

Annual Report 2021

AKROPOLIS GROUP UAB

AKROPOLIS

REAL ESTATE DEVELOPMENT & MANAGEMENT COMPANY

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Akropolis Group At A Glance

AKROPOLIS GROUP and its subsidiary undertakings (The Group), which started its activities in 2002, during 20 years of its operation, has grown into the Baltic leading shopping and entertainment centres development and management group of companies.

The Group has developed 5 shopping and entertainment centres. Currently, Akropolis Group (hereafter – the Company) group of companies owns and manages the following shopping and entertainment centres: 3 Akropolis in Lithuania (in Vilnius, Klaipėda, Šiauliai), also Akropole and Alfa, a shopping and entertainment centre acquired at the end of 2021, in Riga, Latvia. These shopping centres house nearly 1000 shops and service operators. In autumn 2021, the company announced updated plans to develop the project Akropolis Vingis – a multifunctional cultural, entertainment, business and shopping complex in Vilnius.

2021, which is the second year into the COVID-19 pandemic, brought strict restrictions for the shopping and entertainment centres industry. In Q1, also for the most part of Q2, only shops selling basic necessities were allowed to operate. However, even in this difficult time, the Group remained the leader in the market of shopping and entertainment centres, which managed not to lose tenants of its shopping centres: the year ended with only 1% of vacancies available for lease in all the shopping centres that were managed since the beginning of the year.

Last year, Akropolis Group entered the international capital market. The Company successfully placed its debut EUR 300 million 5-year eurobond issue with 2.875% annual interest payable on a yearly basis. It is the first debt securities issue of this type in the whole Baltic real estate sector. The bonds of Akropolis Group are listed on Nasdaq Vilnius and Euronext Dublin stock exchanges.

In 2021, the Company was rated by international credit rating agencies. In May, Fitch Ratings gave it BB+ long-term issuer rating with a stable outlook, S&P

Global Ratings – BB+ rating with a negative outlook, which was raised to stable in October. Such ratings by international rating agencies show that Group is successfully addressing emerging challenges, companies of the group keep constantly achieving good financial results, the rental income collection indicator remains to be high, and the business model of the Group is stable and resilient to the impact of external factors.

In 2021, one of the company's strategic objectives, i.e. certification of shopping, entertainment and business centres, was successfully implemented. Last year, Akropolis in Vilnius, Klaipėda and Šiauliai obtained international BREEAM In-Use building sustainability certificates, which are given to buildings that are already in use: Šiauliai Akropolis was given certificate "Very good", while Vilnius and Klaipėda Akropolis and the business centre in Vilnius Akropolis received certificates "Good". Riga Akropole, a shopping and entertainment centre opened in 2019, was given BREEAM New construction certificate "Very good". Certification of shopping centres is a part of the environmental, social, and governance (ESG) program of the company, which focuses on environmental protection, social environment and corporate governance. It is sought that by 2026 all shopping centres managed by the company would get "Very good" certificates according to BREEAM standard.

To improve Group governance efficiency, Vilniaus Prekyba, the sole shareholder of the company, formed the audit committee (hereafter – Audit Committee) last year, which has already started its work. The Audit Committee's work should make the company's activities even more transparent and more efficient, ensure that decisions taken are beneficial for investors, shareholders and clients.

Where We Operate

AKROPOLIS GROUP owns and manages 5 shopping and entertainment centres in Lithuania and Latvia.



CEO Letter

AKROPOLIS GROUP, managing the biggest shopping and entertainment centres Akropolis in Lithuania and Latvia, has had one of the most difficult periods in the history of the Group's business – the coronavirus pandemic. The results, which were reached by the Group, confirm – we have successfully passed this “stress test” in business terms. The strong financial situation and good results of the Group allows us to look towards 2022 with certainty and confidence.

The pandemic management related restrictions meant, that operations of Akropolis shopping centres were, in one way or another, restricted a significant amount of time in 2021. However, we have firmly held on to the market leader position. Thanks to the excellent work done by the shopping centre management team, last year the overall occupancy rate of Akropolis premises was 99%, and the rental income collection rate reached 99.5%, in the shopping centres which were managed from the beginning of the year. In second half of 2021, then pandemic restrictions kept getting easier, we saw customers actively returning to shopping centres – in separate months Akropolis tenants' turnover reached record highs.

The international financial markets have also acknowledged Akropolis Group as a Group developing its business in a responsible and sustainable manner. In 2021 we have successfully placed Akropolis Group debut EUR 300 million 5-year eurobond issue. The international credit rating agencies Fitch Ratings and S&P Global Ratings have assigned first-time long-term issuer ratings to Group, respectively BB+ with a stable outlook, and “BB+” with a negative outlook (which was upgrade to stable outlook in October).

We firmly believe in positive perspective for major shopping centres – last year we have activated the Group's development. Akropolis Group acquired the shopping centre Alfa, successfully operating in Riga, Latvia, which was renamed to Akropole Alfa in March



Manfredas Dargužis, CEO, Akropolis Group

2022. We have as well resumed the development of the big and significant Akropolis Vingis project in Vilnius, Lithuania.

In 2022 we will give the main priority for the development Akropolis Vingis project in Vilnius as well as for investigation of new business opportunities in Poland. Among our nearest investments plans is upgrading of the common areas of Akropolis Klaipėda.

We continue pay attention to the ESG topic. In 2021, Akropolis in Vilnius, Klaipėda and Šiauliai were certified according to the international BREEAM in-use standard, and back in 2019, Akropole Riga was certified according to the BREEAM New Construction standard. In 2022, we plan to develop a long-term Group's ESG strategy.

Highlights

2021 Q1 On February 19, 2021 **AKROPOLIS GROUP** board of directors adopted a decision to evaluate the possibility of borrowing funds in capital markets.

2021 Q2 On April 6, 2021 The Group has finalized a change in corporate structure whereby Akropolis Real Estate B.V. and all of its subsidiaries became subsidiaries of **AKROPOLIS GROUP**.

On June 2, 2021 **AKROPOLIS GROUP** has successfully distributed its debut 5-year Eurobond issue worth EUR 300 million. These bonds have been listed on the Nasdaq Vilnius and Dublin Euronext stock exchanges.

In June, 2021 **AKROPOLIS GROUP** has refinanced loans held by subsidiaries with banks by using part of the funds raised during the Eurobond issue.

2021 Q3 On July 7, 2021 an Audit Committee has been established by the decision of Vilniaus Prekyba, the company's sole shareholder. Eglė Čiužaitė, Šarūnas Radavičius and Lukas Bendoraitis – were appointed as members of the Audit Committee for a term of four years.

On August 9, 2021 **AKROPOLIS GROUP** has signed a deal with AMD Holding to acquire 100 % of the shareholding in Latvian company Delta Property, which owns shopping centre Alfa in Riga, Latvia.

On August, 2021 Vilnius, Klaipėda and Šiauliai Akropolis were certified according the international BREEAM standard.

On September 9, 2021 Biruliškių Turtas, a subsidiary of **AKROPOLIS GROUP**, sold the 12.5 hectare land plot in the Kaunas district, Lithuania to SBA Urban, a SBA Group company.

2021 Q4 In October, 2021 S&P Global Ratings positively revised the outlook of **AKROPOLIS GROUP** credit rating BB+ to stable.

On November 24, 2021 The multifunctional complex Akropolis Vingis was presented to the Vilnius Regional Council of Architects. It gave in general a positive evaluation of the amended pre-design proposal.

On November 30, 2021 **AKROPOLIS GROUP** successfully completed the acquisition of a major shopping centre Alfa in Riga, Latvia. Zane Kaktina, who has served as the Manager of Akropole Riga for two previous years, has been appointed as the head of the shopping centre.

2022 Q1 On March 10, 2022 the name of the shopping centre Alfa was officially changed to AKROPOLE Alfa. In addition, the name of the shopping and entertainment centre AKROPOLE was also changed to AKROPOLE Rīga.

Covid-19 Update

ECONOMY

Covid-19 pandemic had a major economic impact in 2020 and the beginning of 2021, but with the start of mass vaccination global economy started to quickly recover to 5.9% growth.

The global economy is projected to grow further 4.9% in 2022 and 3.8% in 2023 (IMF, January 2022). Nevertheless, recent rapid growth of the COVID-19 incidence rate and the appearance of the new omicron variant increase uncertainty about how quickly the pandemic can be overcome.

Lithuania and Latvia are core operational countries for the Group and both combine features of high growth and, simultaneously, resilience compared to the average European economy. This is demonstrated by the resilience of the Lithuanian and Latvian economies to the shock of Covid-19, particularly when compared to the rest of the EU. In 2020, Lithuania, together with Ireland, were the only two countries in the EU, whose GDP has not contracted.

While Latvia's contracted by only 3.6%, compared to EU average of -5.9%. Strong recovery followed in 2021, with both Lithuania's and Latvia's GDP growing with the average speed as in the whole EU (+5.0%).

Following the easing of Covid-19 related restrictions during second quarter of 2021, private consumption in both Lithuania and Latvia rose rapidly by 6.8% and 5.4% respectively. This is a result of an increase in consumer savings rate during 2020 (+12% in Lithuania and +17% in Latvia) and recovering consumer confidence. Due to more notable restrictions in Latvia than in other Baltic states, consumption did not increase that much during 2021 and resulted in even bigger savings rate of almost 21%. This pent up demand in Latvia is expected to be released in 2022, resulting in forecasted private consumption increase of +7.5%.

Inflation gradually increased through 2021 and resulted in annual inflation of 4.6% in Lithuania and 3.2% in Latvia. This results in higher than average increase in prices at the beginning of 2022, indexed to various CPI metrics.

Indicators	2020	2021	2022	2023
Lithuania				
GDP growth (% , yoy)	-0.1	4.8	3.4	3.4
Private consumption (% , yoy)	-2.1	6.8	4.8	4.1
Saving rate of households	12.2	9.0	7.6	6.3
Inflation (% , yoy)	1.1	4.6	6.7	2.2
Latvia				
GDP growth (% , yoy)	-3.6	4.7	4.4	3.8
Private consumption (% , yoy)	-7.6	5.4	7.5	5.2
Saving rate of households	17.0	20.9	14.8	14.7
Inflation (% , yoy)	0.1	3.2	5.9	0.9

Source: European Commission Economic Forecast, Winter 2022 and Autumn 2021

GOVERNMENT MEASURES

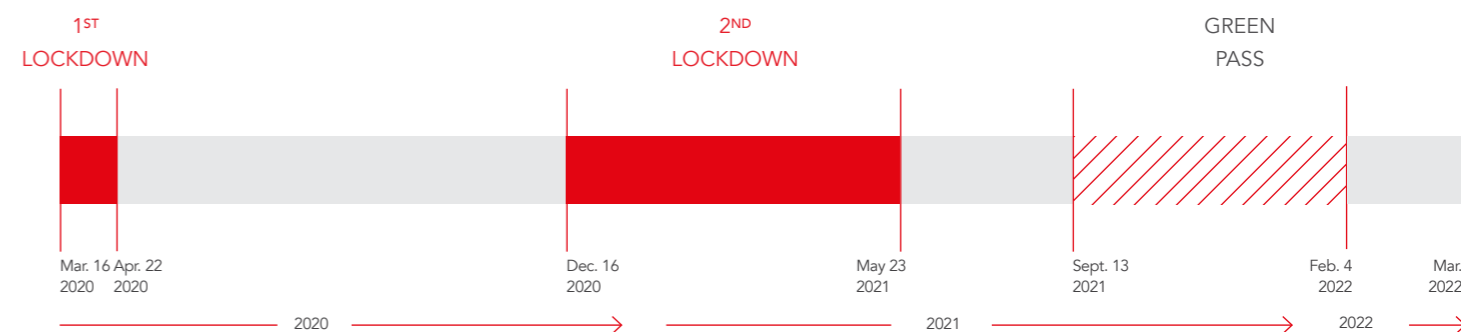
During both 2020 and 2021, Lithuanian and Latvian governments implemented measures with the aim of supporting businesses affected by store closures.

Lithuanian businesses, whose activities were prohibited or restricted during first quarantine in 2020, had a possibility to get a partial compensation of lease payments from the Lithuanian Government amounting to 50% of the lease amount payable. The Group provided discounts based on continuous negotiations. Tenants in Latvia were not granted such governmental lease payment compensation in 2020, thus the Group negotiated discounts for Latvian tenants in good faith. Total discounts in both Latvia and Lithuania amounted to EUR 6.2 million in 2020. After accounting for such discounts, the Group's total collection rate was 97.1% at the end of 2020.

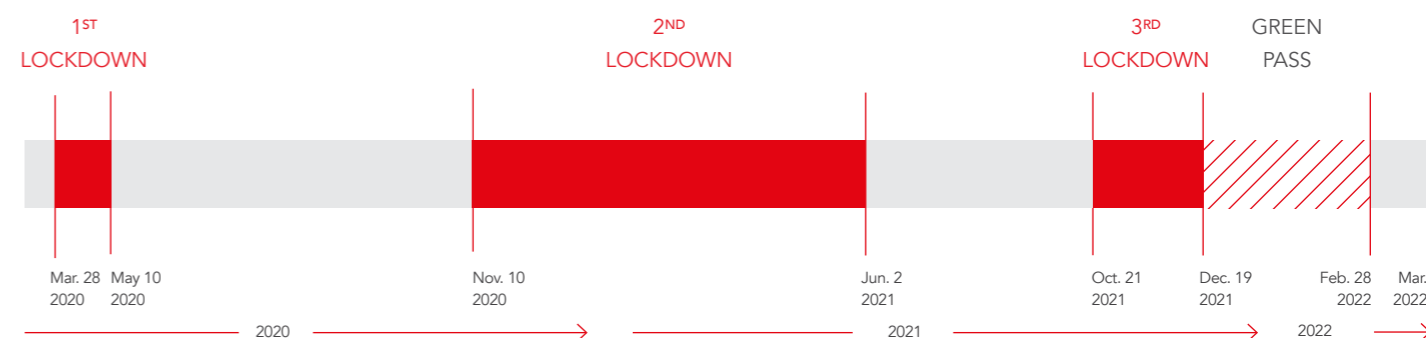
In 2021, the Lithuanian government approved new support measures for companies affected by the second wave of Covid-19, in particular subsidies to support the operations of enterprises which had seen their turnover decline by more than 30%. This included subsidies for the salaries of "furloughed" workers in return for commitments not to terminate their

employment. Companies in the retail and catering sectors were the main beneficiaries of these measures. In addition, the Lithuanian government provided loans to small-to-medium enterprises, financing for large corporations and interest compensation. At the beginning of 2021, Latvia's government adopted a regulation specifically for turnover linked to rental income where there has been a decrease of at least 30% (when compared to relevant months in the prior periods). There were two rent aid periods during first and last quarters of 2021, with the rent aid limit of EUR 2.3 million. First aid is already approved and received. At the moment, the application regarding the second rent aid is filed and waiting for the approval. Despite ongoing global pandemic, the Group managed to recover pre-pandemic the collection rate (without new property Alfa) at the end of 2021 to 99.5%.

Lithuania



Latvia



OUR RESPONSE

The Group incurred additional expenses, amounting to EUR 525 thousand in 2020 and EUR 483 thousand in 2021, which were allocated to various health and hygiene measures to ensure safety of employees and customers.

During autumn of 2021, the Group also purchased a modern equipment enabling security officers to quickly and safely check the validity of Covid certificates in both Latvia and Lithuania. Since the beginning of the pandemic in 2020, modern automatic ultraviolet (UV) disinfection equipment was installed on all escalators and moving walkways, as well as in elevators for automatic UV air disinfection. Also, stations with automatic sensor disinfectant dispensers were installed at each of the entrances to the shopping centres and office buildings, as well as at information centres and sanitary facilities. Additionally, all common areas and frequently touched surfaces are periodically disinfected, ventilation systems are operating at full capacity, and air filters are periodically replaced. All personnel observe strict hand hygiene and monitor their health. Only people with protective face masks are allowed into the shopping centres. Administration constantly monitors and, if needed, regulates traffic to ensure safe distances between customers and thus prevent the spread of coronavirus.

During lock-down periods in 2020 and 2021, the Group has also implemented certain measures, focused on maintaining a functioning, long-term retail environment:

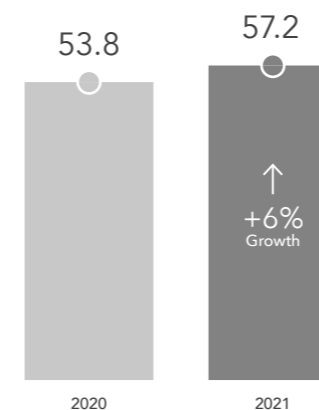
- providing short-term discounts to tenants (negotiated on an individual basis);
- where needed, agreeing payment plans with tenants;
- new and increased marketing campaigns designed to increase consumer footfall;
- targeted advertising focusing on promotional offers from the Group's tenants; and
- optimised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

The Group, in cooperation with State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania (STI), has agreed 2 year interest free tax loan agreements for some of the Lithuanian Group's companies tax arrears of 2020. Tax loans agreed majorly consists of Income Tax, VAT and Personal Income Tax.

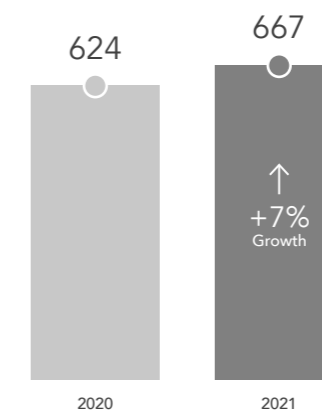
Thus, management believes that liquidity position of the Group is sufficient and proven track record indicates strong resilience and flexibility to subside the negative effects of ongoing coronavirus pandemic.

Business Overview

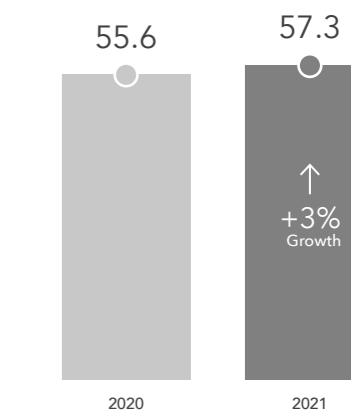
EBITDA, mln. EUR



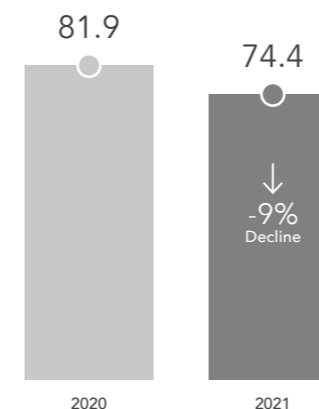
Tenant turnover, mln. EUR



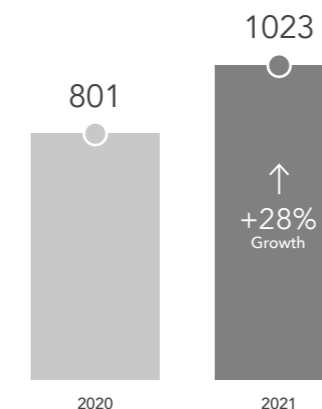
Rental Income, mln. EUR



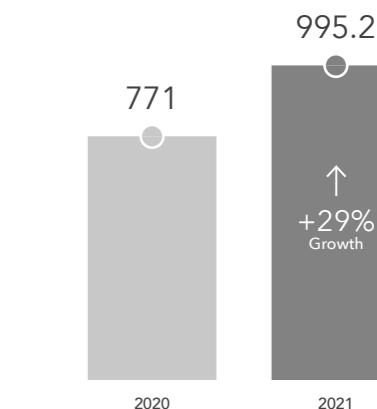
Footfall per day, k



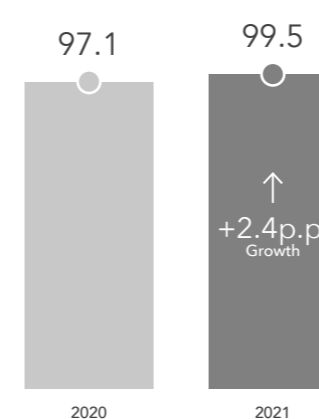
Portfolio fair value, mln. EUR



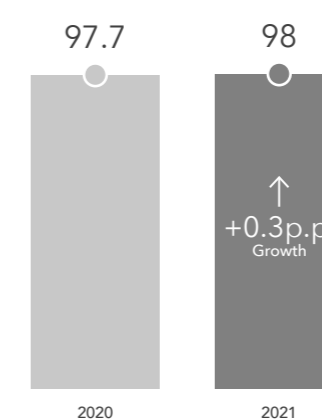
Operating assets portfolio fair value, mln. EUR



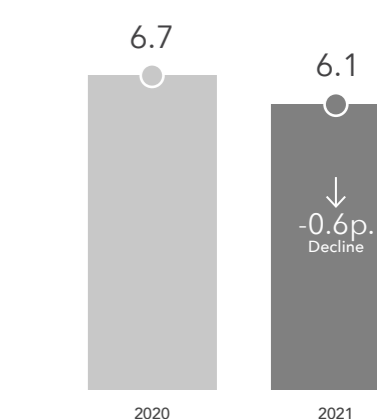
Collection rate*, %



Occupancy rate, %



WALE by GLA*



*Without new acquisition

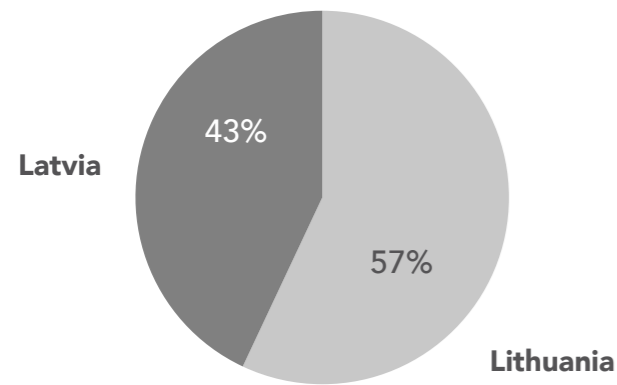
*Without new acquisition

If not indicated otherwise figures above are presented with Alfa acquisition on 30/11/2021

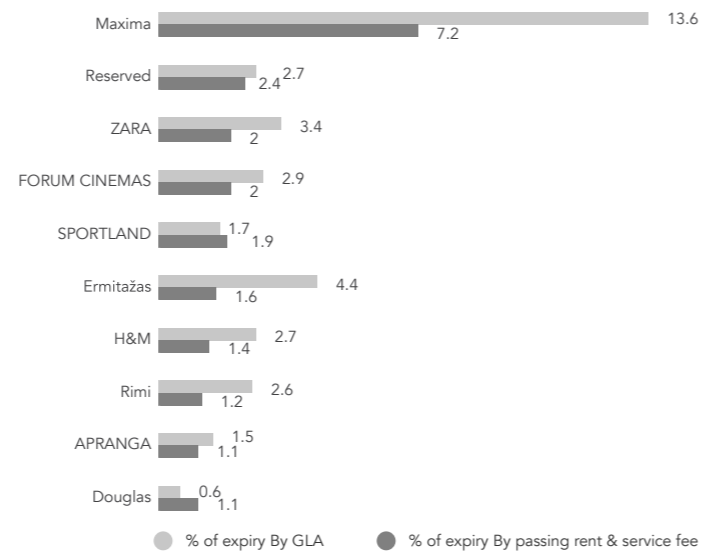
Akropolis Group

The Group operates 3 shopping centres in Lithuania and 2 shopping centres in Latvia. According to the total leased area, 57% of the area is made up of Lithuanian supermarkets and 43% of Latvia.

Country distribution by GLA as of December 31, 2021



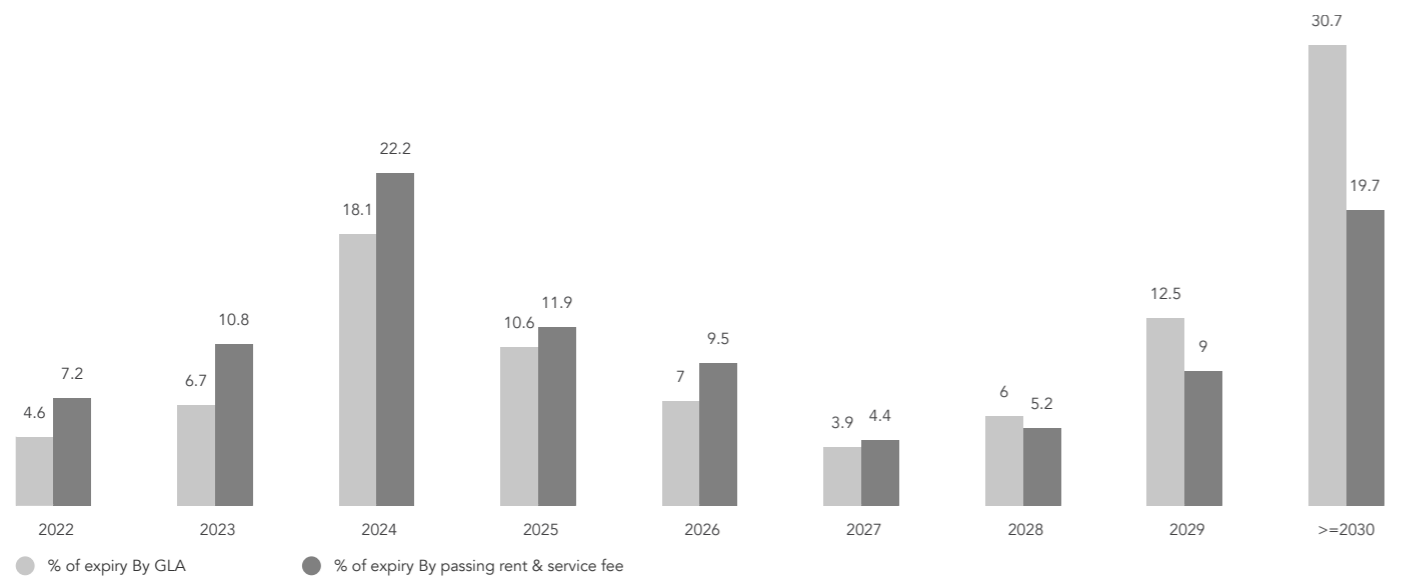
TOP 10 RETAIL TENANTS



For the year ended 31 December 2021, the Group's top ten tenants across all of its shopping and entertainment centres accounted for approximately 22% of the annualised passing rent and service fees.

The Group considers these tenants to be among its "anchor tenants" and are typically the dominant player in their respective retail category.

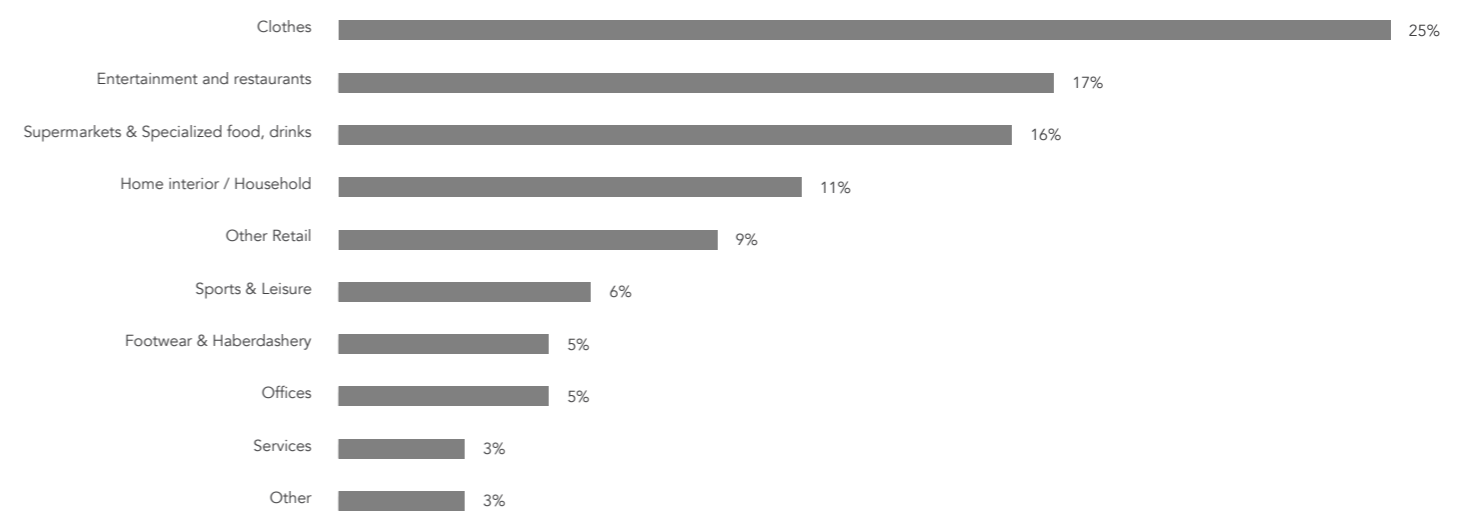
EXPIRY PROFILE



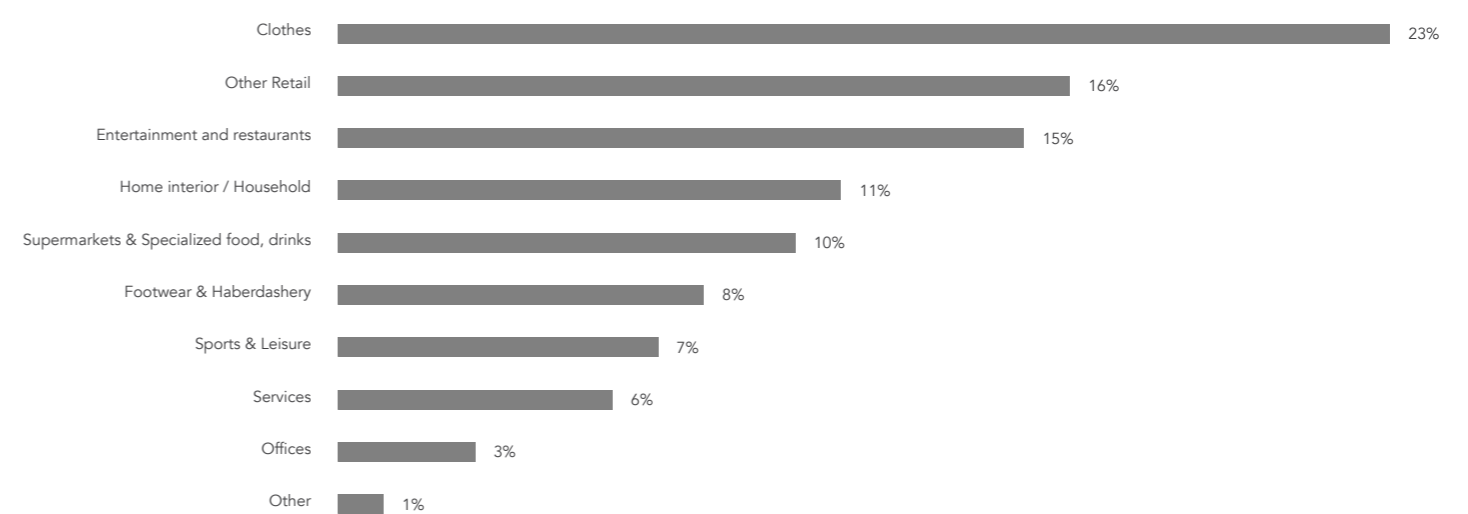
SECTORAL MIX

The following table set out the sectoral mix of the Group's tenants across its shopping and entertainment centres as at 31 December 2021, on the basis of GLA and rental and service fees. Although the Group's relationship with its "anchor tenants" is important to the success of its strategy, the graphs illustrate how the Group has actively managed its mix of tenants to mitigate concentration risk.

BREAKDOWN BY TENANT GROUP (GLA FOR 2021)



BREAKDOWN BY TENANT GROUP (INCOME FOR 2021)



Lithuania

60%	3	191 578	
Of operating assets portfolio fair value	Properties	Total leasable area, sq. m.	
42.6	99.4%	55.5	513
Rental Income EUR, mln.	Occupancy rate 12/2021	Daily footfall, k	Tenant sales EUR, mln., incl VAT

The Group's first development project started in 2001, with the development and construction of the Vilnius Akropolis shopping centre in Vilnius. Since, then the Group was able to build a portfolio of three regionally largest shopping centres in Lithuania. Based on independent third-party market research conducted for the Group by The Nielsen Company in October 2020, "AKROPOLIS" has the best shopping mall brand-awareness in Lithuania.

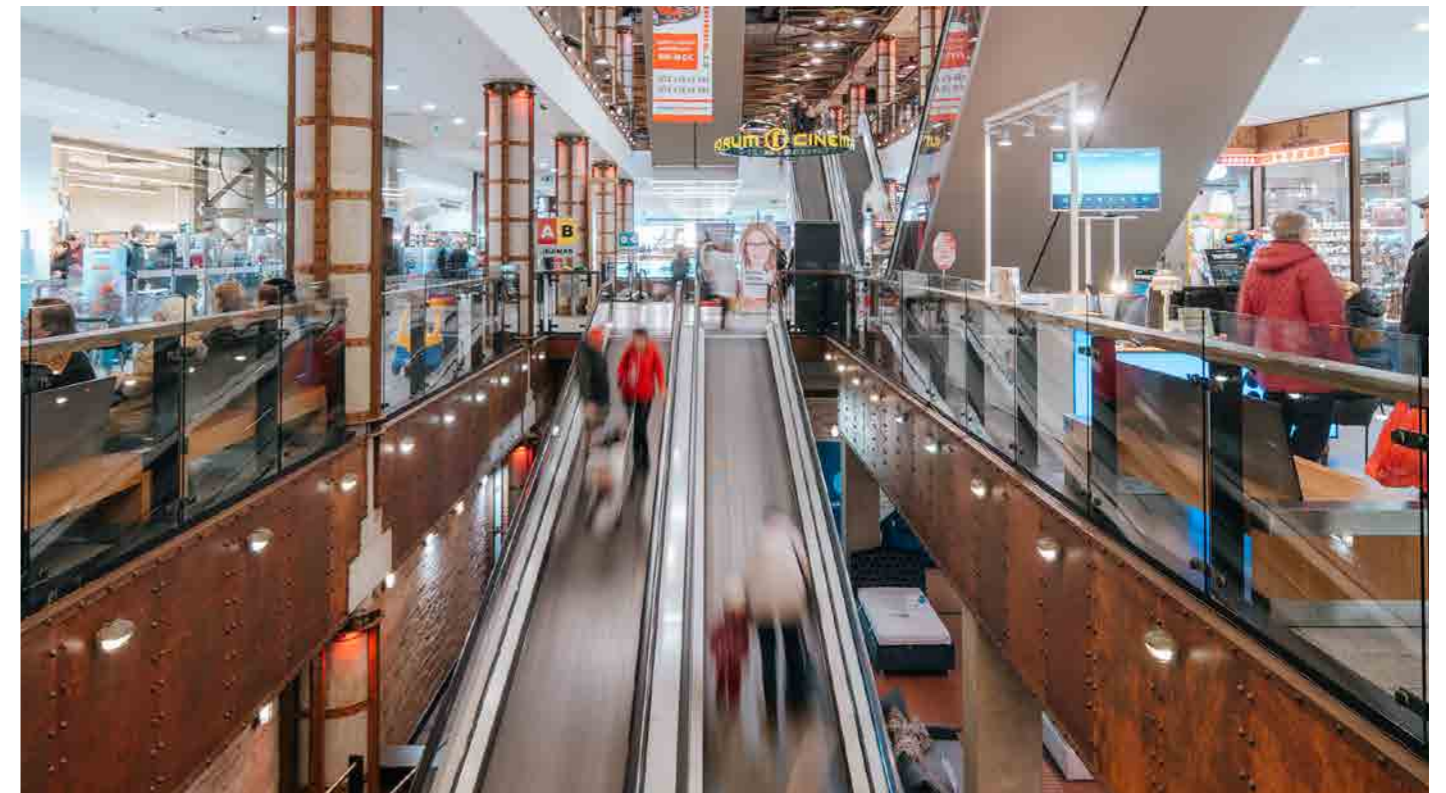
The Group manages a total leasable retail space of 185 thousand square meters in Lithuania, which is almost fully occupied even after two years of pandemic with 99.4% occupancy rate and housing 610 shops and entertainment venues. In 2021 approximately 55 500 people a day visited all three shopping centres, down from 59 900 in 2020. Although the main drop was recorded in first quarter of 2021, when shopping centres were under full lockdown and has strongly recovered since then. Tenant sales (incl. VAT) reached EUR 513 million and were +8% bigger than in 2020. Rental income increased by +0.7% year over year and reached EUR 42.6 million during 2021. The Group also managed to recover pre-pandemic collection rate of 99.8%, up from 97.4% a year prior.



AKROPOLIS VILNIUS

Opened/expanded/renovated	2002/2005/2019
BREEAM In-Use certificate	"Good"
Fair Value	319 mln. EUR
Retail GLA	88 568 sq. m.
Office GLA	6 283 sq. m.
Parking Space	3 000
Occupancy rate	99.6%
Number of shops	230

Year-over-Year 2021 versus 2020	Q1	Q2	Q3	Q4
Tenant turnover	-54%	+34%	+13%	+40%
Footfall	-51%	+26%	-2%	+13%
Collection rate (2021)	92.6%	98.2%	99.2%	99.8%



AKROPOLIS KLAIPĖDA

Opened	2005
BREEAM In-Use certificate	"Good"
Fair Value	203 mln. EUR
Retail GLA	60 643 sq. m.
Parking Space	2 200
Occupancy rate	99.3%
Number of shops	225

AKROPOLIS ŠIAULIAI

Opened	2009
BREEAM In-Use certificate	"Very good"
Fair Value	76 mln. EUR
Retail GLA	36 084 sq. m.
Parking Space	1 200
Occupancy rate	99.7%
Number of shops	155

Latvia

40%	2	141 917	
Of operating assets portfolio fair value	Properties	Total leasable area, sq.m.	
14.8 mln	96.2%	18.9	155
Rental Income EUR, mln.	Occupancy rate 12/2021	Daily footfall, k	Tenant sales EUR, mln., incl VAT

Figures above and below are based on the fact that the Alfa was acquired on 30/11/2021

Just since 2019, when newly constructed shopping centre Akropole Riga was opened, the Group managed to build a dominant portfolio in Latvia's capital city Riga. With recent acquisition of Alfa shopping centre in November 2021 the Group now controls two biggest shopping centres in the region.

The Group manages a total leasable retail space of 132 thousand square meters in Latvia with 96.2% occupancy

rate and housing 360 shops and entertainment venues. In 2021 approximately 18 900 people a day visited both shopping centres, down from 22 000 in 2020. The drop is visible through the year since shopping centres in Latvia were under full lockdown for more than half of the year. Tenant sales (incl. VAT) reached EUR 155 million and were +3% higher than in 2020. Rental income increased by +11.4% year over year and reached EUR 14.8 million during 2021.



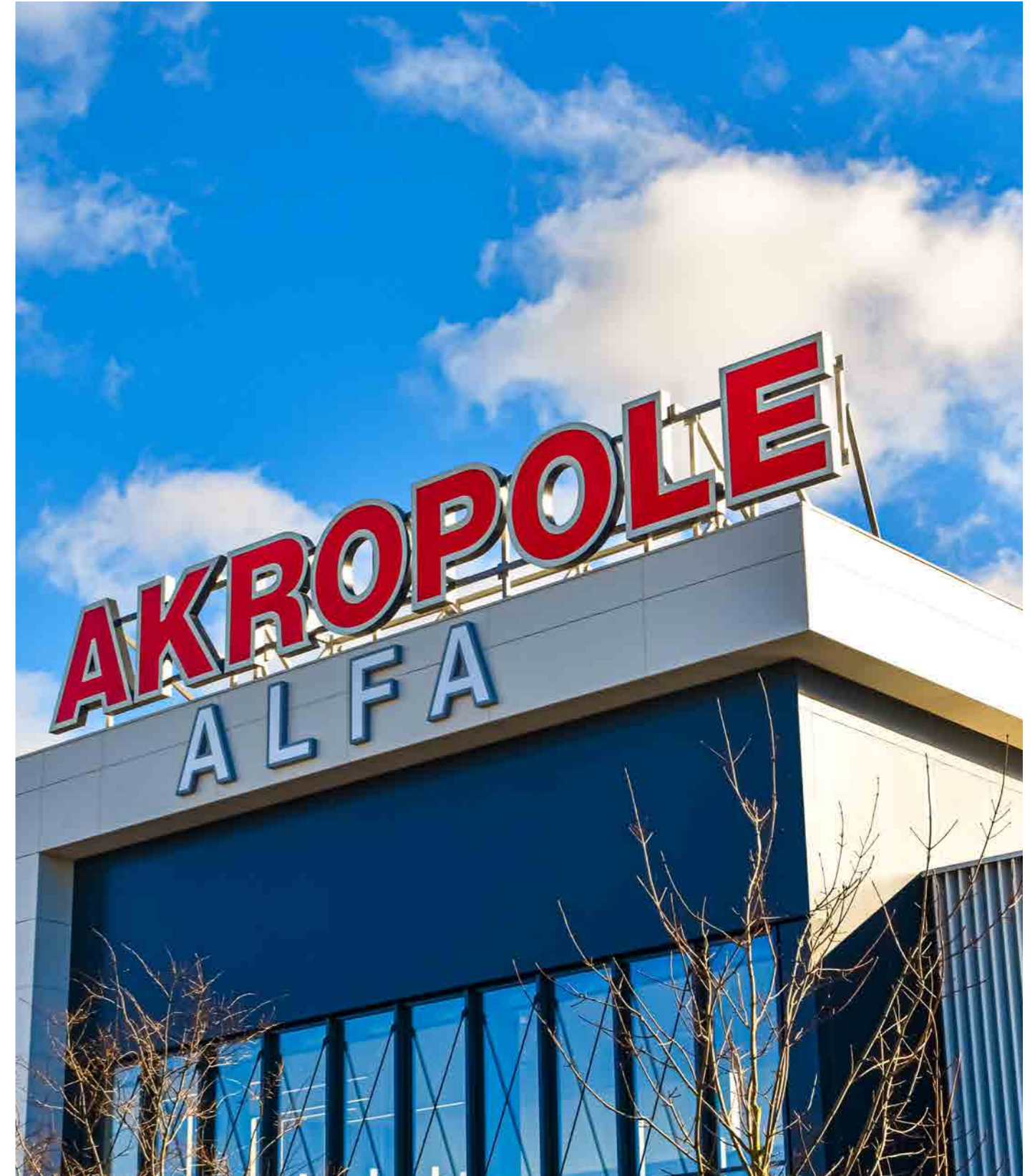
Year-over-Year 2021 versus 2020	Q1	Q2	Q3	Q4*
Tenant turnover	-48%	-6%	+9%	+50%
Footfall	-42%	-10%	-7%	+3%
Collection rate (2021)	96.9%	96.3%	98.0%	82.0%

*Alfa acquired on 30/11/2021



AKROPOLE RIGA

Opened	2019
BREEAM In-Use certificate	"Very good"
Fair Value	197 mln. EUR
Retail GLA	61 126 sq. m.
Office GLA	9 751 sq. m.
Parking Space	2 400
Occupancy rate	97.1%
Number of shops	165



ALFA

Opened/expanded/acquired	2001/2019/2021
Fair Value	198 mln. EUR
Retail GLA	71 040 sq. m.
Parking Space	1 750
Occupancy rate	95.3%
Number of shops	195

Expanding the use of the AKROPOLE brand, from 10th March, 2022 the name of the shopping centre Alfa was officially changed to **AKROPOLE ALFA**. The shopping and entertainment centre AKROPOLE is from this date called AKROPOLE Rīga.

Development



AKROPOLIS VINGIS

Location	Vilnius, Lithuania
Conversion project	Development of multifunctional retail, entertainment and business complex
Status	Under permitting
Estimated GLA	~ 136.000 sq.m.
Estimated end of construction	H1 2025



AKROPOLIS KLAIPĖDA

Location	Klaipėda, Lithuania
Project	Refurbishment of SC common areas
Status	In progress
Refurbished GBA	~ 11.000 sq.m.
Estimated completion date	Q4 2022

Governance

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

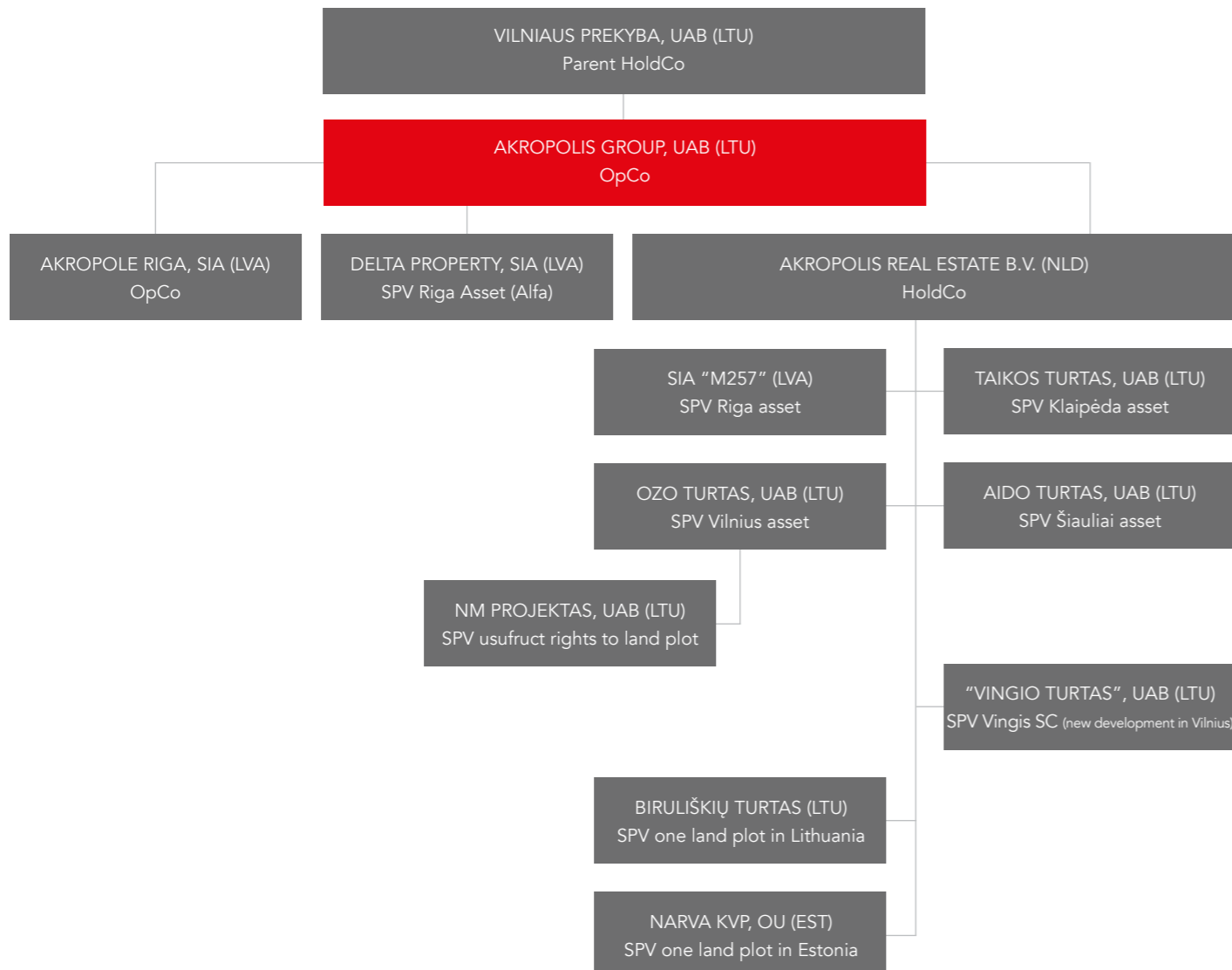
The Company believes that it and its subsidiaries comprise the leading shopping and entertainment centre operator in the Baltic States based on size, tenant mix and consumer-awareness. The Group's business covers all aspects of a shopping centre's development, from the initial planning and construction stage of a project to overseeing the maintenance and operations of a fully open and operational shopping and entertainment centre,

which includes managing leases and tenancies, as well as asset management activities.

As at the date of this report, the Company's authorised share capital amounts to EUR 31,737,215.46 comprising 109,438,674 ordinary shares of nominal value EUR 0.29. The Company's sole shareholder, Vilniaus Prekyba, holds the entire share capital of the Company.

Vilniaus Prekyba is an international company, which manages investments in diversified activities and, through other subsidiary companies, manages investments in retail and pharmacy chains as well as real estate development and leasing service companies in the Baltic countries, Sweden, Poland and Bulgaria.

CORPORATE GOVERNANCE



CORPORATE GOVERNANCE

The Company has a two-tier management system, comprising of the management board (the "Board") and the director (the "CEO"). The Board is responsible for the strategic management of the Company and adopts decisions on the core transactions to be concluded by the Company. The CEO is a one-person executive management body that manages the Company's day-to-day operations and represents the Company in its dealings with third parties. The sole shareholder of the Company, Vilniaus Prekyba, has the right, inter alia, to appoint and revoke the appointment of members of the Board. The Board elects the chairman from among its members. In turn, a majority decision of the Board, which requires a quorum of 2 out of 3 Board members, can appoint or revoke the appointment of the CEO.

The Board is a collegial management body provided for in the articles of association of the Company, which consists of three members. The Board does not have executive powers and its main function is adopting the strategic decisions of the Company. The powers and responsibilities of the Board are set forth in the Law on Companies and the articles of association. The Company's articles of association provide some modifications to the rules established in the Law on Companies concerning the decision-making process, i.e. the Board shall adopt decisions regarding, among other things:

- i. investments, transfers and/or leases of fixed assets with a book value exceeding EUR 100,000 (calculated on an individual basis per transaction);
- ii. approval of decisions of the Company's subsidiaries' management bodies that require approval of the Company, acting in the capacity of shareholder;
- iii. amendment of the articles of association of the Company's subsidiaries;

- iv. pledges or mortgages over fixed assets with a book value exceeding EUR 100,000 (calculated on an aggregate basis);
- v. guaranteeing or insuring the fulfilment of obligations of other persons in the amount exceeding EUR 100,000;
- vi. acquiring fixed assets for more than EUR 100,000; and
- vii. issuing bonds (other than convertible bonds).

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

The Board makes decisions by a simple majority of the votes of all its members present at the meeting. In the event of a tie, the vote of the chairman of the Board shall be a casting vote. A quorum is present when at least two thirds of members of the Board is present at a meeting. Each member of the Board has one vote.

The Board's term of office lasts for a duration of four years (however, not longer than until the ordinary general meeting of shareholders convened in the last year of the tenure of the Board). At the date of signing this report, the members of the Board of the Company and their principal activities are as follows:



Manfredas Dargužis

CEO
Since 23/10/2020

Chairman of the Board
Since 30/11/2020



Karolis Kunigėlis

Head of Legal
Since 9/3/2021

During the reporting period, Dovidas Vainorius was also a member of the Board, i.e. from 24/11/2020 until 9/3/2021.



Jurgita Žagunytė-Genevičienė

Head of Lease
Since 22/10/2019

AUDIT COMMITTEE

In an effort to strengthen the management efficiency of the Company an Audit Committee has been established by the decision of the sole shareholder of the Company on 7 July, 2021. Three persons – Eglė Čiužaitė and Šarūnas Radavičius as two independent members, and at a time Vilniaus Prekyba's financial controller Lukas Bendoraitis – were appointed as members of the Audit Committee for a term of four years (starting from 7/7/2021). Members of the Audit Committee elected Šarūnas Radavičius as a Chairman of the Audit Committee.

The Audit Committee shall ensure an efficient and reliable process for preparation and auditing the financial statements of the Company, and shall review and monitor the independence of the external auditor, as well as provide recommendations in the areas of internal controls and risk management.

The Audit Committee held three meetings during 2021. Its activities covered the following areas:

- Review of the activities and organizational structure of the Group;
- Review of accounting system applied by the Company, as well as review of related internal regulations;
- Consideration of selection criteria and candidacies of the Company's auditor; provision of the recommendation regarding selection of the Company's auditor, as it is prescribed by applicable legal acts;
- Review of the independent auditor's programme of work and monitoring financial statement audit process performed by the independent auditor;
- Monitoring of the nature and scale of non-financial reporting audit services.

About the Audit Committee members:

Eglė Čiužaitė from 2011 to 2016 headed the Finance and Administration Department of the Business Development Division at AB "Lietuvos energijos gamyba" (currently AB "Ignitis gamyba", a strategic power generation company), and from 2016 to 2019 she was the CEO and Chairwoman of the Board of this company. Ms Čiužaitė has been an independent Member of the Board of AB "Vilniaus Šilumos Tinklai" (Lithuania's largest provider of heating and hot water) and Lithuanian Airports (a state enterprise which unites and manages Vilnius, Kaunas and Palanga airports).

Šarūnas Radavičius from 2004 to 2019 was the Head of the Audit Department at Rödl & Partner and has been serving as independent Member of the Audit Committee for Ignitis Group since 2018, as well as

for the Audit Committee of the Lithuanian Radio and Television Centre since 2019.

Lukas Bendoraitis was an Assistant Auditor at PwC Lithuania from 2016 to 2019 and was Vilniaus Prekyba's Financial Controller for 3 years. Starting from 2022 CFO of Visas UAB.

RISK MANAGEMENT

The Group's management considers that the main risks facing the Group relate to property and finance. The Group's overall approach to risk can be described as conservative. There are inherent risks in the real estate and property business, such as fluctuations in the value of assets, vacancies, volatility in market rents or risks associated with development activities. Key risks are assessed by ranking exposure on the basis of probability and magnitude. Risks of potential breaches of loan covenants are managed through a conservative financing policy and a close review of compliance indicators.

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

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

Risk	Risk description
Credit risk	<p>Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Group's credit risk is attributable to its loans granted and trade and other receivables.</p> <p>Credit risks are controlled by the application of credit terms and monitoring procedures. Group assesses the credit quality of the debtors and customers, taking into account their financial position, past experience and other factors. Group has no significant concentration of credit risk with exposure spread over a number of counterparties and customers. The credit risk of liquid funds (cash and time deposits) in banks is minimized by making agreements only with the most reputable banks with investment grade credit ratings of Baa3 and above assigned by Moody's, an international credit-rating agency.</p>
Interest rate risk	<p>Group's cash flows are exposed to interest rate fluctuations. Group's bank borrowings bear variable interest rates linked to variable base rate. Trade and other payables are interest-free and have settlement dates within one year.</p> <p>The Group's cash flow and fair value interest rate risk is periodically monitored by the management. It analyses its interest rate exposure on a dynamic basis taking into consideration refinancing, renewal of existing positions, alternative financing. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for receivables and liabilities that represent the major interest-bearing positions.</p> <p>The Group does not use any derivative financial instruments to manage the interest rate risk.</p>
Liquidity risk	<p>Liquidity risk is managed according to the principles of prudence. Group manages its cash flows and liquidity based on projected cash on a semi-annual basis. Cash flows from the operating activities are the main source of the Company's liquidity.</p> <p>According to the management, liquidity ratios for Group are sufficient and prevalent for this type of business activity. Moreover, cash provided from operating activities are sufficient for future operations and liquidity. The Group's current assets exceeded its current liabilities, what demonstrates the Group's ability to meet the creditor's demands. Meanwhile, the Group's generated cash flow is sufficient to cover its current liabilities, a significant proportion of which is a financial debt to credit institutions repaid on a monthly basis, as well as deposits from tenants, which are due for repayment only after termination of lease agreements under certain terms and conditions.</p>
Operational risk	<p>Operational risk represents the potential for loss resulting from inadequate or failed internal processes or systems, human factors, or external events, including business disruptions and system failure. Group is exposed to many types of operational risk and attempts to mitigate them by maintaining a system of internal control procedures and processes that are designed to control risk within appropriate levels. Training and development of personnel competencies, help to identify and reduce the risks related to its operation.</p>

CONTROL FRAMEWORK FOR THE PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS), approved for use in the European Union. Akropolis Group Chief Financial Officer and Audit Committee oversees the preparation of the Company's consolidated financial statements, internal controls, financial risk management, and compliance with the legislation governing the preparation of the consolidated financial statements. All changes in IFRS are followed by the Group. The Company evaluates potential impact on consolidated and stand-alone financial statements and ensures that new standards are appropriately implemented across the Group.

The Group is managed on an integrated basis, with centralized accounting, financial reporting and internal controls related to the preparation of consolidated financial statements. Akropolis Group sets accounting policies and reporting procedures that have to be followed by the Group entities. Financial results of Group entities are analysed by Akropolis Group employees on monthly basis in order to detect any accounting or reporting errors.

All Group entities, except for Delta Property, SIA, which Group acquired in 2020 use Microsoft Dynamics NAV for financial accounting and reporting. The common system ensures consistent accounting and reporting and data comparability. Standardized data collection files prepared in Excel are used for preparation of consolidated financial statements.

Sustainability

COMMITMENT AND ENVIRONMENTAL IMPACT

The Group acknowledges that there is a climate emergency and recognises that the building and construction industry contributes significantly to the global carbon footprint. Given this, the Group approaches its new development and construction projects with ESG policies firmly in mind.

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

In 2021 shopping and entertainment centres „Akropolis“ in Vilnius, Klaipėda and Šiauliai have also received BRE Global organisation evaluation – shopping and entertainment centres and Vilnius “Akropolis” business centre have obtained international „BREEAM In-Use“ building sustainability certificates. Šiauliai “Akropolis” received “Very Good” certification, meanwhile Vilnius and Klaipėda “Akropolis” as well as Vilnius “Akropolis” business centre received “Good” certification. Vilnius, Klaipėda and Šiauliai “Akropolis” and business centre were rated the highest, 100% for waste management. Šiauliai and Klaipėda “Akropolis” had a higher rating of transport management solutions, while Šiauliai “Akropolis” and business centre in Vilnius had a higher rating of materials used. The audit of the shopping centres to obtain BREEAM certificates was

performed by the building sustainability certification and consulting company Vesta Consulting.

The Group is also developing Akropolis Vingis project in Vilnius, Lithuania with the BREEAM technical standards in mind and is aiming for another "New Construction – Very Good" certification. The site of Akropolis Vingis is next to the largest park in Vilnius city, therefore the multifunctional cultural, leisure, business and shopping centre will be organically incorporated into the surrounding area. In addition, there will be three kilometres of new bicycle and pedestrian paths in the area and along the Neris riverbank, and the development will be powered by renewable energy sources as an array of solar panels will be installed on the roof of the development. The Group acknowledges that there is a climate emergency and recognises that the building and construction industry contributes significantly to the global carbon footprint. Given this, the Group approaches its new development and construction projects with ESG policies firmly in mind.

The Group has a target to obtain the rating “Very Good” for all shopping centres that are managed by the Group by the end of 2026.



Stakeholder engagement

The Group wants to help their tenant's employees improve skills which is needed in their everyday work. The trainings will focus on older workers (55+). The ultimate goal of the proposed new training is to support the client's business operations through the timely provision of market-relevant skills for the benefit of its tenant retailers and to provide tailored guidance and information to the client's tenant retailers employing older workers for the first time, seeking to improve capacity and adopt best practices.

Outlook 2022

The impact of the COVID-19 pandemic on retail trade has been and remains significant. It has affected consumer behaviour, operations of the commercial sector, slowed down its development. The pandemic factor remains important in 2022, too. However, its real impact on business and consumption will depend on the course of the pandemic.

The European Commission forecasts that this year the growth of the Community economy will be driven by an improving labour market situation, substantial savings and favourable financing conditions. Latvia's economy is expected to grow faster this year than Lithuania's. Latvia's gross domestic product (GDP) growth is projected to reach 5%, Lithuania's – 3.6%.

In the light of the pandemic background, the creation of safe shopping experience in the shopping centres managed by the company remains one of the top priorities of the Group. Drastic restrictions and changes have been successfully endured during the pandemic. In 2021, successfully addressing the challenges posed by the pandemic, the company focused on development: acquired the shopping centre Alfa in Riga, also made substantially updates to the plans for the development of the new multifunctional centre Akropolis Vingis in Vilnius. Flexible and expeditious adaptation to the changing environment, the development of best shopping and entertainment experience continue to be a critically important capability for the company in order to maintain leadership in the shopping and entertainment centres segment.

Efforts to strengthen the relationship with business partners remain equally important. The ability to service visitors and provide services to them in person is directly linked to the business success of the shopping centres' tenants. The retail and services sector, stricken by the pandemic, having overcome temporary consequences, is still facing long-term ones. As in the previous two years, in 2022 readiness to make necessary decisions fast and to take urgent action remains relevant.

In 2021, the Group strengthened its position in Riga, Latvia, where it acquired already operating shopping centre Alfa. It is the first object managed by the Group, which has been purchased from other developers. Equally as other centres managed by the Group, Alfa is subject to a high-quality target, in

order to integrate it into the Group as quickly and as fully as possible, to introduce best practices and the company's experience of managing shopping centres.

In Vilnius, in the former industrial site of 14 ha, one of the most ambitious and interesting projects is expected to be launched in 2022 – the construction of the multifunctional cultural, entertainment, business and shopping complex Akropolis Vingis. This unique complex will revive and bring life to the southern part of Vilnius, will encourage its integration into the city centre, open it to business, culture, various other activities and leisure. In 2021, the area development vision was fundamentally revamped, a new architectural concept of the complex was created. The Vilnius Regional Council of Architects approved of pre-design proposals of the project in 2021. It is planned that after successful implementation of the publicity process requirements, the construction of Akropolis Vingis should start as soon as this year.

The past financial reporting period became yet another year of work in the emergency conditions caused by the pandemic. This is valuable experience that allows us to build on changes that have taken place in the market as a basis for further development.

2022 will be devoted for strengthening our leadership among shopping and entertainment centres, introduction of new, modern solutions, ensuring a unique and exceptional offer of brands and activities. Last year, Akropolis Group successfully placed EUR 300 million bond issue, which is listed on Nasdaq Vilnius and Euronext Dublin stock exchanges. This means that the company is watched by investors and the group's business success and meeting of its obligations are particularly important for them.

This year will be yet another year of challenges, but the experience we have allows us to feel confident and concentrate on development.

Other Information

INFORMATION ON SECURITIES

In June 2021, "Akropolis Group successfully placed a 300 m EUR issue of 5-year bonds. The bonds were listed on the Euronext Dublin and Nasdaq Vilnius stock exchanges.

Name	Nominal value	Issue value	ISIN code	Buy-out date
AKROPOLIS GROUP, UAB	100,000 EUR	300 mln. EUR	XS2346869097	02/06/2026

Vilniaus Prekyba is the only shareholder of the Company. Competencies of the General Meeting of Shareholders do not differ from those specified in the Law on Companies. There is only one shareholder that has the rights provided in the Law on Companies. There are no shareholders owning special rights. No voting rights limitations apply.

INFORMATION ABOUT SUBSIDIARIES

The Company does not have branches or representative offices. Information on subsidiaries is disclosed in Note 1 of the consolidated financial statements of the Group.

INFORMATION ABOUT NON-AUDIT SERVICES

In 2021 remuneration of the Group's auditors for non-audit services amounted to 99 thousand EUR.

Akropolis Group UAB

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021,
PREPARED ACCORDING TO THE INTERNATIONAL
FINANCIAL REPORTING STANDARDS,
AS ADOPTED BY THE EUROPEAN UNION,
PRESENTED TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

AKROPOLIS

REAL ESTATE DEVELOPMENT & MANAGEMENT COMPANY

AKROPOLIS

AKROPOLIS GROUP, UAB
Registration number 302533135, Ozas St. 25, Vilnius

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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GENERAL INFORMATION

Registration

Akropolis Group, UAB is registered in Lithuania as a limited liability company under the Companies Law of Lithuania.

The Company's registration number is 302533135.

Director

Mr. Manfredas Dargužis



Independent Auditor's Report

To the shareholders of Akropolis Group UAB

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Akropolis Group UAB (the "Company") and its subsidiaries (together - the "Group") as at 31 December 2021, and the Group's consolidated financial performance 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 dated 1 April 2022.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the 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 consolidated 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 Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the Law of the Republic of Lithuania on the Audit of Financial Statements that are relevant to our audit of the 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 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.

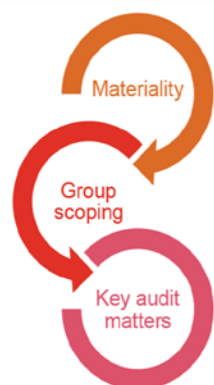
PricewaterhouseCoopers UAB, J. Jasinskio str. 16B, 03163 Vilnius, Lithuania
+370 (5) 239 2300, lt_vilnius@pwc.com, www.pwc.lt

Company code 111473315, registered with the Legal Entities' Register of the Republic of Lithuania

The non-audit services that we have provided to the Group, in the period from 1 January 2021 – 31 December 2021, are disclosed in Consolidated Annual Report section *Information on non-audit services*.

Our audit approach

Overview



- Overall Group materiality: EUR 5.700 thousand
- 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 all 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 consolidated 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 consolidated 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 consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the 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 consolidated financial statements as a whole.

Overall Group materiality	Overall materiality applied to the Group amounted to EUR 5.700 thousand
How we determined it	1% of total equity of the Group
Rationale for the materiality benchmark applied	We chose the 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 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 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 Group is the valuation of investment properties. Accordingly, an overall 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 EUR 570 thousand, 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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 Note 6 to the financial statements on page 31.	Our procedures in relation to management's valuation of investment properties included the following:
The Group's investment properties represent the most significant category of the Group's assets. Investment properties are accounted at fair value. Management estimated the fair value of the Group's investment properties to be EUR 1,006,821 thousand at 31 December 2021, as compared to EUR 795,964 thousand at 31 December 2020.	<ul style="list-style-type: none"> • evaluation of the independent external valuers' competence, capabilities and objectivity; • assessment of the methodologies applied, 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; • testing the data inputs underpinning the valuation, including rental income, capital expenditure, by agreeing them back to the supporting documentation.
Revaluation net gain of EUR 50,461 thousand (2020: EUR 1,378 thousand) was recorded as valuation gain from investment property in the consolidated statement of profit or loss and other comprehensive income.	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 analyses of the fair value of investment
The valuation of investment properties was based on the values determined by independent valuers as at 31 December 2021.	
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.

Given the materiality of investment properties, the revaluation to fair value had a significant impact on the consolidated 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 as well as 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.

How we tailored our Group audit scope

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

The Group consists of 12 entities: the Company and its subsidiaries. Six subsidiaries located in Lithuania, three subsidiaries located in Latvia and one subsidiary located in Estonia and Netherlands. A full scope audit was performed by us or, under our instructions, by PwC Latvia covering all of the Group's revenues and total assets. The remaining entities of the Group were immaterial, therefore, we performed selected audit procedures on these components relating to specified account balances or disclosures.

Reporting on other information including the consolidated annual report

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

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

In connection with our audit of the consolidated 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 consolidated 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 and Law of the Republic of Lithuania on Financial Reporting of Undertakings.

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 for which the consolidated financial statements are prepared, is consistent with the consolidated financial statements; and

properties to changes in key assumptions, which was prepared by the Group's management.



- 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 Law of the Republic of Lithuania on Financial Reporting of Undertakings.

In addition, in light of the knowledge and understanding of the Group and its 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 regard.

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

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

In preparing the consolidated financial statements, management is responsible for assessing 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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 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 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 consolidated 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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 Group on 29 April 2019 and had an uninterrupted engagement appointment of three years.

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

On behalf of PricewaterhouseCoopers UAB

Rimvydas Jogėla
Partner
Auditor's Certificate No. 000457

Vilnius, Republic of Lithuania
1 April 2022

The auditor's electronic signature is used herein to sign only the Independent Auditor's Report.



AKROPOLIS GROUP, UAB
Registration number 302533135, Ozas St. 25, Vilnius

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 31 December	
		2021	2020
		EUR'000	EUR'000
ASSETS			
Non-current assets		1 018 888	800 195
Property, plant and equipment	5	2 257	983
Investment property	6	1 006 821	795 964
Intangible assets		159	234
Deferred tax assets	18	-	111
Right-of-use assets	7	134	335
Long-term receivables	8	9 517	2 568
Current assets		93 260	61 611
Inventories		68	68
Amounts receivable and prepayments	8	6 805	3 566
Other current assets	8	4 333	1 237
Cash and cash equivalents	9	82 054	56 740
TOTAL ASSETS		1 112 148	861 806

The accompanying notes form an integral part of these consolidated financial statements.

The consolidated financial statements were approved and signed on 1 April 2022 by:

Manfredas Dargužis
CEO of Akropolis Group, UAB

Gabrielė Saponaitė
CFO of Akropolis Group, UAB

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	At 31 December	
		2021	2020
		EUR'000	EUR'000
EQUITY AND LIABILITIES			
Share capital	10	31 737	31 737
Legal reserve	10	4	4
Share premium	10	448 096	448 096
Retained earnings		91 508	842
Total equity		571 345	480 679
Non-current liabilities			
Borrowings	12	411 138	231 285
Lease liabilities	7	87	326
Deferred tax liabilities	18	86 636	83 819
Income tax liabilities		-	1 312
Other long-term payables	13	7 424	9 266
Current liabilities		35 518	55 119
Borrowings	12	12 033	36 162
Lease liabilities	7	48	64
Income tax liabilities		2 083	2 801
Trade and other payables	13	21 354	16 092
Total liabilities		540 803	381 127
TOTAL EQUITY AND LIABILITIES		1 112 148	861 806

The accompanying notes form an integral part of these consolidated financial statements.
The consolidated financial statements were approved and signed on 1 April 2022 by:

Manfredas Dargužis
CEO of Akropolis Group, UAB

Gabrielė Saponaitė
CFO of Akropolis Group, UAB

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December	
		2021	2020
		EUR'000	EUR'000
Rental income		57 276	55 572
Service charge income		21 859	21 209
Service charge expenses	14	(20 982)	(20 467)
NET RENTAL INCOME		58 153	56 314
Administrative expenses	15	(3 713)	(3 515)
Other income, net		1 933	371
Profit on disposal of investment property		1 199	-
Valuation gain (loss) from investment property		50 461	1 378
OPERATING PROFIT (LOSS)		108 033	54 548
Interest expenses	16	(8 093)	(3 488)
Interest income	16	-	838
Other financial expenses		(980)	(156)
PROFIT (LOSS) BEFORE INCOME TAX		98 960	51 742
Income tax expense	17	(8 294)	(5 917)
NET PROFIT (LOSS)		90 666	45 825
TOTAL COMPREHENSIVE INCOME (LOSS)		90 666	45 825
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Equity holders of the parent		90 666	45 825
EARNINGS PER SHARE (EUR)			
Basic / diluted	11	0,828	0,419

The accompanying notes form an integral part of these consolidated financial statements.
The consolidated financial statements were approved and signed on 1 April 2022 by:

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CEO of Akropolis Group, UAB

Gabrielė Saponaitė
CFO of Akropolis Group, UAB

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Legal reserve	Retained earnings	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Balance at 31.12.2019	31 737	580 196	4	5 017	616 954
Transactions with owners:					
Reduction of share premium	-	(132 100)	-	-	(132 100)
Dividends paid	-	-	-	(50 000)	(50 000)
Total transactions with owners	-	(132 100)	-	(50 000)	(182 100)
Net profit	-	-	-	45 825	45 825
Total comprehensive income	-	-	-	45 825	45 825
Balance at 31.12.2020	31 737	448 096	4	842	480 679
Transactions with owners:					
Total transactions with owners	-	-	-	-	-
Net profit	-	-	-	90 666	90 666
Total comprehensive income	-	-	-	90 666	90 666
Balance at 31.12.2021	31 737	448 096	4	91 508	571 345

The accompanying notes form an integral part of these consolidated financial statements.

The consolidated financial statements were approved and signed on 1 April 2022 by:

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Gabrielė Saponaitė
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STATEMENT OF CASH FLOWS

	Notes	Year ended 31 December	
		2021	2020
		EUR'000	EUR'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit (loss)		90 666	45 825
Adjustments for:			
Income tax expense		8 294	5 917
Depreciation and amortization		832	779
Write off and loss on disposal of PPE	5	(22)	(4)
(Profit) from sale of subsidiary		(1 199)	-
Valuation gain (loss) from investment property	5,6	(50 461)	(1 378)
Interest expense	16	8 093	3 488
Interest income		-	(838)
Operating cash flows before movements in working capital		56 203	53 789
(Increase)/decrease amounts receivable, prepayments and other current assets		(7 443)	202
Increase in inventories		-	5
Increase (decrease) in payables		4 224	3 662
Cash generated from operations		52 984	57 658
Interest paid		(3 032)	(3 467)
Income tax paid		(7 396)	(1 749)
Net cash generated from operating activities		42 556	52 442
INVESTING ACTIVITIES			
Acquisition of PPE, investment property and intangible assets		(173 174)	(3 320)
Disposal of subsidiaries		4 523	-
Repayments of loans granted		-	149 000
Interest received		-	1 455
Net cash generated from (used in) investing activities		(168 651)	147 135
FINANCING ACTIVITIES			
Decrease of share capital		-	(132 100)
Dividends paid		-	(50 000)
Proceeds from borrowings		319 734	15 000
Repayments of borrowings		(168 325)	(29 419)
Net cash generated from (used in) financing activities		151 409	(196 519)
Net increase (decrease) in cash and cash equivalents		25 314	3 058
Cash and cash equivalents at the beginning of the year		56 740	53 682
Cash and cash equivalents at the end of the year		82 054	56 740

The accompanying notes form an integral part of these consolidated financial statements.

The consolidated financial statements were approved and signed on 1 April 2022 by:

Manfredas Dargužis
CEO of Akropolis Group, UAB

Gabrielė Saponaitė
CFO of Akropolis Group, UAB

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Akropolis Group, UAB (entity code 302533135) (hereafter – “the Company”) was incorporated on 30 July 2011 in Lithuania as a limited liability company under the Companies Law of Lithuania. Its registered office is Ozas St. 25, Vilnius, Lithuania.

The sole shareholder of the Company, owning 100% of shares, was UAB “Vilniaus Prekyba”, company code 302608755, address Ozas St. 25, Vilnius. The ultimate parent entity is Metodika B.V., address: Amstelveenseweg 500, 1081 KL, Amsterdam, Kingdom of the Netherlands, operating in the Kingdom of the Netherlands. The ultimate controlling party is Mr. Nerijus Numa.

The Group’s bonds are traded at Euronext Dublin (Ireland) and Nasdaq Vilnius (Lithuania) stock exchanges.

The Group is comprised of the Company and its subsidiary undertakings (hereafter collectively referred as “the Group”). The Group has undergone a change in corporate structure whereby Akropolis Real Estate B.V. and all of its subsidiaries became subsidiaries of Akropolis Group, UAB (the “Reorganisation”). On 22 March 2021, UAB “Vilniaus Prekyba”, the sole shareholder of Akropolis Group, UAB and Akropolis Real Estate B.V., adopted a decision to increase the share capital of Akropolis Group, UAB by non-monetary contribution of the shareholder, namely, the payment of the subscription price of the newly issued shares in Akropolis Group, UAB has been performed by transferring ownership of 100% of the shares in Akropolis Real Estate B.V. from UAB “Vilniaus Prekyba” to Akropolis Group, UAB. Shares in Akropolis Real Estate B.V. were transferred to the ownership of Akropolis Group, UAB by notarial deed on 24 March 2021. All formal registrations finalizing the Reorganisation were completed on 6 April 2021.

The Company for the first time prepared Consolidated financial statements in accordance with IFRS as adopted by the EU for the years ended 31 December 2021. Last available financial statements were Combined financial statements of Akropolis Group, UAB and Akropolis Real Estate B.V. for the years ended 2020 and 2019, which have been prepared exclusively for inclusion in the bond prospectus. The Combined financial statements do not constitute statutory accounts of either of the two companies. IFRS does not prescribe how to prepare Combined financial statements, however, the Conceptual Framework to IFRS envisages that the reporting entity might comprise two or more entities that are not all linked by a parent-subsidiary relationship. In this case the reporting entity’s financial statements are referred to as “Combined financial statements”.

The Reorganisation, completed on 6 April 2021, is a business combination under common control. The accounting for common control transactions is not prescribed by IFRS. One of the acceptable methods to account for such transactions, which is now used by Akropolis Group, UAB, is to apply the predecessor values method (the historical carrying values from the combining businesses) in the interim consolidated financial statements of Akropolis Group, UAB for the period ended 31 December 2021, with the retrospective presentation approach. Under this approach, the consolidated financial statements of Akropolis Group, UAB is presented as if the businesses have been Consolidated from the beginning of the earliest period presented because Akropolis Group, UAB and Akropolis Real Estate B.V. were under common control as of that date.

As of 31 December 2020 share capital of Akropolis Group UAB and Akropolis Real Estate B.V. Consolidated financial statements consisted of EUR 43 thousand of the share capital of Akropolis Group UAB and of EUR 140,110 thousand of the share capital of Akropolis Real Estate B.V. On 22 March 2021 the Shareholder’s decision was signed to increase the share capital of Akropolis Group UAB from EUR 43 thousand to EUR 31,737 thousand with a non-monetary Shareholder’s contribution - Akropolis Real Estate B.V. 100% stake. In connection therewith, Akropolis Group UAB has issued 109,291 thousand new ordinary registered shares of EUR 0.29 par value each (hereinafter, the “Newly Issued Shares”). The total issue price of all Newly Issued Shares - EUR 479,790 thousand. The balances of the previous year, which have been recalculated retrospectively by assessing the Group’s share capital, share premium and retained earnings, differ from Consolidated Financial Statements of the Group for the years ended 31 December 2020 and 31 December 2019 due to transition from Consolidated to consolidated financial statements. On April 29, 2020, the decision of the shareholder reduced Akropolis Real Estate B.V. authorized capital by 132 100 thousand EUR. In the Consolidated financial statements for the years ended 31 December 2020 and 2019 this was shown as a reduction of authorized capital. In these annual Consolidated financial statements 132 100 thousand EUR shown as a decrease in the share premium because these financial statements are presented as if the businesses have been Consolidated from the beginning of the earliest period.

The composition of the Group

The details of subsidiaries owned by the Company are provided in the table below. The Group’s key area of operations includes the development of real estate owned by the Group and its lease to tenants based on agreements in Lithuania and Latvia. The Group consists of the Company and its directly and indirectly controlled subsidiaries.

As at 31 December 2021 and 2020 the Group had no branches and representative offices.

As at 31 December 2021 and 2020 the Group had 119 and 114 employees, respectively.

As at 31 December 2021 and 2020, the Company directly or indirectly controlled the following subsidiaries:

Name	Country	Registered office address	Principal activity	Managed	Ownership (Effective)	
					31.12.2021	31.12.2020*
OZO TURTAS, UAB	Lithuania	Ozo str. 25, Vilnius	Real estate management and development	Indirectly	100%	100%
TAIKOS TURTAS, UAB	Lithuania	Ozo str. 25, Vilnius	Real estate management and development	Indirectly	100%	100%
AIDO TURTAS, UAB	Lithuania	Ozo str. 25, Vilnius	Real estate management and development	Indirectly	100%	100%
M257, SIA	Latvia	Maskavas iela 257, Riga	Real estate management and development	Indirectly	100%	100%
Delta Property, SIA	Latvia	Brīvības gatve 372, Rīga	Real estate management and development	Directly	100%	-
AKROPOLE RIGA, SIA	Latvia	Maskavas iela 257, Riga	Real estate management and development	Directly	100%	100%
VINGIO TURTAS, UAB	Lithuania	Ozo str. 25, Vilnius	Land plots for future developments	Indirectly	100%	100%
NARVA KVP, OU	Estonia	Mustamäe tee 45, Tallinn, 10619	Land plots for future developments	Indirectly	100%	100%
BIRULIŠKIŲ TURTAS, UAB	Lithuania	Ozo str. 25, Vilnius	Land plots for future developments	Indirectly	100%	100%
AKROPOLIS REAL ESTATE BV	Netherlands	Claude Debussylaan 7, 1082MC Amsterdam	Real estate management and development	Directly	100%	-
NIKOLA MUSHANOV PROJEKTAS, UAB	Lithuania	Ozo str. 25, Vilnius	Land plot	Indirectly	100%	100%

*As at 31 December 2021 and 2020 OZO TURTAS, UAB, TAIKOS TURTAS, UAB, AIDO TURTAS, UAB, M257, SIA, VINGIO TURTAS, UAB, NARVA KVP, OU and BIRULIŠKIŲ TURTAS, UAB were 100% owned by AKROPOLIS REAL ESTATE BV.

2. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

Statement of compliance

These Consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (the “EU”). These Consolidated financial statements have been prepared on a historical cost basis, except for investment property that have been measured at fair value.

Presentation currency

These financial statements are presented in a common currency of the European Union – the euro.

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.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRS. Changes in the fair value of contingent consideration classified as equity are not recognised.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as at the acquisition date that, if known, would have affected the amounts recognised as at that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as at the acquisition date – and is subject to a maximum of one year.

Revenue recognition

The Group generates revenue mostly from lease of investment property, as disclosed in Note 1. In addition to lease, the Group provides utility, repair and similar services, and other services relating to the activities of the shopping centres.

Rental income

Rental income is recognised in a manner that is described in section 'Leases' below. When a lease contract includes elements of service, the Group assesses whether the individual elements of service are separate services promised to a customer in a contract (performance obligations), and revenue from such services is recognised as described below.

Revenue from contracts with customers

Revenue from contracts with customers is recognised when a customer obtains control of service or good at the amount of consideration that the Group expects to receive in exchange for that service or good. The Group has determined that it acts as a principal when providing utility, repair and other services because:

- the Group controls the specified good or service before that good or service is transferred to a customer;
- the Group is responsible for fulfilling the promise to provide the services and is exposed to non-performance risk;
- the Group has discretion, direct or indirect, in establishing the price for the specified good or service.

The Group's management has also determined that generally the control of the specified services is transferred to a customer over time, and accordingly, the Group satisfies the performance obligation and recognises revenue over time, because the customer simultaneously receives and consumes all of the benefits provided by the Group as the Group performs under a contract. Such revenue is recognised by measuring progress towards complete satisfaction of the performance obligation or by directly measuring the value of services transferred to a customer to date.

Revenue from unused Akropolis gift vouchers

The Group has signed the agreement with the suppliers on the distribution and administration of Akropolis gift vouchers. At the distribution locations of gift vouchers customers can acquire gift vouchers of different denominations which can be used instead of money to pay for goods at any store of the Akropolis shopping centres. Gift vouchers have a limited period of validity, i.e. they are valid for 12 months from the date of acquisition. Based on the Group's management judgement, unused gift vouchers that have already expired and that were acquired earlier than during the previous year are recognised as revenue earned by the Group. Such revenue is recognised using the agency accounting policies because:

- the Company does not assume the main responsibility for the services rendered;
- the Company has no discretion, direct or indirect, in establishing the prices.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

Contract balances

Contract assets - accrued revenue

A contract asset is the right to consideration in exchange for the services provided to a customer. If the Group performs by transferring services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised at an amount equal to the earned consideration that is conditional.

Trade receivables

A trade receivable represents the Group's right to the earned consideration that is unconditional (i.e. consideration becomes payable, without any exceptions, upon the agreed deadline). See the accounting policy for financial assets.

Contract liabilities - advance amounts received

A contract liability is the obligation to provide services to a customer in exchange for consideration received (receivable) by the Group from a customer. If a customer pays consideration before the Group provides the services, a contract liability is recognised when the payment is received. A contract liability is recognised as revenue when the Group satisfies the performance obligation contained in a contract.

In case of income from other activities received for unused Akropolis gift vouchers, a contract liability, i.e. funds received for the sale of gift vouchers that need to be transferred to the distributor of gift vouchers, is accounted for in the statement of financial position as other amounts payable.

In view of the Group's business model, the management has not made any other significant accounting judgements, estimates or assumptions related to revenue from contracts with customers other than those described in this note, because there were no complex multicomponent goods or services, variable consideration, financing components, contract costs or amounts payable to customers.

Interest income

Interest income is accrued on a time proportion basis over the entire period to maturity by reference to the principal outstanding and the effective interest rate.

Dividend Income

Dividend income is recognized when the shareholders' rights to receive payment have been established.

Leases

Lease is recognised as finance lease when substantially all the risks and rewards of ownership of the assets are transferred under the lease terms and conditions. An operating lease is a lease other than a finance lease.

The Group as a lessor

Operating lease

Rental income from operating lease is recognised on a straight-line basis over the lease period. Initial direct costs incurred in negotiating and arranging a lease are added to the carrying amount of the leased asset and recognised over the lease term.

Discounts/temporary rent reductions are treated as the Group's incentives used to retain the tenants under operating lease. The Group recognises accumulated incentive costs on a straight-line basis as a reduction of rental income over the remainder operating lease period.

Deposits from tenants

Liabilities for the deposits from tenants are initially recognised at fair value and subsequently measured at amortised cost, if material.

Depending on the lease contract term, the deposits from tenants are classified as either non-current or current. Advance amounts received under indefinite term contracts or contracts with validity term less than 12 months are classified as current liabilities, whereas advance amounts received under any other contracts are classified as non-current liabilities.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

The Group as a lessee

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Recognised right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and the lease term.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable and variable lease payments that depend on an index or a rate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period when they occur. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The carrying amount of lease liabilities is remeasured if there is a change in the variable lease payments that depend on an index or a rate or there is a change in the lease term.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). The exemption is also applied to leases of office space and other equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Foreign currency

Functional and presentation currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements are presented in EUR, which is functional currency of all but Bulgarian Group companies.

At the reporting date, The Group's all foreign subsidiaries conducted transactions mostly in euros.

Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. Exchange differences arising on transactions in foreign currencies are included in the profit or loss in the statement of comprehensive income when incurred. Gains and losses resulting from the translation of monetary assets or liabilities denominated in foreign currencies are included in the statement of comprehensive income for the period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Interest paid on borrowings related to investment property acquisition are presented under operating activities in statement of cash flows.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

Income tax

Income tax expense represents the sum of the current tax and deferred income tax expenses.

Current income tax

Current year income tax expenses are calculated on current year profit, as adjusted for certain non-deductible expenses/non-taxable income. The tax rate used to calculate the income tax expenses is a tax rate effective at the date of preparation of the financial statements.

Effective corporate income tax rates that have been applied in calculation of current income tax:

	2021	2020
Lithuania	15%	15%
Latvia*	25%	25%
Estonia*	25%	25%
Netherlands	20%	20%

*The taxation of corporate profits in Latvia and Estonia is postponed until those profits are distributed as dividends. All undistributed corporate profits are not taxed and effective corporate income tax is therefore 0%.

Deferred income tax

Deferred income tax assets and deferred income tax liabilities are recognised to reflect differences between the carrying amounts of assets and liabilities for financial reporting purposes and their corresponding tax base. Deferred income tax liabilities are recognised for all temporary differences that will subsequently increase taxable profit, and deferred income tax assets are recognised only to the extent to which they are expected to reduce taxable profit in the future. Such deferred income tax assets and liabilities are not recognised if temporary differences arise from the initial recognition of goodwill or from the initial recognition of assets and liabilities (other than in a business combination) in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred income tax liabilities are recognised for temporary taxable differences, except where the timing of the reversal of the temporary differences associated with investments in subsidiaries, entities under common control and associates is controlled by the Company, and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred income tax assets are recognised for deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised and that the temporary differences will reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred income tax liabilities and deferred income tax assets reflects the Group's expectations, at the end of the reporting period, as to the manner in which the carrying amount of its assets and liabilities will be recovered or settled.

Deferred income tax assets and liabilities are offset only when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they are related to income taxes levied by the same taxing authority, and when the Group intends to settle the amounts of current tax assets and current tax liabilities on a net basis.

Current and deferred income tax for the period

Current and deferred income tax is included in profit or loss for the period, except to the extent that it relates to line items recognised in other comprehensive income or directly in equity, in which case income tax is also recognised in other comprehensive income/equity, or if it arose from initial recognition of the business combination.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

In Lithuania, tax losses can be carried forward for an indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the company changes the activities that have caused the occurrence of such losses, except when the company does not continue its activities due to the reasons that are beyond its control. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce profit earned from the transactions of the same nature. With effect from 1 January 2014, based on the Law on Corporate Income Tax of the Republic of Lithuania, tax losses available for carry forward can be used to reduce taxable income of the current tax year by maximum 70%.

With effect from 1 January 2010, the Law of the Republic of Lithuania on Corporate Income Tax stipulates that a group entity may transfer tax losses (or a part thereof) calculated for the tax period to another entity of a group, which in turn has a right to deduct the transferred losses from the amount of taxable profit calculated for the tax period in respect of which the losses (or a part thereof) transferred by another group entity were calculated.

Property, plant and equipment

Property, plant and equipment is stated at acquisition cost less subsequent accumulated depreciation and accumulated impairment loss. The acquisition cost includes replacement costs of a part of property, plant and equipment when incurred and when these costs meet the recognition criteria. When a significant part of non-current assets needs to be replaced at respective time intervals, the Company depreciates this property, plant and equipment separately in view of its useful life. Accordingly, when major repairs are carried out, expenses are accounted for in the statement of financial position as the modification of property, plant and equipment when the recognition criteria are met. All other repair and maintenance costs are recognised in profit or loss of the period as incurred.

Depreciation is calculated on a monthly basis apportioned equally over the entire useful life of the asset using average estimated useful lives of property, plant and equipment, as follows:

Equipment and other assets	3 - 15 years
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All items of assets with the useful life longer than one year are capitalised.

Gains or losses on disposal or write-off of property, plant and equipment are determined by reference to the proceeds from disposal less the carrying amount of the asset concerned, and the result is recognised in profit or loss.

Investment property

Investment property is property held to earn rentals and/or for capital appreciation and property under construction which will be held to earn rentals and/or for capital appreciation. Property held under an operating lease is classified as investment property when the definition of an investment property is met. Investment property comprises principally retail property and offices that are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.

Such property is initially measured at cost including any transaction costs and then is carried at fair value. The fair value of investment property reflects, among other things, rental income from current leases and other assumptions market participants would make when pricing the property under current market conditions. Fair value of investment property is reviewed at each reporting date, gains or losses arising from changes in the fair value of investment property are included in the statement of comprehensive income for the period in which they arise. For the purposes of these financial statements, in order to avoid double counting, the fair value reported in the financial statements is reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and/or minimum lease payments. Repair costs related to investment property reported at fair value are recognised as expenses in the period in which they are incurred.

Investment property is derecognised when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of comprehensive income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with view to sale. For a transfer from investment property to owner occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy adopted for property, plant and equipment up to the date of change in use.

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For evaluation of the Group's property, the following methods were used: the operating income (income capitalisation or discounted cash flow) approach for evaluation of income-generating investment property and the sales comparison approach for evaluation of investment property under construction and vacant land plots.

The operating income (income capitalisation or discounted cash flow) approach is normally applied to establish the value of income-generating properties to be acquired by an investor. This approach also relies on market data that are used to determine the current economical volumes of rent rates and expenses that form the basis of the estimated net income. Depending on the purpose of the property, the specifics of its operation and the character of cash flow as well as the typical expectations of buyers and sellers on the market, the appraiser may adopt the capitalisation approach to value. Under the direct capitalisation approach, the value of assets is calculated by dividing the net income (profit) by a capitalisation rate. When the discounted cash flow approach is applied, the value of the property is calculated by summing up the present values of future cash flows, discounted at a discount rate. Both the direct capitalisation and the discounted cash flow approach are used to determine the market value. Using the operating income (income capitalisation or discounted cash flow) approach to value, first of all, one must consider the overall income, from which the respective amounts are subtracted considering the losses for vacancies and levies, expenses and provisions. The resulting net income is capitalised or discounted at a specific rate, which is proportional to the risks related to the title to the property. According to the direct capitalisation approach, the income and expenses on one year are stabilized and the earned net operating revenues are capitalised according to a coefficient or a return rate proportional to the risk related to the ownership of the property under valuation. When capitalising the revenue under this method, account shall be taken of the competitive return offered by the alternative instruments of investment into immovable or other property. The underlying assumption of the method is based on the assumption that the forecast cash flow will be generated for a unlimited period of time, however, this statement normally does not apply in case of compound investment into real estate. Group's income-generating properties for financial statements preparation purposes were valued using the discounted cash flow method.

Investment property under construction and vacant land plots are valued using sales comparison approach. Sales comparison approach relies on search for recent sales transactions involving comparable property and analysis of data related to the subject property. This approach is based on the price paid in actual market transactions over comparable properties to derive the market price of the subject property. This property valuation approach relies on data on fully comparable sales transactions concluded over a relatively long period of time that reflect the market conditions related to the subject property. Applying the sales comparison approach to value, the data interrelation allows determining the value of the subject property considering certain adjustments in view of the physical and economical characteristics of the property.

In both 2021 and 2020 the valuations of the investment property was carried out by independent property appraiser CPB Real Estate Services UAB, CPB Real Estate Services SIA (CBRE Baltics). The valuations have been prepared in accordance with the RICS 2021 Valuation – Professional Standards global, Lithuanian Valuation Law as well as International Valuation Standards IVS 2021 and European Valuation Standards EVS 2021. The valuation results were reflected in the financial statements as at 31 December 2021 and 2020 (Note 6).

Income-generating investment properties	2021	2020
Exit yields	7,0-7,8%	7,0-7,8%
Discount rates	8,5-9,1%	8,4-8,7%

Significant increase (decrease) in the discount rate and/or exit yield would lead to a significant decrease (increase) in the fair value of investment property.

Impairment of property, plant and equipment and intangible assets

At each reporting date the Group reviews the net book amount of its property, plant and equipment and intangible assets to assess whether there is an indication that an asset may be impaired. If any such indication exists, the Group estimates the asset's recoverable amount to assess impairment, if any. When the fair value of the asset cannot be estimated, the Group calculates the recoverable amount of a cash-generating unit to which the asset belongs.

The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

When the calculated recoverable amount of an asset (or a cash-generating unit) is lower than its net book value, the net book value is written down to the fair value of an asset (or a cash-generating unit). An impairment loss is recognised immediately.

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If after recognition of impairment losses the value of an asset increases, the net book value of an asset (cash-generating unit) is increased to the newly calculated recoverable amount of an asset. That increased recoverable amount cannot exceed the net book value of an asset (cash-generating unit) that would have been determined had no impairment losses been recognised in the previous periods. Increase in value of assets is recognised in profit or loss immediately.

Inventories

Inventories are stated at the lower of costs or net realisable value. Costs are determined using FIFO method.

Cash and cash equivalents

Group's cash and cash equivalents in the statement of financial position and the statement of cash flows consist of cash in hand, demand deposits and short-term bank deposits with a maturity at inception date of three months or less. The cash and cash equivalents are measured at amortised cost and the carrying amount approximates their fair value.

Financial assets

Initial recognition and measurement

On initial recognition, financial assets are classified as subsequently measured at amortised cost, at fair value through other comprehensive income, or at fair value through profit or loss.

The classification of financial assets at initial recognition depends on the contractual cash flow characteristics of the financial assets and the Group's business model for managing the financial assets. Except for trade receivables that do not contain a significant financing component, the Group initially recognises financial assets at fair value, plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined in accordance with IFRS 15.

For a financial asset to be designated and measured at amortised cost or fair value through other comprehensive income, cash flows arising from the financial asset should comprise solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is called the SPPI test and is performed individually for each financial instrument.

The Group's business model for managing financial assets indicates how the Group manages its financial assets in order to generate cash flows. The business model determines whether cash flows will be generated by collecting contractual cash flows, by selling the financial asset or by using both options.

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Group commits to purchase or sell the financial asset.

Subsequent measurement

After initial recognition, the Company measures its financial assets:

- a) at amortised cost (debt financial instruments);
- b) at fair value through other comprehensive income, when accumulated gain or loss is transferred to profit or loss upon derecognition (debt financial instruments); As at 31 December 2021 and 2020, the Group had no such financial instruments;
- c) at fair value through other comprehensive income, when accumulated gain or loss is not transferred to profit or loss upon derecognition (equity instruments). As at 31 December 2021 and 2020, the Group had no such financial instruments;
- d) at fair value through profit or loss. As at 31 December 2021 and 2020, the Group had no such financial instruments.

Financial assets measured at amortised cost (debt financial instruments)

The Group classifies its financial assets as measured at amortised cost only if both of the following criteria are met:

- i) the financial asset is held within a business model whose objective is to collect the contractual cash flows; and
- ii) the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortised cost are subsequently recorded using the effective interest rate (EIR) method less impairment losses. Gains or losses are recognised in the statement of comprehensive income when the asset is derecognised, replaced or impaired.

The Group's financial assets measured at amortised cost include trade receivables, other current and non-current receivables, loans granted and assets from contracts with customers (if any).

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Impairment of financial assets

According to IFRS 9, the Group recognises expected credit losses (ECLs) for all debt financial instruments that are not measured at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

(a) Assessment of impairment of trade receivables

For trade receivables and contract assets, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

The expected loss rates are based on the historical information about the delayed payments by customers. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the tenants to settle the receivable. Such forward-looking information would include: (1) changes in economic, regulatory, technological and environmental factors, (such as industry outlook, GDP, employment and politics), (2) external market indicators, (3) customers' base.

Trade receivables are written off when they meet both of the following criteria are met: (1) receivables are past due more than a year and (2) the recovery is impossible.

(b) Assessment of impairment of loans granted

The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group follows a three-stage model for impairment for financial assets other than trade receivables and contract assets:

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

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

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

Financial liabilities

Initial recognition and measurement

On initial recognition, financial liabilities are classified into the following categories: financial liabilities at fair value through profit or loss, borrowings, and amounts payable. All financial liabilities are initially recognised at fair value, less directly attributable transactions costs in case of borrowings and amounts payable. The Group's financial liabilities include trade and other payables, borrowings, including lease liabilities.

Subsequent measurement of borrowings and other amounts payable

After initial recognition, borrowings and other amounts payable are accounted for at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in the statement of comprehensive income when liabilities are derecognised, as well as through the amortisation process. Amortised cost is calculated by reference to the discount or premium on acquisition, as well as costs that are an integral part of the EIR. EIR amortisation is included in financing costs in the statement of comprehensive income.

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Off-setting of financial instruments

Financial assets and financial liabilities are set off and the net amount is presented in the statement of financial position when there is an enforceable right to set off the recognised amounts and when there is intention to settle on a net basis, i.e. to realise the asset and settle the liability simultaneously.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risk and rewards of the asset but has transferred the control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

Provisions

Provisions are recognized when the Group has a present obligation (legal and constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are made by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income, net of any reimbursement.

Contingencies

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Effective interest rate method

The effective interest rate method is used to calculate amortised cost of financial assets or financial liabilities and allocate interest income or expenses to the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, when appropriate, a shorter period to the gross carrying amount of the financial asset or financial liability.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Group's finance department includes a team that organizes process of the valuations of land and buildings required for financial reporting purposes, including levels 2 and 3 fair values. On an annual basis, the Group engages external, independent and qualified valuers to determine the fair value of the Group's land and buildings. As at 31 December 2020, the fair values of the land and buildings have been determined by the independent appraisers CBRE Baltic.

The external valuations of the level 3 land and buildings have been performed using an income approach whilst partially using unobservable inputs. The external valuator, in discussion with the Group's internal valuation team, has determined these inputs based on the size, age and condition of the land and buildings, the state of the local economy and real estate market in the corresponding national economy. The external valuations of the level 2 land and construction in progress have been performed using a sales comparison approach, using the data from similar properties traded on the sales market.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management performs the valuations at each reporting date. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Related parties

A party is related to an entity if:

- a) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries); has an interest in the entity that gives it significant influence over the entity; or has joint control over the entity;
- b) the party is an associate of the entity;
- c) the party is a joint venture in which the entity is a venturer;
- d) the party is a member of the key management personnel of the entity or its parent;
- e) the party is a close member of the family of any individual referred to in (a) or (d);
- f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- g) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

Events after the reporting period

Subsequent events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the financial statements. Subsequent events that are not adjusting events are disclosed in the notes when material.

Rounding

Due to rounding the numbers in these consolidated financial statements may not sum up.

Critical accounting estimates and judgements

In applying accounting policies the management is required to make estimates, judgements and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and the related assumptions are based on past experience and other directly related factors. Actual results may differ from estimates made.

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The estimates and underlying assumptions are reviewed on an ongoing basis. The effect of a change in an accounting estimate is recognised in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both current and future periods. The areas of these financial statements that involve the use of accounting estimates are fair values of investment property (Note 6).

3. ADOPTION OF NEW AND/OR AMENDED IFRS AND INTERPRETATIONS OF THE INTERNATIONAL FINANCIAL REPORTING INTERPRETATIONS COMMITTEE (IFRIC)

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group as of 1 January 2021. The adoption of these amendments had no significant impact on the Company's financial statements.

- Covid-19-Related Rent Concessions – Amendments to IFRS 16, effective for annual periods beginning on or after 1 June 2020.
- Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, effective for annual periods beginning on or after 1 January 2021. IBOR reform had no impact for the Group, as all borrowings are either EURIBOR linked, or have fixed interest rates, therefore there was no need to transition to alternative benchmark interest rates. Changes in how EURIBOR is determined (determination has shifted from a quotes-based to a transactions-based methodology) had no impact on interest rates applied, as for all EURIBOR linked borrowings three months EURIBOR is subject to a 0% floor. Before and after the changes in how EURIBOR is determined EURIBOR was negative, therefore 0% floor was applicable to arrive at interest rate and therefore those changes had no impact on interest rate itself and no effect on future cash flows. The financial liabilities denominated at EURIBOR based interest rate are disclosed in Note 12.
- Amendment to IFRS 4 – deferral of IFRS 9, effective for annual periods beginning on or after 1 January 2023.
- Covid-19-Related Rent Concessions – Amendments to IFRS 16, effective for annual periods beginning on or after 1 April 2021.

Standards issued but not yet effective

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2021 or later, and which the Company has not early adopted. These standards are listed below and are not expected to have a significant impact on the Company's financial statements. The Company intends to implement them on their effective date.

- IFRS 17 "Insurance Contracts", effective for annual periods beginning on or after 1 January 2021.
 - Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41. Effective for annual periods beginning on or after 1 January 2022.
 - Amendments to IFRS 17 and an amendment to IFRS 4, effective for annual periods beginning on or after 1 January 2023.
- These amendments have not yet been adopted by the EU.*
- IFRS 14, Regulatory Deferral Accounts, effective for annual periods beginning on or after 1 January 2016.
 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28, effective for annual periods beginning on or after a date to be determined by the IASB.
 - Classification of liabilities as current or non-current – Amendments to IAS 1, effective for annual periods beginning on or after 1 January 2022.
 - Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1, effective for annual periods beginning on or after 1 January 2023.
 - Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies, effective for annual periods beginning on or after 1 January 2023.
 - Amendments to IAS 8: Definition of Accounting Estimates, effective for annual periods beginning on or after 1 January 2023.
 - Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12, effective for annual periods beginning on or after 1 January 2023.
 - Transition option to insurers applying IFRS 17 – Amendments to IFRS 17, effective for annual periods beginning on or after 1 January 2023.

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4. SEGMENT INFORMATION

The CEO of Akropolis Group, UAB and the Board of Directors of the Akropolis Group, UAB, acting in accordance with their authorizations established in the Articles of Association, are the Chief Operating Decision Maker in the Group. Segments are defined based on how the Board monitors operating results of the Group's business units for the purpose of making decisions about resource allocation and performance assessment. The Group's operations are organised and monitored by the Board by five segments, which represent each revenue generating investment property:

- Ozo Turtas, UAB (Akropolis Vilnius)
- Taikos Turtas, UAB (Akropolis Klaipėda)
- Aido Turtas, UAB (Akropolis Šiauliai)
- M257, SIA (Akropole Riga)
- Delta Property, SIA (Alfa)

Country and asset performance is evaluated based on revenue, EBITDA and net profit. EBITDA is one of the key indicators for the Chief Operating Decision Maker in financing, investment and other decision making. EBITDA is a non-IFRS measure, which is calculated by adjusting net profit by adding back costs and eliminating income from income tax expenses, depreciation and amortisation, finance income and costs, impairment and write-off of property, plant and equipment, investment properties and intangible assets, gain or loss from revaluation of investment property and profit from disposal of subsidiaries. Same measure was applied for both years. The Chief Operating Decision Maker does not analyse assets and liabilities by segments.

Accounting policies used for segments are the same as the accounting policies used in the preparation of the consolidated financial statements. "Adjustments" column reflects eliminations of intercompany transactions upon consolidation, together with the results of all other Group companies that are deemed insignificant to show as a separated segment. This also includes land revaluation (other than revenue generating investment properties) effect of EUR 434 thousand as of 31 December 2021 (EUR 5 137 thousand as of 31 December 2020). IFRS 16 lease modification adjustments are reflected in "Lease incentive impact" column:

Year ended 31 December 2021 (EUR'000)	Akropolis Vilnius Lithuania	Akropolis Klaipėda Lithuania	Akropolis Šiauliai Lithuania	Akropole Riga Latvia	Alfa Latvia	Adjustments	Total before IFRS16	Lease incentive impact	The Group
Gross Leasable Area (GLA)	94 851	60 643	36 084	70 877	71 040				
Revenue	28 384	19 403	9 578	17 421	1 566	439	76 791	4 277	81 068
Rent income	20 585	13 783	6 205	11 058	1 525	(157)	52 999	4 277	57 276
Additional fees income	7 203	5 256	3 205	4 743	32	(67)	20 372	-	20 372
Other income	596	364	168	1 620	9	663	3 420	-	3 420
Property operating expenses	(7 543)	(5 760)	(3 555)	(5 775)	(1 030)	(201)	(23 864)	-	(23 864)
EBITDA	20 841	13 643	6 023	11 646	536	238	52 927	4 277	57 204
NET PROFIT (LOSS)	23 644	16 860	8 178	14 191	27 180	613	90 666	-	90 666

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Year ended 31 December 2020 (EUR'000)	Akropolis Vilnius Lithuania	Akropolis Klaipėda Lithuania	Akropolis Šiauliai Lithuania	Akropole Riga Latvia	Alfa Latvia	Adjustments	Total before IFRS16	Lease incentive impact	The Group
Gross Leasable Area (GLA)	94 783	60 643	36 048	70 874					
Revenue	27 702	18 898	9 246	17 621	-	31	73 498	3 729	77 227
Rent income	20 106	13 437	6 047	12 279	-	(26)	51 843	3 729	55 572
Additional fees income	6 966	5 103	3 014	4 777	-	(197)	19 663	-	19 663
Other income	630	358	185	565	-	254	1 992	-	1 992
Property operating expenses	(7 482)	(5 582)	(3 483)	(6 580)	-	(261)	(23 388)	-	(23 388)
EBITDA	20 220	13 316	5 763	11 041	-	(230)	50 110	3 729	53 839
NET PROFIT (LOSS)	21 002	11 270	1 750	5 528	-	6 275	45 825	-	45 825

Tables below present reconciliation of EBITDA to the net profit for the years ended 31 December 2021 and 31 December 2020:

Year ended 31 December 2021 (EUR'000)	Akropolis Vilnius Lithuania	Akropolis Klaipėda Lithuania	Akropolis Šiauliai Lithuania	Akropole Riga Latvia	Alfa Latvia	Adjustments	Total before IFRS16	Lease incentive impact	The Group
EBITDA	20 841	13 643	6 023	11 646	536	238	52 927	4 277	57 204
Valuation gain (loss) from investment property	9 517	6 877	4 114	5 003	26 940	2 287	54 738	(4 277)	50 461
Depreciation and amortization	(376)	(116)	(28)	(106)	(22)	(184)	(832)	-	(832)
Interest expense	(2 257)	(584)	(415)	(2 021)	(272)	(2 544)	(8 093)	-	(8 093)
Income tax expense	(4 058)	(2 961)	(1 442)	(2)	(1)	170	(8 294)	-	(8 294)
Other	(23)	1	(74)	(329)	(1)	884	220	-	220
NET PROFIT (LOSS)	23 644	16 860	8 178	14 191	27 180	613	90 666	-	90 666

Year ended 31 December 2020 (EUR'000)	Akropolis Vilnius Lithuania	Akropolis Klaipėda Lithuania	Akropolis Šiauliai Lithuania	Akropole Riga Latvia	Alfa Latvia	Adjustments	Total before IFRS16	Lease incentive impact	The Group
EBITDA	20 220	13 317	5 763	11 042	-	(230)	50 111	3 729	53 839
Valuation gain (loss) from investment property	6 567	285	(3 521)	(3 775)	-	5 551	5 107	(3 729)	1 378
Interest income	691	73	33	-	-	41	838	-	838
Depreciation and amortization	(249)	(100)	(22)	(97)	-	(311)	(779)	-	(779)
Interest expense	(2 383)	(275)	(146)	(676)	-	(8)	(3 488)	-	(3 488)
Income tax expense	(3 700)	(1 992)	(304)	(906)	-	985	(5 917)	-	(5 917)
Other	(144)	(38)	(53)	(61)	-	248	(48)	-	(48)
NET PROFIT (LOSS)	21 002	11 270	1 750	5 528	-	6 276	45 825	-	45 825

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5. PROPERTY, PLANT AND EQUIPMENT

As at 31 December the property, plant and equipment consisted of the following:

	Property, plant and equipment EUR'000
Carrying amount as of 31 December 2019	1 116
Additions	282
Reclassifications (to) from investment property	13
Disposals and write offs	(4)
Depreciation	(423)
Carrying amount as of 31 December 2020	983
Acquisition cost	5 160
Accumulated amortization and impairment	(4 177)
Carrying amount as of 31 December 2020	983
Carrying amount as of 31 December 2020	983
Additions	1 764
Reclassifications (to) from investment property	-
Disposals and write offs	(22)
Depreciation	(468)
Carrying amount as of 31 December 2021	2 257
Acquisition cost	6 710
Accumulated amortization and impairment	(4 453)
Carrying amount as of 31 December 2021	2 257

As at 31 December 2021 and 2020 property, plant and equipment (hereafter - PPE) consists majorly of equipment, tools and instruments.

As at 31 December 2021 the Group didn't have any property, plant and equipment pledged to the bank (as at 2020 – EUR 912 thousand) (note 12).

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6. INVESTMENT PROPERTY

As at 31 December the investment property consisted of the following:

	Land	Buildings	Total
	EUR'000	EUR'000	EUR'000
of 31 December 2019	48 876	742 684	791 560
Additions	-	3 038	3 038
Reclassifications (to) from PPE	110	(123)	(13)
Fair value gain	6 257	6 982	13 239
Fair value loss	(1 120)	(7 011)	(8 131)
Market value per external valuation report	54 123	745 570	799 693
Lease incentive impact	-	(3 729)	(3 729)
Fair value at 31 December 2020	54 123	741 841	795 964
Additions	3 263	166 295	169 558
Disposal of investment property	(3 305)	(16)	(3 321)
Fair value gain	434	54 304	54 738
Fair value loss	-	-	-
Market value per external valuation report	54 515	966 153	1 020 668
Lease incentive impact of 2021	-	(10 118)	(10 118)
Lease incentive impact of all previous periods	-	(3 729)	(3 729)
Fair value at 31 December 2021	54 515	952 306	1 006 821

As at 31 December 2021 and 2020 investment property consists of five operating commercial properties, three land plots and a property under construction held for capital appreciation or future rental income. The Group's investment properties are measured at fair value.

As at 31 December 2021 the investment property of the revenue generating investment properties under the Group with the carrying amount of EUR 319 000 thousand (31 December 2020 – EUR 770.088 thousand) was pledged to banks under loan agreements (note 12).

Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its non-financial assets and liabilities into the three levels prescribed under the accounting standards.

There were no transfers between Levels 1, 2 or 3 during 2021 and 2020.

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31 December 2021

Shopping centre Akropolis Vilnius	-	-	319 000	319 000
Shopping centre Akropolis Klaipėda	-	-	203 000	203 000
Shopping centre Akropolis Šiauliai	-	-	78 200	78 200
Shopping centre Akropole Riga	-	-	197 000	197 000
Shopping centre Alfa	-	-	198 000	198 000
Land plot Vilnius	-	26 000	-	26 000
Land plot Šiauliai	-	600	-	600
Land plot Narva	-	1 100	-	1 100

Market value per external valuation report

Lease incentive impact of 2021	-	-	(10 118)	(10 118)
Lease incentive impact of all previous periods	-	-	(3 729)	(3 729)
PPE elimination	-	-	(2 232)	(2 232)

Total

	Level 1	Level 2	Level 3	Total
	EUR'000	EUR'000	EUR'000	EUR'000
-	-	-	319 000	319 000
-	-	-	203 000	203 000
-	-	-	78 200	78 200
-	-	-	197 000	197 000
-	-	-	198 000	198 000
-	-	26 000	-	26 000
-	-	600	-	600
-	-	1 100	-	1 100
-	-	27 700	995 200	1 022 900
-	-	-	(10 118)	(10 118)
-	-	-	(3 729)	(3 729)
-	-	-	(2 232)	(2 232)
-	-	27 700	979 121	1 006 821

31 December 2020

Shopping centre Akropolis Vilnius	-	-	309 000	309 000
Shopping centre Akropolis Klaipėda	-	-	196 000	196 000
Shopping centre Akropolis Šiauliai	-	-	74 000	74 000
Shopping centre Akropole Riga	-	-	192 000	192 000
Shopping centre Alfa	-	25 000	-	25 000
Land plot Kaunas	-	3 300	-	3 300
Land plot Šiauliai	-	320	-	320
Land plot Narva	-	1 000	-	1 000

Market value per external valuation report

Lease incentive impact	-	-	(3 729)	(3 729)
PPE elimination	-	-	(927)	(927)

Total

	Level 1	Level 2	Level 3	Total
	EUR'000	EUR'000	EUR'000	EUR'000
-	-	-	309 000	309 000
-	-	-	196 000	196 000
-	-	-	74 000	74 000
-	-	-	192 000	192 000
-	-	25 000	-	25 000
-	-	3 300	-	3 300
-	-	320	-	320
-	-	1 000	-	1 000
-	-	29 620	771 000	800 620
-	-	-	(3 729)	(3 729)
-	-	-	(927)	(927)
-	-	29 620	766 344	795 964

For all Level 3 investment properties valued EUR 995 200 thousand as at 31 December 2020 (as at 31 December 2020: EUR 771 000 thousand), the valuation was determined using discounted cash flow (DCF) projections based on significant unobservable inputs. These inputs include:

- Future rental cash inflows based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties;
- Discount rates reflecting current market assessments of the uncertainty in the amount and timing of cash flows;
- Estimated vacancy rates based on current and expected future market conditions after expiry of any current lease;
- Maintenance costs including necessary investments to maintain functionality of the property for its expected useful life;
- Capitalisation rates based on actual location, size and quality of the properties and taking into account market data at the valuation date; and
- Terminal value taking into account assumptions regarding maintenance costs, vacancy rates and market rents.

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Sensitivity analysis

Presented below is the sensitivity analysis of the Level 3 fair value hierarchy investments market value and a value of associated PPE per external valuation report for changes in the exit yield and discount rate.

31 December 2021. EUR'000

	Change in exit yield		
	-0,25%	0,00%	+0,25%
Change in discount rate	-0,25% 1 030 900	1 013 500	995 300
	0,00% 1 013 500	995 200	980 000
	+0,25% 996 200	979 900	962 800

31 December 2020. EUR'000

	Change in exit yield		
	-0,25%	0,00%	+0,25%
Change in discount rate	-0,25% 798 500	783 200	770 000
	0,00% 784 200	771 000	757 800
	+0,25% 771 000	757 800	745 600

All the rental income earned as well as all direct operating expenses incurred by the Group were attributable to the investment property. 19% of income is expected to be generated from related parties, as this is the current Consolidated ratio in all four operating commercial properties as of 31 December 2021 (Note 20). Future minimum undiscounted rentals receivable under operating leases as at 31 December are, as follows:

	2021	2020
	EUR'000	EUR'000
Within 1 year	68 743	51 083
Within 2 years	60 448	46 430
Within 3 years	45 609	41 331
Within 4 years	34 832	29 952
Within 5 years	22 557	21 311
After 5 years	72 345	84 826
Total	304 534	274 933

7. RIGHT-OF-USE ASSETS

The Group leases a land plot and vehicles under operating lease contracts. Following the adoption of the provisions of IFRS 16, expenses for the lease of land is recognised in the balance sheet as right-of-use assets and lease liabilities. Payments for the lease of low-value office equipment are recognised as expenses on a straight-line basis over the lease term.

Statement of Financial Position shows the following amounts relating to leases:

	2021	2020
	EUR'000	EUR'000
Right-of-use assets		
Land	2	221
Vehicles	132	114
Total	134	335

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	2021	2020
	EUR'000	EUR'000
Lease liabilities		
Current	48	64
Non-current	87	326
Total	135	390
Impact on equity as of 31 December	(1)	(55)

As at 31 December 2021, the statement of comprehensive income includes depreciation of right of use assets in the amount of EUR 44 thousand (as at 31 December 2020 – EUR 83 thousand).

8. AMOUNTS RECEIVABLE AND PREPAYMENTS

As at 31 December amounts receivable and prepayments consisted of the following:

	2021	2020
	EUR'000	EUR'000
Trade accounts receivable	6 100	2 952
Trade accounts receivable from related parties (note 20)	358	424
Less: allowance for trade receivables impairment	(681)	(116)
Trade accounts receivable, net	5 777	3 260
VAT receivable	-	116
Prepayments	123	107
Deferred expenses, accrued income and other accounts	905	83
Total	6 805	3 566

Trade receivables of the Group comprise of rent and service charge receivables that are non-interest bearing and are typically due within 30 days.

During 2021, the Group provided tenants with EUR 7,7 million rental discounts (in 2020 were EUR 5,3 million), of which EUR 3,4 million was recognized in the statement of comprehensive income. During 2021, Included within receivables, are lease incentive receivables of EUR 10,1 million (lease incentive receivables in 2020 were EUR 3,7 million), split between long-term EUR 7 million (in 2020 were EUR 2,5 million) and short-term EUR 3.1 million (in 2020 were EUR 1,2 million) receivables, of which 5.7 million lease incentives receivables were included in receivables due to the shopping center acquired in 2021, split between long-term EUR 4 million and short-term EUR 1.7 million receivables.

As at 31 December 2021, expected credit losses of EUR 681 thousand were recognised in relation to rent receivables. The main cause of the expected credit losses is the increased credit risk from local independent customers and global covid-19 pandemic. As at 31 December 2020, credit losses of EUR 116 thousand were recognised in relation to rent receivables.

Balances in the provision for impairment of receivables as at 31 December 2021 were, as follows:

	Not due	<31 days	31-90 days	91-180 days	181-365 days	>365 days	Total
Expected credit loss rate	0,05%	0,05%	0,08%	50,34%	49,91%	88,00%	10,55%
Carrying amount (EUR'000)	3 683	197	1 264	737	527	50	6 458
Expected credit loss (EUR'000)	2	-	1	371	263	44	681
Net amount (EUR'000)	3 681	197	1 263	366	264	6	5 777

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Balances in the provision for impairment of receivables as at 31 December 2020 were, as follows:

	Not due	<31 days	31-90 days	91-180 days	181-365 days	181-365 days	Total
Expected credit loss rate	0,05%	0,05%	0,05%	49,54%	51,75%	76,65%	3,43%
Carrying amount (EUR'000)	1 255	1 346	554	126	85	10	3 376
Expected credit loss (EUR'000)	1	1	-	62	44	8	116
Net amount (EUR'000)	1 255	1 345	554	64	41	2	3 260

Ageing of trade receivables amounts past due but not impaired:

	2021 EUR'000	2020 EUR'000
Not past due	3 681	1 255
Past due less than 30 days	197	1 345
Past due 31–60 days	748	436
Past due 61–90 days	515	118
Past due 91 days and more	636	107
Total	5 777	3 260

See note 21 on credit risk of trade receivables, which explains how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

As at 31 December 2021 the Group didn't have any trade and other receivables pledged to the bank (31 December 2020 – EUR 1,753 thousand) were pledged to banks under loan agreements (note 12).

9. CASH AND CASH EQUIVALENTS

As at 31 December 2020 and 2019, cash and cash equivalents consist of the following:

	2021 EUR'000	2020 EUR'000
Cash at bank	82 023	56 716
Cash on hand	18	4
Cash in transit	13	20
Total	82 054	56 740

As at 31 December 2021 cash in certain bank accounts and future cash inflows into these accounts with the carrying amount of EUR 22.991 thousand (31 December 2020 – EUR 27.874 thousand) were pledged to banks under loan agreements (note 12). Credit risk exposure is provided in note 20.

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10. SHARE CAPITAL, SHARE PREMIUM AND LEGAL RESERVE

As at 31 December 2021 the Company's authorised share capital consisted of 109 438 674 ordinary registered shares of Akropolis Group UAB with a par value of EUR 0.29 each (issue price EUR 4.39) that have voting rights in the general meeting of Akropolis Group UAB and by disbursing funds to the shareholder in cash. All the shares were fully paid. As at 31 December 2020, retrospectively assessing the Group's share capital (note 1), the Company's authorised share capital consisted of 109 438 674 ordinary registered shares of Akropolis Group UAB with a par value of EUR 0.29 each (issue price EUR 4.39) that have voting rights in the general meeting of Akropolis Group UAB and by disbursing funds to the shareholder in cash. Share premiums are recognized as the difference between the proceeds received from the issue of shares and a par value of the shares issued.

A legal reserve is a compulsory reserve under the Lithuanian legislation. Annual transfers of 5 per cent of net profit calculated in accordance with the Lithuanian regulatory legislation on accounting are required until the reserve reaches 10 per cent of the authorised share capital. The legal reserve is formed to cover possible losses of the Company and cannot be used for the payment of dividends or for any other purpose.

11. EARNINGS PER SHARE

As at 31 December 2021 and 2020 the parent company investment of the Group comprised of ordinary registered shares of Akropolis Group UAB.

The Company's basic and diluted earnings per share are equal. Calculation of basic / diluted earnings per share is presented below:

	2021	2020
Profit attribute to ordinary equity holders of the parent (EUR thousand)	90 666	45 825
Weighted average number of ordinary shares (in thousands)	109 439	109 439
Basic / diluted earnings per share (EUR/share)	0,828	0,419

12. BORROWINGS

In 2021 all borrowings consisted of bank loans and bonds while in 2020 only of bank loans.

On 2 June 2021 Akropolis Group has successfully distributed its debut 5-year Eurobond issue worth EUR 300 million. These bonds have been listed on the Nasdaq Vilnius and Dublin Euronext stock exchanges. The issue of Eurobonds of UAB Akropolis Group was distributed with an annual coupon rate of 2.875%, an annual yield of 3.00% and a re-offer price of 99.428%. The bonds have been rated BB+ Fitch and BB+ S&P. The bonds mature on 2 June 2026.

Akropolis Group, UAB was Issuer whereas Aido Turtas, UAB, Ozo Turtas, UAB, Taikos Turtas, UAB and SIA "M257", subsidiaries of Akropolis Real Estate B.V., were the Guarantors for the transaction.

The Company has provided loans to three subsidiaries in line with the capital utilization targets set out in the EUR 300 million bond issue prospectus (UAB Taikos turtas, UAB Aido turtas, SIA M257 and SIA Delta Property respectively managing Klaipeda's Akropolis, Šiauliai's Akropolis, Riga's Akropolis and Riga's shopping center ALFA). The funds lent to Akropolis Group were used to cover the liabilities of subsidiaries at AS Citadele banka Lithuanian Branch (UAB Taikos turtas, UAB Aido turtas), AS SEB banka (SIA M257) and Swedbank AS (SIA Delta Property). A total of EUR 234 million in commercial bank loans.

As at 31 December 2021 and 2020 the Group's bank loans were secured by the following collaterals:

- As at 31 December 2021 the Group didn't have secured property, plant and equipment (EUR 912 thousand as at 31 December 2020) (note 5);
- As at 31 December 2021 the Group's investment property with value of EUR 319 000 thousand (EUR 770.088 thousand as at 31 December 2020) (note 6);
- As at 31 December 2021 the Group didn't have secured trade and other receivables (EUR 1.753 thousand as at 31 December 2020) (note 8);
- As at 31 December 2021 the Group's 2021 cash in certain bank accounts and future cash inflows into these accounts with the carrying amount of EUR 22 991 thousand (EUR 27.874 thousand as at 31 December 2020) (note 9);
- As at 31 December 2021 the Group didn't have secured other assets (EUR 79 thousand as at 31 December 2020).

As at 31 December 2021 and 2020 all Group's bank loans and other borrowings were denominated in Euros.

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As at 31 December 2021 and 2020, the Group's bank borrowings had a variable interest rate (linked to EURIBOR) with a minimum of 0%, plus a margin meeting market conditions. The Group complied with the covenants (performance indicators) specified in the loan agreements as at 31 December 2021 and 2020.

The Company's borrowings were as follows as at 31 December:

	2021	2020
	EUR'000	EUR'000
Non- current		
Bank loans	114 917	231 285
Bonds	296 221	-
Total	411 138	231 285
Current		
Bank loans	7 000	36 162
Bonds	5 033	-
Total	12 033	36 162

13. TRADE AND OTHER AMOUNTS PAYABLE

Trade and other amounts payable comprised as follows as at 31 December:

	2021	2020
	EUR'000	EUR'000
Non-current advance amounts received	7 244	5 856
Other non-current amounts payable	180	3 409
Non-current amounts payable	7 424	9 265
Current advance amounts received	1 834	1 661
Trade payables	6 562	3 141
VAT payable	1 379	2 836
Real estate tax payable	133	189
Advance amounts received from, and trade and other amounts payable to related parties (Note 20)	282	88
Other amounts payable and accrued expenses	11 164	8 177
Current amounts payable	21 354	16 092
Total	28 778	25 357

Other payables and accrued expenses of the Group as at 31 December 2021 and 2020 mainly comprise liability for gift vouchers issued.

Advance amounts paid by customers under the lease contracts are refunded upon expiry of validity of the contract. Classification into current and non-current depends on the validity term of the contract. As at 31 December 2021, non-current portion of advance amounts received was EUR 7,2 million and it was recorded within non-current advance amounts received (31 December 2020: EUR 5.9 million). As at 31 December 2021, current portion of advance amounts received was EUR 1,8 million and it was recorded within current advance amounts received (31 December 2020: EUR 1,7 million).

Trade payables are interest free and usually payments are due within 20 days. The same term is set for related parties' liabilities payments. Other payables are interest free and approximately due within 20 days.

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14. SERVICE CHARGE EXPENSES

For the year ended 31 December service charge expenses by nature were as follows:

	2021	2020
	EUR'000	EUR'000
Expenses of directly and indirectly sold utilities	7 586	7 890
Other indirect service charge expenses:		
Advertising and marketing expenses	3 366	3 976
Taxes (excluding income tax)	1 164	1 076
Employee costs (remuneration and related taxes)	1 170	976
Buildings repair and maintenance expenses	6 016	5 230
Depreciation and amortization	691	651
Transportation expenses	21	21
Professional fees	195	114
Telecommunication expenses	17	20
Other expenses	756	513
Total other indirect service charge expenses	13 396	12 577
Total	20 982	20 467

15. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprised as follows for the year ended 31 December:

	2021	2020
	EUR'000	EUR'000
Employee costs (remuneration and related taxes)	2 771	2 750
Advertising and marketing expenses	3	-
Professional fees	372	265
Allowance for receivable amounts	-	128
Utilities	31	26
Low value short-term rent	38	49
Transportation expenses	13	12
Taxes (excluding income tax)	75	39
Depreciation and amortization	141	128
Telecommunication expenses	18	20
Other expenses	251	98
Total	3 713	3 515

Information about Directors remuneration is disclosed in note 20.

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16. INTEREST INCOME AND EXPENSES

	2021	2020
	EUR'000	EUR'000
INTEREST INCOME		
Other interest	-	838
Total	-	838
	2021	2020
	EUR'000	EUR'000
INTEREST EXPENSES		
Interest on bank loan	2 882	3 465
Interest on bonds	5 033	-
Finance lease interest	3	23
Other interest	175	-
Total	8 093	3 488

17. INCOME TAX EXPENSE

The following table presents calculation of income tax expense using local tax rate of 15% effective in reporting period:

	2021	2020
	EUR'000	EUR'000
Profit (loss) before income tax	98 960	51 742
Income tax at the 15 % tax rate applicable to the Group in Lithuania	14 844	7 761
Effect of income tax rate difference between countries	(6 218)	(965)
Tax effect of non-taxable income	(211)	(35)
Tax effect of non-deductible expenses	94	75
Utilisation of previously unrecognised tax losses	-	(3)
Reversal of Corporate Income Tax accrual	-	(1 094)
Other	(215)	178
Income tax expense	8 294	5 917
Effective income tax rate	8,38%	11,44%

For the period ended 31 December income tax expense consisted of the following:

	2021	2020
	EUR'000	EUR'000
Current income tax expense	5 366	3 134
Deferred income tax expense	2 928	2 783
Income tax expense	8 294	5 917

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18. DEFERRED TAX (ASSET) LIABILITIES

For the year ended 31 December the changes in deferred tax liabilities were as follows:

	Depreciation and amortization	Revaluation of investment	Other	Total
	EUR'000	EUR'000	EUR'000	EUR'000
At 31 December 2019	33 167	48 351	-	81 518
Recognized in profit or loss	1 288	1 013	-	2 301
At 31 December 2020	34 455	49 364	-	83 819
Recognized in profit or loss	100	3 021	(304)	2 817
At 31 December 2021	34 555	52 385	(304)	86 636

For the year ended 31 December the changes in deferred tax asset were as follows:

	Provisions for vacation	Impairment of PPE	Other	Total
	EUR'000	EUR'000	EUR'000	EUR'000
At 31 December 2019	(149)	(442)	(2)	(593)
Recognized in profit or loss	-	442	40	482
At 31 December 2020	(149)	-	38	(111)
Recognized in profit or loss	149	-	(38)	111
At 31 December 2021	-	-	-	-

As at 31 December the balance of the deferred tax consisted of:

	2021	2020
	EUR'000	EUR'000
Deferred tax asset	-	111
Deferred tax liability	(86 636)	(83 819)
Deferred tax liability, net	(86 636)	(83 708)

19. COMMITMENTS AND CONTINGENCIES

The Group is currently involved in legal proceedings (two cases) related to the 2005-11-04 acquisition by Vingio Turtas, UAB of state-owned land that is the site of Vingis Akropolis. The validity of part of the state-owned land sale and purchase agreement (Agreement) is challenged due to an alleged breach of the claimants' rights of property restitution.

The National Land Service has adopted decisions favourable to Vingio Turtas, UAB that were appealed to Vilnius Regional Administrative Court (court of first instance) (Note 25).

A civil case directly challenging the validity of part of the Agreement is suspended pending the final decision in the administrative proceedings. Given the provided claim and the factual situation, the possibility of an unfavourable outcome of the civil proceedings is considered as low.

The legal proceedings do not affect the development of Vingis Akropolis project. In the event that the claimants were to prove successful, the land plot for the construction of Vingis Akropolis could be materially reduced in size, but the implementation of any decision in favour of the claimants would be legally complicated and would raise a number of legal issues.

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20. RELATED-PARTY TRANSACTIONS

During the year ended 31 December the related party transactions were as follows:

	2021	2020
	EUR'000	EUR'000
Sales to:		
Shareholders	70	77
Affiliated companies	15 522	15 106
Total	15 592	15 183
Purchases (from):		
Shareholders	86	85
Affiliated companies	1 301	798
Total	1 387	882
Interest income from:		
Shareholders	-	838
Total	-	838
Prepayments to and amounts receivable from:		
Shareholders	8	1
Affiliated companies	357	423
Lease incentives to affiliated companies	507	198
Total	872	622
Advance amounts received from and amounts payable to:		
Shareholders	8	6
Affiliated companies	274	143
Total	282	149

Sales to related parties mostly comprise of rent income and other services. Purchases from related parties include utility, consultations and other general and administrative expenses.

Terms and conditions of transactions with related parties

Average term of rent agreements with related parties operating in shopping centres is 13 years, while average term of rent agreements with related parties operating in office buildings is 7 years or open-ended contracts. All transactions with related parties were made on terms equivalent to those that prevail in arm's length transactions.

Terms and conditions of outstanding balances

The average term of all loans granted to shareholders were 1 year. All loans granted had a variable interest rate (linked to EURIBOR) with a minimum of 0%, plus a margin meeting market conditions.

Key management compensation

The Group treats directors, head of departments' and members of the management boards as the key management (the "Directors").

For the years ended 31 December 2021 and 2020 the remuneration of the Group's Directors was EUR 1,435 thousand and EUR 1.481 thousand, respectively.

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21. FINANCIAL RISK MANAGEMENT

Credit risk. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's credit risk is attributable to its loans granted and trade and other receivables. The Group assesses the credit quality of the debtors and customers, taking into account their financial position, past experience and other factors. The amounts presented in the statement of financial position are net of allowances for doubtful loans and receivables estimated on prior experience and present economic situation. The Group has no significant concentration of credit risk with exposure spread over a number of counterparties and customers.

The credit risk of liquid funds (cash and time deposits) in banks is limited because the Group's counterparties are banks with investment grade credit ratings of Baa2 and above assigned by Moody's, an international credit-rating agency.

Foreign currency exchange risk. There are no significant portions of foreign currency exchange risk for the Group as the majority of its transactions are carried out in the Euro. At present the Group companies do not use derivative financial instruments to hedge its risks associated with foreign currency fluctuations.

Interest rate risk. The Group's cash flows are exposed to interest rate fluctuations.

The Group's bank borrowings bear variable interest rates linked to variable base rate. Trade and other payables are interest-free and have settlement dates within one year.

The Group's cash flow and fair value interest rate risk is periodically monitored by the management. It analyses its interest rate exposure on a dynamic basis taking into consideration refinancing, renewal of existing positions, alternative financing. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for receivables and liabilities that represent the major interest-bearing positions. The Group does not use any derivative financial instruments to manage the interest rate risk.

The Group estimates that with an increase/decrease of variable interest rates of 100 basis points, applied to exposed amounts as at 31 December 2020 and 2019 and with all other variables held constant, would result in an increase/decrease of the Group's interest expenses and a decrease/increase of profit before income tax by respectively EUR 1 257 thousand and EUR 2 819 thousand.

Liquidity risk. Liquidity risk is managed according to the principles of prudence. The Group manages its cash flows and liquidity based on projected cash flows over periods of six months. According to the management, liquidity ratios for the Group are sufficient and prevalent for this type of business activity. Moreover, cash provided from operating activities are sufficient for future operations and liquidity.

The Group's current assets exceeded its current liabilities, what demonstrates the Group's ability to meet the creditor's demands. Meanwhile, the Group's generated cash flow is sufficient to cover its current liabilities, a significant proportion of which is a financial debt to credit institutions repaid on a monthly basis, as well as deposits from tenants, which are due for repayment only after termination of lease agreements under certain terms and conditions.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments (including interest payments):

31 December 2021	Less than	Between 6-	Between 1-	Between 2-	Over 5	Total
	6 months	12 months	2 years	5 years	years	
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Bank borrowings	4 582	4 550	9 006	108 982	-	127 120
Lease liabilities	24	24	48	39	-	135
Trade and other payables	4 371	2 191	-	-	-	6 562
Bonds	8 625	-	8 625	325 875	-	343 125
Total	17 602	6 765	17 679	434 896	-	476 942

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31 December 2020	Less than	Between 6-	Between 1-	Between 2-	Over 5	Total
	6 months	12 months	2 years	5 years	years	
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Bank borrowings	10 022	28 521	105 139	131 799	-	275 482
Lease liabilities	35	31	65	150	131	411
Trade and other payables	5 906	711	4 438	-	-	11 054
Total	15 963	29 263	109 642	131 949	131	286 947

22. CAPITAL MANAGEMENT

The Group manages its issued share capital, share premium, foreign currency translation reserve and retained earnings as capital. As at December 31 the amounts of the components of capital were:

	2021	2020
	EUR'000	EUR'000
Equity	571 345	480 679

The primary objective of the Group's capital management is to ensure that each of the Companies complies with the externally imposed capital requirements and meets the respective capital ratios in order to preserve its business and maximise return to the shareholders. The Group has an adequate capital level to further maintain its business development.

The Group manages its capital structure and makes adjustments thereto in light of changes in economic conditions and risk characteristics of its activities. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to the shareholders or issue new shares. No changes were made concerning the purpose, policies or processes of capital management during the periods ended 31 December 2021 and 2020.

According to Law on companies of Republic of Lithuania the equity of limited liability company cannot be less than half of the share capital. Akropolis Group UAB has satisfied minimum equity requirement as of 31 December 2021.

23. FINANCIAL INSTRUMENTS

Financial instruments comprised as follows as at 31 December:

	2021	2020
	EUR'000	EUR'000
Financial assets		
Trade receivables	5 777	3 260
Cash and cash equivalents	82 054	56 740
Financial liabilities		
Bank loans	121 917	267 447
Bonds	301 254	-
Trade payables	6 562	3 141
Accrued expenses	487	266

According to the management's best estimate, the carrying amount of receivables, cash and cash equivalents and trade and other current payables approximates its fair value due to short maturity terms.

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Non-current payables are accounted for in the financial statements at the amortized cost (calculated by applying the effective interest rate which is close to the market interest rate), therefore their carrying amount approximates the fair value.

24. EFFECT OF COVID-19

Covid-19 pandemic had a major economic impact in 2020 and the beginning of 2021, but with the start of mass vaccination global economy started to quickly recover.

During both 2020 and 2021, Lithuanian and Latvian governments implemented measures with the aim of supporting businesses affected by store closures. Lithuanian businesses, whose activities were prohibited or restricted during first quarantine in 2020, had a possibility to get a partial compensation of lease payments from the Lithuanian Government. In 2021, the Lithuanian government approved new support measures for companies affected by the second wave of Covid-19, in particular subsidies to support the operations of enterprises which had seen their turnover decline by more than 30 percent. At the beginning of 2021, Latvia's government adopted a regulation specifically for turnover linked to rental income where there has been a decrease of at least 30 percent (when compared to relevant months in the prior periods). There were two rent aid periods during first and last quarters of 2021, with the rent aid limit of EUR 2.3 million. First aid is already approved and received. At the moment, the application regarding the second rent aid is filed and waiting for the approval.

The Group, in cooperation with State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania (STI), has agreed 2 year interest free tax loan agreements for some of the Lithuanian Group's companies tax arrears of 2020. Tax loans agreed majorly consists of Income Tax, VAT and Personal Income Tax. The tax loan will be fully repaid during 2022.

Total discounts in both Latvia and Lithuania amounted to EUR 8.5 million in 2021 and EUR 6.2 million in 2020. The Group collected all receivables that had been granted discounts. Despite ongoing global pandemic, the Group (excluding a new acquisition) managed to recover pre-pandemic the collection rate at the end of 2021 to 99.5% (at the end of 2020 - 97.1%).

Thus, management believes that liquidity position of the Group is sufficient and proven track record indicates strong resilience and flexibility to subside the negative effects of ongoing coronavirus pandemic.

25. EVENTS AFTER THE REPORTING PERIOD

Events in the legal proceedings disclosed in section "Contingent liabilities" in 2022: by a decision announced on 21 February 2022 Vilnius Regional Administrative Court has rejected the claimants' claim regarding the decisions of the National Land Service. The claimants appealed this decision, seeking the annulment of the decision and the referral of the case back to the court of first instance. In this case "Vingio turtas", UAB submitted a request regarding adoption of an additional decision awarding litigation expenses suffered by "Vingio turtas", UAB and also filed an appeal regarding the part of the court decision in which the litigation costs incurred in the court of first instance were not awarded in favour of "Vingio turtas", UAB. After ruling regarding the admissibility of the appeals, the court of first instance will request to provide a response to the appeals within 14 calendar days. The case will then be heard by an appellate court.

On 24 February 2022, Russia began military invasion of Ukraine. Lithuania, as well as many countries around the World condemned the attack and imposed economic sanctions against Russia and Belarus. The management of the Group monitors economic sanctions against Russia and Belarus and is ready to implement them. The management of the Group also monitors situation in Ukraine on daily basis and adjusts business operations locally as needed. At this stage management believes that war in Ukraine did not have a direct impact on Group's operations or financial results. All Group's entities demonstrated stable results since the beginning of the war until the date of the issuance of these consolidated financial statements.

APPENDIX 1

Nasdaq Structured Table of Disclosure

AKROPOLIS GROUP, UAB (the Company), acting in compliance with 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 (the Code) as well as its specific provisions or recommendations. In case of non-compliance with provisions or recommendations of this Code, we specify it along with the reasons for such non-compliance. In addition, we provide other explanatory information in this form.

SUMMARY OF THE CORPORATE GOVERNANCE REPORT

The Company's bodies, as per its articles of association, are the general meeting of shareholders, the management board (the Board) and the director as a single-person management body. The Board is a collegial management body with three members who are elected by the general meeting of shareholders for four-year period.

An audit committee (the Audit Committee) is also formed in the Company. It is composed of three members who are elected by the general meeting of shareholders for a term of four years. There are

two independent members of the Audit Committee, including the chairman. The Audit Committee's functions are established by legal acts of the Republic of Lithuania and regulations of the Bank of Lithuania as well as the Audit Committee regulations approved by the sole shareholder of the Company.

Additional information about the Company's governance, activities and composition of the Company's management bodies and the Audit Committee, and other essential matters related to the Company's governance is provided in the Company's annual report for the financial year ended 31 December 2021.

PRINCIPLES / RECOMMENDATIONS

YES/NO/NOT APPLICABLE COMMENTS

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

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.	Not applicable	The Company has a sole shareholder.
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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	All the Company's shares provide the same voting, ownership, dividend and other rights.
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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.	Not applicable	The Company's shares are not offered publicly (i.e. only the Company's bonds are publicly traded).
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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	The Company's articles of association provide that the Board must obtain approval of the shareholder of the Company prior to making any decisions relating to (among other matters): investments, transfers and/or leases of fixed assets, pledges or mortgages over fixed assets, guaranteeing or insuring the fulfilment of obligations of other persons, acquiring fixed assets, if the amount of such transactions exceeds EUR 1,000,000, also prior to making any decisions relating to acquisition of securities (regardless of value or type) and other property and/or non-property rights carried by such securities, as well as regarding transfer, pledge or other limitation or restriction of such securities and/or the property and/or non-property rights carried by such securities.
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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.	Not applicable	The Company has a sole shareholder.
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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.	Not applicable	The Company has a sole shareholder and there are no shareholders living abroad. In any case, all information to investors are published in Lithuanian and English.
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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	The Company has a sole shareholder who is able to exercise the right to vote at the general meeting of shareholders both in person, and by completing the general voting ballot.
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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.	Not applicable	The Company has a sole shareholder.
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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 educational background, work experience and other managerial positions held (or proposed) should be provided.	Yes	<p>Every candidate to a collegial body must declare what positions they hold and how their activities are related to the Company and other persons associated with the Company, as it is required by Article 19(9) of the Law on Companies of the Republic of Lithuania.</p> <p>Information about educational background and work experience is also usually provided to the general meeting of shareholders (when needed).</p> <p>Information on proposed audit company is provided to the shareholder prior to adoption of the decision.</p>
1.10. Members of the company's collegial management body, heads of the administration 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	<p>When needed, members of the Company's collegial body, heads of the administration and other competent persons related to the Company who can provide information related to the agenda participate in the general meeting of shareholders.</p> <p>Proposed candidates to members of the collegial body participate in the general meeting of the shareholders if it is requested.</p>

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 Company does not have the Supervisory Board.
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.	Not applicable	The Company does not have the Supervisory Board.
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	Not applicable	The Company does not have the Supervisory Board.
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 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.	Not applicable	The Company does not have the Supervisory Board.

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 longterm interests of the company and its shareholders, which may give rise to reputational, legal or other risks.	Not applicable	The Company does not have the Supervisory Board.
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.	Not applicable	The Company does not have the Supervisory Board.

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 Company does not have the Supervisory Board.
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.	Not applicable	The Company does not have the Supervisory Board.
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.	Not applicable	The Company does not have the Supervisory Board.
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.	Not applicable	The Company does not have the Supervisory Board.
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.	Not applicable	The Company does not have the Supervisory Board.
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.	Not applicable	The Company does not have the Supervisory Board.
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.	Not applicable	The Company does not have the Supervisory Board.

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	The Company's strategy is approved by the Board and the Board follows its implementation.
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	The Board performs the functions assigned to it by the Law on Companies and by the Company's articles of association. The Board takes into account the needs of the Company's shareholders, employees and other interest groups, striving to achieve sustainable business development.
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	The Board ensures compliance with the applicable laws and internal policies of the Company. The Board also establishes risk management and control measures to ensure the regular and direct accountability of managers.
3.1.4. Moreover, the management board should ensure that the measures included into the OECD Good Practice Guidance on Internal Controls, Ethics and Compliance are applied at the company in order to ensure adherence to the applicable laws, rules and standards.	Yes	The Board ensures that indicated measures would apply in the Company.
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	When appointing the manager of the Company, the balance of the person's qualifications, experience and competence is taken into account.

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	The members of the Board collectively have broad experience, qualifications, knowledge and competencies. The representation of both sexes is ensured as much as possible. In addition, there are more women in the current management team of the Company.
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	Yes	The indicated information about the candidates to become members of the Board is provided to the general meeting of shareholders without violating personal data protection requirements. Information about the members of the Board is provided in the Company's annual report.

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	All new members of the Board are familiarized with their duties and the structure and operations of the Company.
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	The Company's articles of association provide that members of the Board are elected for a specific term, i.e. for four years; members of the Board can be re-elected.
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.	No	Historically, the manager of the Company is usually also the chair of the Board. However, in the Company's view, the current and past positions of the chair of the Board do not constitute obstacles to carry out impartial activity as the chair of the Board. The chairman of the Board is elected after evaluation of his experience and qualifications.
3.2.6. Each member should devote sufficient time and attention to perform his duties as a member of the management board. Should a member of the management board attend less than a half of the meetings of the management board throughout the financial year of the company, the supervisory board of the company or, if the supervisory board is not formed at the company, the general meeting of shareholders should be notified thereof.	Yes	Each member of the Board devotes sufficient time and attention to perform the duties as member of the Board. All meetings of the Board are attended by all members so far.
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, 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.	Not applicable	The Company's articles of association do not provide that the Board shall perform functions of the supervisory board, therefore the members of the Board are not subject to the requirement of independence.
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.	Yes	The general meeting of shareholders elects the members of the Board, therefore the general meeting of shareholders can approve the amount of remuneration to the members of the Board within the capacity prescribed by legal acts.
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	To the Company's knowledge, all members of the Board act in good faith, with care and responsibility for the benefit and the interest of the Company and its shareholders. The members of the Board are subject to confidentiality and other relevant obligations.
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	It is not the practice of the Company for the Board to assess its own activities. The sole shareholder of the Company, as an election body of the Board, oversees the work of the Board.

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 the 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 Company does not have the Supervisory Board.
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 uninterrupted resolution of essential corporate governance issues would be ensured. Meetings of the company's collegial bodies should be convened at least once per quarter	No	Meetings of the Board are held according to the need, ensuring the uninterrupted resolution of essential matters. For example, during the reporting year the Board had more than 10 meetings.
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	Members of the Board are informed in advance about meetings and have sufficient time to prepare and familiarize with the provided information.
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 closely cooperate in resolving other matters related to corporate governance. Meetings of the company's supervisory board should 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.	Not applicable	The Company has only one collegial body, i.e. the Board.

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.	Not applicable	The Company does not have committees within the collegial body; however, the Audit Committee is formed in the Company by a decision of its sole shareholder.
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.	Yes	These functions are performed by the existing bodies of the company within their competence prescribed by applicable legal acts.
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.	Yes	When necessary the Board performs these functions within its capacity prescribed by applicable legal acts.
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.	Yes	The Audit Committee formed by the sole shareholder comprises from three members. These members were selected based on their competences. Chair of the Board is neither the chair, nor member of the Audit Committee.
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 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.	Yes/No	The Audit Committee's regulations are approved by the sole shareholder of the Company. The Audit Committee shall submit activity reports to the sole shareholder of the Company. Information about the composition, activities and functions of the Audit Committee is published in the Company's annual report.
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.	Yes	The Audit Committee may invite selected persons to its meetings. The chair of the Audit Committee has the possibility to directly communicate with the shareholder if necessary.

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	This committee is not formed in the Company.
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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.	Not applicable	This committee is not formed in the Company.
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5.3. Remuneration committee

5.3.1. 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; 3) review, on a regular basis, the remuneration policy and its implementation	Not applicable	This committee is not formed in the Company.
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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.	Yes	The Audit Committee performs functions defined in legal acts regulating the activities of the Audit Committee.
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	The representatives of the Company's administration provide the Audit Committee with all relevant information.
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	The Audit Committee, when necessary, can invite any representative of the Company and external auditors to its meetings.
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	The Company does not have internal auditor, however these functions are performed by the Company's finance unit, which provides the Audit Committee with necessary information. The Audit Committee also holds meetings with external auditors and receives information about audit status and results and about all relationships between the independent audit firm, the Company and its group.
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	The Audit Committee examines whether the Company complies with applicable provisions regulating the possibility lodging a complaint or reporting anonymously the suspicions of potential violations committed at the Company. However, at the time of filling this table the Company is in the process of establishing such possibility and relevant measures.

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	The regulations of the Audit Committee provide that the Audit Committee shall provide its activity report once a year to the body that elects the Audit Committee. In addition, the Audit Committee shall provide such report under the request of relevant body or whenever the Audit Committee deems necessary.
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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.

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.	Yes	Members of the Company's bodies have the duty to avoid conflict of interests and declare them.
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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.

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.	Not applicable	The Company does not currently have approved remuneration policy determining the remuneration of members of the collegial bodies. The Company considers that legal acts do not impose such obligation, since only the Company's bonds are traded publicly. However, as far as the employees (including heads of the administration) of the Company are concerned, principles of remuneration policy are established in the Company's internal working regulations.
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.	Not applicable	As of the day of filling this table of disclosure, only fixed-rate remuneration established in concluded employment contracts is payable to employees of the Company.
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.	Not applicable	The Supervisory Board is not formed in the Company. In addition, the Company does not apply target-based remuneration.
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.	Not applicable	Termination payments are made according to the provisions of the Labour Code and concluded employment agreements. The Company follows the principles indicated in paragraph 7.4 in respect of termination payments.

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.	Not applicable	No financial incentive scheme is applied in the Company.
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.	Not applicable	The Company does not publish such information. The Company considers that legal acts do not impose such obligation, since only the Company's bonds are traded publicly.
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.	Not applicable	The schemes under which members of a collegial body and employees receive remuneration in shares or share options do not apply in the Company.

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	The Company ensures that the rights and lawful interests of stakeholders are protected.
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	Stakeholders participate in the corporate governance of the Company in the manner established by applicable legal acts.
8.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information	Yes	Relevant information is made available in compliance with applicable legal acts.
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	Yes	The stakeholders have a possibility of reporting confidentially any illegal or unethical practices to the heads of administration or the Board.

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:		
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9.1.1. operating and financial results of the company;	Yes	This information is published in the Company's financial statements.
9.1.2. objectives and non-financial information of the company;	Yes	This information is published in the Company's annual report.
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	This information is published in the Company's financial statements and annual report to the extent the Company deemed necessary.
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	This information is published in the Company's annual report to the extent the Company deemed necessary according to applicable legal acts.
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	Information about the Audit Committee is provided in the Company's annual report.
9.1.6. potential key risk factors, the company's risk management and supervision policy;	Yes	This information is published in the Company's annual report.
9.1.7. the company's transactions with related parties;	Yes	This information is published in the Company's financial statements.
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.)	Yes	The relevant information to the extent the Company deemed necessary is published in the Company's annual report.
9.1.9. structure and strategy of corporate governance;	Yes	This information is published in the Company's annual report.
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	This information is disclosed in the Company's annual report.
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	Consolidated information is disclosed.
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.	Yes	Information about the professional experience and qualifications of members of the Company's bodies is disclosed. As legal acts do not require to disclose the remuneration, this information is not disclosed.
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	Information is disclosed through securities exchanges in Lithuania and Ireland. Information is disclosed in Lithuanian and English languages.

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	Annual financial statements of the Company and its group are audited by an independent audit firm.
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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

The Company's external auditor was selected from tender applications and after the evaluation of all recommendations provided by the Company's bodies.

In addition, the Audit Committee shall provide recommendation regarding appointment of external auditor, therefore such recommendation will be provided for future appointments of the external auditor.

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

The Company discloses information about amounts it has paid the auditor for non-audit services in its annual report.

It should be mentioned that the Company has policy, which establishes principles how the Audit Committee shall approve the purchase of non-audit services from the appointed auditor in advance.



1 April 2022

Responsibility statement of responsible persons

Hereby we confirm that, to the best of our knowledge and belief, the consolidated financial statements of Akropolis Group, UAB (hereinafter – "the Company") and its subsidiaries (hereinafter together "the Group") for the year ended 31 December 2021 prepared in accordance with International Financial Reporting Standards as adopted by the European Union, present fairly the financial position of the Group as of 31 December 2021 and its financial performance and cash flows for the year then ended.

In addition, we confirm that the consolidated annual report includes a fair view of the development and performance of the business of the Group, the Group's financial position together with a description of the principle risks and uncertainties the Group faces.

Manfredas Dargužis
Chief Executive Officer

Gabrielė Saponaitė
Chief Financial Officer

AKROPOLIS

REAL ESTATE DEVELOPMENT & MANAGEMENT COMPANY