CLOSED-END INVESTMENT UNDERTAKING INTENDED FOR INFORMED INVESTORS UAB CAPITALICA BALTIC REAL ESTATE FUND I

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017, PREPARED IN ACCORDANCE WITH BUSINESS ACCOUNTING STANDARDS, AND PRESENTED TOGETHER WITH THE ANNUAL REPORT AND INDEPENDENT AUDITOR'S REPORT

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Register of Legal Entities

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of UAB Capitalica Baltic Real Estate Fund I

Opinion

We have audited the financial statements of UAB Capitalica Baltic Real Estate Fund I (the Company), which comprise the balance sheet as at 31 December 2017, statements of profit (loss), changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017 and its financial performance and its cash flows for the year then ended in accordance with Business Accounting Standards of the Republic of Lithuania.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the requirements of the Law on Audit of Financial Statements of the Republic of Lithuania that are relevant to the audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of Financial Statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Other information consists of the information included in the Company's Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as indicated below.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

We also have to evaluate, if the financial information included in the Company's 2017 Annual Report corresponds to the financial statements for the same financial year and if the Company's Annual Report was prepared in accordance with the relevant legal requirements. In our opinion, based on the work performed in the course of the audit of financial statements, in all material respects:

- The financial information included in the Company's Annual Report corresponds to the financial information included in the financial statements for the same year; and
- The Company's Annual Report was prepared in accordance with the requirements of the Law on Financial Reporting by Undertakings of the Republic of Lithuania.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Business Accounting Standards of the Republic of Lithuania, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

UAB ERNST & YOUNG BALTIC
Audit company's licence No. 001335

Jonas Akelis
Auditor's licence
No. 000003

28 May 2018

(in euros, if not indicated otherwise)

PROFIT (LOSS) STATEMENT

For the year ended on 31 December 2017
28 May 2018
(financial reporting date)

No.	ITEMS	Note	Financial year	Previous financial year
1.	INCOME FROM OPERATING ACTIVITIES		**2.440.859**	-
1.1.	Interest income		32.152	-
1.2.	Dividends		220.000	-
1.3	Lease income		-	-
1.4.	Profit from investments value change and sales	8	2.188.707	-
1.5.	Profit from foreign exchange rate change		-	-
1.6.	Profit from transactions of the derivative financial instruments		-	-
1.7.	Guarantee contributions		-	-
1.8.	Income related to deductions sales/redemption of the entity's shares		-	-
1.9.	Other income from operating activities		-	-
2.	EXPENSES FROM OPERATING ACTIVITIES	8	**491.130**	-
2.1.	Loss from investment value change and sales		491.130	-
2.2.	Loss from foreign exchange rate change		-	-
2.3.	Loss from transactions of the derivative financial instruments		-	-
2.4.	Expenses of the entity's shares sales		-	-
2.5.	Other expenses from operating activities		-	-
3.	GROSS PROFIT (LOSS)		1.949.729	-
4.	GENERAL AND ADMINISTRATIVE EXPENSES		**325.692**	**1.525**
4.1.	Reimbursement to management entity		270.314	1
4.2.	Reimbursement to Depositary		1.829	330
4.3.	Reimbursement to intermediaries		-	-
4.4.	Audit expenses		11.193	-
4.5.	Other general and administrative expenses	14	42.356	1.194
4.6.	Reimbursement of expenses (-)		-	-
5.	OTHER'S ACTIVITIES RESULTS		-	-
6.	INTEREST AND OTHER SIMILAR EXPENSES		-	-
7.	PROFIT (LOSS) BEFORE TAXATION		**1.624.037**	**(1.525)**
8.	TAX ON PROFIT	2.12	-	-
9.	NET PROFIT (LOSS)		**1.624.037**	**(1.525)**

Director of the management company
UAB CAPITALICA ASSET MANAGEMENT
(title of position of the head of the management company) (signature) Andrius Barštys (name and surname)

Chief accountant of the management company
UAB CAPITALICA ASSET MANAGEMENT
(title of position of the head of the management company) (signature) Milda Kiaušinytė (name and surname)

(in euros, if not indicated otherwise)

BALANCE SHEET

For the year ended as of 31 December 2017
28 May 2018
(financial reporting date)

No.	ITEMS	Note	Financial year	Previous financial year
	ASSETS			
A.	FIXED ASSETS		-	-
1.	INTANGIBLE ASSETS		-	-
2.	TANGIBLE ASSETS		-	-
2.1.	Investment assets		-	-
2.1.1	Land		-	-
2.1.2	Buildings		-	-
2.2.	Other tangible assets		-	-
3.	FINANCIAL ASSETS		**14.943.533**	-
3.1.	Investment in entities of the entities group	7	13.230.000	-
3.2.	Investment in associated entities		-	-
3.3.	Other equity securities		-	-
3.4.	Other non-equity securities		-	-
3.5.	Investment units, shares, contributions of other collective investment subjects		-	-
3.6.	Derivative financial instruments		-	-
3.7.	Term deposits		-	-
3.8.	Loans and amounts receivable		-	-
3.8.1.	Loans to entities of the entities group	9	1.655.904	-
3.8.2.	Amounts receivable from entities of the entities group	9	57.629	-
3.8.3.	Loans to associated entities		-	-
3.8.4.	Amounts receivable from the associated entities		-	-
3.8.5.	Other amounts receivable after one year		-	-
3.9.	Other fixed financial assets		-	-
4.	OTHER FIXED ASSETS		-	-
4.1.	Assets of the deferred tax on profit		-	-
4.2.	Other assets		-	-
B.	CURRENT ASSETS		**782.800**	**1.306**
1.	STOCKS		-	-
1.1.	Advance payments		-	-
1.2.	Stocks for the entities' needs		-	-
2.	AMOUNTS RECEIVABLE WITHIN ONE YEAR		-	-
2.1.	Amounts receivable from investment's sales transactions		-	-
2.2.	Amounts owed by entities of the entities group		-	-
2.3.	Amounts owed by associates entities		-	-
2.4.	Other amounts receivable within one year		-	-
3.	SHORT-TERM INVESTMENTS		-	-
3.1.	Term deposits		-	-
3.2.	Money market instruments		-	-
3.3.	Transferable securities		-	-
3.3.1.	Non-equity securities		-	-
3.3.2.	Equity securities of entities of the entities group		-	-
3.3.3.	Other equity securities		-	-
3.3.4.	Investment units, shares, contributions of other collective investment subjects		-	-
3.4	Derivative financial instruments		-	-
4.	CASH	4	**782.800**	**1.306**
C.	PREPAYMENTS AND ACCRUED INCOME		-	-
	TOTAL ASSETS		**15.726.333**	**1.306**

Closed-end investment undertaking intended for informed investors UAB CAPITALICA BALTIC REAL ESTATE FUND I, 304407861, Laisvės Ave. 3, Vilnius
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(in euros, if not indicated otherwise)

No.	ITEMS	Note	Financial year	Previous financial year
D.	EQUITY	5	**15.514.513**	**975**
1.	CAPITAL	10	13.416.537	2.500
1.1.	Subscribed capital		13.416.537	2.500
1.2.	Subscribed capital unpaid (–)		-	-
2.	SHARE PREMIUM ACCOUNT		**475.464**	**-**
3.	REVALUATION RESERVE		-	-
4.	RESERVES		-	-
4.1.	Compulsory		-	-
4.2.	Other reserves		-	-
5.	RETAINED PROFIT (LOSS)	11	**1.622.512**	**(1.525)**
5.1.	Profit (loss) of the reporting year		1.624.037	(1.525)
5.2.	Profit (loss) brought forward		(1.525)	-
E.	PROVISIONS		-	-
1.	Provisions of pensions and similar obligations		-	-
2.	Provisions for taxation		-	-
3.	Other provisions		-	-
F.	AMOUNTS PAYABLE AND OTHER LIABILITIES		**211.820**	**331**
1.	AMOUNTS PAYABLE AFTER ONE YEAR AND OTHER LIABILITIES		**191.051**	**-**
1.1.	Debt liabilities	12	191.051	-
1.2.	Financial amounts owed to credit institutions		-	-
1.3.	Payments received on account		-	-
1.4.	Amounts payable for financial assets and investment property		-	-
1.5.	Amounts payable under the bills and checks		-	-
1.6.	Amounts payable to the entities of the entities group		-	-
1.7.	Amounts payable to the associated entities		-	-
1.8.	Liabilities from derivative financial instruments		-	-
1.9.	Other amounts payable and liabilities after one year		-	-
2.	AMOUNTS PAYABLE WITHIN ONE YEAR AND OTHER LIABILITIES	13	**20.769**	**331**
2.1.	Debt liabilities		-	-
2.2.	Financial amounts owed to credit institutions		-	-
2.3.	Payments received on account		-	-
2.4	Amounts payable for financial assets and investment property		-	-
2.5.	Amounts payable under the bills and checks		-	-
2.6.	Amounts payable to the entities of the entities group		-	-
2.7.	Amounts payable to the associated entities		-	-
2.8.	Amounts payable to management entity and Depository		16.526	331
2.9.	Other amounts payable within one year		8	-
2.10.	Liabilities from derivative financial instruments		-	-
2.11.	Liabilities of tax on profit		-	-
2.12.	Liabilities related to employment relations		-	-
2.13.	Other short-term liabilities		-	-
G.	ACCRUALS AND DEFERRED INCOME		**4.235**	**-**
	TOTAL EQUITY AND LIABILITIES		**15.726.333**	**1.306**

Director of the management company
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(name and surname)

(in euros, if not indicated otherwise)

STATEMENT OF THE CHANGES IN EQUITY

For the year ended as of 31 December 2017
28 May 2018
(financial reporting date)

Indicators	Capital	Share premiums	Statutory legal reserve	Revaluation reserve (results)		Other reserves	Retained profit (loss)	Total
				Non-current tangible assets	Financial assets			
1. Balance at the end of the financial year before previous	-	-	-	-	-	-	-	-
2. Result of changes in accounting policies	-	-	-	-	-	-	-	-
3. Result of correcting material errors	-	-	-	-	-	-	-	-
4. Recalculated balance at the end of the financial year before previous	-	-	-	-	-	-	-	-
5. Increase (decrease) in the value of fixed tangible and financial assets	-	-	-	-	-	-	-	-
6. Profit (loss) not recognised in the profit (loss) account	-	-	-	-	-	-	-	-
7. Net profit (loss) of the reporting period	-	-	-	-	-	-	(1.525)	(1.525)
8. Post dividends and other payments related to profit distribution	-	-	-	-	-	-	-	-
9. Formed reserves	-	-	-	-	-	-	-	-
10. Used reserves	-	-	-	-	-	-	-	-
11. Increase of capital from sale of shares, received contributions	2.500	-	-	-	-	-	-	2.500
12. Decrease of capital from redemption of shares, reimbursement of contributions	-	-	-	-	-	-	-	-
13. Contributions to cover losses	-	-	-	-	-	-	-	-
14. Balance at the end of the previous financial year	2.500	-	-	-	-	-	(1.525)	975

(continued on next page)

(in euros, if not indicated otherwise)

Indicators	Capital	Share premiums	Statutory legal reserve	Revaluation reserve (results)		Other reserves	Retained profit (loss)	Total
				Non-current tangible assets	Financial assets			
15. Increase (decrease) in the value of fixed tangible and financial assets	-	-	-	-	-	-	-	-
16. Profit (loss) not recognised in the profit (loss) account	-	-	-	-	-	-	-	-
17. Net profit (loss) of the reporting period	-	-	-	-	-	-	1.624.037	1.624.037
18. Dividends and other payments related to profits distribution	-	-	-	-	-	-	-	-
19. Formed reserves	-	-	-	-	-	-	-	-
20. Used reserves	-	-	-	-	-	-	-	-
21. Increase of capital from sale of shares, received contributions	13.414.037	475.464	-	-	-	-	-	13.889.501
22. Decrease of capital from redemption of shares, reimbursement of contributions	-	-	-	-	-	-	-	-
23. Contributions to cover losses	-	-	-	-	-	-	-	-
24. Balance at the end of the current financial year	13.416.537	475.464	-	-	-	-	1.622.512	15.514.513

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(in euros, if not indicated otherwise)

CASH FLOW STATEMENT

For the year ended as of 31 December 2017
28 May 2018
(financial reporting date)

No.	Items	Note	Financial year	Previous financial year
1.	**Cash flows from operating activities**			
1.1.	Cash flows of the reporting period		220.000	-
1.1.1.	Cash received from sold financial assets and investment property		-	-
1.1.2.	Interest received		-	-
1.1.3.	Dividends received		220.000	-
1.1.4.	Lease payments received		-	-
1.1.5.	Other activities inflows		-	-
1.2.	Cash payments of the reporting period		(13.339.507)	(1.194)
1.2.1.	Payments for the acquisition of financial assets and investment property and to fulfill liabilities	3	(13.174.633)	-
1.2.2.	Payments related to general and administrative needs		(164.874)	(1.194)
1.2.3.	Other payments		-	-
	Net cash flows from operating activities		**(13.119.507)**	**(1.194)**
2.	**Cash flows from financing activities**			
2.1.	Sale of shares, received of contributions of the company	6	13.901.001	2.500
2.2.	Redemption of shares, reimbursement of contributions of the company		-	-
2.3.	Payments from profit		-	-
2.4.	Loans received		-	-
2.5.	Loans returnd		-	-
2.6.	Interest paid		-	-
2.7.	Cash flows related to other financing sources		-	-
2.8.	Other increases in cash flows from financing activities		-	-
2.9.	Other decreases in cash flows from financing activities		-	-
	Net cash flows from financing activities		**13.901.001**	**2.500**
3.	**Foreign exchange rate change influence on net cash balances**		-	-
4.	**Increase (decrease) of net's cash flows**		**781.494**	**1.306**
5.	**Cash at the beginning of the period**		**1.306**	-
6.	**Cash at the end of the period**		**782.800**	**1.306**

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Explanatory notes to the financial statements

1 General information

The closed-end investment undertaking intended for informed investors UAB CAPITALICA BALTIC REAL ESTATE FUND I (hereinafter - Company) is a private limited liability company registered in the Republic of Lithuania as of 5 October 2016. Its registered office address is Laisvės Ave. 3, Vilnius.

The main activities of the Company is collective investment of assets obtained from informed investors in the real estate market in order to distribute the risk and enable the Company's shareholders to earn a profit. As of 22 December 2016, license No. 03-202 was issued to the Company by the Bank of Lithuania, enabling it to operate as an investment company under the Republic of Lithuania Law on Collective Investment Undertakings for Informed Investors. Prior to receiving the license, the Company operated as an ordinary private limited liability company, and its shareholders had the rights and obligations as provided in the Republic of Lithuania Law on Companies.

The aim of the Company is to ensure long-term increase in return for its shareholders by investing in the Baltic real estate market and paying particular attention to investment in commercial real estate. Investments are also possible in residential real estate. The Company invests both in the early stages of development, i.e. objects that are still under construction, and in already finished real estate objects.

The Company's period of operation is no more than 10 years from the date a license was issued to the Company by the Bank of Lithuania, enabling it to operate as an investment company. The Company's period of operation may be extended for additional 2 years.

The Company is managed by UAB CAPITALICA ASSET MANAGEMENT (hereinafter - Management Company), registered as of 4 May 2016, company code 304234719, registered office address Laisvės Ave. 3, Vilnius. As of 17 August 2016, license No. 03-118 was issued to the Management Company by the Bank of Lithuania, enabling it to manage collective investment undertakings intended for informed investors operating under the Republic of Lithuania Law on Collective Investment Undertakings for Informed Investors.

As of 31 December 2017 and 2016, the Company's shareholders were as follows:

Shareholder	Percentage of owned shares as of 31 December 2017, %	Percentage of owned shares as of 31 December 2016, %
UAB SBA Koncernas	87,77	-
Other shareholders	12,23	-
UAB CAPITALICA ASSET MANAGEMENT	-	100,00
Total:	**100,00**	**100,00**

As of 31 December 2017, the authorized capital comprised of 13.416.537 euros divided into 13.416.537 units of ordinary registered shares with a nominal value of 1 euro per each share. All the shares were fully paid for as of 31 December 2017.

As of 31 December 2016, the authorized capital comprised of 2.500 euros divided into 2.500 units of ordinary registered shares with a nominal value of 1 euro per each share. All the shares were fully paid for as of 31 December 2016.

The securities accounts of the investment company are managed by AB Swedbank, company code 112029651, registered office address Konstitucijos Ave. 20A, Vilnius, which is a direct participant of the Lithuanian Central Securities Depository, code No. 962, and AB SEB bankas, company code 112021238, registered office address Gedimino Ave. 12, Vilnius.

These financial statements have been approved by the Company's management as of 28 May 2018. The Company's shareholders shall have a statutory right to approve these financial statements, or refuse to approve them and request the management to prepare a new set of financial statements.

2 Accounting principles

2.1. Basis for the preparation of financial statements

These financial statements have been prepared in accordance with Republic of Lithuania Law on Accounting, Republic of Lithuania Law on Collective Investment Undertakings for Informed Investors, 39th Business Accounting Standard of the Republic of Lithuania, and other Business Accounting Standards, including standards and methodological recommendations prepared and approved by the Authority of Audit, Accounting, Property Valuation and Insolvency Management.

These financial statements have been prepared in accordance with the Business Accounting Standards of the Republic of Lithuania (BAS) which are applied to periods beginning from or after 1 January 2017. The applied accounting principles are described below.

The Company does not prepare consolidated financial statements, because consolidated financial statements are prepared by the controlling shareholder.

2.2. Financial statement currency

Accounts are managed by the Company and all the amounts in these financial statements are recorded and presented in the national currency of the Republic of Lithuania – the euro.

2.3. Investment policy

The aim of the investment activities of the Company is to ensure long-term increase in return for its shareholders by investing in the Baltic real estate market (Republic of Lithuania, Republic of Latvia and Republic of Estonia) and paying particular attention to investment in commercial real estate.

The Company's assets can be invested directly into real estate objects (including land plots), by acquiring them by right of ownership and (or) indirectly, i.e. when real estate objects are acquired by enterprises controlled by the Company, the purpose of which is to invest in and manage real estate objects whose equity securities and (or) debt securities are held by the Company, or when the Company acquires the securities of enterprises that already have real estate objects, and (or) the assets can be invested in other collective investment undertakings if the investment strategy of such collective investment undertakings complies with the investment strategy of the Company.

A more detailed investment strategy of the Company is indicated in the approved Articles of Association of the Company which can be found at the Company's registered office.

2.4. Financial risk management policy

The Company is managed in a way that would enable to reduce all financial risks and in accordance with the investment risk diversification rules for collective investment undertakings operating according to the Republic of Lithuania Law on Collective Investment Undertakings for Informed Investors, which are approved by Resolution No. 03-122 of the Board of the Bank of Lithuania of 19 July 2013. The risks described below may have an impact on the value of investments, determine the Company's net asset value (hereinafter - NAV) and, accordingly, decrease the value of the Company's shares per unit.

<u>Market risk</u>

Due to the constantly changing situation in the market, there is a risk that investments may lose their value. Since the aim of the Company is to invest in real estate, the main risk encountered by the Company is fluctuations in the real estate market which may reduce income received by the Company from lease, as well as reduce asset liquidity and value. The real estate market directly depends on the state of the economy. Declining economy determines lower income from lease and higher rates of unemployment, therefore it may be harder for the Company to earn the planned income from lease. The real estate market may also have significant fluctuations due to increasing interest rates and fewer funding opportunities. This may lead to decreasing buyer activity and increasing seller activity in the market, which would determine a decrease in property prices and a drop in liquidity. Essentially, it would be harder to sell the Company's assets. In order to decrease this risk, long-term agreements will be signed with tenants, and interest rate risk management measures will be used.

<u>Liquidity risk</u>

It is a risk to suffer losses due to low market liquidity, making it impossible to acquire or sell assets comprising the investment portfolio at the desired time for the desired price. This risk is high, therefore the Company will aim to continuously monitor the real estate market, as well as communicate with possible buyers and sellers, thus ensuring the necessary liquidity.

2 Accounting principles (continued)

2.4. Financial risk management policy (continued)

Interest rate and financing risk

At a time of rapid economic recovery or rising inflation, central banks may decide to increase their interest rates which can, in turn, raise the servicing costs of loans taken by the Company for its investments, which would have a negative impact on the Company's return.

If the economic situation becomes worse, it may be difficult or expensive to receive funding for the acquisition of new investment objects or when refinancing expiring loan agreements, which would have a negative impact on the Company's return.

In order to avoid the consequences of this risk, the Company will use interest rate risk management measures.

Credit financing risk

During its time of operation, the Company may borrow funds necessary for acquiring investments, however there is no guarantee that the Company will be able to receive such loans. It is also important to note that, when reducing the authorized capital of the Company in order to pay the shareholders, one of the conditions under which reduction of the authorized capital can be carried out is that a written consent must be obtained from all the Company's creditors to whom the Company has long-term liabilities.

In addition, when dividing the Company's assets during liquidation, these assets may be divided among shareholders only after paying all the Company's creditors, therefore neither the Company nor the Management Company can guarantee that investors will regain their invested funds.

There is a risk that a creditor may request for the entire loan amount and interest to be repaid earlier. Loan agreements may also provide an obligation for the Company or other enterprises controlled by it to obtain a consent from the creditor before carrying out certain actions. Without such consent, the Company may have to urgently refinance its loans under less favorable financial conditions. In order to control this risk, the Company will aim to receive consent from the creditor and avoid refinancing its loans under less favorable conditions.

Currency risk

The main investment currency of the Company is the national currency of the Republic of Lithuania - the euro. Since the Company does not have investments or other significant items in other currencies, there is no significant currency exchange rate risk.

2.5. Principles of recognizing the increase and decrease of assets

Monetary measurement principle - all of the Company's assets, their increase and decrease in value are expressed monetarily in the financial statements.

Accrual principle - the increase and decrease of the Company's assets value is registered in accounting when it occurs, and presented in the financial statement of those periods, regardless of when the money was paid or received.

Substance over form principle - when reflecting the increase and decrease of its assets, the Company pays most of its attention to their content and essence, instead of only formal submission requirements. The Company registers its transactions and events and presents them in financial statements according to their content and substance, even when their presentation differs from the legal form.

Increase in cash is recognized when registering cash increase in the bank account. The decrease of this account is recognized accordingly. Foreign currencies are accounted for according to the official exchange rate published by the Bank of Lithuania on the day of the transaction.

Increase in securities is recognized when acquiring securities and when the value of securities increases. Accordingly, decrease in securities is recognized when selling securities and when the value of securities decreases. Securities are recognized on the day of the transaction when the right of ownership of securities is transferred.

Increase in the amounts receivable item is registered when paying advances and/or registering the amount receivable. Decrease is recognized after receiving goods, services and cash, or accounting for the impairment of assets.

The Company may only incur costs which are related to the activities of the Company and established in its Articles of Association. All other costs not provided in the Articles of Association or costs that exceed the set limits shall be covered by the Management Company.

2 Accounting principles (continued)

2.6. Rules for the accounting of payments to the Management Company and the depository, and other costs

The following costs are covered using the assets of the Company: asset custody fee, remuneration for auditors and financial intermediaries, costs of establishing the Company and obtaining a license to run it, fees for services provided by financial institutions, remuneration for asset and business valuators, Committee members, accounting, currency exchange and insurance costs, litigation costs, fees for the management of securities and other accounts, costs of formalizing, registering and unregistering measures in order to ensure obligations, forced recovery costs, state and municipal taxes and fees, costs of preparation and presentation of information about the Company, costs of modifying the Articles of Association and the Prospectus, costs of consultations, notary costs, costs of registration and legal services, professional insurance costs of persons responsible for the operation of the Company, costs of representation and promotion of the Company related to real estate activities carried out by the Company. Also costs related to Company share offering, including, among other things, travel costs and other justified additional costs, as well as any stamp duties and other taxes related to the transfer of Company shares or assets, or fees related to the issue, sale, distribution and presentation of Company shares, or the acquisition, transfer or development of assets, as well as other costs related to the activities of the Company.

The amount of costs covered with the assets of the Company should not exceed 15 percent of the average annual NAV. In order to avoid uncertainty, it must be emphasized that this 15 percent limit does not include remuneration paid to the Management Company from the assets of the Company (i.e. management fee and success fee).

The management fee comprises 1.5 percent from NAV. Management fee that must be paid to the Management Company is calculated using the accrual principle for each calendar day in proportion to the annual fee, and paid to the Management Company once per month, but not later than on the 15th day of the next calendar month.

The success fee is paid to the Management Company only if the Company's annual return on investment exceeds the minimum barrier of the Company's annual return on investment, i.e. 10 percent after deducting all the costs indicated in the Articles of Association. The annual return on investment of the Company for the period beginning from the date a license is issued to the Company enabling it to engage in investment activities and until the moment of calculation is determined as follows:

- the actual annual return on investment of the Company is calculated using Microsoft Excel formula XIRR which evaluates the time both negative (shareholder contributions to the Company (included in the XIRR formula when changes of the Articles of Association are registered regarding increase in the authorized capital)) and positive (payments paid to the shareholders by the Company, while the last positive flow means investment value during calculation) flows of the Company occurred, as well as the size of the flows;
- if the calculated actual annual return on investment of the Company is higher than the Company's minimum annual return on investment, the last positive flow is reduced by trial until the actual annual return on investment of the Company calculated using the Microsoft Excel formula XIRR reaches 10 percent;
- the amount used to reduce the last positive flow will be the size which exceeds the Company's minimum annual return on investment.

Success fee paid to the Management Company is calculated each time when calculating NAV. If the success fee that must be paid to the Management Company is determined during the calculation of NAV, then this amount is included in the accounting records of the Company as the Company's long-term liability to the Management Company. The success fee is paid at the end of the period of operation of the Company or 50 percent of the accrued success fee amount can be paid to the Management Company as a success fee advance. If, during the calculation of the success fee that must be paid to the Management Company in the next years, it is determined that a lower success fee should be paid to the Management Company than the fee that was calculated for in the earlier years, or it is determined than no success fee should be paid to the Management Company, then the Company's liability to the Management Company is reduces accordingly, and the Management Company returns the success fee advance back to the Company, so that the entire amount paid in advance is not higher than 50 percent of the calculated success fee liability.

The Management Company will also receive a one-time distribution fee, if this is indicated in the prospectus. The distribution fee is determined under the decision of the Management Company, however it cannot be higher than 1 percent of the amount invested by investors in the Company, i.e. the amount paid by investors for shares subscribed when the authorized capital of the Company is increased, or the value of non-monetary contribution contributed to the Company. If a distribution fee is applied, then it shall be paid by investors by transferring the calculated distribution fee amount to the Company along with the payment for the Company's shares, however shares will not be issued to the investor for the distribution fee amount, and the distribution fee amount will not be included in the Company's NAV. The distribution fee shall be paid to the Management Company according to the invoice issued to the Company by the Management Company.
Assets and liabilities of the Company are measured in accordance with the Laws of the Republic of Lithuania, Business Accounting Standards and the methodology for Net asset value calculation approved by the Bank of Lithuania, and other legislation.

2 Accounting principles (continued)

2.7. Methods and frequency of the valuation of assets and liabilities

Assets (or part of them) must be written off only when the rights to these assets (part of the assets) are implemented, upon the expiration of rights or when these rights are transferred.

Financial assets include cash and cash equivalents, and amounts receivable.

Impairment of amounts receivable is accounted for when there are indications that the amounts receivable may be impaired, and the carrying value of the amounts receivable is reduced using the impairment item. Impaired receivables are written off when they are recognized as no longer recoverable.

Liabilities (or part of them) are debited only when they disappear, i.e. when liabilities indicated in the contract are carried out, annulled or no longer valid.

Financial liabilities include amounts payable for the received goods and services, as well as loans and bonds.

Calculation of assets and liabilities is based on their fair value, which must reflect NAV, under which these assets are most likely to be sold.

The fair value of financial instruments sold in regulated markets is determined according to the average market prices published on the valuation day, the prices of similar financial assets or using other methods established in the financial markets for determining fair value.

Equity securities which are not sold in regulated markets are measured according to the following procedures:

- based on the valuation of an independent business appraiser who has the right to carry out such activities and meets the criteria established in the Articles of Association, if no more than six months have passed from the valuation and there were no events after the valuation due to which the current market price is significantly lower or higher than the price determined by the appraiser;

- if, for some reason, it is not possible to use the aforesaid method, valuation is carried out according to the conservative ownership principle, i.e. based on audited (if audit is necessary) financial statements of enterprises owned by the Company, where the assets of such enterprises are reflected at fair value. The value of equity securities is considered to be the financial reporting equity (equity capital) amount divided by the number of all equity securities and multiplied by the number of securities owned by the Company. When the equity capital is negative, it shall be considered that the entire equity securities amount is equal to 1 EUR. Equity securities are measured at least once every six months;

- if, for some reason, it is not possible to apply any of the aforesaid methods, valuation is made according to the expected sale price determined according to the selected valuation model which is generally accepted and applied in the financial market.

Debt securities and money market instruments which are not sold in regulated markets are measured at amortized cost by applying the effective interest rate method.

Real estate (both owned directly by the Company or owned by real estate enterprises acquired by the Company) is measured at least twice a year: in the middle and at the end of each current year.

Other assets are measured according to the most likely sale price determined according to the selected valuation model which is generally accepted and applied in the financial market.

Fixed-term deposits in banks are measured according to the amortized cost value. Cash and finances in credit institutions are measured according to the nominal value.

The Company's NAV is calculated by deducting the Company's liabilities from the Company's assets, including management and success fee liabilities. When calculating NAV, the value of the Company's assets and the value of liabilities are calculated separately. The Company's NAV is calculated in accordance with the NAV calculation rules indicated in the Articles of Association.

2 Accounting principles (continued)

2.8. Rules for the valuation of shares

The value of the Company's shares is determined by dividing NAV by the total number of shares issued by the Company. The value of the Company's share is determined at an accuracy of four decimals and rounded according to mathematical rounding rules. The total value of all shares issued by the Company is always equal to the Company's NAV.

The Company's NAV and the value of the Company's shares is determined each month according to the data of the last day of the previous month. The Company's NAV is also calculated according to the actual data of the day on which a decision was made by the Bank of Lithuania to issue a license to the Company enabling it to operate as an investment company. The Company's NAV shall also be determined when the Company increases or reduces its authorized capital (changes the information of the date the Articles of Association are registered), receives additional contributions from the Company's shareholders (according to the data of the day the contributions are credited in the Company's account), and pays funds to its shareholders as dividends (according to the data of the day the entire amount of dividends provided is transferred from the Company's account).

The Company share offers and share subscription agreements are concluded and shares are issued for the issue price of one share determined according to the last calculated Company's net asset value per one share.

2.9. Investment portfolio structure

The following portfolio diversification requirements are applied to the Company's investments:

- during the entire period of operation of the Company, up to 10 percent of the Company's assets may comprise of free funds which may be temporarily invested in deposits for a term of up to 12 months, which can be withdrawn upon request from the credit institution whose registered office address is in a country within the European Economic Area, or in another country where prudential supervision is as strict as that in the European Union; as well as the investment grade debt securities of companies operating in any country around the world;

- when investing in the measures indicated above at any given time, investments in the debt securities of the government of one country shall not exceed 30 percent of net asset value, and, when investing in the debt securities of companies, the securities of one issuer shall not exceed 10 percent of net asset value (to avoid any uncertainty, it should be noted that this limitation is not applied to the case when the Company acquires special-purpose real estate securities). When keeping money in a bank, no more than 30 percent of net asset value shall be kept in one bank. No restrictions are applied when the Company's financial assets are kept by a custodian;

- no more than 30 percent of the Company's assets may be directly and (or) indirectly invested into one real estate object. More than 30 percent of Company assets may be invested in a single special-purpose real estate object and (or) debt securities only if investment risk diversification requirement is followed when investing in the final investment object.

The Company's investment period (period during which the Company searches for objects that would meet its investment strategy in order to invest its assets in such objects, and invests in the selected objects) will last up to 5 years after the end of the first stage of Company share offering. The aforesaid investment portfolio diversification requirements may not be met during the period which will last 2 years after the end of the first stage of Company share offering, and on the ninth and tenth (or eleventh and twelfth year, if the Company's period of operation is extended for two more years) year of operation of the Company. However, in any case, the Company will aim to ensure that Company assets are comprised of at least 4 real estate objects at the end of the investment period. When investments/objects are sold during the investment period, the received funds can be used for making new investments in real estate.

2.10. Cash and cash equivalents

Cash includes cash in bank accounts. Cash equivalents are short-term, very liquid investments, which are easily converted to a known amount of cash. The time period of such investments does not exceed three months, and the risk of changes in value is insignificant.

Cash and cash equivalents in the cash flow statement are comprised of cash in bank accounts, as well as deposits whose term on the agreement conclusion date is equal to or less than 3 months.

2 Accounting principles (continued)

2.11. Provisions

A provision is registered in accounts only if, due to a past event, the Company has a legal obligation or irrevocable commitment and it is likely that resources providing economic benefits will be necessary to fulfil it, and the obligation amount can be reliably measured. Provisions are reviewed on the day of the formation of each balance sheet, and corrected in order to reflect the most precise current measurement. In cases when the effect of the time value of money is material, the amount of a provision shall be the present value of the expenses expected to be required to settle the liability. When discounting is used, the increase of a provision reflecting the previous period is registered in accounts as interest expenses.

2.12. Income tax

In 2017, the standard income tax rate applied to companies in the Republic of Lithuania was 15 percent.

Tax losses can be transferred for an unlimited period, except losses incurred due to the transfer of securities and (or) derivative financial instruments. Such transfer is terminated if the Company no longer continues its activities due to which these losses have occurred, excluding cases when the Company no longer continues its activities due to reasons beyond its control. Losses incurred due to the transfer of securities and (or) derivative financial instruments can be carried forward for 5 years and covered with the profit of similar transactions.

As of 1 January 2014, forwarded tax losses can cover no more than 70 percent of the taxable income of the current year.

Deferred taxes are calculated using the balance sheet liability method. Deferred tax reflects the net tax effect of the temporary differences between the asset and liability accounting value and their tax base.

Deferred tax assets and liabilities are measured at a tax rate which will (as expected) be applied for the period during which the assets will be realized and the liability covered, based on the tax rates which were adopted or essentially adopted on the date of the statement of financial position. Deferred tax assets are recognized in the statement of financial position to the extent that the management of the Company expects it to be realized in the near future, based on the taxable profit forecasts. If it is likely that part of the deferred tax will not be realized, this part of the deferred tax is not recognized in the financial statements.

Based on the requirements of Article 12 of the Law on Income Tax of the Republic of Lithuania, income tax is not applied to the Company.

2.13. Income and expense recognition

Income is recognized when it is likely that the Company will receive economic benefit related to the transaction, and when it is possible to reliably measure the income amount.

Expenses are recognized according to the accrual and matching principles during the reporting period when they are incurred, regardless of when the money is spent.

2.14. Foreign currencies

Transactions expressed in a foreign currency are recorded in accounts according to the official currency exchange rate that was valid on the day of the transaction. Income and losses from the revaluation of the balances of such transactions, as well as assets and liabilities expressed in a foreign currency are recorded in the statement of profit (loss) on the balance sheet date. Such balances are revalued according to the currency exchange rate at the end of the reporting period.

2.15. Impairment of assets

<u>Financial assets</u>

Impairment of financial assets is measured on each balance sheet day.

When it becomes clear that the Company will not recover all loans and receivables granted in accordance with the agreed payment terms, financial asset, accounted amortized value, impairment or bad receivables losses are recognized in the statement of profit (loss).

2 Accounting principles (continued)

2.15. Impairment of assets (continued)

Recovery of impairment losses recognized for the previous periods is accounted for when the decrease of these losses can be objectively justified with events that occurred after impairment is recorded. Such recovery is accounted for in the statement of profit (loss). However, the increased value is raised only to the extent that it does not exceed the amortized value, which would have occurred if the impairment would not have been accounted for.

Other assets

Impairment of other assets is measured when events and circumstances show that the asset value may not pay off. When the carrying value exceeds the recoverable asset value, impairment is accounted for in the statement of profit (loss). Recovery of impairment accounted for during previous periods is recorded when there are signs that the losses recognized due to asset impairment no longer exist or have significantly decreased. Recovery is accounted for under the same item in the statement of profit (loss), in which impairment losses were recorded.

2.16. Contingencies

Contingent liabilities are not recognized in the financial statements. They are described in financial statements, excluding cases when the likelihood that resources providing economic benefits will be lost is very small.

Contingent assets are not recognized in financial statements, however they are described in financial statements when it is likely that income or economic benefits will be received.

2.17. Subsequent events

Subsequent events which provide additional information about the Company's position on the balance sheet date (corrective events) are reflected in the financial statements. Subsequent events which are not corrective events are described in explanatory notes when this is significant.

2.18. Netting

When forming financial statements, assets and liabilities, as well as income and expenses are not netted, excluding cases when a separate standard requires such netting.

2.19. Going concern

As of 31 December 2017, the Company's current assets exceeded its short-term liabilities by 0.57 million euros (as of 31 December 2016, short-term liabilities exceeded current assets by 1 thousand euros). The Company's management plans to continue earning profit in 2018 and believes that the Company will earn sufficient income and cash flows in order to carry out its activities and cover its liabilities, therefore these financial statements were prepared based on the assumption of going concern.

3 Financial assets

	Investments in enterprises of corporate group	Loans granted to the enterprises of corporate group	Total
Balance as of 1 January 2017	-	-	-
Acquisitions (monetary)	9.421.955	3.752.678	13.174.633
Acquisitions (non-monetary)	39.172	-	39.172
Share issue acquisition offset with a loan	2.071.296	(2.071.296)	-
Change in fair value	1.697.577	32.151	1.729.728
Balance as of 31 December 2017	13.230.000	1.713.533	14.943.533

4 Cash and cash equivalents

As of 31 December 2016 and 2017, cash and cash equivalents comprised of cash in the bank.

As of 31 December 2017 and 2016, the Company did not have any restricted cash.

5 Net assets, number and value of investment units at the beginning and end of the reporting period, at the start of the investment activities

Indicators	31 December 2017	1 January 2017	22 December 2016
Net asset value (NAV)	15.514.513	975	1.428
Number of investment units (shares) in circulation	13.416.537	2.500	2.500
Investment unit (share) value	1,1564	0,3900	0,5712

Net asset value is equal to the equity.

In 2017, the Company increased its authorized capital by 4 times, issuing a total of 13 414 037 units of shares:

- As of 29 March 2017, the authorized capital was increased by issuing 2 144 489 units of shares with a price of 1 EUR per one new share;
- As of 29 June 2017, the authorized capital was increased by issuing 5 350 400 units of shares with a price of 1,0317 EUR per one new share. This price is determined based on net asset value calculated as of 31 May 2017;
- As of 26 September 2017, the authorized capital was increased by issuing 1 640 362 units of shares with a price of 1,0516 EUR per one new share. This price is determined based on net asset value calculated as of 31 July 2017;
- As of 8 December 2017, the authorized capital was increased by issuing 4 278 786 units of shares with a price of 1,0517 EUR per one new share. This price is determined based on net asset value calculated as of 31 October 2017.

As of 31 December 2017 and 2016, the Company did not acquire its own shares.

6 Number and value of shares distributed and redeemed during the reporting period

	29 March 2017		29 June 2017		26 September 2017		8 December 2017	
	Share number	Value in euros	Share number	Value in euros	Share number	Value in euros	Share number	Value in euros
Number of distributed shares	2.144.489	2.144.489	5.350.400	5.520.007,68	1.640.362	1.725.004,70	4.278.786	4.499.999,24
Number of redeemed shares	-	-	-	-	-	-	-	-
Difference	2.144.489	2.144.489	5.350.400	5.520.007,68	1.640.362	1.725.004,70	4.278.786	4.499.999,24

(in euros, if not indicated otherwise)

6 Number and value of shares distributed and redeemed during the reporting period (continued)

According to the distribution agreement concluded as of 10 May 2017 between the Management Company and UAB FMĮ Orion Securities, company code 122033915, address Antano Tumėno str. 4, Vilnius, investors investing in the Company, who were offered to invest in the Company, were provided with information about the Company and provided with assistance during the process of investing in the Company by distributor UAB FMĮ Orion Securities, were subject to a 1 percent distribution fee calculated from the invested amount. During 2017, a distribution fee of 11 500 euros was received along with the share payment. This distribution fee is not included in the Company's NAV and was paid to the Management Company according to the invoice issued by the Management Company.

7 Investment portfolio structure

Investment distribution	31 December 2017		31 December 2016	
	Market value, EUR	Net asset percentage, %	Market value, EUR	Net asset percentage, %
According to investment objects				
Investments in enterprises of corporate group:	**13.230.000**	**84,12**	-	-
UAB PC Luizė, 100 units of shares, ISIN code LT0000131930	2.120.000	13,48	-	-
UAB Žaliakalnio Parkas, 1 600 units of shares, ISIN code LT0000132425	5.800.000	36,88	-	-
UAB Verslo Centras 135, 5 896 units of shares, ISIN code LT0000132847	5.310.000	33,76	-	-
Loans granted to the enterprises of corporate group:	**1.655.904**	**10,53**	-	-
UAB Žaliakalnio Parkas, 1 600 units of shares, ISIN code LT0000132425	1.655.904	10,53	-	-
Receivables from the enterprises of corporate group:	**57.629**	**0,37**	-	-
UAB Žaliakalnio Parkas, 1 600 units of shares, ISIN code LT0000132425	57.629	0,37	-	-
Cash:	**782.800**	**4,98**	**1.306**	**100**
AB Swedbank	660.280	4,20	1.306	100
AB SEB bank	122.520	0,78	-	-
Total:	**15.726.333**	**100**	**1.306**	**100**
According to currency				
EUR	15.726.333	100	1.306	100
Total:	**15.726.333**	**100**	**1.306**	**100**
According to geographical area				
Lithuania	15.726.333	100	1.306	100
Total:	**15.726.333**	**100**	**1.306**	**100**

During 2017, the Company acquired the equity securities of three companies:

7 Investment portfolio structure (continued)

- UAB PC Luizė, company code 302761548, address of registration Šiaurės Ave. 15-1, Klaipėda - built and operating shopping centre in Klaipėda which generates a steady income from lease;
- UAB Žaliakalnio Parkas, company code 304287223, address of registration K. Donelaičio str. 62-1, Kaunas - business centre which is currently being developed in Kaunas. The construction project consists of two stages: the first stage was finished in November of 2017, and it is planned to start the second stage in the middle of 2018. 70 percent of the business centre was occupied as of 31 December 2017;
- UAB Verslo Centras 135, company code 301733282, address of registration Goštauto str. 40A, Vilnius - built and fully leased business centre in Vilnius.

As of 28 June 2017, an agreement was signed between UAB Urban Inventors and UAB CAPITALICA BALTIC REAL ESTATE FUND I regarding the transfer of rights and obligations of the unpaid loan granted to UAB Žaliakalnio Parkas. As of 31 December 2017, the remaining unpaid loan amount was 1 655 904 euros, and the interest comprised 57 629 euros. The deadline for returning the loan and paying interest is 31 December 2019.

Compliance with the investment risk diversification is only partial, because some investments comprise more than 30 percent of the Company's assets. Investment portfolio structure will change in 2018, because there are plans to acquire a land plot in Riga, thus hoping to maintain appropriate investment risk diversification.

8 Profit (loss) from investments value change and sale

	Change (2017-01-01 -2017-12-31)					
Investments	**Balance 2016-12-31**	**Acquired**	**Sold (redeemed)**	**Increase in value**	**Decrease in value**	**Balance 2017-12-31**
Investment in entities of the entities group's:	-	**11.532.423**	-	**2.188.707**	**(491.130)**	**13.230.000**
UAB PC Luizė, 100 units of shares, ISIN code LT0000131930	-	2.124.489	-	277.904	(282.393)	**2.120.000**
UAB Žaliakalnio Parkas, 1 600 units of shares, ISIN code LT0000132425	-	3.921.296	-	1.910.803	(32.099)	**5.800.000**
UAB Verslo Centras 135, 5 896 units of shares, ISIN code LT0000132847	-	5.486.638	-	-	(176.638)	**5.310.000**

As of 30 June 2017 and 31 December 2017, the market value of investments in real estate was determined based on the valuations carried out by independent property valuators UAB Colliers International Advisors (valuation of 30 June 2017) and UAB Newsec Baltics (valuation of 31 December 2017) who have appropriate professional qualifications and the necessary property valuation experience. The values of the current shares were also valued as of 31 December 2017. The Company measures its net asset value not only after certain events specified in the Articles of Association, but also measures the latter on the last day of each month, therefore investment market value is also determined based on the conservative ownership principle, i.e. based on the financial statements of the Company's enterprises formed in accordance with the procedures established by legal acts, which reflect the assets of such enterprises at fair value. In this case, the value of equity securities is considered to be equity (equity capital) amount divided by the number of all equity securities and multiplied by the number of securities owned by the Company.

8 Profit from investments value change and sale (continued)

Increase in the value of investments was determined by professional property valuations which took into account all newly formed lease agreements, indexation of income since 1 January 2018, and the successfully completed first stage constructions of UAB Žaliakalnio Parkas business centre. Each month, an increase in value was determined by cash flows generated from the income received from lease. The value of UAB PC Luizė decreased due to paid interim dividends, while UAB Žaliakalnio Parkas generated no income until the completion of the first stage of construction.

The increase in the value of the Company's investments was accounted for under the "Profit from changes in the value of investments and their sale" item in the Profit (Loss) Statement, while decrease was accounted for under the "Loss from changes in the value of investments and their sale" item.

9 Borrowings and loans granted

Loan recipient	Loan amount 2017-12-31	Interest rate	Calculated interest 2017-06-28-2017-12-31	Return date	Balance 2017-12-31
UAB Žaliakalnio Parkas	1.655.904	1,9%	57.629	2019-12-31	1.713.533

As of 28 June 2017, an agreement was signed between UAB Urban Inventors, UAB Žaliakalnio Parkas and UAB CAPITALICA BALTIC REAL ESTATE FUND I regarding the transfer of rights and obligations under the loan contract. Under this agreement, the Company took over the loan contract signed on 1 July 2016 between UAB Urban Inventors and UAB Žaliakalnio Parkas.

The maximum loan amount is no more than 5 000 000 euros. The loan is paid all at once or in instalments under a separate request of the loan receiver which may be submitted no later than until the end of the loan period indicated in the contract.

As of 31 December 2017, the Company did not have any borrowings.

10 Capital

According to the Law on Companies of the Republic of Lithuania, the company's equity cannot be less than ½ of its authorized capital indicated in the Articles of Association. As of 31 December 2017, the Company fulfilled this requirement.

11 Reserves

Legal reserve
The legal reserve is mandatory in accordance with the legal acts of the Republic of Lithuania. At least 5 percent of net profit must be transferred to it until the reserve reaches 10 percent of the authorized capital.

The legal reserve was not formed as of 31 December 2017 and 2016.

Distributable reserves
Distributable reserves are formed according to the resolution of the annual general meeting of shareholders regarding profit distribution, and are provided in the Company's Articles of Association. These reserves can be used only for the purposes approved by the general meeting of shareholders.

Retained profit (loss)
According to the provisions of the Law on Companies of the Republic of Lithuania, if the amount of undistributed profit (loss) at the beginning of the financial year and the amount of net profit (loss) of the reporting year is negative, the general meeting of shareholders must make a decision to cover these losses. Amounts are transferred to the distributable result at the following sequence:

a) transfers from reserves unused during the reporting financial year;
b) transfer from the legal reserve;
c) transfer from share premium.

The Company's equity is comprised of more than ½ of the authorized capital amount indicated in the Articles of Association, and the Company earned profit in 2017. The shareholders will be offered to transfer the retained profit to the next financial year.

(in euros, if not indicated otherwise)

12 Amounts payable after one year and other liabilities

Item name	31 December 2017	31 December 2016
Success fee calculated for the management company	191.051	-
TOTAL:	**191.051**	-

As described in Note 2.6, a success fee is paid to the Management Company from the Company's assets, if the Company's annual return on investment exceeds 10 percent. In this case, 15 percent from the amount which exceeds the Company's minimum return on investment barrier is paid to the Management Company. The success fee is paid at the end of the period of operation of the Company.

13 Amounts payable within one year and other liabilities

Item name	31 December 2017	31 December 2016
Amounts payable to the Management Company	16.526	1
Amounts payable to the depository	-	330
Other amounts payable within one year	8	-
Accrued audit expenses	4.235	-
TOTAL:	**20.769**	**331**

Interest is not applied to amounts payable within one year, including those related to the amounts payable to related parties. They are usually covered within 30 days.

14 Other general and administrative expenses

Item name	2017	2016
Consultation expenses	28.705	-
Taxes, other than income tax	-	550
Expenses of the services of other companies	12.606	320
Payroll expenses	-	318
Financial institution services	1.045	6
TOTAL:	**42.356**	**1.194**

15 Return on investment

	Of the reporting period	1 year ago	2 years ago	10 years ago
Changes in the investment unit (share) value	**0,5852**	-	-	-
Annual gross return on investment	**32,27%**	-	-	-
Annual net return on investment	**31,33%**	-	-	-

Changes in the investment unit (share) value are calculated after a license is received enabling to engage in investment activities, i.e. since 22 December 2016.

The Company's annual gross return on investment is calculated without including the success fee. The annual net return on investment is calculated after the success fee. Return on investment is calculated using the Microsoft Excel formula XIRR which determines the time the negative and positive flows of the Company occurred, and the size of these flows.

16 Related party transactions

The parties are considered to be related when one party is able to control the other or have significant influence over the other party when making financial and operational decisions. The Company's related parties are as follows:

- UAB SBA Koncernas (ultimate controlling shareholder);
- UAB CAPITALICA ASSET MANAGEMENT (Management Company);
- Other SBA group companies.

Transactions with related parties during 2017 and 2016, and balances as of 31 December 2017 and 2016:

2017

Related party	Purchases	Sales	Loans granted with accrued interest	Amounts payable	Dividends received
UAB SBA Koncernas	500	-	-	-	-
UAB CAPITALICA ASSET MANAGEMENT	90.772	-	-	16.535	-
Other SBA group companies	3.984.489*	32.152	1.713.533	-	220.000
TOTAL:	**4.075.761**	**32.152**	**1.713.533**	**16.535**	**220.000**

*This amount includes the acquisitions of the shares of UAB PC Luizė and UAB Žaliakalnio Parkas – as of 17 March 2017, the Company acquired 100 percent of UAB PC Luizė shares (owned by UAB Evenmor) for 2.124.489 euros, i.e. 100 of ordinary registered uncertificated shares with a nominal value of 28.96 EUR; as of 23 June 2017, the Company acquired 100 percent of UAB Žaliakalnio Parkas shares (owned by UAB Urban Inventors) for 1.850.000 euros, i.e. 1600 units of ordinary registered uncertificated shares with a nominal value of 1,74 EUR. Under the assessment of the management, these acquisitions comply with the market conditions.

2016

Related party	Purchases	Sales	Loans granted with accrued interest	Amounts payable	Dividends received
UAB SBA Koncernas	265	-	-	-	-
TOTAL:	**265**	-	-	-	-

17 Subsequent events

As of 27 March 2018, a purchase and sale agreement was signed between UAB PC Luizė - an investment object managed by the Company and UAB HAKONLITA, on the basis of which assets held by UAB PC Luizė are being sold. The set sale price is 6.850.000 euros plus VAT. The ownership rights to the assets are transferred to UAB HAKONLITA from the moment the transfer - acceptance act is signed, if all the preconditions are fulfilled until 1 July 2018. On 14 May 2018, a notice was received from UAB HAKONLITA regarding the termination of the agreement, because one of the conditions of the agreement - refusal of the Competition Council of the Republic of Lithuania to execute concentration upon the acquisition of 100 percent of PALINK shares by RIMI - was not met.

As of 19 April 2018, a resolution of the shareholders of the Company was signed regarding the increase of the authorized capital. The Company's authorized capital was increased from 13.416.537 euros to 15.277.549 euros by issuing 1.861.012 units of ordinary registered Company shares with a nominal value of 1 euro per each share. The total price of issue of new shares is equal to 2.145.002,43 EUR and the price of issue of one new share is equal to 1,1526 EUR. The right to acquire newly issued ordinary registered Company shares is granted to investors who have signed investment agreements until the 27th of April.

A profit distribution draft has not yet been prepared by the management of the Company on the day the financial statements were formed.

There were no other significant subsequent events in the Company.

ANNUAL REPORT FOR 2017 OF THE CLOSED-END INVESTMENT UNDERTAKING INTENDED FOR INFORMED INVESTORS UAB CAPITALICA BALTIC REAL ESTATE FUND I

GENERAL INFORMATION ABOUT THE COMPANY

The closed-end investment undertaking intended for informed investors UAB CAPITALICA BALTIC REAL ESTATE FUND I (hereinafter - Company) was established as of 5 October 2016. As of 31 December 2017, the Company's authorized capital was comprised of 13.416.537 euros divided into 13.416.537 units of ordinary registered shares with a value of 1 EUR per each share. 87.77 percent of these shares were controlled by UAB SBA Koncernas. The remaining percentage of shares is controlled by small shareholders. The percentage of separate shares of each of the latter shareholders comprises less than 5 percent of all the shares.

The main activities of the Company is collective investment of assets obtained from informed investors in the real estate market in order to distribute the risk and enable the Company's shareholders to earn a profit. As of 22 December 2016, the Bank of Lithuania issued a license to the Company enabling it to operate as an investment company. Prior to receiving the license, the Company operated as an ordinary private limited liability company.

The Company is managed by UAB CAPITALICA ASSET MANAGEMENT (hereinafter - Management Company) which received a license from the Bank of Lithuania enabling it to manage collective investment undertakings intended for informed investors.

I. An objective review of the Company's condition, performance and development, and a description of the principal risks and uncertainties encountered by the Company.

The Company's financial risks are revealed in its financial statements.

II. The Company's financial and non-financial performance analysis, and information related to environmental and personnel matters.

During 2017, the Company earned 1.624.037 euros of net profit (in 2016, the Company suffered a loss of 1.525 euros).

As of 31 December 2017, the Company's assets comprised of 15.726.333 euros (1.306 euros as of 31 December 2016).

As of 22 December 2016, the management of the Company was transferred to the Management Company after the Company received a license from the Bank of Lithuania to operate as an investment company, therefore the Company had no employees as of 31 December 2016 and 2017.

Environmental protection requirements are not relevant to the Company.

III. References and additional explanations of information provided in the annual financial statements.

References and additional explanations are provided in the explanatory notes to the financial statements.

IV. The Company did not acquire or transfer its shares in 2017.

V. As of 31 December 2017, the Company did not have any branches or agencies.

VI. Significant events after the end of the financial year.

There were no significant events after the end of the financial year, excluding those that are described in note 17 of the explanatory notes to the financial statements.

VII. Business plans and forecasts of the Company.

The Company will continue its activities and will aim to achieve long-term increase of return for its shareholders. In 2018, the Company will aim to increase its authorized capital and invest in the acquisition of a land plot in Riga.

VIII. The Company does not carry out any research and development activities.

IX. As of 31 December 2017, the Company did not have any derivative financial instruments.

Director — Andrius Barštys

28 May 2018