

# AB INVL BALTIC REAL ESTATE

CONSOLIDATED INTERIM CONDENSED NOT-AUDITED FINANCIAL STATEMENTS  
FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2014 PREPARED ACCORDING TO  
INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN  
UNION

**AB INVL BALTIC REAL ESTATE**

**CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2014**

(all amounts are in LTL thousand unless otherwise stated)

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**GENERAL INFORMATION**

**Board of Directors**

Mr. Alvydas Banys (chairman of the Board)

Ms. Indrė Mišeikytė

Mr. Darius Šulnis (until 23.12.2014)

Mr. Andrius Daukšas (from 23.12.2014)

**Management**

Mr. Andrius Daukšas (director)

**Address and company code**

Šeimyniškių Str. 1A,  
Vilnius,  
Lithuania

Company code 303299735

**Banks**

AB DNB Bankas

AB Šiaulių Bankas

The financial statements were approved and signed by the Management and the Board of Directors on 13<sup>th</sup> February 2015.

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Mr. Andrius Daukšas  
Director

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

## **AB INV L BALTIC REAL ESTATE**

### **CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2014**

(all amounts are in LTL thousand unless otherwise stated)

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## **Management report**

The companies of AB INV L Baltic Real Estate have invested in an office, warehouse and manufacturing real estate objects in Lithuania and Latvia. Group companies have about 51,700 sq. m. of the real estate space. The aim of INV L Baltic Real Estate is to earn from commercial real estate investments, ensuring growth in income from rented space.

According to the valuation completed in the end of 2014, consolidated value of owned real estate was LTL 116.9 million. From the 29th of April 2014 when the company was founded until the 31st of December 2014 rent income from owned properties amounted to LTL 6 million, while net profit was equal to LTL 1.6 million. At the same time consolidated equity was LTL 50.1 million.

Invaldos Nekilnojamojo Turto Fondas - subsidiary of INV L Baltic Real Estate on the 26th of September 2014 has signed a loan agreement with Šiaulių bankas amounting to EUR 15.35 million (LTL 53 million). Duration of the agreement is 5 years. The amount of money received from Šiaulių bankas was used to refinance Invaldos Nekilnojamojo Turto Fondas liabilities to another bank. The loan will enable management of the company to focus on the long-term value creation and return maximisation for the shareholders.

Commercial real estate market is showing strong growth trend in 2014 as together with strengthening economy financial situation for most of the businesses is improving too and they start to look for office space. According to UAB "Inreal" research, during 2014 two new office centres were opened in Vilnius and they increased the overall size of the office space in Vilnius by 13,600 square meters. Almost all the new square meters were rented soon after the opening and the overall rate of vacancy continued to drop by 1.1pp to 4.0 percent in the year end. In 2015 office space market in Vilnius should grow by another 29,200 square meters of Class A and 9,000 square meters of Class B offices. Most of the free space should be taken before the end of construction, therefore the rate of vacancy should stay flat. It is expected that rent prices of Class A offices should continue growing at the rate of 6-9 percent.

Industrial real estate market recently is volatile due to a tense political situation between western countries and Russia. When comparing high demand of warehouse space in the beginning of 2014 to the end of the year project developers have become more prudent. During 2014 in Vilnius two logistics centres were opened together amounting to 18,500 square meters of free warehouse space. In 2015 opening of one more logistics centre (8 500 square meters) is planned. Rent price during the period have stayed stable.

In Latvia during the first three quarters of 2014 few logistics centres were finished together amounting to 43,000 square meters of warehouse space, what is more, around 112,000 square meters were already planned for 2015. Strong excess demand in the market resulted in fully booked space before the opening. Therefore, despite the new objects being opened, the rate of vacancy has slipped by 0.7 pp to 5.1% during the 3<sup>rd</sup> quarter of 2014. During 2014 in Latvia rent prices have stayed stable as well as in Lithuania and ranged for the Class A centres near Riga between 3.5 and 4.2 euro per square meter.

**AB INVL BALTIC REAL ESTATE****CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2014**

(all amounts are in LTL thousand unless otherwise stated)

**Interim consolidated income statement**

		<b>2014</b>	<b>IV Quarter 2014</b>
		Unaudited	Unaudited
<b>Sales revenue</b>			
Rent revenue	5	9,814	3,746
Utilities revenue		2,261	1,066
Other services revenue		51	20
<b>Total sales revenue</b>		<b>12,126</b>	<b>4,832</b>
Other income		482	474
Net gains (losses) on disposal of subsidiaries		-	-
Net gains (losses) from fair value adjustments on investment property	6	135	145
Employee benefits expenses		(36)	(14)
Premises rent	5	(4,112)	(1,489)
Utilities		(2,083)	(1,014)
Repair and maintenance cost of premises		(1,488)	(407)
Management and brokerage costs		(819)	(337)
Other taxes		(630)	(222)
Depreciation and amortisation		(25)	(10)
Other expenses		(467)	(188)
<b>Operating profit (loss)</b>		<b>3,083</b>	<b>1,770</b>
Finance costs		(1,294)	(564)
<b>Profit (loss) before income tax</b>		<b>1,789</b>	<b>1,206</b>
Income tax credit (expenses)		(233)	(126)
<b>PROFIT (LOSS) FOR THE PERIOD</b>		<b>1,556</b>	<b>1,080</b>
Attributable to:			
Equity holders of the parent		1,556	1,080
Non-controlling interests		-	-
Basic and diluted earnings (deficit) per share (in LTL)		0.22	0.15

**AB INV L BALTIC REAL ESTATE**

**CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2014**

(all amounts are in LTL thousand unless otherwise stated)

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**Interim consolidated statement of comprehensive income**

	<b>2014</b>	<b>IV Quarter 2014</b>
	Unaudited	Unaudited
<b>Profit (loss) for the year</b>	<b>1,556</b>	<b>1,080</b>
Net other comprehensive income (loss) that may be subsequently reclassified to profit or loss subsequent periods	-	-
Net other comprehensive income (loss) not to be reclassified to profit or loss	-	-
<b>Other comprehensive income (loss) for the period, net of tax</b>	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b>1,556</b>	<b>1,080</b>
Attributable to:		
Equity holders of the parent	1,556	1,080
Non-controlling interests	-	-

**AB INV L BALTIC REAL ESTATE**

**CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2014**

(all amounts are in LTL thousand unless otherwise stated)

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**Interim consolidated statement of financial position**

		<b>As at 31 December 2014</b>
		<u>Unaudited</u>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment		44
Investment properties	6	116,870
Intangible assets		552
Other non-current assets		<u>2,848</u>
<b>Total non-current assets</b>		<b><u>120,314</u></b>
<b>Current assets</b>		
Trade and other receivables		1,012
Current loans granted	7	14,176
Prepayments and deferred charges		19
Cash and cash equivalents		<u>1,237</u>
<b>Total current assets</b>		<b><u>16,444</u></b>
<b>Total assets</b>		<b><u>136,758</u></b>

*(cont'd on the next page)*

**AB INVL BALTIC REAL ESTATE****CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2014**

(all amounts are in LTL thousand unless otherwise stated)

**Interim consolidated statement of financial position (cont'd)**

		<b>As at 31 December 2014</b>
		Unaudited
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	3	7,044
Share premium	3	10,240
Reserves	3	23,765
Retained earnings		9,047
		<u>50,096</u>
<b>Non-controlling interests</b>		<u>-</u>
<b>Total equity</b>		<u>50,096</u>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Non-current borrowings	8	51,136
Provisions	5	629
Deferred income tax liability		12,318
Other non-current liabilities		1,418
<b>Total non-current liabilities</b>		<u>65,501</u>
<b>Current liabilities</b>		
Current portion of non-current borrowings	8	1,652
Current borrowings	8	17,996
Trade payables		269
Provisions	5	632
Advances received		153
Other current liabilities		459
<b>Total current liabilities</b>		<u>21,161</u>
<b>Total liabilities</b>		<u>86,662</u>
<b>Total equity and liabilities</b>		<u>136,758</u>
		(the end)

**AB INVL BALTIC REAL ESTATE**

**CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2014**

(all amounts are in LTL thousand unless otherwise stated)

**Consolidated statement of changes in equity**

Group	Equity attributable to equity holders of the parent									
	Share capital	Own shares	Share premium	Reserves			Retained earnings (accumulated deficit)	Subtotal	Non-controlling interests	Total equity
				Legal reserve	Reserve of purchase of own shares					
<b>The Company's share capital formed as at 29 April 2014 under split-off conditions</b>	<b>7,044</b>	-	<b>10,240</b>	<b>970</b>	<b>22,795</b>	<b>7,491</b>	<b>48,540</b>	-	<b>48,540</b>	
Profit (loss) for the year of 2014	-	-	-	-	-	1,556	1,556	-	1,556	
Other comprehensive income (loss) for the year of 2014	-	-	-	-	-	-	-	-	-	
<b>Total comprehensive income (loss) for the year of 2014</b>	-	-	-	-	-	<b>1,556</b>	<b>1,556</b>	-	<b>1,556</b>	
Changes in reserves	-	-	-	-	-	-	-	-	-	
<b>Balance as at 31 December 2014 (unaudited)</b>	<b>7,044</b>	-	<b>10,240</b>	<b>970</b>	<b>22,795</b>	<b>9,047</b>	<b>50,096</b>	-	<b>50,096</b>	



**AB INVL BALTIC REAL ESTATE****INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE TWELVE MONTHS ENDED 31  
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**Consolidated statement of cash flows**

	<b>2014</b>
	Unaudited
<b>Cash flows from (to) operating activities</b>	
Net profit (loss) for the period	1,556
<b>Adjustments for non-cash items and non-operating activities:</b>	
Valuation (gain) loss, net	(135)
Depreciation and amortization	25
(Gain) loss on disposal of property, plant and equipment	-
(Gain) loss on disposal of subsidiaries	-
Interest (income)	(468)
Interest expenses	1,294
Deferred taxes	233
Current income tax expenses	-
Provisions	6
Allowances	-
	<b>2,511</b>
<b>Changes in working capital:</b>	
Decrease (increase) in trade and other receivables	219
Decrease (increase) in other current assets	139
(Decrease) increase in trade payables	38
(Decrease) increase in other current liabilities	86
<b>Cash flows (to) from operating activities</b>	<b>2,993</b>
Income tax (paid)	-
<b>Net cash flows (to) from operating activities</b>	<b>2,993</b>

*(cont'd on the next page)*

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(all amounts are in LTL thousand unless otherwise stated)

**Consolidated statement of cash flows (cont'd)**

	<b>2014</b>
	Unaudited
<b>Cash flows from (to) investing activities</b>	
(Acquisition) of non-current assets (except investment properties)	(40)
Proceeds from sale of non-current assets (except investment properties)	-
(Acquisition) of investment properties	(10)
Proceeds from sale of investment properties	-
(Acquisition) and establishment of subsidiaries, net of cash acquired	-
Proceeds from sales of subsidiaries, net of cash disposed	-
Loans (granted)	-
Repayment of granted loans	504
Interest received	1
<b>Net cash flows (to) investing activities</b>	<b>455</b>
<b>Cash flows from (to) financing activities</b>	
Cash flows related to Group owners	-
(Acquisition) of own shares	-
Dividends (paid) to equity holders of the parent	-
Cash flows related to other sources of financing	
Cash received according to split-off terms	3 155
Proceeds from loans	8; 9 55,888
(Repayment) of loans	3; 8 (57,997)
Interest (paid)	(649)
	(2,603)
<b>Net cash flows (to) from financial activities</b>	<b>(2,603)</b>
<b>Impact of currency exchange on cash and cash equivalents</b>	<b>-</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>845</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>3 392</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>1,237</b>
	<i>(the end)</i>

## AB INVL BALTIC REAL ESTATE

### INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2014

(all amounts are in LTL thousand unless otherwise stated)

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## Notes to the interim condensed financial statements

### 1 General information

AB INVL Baltic Real Estate (hereinafter the Company) is a joint stock company registered in the Republic of Lithuania. It was established on 29 April 2014, following the split-off of 30.90% assets, equity and liabilities from AB Invalda LT (code 121304349). Entities, which business is investment into investment properties held for future development and in commercial real estate and its rent, were transferred to the Company (hereinafter split-off). More details about the split-off are disclosed in Note 3.

The Company's address is as follows:

Šeimyniškių str. 1A,  
Vilnius,  
Lithuania.

These financial statements cover the interim financial period, starting from the Company's establishment date 29 April 2014 and ending on 31 December 2014.

The Company manages shares of entities investing into commercial real estate and investment properties held for future development (detailed list of subsidiaries is presented below). The Group is operated in one segment – real estate segment. The Group has invested in an office, warehouse, manufacturing real estate objects in Lithuania directly and in Latvia indirectly. All objects give rental income, almost all objects have further development prospects.

The Company's share capital is divided into 7,044,365 ordinary registered shares with the nominal value of LTL 1 each. All the shares of the Company were fully paid. Subsidiaries did not hold any shares of the Company. As at 31 December 2014 the shareholders of the Company were (by votes)\*:

	<b>Number of votes held</b>	<b>Percentage</b>
UAB LJB Investments	2,144,351	30.44
Mrs. Irena Ona Mišeikiene	2,035,918	28.90
AB Invalda LT	884,862	12.56
UAB Lucrum Investicija	714,967	10.15
Mr. Alvydas Banys	540,750	7.68
Ms. Indrė Mišeikytė	140,618	2.00
Other minor shareholders	582,899	8.27
Total	<u>7,044,365</u>	<u>100.00%</u>

\* Some shareholders have sold part of their shares under repo agreement (so did not hold the legal ownership title of shares), but they retained the voting rights of transferred shares.

The Company's shares are traded on the Baltic Secondary List of NASDAQ Vilnius from 4 June 2014.

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**INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE TWELVE MONTHS ENDED 31**  
**DECEMBER 2014**

(all amounts are in LTL thousand unless otherwise stated)

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## 1 General information (cont'd)

The Group consists of the Company and the following directly and indirectly owned subsidiaries (hereinafter the Group):

<b>Company</b>	<b>Registration country</b>	<b>Share of the stock held by the Group (%)</b>	<b>Main activities</b>
AB Invaldos nekilnojamojo turto fondas	Lithuania	100.00	Real estate investor
UAB Roveliija	Lithuania	100.00	Real estate investor
UAB Perspektyvi veikla	Lithuania	100.00	Dormant
UAB Proprietas	Lithuania	100.00	Dormant

Subsidiary AB Invaldos nekilnojamojo turto fondas also owned 100% of the shares of UAB INTF investicija. In May 2014 the bankruptcy was instituted in this entity, therefore, the Group does not control and not consolidate this entity.

## 2 Basis of preparation and accounting policies

The principal accounting policies applied in preparing the Group's financial statements for the twelve months ended 31 December 2014 are as follows:

### 2.1. Basis of preparation

The interim condensed financial statements for the twelve months ended 31 December 2014 have been prepared in accordance with IAS 34 Interim Financial Reporting.

These financial statements have been prepared on a historical cost basis, except for investment properties that have been measured at fair value. The financial statements are presented in thousands of Litas (LTL) and all values are rounded to the nearest thousand except when otherwise indicated.

The Company and the Group was established after split-off, which is business combination under common control. For its accounting is chosen the predecessor values method, when the Group's opening balances of assets and liabilities are not restated to their fair values, instead, are recognised at predecessor carrying values.

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**2 Basis of preparation and accounting policies (cont'd)**

**2.2. Basis of consolidation**

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

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

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent and is presented separately in the consolidated income statement and within equity in the consolidated statement of financial position, separately from parent shareholders' equity. The group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

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

## **AB INVL BALTIC REAL ESTATE**

### **INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2014**

(all amounts are in LTL thousand unless otherwise stated)

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## **2 Basis of preparation and accounting policies (cont'd)**

### **2.3. Functional and presentation currency**

The consolidated financial statements are prepared in Litas (LTL), which was local currency of the Republic of Lithuania, till 31<sup>st</sup> December of 2014, and presented in LTL thousand. Litas was the Company's and the Group's functional and presentation currency. Starting from 2 February 2002 until 31 December 2014 Lithuanian Litas was pegged to euro at the rate of 3.4528 Litas for 1 euro. The exchange rates in relation to other currencies were set daily by the Bank of Lithuania.

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

### **2.4. Business combinations and goodwill**

The group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred from 1 January 2010 (until that they were included in the acquisition cost). Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

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

### **2.5. Property, plant and equipment**

Property, plant and equipment is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the plant and equipment when the cost is incurred, if the recognition criteria are met. Replaced parts are written off.

The carrying values of property, plant and equipment are reviewed for impairment when events or change in circumstances indicate that the carrying value may not be recoverable.

Depreciation is calculated using the straight-line method over the following estimated useful lives.

Other non-current assets	4–6 years
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The asset residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end to ensure that they are consistent with the expected pattern of economic benefits from items in property, plant and equipment.

## **AB INVL BALTIC REAL ESTATE**

### **INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2014**

(all amounts are in LTL thousand unless otherwise stated)

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## **2 Basis of preparation and accounting policies (cont'd)**

### **2.5 Property, plant and equipment (cont'd)**

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

### **2.6. Investment properties**

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the companies in the consolidated Group, are classified as investment properties. Investment properties also include properties that are being constructed or developed for future use as investment properties.

Land held under operating leases is classified and accounted for by the Group as investment property when the rest of the definition of investment property is met. Land is not presented separately from the buildings as these assets cannot be acquired or sold separately.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement within "Net gains (losses) from fair value adjustments on investment property" 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, 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. For a transfer from inventories to investment property, any differences between fair value of the property at that date and its previous carrying amount are recognised in the income statement.

### **2.7. Intangible assets other than goodwill**

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

#### Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Other intangible assets are amortised during 3 - 4 years.

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(all amounts are in LTL thousand unless otherwise stated)

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## **2 Basis of preparation and accounting policies (cont'd)**

### **2.8. Impairment of non-financial assets**

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

Impairment losses of continuing operations are recognised in the income statement within "impairment, write-down and provisions".

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

### **2.9. Financial assets**

Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The classification depends on the purpose for which the financial assets were acquired. When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial asset or financial liability not at fair value through profit or loss, directly attributable transaction costs.

The Group determines the classification of its financial assets at initial recognition.

All regular way purchases and sales of financial assets are recognised on the settlement date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

#### Loans and receivables

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



## **2 Basis of preparation and accounting policies (cont'd)**

### **2.10. Impairment of financial assets**

#### Assets carried at amortised cost

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

The criteria that the group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - (i) Adverse changes in the payment status of borrowers in the portfolio; and
  - (ii) National or local economic conditions that correlate with defaults on the assets in the portfolio.

The group first assesses whether objective evidence of impairment exists.

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

The Group assesses whether objective evidence of impairment exists individually for financial assets. When financial asset is assessed as uncollectible and all collateral has been realised or has been transferred to the Group the impaired asset is derecognised. The objective evidence for that is insolvency proceedings against the debtor is initiated and the debtor has not enough assets to pay to creditors, the debtor could not be found.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss within "impairment, write-down, allowances and provisions", to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

### **2.11. Cash and cash equivalents**

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

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

## **2 Basis of preparation and accounting policies (cont'd)**

### **2.12. Financial liabilities**

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

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

The measurement of financial liabilities depends on their classification as follows:

#### Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### Borrowings

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

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

### **2.13. 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 and the Company retain the right to receive cash flows from the asset, but have assumed an obligation to pay them in full without material delay to a third party under a “pass through” arrangement; or
- the Group or the Company have transferred their rights to receive cash flows from the asset and either (a) have transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. 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 income statement.

## **2 Basis of preparation and accounting policies (cont'd)**

### **2.14. Leases**

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
- b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- c) There is a change in the determination of whether fulfilment is dependant on a specified asset; or
- d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a), c) or d) and at the date of renewal or extension period for scenario b).

#### Operating lease

##### *Group as a lessee*

Leases where the lessor retains all the risk and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentives received from the lessor) are recognised as an expense in the income statement on a straight-line basis over the lease term.

##### *Group as a lessor*

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

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## **2 Basis of preparation and accounting policies (cont'd)**

### **2.15. Revenue recognition**

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

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

#### Rental income

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

#### Interest income

Income is recognised as interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

### **2.16. Cash and non-cash distribution to equity holders of the parent**

The Company recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. In Lithuania a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity. The liability for non-cash distributions is measured at the fair value of the assets to be distributed with subsequent fair value re-measurement recognised directly in equity as adjustment to the amount of the distribution.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the statement of profit or loss.

### **2.17. Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

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## 2 Basis of preparation and accounting policies (cont'd)

### 2.18. Current and deferred income tax

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

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

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

Deferred income taxes are calculated using the liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred income tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse based on tax rates enacted or substantially enacted at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

By Lithuanian Income Tax Law shall be not taxed sale of shares of an entity, registered or otherwise organised in a state of the European Economic Area or in a state with which a treaty for the avoidance of double taxation has been concluded and brought into effect and which is a payer of corporate income tax or an equivalent tax, to another entity or a natural person where the entity transferring the shares held more than 25% of voting shares in that entity for an uninterrupted period of at least two years. If mentioned condition is met or will be met by judgement of the management of the Company, there are not recognised any deferred tax liabilities or assets in respect of temporary differences associated with this investments.

Deferred income tax asset has been recognised in the statement of financial position to the extent the management believes it will be realised in the foreseeable future, based on taxable profit forecasts. If it is believed that part of the deferred income tax asset is not going to be realised, this part of the deferred tax asset is not recognised in the financial statements.

Deferred tax asset are not recognised:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the Company changes its activities due to which these losses incurred except when the Company does not continue its activities due to reasons which do not depend on the Company itself. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature. From 1 January 2014 current year taxable profit could be decreased by previous year tax losses only up to 70%.

## **2 Basis of preparation and accounting policies (cont'd)**

### **2.18 Current and deferred income tax**

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

### **2.19. Share capital**

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

### **2.20. Employee benefits**

#### Social security contributions

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

#### Bonus plans

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

### **2.21. Contingencies**

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow or economic benefits is probable.

### **2.22. Events after the reporting period**

Events after the reporting period that provide additional information about the Group's position as at the end of the reporting period (adjusting events) are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes when material.

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**3 Split-off**

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

The Company's equity was formed in accordance with procedure set forth in the terms of the split-off, whereas assets received and liabilities assumed were estimated at predecessor carrying values at the date of Split-off.

Below the starting statement of financial position of the Group is presented:

	<u>As at 29 April 2014</u>
Intangible assets	552
Property, plant and equipment	29
Investment properties	116,725
Other non-current assets	2,848
Loans granted	14,213
Prepayments	158
Trade and other receivables	1,392
Cash and cash equivalents	392
<b>Total assets</b>	<b>136,309</b>
Share capital	7,044
Share premium	10,240
Reserves	23,765
Retained earnings	7,491
<i>Total equity</i>	<i>48,540</i>
Deferred income tax liability	12,085
Other non-current liabilities	1,524
Current portion of non-current borrowings	56,429
Borrowings	15,825
Trade payables	231
Provisions	1,255
Advances received	150
Other liabilities	270
<i>Total liabilities</i>	<i>87,769</i>
<b>Total equity and liabilities</b>	<b>136,309</b>

During the split-off part of liability rising from credit agreement with Šiaulių bankas was transferred to the Company (LTL 428 thousand). The credit was fully repaid in the beginning of May 2014.

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**4 Seasonality of operations**

There is no seasonality of operations in the Group.

**5 Rent revenue and lease expenses**

The Group has earned rent revenue from owned premises and from leased premises. Subsidiary AB Invaldos nekilnojamojo turto fondas leases premises until August 2017 according to the lease agreement of 10 August 2007. During the reporting period the Group has suffered LTL 4,059 thousand lease expenses from this agreement. Specification of rent revenue by ownership of premises is presented below:

	<u>As at 31 December 2014</u>
Rent revenue from owned premises	5,996
Rent revenue from leased premises	<u>3,818</u>
<b>Total rent revenue</b>	<b><u>9,814</u></b>

The above mentioned lease agreement is onerous contract, therefore in the statement of financial position was recognised the provision of LTL 1,260 thousand.

**6 Investment properties**

Fair value hierarchy	Other investment properties valued using sales comparison method	Leased Investment properties	Investment properties held for future redevelopment	2014
	Level 2	Level 3	Level 3	
<b>Balance as at 29 April 2014</b>	<b>1,975</b>	<b>108,170</b>	<b>6,580</b>	<b>116,725</b>
Additions	-	-	-	-
Subsequent expenditure	-	10	-	10
Transfer	(1,975)	-	(1,975)	-
Gain from fair value adjustment	-	150	160	210
Loss from fair value adjustment	-	-	(175)	(175)
<b>Balance as at 31 December 2014</b>	<b>-</b>	<b>108,330</b>	<b>8,540</b>	<b>116,870</b>
<b>Unrealised gains and losses for the period included within 'Net gains (losses) from fair value adjustments on investment property' in the income statement</b>	<b>-</b>	<b>150</b>	<b>(15)</b>	<b>135</b>

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

Investment properties are stated at fair value. Leased investment properties and investment properties held for future redevelopment were valued using income approach by accredited valuer UAB OBER-HAUS Nekilnojamosis Turtas as at 21 November, 8 December and 31 December 2014.

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

Other investment properties are valued by management using sales comparison method.



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**6 Investment properties (cont'd)**

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

Income approach is based on the assumption that defined correlation between net activity future income and fair value of the objects exists. For leased investment properties main inputs include:

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

Investment properties held for future redevelopment were estimated taking into account the following estimates (in addition to the inputs noted above):

- Costs to complete that are based on the valuers' experience and knowledge of market conditions and term sheets outlined in approved detailed plans. Costs to complete also include a reasonable profit margin;
- Completion dates, as properties under construction require approval or permits from oversight bodies at various points in the development process, including approval or permits in respect of initial design, zoning, commissioning, and compliance with environmental regulations. Based on management's experience with similar developments, all relevant permits and approvals are expected to be obtained. However, the completion date of the development may vary depending on, among other factors, the timeliness of obtaining approvals and any remedial action required by the Group.

There were no changes to the valuation techniques during the period.

Description of valuation techniques used and key inputs to valuation on investment properties as at 29 April 2014:

	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Range (weighted average)</b>
Leased investment properties	Discounted cash flows	Discount rate (%)	9 – 11 (9)
		Capitalisation rate for terminal value (%)	7.5 – 10 (7.6)
		Vacancy rate (%)	5 – 10
		Rent price Lt per sq. m. (without VAT)	6 – 42 (27.9)
Investment properties held for future redevelopment	Discounted cash flows with estimated costs to complete	Capitalisation rate for terminal value	15 – 17 (15.7)
		Cost to completion Lt per sq. m (without VAT)	2,100 – 2,200 (2,157)
		Sales price per Lt sq. m. (with VAT)	4,800 – 8,000 (6,633)

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**6 Investment properties (cont'd)**

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

	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Range (weighted average)</b>
Leased investment properties	Discounted cash flows	Discount rate (%)	9 – 11 (9.1)
		Capitalisation rate for terminal value (%)	7.0 – 10 (7.4)
		Vacancy rate (%)	5 – 15
		Rent price Lt per sq. m. (without VAT)	6 – 40 (27.5)
Investment properties held for future redevelopment	Discounted cash flows with estimated costs to complete	Capitalisation rate for terminal value	15 – 18 (16.0)
		Cost to completion Lt per sq. m (without VAT)	2,643 – 3,626 (3,253)
		Sales price per Lt sq. m. (with VAT)	5,100 – 8,000 (5,479)

The sensitivity analysis of investment properties valued using income approach as at 29 April 2014 is as follows:

<b>Estimates</b>	<b>Increase of estimates</b>		<b>Decrease of estimates</b>	
	<b>Leased Investment properties</b>	<b>Investment properties held for future redevelopment</b>	<b>Leased Investment properties</b>	<b>Investment properties held for future redevelopment</b>
Change in future rental rates by 10 %	10,390	-	(10,390)	-
Change in future sale prices of developed properties by 10%	-	1,750	-	(1,740)
Change in construction costs by 10%	-	(1,510)	-	1,520
Change in expected vacancy rates by 20%	(1,260)	-	1,160	-
Change in discount and capitalization rate by 50 bps	(6,870)	(80)	7,630	220

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

<b>Estimates</b>	<b>Increase of estimates</b>		<b>Decrease of estimates</b>	
	<b>Leased Investment properties</b>	<b>Investment properties held for future redevelopment</b>	<b>Leased Investment properties</b>	<b>Investment properties held for future redevelopment</b>
Change in future rental rates by 10 %	12,820	-	(11,820)	-
Change in future sale prices of developed properties by 10%	-	2,420	-	(2,310)
Change in construction costs by 10%	-	(1,910)	-	2,010
Change in expected vacancy rates by 20%	(1,140)	-	2,130	-
Change in discount and capitalization rate by 50 bps	(6,530)	(40)	8,570	360

As at 31 December 2014 investment properties with carrying amount of LTL 115,070 thousand were pledged to the banks as collateral for the loans.

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

**AB INVLT BALTIC REAL ESTATE****INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2014**

(all amounts are in LTL thousand unless otherwise stated)

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**7 Granted loans**

As at 30 September 2014 the Group owned 50 % of the claims to Latvian entities SIA Dommo Grupa and SIA Dommo Biznesa Parks according to loans agreements. The above mentioned entities comprise one group and own about 12,800 square meters of warehouse space and over 58 hectares of land around Riga, suitable for the development of logistics hub. These assets are pledged to secure the claims to SIA Dommo Biznesa Parks. Due to economic crisis in 2008 these entities were in the process of bankruptcy. At the end of 2014 and in the beginning of 2015 bankruptcy processes were terminated. The Group has the right to 50 % of entities' generated cash flows. In the statement of financial position these claims are accounted at amortised cost – LTL 14,162 thousand. During the year ended 31 December 2014 SIA Dommo Grupa has repaid LTL 504 thousand of claims.

**8 Borrowings**

	<u>As at 31 December 2014</u>
<b>Non-current:</b>	
Non-current bank borrowings	51,136
	<u>51,136</u>
<b>Current:</b>	
Current portion of non-current borrowings	1,652
Borrowings from related parties	17,996
<b>Total borrowings</b>	<u>70,784</u>

Borrowings in local and foreign currencies expressed in LTL were as follows:

	<u>As at 31 December 2014</u>
<b>Borrowings denominated in:</b>	
EUR	<u>70,784</u>

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

	<u>As at 31 December 2014</u>
<b>Interest rate type:</b>	
Fixed	17,996
Floating	52,788
	<u>70,784</u>

The amounts pledged to the banks are as follows:

	<u>As at 31 December 2014</u>
Investment properties	115,070
Cash	752

On 26 September the Group has signed a EUR 15,350 thousand (LTL 53,000 thousand) loan agreement with AB Šiaulių bankas. The term of the agreement is 5 years. The loan was disbursed on 29<sup>th</sup> of September. Also, in September 2014 AB Invalda LT has lent EUR 740 thousand (LTL 2,555 thousand) to the Group. Both loans were used for repayment of the Nordea bank loan, which was closed on 29<sup>th</sup> of September.

**AB INVL BALTIC REAL ESTATE****INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2014**

(all amounts are in LTL thousand unless otherwise stated)

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**9 Related party transactions**

The related parties of the Group were the shareholders of the Company (note 1) and the entities of the group of AB Invalda LT. The Group was established after the split-off from Invalda LT (transactions were with AB Invalda LT, UAB Inservis).

The Group's transactions with related parties during the year 2014 and related year-end balances were as follows:

2014 Group	Amounts in LTL			
	Sales to related parties	Purchases from related parties	Receivables from related parties	Payables to related parties
AB Invalda LT (accounting services)	-	27,500	-	10,890
AB Invalda LT (loans)	-	599,583	-	17,995,552
UAB Inservis (maintenance and repair services)	-	791,724	-	116,030
UAB Inservis (rent and utilities)	7,845	-	1,706	-
	<u>7,845</u>	<u>1,418,807</u>	<u>1,706</u>	<u>18,122,472</u>
Liabilities to shareholders and management	-	-	-	-

From the Group activities' start date until the end of the year 2014, the Group received LTL 2,887,042 of loans from AB Invalda LT. From the Group activities' start date until the end of the year 2014, the Group repaid LTL 849,890 of loans from AB Invalda LT and LTL 38,772 of interests.

## AB INV L BALTIC REAL ESTATE

### INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2014

(all amounts are in LTL thousand unless otherwise stated)

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#### 10 Material events, which have announced during 2014

- On 20 May 2014 the Company informed that the Supervision Service of the Bank of Lithuania decided to treat the information submitted in the split-off terms of AB Invalda LT related documentation, in the list of references related to AB INV L Baltic Real Estate in the description of the risk factors as information equivalent to the information that is required to be disclosed in the prospectus of AB INV L Baltic Real Estate. The Board of AB INV L Baltic Real Estate decided to apply NASDAQ OMX Vilnius stock exchange to admit company's shares into the Secondary list since 4 June 2014.
- On 2 June 2014 AB INV L Baltic Real Estate disclosed its managed assets and plans. Subsidiary companies of AB INV L Baltic Real Estate have invested in real estate in Vilnius and Riga and manage about 52 thousand sq. m. of the real estate space. The Company's equity value was LTL 49 million (EUR 14.2 million) at the end of March 2014, the value of real estate assets, managed by the Group companies – LTL 144 million (EUR 41.7 million).
- On 20 August 2014 AB INV L Baltic Real Estate presented unaudited results for 6 months of 2014. Unaudited consolidated net profit as well as consolidated net profit attributable to shareholders of AB INV L Baltic Real Estate amounted to LTL 145 thousand (EUR 42 thousand). AB INV L Baltic Real Estate consolidated equity was equal to LTL 49.443 million (EUR 14.32 million) or LTL 7.02 (EUR 2.03) per share at the end of the first half of 2014.
- On 26 September 2014 AB INV L Baltic Real Estate announced that AB Invaldos Nekilnojamojo Turto Fondas, a subsidiary of the company, signed a loan agreement with AB Šiaulių Bankas regarding EUR 15.35 million loan (LTL 53 million) on 26 September 2014. The term of the agreement is 5 years. AB Invaldos Nekilnojamojo Turto Fondas will refinance a loan of another bank.
- 14 November 2014 AB INV L Baltic Real Estate announced unaudited results of for 9 months of 2014. Unaudited consolidated net profit as well as consolidated net profit attributable to shareholders of AB INV L Baltic Real Estate amounted to LTL 476 thousand (EUR 138 thousand). AB INV L Baltic Real Estate consolidated equity was equal to LTL 49.774 million (EUR 14.42 million) or LTL 7.07 (EUR 2.05) per share at the end of the nine months of 2014.
- 9 December 2014 AB INV L Baltic Real Estate informed that Andrius Daukšas is elected as CEO of AB INV L Baltic Real Estate from 10 December. He has replaced Darius Šulnis who has submitted a notice of resignation from CEO position.
- 9 December 2014 AB INV L Baltic Real Estate announced about received notification of Darius Šulnis about his resignation from the position of the Board member effective from 23 December 2014.
- 23 December 2014 AB INV L Baltic Real Estate announced resolutions of the Shareholders Meeting. The joint-stock company PricewaterhouseCoopers, code 111473315, was elected to audit annual financial statements of the company for the financial year 2014. The payment for the audit services not more than LT 10 000 (ten thousand litas), VAT is not included in this amount was set. The registered office of AB INV L Baltic Real Estate was replacement and registered at the new address in the premises located at Seimyniskiu str. 1A, Vilnius, Lithuania. Danute Kadanaitė and Tomas Bubinas was elected as a members of the Audit Committee of the company. The remuneration for the independant member of the Audit Committee was settled. The regulations of the formation and activity of the Audit Committee was approved as well. Andrius Daukšas the CEO of the company was elected as a member of the Board of AB INV L Baltic Real Estate till the end of the term of the Board.
- 30 December 2014 AB INV L Baltic Real Estate announced investor's calendar for the 2015. Interim information for 12 months of 2014 will be published in 13 February 2015; Interim information for 3 months of 2015 will be published in 12 May 2015; Interim information for 6 months of 2015 - in 14 August 2015. Interim information for 9 months of 2015 will be published in 10 November 2015.