's and the Group's value is investments into various properties. For this reason, the key area of focus in the audit of the financial statements of the Company and the Group is the valuation of investment properties. Accordingly, an overall Company and Group materiality was based on total equity. We chose 1%, which is within the range of acceptable quantitative materiality thresholds.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above € 35 thousand and € 35 thousand, the same for the Company and the Group, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

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

Key audit matter	*How our audit addressed the key audit matter*
Valuation of investment properties *Refer to Notes 2.22 and 11 to the financial statements on pages 35 and 57, respectively.* The Group's/Company's investment properties represent the most significant category of the Group's/Company's assets. Investment properties are accounted at fair value. Management estimated the fair value of the Group's/Company's investment properties to be € 58,295 thousand and € 49,693 thousand at 31 December 2018, respectively, as compared to € 56,341 thousand and € 47,833 thousand at 31 December 2017, respectively. Revaluation net gain of € 1,473 thousand and € 1,379 thousand (2017: € 2,326 thousand and € 2,267 thousand) was recorded as fair value net gains in the consolidated and Company's	Our procedures in relation to management's valuation of investment properties included as follows: • evaluation of the independent external valuers' competence, capabilities and objectivity; • assessment of the methodologies used and appropriateness of key assumptions based on our knowledge of real estate industry; • testing, on a sample basis, whether specific information supplied to the valuers reflected the underlying property records held by the Group/Company;

statements of comprehensive income, respectively.

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

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

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

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

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

• testing the data inputs underpinning the valuation for a sample of properties, including rental income, capital expenditure, by agreeing them back to the supporting documentation.

Because of the subjectivity involved in determining the value of investment properties and existence of alternative assumptions and valuation methods, we have reviewed the sensitivity analysis of the fair value of investment properties to changes in key assumptions, which was prepared by the Group's management.

We also considered whether or not there was bias in determining individual values and found no evidence of bias.

We found that the key assumptions were supported by the available evidence. We found that the disclosures in Note 11 were appropriate.

How we tailored our Group audit scope

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

The Group consists of 8 entities: the Company and its subsidiaries, three subsidiaries located in Lithuania and four subsidiaries located in Latvia. The Group engagement team conducted audit work covering all significant reporting entities in Lithuania as well as in Latvia. We performed audit work on the selected balances and transactions of subsidiaries, which were assessed as material from the Group audit perspective. The Group's consolidation and the financial statements disclosures were audited by the group engagement team. Our work addressed all of the Group's revenues and 99% of the Group's total assets.

Reporting on other information including the consolidated annual report

Management is responsible for the other information. The other information comprises the consolidated annual report, including the corporate governance report (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report.

Our opinion on the financial statements does not cover the other information, including the consolidated annual report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the consolidated annual report, we considered whether the consolidated annual report includes the disclosures required by the Law of the Republic of Lithuania on Consolidated Financial Reporting by Groups of Undertakings, the Law of the Republic of Lithuania on Financial Reporting by Undertakings implementing Article 19 of Directive 2013/34/EU.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the consolidated annual report for the financial year ended 31 December 2018, for which the financial statements are prepared, is consistent with the financial statements; and
- the consolidated annual report has been prepared in accordance with the Law of the Republic of Lithuania on Consolidated Financial Reporting by Groups of Undertakings and the Law of the Republic of Lithuania on Financial Reporting by Undertakings.

In addition, in light of the knowledge and understanding of the Company and the Group and their environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the consolidated annual report which we obtained prior to the date of this auditor's report. We have nothing to report in this respect.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

Appointment

We were first appointed as auditors of the Company and the Group for the year 2014. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 5 years.

The certified auditor on the audit resulting in this independent auditor's report is Rasa Radzevičienė.

On behalf of PricewaterhouseCoopers UAB

Radzevičienė

Rasa Radzevičienė
Partner
Auditor's Certificate No.000377

Vilnius, Republic of Lithuania
18 March 2019

DETAILS OF THE COMPANY

Management

Management Company

UAB INVL Asset Management

Investment Committee

Mr. Vytautas Bakšinskas
Mr. Andrius Daukšas

Principal place of business and company code

Gynėjų str. 14,
Vilnius,
Lithuania

Company code 152105644

Banks

AB Šiaulių Bankas
AB SEB Bankas
AS "SEB banka"

Auditor

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

The financial statements were authorised for issue by the Management Company on 18 March 2019.

Mr. Vytautas Bakšinskas
Real estate fund manager at
UAB INVL Asset Management

Justina Konteniene
Chief financier at UAB INVL
Asset Management

(all amounts are in EUR thousand unless otherwise stated)

Consolidated and Company's statements of comprehensive income

		Group		Company	
	Notes	**2018**	**2017**	**2018**	**2017**
Revenue	7	**5,822**	**6,203**	**4,307**	**5,720**
Interest income		-	-	-	-
Other income		4	25	4	25
Net changes in fair value of investments into subsidiaries designated at fair value through profit or loss	5	-	-	662	592
Net gains from fair value adjustments on investment property	11	1,473	2,326	1,379	2,267
Premises rent costs	6, 7	(309)	(1,146)	(309)	(1,147)
Utilities	6	(822)	(883)	(41)	(875)
Repair and maintenance of premises	6	(1,265)	(935)	(795)	(930)
Management and Performance Fee	7, 18	(391)	(645)	(391)	(645)
Property management and brokerage costs	6	(42)	(302)	(389)	(299)
Taxes on property	6	(322)	(331)	(303)	(310)
Employee benefits expenses		(93)	(33)	-	-
Provision for impairment of trade receivables	13	(38)	(2)	(23)	(2)
Depreciation and amortisation		(30)	(14)	(28)	(13)
Other expenses		(350)	(213)	(286)	(185)
Operating profit		**3,637**	**4,050**	**3,787**	**4,198**
Finance costs	8	(463)	(473)	(415)	(419)
Profit before income tax		**3,174**	**3,577**	**3,372**	**3,779**
Income tax credit (expense)	9	(5)	-	-	1
NET PROFIT FOR THE YEAR		**3,169**	**3,577**	**3,372**	**3,780**
Other comprehensive income for the year, net of tax		**-**	**-**	**-**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,169**	**3,577**	**3,372**	**3,780**
Attributable to:					
Equity holders of the parent		3,169	3,577	3,372	3,780
Basic and diluted earnings per share (in EUR)	10	0.24	0.27		

(all amounts are in EUR thousand unless otherwise stated)

Consolidated and Company's statements of financial position

	Notes	Group As at 31 December 2018	Group As at 31 December 2017	Company As at 31 December 2018	Company As at 31 December 2017
ASSETS					
Non-current assets					
Property, plant and equipment		160	111	156	107
Investment properties	11	58,295	56,341	49,693	47,833
Intangible assets		40	40	40	40
Investments into subsidiaries designated at fair value through profit or loss	5	-	-	6,553	5,881
Operating lease pre-payments	7	100	100	100	100
Other receivables, related to ABLV Bank, AS	16	150	-	-	-
Total non-current assets		**58,745**	**56,592**	**56,542**	**53,961**
Current assets					
Inventories, prepayments and deferred charges		63	239	55	234
Trade and other receivables	13	354	597	277	589
Deposits	3.1, 16	-	150	-	-
Cash and cash equivalents	3.1	734	411	454	223
Total current assets		**1,151**	**1,397**	**786**	**1,046**
TOTAL ASSETS		**59,896**	**57,989**	**57,328**	**55,007**

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(all amounts are in EUR thousand unless otherwise stated)

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

		Group		Company	
	Notes	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
EQUITY AND LIABILITIES					
Equity					
Equity attributable to equity holders of the parent					
Share capital	14	19,068	19,068	19,068	19,068
Share premium	14	2,478	2,478	2,478	2,478
Reserves	14	3,443	3,254	3,683	3,494
Retained earnings	14	10,331	9,061	9,787	8,314
Total equity		**35,320**	**33,861**	**35,016**	**33,354**
Liabilities					
Non-current liabilities					
Non-current borrowings	16	21,762	20,162	19,877	17,937
Provisions	7	979	949	979	949
Deferred tax liability	9	4	-	-	-
Advances received		388	258	388	258
Total non-current liabilities		**23,133**	**21,369**	**21,244**	**19,144**
Current liabilities					
Current portion of non-current borrowings	16	863	718	634	482
Current borrowings	16	-	801	-	801
Trade payables		206	361	95	360
Income tax payable		-	4	-	4
Provisions	7	14	9	14	9
Advances received		85	3	85	3
Other current liabilities	17	275	863	240	850
Total current liabilities		**1,443**	**2,759**	**1,068**	**2,509**
Total liabilities		**24,576**	**24,128**	**22,312**	**21,653**
TOTAL EQUITY AND LIABILITIES		**59,896**	**57,989**	**57,328**	**55,007**

(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**
Balance as at 31 December 2016		**19,068**	**2,478**	**190**	**2,828**	**6,509**	**31,073**
Net profit for the year		-	-	-	-	3,577	3,577
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**3,577**	**3,577**
Dividends approved	15	-	-	-	-	(789)	(789)
Transfer to reserves	14	-	-	236	-	(236)	-
Total transactions with owners of the Company, recognised directly in equity		**-**	**-**	**236**	**-**	**(1,025)**	**(789)**
Balance as at 31 December 2017		**19,068**	**2,478**	**426**	**2,828**	**9,061**	**33,861**
Net profit for the year		-	-	-	-	3,169	3,169
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**3,169**	**3,169**
Dividends approved	15	-	-	-	-	(1,710)	(1,710)
Transfer to reserves	14	-	-	189	-	(189)	-
Total transactions with owners of the Company, recognised directly in equity		**-**	**-**	**189**	**-**	**(1,899)**	**(1,710)**
Balance as at 31 December 2018		**19,068**	**2,478**	**615**	**2,828**	**10,331**	**35,320**

(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 2016		**19,068**	**2,478**	**430**	**2,828**	**5,559**	**30,363**
Net profit for the year		-	-	-	-	3,780	3,780
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**3,780**	**3,780**
Dividends approved	15	-	-	-	-	(789)	(789)
Transfer to reserves	14	-	-	236	-	(236)	-
Total transactions with owners of the Company, recognised directly in equity		**-**	**-**	**236**	**-**	**(1,025)**	**(789)**
Balance as at 31 December 2017		**19,068**	**2,478**	**666**	**2,828**	**8,314**	**33,354**
Net profit for the year		-	-	-	-	3,372	3,372
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**3,372**	**3,372**
Dividends approved	15	-	-	-	-	(1,710)	(1,710)
Transfer to reserves	14	-	-	189	-	(189)	-
Total transactions with owners of the Company, recognised directly in equity		**-**	**-**	**189**	**-**	**(1,899)**	**(1,710)**
Balance as at 31 December 2018		**19,068**	**2,478**	**855**	**2,828**	**9,787**	**35,016**

(all amounts are in EUR thousand unless otherwise stated)

Consolidated and Company's statements of cash flows

	Notes	Group 2018	Group 2017	Company 2018	Company 2017
Cash flows from (to) operating activities					
Net profit for the year		3,169	3,577	3,372	3,780
Adjustments for non-cash items and non-operating activities:					
Net gains from fair value adjustments on investment property	11	(1,473)	(2,326)	(1,379)	(2,267)
Depreciation and amortization		30	14	28	13
Net loss from sale of non-current assets		-	1	-	1
Net changes in fair value of investments into subsidiaries designated at fair value through profit or loss	5	-	-	(662)	(592)
Finance costs	8	463	473	415	419
Deferred taxes	9	4	1	-	-
Current income tax expenses	9	1	(1)	-	(1)
Provisions	7	34	(129)	34	(129)
Provision for impairment of trade receivables	13	38	2	23	2
Changes in working capital:					
Decrease (increase) in inventories		-	6	-	6
Decrease (increase) in trade and other receivables		201	(135)	285	(139)
Decrease (increase) in other current assets		176	616	179	618
(Decrease) increase in trade payables		68	10	(42)	7
(Decrease) increase in other current liabilities		(286)	80	(308)	81
Cash flows from (to) operating activities		**2,425**	**2,189**	**1,945**	**1,799**
Income tax paid		(1)	(12)	-	(12)
Net cash flows from (to) operating activities		**2,424**	**2,177**	**1,945**	**1,787**

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(all amounts are in EUR thousand unless otherwise stated)

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

	Notes	Group 2018	Group 2017	Company 2018	Company 2017
Cash flows from (to) investing activities					
Acquisition of non-current assets (except investment properties)		(79)	(153)	(77)	(152)
Acquisition of investment properties	11	(829)	(2,193)	(829)	(2,190)
Proceeds from sale of investment properties	11	-	1,000	-	1,000
Loans granted		-	-	(10)	-
Repayment of loans granted		-	-	-	-
Interest received		-	-	-	-
Net cash flows from (to) investing activities		**(908)**	**(1,346)**	**(916)**	**(1,342)**
Cash flows from (to) financing activities					
Cash flows related to Group owners					
Dividends paid to equity holders of the parents		(1,675)	(773)	(1,675)	(773)
		(1,675)	(773)	(1,675)	(773)
Cash flows related to other sources of financing					
Proceeds from loans	16	2,668	800	2,668	800
Repayment of loans	16	(1,722)	(726)	(1,375)	(497)
Interest paid	16	(464)	(472)	(416)	(418)
		482	(398)	877	(115)
Net cash flows from (to) financing activities		**(1,193)**	**(1,171)**	**(798)**	**(888)**
Net increase (decrease) in cash and cash equivalents		**323**	**(340)**	**231**	**(443)**
Cash and cash equivalents at the beginning of the period		**411**	**751**	**223**	**666**
Cash and cash equivalents at the end of the period		**734**	**411**	**454**	**223**

(the end)

Notes to the financial statements

1 General information

Special Closed-Ended Type Real Estate Investment Company INVL Baltic Real Estate (hereinafter 'the Company', previous name AB Invaldos Nekilnojamojo Turto Fondas, code 152105644) is a joint stock company registered in the Republic of Lithuania. It was established on 28 January 1997.

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

As the Company obtained the status of a closed-ended investment company, its management was thereafter undertaken by UAB INVL Asset Management ('the Management Company'), which is entitled to the Management Fee (Note 2.12) and the Performance Fee (Note 2.12).

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

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

In 2018 and 2017 the group consisted of the Company and its directly and indirectly owned subsidiaries (hereinafter 'the Group', Note 5).

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

The Group was established on 29 April 2014 by spinning-off from AB Invalda INVL (code 121304349) the investments into entities, which business is investment into investment properties held for future development, into commercial real estate and renting thereof. On 17 August 2015 the 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 and became the parent of the Group.

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

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

(all amounts are in EUR thousand unless otherwise stated)

1 General information (cont'd)

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

As at 31 December 2018 the Company's share capital is divided into 13,150,000 ordinary registered shares with the nominal value of EUR 1.45 each (as at 31 December 2017: 65,750,000 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 2018 and 31 December 2017 the shareholders of the Company were (by votes):

	2018		2017	
	Number of votes held	**Percentage**	**Number of votes held**	**Percentage**
AB Invalda INVL	4,246,233	32.29	21,127,994	32.13
UAB LJB Investments (controlling shareholder Mr. Alvydas Banys)	2,631,695	20.01	13,158,474	20.01
Mrs. Irena Ona Mišeikienė	2,498,596	19.00	12,492,979	19.00
Mr. Alvydas Banys	663,640	5.05	3,318,198	5.05
Other minor shareholders	3,109,836	23.65	15,652,355	23.81
Total	13,150,000	100.00	65,750,000	100.00

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

As at 31 December 2018 the number of employees of the Group and the Company was 8 and nil, respectively. As at 31 December 2017 the number of employees of the Group and the Company was 6 and nil, 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 2018 are as follows:

2.1. Basis of preparation

Statement of compliance

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

These financial statements have been prepared on a historical cost basis, except for investment properties and investments in subsidiaries that have been measured at fair value. The financial statements are presented in thousands of euro (EUR) and all values are rounded to the nearest thousand except when otherwise indicated. From 1 January 2015 the euro became local currency of the Republic of Lithuania.

Adoption of new and/or changed IFRSs and IFRIC interpretations

The Group has adopted the new and amended IFRS and IFRIC interpretations as of 1 January 2018:

- IFRS 9 *Financial Instruments* effective 1 January 2018;
- IFRS 15 *Revenue from Contracts with Customers* effective 1 January 2018;
- Amendments to IFRS 15 *Revenue from Contracts with Customers* effective 1 January 2018;
- Amendments to IFRS 2 *Share-based Payments* effective 1 January 2018;
- *Annual Improvements* to IFRSs 2014-2016 Cycle effective 1 January 2018 (changes to IFRS 1 and IAS 28);
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration* effective 1 January 2018;
- Amendments to IAS 40 *Transfers of Investment Property* effective 1 January 2018;
- Amendments to IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* (effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply overlay approach).

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

The principal effects of these changes are as follows:

IFRS 9 *Financial Instruments*

Key features of the new standard are:

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

The adoption of IFRS 9, Financial Instruments, from 1 January 2018 resulted in changes in accounting policies as disclosed in Notes 2.8, 2.9, 2.10, 2.13, however as disclosed in notes 3.1 and 13 there was no significant impact on recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments and impairment of financial assets.

The business model of the Company is to manage investment into subsidiaries together with loans granted to subsidiaries as one portfolio and evaluate their performance on a combined fair value basis. On this basis information on portfolio is provided to the Management Company and the Investment Committee. Therefore, the portfolio is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. Consequently, such portfolio of financial assets must be measured at fair value through profit or loss. Before adopting of IFRS 9 the Company has attributed investment into subsidiaries together with loans granted to subsidiaries to 'Assets at fair value through profit or loss' and measured them also at fair value through profit or loss. The Group and the Company had according to IAS 39 other financial assets attributed to the categories of financial assets 'Loans and receivables', which according to new standard would be measured at amortised cost as before as the business model for these assets is held to collect contractual cash flows and they are SPPI. The Group and the Company had according to IAS 39 only financial liabilities attributed to the category 'Other financial liabilities', which according to new standard would be measured at amortised cost as before. The changes in hedge accounting have no impact on the Group's and the Company's financial statements as the Group and the Company is not using hedging instruments.

The Group/the Company had applied the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 were not restated.

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

IFRS 15 *Revenue from Contracts with Customers*
Amendments to IFRS 15 *Revenue from Contracts with Customers*

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 amendments do not change the underlying principles of the standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new standard.

The adoption of the standard did not have significant impact on the Group's and the Company's financial statements for the year ended 31 December 2018 as the main revenue of the Group and the Company is rental income. New standard is applied to recognition of the Group's and the Company's utilities and other service revenue, but its recognition has not changed from previous practice. All revenue is recognised over time. New accounting policies are disclosed in Note 2.17. The Group has added additional disclosure to segment information (Note 6) to disaggregated segments revenue into rent income and other revenue.

Amendments to IAS 40 *Transfers of Investment Property*

The amendment clarified that to transfer to, or from, investment properties there must be a change in use. This change must be supported by evidence; a change in intention, in isolation, is not enough to support a transfer. The amendment had no impact on the Group's and the Company's financial statements for the year ended 31 December 2018.

All other amendments adopted as of 1 January 2018 had no impact on the Group's/Company's financial statements for the year ended 31 December 2018.

<u>Standards adopted by the EU but not yet effective and have not been early adopted</u>

IFRS 16 *Leases* (effective for annual periods beginning on or after 1 January 2019)

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The main impact for the Group's and the Company's financial statements would be accounting of the lease agreement of 10 August 2007 (Note 7). The Group and the Company would be recognised lease liability of EUR 1,321 thousand and would be derecognised operating lease prepayment of EUR 100 thousand. Because all property leased by above mentioned lease agreement is subleased until the expire of the agreement, the sublease would be recognised as financial lease as of 1 January 2019. The Group and the Company would recognise finance lease receivable of EUR 1,325 thousand. The provision for onerous contract would be decreased from EUR 182 thousand till EUR 95 thousand. The total negative impact on the Group's and the Company's equity as at 1 January 2019 would amount to EUR 9 thousand. In the statement of comprehensive income depreciation of leased asset and interest on lease liability would replace currently recognised lease expenses and interest income from finance lease would replace currently recognised sublease income.

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

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

IFRIC 23 *Uncertainty over Income Tax Treatments* (effective for annual periods beginning on or after 1 January 2019)

IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required by the Interpretation. The Group and the Company is currently assessing the impact of the interpretation on their financial statements, but are not expecting that impact would be material.

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

Standards not yet adopted by the EU

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

2.2. 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 Summary of significant accounting policies (cont'd)

2.3. Functional and presentation currency

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

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

2.4. Business combinations and goodwill

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

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

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

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

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

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

2 Summary of significant accounting policies (cont'd)

2.5. 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.

2.6. Investment properties

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

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise. The fair value of investment property is determined annually by qualified independent valuers (Note 11).

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

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

2.7. 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 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)

2.8. Investments into subsidiaries (the Company)

Accounting policy from 1 January 2018

The business model of the Company is to manage investment into subsidiaries together with loans granted to subsidiaries as one portfolio and evaluate their performance on a combined fair value basis. On this basis information on portfolio is provided to the Management Company and the Investment Committee. Therefore, the portfolio is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. Consequently, such portfolio of financial assets are measured at fair value through profit or loss.

At initial recognition, the Group/the Company measures portfolio of investment into subsidiaries at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

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 principles of presentation and recognition of gains or losses, dividends and interest income from these financial assets is described below in the section of accounting principles applied until 31 December 2017, because they are not changed.

Accounting policy applied until 31 December 2017

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

- they are managed together and their performance is evaluated on a combined fair value basis in accordance with the Company's documented investment strategy; and
- information about the Group is provided internally on combined basis to the Management Company and the Investment Committee.

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

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

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

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

2.9. Financial assets

Accounting policy from 1 January 2018

Financial assets within the scope of IFRS 9 are classified as either financial assets at fair value through profit or loss (either through other comprehensive income or through profit or loss) or financial assets measured at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

As the business model for the Group's and the Company's other financial assets (except financial assets described in Note 2.8) is held to collect contractual cash flows and they are solely payments of principal and interest, other financial assets are measured at amortised cost. They comprised trade and other receivables, cash and cash equivalents. The Group and the Company reclassifies debt instruments when and only when its business model for managing those assets changes.

Financial assets are recognised when the Group/the Company becomes party to the contractual provisions of the instrument. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group/the Company has transferred substantially all the risks and rewards of ownership.

At initial recognition, the Group/the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is calculated using the effective interest rate method and presented as "other income" in the statement of comprehensive income. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as separate line item in the statement of comprehensive income.

Accounting policy applied until 31 December 2017

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

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

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

The Group's financial assets consist of loans and receivables. The Company's financial assets consist of loans and receivables, and of financial assets at fair value through profit or loss (Note 2.8).

2 Summary of significant accounting policies (cont'd)

2.9 Financial assets (cont'd)

Loans and receivables

Financial assets recognised in the statement of financial position as 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.

2.10. Impairment of financial assets

Accounting policy from 1 January 2018

From 1 January 2018, the Group/the Company assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group/the Company follows a three-stage model for impairment for financial assets other than trade receivables:

- Stage 1 – balances, for which the credit risk has not increased significantly since initial recognition, or that have low credit risk at the reporting date. For these assets, 12-month expected credit losses ('ECL') are recognised and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL are the expected credit losses that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12 months;
- Stage 2 – comprises balances for which there have been a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognised, but interest revenue is still calculated on the gross carrying amount of the asset. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument. Expected credit losses are the weighted average credit losses with the probability of default ('PD') as the weight;
- Stage 3 – comprises balances with objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognised and interest revenue is calculated on the net carrying amount (that is, net of credit allowance).

The financial assets is considered as credit-impaired, if objective evidence of impairment exist at the reporting date. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in payments, the probability that they will enter bankruptcy or other financial reorganisation.

Financial assets are written off, in whole or in part, when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the probability of insolvency or significant financial difficulties of the debtor. Impaired debts are derecognised when they are assessed as uncollectible.

For trade and other receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Trade receivables are classified either to Stage 2 or Stage 3:
- Stage 2 – comprises receivables for which there the simplified approach was applied to measure the expected lifetime credit losses, except for certain trade receivables classified in Stage 3;
- Stage 3 – comprises trade receivables which are overdue more than 90 days (except is reasonable explanation for that) or individually identified as impaired.

2 Summary of significant accounting policies (cont'd)

2.10 Impairment of financial assets (cont'd)

Accounting policy from 1 January 2018 (cont'd)

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2018 or over period of 24 months before 1 January 2018 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the tenants to settle the receivable. Such forward-looking information would include:
- changes in economic, regulatory, technological and environmental factors, (such as industry outlook, GDP, employment and politics);
- external market indicators; and
- tenant base.

Accounting policy applied until 31 December 2017

Assets carried at amortised cost

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

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

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

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

2.11. 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 Summary of significant accounting policies (cont'd)

2.12. Performance Fee and Management Fee

The Management Fee is remuneration paid to the Management Company for management of the assets of the Company, which is payable for each quarter of a calendar year and is 0.375% of the quarterly weighted average capitalisation of the Company, calculated according to the Articles of Association. From 1 January 2018 the rate of the Management Fee was changed to 0.25% of the quarterly weighted average capitalisation of the Company.

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

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

The Performance Fee is accounted as a provision on a quarterly basis until the conditions, as described above, for the payment of the Performance Fee are satisfied, when payable part of the Performance Fee is recorded as financial liability and is further accounted for at amortised cost.

The first period for the calculation of the Performance Fee started from 30 November 2016 according to the Articles of Association of the Company, where initial amount for calculation of internal rate of return is net assets value of the Company as at 30 November 2016 (it is amounted to the equity of the Group as at 30 November 2016). If, after that date, the capitalisation of the Company (market value of the issued shares of the Company) is more than net assets value of the Company and internal rate of return calculated on the basis of net assets value is more than 8%, then payable Performance Fee is calculated based on net assets value of the Company. If the capitalisation of the Company is less than net assets value of the Company and internal rate of return calculated on the basis of capitalisation is more than 8%, then payable Performance Fee is calculated based on the capitalisation of the Company. After the Performance Fee becomes payable, the new period for calculating of the Performance Fee starts, where initial amount for calculation of internal rate of return is the capitalisation of the Company or net asset value of the Company as at the end of previous period - depends on which based on these amounts payable part of the Performance Fee is calculated.

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

2.13. Financial liabilities

Accounting policy from 1 January 2018

The Group/ Company recognises a financial liability when it first becomes a party to the contractual rights and obligations in the contract.

All financial liabilities are initially recognised at fair value, minus (in the case of a financial liability that is not at fair value through profit or loss) transaction costs that are directly attributable to issuing the financial liability. Financial liabilities are measured at amortised cost using the effective interest method. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Financial liabilities included in trade payables are recognised initially at fair value and subsequently at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

Borrowings

Borrowings are recognised initially at fair value less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group/Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2 Summary of significant accounting policies (cont'd)

2.13 Financial liabilities (cont'd)

Accounting policy applied until 31 December 2017

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

All financial liabilities are recognised initially at fair value and in the case of other financial liabilities, net of directly attributable transaction costs. All financial liabilities of the Company and the Group are classified as other financial liabilities. The measurement of financial liabilities depends on their classification as follows:

Trade and other payables

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

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group/Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.14. Provisions

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

Provisions for onerous contracts

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

Provisions for the Performance Fee

The Company is obliged to pay the Performance Fee to the Management Company (Note 2.12). There is an obligation to pay the Performance Fee, which becomes payable only in the event of outperformance of the benchmark when both condition are met as described in Note 2.12 and the Company's Articles of Association.

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

2 Summary of significant accounting policies (cont'd)

2.15. Share capital

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

2.16. 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 statement of financial position (Note 11). See Note 2.17 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.

2.17. Revenue recognition

Accounting policy from 1 January 2018

Revenue includes rental income, utilities and other service income, interest income and other income. Recognition of rental income is described below in the section of revenue recognition principles applied until 31 December 2017.

Utilities and other services income

Revenue from utilities and other services from is recognised in the accounting period in which control of the services are passed to the customer, which is when the service is rendered.

Revenue is measured at the transaction price agreed under the contract. Amounts disclosed as revenue are net of variable consideration and payments to customers, which are not for distinct services, this consideration may include discounts, trade allowances, rebates.

A receivable is recognised when services are provided as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

2 Summary of significant accounting policies (cont'd)

2.17. Revenue recognition (cont'd)

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Accounting policy applied until 31 December 2017

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

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

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/Company provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income.

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

2.18. 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 Management Company and the Investment Committee that makes strategic decisions.

2.19. Borrowing costs

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

2 Summary of significant accounting policies (cont'd)

2.20. Current and deferred income tax

In 2017 following the provisions of the Lithuanian Law on Corporate Income Tax, investment income of closed-end investment companies operating in accordance with the Lithuanian Law on Collective Investment Undertakings are not subject to taxation. From 1 January 2018 all income of Collective Investment Undertakings are not subject to taxation.

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

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

The standard income tax rate in Lithuania was 15 % in 2017 and 2018. 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.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

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.

In Lithuania 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 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.

From 1 January 2018 according to the new Corporate Income Tax Act of Latvia the annual profit is not taxed. Corporate income tax would be paid on distributed profit, including conditional distributed profit as for example: expenditure not related to economic activities, some loans granted to related parties, some provisions for doubtful debts. The tax rate on (net) distributed profit would be 20/80. From 1 January 2018 tax losses incurred before 31 December 2017 can be carried forward for 5 consecutive years to reduce up to 50% of tax base of distributed profit in Latvia. Until 31 December 2017 gains from the sale of shares are not taxed, and losses are not deductible in Latvia. From 1 January 2018 the tax base would be reduced by the gain on sale of shares, if the shares was held for an uninterrupted period of at least 36 months. The excess gain can be transferred and utilized in the future periods.

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)

2.21. Employee benefits

Social security contributions

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

Bonus plans

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

2.22. Significant accounting judgements and estimates

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

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

Judgements

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

The Group acts as principal in relation to utility and other services

The management has concluded that the Group acts as a principal in relation to utility and other services. Although the most of services rendered to the tenants is performed by other parties, the Group has a right to a service to be performed by the other party, which gives the Group the ability to direct that party to provide the service to the customer on the entity's behalf. From tenant perspective the Group combines the services provided by other parties in providing the specified service to the them. According to the management the Group is primarily responsible for fulfilling the promise to provide services and has discretion in establishing the price for the services.

2 Summary of significant accounting policies (cont'd)

2.22 Significant accounting judgements and estimates (cont'd)

Estimates and assumptions

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

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

Fair value of investment properties

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

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

The fair value of the investment properties of the Group and the Company as at 31 December 2018 was EUR 58,295 thousand and EUR 49,693 thousand, respectively (as at 31 December 2017 – EUR 56,341 thousand and EUR 47,833 thousand, respectively) (described in more details in Note 11).

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

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

The fair value of the investments in subsidiaries as at 31 December 2018 was EUR 6,553 thousand (as at 31 December 2017 – EUR 5,881 thousand) (described in more details in Note 5).

2 Summary of significant accounting policies (cont'd)

2.22 Significant accounting judgements and estimates (cont'd)

Estimates and assumptions (cont'd)

The provision for onerous lease

The amount of provision for onerous lease represents the present value of future cash flows related to the lease contract. Future cash flows projections are based on the estimates of future rent income from subleased premises, contractual lease payments and estimates of maintenance and management expenses of leased premises. The estimates are reviewed at the end of each reporting period.

The provision for onerous lease was EUR 182 thousand as at 31 December 2017 (as at 31 December 2017 – EUR 181 thousand, (described in more details in Note 7). If the inflation estimation would be change by 50 basis points the carrying amount of onerous contract provision would be an estimated EUR 20 thousand higher/lower as at 31 December 2018 (as at 31 December 2017 – EUR 26 thousand).

The provision for the Performance Fee

The amount of provision for the Performance Fee represents the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. As at 31 December 2017, it was calculated according to the Articles of Association of the Company as an amount equal to 20% of return in excess of the annual internal rate of return of 8% for period from 30 November 2016 till 31 December 2017. For this period internal rate of return based on net assets value of the Company is amounted to 27.46%. The provision was estimated as a most likely outcome. The provision is calculated on the basis of the net assets value of the Company, which are amounted to the equity of the Group. The Performance Fee would become payable only if the stock price growth (including dividends) exceeded 8% annually. As described in Note 2.12, the payable Performance Fee could be based on net assets value or on the capitalisation of the Company. The Company cannot control stock price of the Company shares, therefore the timing and the amount of the Performance Fee payable in future are uncertain. As at 31 December 2017 the part of the Performance Fee became payable as internal rate of return for period from 30 November 2016 till 31 December 2017 based on the capitalisation of the Company amounted to 14.50% and exceeded 8%. Because the capitalisation of the Company was less than net assets value of the Company as at 31 December 2017, the initial amount for calculation of internal rate of return for next period were capitalisation of the Company as at 31 December 2017.

As at 31 December 2018, provision was calculated as an amount equal to 20% of return in excess of the annual internal rate of return of 8% for period from 30 September 2018 till 31 December 2018. For this period internal rate of return based on net assets value of the Company amounted to 73.17%. Initial amount for calculation of internal rate of return for this period were capitalisation of the Company as at 30 September 2018, as internal rate of return for period from 31 December 2017 till 30 September 2018 based on the capitalisation of the Company amounted to 9.13% and exceeded 8%, but the capitalisation was less than net assets value of the Company as at 30 September 2018.

As at 31 December 2018 the Company recognised non-current provision for the Performance Fee of EUR 811 thousand (as at 31 December 2017 - EUR 777 thousand after deducting the payable part of the Performance Fee of EUR 386 thousand recognised within other current liabilities) (Note 7). As the period for calculating the Performance Fee closed on 30 September 2018, as at 30 September 2018 the payable part of the Performance Fee of EUR 50 thousand was recognised within other current liabilities and was paid in November 2018.

3 Financial risk management

3.1. Financial risk factors

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

(all amounts are in EUR thousand unless otherwise stated)

3 Financial risk management (cont'd)

3.1 Financial risk factors (cont'd)

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.

<u>Credit risk</u>

Credit risk is the risk one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from cash and cash equivalents, deposits, credit exposures to outstanding trade receivables and loans granted. The Group/Company seeks to ensure that rental contracts are entered into only with lessees with an appropriate credit history, from some of lessees advance lease payments are required.

The maximum exposure to credit risk and impairment of trade and other receivables is disclosed in Note 13. 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). In Note 13 is also disclosed credit quality of trade receivable. There are no transactions of the Group or the Company that occur outside Lithuania and Latvia.

As at 31 December 2018 the Group and the Company had no significant concentrations of credit risk. In 2017 the Company had an agreement with external entity, which provided property management services to the Company in Lithuania. The rent income and related revenues from the Company's owned properties in Lithuania, except newly acquired investment property located at Gynėjų str. 14 and three tenants in other properties, were collected through this entity, which was issuing the invoices for rent and related services to tenants at the end of each month. Therefore, the Group/Company had significant concentration of credit risk with respect to this entity. This third party accounts for approximately 59% and 60% of the total Group's and the Company's trade and other receivables as at 31 December 2017, respectively. As at 31 December 2017 the agreement with this entity was terminated.

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.

As at 31 December 2017 according to the provisions of the borrowing agreement deposit is placed on the ABLV Bank, AS in Latvia (Note 16), which is not rated.

According to the European deposit insurance scheme, cash, cash equivalents and deposits of up to EUR 100 thousand of every legal entity in each bank are covered with insurance. All the Group's balance of cash and cash equivalents are covered with the insurance, except for the Company's cash and cash equivalents, because the Company is a collective investment undertaking. The insured amounts of cash placed on AS "SEB banka" accounts were exceeded by EUR 56 thousand as at 31 December 2018. The insured amounts of cash, cash equivalents and deposits placed on ABLV Bank AS accounts were exceeded by EUR 138 thousand as at 31 December 2017.

All cash balances have a low credit risk at the reporting date and the impairment loss determined on 12-month expected credit losses is resulted in an immaterial amount.

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
Moody's short-term ratings				
Prime-1	290	159	70	59
Prime-3	444	164	384	164
Not rated	-	88	-	-
	734	411	454	223

(all amounts are in EUR thousand unless otherwise stated)

3 Financial risk management (cont'd)

3.1 Financial risk factors (cont'd)

Market risk

Cash flow and fair value interest rate risk

The Group's/Company's exposure to the risk of changes in market interest rates relates primarily to the debt obligations with floating interest rates. The borrowings from related party AB Invalda INVL were 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 in basis points	Group	Company
2018			
EUR	+50 bps	(113)	(102)
2017			
EUR	+50 bps	(104)	(92)

As at 31 December 2018 and 2017 EURIBOR were negative and according to borrowings agreements was equalled to zero.

Foreign exchange risk

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

Liquidity risk

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

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

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

The Group's liquidity ratio (total current assets / total current liabilities) as at 31 December 2018 and 2017 was approximately 0.8 and 0.51, respectively. The Company's liquidity ratio as at 31 December 2018 and 2017 was approximately 0.74 and 0.42.

As at 31 December 2018 the current assets were lower than current liabilities by EUR 292 thousand in the Group and EUR 282 thousand in the Company. Management of the Group and the Company forecasted the cash flows of the Group and the Company for 2019 and the forecast indicates that the Group and the Company will have sufficient funds to cover liabilities, which fall due in 2019. The Group and the Company could use additional liquidity source of up to EUR 3,022 thousand (Note 16) available according to borrowing agreement with AB Šiaulių bankas to meet its liabilities, which expire within twelve months after 31 December 2018.

(all amounts are in EUR thousand unless otherwise stated)

3 Financial risk management (cont'd)

3.1 Financial risk factors (cont'd)

Liquidity risk (cont'd)

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2018 and 2017 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	-	317	948	22,924	-	24,189
Trade and other payables	-	206	-	-	-	206
Provision for onerous contract	-	3	11	99	71	184
Other liabilities	67	37	-	-	-	104
Balance as at 31 December 2018	**67**	**563**	**959**	**23,023**	**71**	**24,683**
Interest bearing borrowings	-	284	1,677	5,578	16,185	23,724
Trade and other payables	-	360	1	-	-	361
Provision for onerous contract	-	2	7	78	97	184
Other liabilities	32	704	-	-	-	736
Balance as at 31 December 2017	**32**	**1,350**	**1,685**	**5,656**	**16,282**	**25,005**

The table below summarises the maturity profile of the Company's financial liabilities as at 31 December 2018 and 2017 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	-	249	746	21,021	-	22,016
Trade and other payables	-	95	-	-	-	95
Provision for onerous contract	-	3	11	99	71	184
Other liabilities	67	27	-	-	-	94
Balance as at 31 December 2018	**67**	**374**	**757**	**21,120**	**71**	**22,389**
Interest bearing borrowings	-	213	1,465	3,312	16,185	21,175
Trade and other payables	-	360	-	-	-	360
Provision for onerous contract	-	2	7	78	97	184
Other liabilities	32	700	-	-	-	732
Balance as at 31 December 2017	**32**	**1,275**	**1,472**	**3,390**	**16,282**	**22,451**

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

(all amounts are in EUR thousand unless otherwise stated)

3 Financial risk management (cont'd)

3.2. Capital management

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

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

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

The Company is obliged to keep its equity ratio at not less than 50 % of its share capital, as imposed by the Law on Companies of Republic of Lithuania. The Company and the Group complied with this requirement as at 31 December 2018 and 2017, except for two subsidiaries in 2018 and in 2017. There are no plans yet to rectify the situation in Lithuania. Pursuant to the Latvian Commercial Law the authorised share capital of a private limited liability company must be not less than EUR 2,800. As of 31 December 2018 and 2017, all Latvian subsidiaries complied with this requirement.

Starting from 2016 the Company has the right to pay dividends without bank consent if the ratio of EBITDA (earnings before interest, tax, depreciation and amortization) divided by the sum of debt service costs (interest and principal repayments) and dividends would be higher than 1.1. In addition, on 29 December 2017 the Extraordinary General Shareholders Meeting of the Company changed dividend payment policy by increasing the minimum dividend from EUR 0.012 till EUR 0.026, if the legal and contractual requirements do not restrict the payment of dividends. After change of nominal value of shares the minimum dividend per share can not be less than EUR 0.13 (Note14).

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 2018.

	Level 1	Level 2	Level 3	Total balance
Assets of the Group				
Investment properties (Note 11)	-	4,490	53,805	58,295
Assets of the Company				
Investment properties (Note 11)	-	1,040	48,653	49,693
Investment into subsidiaries (Note 5)	-	-	6,553	6,553

(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 2017.

	Level 1	Level 2	Level 3	Total balance
Assets of the Group				
Investment properties (Note 11)	-	4,073	52,268	56,341
Assets of the Company				
Investment properties (Note 11)	-	788	47,045	47,833
Investment into subsidiaries (Note 5)	-	-	5,881	5,881

There were no transfers of assets between the Level 1 and Level 2 and between Level 2 and Level 3 of the fair value hierarchy during 2017 and 2018.

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, 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 2018 and 2017 approximated their fair value because they are short-term and the impact of discounting is immaterial.

The carrying amount of borrowings of the Group and the Company and provision for onerous contract as at 31 December 2018 and 2017 approximated their fair value. Bank borrowings have floating interest rate and were renegotiated recently, therefore their interest rate represents the current market rate. The interest rates of borrowings from related party are reviewed at the end of each financial year and adjusted in line with market rates changes, therefore it was concluded that their fair value approximates carrying amount. The fair values of non-current borrowings are based on discounted cash flows using a current interest rate. They are classified as level 3 fair values in the fair value hierarchy due to use of unobservable inputs, including own credit risk.

5 Investments into subsidiaries

The Group had the following subsidiaries directly or indirectly owned by the Company as at 31 December 2018 and 2017:

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

*These subsidiaries are directly owned by the Company.

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

(all amounts are in EUR thousand unless otherwise stated)

5 Investments into subsidiaries (cont'd)

In 2018 and 2017 the Company has not invested into or sold any subsidiaries.

The subsidiary SIA Dommo Bizness Parks has no right to pay dividends without a bank's written consent according to the loan agreements. The bank shall give its consent to pay dividends if a subsidiary's ability to repay borrowings is not degraded subsequently, and the subsidiary performs its obligation under the loan agreement as at the moment of giving the aforementioned consent. The loans granted (including accumulated interest thereon) to SIA Dommo Grupa and SIA Dommo Bizness Parks are subordinate to the bank borrowings and can be repaid only upon maturity of the bank borrowings in 2020.

Fair value of investments into subsidiaries

Investments into subsidiaries together with loans granted to subsidiaries are measured at fair value through profit or loss in the Company's stand-alone financial statements in 2018 and 2017. 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:

	2018	**2017**
Shares	99	112
Loans granted	6,454	5,769
	6,553	**5,881**

Key inputs to valuation on subsidiaries as at 31 December 2018:

Significant unobservable inputs	**Value of input or range**
Sales price EUR per sq. m. (with VAT)	1,810
Cost to completion EUR per sq. m (without VAT)	887
Profit on cost ratio of the entire project (%)	30
Discount rate (%)	11
Capitalisation rate for terminal value (%)	9
Vacancy rate (%)	3 - 15
Increase of rents per year (%)	1.5
Inflation (%)	1.4 – 1.6

(all amounts are in EUR thousand unless otherwise stated)

5 Investments into subsidiaries (cont'd)

Fair value of investments into subsidiaries (cont'd)

Key inputs to valuation on subsidiaries as at 31 December 2017:

Significant unobservable inputs	Value of input or range
Sales price EUR per sq. m. (with VAT)	1,810
Cost to completion EUR per sq. m (without VAT)	887
Profit on cost ratio of the entire project (%)	30
Discount rate (%)	11
Capitalisation rate for terminal value (%)	9
Vacancy rate (%)	5 - 15
Increase of rents per year (%)	1.4 – 1.6
Inflation (%)	1.4 – 1.6

The sensitivity analysis of fair value of subsidiaries as at 31 December 2018 is as follows:

Reasonable possible shift +/- (%)	Increase of estimates	Decrease of estimates
Change in future sale prices of developed properties by 10%	160	(170)
Change in construction costs by 10%	(130)	130
Change in profit on cost ratio of the entire project by 200 bps	(30)	20
Change in Increase of rents per year by 100 bps or change in future rental rates by 1%	168	(164)
Change in expected vacancy rates by 20%	(57)	56
Change in discount and capitalization rate by 50 bps	(270)	301

The sensitivity analysis of fair value of subsidiaries as at 31 December 2017 is as follows:

Reasonable possible shift +/- (%)	Increase of estimates	Decrease of estimates
Change in future sale prices of developed properties by 10%	160	(170)
Change in construction costs by 10%	(130)	130
Change in profit on cost ratio of the entire project by 200 bps	(30)	20
Change in Increase of rents per year by 100 bps or change in future rental rates by 1%	168	(164)
Change in expected vacancy rates by 20%	(73)	72
Change in discount and capitalization rate by 50 bps	(272)	303

(all amounts are in EUR thousand unless otherwise stated)

5 Investments into subsidiaries (cont'd)

The following table presents the movement in Level 3 instruments for the year ended 31 December 2018 and 2017:

Fair value as at 31 December 2016	**5,289**
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')	592
Fair value as at 31 December 2017	**5,881**
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')	662
Loan granted during a year (Note 18)	10
Fair value as at 31 December 2018	**6,553**
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of 2018	662
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of 2017	592

The main part of investments into subsidiaries together with loans granted are loans granted to Latvian entities. In 2015 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 obtained by the Former Parent Company. 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 2018 and 2017 the Company has recognised EUR 203 thousand and EUR 203 thousand of this '1 day profit' within 'Net changes in fair value of investment into subsidiaries designated at fair value through profit or loss' in the statement of comprehensive income, respectively. As at 31 December 2018 and as at 31 December 2017 unrecognised part of '1 day profit' was EUR 304 thousand and EUR 507 thousand, respectively. Therefore, the total fair value of loans granted by the Company was EUR 6,758 thousand and EUR 6,276 thousand as at 31 December 2018 and 2017, respectively (their carrying amount – EUR 6,454 thousand and EUR 5,769 thousand, respectively). It is Level 3 measurement.

(all amounts are in EUR thousand unless otherwise stated)

6 Segment information

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

- Owned property in Lithuania. The reportable segment comprises four (until September 2017 – five) operating segments on a property-by-property basis, which are aggregated. The operating segments have similar economic characteristics, because all owned premises are located in Vilnius, Lithuania. These are office buildings with some warehouse premises. Most of them have further development opportunities. All properties are multi-tenant. Corporate tenants dominate, but some premises are also leased to governmental and retail tenants.
- Leasehold property. They are located in Vilnius and Kaunas, Lithuania. These are office buildings and warehouses. From 1 September 2017 the segment comprise of one investment property (office building) in Vilnius.
- Owned property in Latvia. Revenue is earned from warehouse located in Riga, Latvia.

The following table presents performance of reportable segments of the Group for the year ended 31 December 2018:

	Owned property in Lithuania	Leasehold property	Owned property in Latvia	Total
Year ended 31 December 2018				
Rent income	3,984	202	530	4,716
Other revenue (utilities and other service)	1,103	-	-	1,103
Revenue	**5,087**	**202**	**530**	**5,819**
Expenses				
Premises rent costs	(94)	(211)	(4)	(309)
Utilities	(819)	-	(3)	(822)
Repair and maintenance of premises	(1,266)	-	(26)	(1,292)
Property management and brokerage costs	(16)	-	(26)	(42)
Taxes on property	(307)	-	(15)	(322)
Insurance costs	(11)	-	(3)	(14)
Net operating income for the period	**2,574**	**(9)**	**453**	**3,018**

From 1 January 2018 property management services is provided by subsidiary UAB Proprietas to the Company. The previous agreement for property management services with external entity ended on 31 December 2017. Therefore, from 1 January 2018 on the Group level property management costs are not incurred, but the Group has incurred additional employee benefits expenses which is not included into reportable segment expenses.

(all amounts are in EUR thousand unless otherwise stated)

6 Segment information (cont'd)

The following table presents performance of reportable segments of the Group for the year ended 31 December 2017:

	Owned property in Lithuania	**Leasehold property**	**Owned property in Latvia**	**Total**
Year ended 31 December 2017				
Rent income	3,501	1,170	477	5,148
Other revenue (utilities and other service)	943	111	-	1,054
Revenue	**4,444**	**1,281**	**477**	**6,202**
Expenses				
Premises rent costs	(32)	(1,202)	(4)	(1,238)
Utilities	(779)	(97)	(7)	(883)
Repair and maintenance of premises	(852)	(59)	(24)	(935)
Property management and brokerage costs	(200)	(79)	(3)	(282)
Taxes on property	(314)	-	(17)	(331)
Insurance costs	(8)	-	(3)	(11)
Net operating income for the year	**2,259**	**(156)**	**419**	**2,522**

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

	2018				**2017**			
	Net operating income to operating profit	Premises rent costs	Repair and maintenance of premises	Revenue	Net operating income to operating profit	Premises rent costs	Property management and brokerage costs	Revenue
From reportable segment	**3,018**	**(309)**	**(1,292)**	**5,819**	**2,522**	**(1,238)**	**(282)**	**6,202**
Provision for onerous contracts	-	-	-	-	92	92	-	-
Other revenue not included in reportable segments	3	-	-	3	1	-	-	1
Add back insurance and other costs (included within 'other expenses')	41	-	27	-	11	-	-	-
Brokerage cost on sale of investment property	-	-	-	-	(20)	-	(20)	-
Management and Performance Fee	(391)	-	-	-	(645)	-	-	-
Impairment of trade receivables	(38)	-	-	-	(2)	-	-	-
Employee benefits expenses	(93)	-	-	-	(33)	-	-	-
Depreciation and amortisation	(30)	-	-	-	(14)	-	-	-
Other expenses	(350)	-	-	-	(213)	-	-	-
Other income	4	-	-	-	25	-	-	-
Net gains from fair value adjustments on investment property	1,473	-	-	-	2,326	-	-	-
Total	**3,637**	**(309)**	**(1,265)**	**5,822**	**4,050**	**(1,146)**	**(302)**	**6,203**

(all amounts are in EUR thousand unless otherwise stated)

6 Segment information (cont'd)

The table below presents distribution of the Group non-current assets (other than financial instruments and deferred tax assets) by geographical area as at 31 December 2018 and 2017:

	Lithuania	**Latvia**	**Total**
As at 31 December 2018	50,412	8,183	58,595
As at 31 December 2017	48,488	8,104	56,592

7 Revenue, lease expenses, lease commitments, provisions

Revenue

The Group being the lessor has entered into commercial property leases of the Group's investment properties under operating lease agreements. The majority of the agreements have remaining terms of between 1 and 6 years.

Analysis of revenue by category:

	Group		**Company**	
	2018	**2017**	**2018**	**2017**
Rent income	4,716	5,148	4,183	4,668
Utilities revenue	812	874	20	872
Other services revenue	294	181	104	180
Total revenue	**5,822**	**6,203**	**4,307**	**5,720**

From 1 January 2018 subsidiary UAB Proprietas provide property management services for the Company and utilities and other services to the tenants of the Company. Therefore, from 1 January 2018 most of utilities and other services revenue is earned by the subsidiary, not by the Company.

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

	Group		**Company**	
	2018	**2017**	**2018**	**2017**
Rent income from owned premises	4,514	3,978	3,981	3,498
Other revenue from owned premises	1,106	944	124	941
Total revenue from owned premises	*5,620*	*4,922*	*4,105*	*4,439*
Rent income from subleased premises	202	1,170	202	1,170
Other revenue from subleased premises	-	111	-	111
Total revenue from subleased premises	*202*	*1,281*	*202*	*1,281*
Total revenue	**5,822**	**6,203**	**4,307**	**5,720**

(all amounts are in EUR thousand unless otherwise stated)

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

Revenue (cont'd)

Analysis of revenue of the Group by geographical areas:

	Group	
	2018	**2017**
Lithuania	5,289	5,725
Latvia	533	478
Total	**5,822**	**6,203**

In 2018 there is no single customer, from which the Group and the Company has received more than 10% of its revenue. Revenues of EUR 3,474 thousand in the Group are derived from a single external customer in Lithuania for the year ended 31 December 2017.

The Group's future rentals receivable under non-cancellable and cancellable operating leases as at 31 December 2018 and 2017 are as follows:

		2018	**2017**
Within one year			
	- non-cancellable lease	2,002	2,090
	- non-cancellable amount of cancellable lease	1,246	1,096
	- minimum lease payments, total	*3,248*	*3,186*
	- cancellable amount of cancellable lease	507	797
		3,755	3,983
From one to five years			
	- non-cancellable lease	3,828	4,242
	- non-cancellable amount of cancellable lease	1,361	730
	- minimum lease payments, total	*5,189*	*4,972*
	- cancellable amount of cancellable lease	1,942	1,722
		7,131	6,694
After five years			
	- non-cancellable lease	162	404
	- non-cancellable amount of cancellable lease	61	-
	- minimum lease payments, total	*223*	*404*
	- cancellable amount of cancellable lease	590	169
		813	573
Total		**11,699**	**11,250**
	- non-cancellable lease	5,992	6,736
	- non-cancellable of cancellable lease	2,668	1,826
	- minimum lease payments, total	*8,660*	*8,562*
	- cancellable amount of cancellable lease	3,039	2,688

(all amounts are in EUR thousand unless otherwise stated)

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

Revenue (cont'd)

The Company's future rentals receivable under non-cancellable and cancellable operating leases as at 31 December 2018 and 2017 are as follows:

		2018	**2017**
Within one year			
	- non-cancellable lease	1,995	2,048
	- non-cancellable amount of cancellable lease	1,120	983
	- minimum lease payments, total	*3,115*	*3,031*
	- cancellable amount of cancellable lease	477	463
		3,592	3,494
From one to five years			
	- non-cancellable lease	3,828	4,238
	- non-cancellable amount of cancellable lease	1,361	730
	- minimum lease payments, total	*5,189*	*4,968*
	- cancellable amount of cancellable lease	1,915	1,573
		7,104	6,541
After five years			
	- non-cancellable lease	162	404
	- non-cancellable amount of cancellable lease	61	-
	- minimum lease payments, total	*223*	*404*
	- cancellable amount of cancellable lease	590	169
		813	573
Total		**11,509**	**10,608**
	- non-cancellable lease	5,985	6,690
	- non-cancellable of cancellable lease	2,542	1,713
	- minimum lease payments, total	*8,527*	*8,403*
	- cancellable amount of cancellable lease	2,982	2,205

(all amounts are in EUR thousand unless otherwise stated)

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

Revenue (cont'd)

The Company's and the Group's future rentals receivable under non-cancellable and cancellable operating subleases as at 31 December 2018 and 2017 are as follows:

		2018	2017
Within one year			
	- non-cancellable lease	202	202
	- non-cancellable amount of cancellable lease	-	-
	- minimum lease payments, total	*202*	*202*
	- cancellable amount of cancellable lease	-	-
		202	202
From one to five years			
	- non-cancellable lease	809	809
	- minimum lease payments, total	*809*	*809*
After five years			
	- non-cancellable lease	404	607
	- minimum lease payments total	*404*	*607*
Total		**1,415**	**1,618**
	- non-cancellable lease	1,415	1,618
	- non-cancellable of cancellable lease	-	-
	- minimum lease payments, total	*1,415*	*1,618*
	- cancellable amount of cancellable lease	-	-

For the cancellable lease and sublease agreements, tenants must notify the administrator 1–12 months in advance if they wish to cancel the rent agreement and have to pay for the cancellation 1–3 months' rent fee penalty or penalty based on initial repair cost incurred to prepare premises to rent proportionally to remaining term of rent. According to some agreements, the tenants has to right to cancel the rent agreement within 12–60 months of the start of lease term. According to non-cancellable lease and sublease agreements tenants must pay the penalty equal to rentals receivable during the whole remaining lease period.

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

Expenses and provisions

The Company was leasing premises from an external party until August 2017 under the lease agreement of 10 August 2007, except for one property, which is leased until the expiry of the current sublease agreement (31 December 2025). The Company had paid a one off deposit in the amount of EUR 825 thousand corresponding to the 6 months rental fee amount, which will be set-off against the last part of lease payment at the termination of the lease. The rent payments are subject to an indexation at the end of August each year on the basis of harmonised consumer price index, if the latter is more than 1%, but there is a cap for annual indexation of 3.8%. In November of 2016 the amendment to the lease agreement was signed. According to the amendment, EUR 275 thousand of prepayments was set off against lease payables in 2016, EUR 450 thousand of prepayments was set off in 2017, and EUR 100 thousand of prepayments has to be set off in 2025.

During the year ended 31 December 2018 and 2017 the Group and the Company has incurred EUR 211 thousand and EUR 1,111 thousand lease expenses under this agreement, respectively. Contingent rent constitutes EUR 36 thousand and EUR 190 thousand within this amount during the year ended 31 December 2018 and 2017, respectively in the Group and in the Company.

The lease expenses of the Group from other agreements amounted to EUR 104 thousand and EUR 35 thousand during the year ended 31 December 2018 and 2017, respectively. The lease expenses of the Company from other agreements amounted to EUR 98 thousand and EUR 36 thousand during the year ended 31 December 2018 and 2017, respectively.

(all amounts are in EUR thousand unless otherwise stated)

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

Expenses and provisions (cont'd)

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

		Group		Company	
		2018	**2017**	**2018**	**2017**
Within one year					
	- lease of premises from agreement of 10 August 2007	215	209	215	209
	- other lease	34	24	29	20
		249	233	244	229
From one to five years					
	- lease of premises from agreement of 10 August 2007	859	837	859	837
	- other lease	13	2	13	5
		872	839	872	842
After five years					
	- lease of premises from agreement of 10 August 2007*	330	528	330	528
	- other lease	-	-	-	-
		330	528	330	528
		1,451	**1,600**	**1,446**	**1,599**

* In 2018 and 2017 the prepayment of EUR 100 thousand was deducted from the future lease payments in the caption 'after five years'.

The lease agreement of 10 August 2007 is an onerous contract, therefore there is a provision of EUR 182 thousand and EUR 181 thousand to cover the loss anticipated in connection with this contract recognised in the statement of financial position as at 31 December 2018 and 2017, 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:

	2018	**2017**
As at 1 January	**181**	**272**
Re-estimation of provision at the end of the year	9	1
Amount used (recognised as a reduction of 'Premises rent costs')	(9)	(105)
Unwinding of the discount and changes in the discount rate	1	13
As at 31 December	**182**	**181**
Non-current	168	172
Current	14	9

(all amounts are in EUR thousand unless otherwise stated)

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

Expenses and provisions (cont'd)

As at 31 December 2018 the Company recognised non-current provision for the Performance Fee of EUR 811 thousand (as at 31 December 2017: EUR 777 thousand) (Notes 2.12 and 2.22).

The changes in the provision for the Performance Fee is presented below:

	2018	2017
As at 1 January	**777**	**814**
Re-estimation of provision at the end of the year	84	349
Reclassification of payable part to 'other current liabilities'	(50)	(386)
As at 31 December	**811**	**777**

8 Finance costs

	Group		Company	
	2018	2017	2018	2017
Interest expenses of bank borrowings	(455)	(471)	(407)	(417)
Interest expenses of borrowings from related parties	(7)	(1)	(7)	(1)
Unwinding of the discount of provision for onerous contract	(1)	(1)	(1)	(1)
	(463)	(473)	(415)	(419)

9 Income tax

	Group		Company	
	2018	2017	2018	2017
Components of the income tax (expenses)/credit				
Current income tax (expense)/credit	-	-	-	-
Prior year current income tax correction	(1)	1	-	1
Deferred income tax (expense)/credit	(4)	(1)	-	-
Income tax (expense)/credit charged to profit or loss – total	(5)	-	-	1

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

Deferred income tax asset and liability were estimated at 15% rates as at 31 December 2018 and 2017.

(all amounts are in EUR thousand unless otherwise stated)

9 Income tax (cont'd)

The movement in deferred income tax assets and liabilities of the Group during 2018 is as follows:

	Balance as at 31 December 2017	Recognised in profit or loss during the year	Balance as at 31 December 2018
Deferred tax asset			
Tax loss carry forward	1,087	4	1,091
Investment properties	18	-	18
Deferred tax asset available for recognition	1,105	4	1,109
Less: unrecognised deferred tax asset from tax losses carried forward	(1,085)	(5)	(1,090)
Less: unrecognised deferred tax asset due to future uncertainties	(18)	-	(18)
Recognised deferred income tax asset	2	(1)	1
Asset netted with liability of the same legal entities	(2)	1	(1)
Deferred income tax asset, net	**-**	**-**	**-**
Deferred tax liability			
Investment properties	(2)	(3)	(5)
Deferred income tax liability	(2)	(3)	(5)
Liability netted with asset of the same legal entities	2	(1)	1
Deferred income tax liability, net	**-**	**(4)**	**(4)**
Deferred income tax, net	**-**	**(4)**	**(4)**

After changes in Latvian Income Tax Law the tax losses from Latvian entities could be carried forward not for indefinite period of time, but for 5 consecutive years. Deferred tax asset arising from the tax losses from Latvian entities amounted to EUR 1,054 thousand (all amount is unrecognised) as at 31 December 2018.

The Group's deferred tax liabilities will be recovered after more than 12 months as of 31 December 2018.

(all amounts are in EUR thousand unless otherwise stated)

9 Income tax (cont'd)

The movement in deferred income tax assets and liabilities of the Group during 2017 is as follows:

	Balance as at 31 December 2016	Recognised in profit or loss during the year	Changes in Latvian Income Tax Law	Balance as at 31 December 2017
Deferred tax asset				
Tax loss carry forward	1,112	(25)	-	1,087
Investment properties	117	(19)	(80)	18
Receivables	1	-	(1)	-
Deferred tax asset available for recognition	1,230	(44)	(81)	1,105
Less: unrecognised deferred tax asset from tax losses carried forward	(962)	75	(198)	(1,085)
Less: unrecognised deferred tax asset due to future uncertainties	(118)	19	81	(18)
Recognised deferred income tax asset	150	50	(198)	2
Asset netted with liability of the same legal entities	(149)	(51)	198	(2)
Deferred income tax asset, net	**1**	**(1)**	**-**	**-**
Deferred tax liability				
Investment properties	(149)	(51)	198	(2)
Deferred income tax liability	(149)	(51)	198	(2)
Liability netted with asset of the same legal entities	149	51	(198)	2
Deferred income tax liability, net	**-**	**-**	**-**	**-**
Deferred income tax, net	**1**	**(1)**	**-**	**-**

Following the provisions of the Lithuanian Law on Corporate Income Tax, all income (in 2017 - investment income) of closed-end investment companies operating in accordance with the Lithuanian Law on Collective Investment Undertakings are not subject to taxation. Therefore, the Company has not any taxable temporary differences in 2018 and 2017 and has not recognised any deferred tax assets or liabilities.

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	
	2018	**2017**	**2018**	**2017**
Profit before income tax	**3,174**	**3,577**	**3,372**	**3,779**
Tax calculated at the tax rate of 0 % (15% - 2017)	-	(537)	-	(567)
Tax effect of non-deductible expenses and non-taxable income	(2)	480	-	567
Deferred tax expenses arising from write-down, or reversal of a previous write-down, of deferred tax asset due to changes in probability to utilise it	(3)	56	-	-
Prior year current income tax correction	(1)	1		1
Differences in tax rates in subsidiaries (15% instead of 0%)	1	-	-	-
Income tax (expense)/credit recorded in the statement of comprehensive income	(5)	-	-	1

Following the provisions of the Lithuanian Law on Corporate Income Tax, all income (in 2017 - investment income) of closed-end investment companies operating in accordance with the Lithuanian Law on Collective Investment Undertakings are not subject to taxation. The main non-taxable income/ non-deductible expenses of the Group/Company for 2017 were investment income and related expenses of the Company.

10 Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

The weighted average number of shares for the year ended 31 December 2018 was 13,150 thousand.

On 15 January 2018 the change of the nominal value of shares from EUR 0.29 to EUR 1.45 was considered as reverse share split. Therefore, the basic and diluted earnings per share was recalculated by using number of shares if the reverse share split would have occurred before the start of the comparative period of financial statements.

Therefore, the weighted average number of shares for the twelve months ended 31 December 2017 was also 13,150 thousand.
The following table reflects the income and share data used in the basic earnings per share computations:

	Group	
	2018	**2017**
Net profit (loss), attributable to the equity holders of the parent	3,169	3,577
Weighted average number of ordinary shares (thousand)	13,150	13,150
Basic earnings (deficit) per share (EUR)	0.24	0.27

For 2018 and 2017 diluted earnings per share of the Group are the same as basic earnings per share.

(all amounts are in EUR thousand unless otherwise stated)

11 Investment properties

The movements of investment properties of the Group were:

	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 2016	**4,017**	**48,043**	**350**	**52,410**
Subsequent expenditure	-	2,545	-	2,545
Transfer from intangible assets	-	60	-	60
Disposals	-	(1,000)	-	(1,000)
Gain from fair value adjustment	136	2,347	-	2,483
Loss from fair value adjustment	(80)	(77)	-	(157)
Balance as at 31 December 2017	**4,073**	**51,918**	**350**	**56,341**
Subsequent expenditure	-	481	-	481
Gain from fair value adjustment	417	1,127	-	1,544
Loss from fair value adjustment	-	(71)	-	(71)
Balance as at 31 December 2018	**4,490**	**53,455**	**350**	**58,295**
Unrealized gains or losses for the period, included within 'Net gain (losses) on fair value adjustments of investment property' in profit or loss	**417**	**1,056**	**-**	**1,473**

The movements of investment properties of the Company were:

	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 2016	**862**	**43,102**	**-**	**43,964**
Subsequent expenditure	-	2,542	-	2,542
Transfer from intangible assets	-	60	-	60
Disposals	-	(1,000)	-	(1,000)
Gain from fair value adjustment	6	2,347	-	2,353
Loss from fair value adjustment	(80)	(6)	-	(86)
Balance as at 31 December 2017	**788**	**47,045**	**-**	**47,833**
Subsequent expenditure	-	481	-	481
Gain from fair value adjustment	252	1,127	-	1,379
Loss from fair value adjustment	-	-	-	-
Balance as at 31 December 2018	**1,040**	**48,653**	**-**	**49,693**
Unrealized gains or losses for the period, included within 'Net gain (losses) on fair value adjustments of investment property' in profit or loss	**252**	**1,127**	**-**	**1,379**

(all amounts are in EUR thousand unless otherwise stated)

11 Investment properties (cont'd)

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	
	2018	**2017**	**2018**	**2017**
To properties that generated rental income	1,723	1,434	1,585	1,415
To properties that did not generate rental income	48	73	42	65
	1,771	**1,507**	**1,627**	**1,480**

In 2018 and 2017 the reconstruction expenses of EUR 59 thousand and EUR 2,339 thousand have incurred, respectively, and were capitalised and added to the acquisition cost of investment property, located at Gynėjų 14, Vilnius. In 2018 the reconstruction expenses of EUR 272 thousand have incurred additionally for the investment properties, located at Palangos 4, Vilnius and EUR 150 thousand have incurred additionally for the investment properties, located at Žygio g. 97, Vilnius. In 2017 the reconstruction expenses of EUR 3 thousand have incurred for the investment properties in Latvia and of EUR 203 thousand have incurred additionally for the investment properties in Vilnius, located at Palangos 4. In 2018 the Group/the Company has paid outstanding payables from 2017 for subsequent expenditure for investment properties of EUR 348 thousand and has paid EUR 481 thousand for subsequent expenditures during 2018. As at 31 December 2018 outstanding payables for subsequent expenditure from 2017 for investment properties amounted to EUR 4 thousand. As at 31 December 2017 outstanding payables for subsequent expenditure for investment properties amounted to EUR 352 thousand.

On 26 July 2017 the Company had signed an agreement on the sale of 3,000 square metres of office and warehouse premises on Kirtimų Street in Vilnius. The value of the transaction was EUR 1,000 thousand plus VAT. On 5 September 2017 the ownership of property was transferred to the buyer after sale price was received.

Investment properties are measured at fair value. In 2018 and 2017, properties leased out by the entity and investment properties held for future redevelopment in Lithuania were valued on 31 October 2018 and 31 October 2017, respectively, by an accredited valuer UAB OBER-HAUS Nekilnojamasis Turtas (hereinafter together with SIA OBER-HAUS Vertešanas Serviss referred to as 'Oberhaus') using the income approach and by an accredited valuer UAB Newsec Valuations (hereinafter 'Newsec') using the income approach and market approach. In 2018 and in 2017 investment properties located in Latvia were valued on 31 October 2018 and 31 October 2017 by an accredited valuer SIA OBER-HAUS Vertešanas Serviss using a market approach for land and using an income approach for warehouse. There were no significant changes in the market during period from valuation date till year-end that could have an effect on the value of investment properties, therefore the updated valuation was not performed as at 31 December 2018 and 2017.

(all amounts are in EUR thousand unless otherwise stated)

11 Investment properties (cont'd)

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

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

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

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

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

	Group		**Company**	
	2018	**2017**	**2018**	**2017**
Offices premises in city centre – Lithuania	48,653	47,045	48,653	47,045
Warehouse – Latvia	4,802	4,873	-	-
	53,455	**51,918**	**48,653**	**47,045**

(all amounts are in EUR thousand unless otherwise stated)

11 Investment properties (cont'd)

Description of valuation techniques used and key inputs to valuation on investment properties located in Lithuania as at 31 December 2018:

	Valuation technique	**Significant unobservable inputs**	**Range (weighted average)**	
			Oberhaus	**Newsec**
Properties leased out by the entity	Discounted cash flows	Discount rate (%)	8.5 – 9 (8.85)	9.00 – 9.8 (9.20)
		Capitalisation rate for terminal value (%)	7.0 – 8.0 (7.41)	7.5 – 8.5 (7.65)
		Vacancy rate (%)	3-25	5-10, in first year 5-50
		Office premises in city centre - Rent price EUR per sq. m. (without VAT)	7.2 – 20 (10.70)	5.79 – 19.70 (11.0)
		Warehouse premises - Rent price EUR per sq. m. (without VAT)	4.5-6.5 (4.68)	3.77-6.12 (5.01)
Investment properties held for future redevelopment	Discounted cash flows with estimated costs to complete	Profit on cost ratio of the entire project (%)	30	-
		Cost to completion EUR per sq. m (without VAT)	887	-
		Sales price EUR per sq. m. (with VAT)*	1,810	-
		Completion date, years	2	-

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

Description of valuation techniques used and key inputs to valuation on investment properties located in Lithuania as at 31 December 2017:

	Valuation technique	**Significant unobservable inputs**	**Range (weighted average)**	
			Oberhaus	**Newsec**
Properties leased out by the entity	Discounted cash flows	Discount rate (%)	8.5 – 9 (9.24)	9.0 – 9.8 (9.18)
		Capitalisation rate for terminal value (%)	7.0 – 8.5 (7.74)	7.5 – 8.5 (7.64)
		Vacancy rate (%)	3 – 15	5 (5 – 50 in first year)
		Office premises in city centre - Rent price EUR per sq. m. (without VAT)	7.50 – 19.60 (10.32)	4.93 - 19.5 (10.77)
		Warehouse and office premises in industrial area - Rent price EUR per sq. m. (without VAT)	4.5 – 6.0 (4.64)	3.73 – 5.83 (4.45)
Investment properties held for future redevelopment	Discounted cash flows with estimated costs to complete	Profit on cost ratio of the entire project (%)	30	-
		Cost to completion EUR per sq. m (without VAT)	887	-
		Sales price EUR per sq. m. (with VAT)*	1,810	-
		Completion date, years	2	-

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

(all amounts are in EUR thousand unless otherwise stated)

11 Investment properties (cont'd)

Description of valuation techniques used and key inputs to valuation on investment properties located in Latvia as at 31 December 2018:

	Valuation technique	Significant unobservable inputs	Value of input or range Oberhaus
Properties leased out by the entity	Discounted cash flows (five year estimated)	Discount rate (%)	11
		Capitalisation rate for terminal value (%)	9
		Vacancy rate (%)	3 - 15
		Increase of rents per year (%)	1.5
		Inflation (%)	1.4-1.6

Description of valuation techniques used and key inputs to valuation on investment properties located in Latvia as at 31 December 2017:

	Valuation technique	Significant unobservable inputs	Value of input or range Oberhaus
Properties leased out by the entity	Discounted cash flows (five year estimated)	Discount rate (%)	11
		Capitalisation rate for terminal value (%)	9
		Vacancy rate (%)	5 (15 in first year and 10 in third year)
		Increase of rents per year (%)	1.4-1.6
		Inflation (%)	1.4-1.6

Oberhaus is used for valuation of current contractual rent prices and has indexed these prices by input of increase of rents per year.

The sensitivity analysis of investment properties located in Lithuania valued using income approach as at 31 December 2018 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 %	4,939	-	(4,940)	-
Change in future sale prices of developed properties by 10%	-	160	-	(170)
Change in construction costs by 10%	-	(130)	-	130
Change in expected vacancy rates by 20%	(810)	-	805	-
Change in discount and capitalization rate by 50 bps	(3,538)	-	3,135	-
Change in profit on cost ratio of the entire project by 200 bps	-	(30)	-	20

(all amounts are in EUR thousand unless otherwise stated)

11 Investment properties (cont'd)

Company **Reasonable possible shift +/- (%)**	**Increase of estimates** **Properties leased out by the entity**	**Decrease of estimates** **Properties leased out by the entity**
Change in future rental rates by 10 %	4,939	(4,940)
Change in expected vacancy rates by 20%	(810)	805
Change in discount and capitalization rate by 50 bps	(3,538)	3,135

The sensitivity analysis of investment properties located in Latvia valued using income approach as at 31 December 2018 is as follows:

Reasonable possible shift +/- (%)	**Increase of estimates**	**Decrease of estimates**
Change in Increase of rents per year by 100 bps or change in future rental rates by 1%	168	(164)
Change in expected vacancy rates by 20%	(57)	56
Change in discount and capitalization rate by 50 bps	(270)	301

The sensitivity analysis of investment properties located in Lithuania valued using income approach as at 31 December 2017 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 %	4,917	-	(4,913)	-
Change in future sale prices of developed properties by 10%	-	160	-	(170)
Change in construction costs by 10%	-	(130)	-	130
Change in expected vacancy rates by 20%	(610)	-	713	-
Change in discount and capitalization rate by 50 bps	(2,955)	-	3,474	-
Change in profit on cost ratio of the entire project by 200 bps	-	(30)	-	20

Company **Reasonable possible shift +/- (%)**	**Increase of estimates** **Properties leased out by the entity**	**Decrease of estimates** **Properties leased out by the entity**
Change in future rental rates by 10 %	4,917	(4,913)
Change in expected vacancy rates by 20%	(610)	713
Change in discount and capitalization rate by 50 bps	(2,955)	3,474

(all amounts are in EUR thousand unless otherwise stated)

11 Investment properties (cont'd)

The sensitivity analysis of investment properties located in Latvia valued using income approach as at 31 December 2017 is as follows:

Reasonable possible shift +/- (%)	Increase of estimates	Decrease of estimates
Change in Increase of rents per year by 100 bps or change in future rental rates by 1%	168	(164)
Change in expected vacancy rates by 20%	(73)	72
Change in discount and capitalization rate by 50 bps	(272)	303

As at 31 December 2018 the Group's investment properties with carrying amount of EUR 57,784 thousand (EUR 55,853 thousand as at 31 December 2017) were pledged to the banks as collateral for the loans (Note 16).

As at 31 December 2018 the Company's investment properties with carrying amount of EUR 49,602 thousand (EUR 47,752 thousand as at 31 December 2017) were pledged to the banks as collateral for the loans (Note 16).

As of 31 December 2016 a written consent was required for sale of investment property from AB SEB bankas as a depository service provider. According to the Lithuanian Law on Collective Investment Undertakings, the sale price of investment properties may not be lower by more than 15% of the value determined by the independent qualified valuer. Having concluded a contract on sale of investment properties, when the above-described condition is not satisfied, the Management Company must, in exceptional cases and provided that interests of participants of the Company are not harmed, notify the supervisory authority thereof immediately. The 5 parking spaces acquired by the Company with the carrying amount of EUR 58 thousand (as at 31 December 2017: EUR 48 thousand) are subject to interim measures not to sell them to third parties if the legal dispute is in process. The legal dispute between the seller of the parking spaces and third entity is regarding the right to land and legitimacy of construction of parking spaces.

On 28 September 2018 the Group signed a preliminary agreement regarding the sale of 20.6 hectares of land plots in Latvia. In order for the transaction to be completed, the buyer of the land plots must by the end of April 2019 sign a lease agreement for the properties planned to be built on the land plots, and also make an advance payment and perform other actions envisaged in the agreement. If the parties fulfil all the stipulated conditions, the transaction could be completed by 1 July 2019. Given that the preliminary agreement may cease to have effect due to circumstances beyond the control of Group, and that there are no guarantees that the transaction will be completed, its amount is not being disclosed and the investment property is not presented as non-current assets held for sale. If the transaction was completed, it would have a positive impact on equity of Group (considering the carrying amount of assets).

There were no other restrictions on the realisation of investment properties or the remittance of income and proceeds of disposals in 2018 and 2017.

No 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)

12 Financial instruments by category

Group	Financial assets at amortised cost	
	2018	**2017**
Assets as per statement of financial position		
Other receivables	150	-
Trade and other receivables excluding tax prepayments	351	587
Deposits	-	150
Cash and cash equivalents	734	411
Total	**1,235**	**1,148**

Company	Financial assets at amortised cost	Assets at fair value through the profit and loss	Total
31 December 2018			
Assets as per statement of financial position			
Investments into subsidiaries designated at fair value through profit or loss	-	6,553	6,553
Trade and other receivables excluding tax prepayments	277	-	277
Cash and cash equivalents	454	-	454
Total	**731**	**6,553**	**7,284**

Company	Loans and receivables	Assets at fair value through the profit and loss	Total
31 December 2017			
Assets as per statement of financial position			
Investments into subsidiaries designated at fair value through profit or loss	-	5,881	5,881
Trade and other receivables excluding tax prepayments	585	-	585
Cash and cash equivalents	223	-	223
Total	**808**	**5,881**	**6,689**

Group	Financial liabilities at amortised cost	
	2018	**2017**
Liabilities as per statement of financial position		
Borrowings	22,625	21,681
Provision for onerous lease contract	182	181
Trade payables	206	361
Other current liabilities excluding taxes and employee benefits	104	736
Total	**23,117**	**22,959**

Company	Financial liabilities at amortised cost	
	2018	**2017**
Liabilities as per statement of financial position		
Borrowings	20,511	19,220
Provision for onerous lease contract	182	181
Trade payables	95	360
Other current liabilities excluding taxes and employee benefits	94	732
Total	**20,882**	**20,493**

(all amounts are in EUR thousand unless otherwise stated)

13 Trade and other receivables

	Group		Company	
	2018	**2017**	**2018**	**2017**
Trade receivables, gross	342	543	253	541
Accrued lease income, gross	64	79	64	79
Taxes receivable, gross	3	10	-	4
Total trade and other receivable, gross	**409**	**632**	**317**	**624**
Less: provision for impairment of trade and other receivables	(16)	(35)	(16)	(35)
Less: Write off still subject to enforcement activity	(39)	-	(24)	
Trade and other receivable net of expected credit losses	**354**	**597**	**277**	**589**

Changes in provision for impairment of trade and other receivables for the year 2018 and 2017 have been included within 'Provision for impairment of trade receivables' in the statement of comprehensive income.

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

Movements in the accumulated impairment losses on credit impaired accounts receivable of the Group and in the write-off were as follows:

	Group		
	Impairment losses	**Write off still subject to enforcement activity**	**Total**
Balance as at 31 December 2016			**33**
Charge for the year			2
Write-offs charged against the provision			-
Recoveries of amounts previously written-off			-
Balance as at 31 December 2017	**35**	**-**	**35**
Restatement according to application of IFRS 9	(28)	28	-
Charge for the year	42	-	42
Write-offs charged against the provision	(33)	33	-
Enforcement activity ended	-	(18)	(18)
Recoveries of amounts previously impaired or written off	-	(4)	(4)
Balance as at 31 December 2018	**16**	**39**	**55**

(all amounts are in EUR thousand unless otherwise stated)

13 Trade and other receivables (cont'd)

Movements in the accumulated impairment losses on credit impaired accounts receivable of the Company and in the write-off were as follows:

	Company		
	Impairment losses	**Write off still subject to enforcement activity**	**Total**
Balance as at 31 December 2016			**33**
Charge for the year			2
Write-offs charged against the provision			-
Recoveries of amounts previously written-off			-
Balance as at 31 December 2017	**35**	**-**	**35**
Restatement according to application of IFRS 9	(28)	28	-
Charge for the year	27	-	27
Write-offs charged against the provision	(18)	18	-
Enforcement activity ended	-	(18)	(18)
Recoveries of amounts previously impaired or written off	-	(4)	(4)
Balance as at 31 December 2018	**16**	**24**	**40**

The credit quality of trade receivables of the Group can be assessed on the ageing analysis disclosed below:

	Group						
	Current	**Less than 30 days**	**30–90 days**	**90–180 days**	**More than 180 days**	**Credit impaired**	**Total**
As at 31 December 2018							
Trade receivables net of write off	204	60	13	3	-	23	303
Accrued lease income	64	-	-	-	-	-	64
Expected credit losses	-	-	-	-	-	(16)	(16)
Trade and other receivable net of expected credit losses	**268**	**60**	**13**	**3**	**-**	**7**	**351**
As at 31 December 2017							
Trade receivables, gross	285	141	27	15	30	45	543
Accrued lease income	79	-	-	-	-	-	79
Expected credit losses	-	-	-	-	-	(35)	(35)
Trade and other receivable net of expected credit losses	**364**	**141**	**27**	**15**	**30**	**10**	**587**

(all amounts are in EUR thousand unless otherwise stated)

13 Trade and other receivables (cont'd)

The credit quality of trade receivables of the Company can be assessed on the ageing analysis disclosed below:

	Company						
	Current	Less than 30 days	30–90 days	90–180 days	More than 180 days	Credit impaired	Total
As at 31 December 2018							
Trade receivables net of write off	78	52	74	2	-	23	229
Accrued lease income	64	-	-	-	-	-	64
Expected credit losses	-	-	-	-	-	(16)	(16)
Trade and other receivable net of expected credit losses	**142**	**52**	**74**	**2**	**-**	**7**	**277**
As at 31 December 2017							
Trade receivables, gross	284	140	27	15	30	45	541
Accrued lease income	79	-	-	-	-	-	79
Expected credit losses	-	-	-	-	-	(35)	(35)
Trade and other receivable net of expected credit losses	**363**	**140**	**27**	**15**	**30**	**10**	**585**

The impairment losses for not credit impaired trade receivables is not recognised, because it is immaterial. As at 31 December 2018 and 2017 most of trade receivables were secured by advances received from tenants.

The ageing analysis of the credit impaired trade receivables of Group and the Company disclosed below:

	Current	Less than 30 days	30–90 days	90–180 days	More than 180 days	Total
Trade receivables net of write off as at 31 December 2018	-	-	5	1	17	23
Trade receivables net of write off as at 1 January 2018	-	2	2	6	7	17

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14 Share capital and reserves

As at 31 December 2018 the Company's and the Group's share capital was divided into 13,150,000 ordinary registered shares with the nominal value of EUR 1.45 each. All the shares of the Company were fully paid.

On 29 December 2017 the Extraordinary General Shareholders Meeting of the Company has to decide to change nominal value of shares from EUR 0.29 to EUR 1.45. Therefore, the number of ordinary registered shares was decreased by five times from 65,750,000 till 13,150,000. The changes were come into force on 15 January 2018 when the new Articles of Association were registered by the Register of Legal Entities. As of 15 January 2018 the Company's/Group's share capital is divided into 13,150,000 ordinary registered shares with the nominal value of EUR 1.45 each.

As at 31 December 2017 the Group's share capital was divided into 65,750,000 ordinary registered shares with the nominal value of EUR 0.29 each. All the shares of the Company were fully paid.

Changes during 2018

On 26 March 2018 EUR the annual general meeting has decided to transfer from retained earnings EUR 189 thousand to the legal reserve.

Changes during 2017

On 11 April 2017 EUR the annual general meeting has decided to transfer from retained earnings EUR 236 thousand to the legal reserve.

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.

15 Dividends

On 29 December 2017 the Extraordinary General Shareholders Meeting of the Company changed dividend payment policy by increasing the minimum dividend from EUR 0.012 till EUR 0.026, if the legal and contractual requirements do not restrict the payment of dividends. After change of nominal value of shares (Note 1419) the minimum dividend per share amounts to EUR 0.13.

Payment of dividends of EUR 0.13 per share and total dividends of EUR 1,710 thousand in respect of the year ended 31 December 2017 was approved at the Annual General Meeting of Shareholders on 26 March 2018.

Payment of dividends of EUR 0.012 per share with the nominal value of EUR 0.29 and total amount of dividends of EUR 789 thousand in respect of the year ended 31 December 2016 was approved at the Annual General Meeting of Shareholders on 11 April 2017. The equivalent of dividends per share with the nominal value of EUR 1.45 is EUR 0.06.

(all amounts are in EUR thousand unless otherwise stated)

16 Borrowings

	Group		Company	
	2018	**2017**	**2018**	**2017**
Non-current:				
Non-current bank borrowings	21,757	20,158	19,877	17,937
Non-current other borrowings	5	4	-	-
	21,762	20,162	19,877	17,937
Current:				
Current portion of non-current borrowings	863	718	634	482
Borrowings from related parties	-	801	-	801
	863	1,519	634	1,283
Total borrowings	**22,625**	**21,681**	**20,511**	**19,220**

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	
	2018	**2017**	**2018**	**2017**
Fixed	5	805	-	801
Floating	22,620	20,876	20,511	18,419
	22,625	21,681	20,511	19,220

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
Investment properties (Note 11)	57,784	55,853	49,602	47,752
Property, plant and equipment	2	3	-	-
Trade receivables	-	-	-	-
Prepayments	2	2	-	-
Deposits/other receivables	150	150	-	-
Cash	539	252	384	164

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	
	2018	**2017**	**2018**	**2017**
Borrowings	2.05%	2.22%	2.05%	2.23%

As at 31 December 2018 and 2017 all Group entities have complied with bank loan covenants.

(all amounts are in EUR thousand unless otherwise stated)

16 Borrowings (cont'd)

On 30 November 2017 the Group/Company signed an amendment to the borrowing agreement with AB Šiaulių Bankas, according to which the settlement schedule was changed. The Group/the Company has to repay amount of EUR 447 thousand instead of the amount of EUR 1,051 thousand per year until maturity of borrowing.

In December 2017 the Group/Company received EUR 800 thousand of borrowings from subsidiary of AB Invalda INVL.

On 10 April 2018 the Group/the Company has signed additional amendment to the borrowing agreement with AB Šiaulių bankas. According to the amendment the new credit limit of EUR 23,926 thousand was set. It consists of two parts. The first part amounts to EUR 22,926 thousand and could be disbursed until 31 May 2019. The second part is a credit line of EUR 1,000 thousand, which could be disbursed until 22 December 2022. Therefore, the Group/the Company could use additional liquidity source of up to EUR 5,690 thousand. Furthermore, the settlement schedule and interest rate were changed. In 2018 the Group/the Company had to repay the amount of EUR 575 thousand instead of EUR 447 thousand. In 2018 the Group/the Company has disbursed EUR 2,668 thousand of borrowing to settle liabilities. During 2018 the Group/Company has repaid EUR 800 thousand to a subsidiary of AB Invalda INVL.

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 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 as at 31 December 2017.

On 23 February 2018 the Board of the Financial and Capital Market Commission in Latvia adopted a decision on the unavailability of deposits at ABLV Bank, AS. On 12 September 2018 it was announced that the Financial and Capital Market Commission has approved ABLV Bank, AS voluntary liquidation. The cash on the current account on ABLV Bank, AS was used for repayment of borrowing from ABLV Bank, AS. In 2018 EUR 45 thousand of deposit placed on the ABLV Bank, AS was used for repayment of the borrowing. According to borrowing agreement in April 2018 the deposit was restored to EUR 150 thousand by transfer cash from other bank. Because ABLV Bank, AS ceased to be bank after voluntary liquidation process was approved, the previous deposit became as other receivables from ABLV Bank, AS. They comprise legally from three part:

- the Group claim of EUR 5 thousand from ABLV Bank, AS in liquidation process;
- blocked guaranteed compensation of EUR 100 thousand according to Latvian deposit insurance systems;
- the Group owned funds of EUR 45 thousand in possession of the ABLV Bank, AS (restored amount of deposits).

The other receivables could be paid to the Group only after borrowing to ABLV Bank, AS would be settled in full.

During the year ended 31 December 2018 the Group and the Company repaid respectively EUR 1,722 thousand and EUR 1,375 thousand of borrowings During the year ended 31 December 2017 the Group and the Company repaid respectively EUR 726 thousand and EUR 497 thousand of borrowings.

Changes in liabilities arising from financing activities are presented in the table below:

	Group		Company	
	Borrowings	Dividends payable (Note 15, 17)	Borrowings	Dividends payable (Note 15, 17)
As at 31 December 2016	**21,607**	**16**	**18,917**	**16**
Cash flows from (to) financing activities	(398)	(773)	(115)	(773)
Interest expenses (Note 8)	472	-	418	-
Approved dividends	-	789	-	789
As at 31 December 2017	**21,681**	**32**	**19,220**	**32**
Cash flows from (to) financing activities	482	(1,675)	877	(1,675)
Interest expenses (Note 8)	462	-	414	-
Approved dividends	-	1,710	-	1,710
As at 31 December 2018	**22,625**	**67**	**20,511**	**67**

(all amounts are in EUR thousand unless otherwise stated)

17 Other current liabilities

Other current liabilities are presented in the table below:

	Group		Company	
	2018	**2017**	**2018**	**2017**
Financial liabilities				
Dividends payable	67	32	67	32
Performance Fee (Note 7, 2.22)	-	386	-	386
Other amounts payable	37	318	27	314
	104	736	94	732
Non – financial liabilities				
Salaries and social security contributions payable	10	-	-	-
Tax payable	161	127	146	118
	171	127	146	118
Total other current liabilities	**275**	**863**	**240**	**850**

18 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. 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 2018 and related balances as at 31 December 2018 were as follows:

2018 Group	**Revenue and other income from related parties**	**Purchases (including provision) and interest from related parties**	**Receivables from related parties**	**Payables to related parties (excluding provision)**
AB Invalda INVL (accounting services)	-	15	-	7
Other related parties (borrowings)	-	7	-	-
Other related parties (maintenance and repair services)	-	460	-	23
Other related parties (rent, utilities and other)	313	7	6	-
Other related parties (management services provided by the Management Company)	-	391	-	23
	313	880	6	53

(all amounts are in EUR thousand unless otherwise stated)

18 Related party transactions (cont'd)

The Group's transactions with related parties during 2017 and related balances as at 31 December 2017 were as follows:

2017 Group	**Revenue and other income from related parties**	**Purchases (including provision) and interest from related parties**	**Receivables from related parties**	**Payables to related parties (excluding provision)**
AB Invalda INVL (accounting services)	-	12	-	-
Other related parties (borrowings)	-	1	-	801
Other related parties (maintenance and repair services)	-	356	-	31
Other related parties (rent, utilities and other)	219	6	6	-
Other related parties (management services provided by the Management Company)	-	645	-	481
	219	1,020	6	1,313

The maturity of borrowings was till 31 December 2018, effective interest rate 3%.

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

Transactions of the Company with subsidiaries in 2018 and balances as at 31 December 2018 were as follows:

2018 Company	**Revenue and other income from related parties**	**Purchases and interest from related parties**	**Receivables from related parties**	**Payables to related parties**
Loans to subsidiaries	-	-	6,454	-
Other	-	395	61	42
	-	395	6,515	42

Loans granted to Latvian entities are subordinate to the bank borrowings and can be repaid only upon maturity of the bank borrowings in 2020. The repayment date of the loans granted to subsidiaries in Lithuania is 31 December 2019. As described in Note 2.8, the Company measured the loans granted to subsidiaries at fair value and did not recognise interest income separately.

Transactions of the Company with subsidiaries in 2017 and balances as at 31 December 2017 were as follows:

2017 Company	**Revenue and other income from related parties**	**Purchases and interest from related parties**	**Receivables from related parties**	**Payables to related parties**
Loans to subsidiaries	-	-	5,769	-
Other	-	25	-	2
	-	25	5,769	2

Loans granted to Latvian entities are subordinate to the bank borrowings and can be repaid only upon maturity of the bank borrowings in 2020. The repayment date of the loans granted to subsidiaries in Lithuania is 31 December 2018. As described in Note 2.8, the Company measured the loans granted to subsidiaries at fair value and did not recognise interest income separately.

(all amounts are in EUR thousand unless otherwise stated)

18 Related party transactions (cont'd)

The Company's transactions with other related parties during 2018 and related balances as at 31 December 2018 were as follows:

2018 **Company**	**Revenue and other income from related parties**	**Purchases (including provision) and interest from related parties**	**Receivables from related parties**	**Payables to related parties (excluding provision)**
AB Invalda INVL (accounting services)	-	8	-	-
Other related parties (borrowings)	-	7	-	-
Other related parties (maintenance and repair services)	-	225	-	4
Other related parties (rent, utilities and other)	262	-	-	-
Other related parties (management services provided by the Management Company)	-	391	-	23
	262	631	-	27

The Company's transactions with other related parties during 2017 and related balances as at 31 December 2017 were as follows:

12 months 2017 **Company**	**Revenue and other income from related parties**	**Purchases (including provision) and interest from related parties**	**Receivables from related parties**	**Payables to related parties (excluding provision)**
AB Invalda INVL (accounting services)	-	10	-	-
Other related parties (borrowings)	-	1	-	801
Other related parties (maintenance and repair services)	-	348	-	31
Other related parties (rent, utilities and other)	214	-	5	-
Other related parties (management services provided by the Management Company)	-	645	-	481
	214	1,004	5	927

The maturity of borrowings was till 31 December 2018, effective interest rate 3%.

The movements of borrowings from AB Invalda INVL and its subsidiaries were:

	Group		**Company**	
	2018	**2017**	**2018**	**2017**
At 1 January	**801**	**-**	**801**	**-**
Borrowings received during the year	-	800	-	800
Borrowings repaid during the year	(800)	-	(800)	-
Interest charged	7	1	7	1
Interest paid	(8)	-	(8)	-
At 31 December	**-**	**801**	**-**	**801**

(all amounts are in EUR thousand unless otherwise stated)

18 Related party transactions (cont'd)

The movements of loans granted to subsidiaries of the Group were:

	Company	
	2018	**2017**
At 1 January	**5,769**	**5,162**
Loans granted during year	10	-
Loans repayment received	-	-
Changes in fair value of loans granted	675	607
Interest received	-	-
At 31 December	**6,454**	**5,769**

The management remuneration contains short-term employee benefits. Key management of the Company and the Group includes the Management Company and member of Investment Committee.

	Group		Company	
	2018	**2017**	**2018**	**2017**
Wages, salaries and bonuses	1	1	-	-
Social security contributions	-	-	-	-
Management Fee (Note 2.12)	307	296	307	296
Performance Fee (Note 2.12) (change in provision)	84	349	84	349
Total key management compensation	392	646	391	645

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

During 2018 the Company paid to AB Invalda INVL EUR 551 thousand of dividends, net of tax, and paid to other shareholders, who have significance influence, EUR 692 thousand of dividends, net of tax.

During 2017 EUR 253 thousand of dividends, net of tax, were paid by the Company to AB Invalda INVL. EUR 319 thousand of dividends, net of tax, were paid by the Company to other shareholders, who have significant influence.

19 Events after the reporting period

Dividends

A dividend in respect of the year ended 31 December 2018 of EUR 0.13 per share, amounting to a total dividend of EUR 1.710 thousand, is to be proposed at the annual general meeting for the year of 2018. These financial statements do not reflect this dividend payable.

INVL BALTIC REAL ESTATE

The special closed-ended type real estate investment company

INVL Baltic Real Estate, Consolidated Annual Report for the year of 2018

Translation note:
This version of the Consolidated Annual Report for the year of 2018 is a translation from the original, which was prepared in Lithuanian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version takes precedence over this translation.

CONTENTS:

I. GENERAL INFORMATION

The Company informs that after evaluating the Information Disclosure Rules approved by the Bank of Lithuania and Guidelines for Non-Financial Reporting (Methodology for Providing Non-Financial Information), the information disclosing information about the Company presented in this Annual Report is divided into five (V) sections. These sections discloses information on Company's securities, the Management of the Company, the Company's and the Group's activities and other information, that Company's Management values as important to disclose. The Company notes that the information presented in the Annual Report is relevant for understanding the Company's performance, condition and impact of operations.

1 Reporting period for which the report is prepared

The report covers the financial period of INVL Baltic Real Estate, starting from 1 January 2018 and ending on 31 December 2018. The report also discloses information from the end of the reporting period to the release of the report. 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	Special closed-ended type real estate investment company „INVL Baltic Real Estate“
Code	152105644
Registration address	Gynėjų str. 14, 01109, Vilnius, Lithuania
Telephone	+370 5 279 0601
Fax	+370 5 279 0530
E-mail	breinfo@invl.com
Website	www.invlbalticrealestate.lt
LEI code	529900GSTEOHKA0R1M59
Legal form	joint-stock company
Company type	special closed-ended type real estate investment company
Date and place of registration	28 January 1997; Register of Legal Entities
Date of the Supervisory authority approval of collective investment entity formation documents	22 December 2016
Register in which data about the Company are accumulated and stored	Register of Legal Entities
Management company	INVL Asset Management, UAB, code 126263073, licence No. VĮK-005
Depository	SEB bankas, AB, code 112021238, bank licence No. 2

2.2. Information on company's goals and strategy

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

On 22 December 2016 the Bank of Lithuania issued the closed-ended type investment company operating license enabling INVL Baltic Real Estate to engage in the closed-ended type investment company's activities under the Law of the Republic of Lithuania Collective Investment Undertakings. The special closed-ended type real estate investment company will operate 30 years from receiving the special closed-ended real estate investment company license, the term of company's activity may be further extended for a period of no longer than 20 years. Upon receipt of the license, the company's management was transferred to the Management company INVL Asset Management (hereinafter – the Management company). The rights and duties of the Board and the head of the Company were also transferred to the Management company.

According to the Articles of Association of the Company, the Management company formed an Investment Committee, which based on powers vested by the Management company, also participates in the management of the Company.

INVL Baltic Real Estate seeks to ensure the growth of rental income and earn from investments in commercial real estate. The companies owned by INVL Baltic Real Estate have invested in commercial real estate: business centers, manufacturing and warehouse properties at strategically attractive locations in Lithuania and Latvia. All the properties are characterized by high occupancy rates and generate stable financial flows. In addition, most of them has further development potential.

INVL Baltic Real Estate shares have been listed on Nasdaq Vilnius Baltic Secondary trading list since 4 June 2014. Since the start of trading until the end of the reporting period the share price of INVL Baltic Real Estate on the Nasdaq Vilnius exchange has risen 45.7%. The company has approved a Dividend Payment policy which stipulates the annual payment of dividend per share of no less than EUR 0.13.

2.3. Information about the Issuer‘s group of companies

Companies of INVL Baltic Real Estate - the structure of the group companies is disclosed below - group owns 7 real estate properties in Vilnius and Riga.

Fig. 2.3.1. Simplified group structure of INVL Baltic Real Estate as of 31 December 2018.

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

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

INVESTMENTS IN REAL ESTATE

VILNIAUS VARTAI

VILNIUS GATES BUSINESS CENTRE

AREA 8,100 SQ.M.

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

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

INVL Baltic Real Estate owns two floors of premises in this complex – they start from the playful inverted glass frustum edifice with a restaurant on the ground floor and continue along Gynėjų Street, also 56 parking spaces in the underground area. The Company acquired the premises at the end of 2015.

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

For more information please visit www.vvartai.lt.

Basic information	
Total area	8,100 sq. m
Leased area	7,100 sq. m
Land area	0.26 ha
Property market value at the end of 2018	EUR 14.7 million
Occupancy at the end of 2018	91 percent

Main tenants: INVL Asset Management, BAIP, Etronika, Rise Vilnius, restaurant Stebuklai, Go Vilnius.

Address Gyneju str. 14, Vilnius

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

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

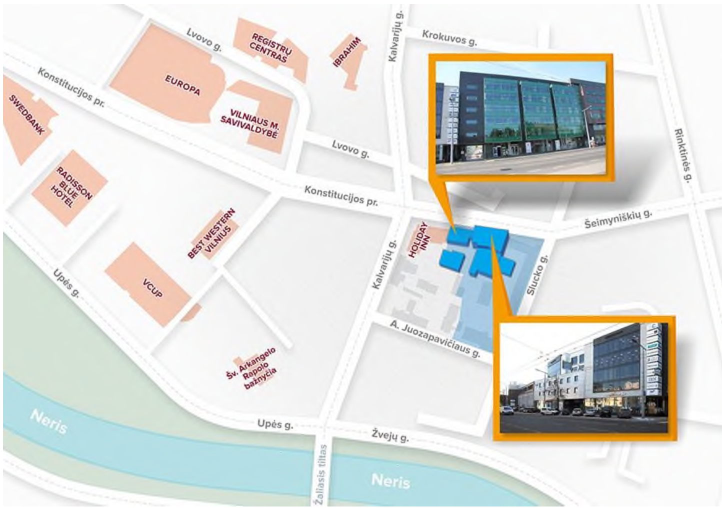
IBC CLASS A BUSINESS CENTRE

AREA 11,300 SQ.M.

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

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

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



Block F basic information

Total area	4,500 sq. m
Leased area	3,800 sq. m
Land area	1.47 ha (total area of the IBC complex)
Property market value at the end of 2018	EUR 6.1 million
Occupancy at the end of 2018	87 percent

Block G basic information

Total area	6,900 sq. m
Leased area	3,300 sq. m
Land area	1,47 ha (total area of the IBC complex)
Property market value at the end of 2018	EUR 6.1 million
Occupancy at the end of 2018	97 percent

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

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

IBC CLASS B BUSINESS CENTRE

AREA 11,300 SQ.M

IBC Class B business centre consists of 4 buildings, in which about 10,300 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 at the end of 2018	EUR 2.1 million
Occupancy at the end of 2018	100 percent

Block B basic information	
Total area	7,400 sq. m
Leased area	6,800 sq. m
Land area	1.47 ha (total area of the IBC complex)
Property market value at the end of 2018	EUR 6.8 million
Occupancy at the end of 2018	94 percent

Block C basic information	
Total area	200 sq. m
Leased area	200 sq. m
Land area	1.47 ha (total area of the IBC complex)
Property market value at the end of 2018	EUR 0.2 million
Occupancy at the end of 2018	100 percent

Block D basic information	
Total area	1,600 sq. m
Leased area	1,400 sq. m
Land area	1.47 ha (total area of the IBC complex)
Property market value at the end of 2018	EUR 1.4 million
Occupancy at the end of 2018	93 percent

Main tenants: Sanofi-aventis Lietuva, ACNielsen Baltics, State Data Protection Inspectorate, Sandoz Pharmaceuticals, Proit.

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

OFFICE BUILDING IN THE CENTRE OF VILNIUS

AREA 9,800 SQ.M.

Business centre is located in one of the busiest places in the Old Town of Vilnius, between Vilnius, Pamenkalnio, Islandijos and Palangos streets.

Vilnius Old Town - one of the most important components of the city and its centre, the oldest part of the city of Vilnius, situated on the left bank of the Neris River. Old Town area - protected and managed in accordance with the special heritage protection well, small business and residential function are being supported. There is a closed, guarded parking and underground garage in the area, convenient public transport access.

Radvilų Palace, Teacher's House, Lithuanian Technical Library, St. Catherine's Church and other cultural attractions, cafes, restaurants are located near the building.

Block A basic information	
Total area	5,100 sq. m
Leased area	3,900 sq. m
Land area	0.49 ha (total area of the complex)
Property market value at the end of 2018	EUR 5.1 million
Occupancy at the end of 2018	76 percent (total complex occupancy)

Block B basic information	
Total area	4,700 sq. m
Leased area	2,600 sq. m
Land area	0,49 ha (total area of the complex)
Property market value at the end of 2018	EUR 4.2 million
Occupancy at the end of 2018	76 percent (total complex occupancy)

Main tenants: TransferGo, Telia LT, restaurant Grill London, Uncle Sam's.

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

ŽYGIO VERSLO CENTRAS

ŽYGIS BUSSINESS CENTRE

AREA 3,200 SQ.M.

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

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

Other commercial and business centres, banks, the State Tax Inspectorate, Social Insurance, Employment Exchange, medical clinics and various business services companies, attracting large flows of people, are located nearby.

Also, even four large shopping centres – Domus Gallery, Ogmios miestas, 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	2,800 sq. m
Land area	0.6 ha
Property market value at the end of 2018	EUR 3.0 million
Occupancy at the end of 2018	67 percent

Main tenants: school “Žiniukas”, Innoforce, Stuburo studija.

Address: J. Galvydzio str. 7 / Zygio str. 97, Vilnius.

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

The residential house is near the IBC complex area owned by INVL Baltic Real Estate. Rovelija, which is owned by INVL Baltic Real Estate, mamages all apartments located in this building.

Basic information	
Total area	276 sq.m
Property market value at the end of 2018	EUR 0.35 million

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

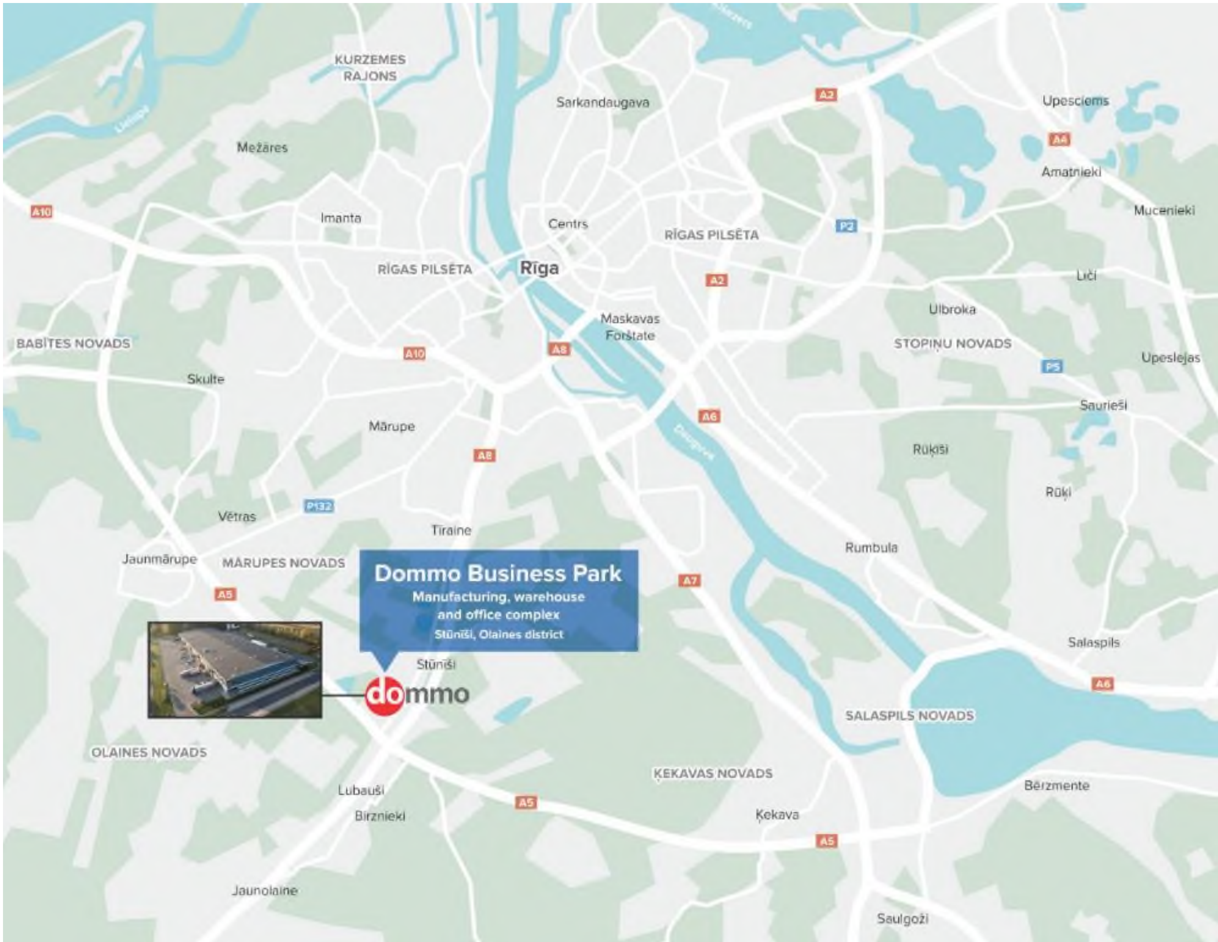


Fig. 2.3.3. Real estate objects owned by group companies of INVL Baltic Real Estate in Riga (Latvia)

DOMMO BUSINESS PARK MANUFACTURING, WAREHOUSE AND OFFICE COMPLEX

AREA 12,800 SQ.M.

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

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

The area is suitable for the development of logistics centres.

Basic information

Total area	12,800 sq. m
Leased area	12,800 sq. m
Land area	58.21 ha
Property market value at the end of 2018	EUR 8.2 million
Occupancy at the end of 2018	98 percent

Main tenant: Bohnenkamp, Tente, Rewico Baltikum, Flakt.

Address: Stūnyši, Olaines region.

II. FINANCIAL INFORMATION AND SIGNIFICANT EVENTS

3 Overview of the Issuer and its group activity

3.1. COMMENT MADE BY INVL ASSET MANAGEMENT REAL ESTATE FUND MANAGER VYTAUTAS BAKŠINSKAS

The consolidated net operating income of INVL Baltic Real Estate from own objects amounted to EUR 3 million in 2018 or 13 percent more than in 2017 (EUR 2.68 million). The consolidated income of INVL Baltic Real Estate in 2018 amounted to EUR 5.8 million or 6 percent less than in 2017 (EUR 6.20 million), including consolidated operating income from own objects, which grew by 13.5 percent to EUR 4.5 million.

The past year was a year of further successful growth of the company, as it managed to ensure stable growth of operating income and the value of assets under management. Vilniaus vartai business centre generated the expected results – the annual income from its lease amounted to EUR 1.1 million or 1.6 times more than in 2017. Last year, we not only managed to successfully renew all planned lease agreements, but also paid a lot of attention to renovation of assets under management (the premises underwent improvement, upgrade and repair works), which will enable to ensure further improvement of the results of the company.

The net profit of the company amounted to EUR 3.17 million in 2018, the value of assets under management increased by EUR 1.95 million in 2018 (including EUR 1.5 million revaluation) and was EUR 58.3 million at the end of the year, whereas the value of equity was EUR 35.3 million, while equity per share was EUR 2.69 and increased 9.7% from a year earlier (also taking dividend payments into account).

Last year, IBC verslo centras, which is the largest object managed by INVL Baltic Real Estate, continued to have a high occupation level and increased income from its lease, which, compared to 2017, grew by 2.1 percent and amounted to EUR 1.92 million. Other objects managed by INVL Baltic Real Estate in 2018 also had a high level of occupation of premises and showed improving operating results.

We are glad that our clients remain loyal and trust INVL Baltic Real Estate as a reliable and long-term partner. Over the coming year we'll seek to continue meeting clients' expectations and increasing value for investors.

During the public offering of shares of the Company in 2018, 22,465 shares of the Company were sold in total for EUR 57,2 thousand. This share offering was carried out in three stages from 2 May 2018 to 13 December 2018. During the offering, investors were offered to acquire up to 22 percent or 2.893 million shares of the Company owned by Invalda INVL. We believe in the future of a managed real estate portfolio and strive to make our company attractive to investors.

3.2. OPERATIONAL ENVIRONMENT

Favourable economic environment, growing income of companies in the services sector and active development of international and local companies resulted in the situation that for the several last years the office segment has been particularly active and liquid and demand for modern offices has been particularly high. In 2018, 5 new business centres were opened in the capital, offering about 49,000 sq. m of new leasable area in the market. In 2019, at least 7 more business centres are going to be opened, the leasable area of which will amount to about 80,000 sq. m.

In spite of high development rates, demand for modern business centres in the capital is very high, therefore, almost all newly offered leasable area is rented. In 2018, the total vacancies in Vilnius dropped from 5.4 percent to 4.8 percent. The total drop in vacancies was mostly determined by decrease of vacant areas in class B1 and B2 office segments, where the vacant area at the end of 2018 was 5.1 percent and 4.3 percent, respectively. Meanwhile, as the supply of class A office areas increased, the level of vacancies increased, too, which was about 4.9 percent at the end of the year.

In 2018, Kaunas opened 11 new business centres, offering slightly over 40,000 sq. m of new area in the market. Due to the increase in supply, the total rate of vacancies in the office segment in Kaunas increased from 5.9 percent to 9.3 percent at the end of 2018. The rate of vacant areas considerably decreased for class A office buildings and was about 8 percent at the end of the year. Meanwhile, the new supply of class B1 and B2 offices increased the vacancy rate to 9 percent and 11 percent, respectively. In 2019, the Kaunas market expects at least 7 new business centres, which will have about 60,000 sq. m of leasable area to be offered in the market.

At the end of 2018, the total vacancies in Klaipėda rose from 9.9 to 10.6 percent. Development of new offices in the seaport town is very slow, the level of vacancies in modern offices has been very high for several years, therefore there are no favourable conditions for appearance of new office space in this town.

In 2018, the rent prices in Vilnius remained almost stable and did not change. The average rent prices of class A offices in Vilnius were EUR 14-17 per sq. m, B1 – EUR 10-14 sq. m, B2 – EUR 7-10 sq. m. New business centres that entered the Kaunas market slightly raised the quality and price level and the rent prices of class A offices were EUR 12-14 sq. m, B1 – EUR 9-12 sq. m, B2 – EUR 6-9 sq. m. In Klaipėda, the average rent prices of class A offices remained stable and were EUR 9-13 sq. m, B1 – EUR 7-11 sq. m, B2 – EUR 5-8 sq. m.

The level of vacancies in the Latvian warehousing and logistics market decreased to 2 percent during 2018. The rent prices remain stable, about 60,000 sq. m of new area of warehousing purpose was being developed at the end of the year.

Sources:
http://www.colliers.com/lv-lv/-/media/files/emea/latvia/research/2018/colliers_baltic_quarterly_report_3q_2018
https://www.inreal.lt/file/1/3/3/1/Ekonomikos-ir-NT-rinkos-apzvalga-2018_2019_INREAL-SB-COBALT.pdf

3.3. Results of INVL Baltic Real Estate

EUR million	Group			Company		
	01.01.2016 – 31.12.2016	01.01.2017 – 31.12.2017	01.01.2018 – 31.12.2018	01.01.2016 – 31.12.2016	01.01.2017 – 31.12.2017	01.01.2018 – 31.12.2018
Income (revenue)	6.29	6.20	5.82	5.90	5.72	4.31
rental income from owned premises	*3.60*	*3.98*	*4.51*	*3.21*	*3.50*	*3.98*
rental income from subleased premises	*1.59*	*1.17*	*0.20*	*1.59*	*1.17*	*0.20*
other revenue	*1.10*	*1.05*	*1.11*	*1.10*	*1.05*	*0.13*
Investment property revaluation	0.15	2.33	1.47	0.30	2.27	1.38
Net operating income from owned properties*	2.35	2.68	3.03	-	-	-
Profit before tax	0.49	3.58	3.17	0.69	3.78	3.37
Net profit	4.51	3.58	3.17	4.71	3.78	3.37
Earnings per share**	EUR 0.37	EUR 0.27	EUR 0.24	EUR 0.38	EUR 0.29	EUR 0.26

**The Company publishes Alternative performance measures (AVR), that are in use of the Company, provides indicators definitions and calculation formulas. All the information is disclosed in the Company's web site section „For Intestors" → „Reports" → „Indicator formulas". The link is provided https://bre.invl.com/lit/en/for-investors/reports/formulas-of-performance-indicators*
***Nominal value per share – EUR 1.45*

The consolidated income (revenue) of INVL Baltic Real Estate in 2018 amounted to EUR 5.82 million or 6 percent less than in 2017 (EUR 6.20 million). Subsidiary agreements with UAB Terra Prospera, which ended in 2017, had a major impact on the decrease of income, when in 2018 the income received from the company was only from own objects. Income from subleased premises decreased from EUR 1.17 million to EUR 0.20 million, while consolidated operating income from own objects grew by 13.5 percent to EUR 4.51 million.

3.4. Financial ratios*

EUR million	Group			Company		
	2016	2017	2018	2016	2017	2018
Return on Equity (ROE), %	18.15	11.02	9.16	19.61	11.86	9.86
Return on Assets (ROA), %	8.22	6.32	5.38	9.19	7.08	6.00
Debt ratio	0.44	0.42	0.41	0.41	0.39	0.39
Debt – Equity ratio	0.78	0.71	0.70	0.71	0.65	0.64
Gearing ratio	0.40	0.39	0.38	0.38	0.36	0.36
Liquidity ratio	1.12	0.51	0.80	1.13	0.42	0.74
Pre-tax profit margin, %	7.79	57.67	54.52	11.71	66.07	78.29
Normalized operating profit, thousand EUR	1,703	2,048	2,194	1,458	1,663	1,776
Normalized operating profit margin, %	27.07	33.02	37.68	24.72	29.07	41.24
Borrowings to value of investment properties, %	41.2	38.5	38.8	-	-	-
Interest coverage ratio	3.11	4.34	4.75	-	-	-
Bank's debt service coverage ratio	1.50	1.71	1.59	-	-	-
Net profit margin, %	71.65	57.67	54.43	79.84	66.08	78.29
Earnings per share (EPS)**, EUR	0.37	0.27	0.24	0.38	0.29	0.26
Price to earnings ratio (P/E)**	5.24	8.80	10.08	5.11	8.19	9.31

**The Company publishes Alternative performance measures (AVR), that are in use of the Company, provides indicators definitions and calculation formulas. All the information is disclosed in the Company's web site section „For Intestors" → „Reports" → „Indicator formulas". The link is provided https://bre.invl.com/lit/en/for-investors/reports/formulas-of-performance-indicators*

***Nominal value per share – EUR 1.45.*

3.5. Key figures of INVL Baltic Real Estate

EUR million	Group			Company		
	31.12.2016	31.12.2017	31.12.2018	31.12.2016	31.12.2017	31.12.2018
Managed common area	59,876 sq. m	56,876 sq. m	56,876 sq. m	46,800 sq. m	43,800 sq. m	43,800 sq. m
Managed rental area	48,476 sq. m	46,276 sq. m	46,876 sq. m	35,400 sq. m	33,200 sq. m.	33,800 sq. m.
The real estate value	52.41	56.34	58.30	43.96	47.83	49.70
Investments into subsidiaries (including loans granted to subsidiaries)	-	-	-	5.29	5.88	6.55
Long-term prepayment under the sublease agreement	0.10	0.10	0.10	0.10	0.10	0.10
Cash	0.75	0.41	0.73	0.67	0.22	0.45
Other assets	1.95	1.14	0.77	1.78	0.97	0.53
Assets	**55.21**	**57.99**	**59.90**	**51.80**	**55.00**	**57.33**
Equity	31.07	33.86	35.32	30.36	33.35	35.02
Borrowings from credit institutions	21.60	20.88	22.63	18.92	18.42	20.51
Borrowings from Invalda INVL group	-	0.80	-	-	0.80	-
Other payables	2.54	2.45	1.95	2.52	2.43	1.80
Total equity and liabilities	55.21	57.99	59.90	51.80	55.00	57.33
Total equity for one share*	EUR 2.36	EUR 2.57	EUR 2.69	-	-	-

**Nominal value per share – EUR 1.45.*

3.6. Net asset value of INVL Baltic Real Estate

Date	Net asset value per share, EUR	Net asset value, EUR	Recalculated net asset value per share, EUR*	Allocated dividends per share, EUR*
30 11 2016**	0.4203	27,633,382	2.1014	
31 12 2016	0.4726	31,072,202	2.3629	
31 03 2017	0.4781	31,431,866	2.3903	
30 06 2017	0.4838	31,811,344	2.4191	0.06
30 09 2017	0.4924	32,374,388	2.4619	
31 12 2017	0.5150	33,860,074	2.5749	
31 03 2018	2.4984	32,853,366	2.4984	0.13
30 06 2018	2.5900	34,058,027	2.5900	
30 09 2018	2.6147	34,382,903	2.6147	
31 12 2018	2.6859	35,319,397	2.6859	

** Net asset value per share and allocated dividends are recalculated taking into account the changed nominal value per share (EUR 1.45).*
*** Initial net asset value per share: EUR 2.1014, reevaluated by the nominal value per share beeing EUR 1.45.*

3.7. SIGNIFICANT ISSUER'S AND ITS GROUP EVENTS DURING THE REPORTING PERIOD, EFFECT ON THE FINANCIAL STATEMENT

3.7.1. SIGNIFICANT ISSUER'S EVENTS

MANAGEMENT OF THE COMPANY

- On 5th January 2018 the Company announced that INVL Baltic Real Estate signed a new wording of the Management Agreement and the Depository Services Agreement seeking to implement the resolutions of the Extraordinary General Shareholders Meeting of the Company held on 29 December 2017.
- On 16th January 2018 the Company announced that seeking to implement resolutions of the Extraordinary General Shareholders Meeting held on 29 December 2017, the Register of Legal Entities has registered a new wording of the Articles of Association of the special closed-ended type real estate investment company INVL Baltic Real Estate on 15th January 2018.
- On 29th March 2018 INVL Baltic Real Estate informed, that seeking to implement resolutions of the General Shareholders Meeting of the Company, INVL Baltic Real Estate and AB SEB bank signed an Amendment of the Depository Services Agreement on 28th March. The Amendment has been signed seeking to edit editorial corrections noted in the Depository Services Agreement.

GENERAL SHAREHOLDERS MEETINGS

- On 2nd March 2018 the Company announced about convocation of the General Shareholders Meeting on 26th March 2018. The Meeting was held at the premises of the Company, located at Gyneju str. 14, Vilnius. The draft agenda of the General Shareholders Meeting of INVL Baltic Real Estate was announced - including questions regarding presentation of the consolidated annual report for 2017 and independent auditor's report on the financial statements and consolidated annual report of the Company. Also, approval of the consolidated and stand-alone financial statements for 2017 and profit distribution of INVL Baltic Real Estate. The questions regarding approval of the Amendment of the Depository Services Agreement with AB SEB bankas and approval of the Related Party Transaction Policy of INVL Baltic Real Estate was included as well.
- On 26th March 2018 it was announced about resolutions of the General Shareholders Meeting of INVL Baltic Real Estate. The shareholders of the Company was introduced with the consolidated annual report for 2017 and independent auditor's report on the financial statements and consolidated annual report of the Company. The consolidated and stand-alone financial statements for 2017 and profit distribution (allocating EUR 0.13 dividend per share) of INVL Baltic Real Estate was approved as well. The shareholders also approved the Amendment of the Depository Services Agreement with AB SEB bankas and Related Party Transaction Policy of INVL Baltic Real Estate.
- On 18th October 2018 the Company announced about convocation of the General Extraordinary Shareholders Meeting and draft resolutions on 9th November 2018. The Meeting was held at the premises of the Company, located at Gyneju str. 14, Vilnius. The draft agenda of the General Shareholders Meeting of INVL Baltic Real Estate was announced – including question regarding election of auditor to carry out of the audit of the annual financial statements and setting conditions of payment for audit services.
- On 9th November 2018 the Company announced resolutions of the General Extraordinary Shareholders meeting. Decided to conclude an agreement with UAB PricewaterhouseCoopers to carry out of the audit of the annual financial statements of the SUTNTIB INVL Baltic Real Estate for 2018 financial year and establish the payment in amount of EUR 11,000 for audit of annual financial statements set and opinion on the annual report (VAT will be calculated and payed additionally in accordance with order established in legal acts).

PROSPECTUS OF THE PUBLIC OFFERING AND OTHER INFORMATION RELATED TO SECURITIES OF THE COMPANY AND ALLOCATION OF DIVIDENDS

- On 10th January 2018 INVL Baltic Real Estate announced that trading of shares in INVL Baltic Real Estate has been suspended from 12th January 2018 (inclusive), this was done with regards to received authorization from the Supervisory Authority of the Bank of Lithuania to change the Company's Articles of Association, changing nominal value per share and the amount of shares of the Company, the project of which was approved during the Extraordinary General Shareholders Meeting of the Company held on 29th December 2017, also, in order to ensure the effective protection of interests of Company's shareholders. Trading of shares in INVL Baltic Real Estate has been renewed from 25th January (inclusive) after Nasdaq CSD SE Lithuanian Branch have made records in the shareholders securities account.

- On 24th January 2018 the Company published updated share information of ordinary registered shares of INVL Baltic Real Estate Company (nominal value per share is 1.45 EUR, amount of shares and amount shares granted with the voting rights – 13,150,000 units. The Authorised capital of the Company remains - 19,067,500 EUR.
- On 23th April 2018 the Company announced that Director of the Supervision Service of the Bank of Lithuania by the decision No. 241-70 approved the prospectus of the public offering of „INVL Baltic Real Estate" on 23th April 2018. The Public offering is executed by Invalda INVL AB, which on the day of the Prospectus was the largest shareholder of the Company, holding 32.23% of the Company's shares. During the Public Offering, the Selling Shareholder sells up to 2,893,000 units of existing ordinary registered shares of the Company, which represent up to 22% of the Company's share capital. The Company published the Expected Public Offering Periods and public offering price calculation.
- On 23th April 2018 the Company published an updated presentation that will be used for the meetings with investors. Compared to the presentation, which was published on 21th December 2017, the Company informs that the information related to the terms of the Public Offering of INVL Baltic Real Estate was included.
- On 24th April 2018 INVL Baltic Real Estate in order to implement resolutions of the General Shareholders Meeting regarding allocation of Company's profit, announced the procedure for the payout of dividends for 2017. On 26 March 2018, the General Shareholders Meeting of INVL Baltic Real Estate decided to allocate EUR 0.13 dividend per share. Dividends were paid to the shareholders who on 10th April 2018 were shareholders of the Company. The Company informed that the dividends will be allocated from 25th April 2018.
- On 21th of May 2018 INVL Baltic Real Estate announced that Director of the Supervision Service of the Bank of Lithuania by the decision No. 241-128 approved the supplement to the prospectus of the public offering of INVL Baltic Real Estate on 21th May 2018. The Prospectus of INVL Baltic Real Estate was approved by the Bank of Lithuania and published by the Company on 23 April 2018. This Supplement has been approved and announced taking into consideration the position of the Bank of Lithuania regarding the possibility for the management company to execute the secondary public offering of listed shares of a closed-ended investment company under the Law of the Republic of Lithuania on Collective Investment Undertakings, when the shares, held by one of the investors (shareholders) of the closed-ended investment company are offered. Thus, under such circumstances, the offering broker of the offering had to be changed (selected). INVL Finasta UAB FMĮ was appointed as the offering broker, executing the offering under the Prospectus. The Supplement to the Prospectus reflects these necessary amendments. All other conditions remain unchanged and are the same as stated in the material event of the approval of the Prospectus published by the Company on 23th April 2018.

  The supplement to the Prospectus is an integral part of the Prospectus and must be read in conjunction with the entire Prospectus and the documents incorporated by reference to the Prospectus.
- On 23th August 2018 the Company published an updated presentation that was used for the meetings with investors. The presentation was updated to reflect the relevant financial information and information related to the real estate property valuation after the Company announced first half year results for the year 2018 on 17th August 2018.
- On 27th August 2018 the Company approved second supplement to the prospectus of the public offering of INVL Baltic Real Estate which has been approved and announced taking into consideration that (i) on 17th August 2018 the Company has announced the Group's consolidated interim condensed not-audited financial statements for the six months ended 30th June 2018, (ii) the new valuation reports of real estate property of the Group were issued, (iii) the Company announced the forecast of the Company for the year ended 2018 as invalid on 17th August 2018, this forecast was included in the Prospectus as well as that (iv) amendments to certain tax laws of the Republic of Lithuania were passed on 28th June 2018, which may be relevant for certain investors of the Company.
- On 14th December 2018 the Company announced information regarding the results of INVL Baltic Real Estate's public share offering. During the stages of the Company's public offering of shares Invalda INVL sold a total of 22,465 shares of the Company for the total price of EUR 57,183.13 (not including intermediation fees). That represented 0.17 per cent of the Company's shares and the voting rights they grant in the general meeting of shareholders.

FINANCIAL INFORMATION

- On 2nd March 2018 INVL Baltic Real Estate announced audited results of INVL Baltic Real Estate group of 2017. The audited consolidated net profit of INVL Baltic Real Estate group amounted to EUR 3,577 thousand, the revenue was EUR 6,203 thousand for the period of 2017 (for 2016 – consolidated net profit was EUR 4,507 thousand, revenue was EUR 6,290 thousand). The audited net profit of INVL Baltic Real Estate itself amounted to EUR 3,780 thousand in 2017 and EUR 4,710 thousand in 2016.

- On 2nd March 2018 the Company announced that the net asset value amounted to EUR 33,860,074 or EUR 0,5150 per share on 31th December 2017 (data is provided taking into account the uncalculated nominal value per share and the amount of shares - the nominal share per share EUR 0.29, and the amount of shares - 65,750,000 units).
- On 26th March 2018 the Company announced the audited annual information for 2017 together with the Confirmation of the Responsible persons.
- INVL Baltic Real Estate has signed an agreement with AB Siauliu bankas (hereinafter – the Bank) on 10 April 2018, regarding the loan limit upgrade to EUR 24 million. The Company additionally explained that, the Company and the Bank signed a Credit Agreement on 26th September 2014. According to the Credit Agreement the used and outstanding balance for the Bank for the day of the notification amounted to EUR 18.2 million. The final loan repayment term - the beginning of 2023.
- On 30th April 2018 the Company announced the results for 3 months of 2018. Unaudited consolidated net profit of the INVL Baltic Real Estate group was EUR 703 thousand, revenue was EUR 1,488 thousand for 3 months of 2018 (for 3 months of 2017 consolidated net profit was EUR 360 thousand, revenue was EUR 1,669 thousand). The unaudited net profit of INVL Baltic Real Estate itself amounted to EUR 754 thousand for 3 months of 2018 and EUR 410 thousand for 3 months of 2017.
- On 30th April 2018 the Company announced that the net asset value of the Company amounted to EUR 32,853,366 or EUR 2.4984 per share on 31th March 2018.
- On 17th August 2018 the Company announced results of INVL Baltic Real Estate group for 6 months of 2018. The unaudited consolidated net profit of the INVL Baltic Real Estate group was EUR 1,907 thousand, revenue was EUR 2,924 thousand (for 6 months of 2017 consolidated net profit was EUR 1,528 thousand, revenue was EUR 3,281 thousand). The unaudited net profit of INVL Baltic Real Estate itself amounted to EUR 2,009 thousand for 6 months of 2018 and EUR 1,629 thousand for 6 months of 2017.
- On 17th August 2018 the Company announced that the net asset value of INVL Baltic Real Estate amounted to EUR 34,058,027 EUR or 2.5900 per share on 30 June 2018.
- On 17th August 2018 the Company informed about the decision to declare the forecast of INVL Baltic Real Estate for the year 2018 as invalid. The Forecast has been prepared on the basis not to predict changes in the fair value of investment properties. After new valuation of investment properties was made, the changes in the fair value of investment properties was stated as significant compared to the forecasted profit for the year ended 2018 (forecasted profit amounted to EUR 2.57 million, change in the fair value of investment properties is EUR 0.85 million). The Company has chosen not to recalculate the Forecast and announced it as invalid.
- On 27th September 2018 the Company announced Correction of results of INVL Baltic Real Estate group for 6 months of 2018. The Correction announced because INVL Baltic Real Estate published Consolidated and Company's Interim Condensed Not-audited Financial Statements for the six months ended 30 June 2018 on 17th August 2018, where the consolidated and Company's statements of comprehensive income for 2nd Quarter were not included. INVL Baltic Real Estate published corrected Consolidated and Company's Interim Condensed Not-audited Financial Statements for the six months ended 30 June 2018 repeated material announcement with the attachments.
- On 31th October 2018 the Company announced results of INVL Baltic Real Estate group for 9 months of 2018. For 9 months of 2018, the unaudited consolidated net profit of INVL Baltic Real Estate group was EUR 2,232 thousand and the revenue was 4,333 EUR thousand (for 9 months of 2017 consolidated net profit was EUR 2,091 thousand, revenue was EUR 4,799 thousand). The unaudited net profit of INVL Baltic Real Estate itself amounted to EUR 2,384 thousand for 9 months of 2018 and EUR 2,243 thousand for 9 months of 2017.
- On 31th October 2018 the Company announced the net asset value of INVL Baltic Real Estate amounted to EUR 34,382,903 or EUR 2.6147 per share on 30th September 2018.
- On 20th December 2018 the Company announced investor's calendar for 2019. The Company plans to publish information to investors in 2019 in accordance with the following calendar: 28 February 2019 – interim information for 12 months of 2018; 18 March 2019 – audited financial reports and annual report; 30 April 2019 – Net Asset Value and factsheet for 3 months of 2019; 19 August 2019 – Net Asset Value and semi–annual report of 2019; 31 October 2019 – Net Asset Value and factsheet for 9 months of 2019.

INVESTMENTS

- On 28th September 2018 the Company announced that Dommo Grupa, a company owned by the real estate investment company INVL Baltic Real Estate, signed a preliminary agreement regarding the sale of 20.6 hectares of land plots in Latvia. In order for the transaction to be completed, the buyer of the land plots had sign a lease agreement for the properties planned to be built on the land plots, and also made an advance payment and performed other actions envisaged in the agreement. If the parties fulfil all the stipulated conditions, the transaction could be completed by 1st July 2019. Given that the preliminary agreement may cease to have effect due to circumstances beyond the control of INVL Baltic Real Estate, and that there are no guarantees that the transaction will be completed, its amount is not being disclosed. If the transaction was completed, it would have a positive impact on equity of INVL Baltic Real Estate (considering the asset valuation published together with the Company's most recent financial results).

3.7.2. SIGIFICANT GROUP'S EVENTS

There were no important events in the activities of the real estate companies in 2018. The companies performed usual activity during the reporting period.

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

- On 28 February 2019 the Company announced interim, unaudited financial results for 12 months of 2018. The unaudited consolidated net profit of the INVL Baltic Real Estate group was EUR 3.17 million, revenue was EUR 5.82 million (for 12 months of 2017 consolidated net profit was EUR 3.58 million, revenue was EUR 6.20 million). The unaudited net profit of INVL Baltic Real Estate itself amounted to EUR 3,372 thousand for 12 months of 2018 and EUR 3,779 thousand for 12 months of 2017.

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

5.1. EVALUATION OF IMPLEMENTATION OF GOALS FOR 2018

INVL Baltic Real Estate managed to implement its main goals during 2018 - successful management of assets under reconstruction and successful negotiations with the new and existing tenants enabled to improve the company's performance and increase the value of its assets.

The Company in the end of December 2017 announced the forecast for the year ended 2018 of the Company. The forecast has been prepared on the basis not to predict changes in the fair value of investment properties. After new valuation of investment properties was made, which was needed due to the public share offering of the Company, the changes in the fair value of investment properties was stated as significant compared to the forecasted profit for the year ended 2018 (forecasted profit amounted to EUR 2.57 million, change in the fair value of investment properties was EUR 0.85 million for the I half of 2018) and the Forecast must have been recalculated or declared as invalid. The Company in August 2018 has chosen not to recalculate the Forecast. Therefore, the Company declares the Forecast as invalid and the Company's investor shall not rely on data of the Forecast before making investment decisions.

5.2. ACTIVITY PLANS AND FORECASTS

INVL Baltic Real Estate will continue to earn from investments in commercial real estate, ensuring the growth of rental income and cost optimisation. Features of the managed assets of INVL Baltic Real Estate make it reasonable to expect continuous growth in the value of assets.

III. INFORMATION ABOUT SECURITIES

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

According to the Articles of Association of the Company, the Articles of Association of INVL Baltic Real Estate may be amended by the desicion of the General Shareholders' Meeting, passed by more than 3/4 of votes (except in cases stated in the Law on Companies of the Republic of Lithuania and in cases stated in Company's Articles of Association).
During the reporting period and on the time of the release of the report, Company's Article of Association dated 15 January 2086 was valid.

- On 15 January 2018 wording of Articles of Association of the Company has been registered with the Register of Legal Entities, which entered into force after an approval to change the Company's Article of Association was given by the Bank of Lithuania. The wording of this Articles of Association was approved by the General Shareholders Meeting held on 29 December 2017.

The Articles of Association is available on the Company's website.

7 Structure of the authorized capital

7.1. Share capital changes

Table 7.1. Structure of INVL Baltic Real Estate authorized capital as of 31 December 2018.

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	13,150,000	13,150,000	1.45	19,067,500	100

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

7.2. Information about the Issuer's treasury shares

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

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

Table 8.1. Main characteristics of INVL Baltic Real Estate shares admitted to trading as of 31 December 2018

Shares issued, units	13,150,000
Shares with voting rights, units	13,150,000
Nominal value, EUR	1.45
Total nominal value, EUR	19,067,500
ISIN code	LT0000127151
LEI code	529900GSTEOHKA0R1M59
Ticker	INR1L
Exchange	Nasdaq Vilnius
List	Baltic Secondary list
Listing date	04.06.2014

Included into indexes	B8000GI, OMX BALTIC FINANCIALS GI, (SE0004384154) B8000PI, OMX BALTIC FINANCIALS PI, (SE0004384444) B8600GI, OMX BALTIC REAL ESTATE GI, (SE0004384188) B8600PI, OMX BALTIC REAL ESTATE PI, (SE0004384477) OMXBGI, OMX BALTIC ALL SHARE GROSS INDEX, (SE0001849977) OMXBPI, OMX BALTIC ALL SHARE PRICE INDEX, (SE0001849985) VILSE, OMX VILNIUS INDEX, (LT0000999963)

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

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

Reporting period	Price, EUR			Turnover, EUR			Last trading date	Total turnover	
	high	low	last	high	low	last		units	EUR
2014 2nd Q*	2.120	1.900	1.900	1,330	8	160	30.06.2014	2,357	4,651
2014 3rd Q	1.880	1.820	1.830	1,721	1.84	0	30.09.2014	6,758	12,420.43
2014 4th Q	1.840	1.830	1.840	1,993	1.83	0	20.12.2014	6,804	12,493.15
2015 1st Q	1.900	1.840	1.860	1,890.56	3.7	0	31.03.2015	4,552	8,398.7
2015 2nd Q	1.910	1.600	1.890	1,017.5	5.67	32.13	30.06.2015	5,894	10,965.52
2015 3rd Q	1.900	0.200	0.200	1,211.49	3.78	0	30.09.2015	3,127	4,863.44
2015 4th Q	0.390	0.315	0.360	2,526.51	25.16	511.92	30.12.2015	41,254	14,135.72
2016 1st Q	0.447	0.390	0.405	6,062.45	71.38	799.49	31.30.2016	143,323	58,066.95
2016 2nd Q	0.417	0.380	0.390	5,534.83	4.03	1,167.14	30.06.2016	89,786	35,761.02
2016 3rd Q	0.413	0.381	0.402	5,959.64	6.11	0	30.09.2016	158,675	64,033.03
2016 4th Q	0.400	0.388	0.388	6,786.26	35.97	1,159.57	30.12.2016	99,641	39,314.25
2017 1st Q	0.399	0.375	0.397	9,985.26	2.35	0	31.03.2017	175,498	67,609,54
2017 2nd Q	0.449	0.386	0.424	16,547.66	7.02	338.95	30.06.2017	366,537	151,781.03
2017 3rd Q	0.480	0.415	0.471	63,552,70	27.53	0	29.09.2017	457,150	196,305.46
2017 4th Q	0.485	0.465	0.475	10,304,66	11.75	687.80	29.12.2017	201,801	95,575.01
2018 1st Q	2.42	0.476	2.26	41,834,75	2.36	41,834.75	03.29.2018	108,793	228,569.82
2018 2nd Q	2.36	2.12	2.30	49,996,02	61.02	2,001.14	06.29.2018	94,034	213,477.10
2018 3rd Q	2.56	2.28	2.48	31,417,80	111.56	999.44	28.09.2018	60,284	144,223.46
2018 4th Q	2.52	2.32	2.42	12,226,06	59.52	433.18	28.12.2018	32,269	77,646.6

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

***The amount of shares and share price changed on 17 August 2015, when the Company was merged with it's parent company (hereinafter referred to as the Reorganization Day), the stock statistics submitted prior to the Reorganization Day have not been recalculated and are not comparable with the data of the subsequent period; also taking in account the change in the nominal value per share to EUR 1.45, after the Articles of the Association was registered on 15th January 2018.*

Table 8.3. Trading in INVL Baltic Real Estate shares 2014* – 2018

	2014*	2015	2016	2017	2018
Share price, EUR:					
open	0.326	0.300	0.399	0.388	0.475
high	0.407	0.380	0.447	0.485	2.56
low	0.297	0.200	0.380	0.375	0.476
medium	0.304	0.333	0.401	0.293	1.668
last	0.300	0.360	0.388	0.475	2.42
Turnover, units	15,919	54,827	491,425	1,200,986	295,380
Turnover, EUR	22,947.85	38,363.38	197,175.25	511,271.04	663,917.14
Traded volume, units	125	170	382	565	594

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

Table 8.4. Capitalisation 2014* - 2018

Last trading date	Number of shares having voting rights, units	Last price, EUR	Capitalisation, EUR
30.06.2014	7,044,365	1.900	13,384,294
30.09.2014	7,044,365	1.830	12,891,188
30.12.2014	7,044,365	1.840	12,961,632
31.03.2015	7,044,365	1.860	13,102,519
30.06.2015	7,044,365	1.890	13,313,850
30.09.2015*	43,226,252	0.200	8,645,250
30.12.2015	43,226,252	0.360	15,561,451
31.03.2016**	65,750,000	0.405	26,628,750
30.06.2016	65,750,000	0.390	25,642,500
30.09.2016	65,750,000	0.402	26,431,500
30.12.2016	65,750,000	0.388	25,511,000
31.03.2017	65,750,000	0.397	26,102,750
30.06.2017	65,750,000	0.424	27,878,000
29.09.2017	65,750,000	0.471	30,968,250
29.12.2017	65,750,000	0.475	31,231,250
31.03.2018***	13,150,000	2.26	29,719,000
30.06.2018	13,150,000	2.30	30,245,000
29.09.2018	13,150,000	2.48	32,612,000
29.12.2018	13,150,000	2.42	31,823,000

** The capital share significantly changed due to the Reorganization Day impact*
*** Share capital increased after the new share issue placement on 8 March 2016*
**** The Articles of the Association was registered on 15th January 2018, after the nominal value per share was changed to EUR 1.45*

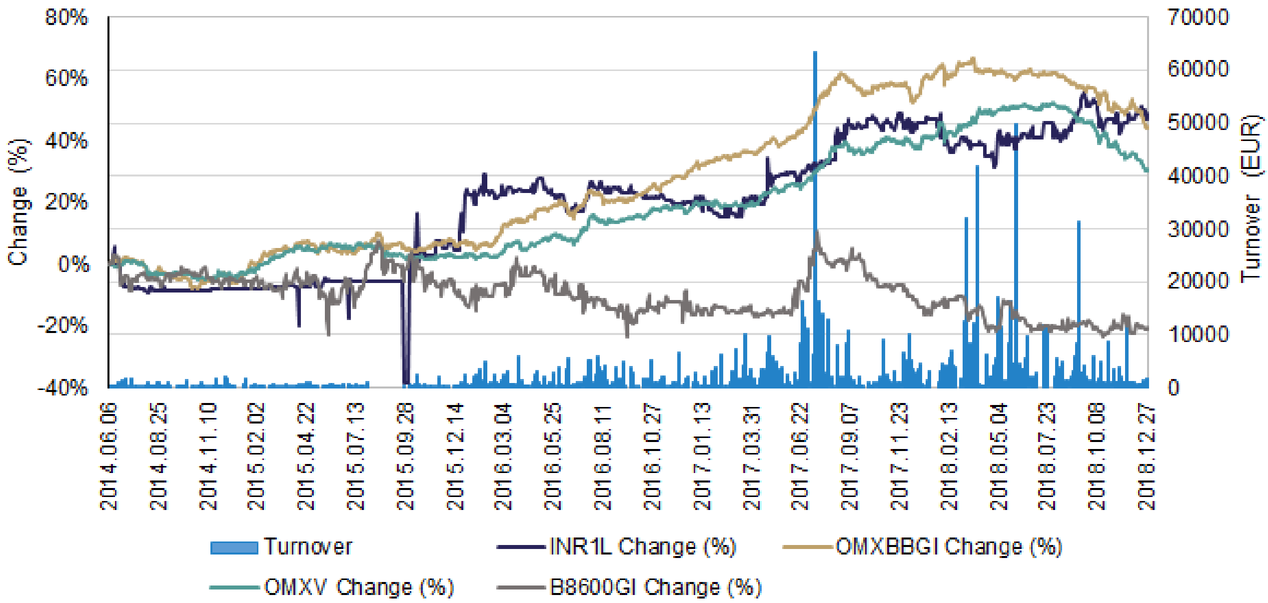


Fig. 8.1. INVL Baltic Real Estate change of share price and indexes[1]

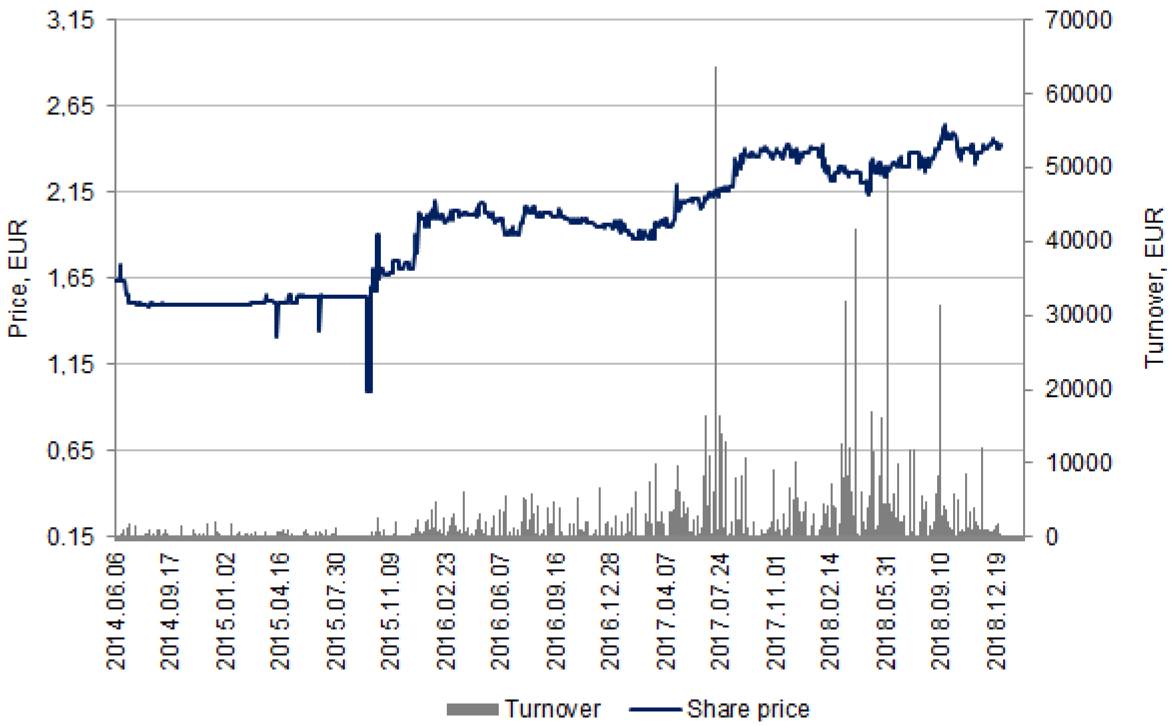


Fig. 8.2. Change of share price of INVL Baltic Real Estate and turnover

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

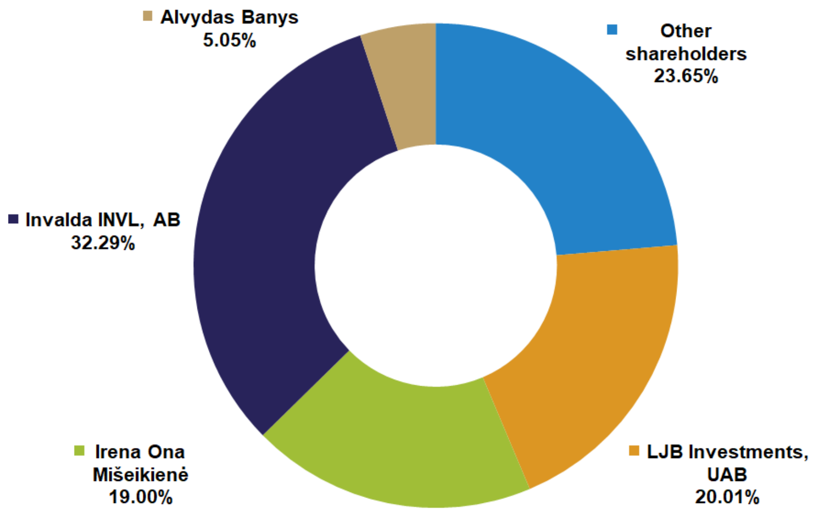
9 Shareholders

9.1. INFORMATION ABOUT COMPANY'S SHAREHOLDERS

The total number of shareholders in INVL Baltic Real Estate was 3,576 on 31 December 2018. There are no shareholders entitled to special rights of control.

Table 9.1.1. Shareholders who held title to more than 5% of INVL Baltic Real Estate authorised capital and/or votes as of 31 December 2018.

Name of the shareholder or company	Number of shares held by the right of ownership, units	Share of the authorised capital held, %	Share of the votes, %		
			Share of votes given by the shares held by the right of ownership, %	Indirectly held votes, %	Total, %
LJB Investments, UAB code 300822575, Juozapavičiaus str. 9A, Vilnius	2,631,695	20.01	20.01	0	20.01
Irena Ona Mišeikienė	2,498,596	19.00	19.00	0	19.00
Invalda INVL, AB code 121304349, Gynėjų str. 14, Vilnius	4,246,233	32.29	32.29	0	32.29
Alvydas Banys	663,640	5.05	5.05	20.01[2]	25.06



9.1.1. Fig. Votes as of 31 December 2018.

[2] *According to section 1 item 6 of article 26 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.*

Table 9.1.2. Distribution of securities by investors' groups as of 31 December 2018

Investors	Shareholders		Share of votes given by the owned shares	
	Amount	Part, %	Amount	Part, %
Private persons	3,552	99.33	5,461,415	41.53
Legal persons (private corporations, Financial institutions and insurance corporations and their clients)	24	0.67	7,688,585	58.47
Total	**3,576**		**13,150,000**	

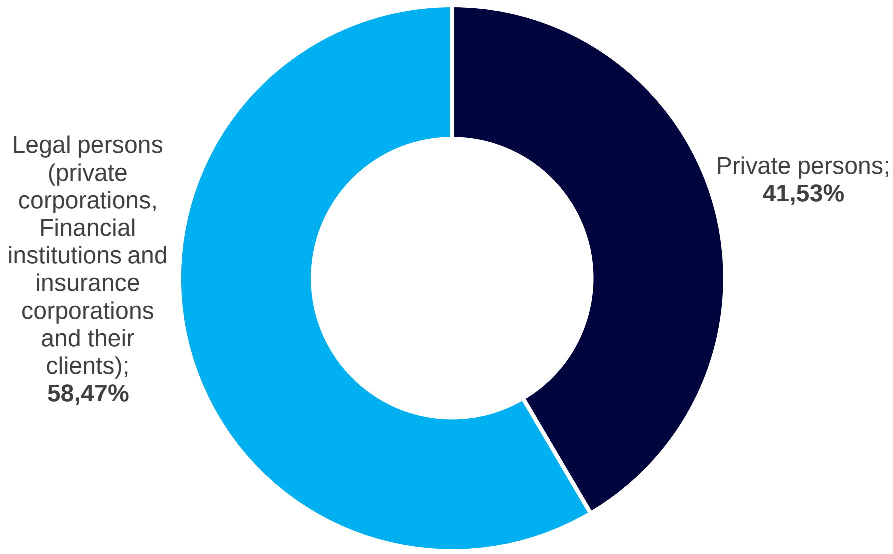


Fig. 9.1.2. Distribution of securities by investors' groups as of 31 December 2018

Table 9.1.4. Distribution of securities by countries as of 31 December 2018

Regions	Shareholders		Share of votes given by the owned shares	
	Amount	Part, %	Amount	Part, %
Lithuania	3,521	98.46	12,950,211	98.48
Other EU members	20	0.56	195,653	1.49
Non- EU countries	35	0.98	4,136	0.03
Total	**3,576**		**13,150,000**	

9.2. Rights and obligations carried by the shares

9.2.1. Rights of the shareholders

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

1. to receive a part of the Company's profit (dividend);
2. to receive the company's funds when the authorised capital of the company is reduced with a view to paying out the company's funds to the shareholders;
3. to receive a part of assets of the company in liquidation;

4. to receive shares without payment if the authorised capital is increased out of the Company funds, except in cases provided by the laws of the Republic of Lithuania;
5. to have the pre-emption right in acquiring shares or convertible debentures issued by the Company, except in cases when the General Shareholders' Meeting in the manner prescribed in the Law on Companies of the Republic of Lithuania decides to withdraw the pre-emption right in acquiring the Company's newly issued shares or convertible debentures for all the shareholders;
6. to lend to the company in the manner prescribed by law; however, when borrowing from its shareholders, the company may not pledge its assets to the shareholders. When the company borrows from a shareholder, the interest may not be higher than the average interest rate offered by commercial banks of the locality where the lender has his place of residence or business, which was in effect on the day of conclusion of the loan agreement. In such a case the company and shareholders shall be prohibited from negotiating a higher interest rate;
7. other property rights provided by laws;
8. to attend the General Shareholders' Meetings;
9. to submit to the Company in advance the questions connected with the issues on the agenda of the General Shareholders' Meeting;
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 or part of shares in the company from the Company's sole shareholder 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, including share number per class, when the different share class is acquired, the nominal share price and the particulars of the person who acquired or transferred the shares (the natural person's full name, personal number, personal code and address; the name, legal form it has taken, registration number, address of the registered office of the legal person.). A document confirming the acquisition of the shares or an acquisition extract must be added to the notice. If an acquisition extract is provided, it must include the parties to the transaction, the subject of the transaction and the date of acquisition of the shares.

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.

10 Dividends

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

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

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

The General Shareholders Meeting of the Company held on 29 December 2017 approved the new wording of the Dividend payment policy which stipulates the yearly payment of dividends per share of no less than EUR 0.13 (when the nominal value

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

per share is EUR 1.45). On 26 March 2018, the General Shareholders Meeting of INVL Baltic Real Estate decided to allocate EUR 0.13 dividend per share.

Dividends were allocated to the shareholders, who at the end of the tenth business day following the day of the General Shareholders Meeting that adopted a decision on dividend payment, i.e. on 10 April 2018 were shareholders of INVL Baltic Real Estate.

On 24 April 2018 INVL Baltic Real Estate announced that the company will start to allocate dividends from 25 April 2018. Dividends were allocated to those shareholders of the company, who has provided existing bank accounts.

Information relevant to the dividends paid by the Company, as well as matter of dividend payments and valid Dividend payment policy is published on Company's web page.

10.1. Table. Indexes related with shares*

Company's	2014	2015	2016	2017	2018
Net Asset Value per share**, EUR	1.68	2.15	2.36	2.57	2.69
Price to book value (P/Bv)	0.89	0.84	0.82	0.92	0.90
Dividend yield	-	-	3.1	2.5	5.4
Dividends/ Net profit	-	-	0.18	0.22	0.54

**The Company publishes Alternative performance measures (AVR), that are in use of the Company, provides indicators definitions and calculation formulas. All the information is disclosed in the Company's web site section „For Intestors" → „Reports" → „Indicator formulas". The link is provided https://bre.invl.com/lit/en/for-investors/reports/formulas-of-performance-indicators*
***Nominal value per share – EUR 1.45*

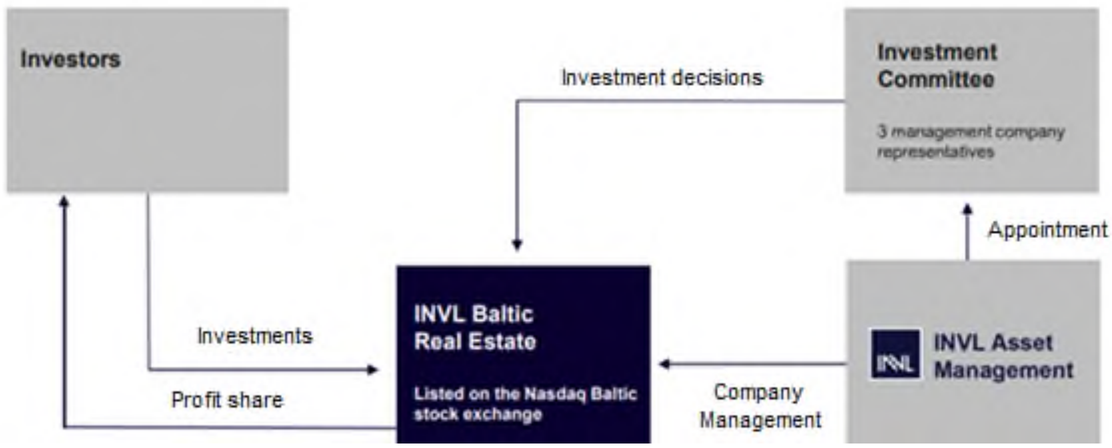
IV. ISSUER'S MANAGING BODIES

11 Structure, authorities, the procedure for appointment and replacement

The management of INVL Baltic Real Estate was transferred to the Management company INVL Asset Management on 22 December 2016 as the Bank of the Republic of Lithuania granted INVL Baltic Real Estate with the license of the closed-ended type investment company. The rights and duties of the Board and the Manager of the Company were also transferred to the Management Company. Managing bodies of the Company is not formed.

In order to ensure management efficiency and control of investments, the Management company formed an Investment Committee of INVL Baltic Real Estate.

The Management company is responsible for convening and organizing the highest management body of the Company - the General Shareholders Meeting.



11 fig. Structure of the Management of the Company

Detailed information on the structure of the management of the Company before the CEF license was granted is published in the consolidated annual report for the year 2016 of INVL Baltic Real Estate. The report is published on the Company's website section *For Investors.*

11.1. General Shareholders' Meeting

11.1.1. Powers of the General Shareholders' Meeting

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

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

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

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

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

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

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

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

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

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

The right to initiate convocation of the meeting is vested in the Management Company and Shareholders, owning at least 1/10 of all the votes in the General Shareholder Meeting.

The convocation of a General Shareholders's Meeting is organised by the Management Company.

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 (this right is granted to shareholders who hold shares carrying at least 1/20 of all the votes). Proposal to supplement the agenda is submitted in writing sending the proposal by registered mail to the Company at Gyneju str. 14, Vilnius, Lithuania, or delivered in person to the representative of the Company or by sending proposal to the Company by email breinfo@invl.com. 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 sending the proposal by registered mail to the Company at Gyneju str. 14, Vilnius, Lithuania, or delivered in person to the representative of the Company or by sending proposal to the Company by email breinfo@invl.com) or in writing during the General Shareholders Meeting (this right is granted to shareholders who hold shares carrying at least 1/20 of all the votes); (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 sending the proposal by registered mail to the Company at Gyneju str. 14, Vilnius, Lithuania, or delivered in person to the representative of the Company or by sending proposal to the Company by email breinfo@invl.com. The company reserves the right to answer to those shareholders of the Company who can be identified and whose questions are not related to the company's confidential information or commercial secrets.

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. A power of attorney issued by a natural person must be certified by a notary. 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. A power of attorney issued in a foreign state must be translated into Lithuanian and legalised in the manner established by law. The Company does not establish special form of power of attorney.
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. No notarisation of such authorization is required.

The power of attorney issued through electronic communication means must be confirmed by the shareholder with a safe electronic signature developed by safe signature equipment and approved by a qualified certificate effective in the Republic of Lithuania. The shareholder shall inform the Company on the power of attorney issued through the means of electronic communication by e-mail breinfo@invl.com not later than on the last business day before the General Shareholders Meeting. The power of attorney and notification must issued in writing and could be sent to the Company by communication means, if the transmitted information is secured and the shareholder's identity can be identified.

The Company is not providing the possibility to attend and vote at the General Shareholders Meeting through electronic means of communication.

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 www.bre.invl.com section For Investors. 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 sent by the registered mail to the Company at Gyneju str. 14, Vilnius, Lithuania, or delivered in person to the representative of the Company no later than the day before of the General Shareholders Meeting.

For the convenience of the shareholders of INVL Baltic Real Estate the company provides notifications about convocation of General Shareholders Meeting, draft resolutions as well as general voting bulletins and resolutions adopted in the Meetings on the company‘s website section *For Investors* (Shareholders' Meetings).

There were 2 (two) General Shareholders Meetings of INVL Baltic Real Estate during the 2018.

On 26th March 2018, during the General Shareholders Meeting of INVL Baltic Real Estate, the shareholders of the Company was introduced with the consolidated annual report for 2017 and independent auditor's report on the financial statements and consolidated annual report of the Company. The consolidated and stand-alone financial statements for 2017 and profit distribution (allocating EUR 0.13 dividend per share) of INVL Baltic Real Estate was approved as well. The shareholders also approved the Amendment of the Depository Services Agreement with AB SEB bankas and Related Party Transaction Policy of INVL Baltic Real Estate.

On 9th November 2018 the Companys Extraordinary Shareholders Meeting decided to conclude an agreement with UAB PricewaterhouseCoopers to carry out of the audit of the annual financial statements of the SUTNTIB INVL Baltic Real Estate for 2018 financial year and establish the payment in amount of EUR 11,000 for audit of annual financial statements set and opinion on the annual report (VAT will be calculated and payed additionally in accordance with order established in legal acts).

11.2. Management company and the Investment Committee

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

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

The Management Company has the right:

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

The Management Company must:

- act in a fair, correct and professional manner on the terms best for the Company and its Shareholders and in their interests and ensure integrity of the market;
- act carefully, professionally and prudently;
- have and use means and procedures necessary for its activities;
- have reliable administration and accounting procedures, electronic data processing control and security measures and a proper mechanism of internal control, including the rules on personal transactions in financial instruments conducted by employees of the Management Company and transactions in financial instruments conducted at the expense of the Management Company;
- ensure that documents of and information about taken investment decisions, conducted transactions would be kept for at least 10 years after the date of taking an investment decision, conduction of a transaction or performance of an operation, unless legal acts set a longer term of keeping documents;
- have such an organisational structure that would help to avoid conflicts of interest. When it is impossible to avoid conflicts of interest, the Management Company must ensure that Shareholders are treated fairly;
- ensure that persons taking decisions on management of the Company would have qualification and experience established by the Supervisory Authority, be of sufficiently good repute;
- ensure that assets of the Company would be invested according to the investment strategy set in the Articles of Association and requirements set in legal acts of the Republic of Lithuania;
- prepare the Prospectus, the key investor information document, annual and semi-annual reports under the procedure set by legal acts;
- perform other duties set in the Articles of Association and legal acts of the Republic of Lithuania.

The Company's management agreement with the Management Company must be approved by the General Shareholders Meeting. The currently valid Management agreement between the Managament company and INVL Baltic Real Estate was signed on 5 January 2018, the wording of the Management agreement was approved during the General Shareholders Meeting held on 29 December 2017.

The Management Company can be replaced by a decision of the General Shareholders Meeting of the Company.

The Management Company can be replaced by a decision of the General Shareholders Meeting in cases mentioned below:

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

The Management Company could be replaced after receipt of a prior permission of the Bank of Lithuania.

The Management company ensuring the management of INVL Baltic Real Estate has the General manager, the Board of the Company and the Investment Committee, formed by the decision of the Board.

The General Manager of the Management company is Laura Križinauskienė (from 2nd October 2017).

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

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

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

Darius Šulnis (the Chairman), Nerijus Drobavičius and Vytautas Plunksnis are the members of the Board of the Management Company since 19 January 2015. After the reporting period (on 14th January 2019) the Board of Management Company was re-elected for the new 4 years of office, after the Bank of Lithuania granted their permission. The composition of the Board remained unchanged: Darius Šulnis (the Chairman), Nerijus Drobavičius and Vytautas Plunksnis

For the sake of efficiency of the Company's activities and control over its investments, an Investment Committee is being formed by a decision of the Board of the Management company. At the end of the reporting period there were 2 (two) members of the Investment Committee: Vytautas Bakšinskas and Andrius Daukšas.

The Investment Committee of the Management company is the collegial investment and management decision-making body responsible for adopting decisions regarding the management of the Managed company's assets and representing and protecting the Managed Company's interests. According to Company's Articles of Association Investment Committee shall consist of 3 (three) members, representatives of the Management Company (employees, members of management bodies of the Management Company, other persons appointed by a decision of the Board of the Management Company) shall be appointed to their positions. Members of the Investment Committee shall be appointed by a decision of the Management Company. Members of the Investment Committee shall be appointed and removed from office by the Board of the Management Company. An approval of the Investment Committee must be obtained for all investments of the Company and for their sale.

The procedure of formation, responsibilities, functions of the Investment Committee, decision-making procedure and other procedures of the Investment Committee is set in the Regulations of the Investment Committee of INVL Baltic Real Estate, which is published in the Company's website section *For Investors*.

Currently there are 2 (two) members in the Investment Committee, appointed from the representatives of the Management Company: Vytautas Bakšinskas and Andrius Daukšas. Egidijus Damulis was withdrawn from the position of the member of the Investment Committee from 13 February 2017, by the decision of the Board of the Management company.

During the reporting period 22 Investment Committee meeting were held. Vytautas Bakšinskas attended all the meetings of Investment Committee personally, Andrius Daukšas attended 16 meetings personally and 6 - remotely.

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

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

The procedure of formation, responsibilities, functions of the Advisory Committee, decision-making procedure and other procedures of the Advisory Committee is set in the Regulations of the Advisory Committee, of INVL Baltic Real Estate, which is published in the Company's website section *For Investors*.

The Advisory Committee is not formed at the moment.

12 Information about members of the Board of the Management Company, general manager and members of the Investment Committee

12.1. The issuer's management bodies

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

The General Manager of the Management company is Laura Križinauskienė (from 2nd October 2017).

Darius Šulnis (the chairman), Nerijus Drobavičius and Vytautas Plunksnis are members of the Board of the Management company since 19 January 2015. After the reporting period (on 14th January 2019) the Board of Management Company was re-elected for the new 4 years of office, after the Bank of Lithuania granted their permission. The composition of the Board remained unchanged: Darius Šulnis (the Chairman), Nerijus Drobavičius and Vytautas Plunksnis. During the reporting period the Board of the Management company remained unchanged.

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

Currently there are 2 (two) members in the Investment Committee: Vytautas Bakšinskas and Andrius Daukšas. Egidijus Damulis was removed from the members of the Investment Committee on 13 February 2017 by the decision of the Board of the Management company.

The Advisory Committee is not formed.

Darius Šulnis – Chairman of the Board of the Management company.

Main workplace – Invalda INVL, AB (code 121304349, Gynėjų str. 14, Vilnius) - president

Educational background and qualifications	Duke University (USA). Business Administration. Global Executive MBA. Vilnius University. Faculty of Economics. Master in Accounting and Audit. Financial broker's license (General) No. A109.
Work experience	2015 – October 2017 General manager of INVL Asset Management, UAB 2006 – 2011 Invalda, AB – President. 2011 – 2013 Invalda, AB – Advisor. Since May 2013 Invalda INVL, AB – President 2002 – 2006 Invalda Real Estate, UAB (current name Inreal Valdymas) – Director 1994 – 2002 FBC Finasta, AB – Director
Owned amount of shares in INVL Baltic Real Estate	Personally: 0 units of shares. Together with controlled company Lucrum Investicija: 244,875 units of shares and votes - 1.86 % of authorised capital.
Participation in other companies	Invalda INVL, AB (code 121304349, Gynėjų str. 14, Vilnius) – Member of the Board, the President Šiaulių bankas, AB (code 112025254, Tilžės str. 149, Šiauliai) – Member of the Supervisory Board INVL Baltic Farmland, AB (code 303299781, Gynėjų str. 14, Vilnius) – Member of the Board Litagra, UAB (code 304564478, Savanorių ave. 173, Vilnius) – Member of the Board

Nerijus Drobavičius – Member of the Board,

Main workplace – INVL Asset Management, UAB (code 126263073, Gynėjų str. 14, Vilnius) Private Equity Partner

Educational background and qualifications	In 1998 graduated Vytautas Magnus University and gained his Bachelor's degree in Business management. Graduated Vytautas Magnus University in 2000 and gained his Master's degree in banking and finance.
Work experience	Since 2014 works at Invalda INVL, AB group 2012 – 2014 Independent financial expert 2007 – 2011 CFO in Sanitas Group 2001 – 2007 Sampo Bank. Head of Accounting and Reporting unit, later – CFO of the bank

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Owned amount of shares in INVL Baltic Real Estate	-
Participation in other companies	INVL Technology, CEF (code 300893533, Gynėjų str. 14, Vilnius) – Member of the Investment Committee Andmevara AS (code 10264823, Parnu mnt. 158, 11317, Tallinn, Estonia) – The Chairman of the Supervisory Board Inservis, UAB (code 126180446 , A.Juozapavičiaus str. 6, Vilnius) – The Chairman of the Board Imoniu grupe Inservis, UAB (code 301673796, Gynėjų str. 14, Vilnius) – The Chairman of the Board Jurita, UAB (code 220152850, Justiniškių str. 64, Vilnius) – The Chairman of the Board Etronika, UAB (code 125224135, Gynėjų str. 14, Vilnius) – Member of the Board BSGF Sanus, UAB (code 304924481, Gynėjų str. 14, Vilnius) - Director

Vytautas Plunksnis – Member of the Board

Main workplace – INVL Asset Management, UAB (code 126263073, Gynėjų str. 14, Vilnius) Head of Private Equity

Educational background and qualifications	Graduated the studies in economics at Kaunas University of Technology in 2001, gained Bachelor‘s degree in Management. Financial broker‘s licence (General) No. G091.
Work experience	2009 – 2015 Fund Manager at Invalda INVL, AB 2006 – 2009 Finasta Asset Management, UAB – analyst, fund manager, strategic analyst 2004 ELTA redactor (business news) 2002 – 2004 Baltic News Service business journalist
Owned amount of shares in INVL Baltic Real Estate	Personally: 1,000 units of shares; 0.01% of authorised capital and votes.
Participation in other companies	INVL Technology, CEF (code 300893533, Gynėjų str. 14, Vilnius) – Member of the Investment Committee Norway Registers Development AS (code NO 985 221 405, Lokketangen 20 B, 1337 Sandvika, Norway) – Member of the Board NRD Systems, UAB (code 111647812, Gynėjų str. 14, Vilnius) – Member of the Board NRD CS, UAB (code 303115085, Gynėjų str. 14, Vilnius) – Member of the Board Algoritmu sistemos, UAB (code 125774645, Gynėjų str. 14, Vilnius) – Chairman of the Board Investuotoju Asociacija (code 302351517, Konstitucijos pr. 23, Vilnius) – Chairman of the Board NRD Companies AS (code NO 921 985 290, Lokketangen 20 B, 1337 Sandvika, Norway) – Member of the Board (from January 2019)

Laura Križinauskienė – General Manager of the Management company

Main workplace – INVL Asset Management, UAB (code 126263073, Gynėjų str. 14, Vilnius) General manager

Educational background and qualifications	Vilnius Gediminas Technical University, Master‘s degree in Management and Business Administration
Work experience	2016-2017 Danske Bank A/S Lithuanian branch – Operational manager, Head of Global Function 2012-2016 Baltpool UAB – general manager, member of the Board 2010-2012 Finasta bank AB – Director of the Capital market department 2005-2012 held various positions in Finasta FMĮ AB, Finasta bank AB, Finasta investiciju valdymas (currently INVL Asset Management)
Owned amount of shares in INVL Baltic Real Estate	-
Participation in other companies	FMI Finasta, UAB (code 304049332, Gynėjų str. 14, Vilnius) – Member of the Board IPAS INVL Asset Management (code 40003605043, Smilšu iela 7-1, Riga, Latvia) – Member of the Supervisory Board AS INVL atklātajs pensiju fonds (code 40003377918, Smilšu iela 7-1, Riga, Latvia) – Member of the Supervisory Board

Vytautas Bakšinskas – Member of the Investment Committee,

Main workplace – INVL Asset Management, UAB (code 126263073, Gynėjų str. 14, Vilnius) Real estate fund manager

Work experience	Since 2 January 2017 – Real Estate Fund Manager at INVL Asset Management 2016 – 31.12.2016 – director at Dizaino institutas, UAB 2016 – 31.12.2016 – director at Variagis, UAB 2014 – 31.12.2016 – director at Riešės investicija, UAB 2013 – 31.12.2016 – director at Tripolio valda, UAB 2013 – 31.12.2016 – director at Paralelių valda, UAB 2013 – 31.12.2016 – director at Dipolio valda, UAB 2013 – 31.12.2016 – director at Etanija, UAB 2012 – 31.12.2016 – director at Justiniškių valda, UAB 2011 – 31.12.2016- – head of Lease department at Inreal valdymas, UAB 2015-06 – 2016-01 – director at Elniakampio namai, UAB 2014-03 – 2016-06 – director at Akvilas, UAB 2014-03 – 2015-07 – director at Aikstentis, UAB 2014-03 – 2015-07 – director at Trakų kelias, UAB 2013-01 – 2013-02 – project manager at Naujoji švara, UAB 2010-04 – 2013-02 – project manager at Sago, UAB 2008-11 – 2011-08 – project manager at Inreal valdymas, UAB
Owned amount of shares in INVL Baltic Real Estate	-
Participation in other companies	Proprietas, UAB (code 303252098, Gynėjų str. 14, Vilnius) - Director

Andrius Daukšas – Member of the Investment Committee,
Main workplace – INVL Asset Management, UAB (code 126263073, Gynėjų str. 14, Vilnius)
Investment manager

Educational background and qualifications	Master's degree in banking at the Faculty of Economics of Vilnius University. Financial broker's license (general) No. G311.
Work experience	Since 22 December 2016 – Investment Manager at INVL Asset Management 3 January 2016 – 21 December 2016 – deputy director at INVL Baltic Real Estate December 2014 - January 2016 – director at INVL Baltic Real Estate March 2010 – 21 December 2016 - investment manager at Invalda INVL 2008-2010 - director of the Treasury Department of the bank Finasta 2004-2008 - an accountant, later - the department manager of securities accounting at FBC Finasta
Owned amount of shares in INVL Baltic Real Estate	Personally: 5,000 units of shares, 0.04% of authorised capital and votes.
Participation in other companies	Imoniu Grupe Inservis, UAB (code 301673796, Gynėjų str. 14, Vilnius) - Member of the Board, director Inservis, UAB (code 301673796, Gynėjų str. 14, Vilnius) - Member of the Board Jurita, UAB (code 220152850, Justiniškių str. 64, Vilnius) - Member of the Board Kelio Zenklai, UAB (code 185274242, Vilkaviškio dist., Pilviškių village Geležinkelio str. 28) - Member of the Board Informacinio verslo paslaugu imone, AB (code 123043773, Eigulių str. 21, Vilnius) - Chairman of the Board

13 Information about the Audit Committee of the company

The Audit Committee consists of 2 (two) independent members. The members of the Audit Committee are elected by the decision of the General Shareholders' Meeting. The members of the Audit Committee are proposed by the Management company and the shareholders of the company. The Audit Committee is elected for a four-year term of office.

The main functions of the Adit Committee are the following:

- provide recommendations to the Management company with selection, appointment, reappointment and removal of an external audit company of the Company as well as the terms and conditions of engagement with the audit company;
- monitor the process of external audit of the Company;
- monitor how the external auditor and audit company follow the principles of independence and objectivity;
- observe the process of preparation of financial reports of the Company;
- monitor the efficiency of the internal control and risk management systems of the Management company directly related to the management of the Company. Once a year review the need of the dedicated internal audit function for the Company within the Management company;
- monitor if the Management company gives due consideration to the recommendations or comments provided by the audit company regarding management of the Company;
- The Audit Committee reports its activities to the Company's ordinary General Shareholders Meeting by submitting a written report on Audit Committee activities during the last financial year.

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

General Shareholders Meeting to elect new member of the Audit Committee, or to postpone the question on the election of the new member of the Audit Committee till the next General Shareholders Meeting of the Company. The new member is elected till the end of term of office of the operating Audit Committee.

13.1. Procedure of work of the audit committee

The Audit Committee informs about its activities to the Company's ordinary General Shareholders Meeting by submitting a written report.

The Audit Committee is a collegial body, taking decisions during meetings. The Audit Committee may take decisions and its meeting should be considered valid, when both members of the Committee participate in it. The decision should be passed when both members of the Audit Committee vote for it. The member of the Audit Committee may express his will – for or against the decision in question, with the draft of which he is familiar with – by voting in advance in writing. Voting in writing should be considered equal to voting by telecommunication end devices, provided text protection is ensured and it is possible to identify the signature.

The right of initiative of convoking the meetings of the Audit Committee is held by both members of the Audit Committee. The other member of the Audit Committee should be informed about the convoked meeting, questions that will be discussed there and the suggested drafts of decisions not later than 3 (three) business days in advance in writing (by e-mail or fax). The meetings of the Audit Committee should not be formed as a written protocol, if the taken decisions are signed by both members of the Committee. When both Audit Committee members vote in writing, the decision should be written down and signed by the secretary of the Audit Committee who should be appointed by the Management company. The decision should be written down and signed within 7 (seven) days from the day of the meeting of the Audit Committee.

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

The Company's Audit Committee is guided by the Regulations of the Audit Committee (hereinafter referred to as the Regulations) approved by the General Shareholders Meeting of the Company held on 11 April 2017. The Regulations are published on the Company's website in the section *For investors.*

13.2. Members of the Audit Committee

During the General Shareholders Meeting held on 11 April 2017 Dangutė Pranckėnienė, partner and auditor of Moore Stephens Vilnius, UAB and Tomas Bubinas, director of Biotechpharma, UAB were elected for the Audit Committee of the Company for the 4 (four) years of office term. Both members of the Audit Committee are independent, having submitted an notice certifying their independence.

Tomas Bubinas – Independent Member of the Audit Committee

The term of office	Since 2017 till 2021
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

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Work experience	Since 2013 Chief Operating Officer at Biotechpharma, UAB 2010 - 2012 Senior Director, Operations. TEVA Biopharmaceuticals (USA) 2004 - 2010 CFO for Baltic countries, Teva Pharmaceuticals 2001 - 2004 m. CFO, Sicor Biotech 1999 - 2001 Senior Manager, PricewaterhouseCoopers 1994 - 1999 Senior Auditor, Manager, Coopers & Lybrand.
Owned amount of shares in INVL Baltic Real Estate	-

Dangutė Pranckėnienė – Independent Member of the Audit Committee

The term of office	Since 2017 till 2021
Educational background and qualifications	1995 - 1996 Vilnius Gediminas Technical University, Master of Business Administration. 1976 - 1981 Vilnius University, Master of Economics. The International Coach Union (ICU), professional coucher name, license No. E-51. Lithuanian Ministry of Finance, the auditor's name, license No. 000345.
Work experience	since 1997 the Partner at Moore Stephens Vilnius, UAB 1996 - 1997 Audit Manager, Deloitte & Touche 1995 - 1996 Lecturer, Vilnius Gediminas Technical University 1982 - 1983 Lecturer, Vilnius University
Owned amount of shares in INVL Baltic Real Estate	62 units of shares, 0.00% of authorised capital and votes.

14 Information on the Issuer's payable management fee, the amounts calculated by the Issuer, other assets transferred and guarantees granted to the Managing bodies and company providing accounting services

After the Bank of Lithuania issued the closed-ended type investment company operating license for INVL Baltic Real Estate on 22 December 2016, the rights and duties of the Board and the head of the Company are implemented by the Management company INVL Asset Management.

The management fee payable to the Management Company (hereinafter – Management Fee) is the remuneration for management of the assets of the Company, which shall be payable for each quarter of a calendar year. By the decision of the Gereral Shareholders' Meeting of the Company, the Management Fee was reduced from 1.5% to 1.0%, the Management Fee for a calendar year shall be 0.25% for the quarter of the year of the weighted average capitalisation of the Company. The Performance Fee shall be additionally paid to the Management Company under the procedure set in the Articles of Association. During the reporting period the Management fee payable to the Management Company was EUR 307 thousand and EUR 50 thousand success fee payable (in 2017 - the Management fee payable to the Management Company amounted to EUR 296 thousand and EUR 386 thousand success fee payable).

The members of the Board and the members of the Investment Committee of the Management Company do not receive remuneration for these duties. They are paid the salary according to the employment contract with the Management Company.

During the reporting period company's managing bodies, which are mentioned in the section 12 of the report, were paid EUR 663 of dividends, net of tax. There were no assets transferred, no guarantees granted, no bonuses paid and no special payouts made by the company to its managing bodies. The managing bodies were not granted with bonuses by other companies of INVL Baltic Real Estate group.

During the reporting period INVL Baltic Real Estate Group and the Company for Invalda INVL, AB - the company providing accounting services - respectively paid EUR 15 thousand and EUR 8 thousand during the reporting period (in 2017 – respectively paid EUR 12 thousand and EUR 10 thousand, in 2016 – respectively paid EUR 12 thousand and EUR 10 thousand, in 2015 – respectively paid EUR 13 thousand and EUR 9 thousand; in 2014 – respectively paid EUR 9 thousand and EUR 7 thousand).

Invalda INVL, AB and INVL Asset Management, UAB provide accounting services and preparation of the documents related with bookkeeping for INVL Baltic Real Estate according to an Accounting services agreement.

V. OTHER INFORMATION

15 Agreements with intermediaries on public trading in securities

INVL Baltic Real Estate has signed these agreements with the following intermediaries:

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

16 Information on Issuer's branches and representative offices

INVL Baltic Real Estate has no branches or representative offices.

17 A description of the principal risks and uncertainties

Information, provided in this document, should not be considered complete and covering all aspects of the risk factors associated with public company's INVL Baltic Real Estate activity and securities. There are only basic risks and their descriptions provided in this report. Detailed descriptions of the risks are published on the Company's website.

17.1. General Risk Factors in the Business Field Where the Group Operates

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

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

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

General risk

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

Real estate development risk

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

Risk of inflation and deflation

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

Macroeconomic environment

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

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

Cyclicality of the real estate sector

Real estate development is a cyclical sector. The number of real estate related transactions fluctuates significantly depending on the stage of the real estate cycle. 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.

17.2. Risk Factors Characteristic of the Group

Risk of the management and human resources

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

Dependence on external financing

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

Risk related to lease agreements

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

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

Reliance on the administrator of the Company's property

On 2 January 2013 the Company has entered into an agreement with a third party for property management and administration services on part of Company's asset portfolio. An agreement was terminated on 1 January 2018, after the Company's subsidiary Proprietas, UAB and the Company signed a property management and administration agreement. The detailed list of buildings, administered, based on this agreement is provided in Section 2.3. of the Company's consolidated annual report "Information about the Issuer's group of companies". Under this agreement the third party, as an administrator of the property, is committed to increase Company's value and maintain high quality of service for buildings' tenants and employees. In case of change in administrative prices in the market, new contracts under less favourable conditions can be entered into with administrator, which may directly influence the increase in Company's costs.

Interest rate risk

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

Furthermore, interest rate risk mainly includes loans with a variable interest rate. On 26 August 2014 the Company and Šiaulių Bankas AB entered into a credit agreement for EUR 15.35 million credit (on 10 April 2018 a credit limit was increased till EUR 23,925,500) with variable interest rate – 6 month EURIBOR and fixed margin. In addition to that, on 15 July 2015 the Subsidiary Dommo Biznesa Parks SIA and ABLV Bank AS entered into a credit agreement in an amount of 3 million with variable interest rate – 3 month EURIBOR and fixed margin. Rising interest rates will increase the Group's debt service costs, which will reduce the return on investment. If considered necessary, the Group will manage interest rate risk by entering into financial derivatives' contracts.

Leverage risk

Leverage risk is related to possible depreciation of real estate objects acquired with borrowed money. The bigger the leverage, the higher probability of this risk is. The level of borrowings of the Group was 38.8% of its investment property market value as of 31 December 2018 (38.5% as of 31 December 2017, 41% as of 31 December 2016).

Credit risk

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

Liquidity risk

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

Total investment risk

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

Investment diversification risk

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

Tenants' risk

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

Risk of valuation of the Company's assets

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

Competition risk

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

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

Market risk

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

Dividend payment risk

Though the Company has approved its dividend payment policy, payment of dividend to Shareholders is not guaranteed and will depend on profitability of activities, investments plans and the general financial situation.

Liquidity of the Issuer's Shares is not guaranteed

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

17.4. Information about the extent of risk and its management in the Company

Information on the extent of risks and management of them is disclosed in the section 3 of explanatory notes of consolidated and company's financial statements in 2018.

17.5. The most Important risk factors during the reporting period

During the reporting period the most important risk factor was *Reliance on the administrator of the Company's property*. A description of the risk factor and a brief commentary:

The Company transferred its asset management to its subsidiary UAB Proprietas on 1 January 2018. The transfer of property administration was smooth, the real estate managers team of Proprietas was finalized and strengthened in 2018.

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. An agreement was terminated on 1 January 2018, after the Company's subsidiary Proprietas, UAB and the Company signed a property management and administration agreement. The detailed list of buildings, administered, based on this agreement is provided in Section 2.3. of the Company's consolidated annual report "Information about the Issuer's group of companies". 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.

17.6. The main indications about internal control and risk management systems related to the preparation of consolidated financial statements

The Audit Committee supervises preparation of the consolidated financial statements. systems of internal control and financial risk management and how the company follows legal acts that regulate preparation of consolidated financial statements.

The Management company of INVL Baltic Real Estate is responsible for the supervision and final review of the consolidated financial statements. To order to manage these functions properly, the Management company is using an external provider of relevant services. Management company, together with the accounting service provider constantly reviews International Financial Reporting Standards (IFRS) in order to implement in time IFRS changes, analyses company's and group's significant deals, ensures collecting information from the group's companies and timely and fair preparation of this information for the financial statements, periodically informs the Board of the Management company about the preparation process of financial statements.

Accounting of all the Company Group's entities is provided by the same external accounting service provider (Invalda INVL AB) by using the unified accounting system, the standard chart of accounts and by applying unified accounting principles. Standardized data collection files prepared by Excel program are used for preparation of consolidated numbers. It also facilitates the automatic reconciliation and elimination of balances and transactions between subsidiaries in the preparation of consolidated accounts. Internal control of the financial numbers of the Group's entities and of the Group financial statements durint the reporting period was provided by CFO of external accounting service provider and chief financier of the Management Company.

18 Issuer's and its group companies' non – financial results. Information related to social responsibility. environment and employees

18.1. Responsible business actions in the company

The management of the Company is transferred to the asset management company INVL Asset Management, which applies the Policy of Equal Opportunities in its activities. The Policy specifies that the Company organizes its activities in a way that employees, despite of their duties and the need to upgrade their qualifications, are secure about equal working conditions, opportunities to develop competence, etc. Equally, the same benefits are granted regardless of the gender, race, nationality, language, origin, social status, believes or convictions, age, sexual orientation, disability, ethnicity, religion, marital status, intention of having children's or membership of the political party or association.

INVL Asset Management has joined the UN-supported Principles for Responsible Investment (PRI) in the middle of 2017.

The PRI, founded in 2006, is a global network of over 1700 investors, aims to assess the investment implications of environmental, social and governance (ESG) factors. An economically efficient, sustainable global financial system is considered a necessity for long-term value creation. Investors who support the PRI voluntarily work to apply the principles in their investment activities.

Six specific responsible investment Principles are outlined by the PRI. They provide a menu of possible actions for incorporating ESG issues into investment practice – from investment analysis and decision-making to their incorporation into ownership policies and practices. Additionally, signatories to the Principles are encouraged to promote the Principles' acceptance in the investment industry and to work together for their effective implementation.

18.2. Employees

At the end of 2018, as well as in 2017 and in 2016 INVL Baltic Real Estate did not have any empoyees. Two (2) employees had been working at INVL Baltic Real Estate at the end of 2015.

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

There were 8 employees working at INVL Baltic Real Estate portfolio companies on 31 December 2018, 6 employees – in 2017, 4 employees – in 2016 and 2015. Number of employees in the portfolio Companies has changed in 2018 due to the concluded administrative agreement between the Company's portfolio company UAB Proprietas and the Company itself, also because of the need to perform administrative services.

19 Information about agreements of the Company and its managing bodies, members of the formed committees, 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, Members of the Investment Committee 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.

20 Significant investments made during the reporting period

2018 the main investments of the Company were targeted at the reconstruction of investment assets premises, located at Gynėjų str. 14, Palangos str. 4 and Žygis str. 97, and the adaptation of the need of the tenants of the Company. In 2018 EUR 481 thousand was invested.

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

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

22 Information on the related parties' transactions

Information on the related parties' transactions is disclosed in consolidated annual financial statements' 18 note of explanatory notes for the year of 2018.

23 Information on harmful transactions in which the issuer is a party

There were no harmful transactions (those that are not in line with issuer's goals, not under usual market terms, harmful to the shareholders' or stakeholders' interests, etc.) made in the name of the issuer that had or potentially could have negative effects in the future on the issuer's activities or business results. There were also no transactions where a conflict of interest was present between the managing bodies of the Management company, members of the Investment Committee, controlling shareholders' or other related parties' obligations to the issuer and their private interests.

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

All data is presented in consolidated and company's financial statements' of explanatory notes for the year of 2018.

25 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 2018 was provided by the audit company PricewaterhouseCoopers. During the General Shareholders' Meeting of the company, held on 9 November 2018, the audit company PricewaterhouseCoopers, UAB was elected to provide audit services on annual financial statements of the company for the financial year of 2018. It was decided to set the payment of EUR 11,000 for audit of annual financial statements set and opinion on the annual report (VAT will be calculated and payed additionally in accordance with order established in legal acts).

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

No internal audit is performed in the company.

Table 25.1. All the services granted to INVL Baltic Real Estate and the its group by the auditor PricewaterhouseCoopers, UAB

EUR thousand	Group 2018	Company 2018
Financial statement audit services under contracts	11,000	11,000
Costs of collateral and other related services	14,746	14,746
Tax advice	-	-
Other services	-	-
In total	**25,746**	**25,746**

26 Data on the publicly disclosed information

The information publicly disclosed by INVL Baltic Real Estate during 2018 is presented on the company's website www.invlbalticrealestate.com.

Table 26.1. Summary of publicly disclosed information

Date of disclosure	Brief description of disclosed information
05.01.2018	INVL Baltic Real Estate signed a new wording of the Management Agreement and the Depository Services Agreement
10.01.2018	Trading of shares in INVL Baltic Real Estate will be suspended from 12th January 2018
12.01.2018	Notification on transactions on the issuer's securities
16.01.2018	The new wording of the Articles of Association of INVL Baltic Real Estate were registered
24.01.2018	Regarding share information of INVL Baltic Real Estate
24.01.2018	The trading of shares in INVL Baltic Real Estate will be renewed from 25th January 2018
30.01.2018	Notification on transactions on the issuer's securities
01.02.2018	Notification on transactions on the issuer's securities
02.03.2018	Audited results of INVL Baltic Real Estate group of 2017
02.03.2018	Announcement of net asset value of INVL Baltic Real Estate
02.03.2018	Convocation of the Ordinary General Shareholders Meeting of INVL Baltic Real Estate and draft resolutions
09.03.2018	Notification on transactions on the issuer's securities
16.03.2018	Notification on transactions on the issuer's securities
20.03.2018	Notification on transactions on the issuer's securities
23.03.2018	Notification on transactions on the issuer's securities
26.03.2018	Resolutions of the Ordinary General Shareholders meeting of INVL Baltic Real Estate
26.03.2018	Audited annual information of INVL Baltic Real Estate for 2017
27.03.2018	Notification on transactions on the issuer's securities
29.03.2018	INVL Baltic Real Estate signed an Amendment of the Depository Services Agreement
03.04.2018	Notification on transactions on the issuer's securities
10.04.2018	INVL Baltic Real Estate has upgraded the loan limit
23.04.2018	Approved prospectus of the public offering of INVL Baltic Real Estate
23.04.2018	Updated presentation for investors of INVL Baltic Real Estate
24.04.2018	Procedure for the payout of dividends for the year 2017
30.04.2018	INVL Baltic Real Estate Interim information for 3 months of 2018
30.04.2018	Announcement of net asset value of INVL Baltic Real Estate
04.05.2018	Notification on transactions on the issuer's securities
21.05.2018	Approved supplement to the prospectus of the public offering of INVL Baltic Real Estate
24.05.2018	Notification on transactions on the issuer's securities
30.05.2018	Notification on transactions on the issuer's securities
04.06.2018	Notification on transactions on the issuer's securities
08.06.2018	Notification on transactions on the issuer's securities

Date of disclosure	Brief description of disclosed information
11.06.2018	Notification on transactions on the issuer's securities
14.06.2018	Notification on transactions on the issuer's securities
14.06.2018	Notification on transactions on the issuer's securities
20.06.2018	Notification on transactions on the issuer's securities
20.06.2018	Notification on transactions on the issuer's securities
20.06.2018	Notification on transactions on the issuer's securities
29.06.2018	Notification on transactions on the issuer's securities
03.07.2018	Notification on transactions on the issuer's securities
05.07.2018	Notification on transactions on the issuer's securities
05.07.2018	Notification on transactions on the issuer's securities
17.08.2018	INVL Baltic Real Estate Interim information for 6 months of 2018
17.08.2018	Announcement of net asset value of INVL Baltic Real Estate
17.08.2018	Regarding declaration as invalid of INVL Baltic Real Estate forecast for the year 2018
23.08.2018	Updated presentation for investors of INVL Baltic Real Estate
27.08.2018	Approved second supplement to the prospectus of the public offering of INVL Baltic Real Estate
31.08.2018	Notification on transactions on the issuer's securities
06.09.2018	Notification on transactions on the issuer's securities
07.09.2018	Notification on transactions on the issuer's securities
11.09.2018	Notification on transactions on the issuer's securities
13.09.2018	Notification on transactions on the issuer's securities
14.09.2018	Notification on transactions on the issuer's securities
17.09.2018	Notification on transactions on the issuer's securities
18.09.2018	Notification on transactions on the issuer's securities
19.09.2018	Notification on transactions on the issuer's securities
21.09.2018	Notification on transactions on the issuer's securities
27.09.2018	CORRECTION: INVL Baltic Real Estate Interim information for 6 months of 2018
28.09.2018	Company owned by INVL Baltic Real Estate signed the preliminary agreement regarding sale of land plots in Latvia
28.09.2018	Notification on transactions on the issuer's securities
10.10.2018	Notification on transactions on the issuer's securities
18.10.2018	Convocation of the General Extraordinary Shareholders Meeting of INVL Baltic Real Estate and draft resolutions
31.10.2018	INVL Baltic Real Estate Interim information for 9 months of 2018
31.10.2018	Announcement of net asset value of INVL Baltic Real Estate
07.11.2018	Notification on transactions on the issuer's securities
09.11.2018	Resolutions of the General Extraordinary Shareholders meeting of INVL Baltic Real Estate
13.11.2018	Notification on transactions on the issuer's securities

Date of disclosure	Brief description of disclosed information
15.11.2018	Notification on transactions on the issuer's securities
16.11.2018	Notification on transactions on the issuer's securities
21.11.2018	Notification on transactions on the issuer's securities
27.11.2018	Notification on transactions on the issuer's securities
30.11.2018	Notification on transactions on the issuer's securities
06.12.2018	Notification on transactions on the issuer's securities
11.12.2018	Notification on transactions on the issuer's securities
12.12.2018	Notification on transactions on the issuer's securities
14.12.2018	Regarding the results of INVL Baltic Real Estate's public share offering
17.12.2018	Notification on transactions on the issuer's securities
20.12.2018	INVL Baltic Real Estate investor's calendar for 2019
21.12.2018	Notification on transactions on the issuer's securities

Table 26.2. Summary of the notifications on transactions in INVL Baltic Real Estate shares concluded by managers of the Company during 2018.

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
11.01.2018	Invalda INVL, AB	2,085	0.48*	1,000.80	acquisition	share sale-purchase	AUTO	money
25.01.2018	Invalda INVL, AB	417	2.36	984.12	acquisition	share sale-purchase	AUTO	money
26.01.2018	Invalda INVL, AB	190	2.36	448.40	acquisition	share sale-purchase	AUTO	money
29.01.2018	Invalda INVL, AB	1	2.36	2.36	acquisition	share sale-purchase	AUTO	money
07.03.2018	Invalda INVL, AB	435	2.30	1,000.50	acquisition	share sale-purchase	AUTO	money
08.03.2018	Invalda INVL, AB	435	2.30	1,000.50	acquisition	share sale-purchase	AUTO	money
09.03.2018	Invalda INVL, AB	435	2.30	1,000.50	acquisition	share sale-purchase	AUTO	money
13.03.2018	Invalda INVL, AB	659	2.30	1,515.70	acquisition	share sale-purchase	AUTO	money
13.03.2018	Invalda INVL, AB	39	2.28	88.92	acquisition	share sale-purchase	AUTO	money
14.03.2018	Invalda INVL, AB	698	2.30	1,605.40	acquisition	share sale-purchase	AUTO	money
15.03.2018	Invalda INVL, AB	711	2.26	1,606.86	acquisition	share sale-purchase	AUTO	money
16.03.2018	Invalda INVL, AB	705	2.28	1,607.40	acquisition	share sale-purchase	AUTO	money
19.03.2018	Invalda INVL, AB	1,485	2.28	3,385.80	acquisition	share sale-purchase	AUTO	money
21.03.2018	Invalda INVL, AB	1,498	2.26	3,385.48	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
22.03.2018	Invalda INVL, AB	1,498	2.26	3,385.48	acquisition	share sale-purchase	AUTO	money
23.03.2018	Invalda INVL, AB	1,498	2.26	3,385.48	acquisition	share sale-purchase	AUTO	money
26.03.2018	Invalda INVL, AB	938	2.26	2,119.88	acquisition	share sale-purchase	AUTO	money
27.03.2018	Invalda INVL, AB	938	2.26	2,119.88	acquisition	share sale-purchase	AUTO	money
28.03.2018	Invalda INVL, AB	790	2.26	1,785.40	acquisition	share sale-purchase	AUTO	money
29.03.2018	Invalda INVL, AB	850	2.26	1,921.00	acquisition	share sale-purchase	AUTO	money
02.05.2018	Invalda INVL, AB	463	2.16	1,000.08	acquisition	share sale-purchase	AUTO	money
22.05.2018	Invalda INVL, AB	431	2.32	999.92	acquisition	share sale-purchase	AUTO	money
23.05.2018	Invalda INVL, AB	223	2.32	517.36	acquisition	share sale-purchase	AUTO	money
23.05.2018	Invalda INVL, AB	208	2.30	478.40	acquisition	share sale-purchase	AUTO	money
24.05.2018	Invalda INVL, AB	442	2.26	998.92	acquisition	share sale-purchase	AUTO	money
25.05.2018	Invalda INVL, AB	438	2.28	998.64	acquisition	share sale-purchase	AUTO	money
28.05.2018	Invalda INVL, AB	1,000	2.28	2,280.00	acquisition	share sale-purchase	AUTO	money
29.05.2018	Invalda INVL, AB	1,000	2.28	2,280.00	acquisition	share sale-purchase	AUTO	money
30.05.2018	Invalda INVL, AB	1,000	2.28	2,280.00	acquisition	share sale-purchase	AUTO	money
31.05.2018	Invalda INVL, AB	991	2.28	2,259.48	acquisition	share sale-purchase	AUTO	money
05.06.2018	Invalda INVL, AB	500	2.4984	1,249.20	sale	share sale-purchase	XOFF	money
06.06.2018	Invalda INVL, AB	439	2.28	1,000.92	acquisition	share sale-purchase	AUTO	money
07.06.2018	Invalda INVL, AB	400	2.28	912.00	acquisition	share sale-purchase	AUTO	money
11.06.2018	Invalda INVL, AB	1,502	2.30	3,454.60	acquisition	share sale-purchase	AUTO	money
12.06.2018	Invalda INVL, AB	700	2.4984	1,748.88	sale	share sale-purchase	XOFF	money
14.06.2018	Invalda INVL, AB	1,489	2.32	3,454.48	acquisition	share sale-purchase	AUTO	money
15.06.2018	Invalda INVL, AB	1,489	2.32	3,454.48	acquisition	share sale-purchase	AUTO	money
18.06.2018	Invalda INVL, AB	431	2.32	999.92	acquisition	share sale-purchase	AUTO	money
18.06.2018	Invalda INVL, AB	5000	2.4984	12,492.00	sale	share sale-purchase	XOFF	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
18.06.2018	Invalda INVL, AB	2000	2.4984	4,996.80	sale	share sale-purchase	XOFF	money
19.06.2018	Invalda INVL, AB	431	2.32	999.92	acquisition	share sale-purchase	AUTO	money
20.06.2018	Invalda INVL, AB	431	2.32	999.92	acquisition	share sale-purchase	AUTO	money
26.06.2018	Invalda INVL, AB	431	2.32	999.92	acquisition	share sale-purchase	AUTO	money
29.06.2018	Invalda INVL, AB	424	2.36	1,000.64	acquisition	share sale-purchase	AUTO	money
02.07.2018	Invalda INVL, AB	64	2.30	147.20	acquisition	share sale-purchase	AUTO	money
02.07.2018	Invalda INVL, AB	2000	2.4984	999.92	sale	share sale-purchase	XOFF	money
03.07.2018	Invalda INVL, AB	435	2.30	1,000.50	acquisition	share sale-purchase	AUTO	money
03.07.2018	Invalda INVL, AB	1000	2.4984	2,498.40	sale	share sale-purchase	XOFF	money
31.08.2018	Invalda INVL, AB	419	2.38	997.22	acquisition	share sale-purchase	AUTO	money
04.09.2018	Invalda INVL, AB	417	2.40	1,000.80	acquisition	share sale-purchase	AUTO	money
06.09.2018	Invalda INVL, AB	417	2.40	1,000.80	acquisition	share sale-purchase	AUTO	money
06.09.2018	Invalda INVL, AB	965	2.5900	12,492.00	sale	share sale-purchase	XOFF	money
07.09.2018	Invalda INVL, AB	330	2.42	798.60	acquisition	share sale-purchase	AUTO	money
12.09.2018	Invalda INVL, AB	500	2.5900	1,295.00	sale	share sale-purchase	XOFF	money
13.09.2018	Invalda INVL, AB	1,089	2.52	2,744.28	acquisition	share sale-purchase	AUTO	money
13.09.2018	Invalda INVL, AB	3800	2.5900	9,842.00	sale	share sale-purchase	XOFF	money
14.09.2018	Invalda INVL, AB	1,093	2.52	2,754.36	acquisition	share sale-purchase	AUTO	money
14.09.2018	Invalda INVL, AB	500	2.5900	1,295.00	sale	share sale-purchase	XOFF	money
14.09.2018	Invalda INVL, AB	500	2.5900	1,295.00	sale	share sale-purchase	XOFF	money
18.09.2018	Invalda INVL, AB	350	2.52	882.00	acquisition	share sale-purchase	AUTO	money
18.09.2018	Invalda INVL, AB	3,000	2.5900	7,770.00	sale	share sale-purchase	XOFF	money
18.09.2018	Invalda INVL, AB	1,000	2.5900	2,590.00	sale	share sale-purchase	XOFF	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
18.09.2018	Invalda INVL, AB	500	2.59	1,295.00	loss	share sale-purchase	AUTO	money
19.09.2018	Invalda INVL, AB	395	2.52	995.40	acquisition	share sale-purchase	AUTO	money
21.09.2018	Invalda INVL, AB	395	2.52	995.40	acquisition	share sale-purchase	AUTO	money
25.09.2018	Invalda INVL, AB	400	2.48	992.00	acquisition	share sale-purchase	AUTO	money
26.09.2018	Invalda INVL, AB	403	2.48	999.44	acquisition	share sale-purchase	AUTO	money
28.09.2018	Invalda INVL, AB	403	2.48	999.44	acquisition	share sale-purchase	AUTO	money
08.10.2018	Lucrum investicija, UAB	172,575	-	Completion of the Repurchase agreement dated 24.09.2008	Loss of votes	Completion of the Repurchase agreement	-	-
02.11.2018	Invalda INVL, AB	417	2.40	1,000.80	acquisition	share sale-purchase	AUTO	money
06.11.2018	Invalda INVL, AB	417	2.40	1,000.80	acquisition	share sale-purchase	AUTO	money
07.11.2018	Invalda INVL, AB	413	2.42	999.46	acquisition	share sale-purchase	AUTO	money
08.11.2018	Invalda INVL, AB	413	2.42	999.46	acquisition	share sale-purchase	AUTO	money
09.11.2018	Invalda INVL, AB	420	2.38	999.60	acquisition	share sale-purchase	AUTO	money
12.11.2018	Invalda INVL, AB	420	2.38	999.60	acquisition	share sale-purchase	AUTO	money
14.11.2018	Invalda INVL, AB	424	2.36	1,000.64	acquisition	share sale-purchase	AUTO	money
14.11.2018	Invalda INVL, AB	500	2.6147	1,307.35	sale	share sale-purchase	XOFF	money
16.11.2018	Invalda INVL, AB	417	2.38	992.46	acquisition	share sale-purchase	AUTO	money
19.11.2018	Invalda INVL, AB	420	2.38	999.60	acquisition	share sale-purchase	AUTO	money
20.11.2018	Invalda INVL, AB	420	2.38	999.60	acquisition	share sale-purchase	AUTO	money
21.11.2018	Invalda INVL, AB	420	2.38	999.60	acquisition	share sale-purchase	AUTO	money
22.11.2018	Invalda INVL, AB	75	2.38	178.50	acquisition	share sale-purchase	AUTO	money
26.11.2018	Invalda INVL, AB	417	2.40	1,000.80	acquisition	share sale-purchase	AUTO	money
28.11.2018	Invalda INVL, AB	410	2.40	984.00	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
29.11.2018	Invalda INVL, AB	417	2.40	1,000.80	acquisition	share sale-purchase	AUTO	money
30.11.2018	Invalda INVL, AB	123	2.40	295.20	acquisition	share sale-purchase	AUTO	money
03.12.2018	Invalda INVL, AB	417	2.40	1,000.80	acquisition	share sale-purchase	AUTO	money
04.12.2018	Invalda INVL, AB	33	2.40	79.20	acquisition	share sale-purchase	AUTO	money
06.12.2018	Invalda INVL, AB	91	2.42	220.22	acquisition	share sale-purchase	AUTO	money
07.12.2018	Invalda INVL, AB	354	2.42	856.68	acquisition	share sale-purchase	AUTO	money
11.12.2018	Invalda INVL, AB	25	2.44	61.00	acquisition	share sale-purchase	AUTO	money
11.12.2018	Invalda INVL, AB	500	2.6147	1,307.35	sale	share sale-purchase	XOFF	money
12.12.2018	Invalda INVL, AB	350	2.44	854.00	acquisition	share sale-purchase	AUTO	money
13.12.2018	Invalda INVL, AB	300	2.44	732.00	acquisition	share sale-purchase	AUTO	money
17.12.2018	Invalda INVL, AB	403	2.46	991.38	acquisition	share sale-purchase	AUTO	money
17.12.2018	Invalda INVL, AB	22	2.44	53.68	acquisition	share sale-purchase	AUTO	money
18.12.2018	Invalda INVL, AB	410	2.44	1,000.40	acquisition	share sale-purchase	AUTO	money
19.12.2018	Invalda INVL, AB	410	2.44	1,000.40	acquisition	share sale-purchase	AUTO	money
20.12.2018	Invalda INVL, AB	410	2.44	1,000.40	acquisition	share sale-purchase	AUTO	money
21.12.2018	Invalda INVL, AB	410	2.44	1,000.40	acquisition	share sale-purchase	AUTO	money
28.12.2018	Invalda INVL, AB	179	2.42	433.18	acquisition	share sale-purchase	AUTO	money

Explanations:
AUTO – automated trade concluded on a regulated market.
XOFF – transaction conclusion outside the regulated market.
**Nominal value per share was EUR 0.29 till 15th January 2018.*

Real estate fund manager of the Management Company
INVL Asset Management

Vytautas Bakšinskas

APPENDIX 1. INFORMATION ABOUT GROUP COMPANIES, THEIR CONTACT DETAILS

Company	Registration information	Type of activity	Contact details
Rovelija, UAB	Code 302575846 Address – Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 20.12.2010	investments into commercial rental real estate	Tel. +370 5 2790601 breinfo@invl.com
Perspektyvi Veikla, UAB	Code 302607087 Address – Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 25.03.2011	carries no activity	Tel. +370 5 2790601 breinfo@invl.com
Proprietas, UAB	Code 303252098 Address – Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 27.02.2014	investments into commercial rental real estate	Tel. +370 5 2790601 proprietas@invl.com
DOMMO grupa SIA	Code 40003733866 Address – Lapegles, Stūnīši, Olaines pag., Olaines nov., LV-2127 Latvia Legal form – private limited liability company Registration date 17.03.2005	investments into commercial rental real estate	Tel. +370 5 2790601 breinfo@invl.com
DOMMO biznesa parks SIA	Code 40003865398 Address – Lapegles, Stūnīši, Olaines pag., Olaines nov., LV-2127 Latvia Legal form – private limited liability company Registration date 13.10.2006	investments into commercial rental real estate	Tel. +370 5 2790601 breinfo@invl.com
DOMMO SIA	Code 40003787271 Address – Lapegles, Stūnīši, Olaines pag., Olaines nov., LV-2127 Latvia Legal form – private limited liability company Registration date 05.12.2005	Real estate	Tel. +370 5 2790601 breinfo@invl.com
DBP Invest SIA	Code 40103463830 Address – Brīvības iela 74-3, Rīga, LV-1011 Latvia Legal form – private limited liability company Registration date 28.09.2011	carries no activity	

APPENDIX 2. CORPORATE GOVERNANCE CODE

UTIB INVL Baltic Real Estate (hereinafter referred to as the "Company"), acting in compliance with Article 22 (3) of the Law of the Republic of Lithuania on Securities and paragraph 24.5 of the Listing Rules of AB Nasdaq Vilnius, hereby discloses how it complies with the Corporate Governance Code for the Companies listed on Nasdaq Vilnius as well as its specific provisions or recommendations. In case of non-compliance with this Code or some of its provisions or recommendations, the specific provisions or recommendations that are not complied with must be indicated and the reasons for such non-compliance must be specified. In addition, other explanatory information indicated in this form is provided.

1. Summary of the Corporate Governance Report:

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

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

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

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

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

2. Structured table for disclosure:

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTARY
Principle 1: General meeting of shareholders, equitable treatment of shareholders, and shareholders' rights The corporate governance framework should ensure the equitable treatment of all shareholders. The corporate governance framework should protect the rights of shareholders.		
1.1. All shareholders should be provided with access to the information and/or documents established in the legal acts on equal terms. All shareholders should be furnished with equal opportunity to participate in the decision-making process where significant corporate matters are discussed.	YES	
1.2. 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 of their holders.	YES	
1.3. 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	

1.4. Exclusive transactions that are particularly important to the company, such as transfer of all or almost all assets of the company which in principle would mean the transfer of the company, should be subject to approval of the general meeting of shareholders.	YES	
1.5. Procedures for convening and conducting a general meeting of shareholders should provide shareholders with equal opportunities to participate in the general meeting of shareholders and should not prejudice the rights and interests of shareholders. The chosen venue, date and time of the general meeting of shareholders should not prevent active participation of shareholders at the general meeting. In the notice of the general meeting of shareholders being convened, the company should specify the last day on which the proposed draft decisions should be submitted at the latest.	YES	
1.6. With a view to ensure the right of shareholders living abroad to access the information, it is recommended, where possible, that documents prepared for the general meeting of shareholders in advance should be announced publicly not only in Lithuanian language but also in English and/or other foreign languages in advance. It is recommended that the minutes of the general meeting of shareholders after the signing thereof and/or adopted decisions should be made available publicly not only in Lithuanian language but also in English and/or other foreign languages. It is recommended that this information should be placed on the website of the company. Such documents may be published to the extent that their public disclosure is not detrimental to the company or the company's commercial secrets are not revealed.	YES	
1.7. Shareholders who are entitled to vote should be furnished with the opportunity to vote at the general meeting of shareholders both in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	YES	
1.8. With a view to increasing the shareholders' opportunities to participate effectively at general meetings of shareholders, it is recommended that companies should apply modern technologies on a wider scale and thus provide shareholders with the conditions to participate and vote in general meetings of shareholders via electronic means of communication. In such cases the security of transmitted information must be ensured and it must be possible to identify the participating and voting person.	NO	Shareholders can vote via an attorney or by completing the general voting bulletin, as for now shareholders cannot participate and vote in General Shareholders' Meetings via electronic means of communication.
1.9. It is recommended that the notice on the draft decisions of the general meeting of shareholders being convened should specify new candidatures of members of the collegial body, their proposed remuneration and the proposed audit company if these issues are included into the agenda of the general meeting of shareholders. Where it is proposed to elect a new member of the collegial body, it is recommended that the information about his/her	YES	

educational background, work experience and other managerial positions held (or proposed) should be provided.		
1.10. Members of the company's collegial management body, heads of the administration[4] or other competent persons related to the company who can provide information related to the agenda of the general meeting of shareholders should take part in the general meeting of shareholders. Proposed candidates to member of the collegial body should also participate in the general meeting of shareholders in case the election of new members is included into the agenda of the general meeting of shareholders.	YES	

Principle 2: Supervisory board

2.1. Functions and liability of the supervisory board

The supervisory board of the company should ensure representation of the interests of the company and its shareholders, accountability of this body to the shareholders and objective monitoring of the company's operations and its management bodies as well as constantly provide recommendations to the management bodies of the company.

The supervisory board should ensure the integrity and transparency of the company's financial accounting and control system.

2.1.1. Members of the supervisory board should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders and represent their interests, having regard to the interests of employees and public welfare.	NOT APPLICABLE	The management of the Company is transferred to the Management Company, which carries the functions of the Board and the Manager of the Company. The Supervisory Board is not formed the the Management Company. By the decision of the Board of the Management Company and following the Articles of Association of the INVL Baltic Real Estate Investment Committee is formed. The Investment Committee is the collegial investment and management decision-making body responsible for adopting decisions regarding the management of the Managed company's
2.1.2. Where decisions of the supervisory board may have a different effect on the interests of the company's shareholders, the supervisory board should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed about the company's strategy, risk management and control, and resolution of conflicts of interest.		
2.1.3. The supervisory board should be impartial in passing decisions that are significant for the company's operations and strategy. Members of the supervisory board should act and pass decisions without an external influence from the persons who elected them.		
2.1.4. Members of the supervisory board should clearly voice their objections in case they believe that a decision of the supervisory board is against the interests of the company. Independent[5] members of the supervisory board should: a) maintain independence of their analysis and decision-making; b) not seek or accept any unjustified privileges that might compromise their independence.		

[4] For the purposes of this Code, heads of the administration are the employees of the company who hold top level management positions.

[5] For the purposes of this Code, the criteria of independence of members of the supervisory board are interpreted as the criteria of unrelated parties defined in Article 31(7) and (8) of the Law on Companies of the Republic of Lithuania.

2.1.5. The supervisory board should oversee that the company's tax planning strategies are designed and implemented in accordance with the legal acts in order to avoid faulty practice that is not related to the long-term interests of the company and its shareholders, which may give rise to reputational, legal or other risks.		assets and representing and protecting the Managed Company's interests.
2.1.6. The company should ensure that the supervisory board is provided with sufficient resources (including financial ones) to discharge their duties, including the right to obtain all the necessary information or to seek independent professional advice from external legal, accounting or other experts on matters pertaining to the competence of the supervisory board and its committees.		
2.2. Formation of the supervisory board The procedure of the formation of the supervisory board should ensure proper resolution of conflicts of interest and effective and fair corporate governance.		
2.2.1. The members of the supervisory board elected by the general meeting of shareholders should collectively ensure the diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance between the qualifications of the members of the supervisory board, it should be ensured that members of the supervisory board, as a whole, should have diverse knowledge, opinions and experience to duly perform their tasks.	NOT APPLICABLE	The management of the Company is transferred to the Management Company, which carries the functions of the Board and the Manager of the Company. The Supervisory Board is not formed the the Management Company
2.2.2. Members of the supervisory board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience.		
2.2.3. Chair of the supervisory board should be a person whose current or past positions constituted no obstacle to carry out impartial activities. A former manager or management board member of the company should not be immediately appointed as chair of the supervisory board either. Where the company decides to depart from these recommendations, it should provide information on the measures taken to ensure impartiality of the supervision.		
2.2.4. Each member should devote sufficient time and attention to perform his duties as a member of the supervisory board. Each member of the supervisory board should undertake to limit his other professional obligations (particularly the managing positions in other companies) so that they would not interfere with the proper performance of the duties of a member of the supervisory board. Should a member of the supervisory board attend less than a half of the meetings of the supervisory board throughout the financial year of the company, the shareholders of the company should be notified thereof.		

2.2.5. When it is proposed to appoint a member of the supervisory board, it should be announced which members of the supervisory board are deemed to be independent. The supervisory board may decide that, despite the fact that a particular member meets all the criteria of independence, he/she cannot be considered independent due to special personal or company-related circumstances.		
2.2.6. The amount of remuneration to members of the supervisory board for their activity and participation in meetings of the supervisory board should be approved by the general meeting of shareholders.		
2.2.7. Every year the supervisory board should carry out an assessment of its activities. It should include evaluation of the structure of the supervisory board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the supervisory board, and evaluation whether the supervisory board has achieved its objectives. The supervisory board should, at least once a year, make public respective information about its internal structure and working procedures.		
Principle 3: Management Board **3.1. Functions and liability of the management board** The management board should ensure the implementation of the company's strategy and good corporate governance with due regard to the interests of its shareholders, employees and other interest groups.		
3.1.1. The management board should ensure the implementation of the company's strategy approved by the supervisory board if the latter has been formed at the company. In such cases where the supervisory board is not formed, the management board is also responsible for the approval of the company's strategy.	YES	
3.1.2. As a collegial management body of the company, the management board performs the functions assigned to it by the Law and in the articles of association of the company, and in such cases where the supervisory board is not formed in the company, it performs *inter alia* the supervisory functions established in the Law. By performing the functions assigned to it, the management board should take into account the needs of the company's shareholders, employees and other interest groups by respectively striving to achieve sustainable business development.	YES	
3.1.3. The management board should ensure compliance with the laws and the internal policy of the company applicable to the company or a group of companies to which this company belongs. It should also establish the respective risk management and control measures aimed at ensuring regular and direct liability of managers.	YES	

3.1.4. Moreover, the management board should ensure that the measures included into the OECD Good Practice Guidance[6] on Internal Controls, Ethics and Compliance are applied at the company in order to ensure adherence to the applicable laws, rules and standards.	YES	
3.1.5. When appointing the manager of the company, the management board should take into account the appropriate balance between the candidate's qualifications, experience and competence.	YES	
3.2. Formation of the management board		
3.2.1.The members of the management board elected by the supervisory board or, if the supervisory board is not formed, by the general meeting of shareholders should collectively ensure the required diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance in terms of the current qualifications possessed by the members of the management board, it should be ensured that the members of the management board would have, as a whole, diverse knowledge, opinions and experience to duly perform their tasks.	YES	
3.2.2.Names and surnames of the candidates to become members of the management board, information on their educational background, qualifications, professional experience, current positions, other important professional obligations and potential conflicts of interest should be disclosed without violating the requirements of the legal acts regulating the handling of personal data at the meeting of the supervisory board in which the management board or individual members of the management board are elected. In the event that the supervisory board is not formed, the information specified in this paragraph should be submitted to the general meeting of shareholders. The management board should, on yearly basis, collect data provided in this paragraph on its members and disclose it in the company's annual report.	NOT APPLICABLE	Due to the specifics of the Company's activities, the General Shareholders Meeting of the Company does not elect the members of the Board of the Management Company. Information about the education, qualification, professional experience and participation in the management of other companies of the managers of the Management Company and members of the Investment Committee of the Company is presented in the annual report of the Company.
3.2.3.All new members of the management board should be familiarized with their duties and the structure and operations of the company.	YES	

[6] Link to the OECD Good Practice Guidance on Internal Controls, Ethics and Compliance: https://www.oecd.org/daf/anti-bribery/44884389.pdf

3.2.4.Members of the management board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience and sufficiently frequent reconfirmation of their status.	YES	
3.2.5.Chair of the management board should be a person whose current or past positions constitute no obstacle to carry out impartial activity. Where the supervisory board is not formed, the former manager of the company should not be immediately appointed as chair of the management board. When a company decides to depart from these recommendations, it should furnish information on the measures it has taken to ensure the impartiality of supervision.	NOT APPLICABLE	Due to the specifics of the Company's activities, the General Shareholders Meeting of the Company does not elect the members of the Board of the Management Company, whose elect the Chairman of the Board of the Management Company. Information about the education, qualification, professional experience and participation in the management of other companies of the managers of the Management Company and members of the Investment Committee of the Company is presented in the annual report of the Company.
3.2.6. Each member the management board should give sufficient time and attention to perform the duties of a member of the Board. If a member of the management Board participated in less than half of the board meetings during the financial year of the Company, the Company's Supervisory Board should be informed if the Supervisory Board is not formed in the Company - the General Shareholder Meeting.	NOT APPLICABLE	Due to the specifics of the Company's activities, attendance of the Management Company's Board meetings is not recorded in the Annual report of the Company. The Company discloses information on the number of the Company’s Investment Committee meetings and attendance of the meetings of the appointed Committee members.

3.2.7. In the event that the management board is elected in the cases established by the Law where the supervisory board is not formed at the company, and some of its members will be independent[7], it should be announced which members of the management board are deemed as independent. The management board may decide that, despite the fact that a particular member meets all the criteria of independence established by the Law, he/she cannot be considered independent due to special personal or company-related circumstances.	NO	Due to Company's management specifics, independency criteria is not applicable to the managers of the Management Company.
3.2.8. The general meeting of shareholders of the company should approve the amount of remuneration to the members of the management board for their activity and participation in the meetings of the management board.	NO	The management fee, payable to the Management Company is disclosed in the Annual Report of the Company, according to the valid management agreement between the Company and the Management Company. The managers of the Management Company and appointed members of the Investment Committee receive renumeration according to the employment contract signed between them and the Management Company.
3.2.9.The members of the management board should act in good faith, with care and responsibility for the benefit and the interests of the company and its shareholders with due regard to other stakeholders. When adopting decisions, they should not act in their personal interest; they should be subject to no-compete agreements and they should not use the business information or opportunities related to the company's operations in violation of the company's interests.	YES	

[7] For the purposes of this Code, the criteria of independence of the members of the board are interpreted as the criteria of unrelated persons defined in Article 33(7) of the Law on Companies of the Republic of Lithuania.

3.2.10. Every year the management board should carry out an assessment of its activities. It should include evaluation of the structure of the management board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the management board, and evaluation whether the management board has achieved its objectives. The management board should, at least once a year, make public respective information about its internal structure and working procedures in observance of the legal acts regulating the processing of personal data.	NO	Due to Company's management specifics, the managers of the Management Company do not carry out assessment of its activities. Information related to Operational activities of the Management Company is disclosed in the Annual Report of the Company.
Principle 4: Rules of procedure of the supervisory board and the management board of the company The rules of procedure of the supervisory board, if it is formed at the company, and of the management board should ensure efficient operation and decision-making of these bodies and promote active cooperation between the company's management bodies.		
4.1. The management board and the supervisory board, if the latter is formed at the company, should act in close cooperation in order to attain benefit for the company and its shareholders. Good corporate governance requires an open discussion between the management board and the supervisory board. The management board should regularly and, where necessary, immediately inform the supervisory board about any matters significant for the company that are related to planning, business development, risk management and control, and compliance with the obligations at the company. The management board should inform he supervisory board about any derogations in its business development from the previously formulated plans and objectives by specifying the reasons for this.	NOT APPLICABLE	The management of the Company is transferred to the Management Company, which carries the functions of the Board and the Manager of the Company. The Supervisory Board is not formed the the Management Company.
4.2. It is recommended that meetings of the company's collegial bodies should be held at the respective intervals, according to the pre-approved schedule. Each company is free to decide how often meetings of the collegial bodies should be convened but it is recommended that these meetings should be convened at such intervals that uninterruptable resolution of essential corporate governance issues would be ensured. Meetings of the company's collegial bodies should be convened at least once per quarter.	YES	
4.3. Members of a collegial body should be notified of the meeting being convened in advance so that they would have sufficient time for proper preparation for the issues to be considered at the meeting and a fruitful discussion could be held and appropriate decisions could be adopted. Along with the notice of the meeting being convened all materials 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 present at the meeting agree with such change or supplement to the agenda, or certain issues that are important to the company require immediate resolution.	YES	
4.4. In order to coordinate the activities of the company's collegial bodies and ensure effective decision-making process, the chairs of the company's collegial supervision and management bodies should mutually agree on the dates and agendas of the meetings and close cooperate in resolving other matters related to corporate governance. Meetings of the company's supervisory board should	YES	

be open to members of the management board, particularly in such cases where issues concerning the removal of the management board members, their responsibility or remuneration are discussed.		
Principle 5: Nomination, remuneration and audit committees **5.1. Purpose and formation of committees** The committees formed at the company should increase the work efficiency of the supervisory board or, where the supervisory board is not formed, of the management board which performs the supervisory functions by ensuring that decisions are based on due consideration and help organise its work in such a way that the decisions it takes would be free of material conflicts of interest. Committees should exercise independent judgment and integrity when performing their functions and provide the collegial body with recommendations concerning the decisions of the collegial body. However, the final decision should be adopted by the collegial body.		
5.1.1. Taking due account of the company-related circumstances and the chosen corporate governance structure, the supervisory board of the company or, in cases where the supervisory board is not formed, the management board which performs the supervisory functions, establishes committees. It is recommended that the collegial body should form the nomination, remuneration and audit committees[8].	NOT APPLICABLE	Due to the Company's management type, transfer of the management of the Company and an absence of employees, the Nomination and Remuneration Committees are not formed. Audit Committee members are elected by the General Shareholders Meeting.
5.1.2. Companies may decide to set up less than three committees. In such case companies should explain in detail why they have chosen the alternative approach, and how the chosen approach corresponds with the objectives set for the three different committees.		
5.1.3. In the cases established by the legal acts the functions assigned to the committees formed at companies may be performed by the collegial body itself. In such case the provisions of this Code pertaining to the committees (particularly those related to their role, operation and transparency) should apply, where relevant, to the collegial body as a whole.		
5.1.4. Committees established by the collegial body should normally be composed of at least three members. Subject to the requirements of the legal acts, committees could be comprised only of two members as well. Members of each committee should be selected on the basis of their competences by giving priority to independent members of the collegial body. The chair of the management board should not serve as the chair of committees.		
5.1.5. The authority of each committee formed should be determined by the collegial body itself. Committees should perform their duties according to the authority delegated to them and regularly inform the collegial body about their activities and performance on a regular basis. The authority of each committee defining its role and specifying its rights and duties should be made public at least once a year (as part of the information disclosed by the company on its governance structure and practice on an annual		

[8] The legal acts may provide for the obligation to form a respective committee. For example, the Law on the Audit of Financial Statements of the Republic of Lithuania provides that public-interest entities (including but not limited to public limited liability companies whose securities are traded on a regulated market of the Republic of Lithuania and/or of any other Member State) are under the obligation to set up an audit committee (the legal acts provide for the exemptions where the functions of the audit committee may be carried out by the collegial body performing the supervisory functions).

basis). In compliance with the legal acts regulating the processing of personal data, companies should also include in their annual reports the statements of the existing committees on their composition, the number of meetings and attendance over the year as well as the main directions of their activities and performance.		
5.1.6. With a view to ensure the independence and impartiality of the committees, the members of the collegial body who are not members of the committees should normally have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or request that certain employees of the company or experts would participate in the meeting. Chair of each committee should have the possibility to maintain direct communication with the shareholders. Cases where such practice is to be applied should be specified in the rules regulating the activities of the committee.		
5.2. Nomination committee		
5.2.1. The key functions of the nomination committee should be the following: 1) to select candidates to fill vacancies in the membership of supervisory and management bodies and the administration and recommend the collegial body to approve them. The nomination committee should evaluate the balance of skills, knowledge and experience in the management body, prepare a description of the functions and capabilities required to assume a particular position and assess the time commitment expected; 2) assess, on a regular basis, the structure, size and composition of the supervisory and management bodies as well as the skills, knowledge and activity of its members, and provide the collegial body with recommendations on how the required changes should be sought; 3) devote the attention necessary to ensure succession planning.	NOT APPLICABLE	Due to the Company's management type, transfer of the management of the Company and an absence of employees, the Nomination Committee is not formed.
5.2.2. When dealing with issues related to members of the collegial body who have employment relationships with the company and the heads of the administration, the manager of the company should be consulted by granting him/her the right to submit proposals to the Nomination Committee.		
5.3. Remuneration committee		
The main functions of the remuneration committee should be as follows: 1) submit to the collegial body proposals on the remuneration policy applied to members of the supervisory and management bodies and the heads of the administration for approval. Such policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as conditions which would allow the company to recover the amounts or suspend the payments by specifying the circumstances under which it would be expedient to do so; 2) submit to the collegial body proposals regarding individual remuneration for members of the collegial bodies and the heads of the administration in order to ensure that they would be consistent with the company's remuneration policy and the evaluation of the performance of the persons concerned;	NOT APPLICABLE	Due to the Company's management type, transfer of the management of the Company and an absence of employees, the Nomination Committee is not formed.

3) review, on a regular basis, the remuneration policy and its implementation.		
5.4.Audit committee		
5.4.1.The key functions of the audit committee are defined in the legal acts regulating the activities of the audit committee[9].	YES	
5.4.2.All members of the committee should be provided with detailed information on specific issues of the company's accounting system, finances and operations. The heads of the company's administration should inform the audit committee about the methods of accounting for significant and unusual transactions where the accounting may be subject to different approaches.	YES	
5.4.3.The audit committee should decide whether the participation of the chair of the management board, the manager of the company, the chief finance officer (or senior employees responsible for finance and accounting), the internal and external auditors in its meetings is required (and, if required, when). The committee should be entitled, when needed, to meet the relevant persons without members of the management bodies present.	YES	
5.4.4.The audit committee should be informed about the internal auditor's work program and should be furnished with internal audit reports or periodic summaries. The audit committee should also be informed about the work program of external auditors and should receive from the audit firm a report describing all relationships between the independent audit firm and the company and its group.	YES	
5.4.5.The audit committee should examine whether the company complies with the applicable provisions regulating the possibility of lodging a complaint or reporting anonymously his/her suspicions of potential violations committed at the company and should also ensure that there is a procedure in place for proportionate and independent investigation of such issues and appropriate follow-up actions.	NO	Due to the Company's management type - transfer of the Company's management to the Management Company – the Company itself does not have any employees.
5.4.6.The audit committee should submit to the supervisory board or, where the supervisory board is not formed, to the management board its activity report at least once in every six months, at the time that annual and half-yearly reports are approved.	NO	In accordance with the provisions of the Audit Committee, the Audit Committee submits its activity reports to the Annual General Meeting of Shareholders.
Principle 6: Prevention and disclosure of conflicts of interest The corporate governance framework should encourage members of the company's supervisory and management bodies to avoid conflicts of interest and ensure a transparent and effective mechanism of disclosure of conflicts of interest related to members of the supervisory and management bodies.		

[9] Issues related to the activities of audit committees are regulated by Regulation No. 537/2014 of the European Parliament and the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities, the Law on the Audit of Financial Statements of the Republic of Lithuania, and the Rules Regulating the Activities of Audit Committees approved by the Bank of Lithuania.

<table>
<tr><td>Any member of the company’s supervisory and management body should avoid a situation where his/her personal interests are or may be in conflict with the company’s interests. In case such a situation did occur, a member of the company’s supervisory or management body should, within a reasonable period of time, notify other members of the same body or the body of the company which elected him/her or the company’s shareholders of such situation of a conflict of interest, indicate the nature of interests and, where possible, their value.</td><td>YES</td><td></td></tr>
<tr><td colspan="3">Principle 7: Remuneration policy of the company
The remuneration policy and the procedure for review and disclosure of such policy established at the company should prevent potential conflicts of interest and abuse in determining remuneration of members of the collegial bodies and heads of the administration, in addition it should ensure the publicity and transparency of the company’s remuneration policy and its long-term strategy.</td></tr>
<tr><td>7.1. The company should approve and post the remuneration policy on the website of the company; such policy should be reviewed on a regular basis and be consistent with the company’s long-term strategy.</td><td rowspan="5">NOT APPLICABLE</td><td rowspan="5">The Company does not prepare a remuneration policy since the majority of VII principle items are not relevant for the present structure of the Company. Information about the benefits and loans for the Management Company is provided in the periodical reports, financial statements. Also in the Management agreement between the Management company and INVL Blatic Real Estate approved by the General Shareholder Meeting.</td></tr>
<tr><td>7.2. The remuneration policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as the conditions specifying the cases where the company can recover the disbursed amounts or suspend the payments.</td></tr>
<tr><td>7.3. With a view to avoid potential conflicts of interest, the remuneration policy should provide that members of the collegial bodies which perform the supervisory functions should not receive remuneration based on the company’s performance.</td></tr>
<tr><td>7.4. The remuneration policy should provide sufficient information on the policy regarding termination payments. Termination payments should not exceed a fixed amount or a fixed number of annual wages and in general should not be higher than the non-variable component of remuneration for two years or the equivalent thereof. Termination payments should not be paid if the contract is terminated due to inadequate performance.</td></tr>
<tr><td>7.5. In the event that the financial incentive scheme is applied at the company, the remuneration policy should contain sufficient information about the retention of shares after the award thereof. Where remuneration is based on the award of shares, shares should not be vested at least for three years after the award thereof. After vesting, members of the collegial bodies and heads of the administration should retain a certain number of shares until the end of their term in office, subject to the need to compensate for any costs related to the acquisition of shares.</td></tr>
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7.6. The company should publish information about the implementation of the remuneration policy on its website, with a key focus on the remuneration policy in respect of the collegial bodies and managers in the next and, where relevant, subsequent financial years. It should also contain a review of how the remuneration policy was implemented during the previous financial year. The information of such nature should not include any details having a commercial value. Particular attention should be paid on the major changes in the company's remuneration policy, compared to the previous financial year.		
7.7. It is recommended that the remuneration policy or any major change of the policy should be included on the agenda of the general meeting of shareholders. The schemes under which members and employees of a collegial body receive remuneration in shares or share options should be approved by the general meeting of shareholders.		
Principle 8: Role of stakeholders in corporate governance The corporate governance framework should recognize the rights of stakeholders entrenched in the laws or mutual agreements and encourage active cooperation between companies and stakeholders in creating the company value, jobs and financial sustainability. In the context of this principle the concept "*stakeholders*" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interests in the company concerned.		
8.1. The corporate governance framework should ensure that the rights and lawful interests of stakeholders are protected.	YES	
8.2. The corporate governance framework should create conditions for stakeholders to participate in corporate governance in the manner prescribed by law. Examples of participation by stakeholders in corporate governance include the participation of employees or their representatives in the adoption of decisions that are important for the company, consultations with employees or their representatives on corporate governance and other important matters, participation of employees in the company's authorized capital, involvement of creditors in corporate governance in the cases of the company's insolvency, etc.	YES	
8.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	YES	
8.4. Stakeholders should be provided with the possibility of reporting confidentially any illegal or unethical practices to the collegial body performing the supervisory function.	NO	The Company does not provide possibility of reporting confidentially any illegal or unethical practices
Principle 9: Disclosure of information The corporate governance framework should ensure the timely and accurate disclosure of all material corporate issues, including the financial situation, operations and governance of the company.		
9.1. In accordance with the company's procedure on confidential information and commercial secrets and the legal acts regulating the processing of personal data, the information publicly disclosed by the company should include but not be limited to the following:	YES	

9.1.1. operating and financial results of the company;	YES	
9.1.2. objectives and non-financial information of the company;	YES	
9.1.3. persons holding a stake in the company or controlling it directly and/or indirectly and/or together with related persons as well as the structure of the group of companies and their relationships by specifying the final beneficiary;	YES	
9.1.4. members of the company's supervisory and management bodies who are deemed independent, the manager of the company, the shares or votes held by them at the company, participation in corporate governance of other companies, their competence and remuneration;	YES	
9.1.5. reports of the existing committees on their composition, number of meetings and attendance of members during the last year as well as the main directions and results of their activities;	YES	
9.1.6. potential key risk factors, the company's risk management and supervision policy;	YES	
9.1.7. the company's transactions with related parties;	YES	
9.1.8. main issues related to employees and other stakeholders (for instance, human resource policy, participation of employees in corporate governance, award of the company's shares or share options as incentives, relationships with creditors, suppliers, local community, etc.);	NO	Due to the Company's management type - transfer of the Company's management to the Management Company – the Company itself does not have any employees.
9.1.9. structure and strategy of corporate governance;	YES	
9.1.10. initiatives and measures of social responsibility policy and anti-corruption fight, significant current or planned investment projects. This list is deemed minimum and companies are encouraged not to restrict themselves to the disclosure of information included into this list. This principle of the Code does not exempt companies from their obligation to disclose information as provided for in the applicable legal acts.	YES	
9.2. When disclosing the information specified in paragraph 9.1.1 of recommendation 9.1, it is recommended that the company which is a parent company in respect of other companies should disclose information about the consolidated results of the whole group of companies.	YES	
9.3. When disclosing the information specified in paragraph 9.1.4 of recommendation 9.1, it is recommended that the information on the professional experience and qualifications of members of the company's supervisory and management bodies and the manager of the company as well as potential conflicts of interest which could affect their decisions should be provided. It is further recommended that the remuneration or other income of members of the company's supervisory and management bodies and the manager of the company should be disclosed, as provided for in greater detail in Principle 7.	NO	Information about the education, qualification, professional experience and participation in the management of other companies of the managers of the Management Company and members of the Investment Committee of the Company is presented

		in the annual report of the Company. The management fee, payable to the Management Company is disclosed in the Annual Report of the Company, according to the valid management agreement between the Company and the Management Company. The managers of the Management Company and appointed members of the Investment Committee receive renumeration according to the employment contract signed between them and the Management Company.
9.4. Information should be disclosed in such manner that no shareholders or investors are discriminated in terms of the method of receipt and scope of information. Information should be disclosed to all parties concerned at the same time.	YES	
Principle 10: Selection of the company's audit firm The company's audit firm selection mechanism should ensure the independence of the report and opinion of the audit firm.		
10.1. With a view to obtain an objective opinion on the company's financial condition and financial results, the company's annual financial statements and the financial information provided in its annual report should be audited by an independent audit firm.	YES	
10.2. It is recommended that the audit firm would be proposed to the general meeting of shareholders by the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company.	YES	
10.3. In the event that the audit firm has received remuneration from the company for the non-audit services provided, the company should disclose this publicly. This information should also be available to the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company when considering which audit firm should be proposed to the general meeting of shareholders.	YES	

APPENDIX 3. COMPANY'S MANAGEMENT REPORT

(Prepared in accordance with the Law of the Republic of Lithuania on Financial Reporting by Undertakings (IX-575) in force from 29 November 2017 and applicable to the annual reports of entities covering periods beginning on or after 1 January 2017)

1. REFERENCE TO THE APPLICABLE CORPORATE GOVERNANCE CODE AND THE PLACE OF ITS PUBLICATION, AND (OR) REFERENCE TO THE ALL NECESSARY PUBLISHED INFORMATION REGARDING MANAGEMENT PRACTICES OF THE ENTITY

The Company discloses the information regarding the compliance with the applicable Corporate Governance Code in Appendix 2 of the consolidated report of 2018. The Company publishes its annual reports in the section For Investors on the website.

2. IN CASE OF DEROGATION FROM THE PROVISIONS OF THE APPLICABLE CORPORATE GOVERNANCE CODE AND (OR) WHEN THE PROVISIONS ARE NOT COMPLIED WITH, SUCH PROVISIONS AND THE REASONS THEREOF SHALL BE INDICATED

The Company discloses such information in sections “Yes/No/Irrelevant” and “Commentary” of Appendix 2 of the consolidated report of 2018 “Corporate Governance Code”.

3. INFORMATION REGARDING THE LEVEL OF RISK AND RISK MANAGEMENT – MANAGEMENT OF RISKS RELATED TO THE FINANCIAL REPORTING, RISK MITIGATION MEASURES, AND INTERNAL CONTROL SYSTEMS IMPLEMENTED AT THE ENTITY SHALL BE DESCRIBED

The Company provides information regarding the level of risk, risk management, and implemented internal control systems, as well as the measures, in Clause 17.5 of the consolidated report of 2018.

4. INFORMATION REGARDING SIGNIFICANT DIRECTLY OR INDIRECTLY MANAGED HOLDINGS

The Company provides information regarding the significant directly or indirectly managed holdings in Clause 9 of the financial statement of 2018.

5. INFORMATION REGARDING TRANSACTIONS WITH RELATED PARTIES, ACCORDING TO THE LAW ON COMPANIES ARTICLE 37² (by *specifying the counterparty (legal form, name, code, register of the legal entity in which the person is stored, premises (address); name, surname, address of the natural person and the value of the transaction);*

Information regarding Transactions with Related Parties, according to the Law on Companies article 37², is published on the Company‘s web site – „For Investors“ → „Related parties transactions“. The link to the Company‘s website: *https://bre.invl.com/lit/en/for-investors/documentslegal-documents/related-parties-transactions*

Related party transaction policy of UTIB Baltic Real Estate was approved during the General Shareholders Meeting held on 26th March 2018.The policy is published on the Companys website: https://bre.invl.com/lit/en/for-investors/documentslegal-documents

At the time the report was published, the Company provides information about Company‘s Transactions with Related Parties published on the Company's web site:

Related party	Company’s relationship with the other counterparty	Date and value of the transaction	Other information
Rovelija, UAB Code 302575846 Gynėjų str. 14, Vilnius, Lithuania Register of Legal Entities	100 percent managed by UTIB INVL Baltic Real Estate	A loan agreement with Rovelija, UAB was signed on 25th October 2018 No. BRE/181025/01 for the amount of EUR 10 thousand	
Rovelija, UAB Code 302575846 Gynėjų str. 14, Vilnius, Lithuania Register of Legal Entities	100 percent managed by UTIB INVL Baltic Real Estate	A loan agreement with Rovelija, UAB was signed on 28th December 2018 No. BRE/181228/01 for the amount of EUR 286,237.	

Related party	Company's relationship with the other counterparty	Date and value of the transaction	Other information
Proprietas, UAB Code 303252098 Gynėjų str. 14, Vilnius, Lithuania Register of Legal Entities	100 percent managed by UTIB INVL Baltic Real Estate	A loan agreement with Proprietas, UAB was signed on 30th November 2018 No. BRE/181228/02 for the amount of EUR 54,665.67	
Proprietas, UAB Code 303252098 Gynėjų str. 14, Vilnius, Lithuania Register of Legal Entities	100 percent managed by UTIB INVL Baltic Real Estate	A settlement with Proprietas UAB on the determination of the remuneration and its payment procedure was signed on 28-12-2017, the settlement was an annex to a 28/12/2017 Property Simple Administration Agreement No. 28/12/2017 signed on 28th December 2017. Remuneration is determined on the basis of the documentation of Transaction Services of Proprietas, UAB, applying 5 percent performance overcharge	
Inservis, UAB Code 126180446 Juozapavičiaus str. 6, Vilnius, Lithuania Register of Legal Entities	100 percent managed by Invalda INVL, AB. Invalda INVL, AB owns 30 percent of shares in UTIB INVL Baltic Real Estate	Proprietas, UAB, 100 percent owned by UTIB INVL Baltic Real Estate signed an annex No. 30 to Service Purchase - Sales Agreement (dated 2nd May 2011 No. 2011/05/01-03) on 9th October 2018 regarding the maintenance of engineering systems in the facility Juozapavičiaus 6, Vilnius. Transaction value EUR 145,20 with VAT per month.	
Inservis, UAB Code 126180446 Juozapavičiaus str. 6, Vilnius, Lithuania Register of Legal Entities	100 percent managed by Invalda INVL, AB. Invalda INVL, AB owns 30 percent of shares in UTIB INVL Baltic Real Estate	Proprietas, UAB, 100 percent owned by UTIB INVL Baltic Real Estate signed an annex No. 29 to Service Purchase - Sales Agreement (dated 2nd May 2011 No. 2011/05/01-03) on 9th October 2018 regarding the maintenance of engineering systems in the facility palangos 4, Vilnius. Transaction value EUR 60,50 with VAT per month.	
Inservis, UAB Code 126180446 Juozapavičiaus str. 6, Vilnius, Lithuania Register of Legal Entities	100 percent managed by Invalda INVL, AB. Invalda INVL, AB owns 30 percent of shares in UTIB INVL Baltic Real Estate	Proprietas, UAB, 100 percent owned by UTIB INVL Baltic Real Estate signed an annex No. 30 to Service Purchase - Sales Agreement (dated 2nd May 2011 No. 2011/05/01-03) on 9th October 2018 regarding the on new hourly rates for technical facilities services in the facilities served.	
Inservis, UAB Code 126180446 Juozapavičiaus str. 6, Vilnius, Lithuania Register of Legal Entities	100 percent managed by Invalda INVL, AB. Invalda INVL, AB owns 30 percent of shares in UTIB INVL Baltic Real Estate	Rovelija, UAB, 100 percent owned by UTIB INVL Baltic Real Estate signed a settlement on 2nd January 2019 regarding supplementing and amending the lease agreement for non-residential premises dated on 1st February 2010. Transaction value EUR 592,03 with VAT per month.	
Inservis, UAB Code 126180446 Juozapavičiaus str. 6, Vilnius, Lithuania Register of Legal Entities	100 percent managed by Invalda INVL, AB. Invalda INVL, AB owns 30 percent of shares in UTIB INVL Baltic Real Estate	Rovelija, UAB, 100 percent owned by UTIB INVL Baltic Real Estate signed an agreement on 2nd January 2019 regarding the maintenance and provision of services for the facility's general use facilities for facility and facility maintenance services. Transaction value EUR 16,69 with VAT per month.	

Related party	Company's relationship with the other counterparty	Date and value of the transaction	Other information
Invalda INVL, AB Code 121304349 Gynėjų str. 14, Vilnius, Lithuania Register of Legal Entities	Shareholder of UTIB INVL Baltic Real Estate, owning 30 percent of shares in the Company	Proprietas, UAB, 100 percent owned by UTIB INVL Baltic Real Estate on 21th December 2018 signed a settlement to accounting service provision contract No. 20140531/02. Amount of salary changed to EUR 605 with VAT per month.	
INVL Asset Management, UAB Code 126263073 Gynėjų str. 14, Vilnius, Lithuania Register of Legal Entities	100 percent managed by Invalda INVL, AB. Invalda INVL, AB owns 30 percent of shares in UTIB INVL Baltic Real Estate	The Company signed a settlement to a Non-residential Lease Agreement (dated 30th October 2015 No. 2015-10-30/1) with INVL Asset Management, UAB on 28th September 2018. On the basis of the settlement additional premises was rented. Transaction value EUR 3,149.45 with VAT per month.	
Inservis, SIA Code 40203041770 „Lapegles", Stuniši, Olaines dist., Latvia The Register of Enterprises of the Republic of Latvia	100 percent managed by the subsidiary of Invalda INVL, AB. Invalda INVL, AB owns 30 percent of shares in UTIB INVL Baltic Real Estate	Dommo Grupa, SIA, UAB, 100 percent owned by UTIB INVL Baltic Real Estate signed a Services Agreement No. PL-2018/01/11 on 1st November 2018. Hourly service charges is provided in the contract.	
Inservis, SIA Code 40203041770 „Lapegles", Stuniši, Olaines dist., Latvia The Register of Enterprises of the Republic of Latvia	100 percent managed by the subsidiary of Invalda INVL, AB. Invalda INVL, AB owns 30 percent of shares in UTIB INVL Baltic Real Estate	Dommo Bizness parks, SIA, UAB, indirectly managed by UTIB INVL Baltic Real Estate signed a Premises Lease Agreement No. 27122018/1 on 27th December 2018. Transaction value EUR 309,60 with VAT per month.	
Inservis, SIA Code 40203041770 „Lapegles", Stuniši, Olaines dist., Latvia The Register of Enterprises of the Republic of Latvia	100 percent managed by the subsidiary of Invalda INVL, AB. Invalda INVL, AB owns 30 percent of shares in UTIB INVL Baltic Real Estate	Dommo Bizness parks, SIA, UAB, indirectly managed by UTIB INVL Baltic Real Estate signed a Services Agreement No. 01/01/2019-DBP on 1st February 2018, regarding repairment work in the premises. Transaction value EUR 14,001.80 with VAT.	
Inservis, SIA Code 40203041770 „Lapegles", Stuniši, Olaines dist., Latvia The Register of Enterprises of the Republic of Latvia	100 percent managed by the subsidiary of Invalda INVL, AB. Invalda INVL, AB owns 30 percent of shares in UTIB INVL Baltic Real Estate	Dommo Bizness parks, SIA, UAB, indirectly managed by UTIB INVL Baltic Real Estate signed a Services Agreement No. 01/02/2019-DBP on 1st February 2018, regarding repairment work in the premises. Transaction value EUR 10,357.47 with VAT.	
DBP Invest, SIA Code 40103463830 „Lapegles", Stuniši, Olaines dist., Latvia The Register of Enterprises of the Republic of Latvia	Indirectly managed by UTIB INVL Baltic Real Estate	Dommo Grupa, SIA, UAB, 100 percent owned by UTIB INVL Baltic Real Estate signed a Loan Agreement No. 26062018/1 on 26th June 2018. Loan amount – EUR 200.	
DBP Invest, SIA Code 40103463830 „Lapegles", Stuniši, Olaines dist., Latvia The Register of Enterprises of the Republic of Latvia	Indirectly managed by UTIB INVL Baltic Real Estate	Dommo Grupa, SIA, UAB, 100 percent owned by UTIB INVL Baltic Real Estate signed a Loan Agreement No. 16012019/1 on 16th January 2019. Loan amount – EUR 500.	

6. INFORMATION REGARDING THE SHAREHOLDERS WHO HAVE SPECIAL RIGHTS OF CONTROL AND THE DESCRIPTION OF SUCH RIGHTS

There are no shareholders having special rights of control in the Company.

7. INFORMATION REGARDING ALL CURRENT RESTRICTIONS ON VOTING RIGHTS *(such as the restrictions on voting rights of persons having a certain percentage or number of the votes, the deadlines by which voting rights may be exercised or systems, according to which the property rights granted by the securities are to be separated from the holder of those securities)*

No restrictions on voting rights are applied in the Company.

8. INFORMATION REGARDING THE RULES GOVERNING THE APPOINTMENT AND DISMISSAL OF BOARD MEMBERS, AS WELL AS THE AMENDMENT OF THE COMPANY'S ARTICLES OF ASSOCIATION

The management of the Company is transferred to the Management company UAB INVL Asset Management which exercises the functions of the Head and the board of the Company. The Rules of Procedure of the Board are applicable to the board members of the Management company. The provisions governing the appointment and dismissal of board members are not provided for by the aforementioned Rules, except for the possible resignation and procedures related thereof. A person who seeks to become the Board member of the Management company shall obtain a prior permit from the Supervision Service of the Bank of Lithuania (hereinafter – the Bank of Lithuania) to occupy a corresponding post. Moreover, such person shall fill in the Form of the Questionnaire of the Manager approved by the Bank of Lithuania and comply with the indicated requirements.

According to the Articles of Association of the Company, the Articles of Association of INVL Baltic Real Estate may be amended by the desicion of the General Shareholders' Meeting, passed by more than 3/4 of votes (except in cases stated in the Law on Companies of the Republic of Lithuania and in cases stated in Company's Articles of Association).

9. INFORMATION REGARDING THE POWERS OF THE BOARD MEMBERS

The management of the Company is transferred to the Management company UAB INVL Asset Management which exercises the functions of the Head and the board of the Company. The Board members of the Management company act in accordance with the Law on Companies of the Republic of Lithuania, Articles of Association of the Management company, Rules of Procedure of the Board, as well as other applicable legislation, and have no special powers. The Board members of the Management company always act for the benefit of the Company and its shareholders.

10. INFORMATION REGARDING THE COMPETENCE OF THE GENERAL MEETING OF SHAREHOLDERS, THE RIGHTS OF SHAREHOLDERS AND IMPLEMENTATION THEREOF, IF SUCH INFORMATION IS NOT ESTABLISHED IN THE APPLICABLE LEGISLATION

The company provides information regarding the competence of the general meeting of shareholders, the rights of shareholders, and implementation thereof, as well as the procedure for convening the meetings of shareholders, in Clause 11.1 of the consolidated annual report of 2018.

11. INFORMATION REGARDING THE COMPOSITION OF THE MANAGEMENT, SUPERVISORY BODIES, AND THE COMMITTEES THEREOF, AS WELL AS THE FIELDS OF ACTIVITY OF THE AFORESAID BODIES AND THE MANAGER OF THE COMPANY

The management of the Company is transferred to the Management company UAB INVL Asset Management which exercises the functions of the Head and the Board of the company. The Company provides information regarding the board members of the Management company, General Manager of the Management company, and the members of the Investment Committee of the Company in Clause 12 of the consolidated annual report of 2018.

The board members of the management company, General Manager of the management company, and the members of the Investment Committee of the company act in accordance with the Rules of Procedure of the Board, Provisions of the General Manager, and Provisions of the Investment Committee. In addition to this, the board members of the Management company, General Manager of the Management company, and the members of the Investment Committee always act for the benefit of the Company and its shareholders.

12. DESCRIPTION OF DIVERSITY POLICY APPLICABLE IN APPOINTING THE MANAGER OF THE COMPANY, MANAGEMENT, AND SUPERVISORY BODIES, RELATED TO THE ASPECTS SUCH AS AGE, GENDER, EDUCATION, PROFESSIONAL EXPERIENCE; OBJECTIVES OF SUCH POLICY, METHODS OF IMPLEMENTATION THEREOF, AND RESULTS OF THE REFERENCE PERIOD. IF THE DIVERSITY POLICY IS NOT APPLIED, THE REASONS THEREOF SHALL BE INDICATED

The management of the Company is transferred to the asset management company INVL Asset Management, which applies the Policy of Equal Opportunities in its activities. The Policy specifies that the Company organizes its activities in a way that employees, despite of their duties and the need to upgrade their qualifications, are secure about equal working conditions, opportunities to develop competence, etc. Equally, the same benefits are granted regardless of the gender, race, nationality, language, origin, social status, believes or convictions, age, sexual orientation, disability, ethnicity, religion, marital status, intention of having children's or membership of the political party or association.

INVL Asset Management has joined the UN-supported Principles for Responsible Investment (PRI) in the middle of 2017.

The PRI, founded in 2006, is a global network of over 1700 investors, aims to assess the investment implications of environmental, social and governance (ESG) factors. An economically efficient, sustainable global financial system is considered a necessity for long-term value creation. Investors who support the PRI voluntarily work to apply the principles in their investment activities.

Six specific responsible investment Principles are outlined by the PRI. They provide a menu of possible actions for incorporating ESG issues into investment practice – from investment analysis and decision-making to their incorporation into ownership policies and practices. Additionally, signatories to the Principles are encouraged to promote the Principles' acceptance in the investment industry and to work together for their effective implementation.

13. INFORMATION ON THE RENUMERATION OF EACH MANAGEMENT, SUPERVISORY MEMBER (MEDIUM-TERM RENUMERATION, STATING PREMIUMS, BONUSES, TANTJAMS AND OTHER BENEFITS

The management of the Company is transferred to the asset management company INVL Asset Management. The Company has no employees, due to the Company's specifics. Information related to the Issuer's payable management fee, the amounts calculated by the Issuer, other assets transferred and guarantees granted to the Managing bodies and company providing accounting services during the reporting period is disclosed in Clause 14 of the consolidated annual report of 2018.

14. INFORMATION ON ALL AGREEMENTS BETWEEN SHAREHOLDERS (THEIR TERMS AND CONDITIONS)

The Company's shareholders do not have mutual agreements.