INVL BALTIC FARMLAND

CONFIRMATION OF RESPONSIBLE PERSONS

28 February 2019

Following on Information Disclosure Rules of the Bank of Lithuania and the Law on Securities (article 22) of the Republic of Lithuania, management of INVL Baltic Farmland, AB hereby confirms that, to the best our knowledge, the attached Consolidated and Company's Financial Statements for 2018 are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, give true and fair view of the assets, liabilities, financial position and profit or loss of INVL Baltic Farmland and Consolidated Group.

Presented Consolidated Annual Report for 2018 includes a fair review of the development and performance of the business and position of the company and the consolidated group in relation to the description of the main risks and contingencies faced thereby.

ENCLOSURE:

1. Consolidated and Company's Financial Statements for 2018.
2. Consolidated Annual Report for 2018.

Director Eglė Surplienė

Person authorised to conduct accounting Raimondas Rajeckas

AB INVL Baltic Farmland
Gynėjų str. 14, LT-01109 Vilnius
Telephone +370 5 279 0601
Fax +370 5 279 0530
E-mail farmland@invaldainvl.com

Code: 303299781
VAT Code: LT100009222813
Account No LT934010051001989356
AB DNB bankas
Register of the Centre of Registers

INVL BALTIC FARMLAND

AB INVL Baltic Farmland Consolidated Annual Report, Consolidated and Company's Financial Statements for the year ended 31 December 2018

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

Translation note:

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

CONTENTS

INDEPENDENT AUDITOR'S REPORT 3

CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS:

DETAILS OF THE COMPANY 10

CONSOLIDATED AND COMPANY'S STATEMENTS OF COMPREHENSIVE INCOME 11

CONSOLIDATED AND COMPANY'S STATEMENTS OF FINANCIAL POSITION 12

CONSOLIDATED AND COMPANY'S STATEMENTS OF CHANGES IN EQUITY 13

CONSOLIDATED AND COMPANY'S STATEMENTS OF CASH FLOWS 15

NOTES TO THE FINANCIAL STATEMENTS 16

1 GENERAL INFORMATION 16
2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES 17
3 FINANCIAL RISK MANAGEMENT 28
3.1. Financial risk factors 28
3.2. Capital management 30
4 FAIR VALUE ESTIMATION 31
5 SUBSIDIARIES 32
6 SEGMENT INFORMATION AND OPERATING LEASE COMMITMENTS 33
7 AGREEMENT ON THE ADMINISTRATION OF LAND PLOTS 34
8 INCOME TAX 34
9 EARNINGS PER SHARE 36
10 INVESTMENT PROPERTIES 36
11 FINANCIAL INSTRUMENTS BY CATEGORY 37
12 LOANS GRANTED TO SUBSIDIARIES AT AMORTISED COST 38
13 TRADE AND OTHER RECEIVABLES 39
14 SHARE CAPITAL, ACQUISITION OF OWN SHARES AND RESERVES 40
15 DIVIDENDS 41
16 RELATED PARTY TRANSACTIONS 41
17 EVENTS AFTER THE REPORTING PERIOD 42

CONSOLIDATED ANNUAL REPORT 43

Independent auditor's report

To the shareholders of INVL Baltic Farmland AB

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

Our opinion

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

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

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

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

Basis for opinion

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

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

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

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

No non-audit services were provided to the Company and the Group, in the period from 1 January 2018 to 31 December 2018.

Our audit approach

Overview

- Overall the Company and the Group materiality: €126,6 thousand (2017: €112 thousand), which represents 1% of total equity of the Company's and the Group's respectively.
- Our audit covered all reporting units within the Group. All reporting units are in Lithuania.
- Our audit scope covered all Group's revenues and all Group's total assets.
- Valuation of investment properties

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

Materiality

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

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

Overall Company and Group materiality	Overall materiality applied to the Company and the Group amounted to € 126,6 thousand (2017: €112 thousand).
How we determined it	1% of total equity of the Company and the Group, respectively.
Rationale for the materiality benchmark applied	We have chosen the Group's and Company's equity as the benchmark because, in our view, it is an appropriate measure of underlying performance and the benchmark against which the performance of the Group, the Company and other companies in this industry is most commonly measured by users, and is a generally accepted benchmark. The key driver of the business and determinant of the Group's value is investments into agricultural land, whereas the Company's value represents investments into subsidiaries. Due to this, the key area of focus in the audit of the Group and in the audit of the Company is the valuation of investment property and investments into subsidiaries, respectively. Accordingly, an overall Group and Company materiality level is based on total equity. We chose 1%, which is within the range of acceptable quantitative materiality thresholds.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above € 12,6 thousand, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

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

Key audit matter	***How our audit addressed the key audit matter***
Valuation of Investment Properties *Refer to Note 2.18, Note 10 to the financial statements on pages 27 and 36, respectively.* The Group's investment properties represent the most significant class of the Group's assets. The investment properties are accounted for at fair value as at the financial reporting date. Management has estimated the fair value of the Group's investment properties to be equal to € 13,922 thousand at 31 December 2018 as compared to € 12,964 thousand as at 31 December 2017. The revaluation gain of € 958 thousand (2017: € 629 thousand) was recorded as fair value	Our procedures in relation to management expert's valuation of investment properties included: • evaluation of the independent external valuers' competence, capabilities and objectivity; • assessing the methodology used and the appropriateness of the key assumptions based on our knowledge of the agricultural land market; • checking the accuracy and relevance of the input data used; • examining selected independent valuations by obtaining market prices of agricultural land plots in the same geographical area from independent source, adjusting those for productivity

gains/losses in the consolidated statement of comprehensive income.

The valuation of all of the Group's investment properties was based on the independent external valuations. Valuations took into account evidence of market transactions for properties and locations comparable to those of the Group.

Given the materiality of investment properties, the revaluation to fair value had a significant impact on the consolidated financial statements. We also focused on this area as the conclusions are dependent upon significant judgement involved in performing the valuation and they are most sensitive to the assumptions underlying those valuations. In particular, the most significant inputs into this valuation approach are price per hectare and adjustments for differences in key attributes such as land size and productivity.
For this reason, due to existence of significant estimation uncertainty, we have given specific audit focus and attention to this area.

parameters and comparing price per hectare of selected land plots to those used by management expert.

Because of the subjectivity involved in determining valuations for investment properties, we determined a range of values that were considered reasonable to evaluate the independent property valuations used by management. The valuations used by the Group were within an acceptable range. We also considered whether or not there was bias in determining individual valuations and found no evidence of bias.

We found the key assumptions were supported by the available evidence and the disclosures in Note 10 to be appropriate.

How we tailored our Group audit scope

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

The group comprises of 19 entities: the Company and its subsidiaries, all located in Lithuania. All entities were audited by one engagement team in Lithuania. The group audit team performed full scope audit procedures on the financial statements of the Company and its subsidiaries.

Reporting on other information including the consolidated annual report

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

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

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

With respect to the consolidated annual report, we considered whether the consolidated annual report includes the disclosures required by the Law of the Republic of Lithuania on Consolidated Financial

Reporting by Groups of Undertakings, the Law of the Republic of Lithuania on Financial Reporting by Undertakings implementing Article 19 of Directive 2013/34/EU.

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

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

Appointment

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

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

On behalf of PricewaterhouseCoopers UAB

Rasa Radzevičienė
Partner
Auditor's Certificate No.000377

Vilnius, Republic of Lithuania
28 February 2019

DETAILS OF THE COMPANY

Board of Directors

Mr. Alvydas Banys (chairman of the Board)
Ms. Indrė Mišeikytė
Mr. Darius Šulnis

Management

Ms. Eglė Surplienė (director)

Principal place of business and company code

Gynėjų str. 14,
Vilnius,
Lithuania

Company code 303299781

Banks

Luminor Bank AS Lithuanian branch
AB Šiaulių Bankas

Auditor

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

The financial statements were approved and signed by the Management and the Board of Directors on 28 February 2019.

Ms. Eglė Surplienė
Director

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

Consolidated and Company's statements of comprehensive income

		Group		Company	
	Notes	**2018**	**2017**	**2018**	**2017**
Revenue	6	**615**	**575**	**-**	**-**
Interest income		-	-	196	206
Other income		19	6		-
Share of net profit of subsidiaries accounted for using the equity method	5		-	975	736
Net gain from fair value adjustments on investment property	10	958	629	-	-
Land plots administration fees	7	(140)	(55)	-	-
Legal, professional and securities administration fees		(48)	(47)	(27)	(27)
(Provision for) reversal of impairment of trade receivables	13	(48)	(32)	-	-
Direct property operating expenses		(26)	(15)	-	-
Employee benefits expense		(9)	(9)	(2)	(2)
Other expenses		(6)	(8)	(4)	(2)
Operating profit		**1,315**	**1,044**	**1,138**	**911**
Finance costs		-	-	-	-
Profit before income tax		**1,315**	**1,044**	**1.138**	**911**
Income tax expense	8	(202)	(159)	(25)	(26)
NET PROFIT FOR THE YEAR		**1,113**	**885**	**1,113**	**885**
Other comprehensive income for the year, net of tax		**-**	**-**	**-**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,113**	**885**	**1,113**	**885**
Attributable to:					
Equity holders of the parent		1,113	885	1,113	885
Basic and diluted earnings per share (in EUR)	9	0.34	0.27		

Consolidated and Company's statements of financial position

		Group		Company	
	Notes	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
ASSETS					
Non-current assets					
Investment properties	10	13,922	12,964	-	-
Investments into subsidiaries accounted for using the equity method	5	-	-	8,335	7,360
Loans granted to subsidiaries at amortised cost	12	-	-	4,260	4,538
Total non-current assets		**13,922**	**12,964**	**12,595**	**11,898**
Current assets					
Trade and other receivables	13	155	195	13	5
Loans granted to subsidiaries at amortised cost (accrued interest)		-	-	60	-
Prepayments and deferred charges		1	1	1	1
Cash and cash equivalents	3.1	140	199	29	154
Total current assets		**296**	**395**	**103**	**160**
TOTAL ASSETS		**14,218**	**13,359**	**12,698**	**12,058**
EQUITY AND LIABILITIES					
Equity					
Equity attributable to equity holders of the parent					
Share capital	14	955	955	955	955
Own shares	14	(203)	(203)	(203)	(203)
Share premium		1,387	1,387	1,387	1,387
Reserves	14	3,237	3,232	3,211	3,211
Retained earnings		7,254	6,631	7,280	6,652
Total equity		**12,630**	**12,002**	**12,630**	**12,002**
Liabilities					
Non-current liabilities					
Deferred income tax liability	8	1,387	1,235	-	-
Advances received		-	21	-	-
Total non-current liabilities		**1,387**	**1,256**	**-**	**-**
Current liabilities					
Trade payables		107	28	2	4
Income tax payable		50	45	25	25
Other current liabilities		44	28	41	27
Total current liabilities		**201**	**101**	**68**	**56**
Total liabilities		**1,588**	**1,357**	**68**	**56**
TOTAL EQUITY AND LIABILITIES		**14,218**	**13,359**	**12,698**	**12,058**

Consolidated and Company's statements of changes in equity

					Reserves			
Group	**Notes**	**Share capital**	**Own shares**	**Share premium**	**Legal reserve**	**Reserve for purchase of own shares**	**Retained earnings**	**Total**
Balance as at 31 December 2016		**955**	**(203)**	**1,387**	**152**	**3,079**	**5,973**	**11,343**
Net profit for the year		-	-	-	-	-	885	**885**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**885**	**885**
Transfer to reserves		-	-	-	1	-	(1)	**-**
Dividends approved	15	-	-	-	-	-	(226)	**(226)**
Total transactions with owners of the Company, recognised directly in equity		**-**	**-**	**-**	**1**	**-**	**(227)**	**(226)**
Balance as at 31 December 2017		**955**	**(203)**	**1,387**	**153**	**3,079**	**6,631**	**12,002**
Net profit for the year		**-**	**-**	**-**	**-**	**-**	1,113	**1,113**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**1,113**	**1,113**
Transfer to reserves		**-**	**-**	**-**	5	**-**	(5)	**-**
Dividends approved	15	**-**	**-**	**-**	**-**	**-**	(485)	**(485)**
Total transactions with owners of the Company, recognised directly in equity		**-**	**-**	**-**	**5**	**-**	**(490)**	**(485)**
Balance as at 31 December 2018		**955**	**(203)**	**1,387**	**158**	**3,079**	**7,254**	**12,630**

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

					Reserves			
Company	**Notes**	**Share capital**	**Own shares**	**Share premium**	**Legal reserve**	**Reserve for purchase of own shares**	**Retained earnings**	**Total**
Balance as at 31 December 2016		**955**	**(203)**	**1,387**	**132**	**3,079**	**5,993**	**11,343**
Net profit for the year		-	-	-	-	-	885	**885**
Total comprehensive income for the year		-	-	-	-	-	**885**	**885**
Dividends approved	15	-	-	-	-	-	(226)	**(226)**
Total transactions with owners of the Company, recognised directly in equity		-	-	-	-	-	**(226)**	**(226)**
Balance as at 31 December 2017		**955**	**(203)**	**1,387**	**132**	**3,079**	**6,652**	**12,002**
Net profit for the year		-	-	-	-	-	1,113	**1,113**
Total comprehensive income for the year		-	-	-	-	-	**1,113**	**1,113**
Dividends approved	15	-	-	-	-	-	(485)	**(485)**
Total transactions with owners of the Company, recognised directly in equity		-	-	-	-	-	**(485)**	**(485)**
Balance as at 31 December 2018		**955**	**(203)**	**1,387**	**132**	**3,079**	**7,280**	**12,630**

Consolidated and Company's statements of cash flows

	Notes	Group		Company	
		2018	2017	2018	2017
Cash flows from (to) operating activities					
Net profit for the year		1,113	885	1,113	885
Adjustments for non-cash items and non-operating activities:					
Net gains from fair value adjustments on investment property	10	(958)	(629)	-	-
Share of net profit of subsidiaries accounted for using the equity method	5	-	-	(975)	(736)
Interest income		-	-	(196)	(206)
Deferred taxes	8	152	114	-	-
Current income tax expenses	8	50	45	25	26
Allowances	13	48	32	-	-
Changes in working capital:					
Decrease (increase) in trade and other receivables		(8)	(151)	(8)	-
Decrease (increase) in other current assets		-	5	-	5
(Decrease) increase in trade payables		74	(94)	(7)	(2)
(Decrease) increase in other current liabilities		(14)	28	5	2
Cash flows from (to) operating activities		**457**	**235**	**(43)**	**(26)**
Income tax paid		(45)	(25)	(25)	(25)
Net cash flows from (to) operating activities		**412**	**210**	**(68)**	**(51)**
Cash flows from (to) investing activities					
Acquisition of investment properties		-	-	-	-
Loans granted		-	-	(25)	-
Repayment of granted loans	12	-	-	303	151
Interest received	12	-	-	136	173
Net cash flows from (to) investing activities		**-**	**-**	**414**	**324**
Cash flows from (to) financing activities					
Cash flows related to Group owners					
Dividends paid to equity holders of the parent	15	(471)	(220)	(471)	(220)
Net cash flows from (to) financing activities		**(471)**	**(220)**	**(471)**	**(220)**
Net increase (decrease) in cash and cash equivalents		**(59)**	**(10)**	**(125)**	**53**
Cash and cash equivalents at the beginning of the period		**199**	**209**	**154**	**101**
Cash and cash equivalents at the end of the period		**140**	**199**	**29**	**154**

Notes to the financial statements

1 General information

AB INVL Baltic Farmland (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 14.45% assets, equity and liabilities from AB Invalda INVL (company code 121304349). Entities, which business is investment into agricultural land and its rent, were transferred to the Company (hereinafter split-off).

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

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

The Company manages shares of entities investing into agricultural land and provides finance. Now the Company has 100% shares in 18 companies owning more than 3 thousand hectares of agricultural land in Lithuania (detailed list of subsidiaries is presented in Note 5), that is rented to farmers and agricultural companies. The Company focuses on growth of quality of owned land and environmental sustainability. The Group operates in one segment – agricultural land segment.

Investments into agricultural land are classified as long term and are recommended for investors who are satisfied with the return on rent and possible income from increase of agricultural land prices. Since prices of agricultural products are determined in the world markets, this investment allows participating in the world food supply chain.

As at 31 December 2018 and 2017 the shareholders of the Company were (by votes)*:

	2018		2017	
	Number of votes held	Percentage	Number of votes held	Percentage
UAB LJB Investments (controlling shareholder Mr. Alvydas Banys)	977,751	30.28	977,751	30.29
Mrs. Irena Ona Mišeikienė	931,831	28.86	931,831	28.86
UAB Lucrum Investicija (sole shareholder Mr. Darius Šulnis)	479,310	14.85	730,068	22.61
Mr. Alvydas Banys	252,875	7.83	252,875	7.83
Ms. Ilona Šulnienė	185,000	5.73	-	-
Ms. Greta Mišeikytė-Myers	65,758	2.04	-	-
Ms. Indrė Mišeikytė	64,450	2.00	64,450	2.00
Other minor shareholders	271,535	8.41	271,535	8.41
Total	3,228,510	100.00	3,228,510	100.00

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

All the shares of the Company are ordinary shares with the par value of EUR 0.29, and were fully paid as at 31 December 2018 and 2017. Subsidiaries did not hold any shares of the Company as at 31 December 2018 and 2017. The Company holds 63,039 own shares (1.92% of share capital).

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

As at 31 December 2018 the number of employees of the Group and the Company was 2 and 1, respectively. As at 31 December 2017 the number of employees of the Group and the Company was 2 and 1, respectively.

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

2 Summary of significant accounting policies

The principal accounting policies applied in preparing the Group's and the Company's financial statements for the year ended 31 December 2018 are as follows:

2.1. Basis of preparation

Statement of compliance

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

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

Adoption of new and/or changed IFRSs and IFRIC interpretations

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

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

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

The principal effects of these changes are as follows:

IFRS 9 *Financial Instruments*

Key features of the new standard are:

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

The adoption of IFRS 9, Financial Instruments, from 1 January 2018 resulted in changes in accounting policies as disclosed in Notes 2.7, 2.8, 2.10, however as disclosed in notes 3.1, 12 and 13 there was no significant impact on recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments and impairment of financial assets.

The Group and the Company had according to IAS 39only financial assets attributed to the category of financial assets 'Loans and receivables' and have only financial liabilities attributed to the category 'Other financial liabilities'. The business model for the Group's and the Company's financial assets is held to collect contractual cash flows and they are SPPI. Therefore, the financial assets are measured at amortised cost as it was before the adoption of the standard. After adoption of IFRS 9 the Group and the Company have only financial assets and liabilities measured at amortised cost. The changes in hedge accounting have no impact on the Group's and the Company's financial statements as the Group and the Company is not using hedging instruments.

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

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

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

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

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

The adoption of the standard did not have significant impact on the Group's and the Company's financial statements for the year ended 31 December 2018 as the main revenue of the Group is rental income and the Company received only interest income and dividends, that are not in scope of IFRS 15. All revenue is recognised at a point in time. New accounting policies are disclosed in Note 2.13.

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

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

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

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

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

<u>Standards not yet adopted by the EU</u>

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

2 Summary of significant accounting policies (cont'd)

2.2. Basis of consolidation

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

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

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

2.3. Functional and presentation currency

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

As these financial statements are presented in euro 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

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

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

2 Summary of significant accounting policies (cont'd)

2.5. Investment properties

Land that is held for long-term rental yields and for capital appreciation is classified as investment properties.

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

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

2.6. Investments into subsidiaries (the Company)

Investments in subsidiaries are accounted for using the equity method of accounting.

Under the equity method, the investment in the subsidiary is carried in the statement of financial position at cost plus post acquisition changes in the Company's share of net assets of the subsidiary. Goodwill relating to a subsidiary is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The statement of comprehensive income reflects the share of the results of operations of the subsidiary. Where there has been a change recognised in the other comprehensive income of the subsidiary, the Company recognises its share of any changes and discloses this, when applicable, in the other comprehensive income. Company's share in the changes in the net assets of the subsidiary that are not recognised in profit or loss or other comprehensive income (OCI) of the subsidiary, are recognised in equity. Unrealised gains and losses (unless the transaction provides evidence of the impairment of asset transferred) resulting from transactions between the Company and the subsidiary are eliminated to the extent of the interest in the subsidiary.

The reporting dates of the subsidiary and the Company are identical and the subsidiary's accounting policies conform to those used by the Company for like transactions and events in similar circumstances. After application of the equity method, the Company determines whether it is necessary to recognise an additional impairment loss of the Company's investment in its subsidiaries. The Company determines at each reporting date whether there is any objective evidence that the investment in subsidiary is impaired. If this is the case the Company calculates the amount of impairment as being the difference between the recoverable amount of the subsidiary and its carrying value and recognises the amount in the statement of comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the subsidiary.

2.7. Financial assets

Accounting policy from 1 January 2018

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

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

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

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

2 Summary of significant accounting policies (cont'd)

2.7 Financial assets (cont'd)

Accounting policy from 1 January 2018 (cont'd)

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

Accounting policy applied until 31 December 2017

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

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

Loans and receivables

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

2.8. Impairment of financial assets

Accounting policy from 1 January 2018

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

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

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

Loans granted are considered to be low credit risk when they have a low risk of default and the borrower has a strong capacity to meet its contractual cash flow obligations in the near term.

2 Summary of significant accounting policies (cont'd)

2.8 Impairment of financial assets (cont'd)

Accounting policy from 1 January 2018 (cont'd)

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

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

For trade and other receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Trade receivables are classified either to Stage 2 or Stage 3:

- Stage 2 – comprises receivables for which there the simplified approach was applied to measure the expected lifetime credit losses, except for certain trade receivables classified in Stage 3;
- Stage 3 – comprises trade receivables which are overdue more than 360 days or individually identified as impaired.

The expected loss rates are based on the payment profiles of rent over a period of 36 months before reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the tenants to settle the receivable. Such forward-looking information would include:

- changes in economic, regulatory, technological and environmental factors, (such as industry outlook, GDP, employment and politics);
- external market indicators; and
- tenant base.

Accounting policy applied until 31 December 2017

Assets carried at amortised cost

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

The Group assesses whether objective evidence of impairment exists individually for financial assets. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in payments, the probability that they will enter bankruptcy or other financial reorganisation. When financial asset is assessed as uncollectible the impaired asset is derecognised. 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.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss within "Allowance for (reversal of) impairment of trade receivables".

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 "Allowance for (reversal of) impairment of trade receivables", to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Impaired debts are derecognised entirely when they are assessed as uncollectible.

2 Summary of significant accounting policies (cont'd)

2.9. 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.

2.10. Financial liabilities

Accounting policy from 1 January 2018

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

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

Trade payables

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

Accounting policy applied until 31 December 2017

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

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

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.

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

2.12. Leases

Group's company is the lessor in an operating lease

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

See Note 2.13 for the recognition of rental income.

2.13. Revenue recognition

Accounting policy from 1 January 2018

Revenue includes rental income, interest income and other income. Other income includes penalties from tenants for overdue payments. Recognition of rental income is described below in the section of revenue recognition principles applied until 31 December 2017.

Interest income

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

Accounting policy applied until 31 December 2017

The Group 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 of land is accounted for on a straight-line basis over the lease terms. When the Group provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income.

According to agreements land rent consists of two parts – a fixed rent for a year and a variable part equal to land tax paid to the State for the year. In the first quarter fixed rental fee is invoiced to the tenants. In the fourth quarter variable part of the rent is invoiced to the tenants, when State tax authorities provide an estimate of the land tax and the rental income equal to the variable rent amount as well as land tax expenses are recognised.

Interest income

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

2 Summary of significant accounting policies (cont'd)

2.14. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions. All financial information, including the measure of profit, total assets and total liabilities, is analysed as single reporting segment - agricultural land segment, therefore is not further disclosed in these financial statements.

2.15. Current and deferred income tax

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

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

The standard income tax rate in Lithuania was 15 % in 2017 and 2018. Starting from 2010, tax losses can be transferred at no consideration or in exchange for certain consideration between the group companies if certain conditions are met.

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

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

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

Following the provisions of Law on Corporate Income Tax the sale of shares of an entity, registered or otherwise organised in a state of the European Economic Area or in a state with which a treaty for the avoidance of double taxation has been concluded and brought into effect and which is a payer of corporate income tax or an equivalent tax, to another entity or a natural person shall not be taxed where the entity transferring the shares held more than 10% (until 31 December 2017 - 25%) of voting shares in that entity for an uninterrupted period of at least two years. If mentioned condition is met or is expected to be met by the management of the Company, no deferred tax liabilities or assets are recognised in respect of temporary differences associated with carrying amounts of these investments.

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%.

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

2 Summary of significant accounting policies (cont'd)

2.16. 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.

2.17. 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.

2.18. Significant accounting judgements and estimates

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

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

Judgements

In the process of applying the Group accounting policies, management has not made any judgements, which has most significant effect on the amounts recognised in these financial statements.

Estimates and assumptions

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

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

Fair value of investment properties in consolidated financial statements

Fair value of investment properties was based on the market approach by reference to sales in the market of comparable 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 land size and productivity.

The fair value of the investment properties as at 31 December 2018 was EUR 13,922 thousand (as at 31 December 2017 – EUR 12,964 thousand) (described in more details in Note 10).

3 Financial risk management

3.1. Financial risk factors

The risk management function within the Group is carried out in respect of financial risks, operational risks and legal risks and managed on an overall Group level by the Management Board. After signing land administration agreement most of operational and legal risks, as well as credit risk are managed by the third party UAB INVL Farmland Management. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks. To limit operational risk, annual documentation reviews are held. This helps to limit legal risks as well in case a dispute arises and all the documentation is in place and of appropriate quality and can be used to prove the rights. Legal risk is limited as well by the fact that counterparties do not grant guarantees on each other.

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

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

Credit risk

Credit risk is the risk one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from cash and cash equivalents, credit exposures to outstanding trade receivables and loans granted. As at 31 December 2018 the Group had a significant concentration of credit risk related to one tenant, for which the balance of trade receivable accounted for comprise approximately 44% of the Group's total trade and other receivables, gross (before write off and provision). 70% (EUR 52 thousand) of the above receivables was provided for in 2018. As at 31 December 2017 the Group had no significant concentrations of credit risk. The credit risk is managed by the third party UAB INVL Farmland Management according to the agreement (Note 7). The third party seeks to ensure that rental contracts are entered into only with lessees with an appropriate credit history.

The maximum exposure to credit risk, impairment of financial assets is disclosed in Notes 12 and 13. In Note 13 is also disclosed credit quality of trade receivable. There are no transactions of the Group or the Company that occur outside Lithuania.

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

According to the European deposit insurance scheme, cash, cash equivalents and deposits of up to EUR 100 thousand of every legal entity in each bank are covered with insurance. All the Group's and the Company's balance of cash and cash equivalents are covered with the insurance. Therefore, all cash balances have a low credit risk at the reporting date and the impairment loss determined on 12-month expected credit losses is resulted in an immaterial amount.

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

	Group		Company	
	2018	2017	2018	2017
Moody's short-term ratings				
Prime-1	-	197	-	152
Prime-2	138	-	27	-
Prime-3	2	2	2	2
Not Prime	-	-	-	-
	140	199	29	154

3 Financial risk management (cont'd)

3.1 Financial risk factors (cont'd)

Market risk

Cash flow and fair value interest rate risk

The Group has no borrowings and loans granted. The Company has loans granted to its subsidiaries with fixed interest rates for one year. Therefore, the Group and the Company are not exposed to cash flow interest rate risk.

Foreign exchange risk

The Group and the Company holds assets and liabilities denominated only in the euro. Therefore, the Group and the Company are not exposed to foreign exchange risk.

Price risk

The Group is not exposed to price risk of financial instruments as it does not hold any equity securities or commodities.

Liquidity risk

The Group's and the Company's policy is to maintain sufficient cash and cash equivalents. The liquidity risk of the Group and the Company is controlled on an overall Group level. The Group and the Company have not been facing any liquidity issues so far. The proceeds from rent and cash balances are sufficient to settle all liabilities.

The Group's liquidity ratio (total current assets / total current liabilities) as at 31 December 2018 was approximately 1,47 (3.91 as at 31 December 2017). The Company's liquidity ratio as at 31 December 2018 was approximately 1,51 (2.86 as at 31 December 2017).

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2018 and 2017 based on contractual undiscounted payments.

	On demand	Less than 3 months	4 to 12 months	2 to 5 years	More than 5 years	Total
Trade and other payables	-	107	-	-	-	107
Other liabilities	33	7	-	-	-	40
Balance as at 31 December 2018	**33**	**114**	**-**	**-**	**-**	**147**
Trade and other payables	-	28	-	-	-	28
Other liabilities	19	6	-	-	-	25
Balance as at 31 December 2017	**19**	**34**	**-**	**-**	**-**	**53**

3 Financial risk management (cont'd)

3.1 Financial risk factors (cont'd)

Liquidity risk (cont'd)

The table below summarises the maturity profile of the Company's financial liabilities as at 31 December 2018 and 2017 based on contractual undiscounted payments.

	On demand	Less than 3 months	4 to 12 months	2 to 5 years	More than 5 years	Total
Trade and other payables	-	2	-	-	-	2
Other liabilities	33	5	-	-	-	38
Balance as at 31 December 2018	**33**	**7**	**-**	**-**	**-**	**40**
Trade and other payables	-	4	-	-	-	4
Other liabilities	19	5	-	-	-	24
Balance as at 31 December 2017	**19**	**9**	**-**	**-**	**-**	**28**

3.2. Capital management

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

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

The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions and specific risks of their activity. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year 2018 and 2017.

The Company is obliged to keep its equity ratio at not less than 50 % of its share capital, as imposed by the Law on Companies of Republic of Lithuania. The Company and the subsidiaries complied with this requirement as at 31 December 2018 and 2017, except one dormant subsidiary as at 31 December 2017 and 2018. There are no plans yet to rectify the situation.

4 Fair value estimation

Assets carried at fair value

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

The following table provides the fair value measurement hierarchy of the Group's assets measured at fair value in the statement of financial position as at 31 December 2018.

	Level 1	Level 2	Level 3	Total balance
Assets of the Group				
Investment properties (Note 10)	-	13,922	-	13,922

The following table provides the fair value measurement hierarchy of the Group's assets measured at fair value in the statement of financial position as at 31 December 2017.

	Level 1	Level 2	Level 3	Total balance
Assets of the Group				
Investment properties (Note 10)	-	12,964	-	12,964

There were no transfers of assets between the levels of the fair value hierarchy during 2018 and 2017.

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

Financial instruments that are not carried at fair value

The Group's and the Company's principal financial instruments that are not carried at fair value in the statement of financial position are cash and cash equivalents, trade and other receivables, loans granted, trade and other payables.

The carrying amount of the cash and cash equivalents, trade and other receivables, trade and other payables of the Group and the Company as at 31 December 2018 and 2017 reasonably approximated their fair value because they are short-term and the impact of discounting is immaterial.

The carrying amount of loans granted by the Company approximates their fair value because the interest rates are reviewed at the end of each financial year and adjusted in line with market rates changes. Their fair value is based on cash flows discounted using 4.5 % interest rate as at 31 December 2018 and 2017. It is Level 3 fair value measurement.

5 Subsidiaries

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

Name	Country of incorporation and place of business	Proportion of shares (voting rights) directly held by the Company (%)	Nature of business
UAB Avižėlė	Lithuania	100.00	Agricultural land owner and lessor
UAB Beržytė	Lithuania	100.00	Agricultural land owner and lessor
UAB Dirvolika	Lithuania	100.00	Agricultural land owner and lessor
UAB Duonis	Lithuania	100.00	Agricultural land owner and lessor
UAB Ekotra	Lithuania	100.00	Agricultural land owner and lessor
UAB Kvietukas	Lithuania	100.00	Agricultural land owner and lessor
UAB Laukaitis	Lithuania	100.00	Agricultural land owner and lessor
UAB Lauknešys	Lithuania	100.00	Agricultural land owner and lessor
UAB Linažiedė	Lithuania	100.00	Agricultural land owner and lessor
UAB Pušaitis	Lithuania	100.00	Agricultural land owner and lessor
UAB Puškaitis	Lithuania	100.00	Agricultural land owner and lessor
UAB Sėja	Lithuania	100.00	Agricultural land owner and lessor
UAB Vasarojus	Lithuania	100.00	Agricultural land owner and lessor
UAB Žalvė	Lithuania	100.00	Agricultural land owner and lessor
UAB Žemgalė	Lithuania	100.00	Agricultural land owner and lessor
UAB Žemynėlė	Lithuania	100.00	Agricultural land owner and lessor
UAB Žiemkentys	Lithuania	100.00	Agricultural land owner and lessor
UAB Cooperor	Lithuania	100.00	Dormant

All subsidiary undertakings are included in the consolidation.

The following table presents the movements of investments in subsidiaries of the Company:

	2018	2017
At 1 January	**7,360**	**6,624**
Share of net profit of subsidiaries	975	736
Increase of share capital	-	-
At 31 December	**8,335**	**7,360**

6 Segment information and operating lease commitments

Management of the Company has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. All financial information, including the measure of profit, total assets and total liabilities, is analysed as a single reporting segment - agricultural land segment, therefore is not further disclosed in these financial statements. The Company and its subsidiaries are domiciled in Lithuania. There are no transactions of the Group or the Company that occur outside Lithuania. Therefore, the management has neither analysed revenue, nor other financial indicators by geographical areas. All revenue of the Group is received from one type of service – rent of land. Therefore, the Group has not disclosed any breakdown of revenue by product and services type and by geographical areas.

In 2018 is two customers from which each the Group has received approximately 11% of its revenue. In 2017 there is no single customer, from which the Group has received more than 10% of its revenue.

Operating lease commitments – Group as a lessor

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

Future rentals receivable under operating leases as at 31 December were as follows:

		2018	2017
Within one year			
	- non-cancellable lease	448	323
	- non-cancellable amount of cancellable lease	153	207
	- minimum lease payments total	*601*	*530*
From one to five years			
	- non-cancellable lease	989	1,113
	- minimum lease payments total	*989*	*1,113*
	- cancellable amount of cancellable lease	190	426
		1,179	1,539
After five years			
	- non-cancellable lease	280	22
	- minimum lease payments total	*280*	*22*
	- cancellable amount of cancellable lease	6	30
		286	52
Total		**2,066**	**2,121**
	- non-cancellable lease	1,717	1,458
	- non-cancellable of cancellable lease	153	207
	- minimum lease payments total	*1,870*	*1,665*
	- cancellable amount of cancellable lease	196	456

Cancellable lease agreements can be cancelled under the following terms:

- Tenants must notify the lessor 12 months in advance if they wish to cancel the rent agreement without any reason and have to pay annual rent fee for these 12 months.
- The lessor has the right to unilaterally change the rent price for the coming year and must notify the tenant about the change till 1 May of the current year. If tenants do not agree with the new rent price, they can terminate the agreement with notification of 3 months in advance.

7 Agreement on the administration of land plots

The Group has signed land plot administration agreement with UAB INVL Farmland Management on 30 June 2015. UAB INVL Farmland Management, is a company owned by AB Invalda INVL. The agreement came into force on 1 July 2015. According to the agreement administration fees paid to UAB INVL Farmland Management will be 7% of annual rent revenues and 0,5% market capitalization of AB INVL Baltic Farmland. Success fee is also set and it consists of 20% from the share of the return exceeding the pre-determined annual return of 5% plus inflation. If the carrying amount of past due trade receivables arising from the current year would exceed 5% of annual turnover (revenue plus VAT), the excess shall be fully compensated by UAB INVL Farmland Management. If the Group receive the compensated trade receivables, the compensation is returned to UAB INVL Farmland Management. The split of administration fees is presented in the table below:

	Group	
	2018	**2017**
Administration fees from rent revenues and market capitalisation	105	99
Compensation for past due trade receivables	(22)	(44)
Success fee	57	-
Total	**140**	**55**

8 Income tax

	Group		Company	
	2018	**2017**	**2018**	**2017**
Components of the income tax expenses				
Current year income tax	(50)	(45)	(25)	(26)
Deferred income tax expenses	(152)	(114)	-	-
Income tax expenses charged to profit or loss – total	(202)	(159)	(25)	(26)

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

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

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

	Balance as at 31 December 2017	Recognised in profit or loss during the year	Balance as at 31 December 2018
Deferred tax asset			
Tax loss carry forward for indefinite period of time	16	(9)	7
Recognised deferred income tax asset	16	(9)	7
Asset netted with liability of the same legal entities	(16)	(9)	(7)
Deferred income tax asset, net	**-**	**-**	**-**
Deferred tax liability			
Investment properties	(1,251)	(143)	(1,394)
Deferred income tax liability	(1,251)	(143)	(1,394)
Liability netted with asset of the same legal entities	16	(9)	7
Deferred income tax liability, net	**(1,235)**	**(152)**	**(1,387)**
Deferred income tax, net	**(1,235)**	**(152)**	**(1,387)**

8 Income tax (cont'd)

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

	Balance as at 31 December 2016	Recognised in profit or loss during the year	Balance as at 31 December 2017
Deferred tax asset			
Tax loss carry forward for indefinite period of time	36	(20)	16
Recognised deferred income tax asset	36	(20)	16
Asset netted with liability of the same legal entities	(36)	20	(16)
Deferred income tax asset, net	**-**	**-**	**-**
Deferred tax liability			
Investment properties	(1,157)	(94)	(1,251)
Deferred income tax liability	(1,157)	(94)	(1,251)
Liability netted with asset of the same legal entities	36	(20)	16
Deferred income tax liability, net	**(1,121)**	**(114)**	**(1,235)**
Deferred income tax, net	**(1,121)**	**(114)**	**(1,235)**

The Company has not any taxable temporary differences in 2018 and 2017 and has not recognised any deferred tax assets or liabilities.

The Group's deferred tax liability will be recovered after more than 12 months.

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

	Group		Company	
	2018	2017	2018	2017
Profit before income tax	**1,315**	**1,044**	**1,138**	**911**
Tax calculated at the tax rate of 15 %	(197)	(157)	(171)	(137)
Tax effect of non-deductible expenses and non-taxable income	(5)	(2)	146	111
Income tax expenses recorded in the statement of comprehensive income	(202)	(159)	(25)	(26)

In 2018 and 2017 non-taxable income of the Company was share of net profit of subsidiaries accounted for using the equity method.

9 Earnings per share

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

The weighted average number of shares for 2018 and 2017 was 3,228 thousand.

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

	Group	
	2018	**2017**
Net profit (loss), attributable to the equity holders of the parent	1,113	885
Weighted average number of ordinary shares (thousand)	3,228	3,228
Basic earnings (deficit) per share (EUR)	0.34	0.27

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

10 Investment properties

The movements of investment properties during 2018 and 2017 were:

	2018	**2017**
Fair value hierarchy	**Level 2**	
Balance as at 1 January	**12,964**	**12,335**
Gain from fair value adjustment	989	630
Loss from fair value adjustment	(31)	(1)
Balance as at 31 December	**13,922**	**12,964**
Unrealised gains and losses for the period included within 'Net gains (losses) from fair value adjustments on investment property' in the statement of comprehensive income	**958**	**629**

Investment properties are stated at fair value and are valued by accredited valuer UAB korporacija Matininkai using sales comparison method, except land plots, which would be taken for the public needs (more described below). The valuations were performed in December 2018 and in December 2017.

The fair value represents the price that would be received selling an asset in an orderly transaction between market participants at the measurement date. An investment property's fair value was based on the market approach by reference to sales in the market of comparable 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 land plot size and productivity. The most significant input into this valuation approach is price per hectare.

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

In January 2017 the Group received letters from Ministry of Transport and Communications informing about possibility to take for the purpose of Rail Baltica project 6 land plots owned by the Group. The Group has no right to sell, pledge, restructure or in any other way restrict rights to those land plots. Cumulative area of the above mentioned land plots was 91.8 ha, while the value of the plots in the statement of financial position was EUR 467 thousand as at 31 December 2017. The Group was informed that 11.23 ha of above mentioned land plots would be taken for the public needs. The ownership of these land plots would be transferred to the State in first half-year of 2019. The Ministry engaged a qualified valuer who valued the land plots at amount of EUR 63 thousand, which was recognised on the Group's statement of financial position. The Group has no objections to the results of valuation of four out of six land plots, whereas for the remaining land plots (with the carrying value of EUR 18 thousand) the Group is planning get up to 50% higher price.

10 Investment properties (cont'd)

On 1 May 2014 changes to the Agricultural Land Acquisition temporary law entered into force, providing restrictions of the purchase of agricultural land (including restriction of purchase of shares in the legal entity owning agricultural land). These restrictions mean that the Group cannot purchase additional agricultural land and/or acquire shares in entities owning agricultural land. As a result of restrictions the land sale market in Lithuania became less liquid.

There were no other restrictions on the realisation of investment properties or the remittance of income and proceeds of disposals during 2018 and 2017. No contractual obligations to purchase investment properties existed at the end of the period.

11 Financial instruments by category

Group	Financial assets at amortised cost	
	2018	**2017**
Assets as per statement of financial position		
Trade and other receivables excluding tax prepayments	121	129
Cash and cash equivalents	140	199
Total	**261**	**328**

Company	Financial assets at amortised cost	
	2018	**2017**
Assets as per statement of financial position		
Loans granted to subsidiaries – non-current assets	4,260	4,538
Loans granted to subsidiaries – interest	60	-
Trade and other receivables excluding tax prepayments	13	5
Cash and cash equivalents	29	154
Total	**4,362**	**4,697**

Group	Financial liabilities at amortised cost	
	2018	**2017**
Liabilities as per statement of financial position		
Trade payables	107	28
Other current liabilities excluding taxes and employee benefits	40	25
Total	**147**	**53**

Company	Financial liabilities at amortised cost	
	2018	**2017**
Liabilities as per statement of financial position		
Trade payables	2	4
Other current liabilities excluding taxes and employee benefits	38	24
Total	**40**	**28**

12 Loans granted to subsidiaries at amortised cost

The Company's loans granted are described below:

	2018	2017
Loans granted to subsidiaries	4,320	4,538
Total loans granted	**4,320**	**4,538**

The movements of loans granted to subsidiaries during the year were:

Balance as at 31 December 2016	**4,656**
Loans granted during year	-
Loans repayment received	(151)
Interest charged	206
Interest received	(173)
Balance as at 31 December 2017	**4,538**
Loans granted during year	25
Loans repayment received	(303)
Interest charged	196
Interest received	(136)
Balance as at 31 December 2018	**4,320**

The contractual maturity of loans granted to subsidiaries is 31 December 2019 according to the agreements, but the Company classifies them as long term, because intends to prolong them on maturity date. Effective interest rate of loans is 4.5 %. At each year end maturity of the loans granted is prolonged for one extra year and new market interest rate is determined.

While the loans granted to the subsidiaries are the main liabilities of the subsidiaries and the fair values of investment properties owned by the subsidiaries are approximately 1.9 – 4.6 times higher than the carrying amounts of the loans granted, they were considered as low credit risk financial assets at the reporting date. This is because even if loans granted were covered in the case of forced sale of investment properties, the Company considers that the loss given default would amount to zero. As at 31 December 2018 and 2017, the Company's loans granted were neither overdue nor impaired and they had no history of counterparty defaults. The Company's policy is to grant loans only to the subsidiaries controlled by it. The maximum credit risk as at the financial reporting date is the carrying amount of each category of amounts receivable as indicated above. The Company does not hold any collateral, but investment properties owned by the subsidiaries are not pledged to any other party and in fact secure loans granted.

The carrying amount of loans granted by the Company approximates their fair value because the interest rates are reviewed at the end of each year and adjusted when market rates change. Their value is based on cash flows discounted using 4.5 % and interest rate as at 31 December 2018 and 2017. It is Level 3 fair value measurement.

13 Trade and other receivables

	Group	
	2018	**2017**
Trade receivables, gross	169	141
Accrued lease income, gross	48	23
Other receivables, gross	26	39
Taxes receivable, gross	34	66
Total trade and other receivable, gross	**277**	**269**
Less: provision for impairment of trade and other receivables	(60)	(74)
Less: Write off still subject to enforcement activity	(62)	-
Trade and other receivable net of expected credit losses	**155**	**195**

Other receivables are receivables from UAB INVL Farmland Management for compensation of past due trade receivables.

As at 31 December 2018 and 2017 the Company had receivable of EUR 13 thousand and EUR 5 thousand, which was VAT receivable arising from interest on loans granted to subsidiaries (the Company has elected to calculate VAT from interest). The receivable was settled until 1 February 2019.

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

The Group's trade and other receivables are non-interest bearing and are generally with a credit term of 30 days.

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

	Group		
	Impairment losses	**Write off still subject to enforcement activity**	**Total**
Balance as at 31 December 2016			**51**
Charge for the year			38
Write-offs charged against the provision			(9)
Recoveries of amounts previously written-off			(6)
Balance as at 31 December 2017	**74**	**-**	**74**
Restatement according to application of IFRS 9	(36)	36	-
Charge for the year	76	-	76
Write-offs charged against the provision	(29)	29	-
Recoveries of amounts previously impaired or written off	(25)	(3)	(28)
Balance as at 31 December 2018	**60**	**62**	**122**

13 Trade and other receivables (cont'd)

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

	Current	Less than 30 days	30–90 days	90–180 days	181 – 365 days	Credit impaired	Total
As at 31 December 2018							
Trade receivables net of write off	1	4	-	15	2	85	107
Accrued lease income	48	-	-	-	-	-	48
Other receivables	26	-	-	-	-	-	26
Expected credit losses	-	-	-	-	-	(60)	(60)
Trade and other receivable net of expected credit losses	**75**	**4**	**-**	**15**	**2**	**25**	**121**
As at 31 December 2017							
Trade receivables, gross	-	5	-	30	5	101	141
Accrued lease income	23	-	-	-	-	-	23
Other receivables, gross	39	-	-	-	-	-	39
Expected credit losses	-	-	-	-	-	(74)	(74)
Trade and other receivable net of expected credit losses	**62**	**5**	**-**	**30**	**5**	**27**	**129**

The impairment losses for not credit impaired trade receivables is not recognised, because it is immaterial. As at 31 December 2018 trade receivables within aging group '90-180' days is secured by pledge of land plot owned by tenant, which value is higher than the gross amount of trade receivable. As at 31 December 2017 trade receivables within aging group '90-180' days were secured by deposit of EUR 21 thousand paid by tenant.

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

	Current	Less than 30 days	30–90 days	90–180 days	181 – 365 days	More than 1 years	Total
Trade receivables net of write off as at 31 December 2018	-	3	-	-	73	9	85
Trade receivables net of write off as at 1 January 2018	-	2	-	-	50	13	65

14 Share capital, acquisition of own shares and reserves

The total authorised number of ordinary shares is 3,291,549 (as of 31 December 2017: 3,291,549 shares) with a par value of EUR 0.29 per share. All the shares of the Company were fully paid. The Company's share capital and equity was formed in accordance with the procedure set forth in the terms of split-off on 29 April 2014. The Company holds 63,039 own shares (1.92% of share capital).

There are not any changes in 2017 and 2018.

Legal reserve

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

Reserve for the acquisition of own shares

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

15 Dividends

A dividend in respect of the year ended 31 December 2017 of EUR 0.15 per share, amounting to a total dividend of EUR 485 thousand, was approved at the annual general meeting on 10 April 2018.

A dividend in respect of the year ended 31 December 2016 of EUR 0.07 per share, amounting to a total dividend of EUR 226 thousand, was approved at the annual general meeting on 22 March 2017.

Movement in dividends payable is presented in the table below:

	Group/Company	
	Dividends payable	
	2018	**2017**
As at 1 January	**19**	**13**
Dividends paid to equity holders of the parent	(471)	(220)
Approved dividends	485	226
As at 31 December	**33**	**19**

16 Related party transactions

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

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

2018 **Group**	**Sales to related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
AB Invalda INVL (accounting services)	-	15	-	-
UAB INVL Farmland Management (administration fees)	-	140	26	105
	-	155	26	105

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

2017 **Group**	**Sales to related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
AB Invalda INVL (accounting services)	-	15	-	-
UAB INVL Farmland Management (administration fees)	-	55	39	24
	-	70	39	24

16 Related party transactions (cont'd)

The Company's related parties are the subsidiaries (Note 5), shareholders, who have significance influence (Note 1), key management personnel and companies under control or joint control of key management and shareholders with significant influence. AB Invalda INVL and the entities controlled by AB Invalda INVL are also considered to be related parties, because the shareholders of the Company, having significance influence, also have a joint control over AB Invalda INVL group through shareholders' agreement.

Transactions of the Company with subsidiaries in 2018 and 2017 and related balances as at 31 December 2018 and 2017 were as follows:

Company	2018		2017	
	Interest income from related parties	Receivables from related parties	Interest income from related parties	Receivables from related parties
Loans and borrowings	196	4,320	206	4,538
VAT receivable arising from interest	-	13	-	5
	196	4,333	206	4,543

The maturity of loans granted is till 31 December 2019, effective interest rate 4.5% (Note 12). As at 31 December 2017 the maturity of loans granted was till 31 December 2018, effective interest rate 4.5% (Note 12).

The Company's transactions with other related parties during 2018 and 2017 and related balances as at 31 December 2018 and 2017 were as follows:

Company	2018		2017	
	Purchases from related parties	Payables to related parties	Purchases from related parties	Payables to related parties
AB Invalda INVL (accounting services)	3	-	3	-
	3	-	3	-

The management remuneration contains short-term employees' benefits. Key management of the Company and the Group includes Board members and the Director of the Company, respectively. In 2018 and 2017 the Group's key management compensation was EUR 2 thousand and EUR 2 thousand, respectively. In 2018 and 2017 the Company's key management compensation was EUR 2 thousand and EUR 2 thousand, respectively.

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

In 2018 to the Board members, which are shareholders of the Company, were paid EUR 40 thousand of dividends, net of tax. To the entities, which are controlled by the Board members, were paid EUR 256 thousand of dividends, net of tax. To the natural persons related to the Board members the Company paid EUR 119 thousand of dividends, net of tax.

In 2017 to the Board members, which are shareholders of the Company, were paid EUR 19 thousand of dividends, net of tax. To the entities, which are controlled by the Board members, were paid EUR 120 thousand of dividends, net of tax. To the natural persons related to the Board members the Company paid EUR 55 thousand of dividends, net of tax.

17 Events after the reporting period

A dividend in respect of the year ended 31 December 2018 of EUR 0.10 per share, amounting to a total dividend of EUR 323 thousand, is to be proposed at the annual general meeting on 22 March 2019. These financial statements do not reflect this dividend payable.

INVL BALTIC FARMLAND

INVL Baltic Farmland, AB Consolidated Annual Report for the year of 2018

Approved by the Board of INVL Baltic Farmland, AB on 28 February 2019.

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

CONTENTS

I. GENERAL INFORMATION 46
1 Reporting period for which the report is prepared 46
2 General information about the Issuer and other companies comprising the Issuer‘s group 46
2.1. Information about the Issuer 46
2.2. Information on company’s goals, philosophy and strategy 46
2.3. Information about the Issuer‘s group of companies 47
3 Agreements with intermediaries on public trading in securities 49
4 Information on Issuer’s branches and representative offices 49
II. INFORMATION ABOUT SECURITIES 50
5 The order of amendment of Issuer’s Articles of Association 50
6 Structure of the authorized capital 50
6.1. Information about the Issuer’s treasury shares 50
7 Trading in Issuer’s securities as well as securities, which are deemed to be a significant financial investment to the Issuer on a regulated market 51
8 Dividends 54
9 Shareholders 55
9.1. Information about company‘s shareholders 55
9.2. Rights and obligations carried by the shares 57
9.2.1. Rights of the shareholders 57
9.2.2. Obligations of the shareholders 57
III. ISSUER’S MANAGING BODIES 58
10 Structure, authorities, the procedure for appointment and replacement 58
10.1. General Shareholders’ Meeting 58
10.1.1. Powers of the General Shareholders’ Meeting 58
10.1.2. Convocation of the General Shareholders’ Meeting of INVL Baltic Farmland, AB 59
10.2. The Board 60
10.2.1. Powers of the Board 60
10.2.2. Procedure of work of the Board 61
10.3. The Director 62
11 Information about members of the Board, Company providing accounting services 63
12 Information about the Audit Committee of the company 65
12.1. Procedure of work of the audit committee 66
12.2. Members of the Audit Committee 66
13 Information on the Issuer’s payable management fee, the amounts calculated by the Issuer, other assets transferred and guarantees granted to the Managing bodies and company providing accounting services 67
IV. INFORMATION ABOUT THE ISSUER’S AND ITS GROUP COMPANIES’ ACTIVITY 68
14 Overview of the Issuer and its group activity 68

14.1. Business environment 68
Group key figures 70
The balance sheet and profit (loss) summary reports 70
Indexes 71
14.2. Significant Issuer's and its group events during the reporting period, affect on the financial statement 71
Financial results and information related to the dividends 71
General Shareholders Meeting 71
Management of the Company 72
The group 72
14.3. Employees 72
14.4. Information about agreements of the Company and the members of the Board, or the employees' agreements providing for compensation in case of the resignation or in case they are dismissed without a due reason or their employment is terminated in view of the change of the control of the Company. 72
15 A description of the principal advantages, risks and uncertainties 73
15.1. Advantages of investments 73
15.2. Risk factors 73
Market-related risks 75
15.3. Information about the extent of risk and its management in the Company 76
15.4. The main indications about internal control and risk management systems related to the preparation of consolidated financial statements 76
16 Significant investments made during the reporting period 76
17 Information about significant agreements to which the issuer is a party, which would come into force, be amended or cease to be valid if there was a change in issuer's controlling shareholder 76
18 Information on the related parties' transactions 76
19 Information on harmful transactions in which the issuer is a party 77
20 Significant events since the end of the financial year 77
21 Estimation of Issuer's and Group's activity last year and activity plans and forecasts 77
21.1. Evaluation of implementation of goals for 2018 77
21.2. Activity plans and forecasts 77
V. OTHER INFORMATION 78
22 References to and additional explanations of the data presented in the annual financial statements and consolidated financial statements 78
23 Information on audit company 78
24 Data on the publicly disclosed information 78
APPENDIX 1. INFORMATION ABOUT GROUP COMPANIES, THEIR CONTACT DETAILS 80
APPENDIX 2. DISCLOSURE CONCERNING THE COMPLIANCE WITH THE GOVERNANCE CODE 83
APPENDIX 3. COMPANY'S MANAGEMENT REPORT 105

I. GENERAL INFORMATION

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

1 Reporting period for which the report is prepared

The report covers the financial period of INVL Baltic Farmland, starting from 1 January 2018 and ending on 31 December 2018. The report also discloses information from the end of the reporting period to the release of the report.

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

2.1. Information about the Issuer

Name of the Issuer	The public joint-stock INVL Baltic Farmland, hereinafter INVL Baltic Farmland, AB
Code	303299781
Registered address	Gynėjų str. 14, 01109, Vilnius, Lithuania
Telephone	+370 5 279 0601
Fax	+370 5 279 0530
E-mail	farmland@invaldainvl.com
Website	www.invlbalticfarmland.lt
LEI code	5299000AUE9M1W13ZQ36
Legal form	public joint-stock company
Date and place of registration	29 April 2014. Register of Legal Entities
Register in which data about the Company are accumulated and stored	Register of Legal Entities

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

The main goal of INVL Baltic Farmland – to invest into agricultural land in Lithuania and, after renting it to farmers and agricultural companies, to ensure that income from rent will exceed inflation and make a profit from agricultural land price growth. Since prices of agricultural products are determined in the world markets, this investment allow to participate in the world food supply chain.

The public joint-stock company INVL Baltic Farmland was established on 29 April 2014 on the basis of a part of assets split-off from one of the leading asset management groups in the Baltic region Invalda INVL. INVL Baltic Farmland manages shares of 18 companies investing into agricultural land that are owning more than 3 thousand hectares of agricultural land in Lithuania. More than 98% of land is rented to farmers and agricultural companies.

Shares of INVL Baltic Farmland are listed on Nasdaq Vilnius stock exchange since 4 June 2014.

The administration of the INVL Baltic Farmland group owned land, according to the basic property administration agreement signed on 30 June 2015, is transmitted to the owned company INVL Farmland Management. Management fees paid for INVL Farmland Management are 7 percent of annual rental income of the companies - land owners as well as 0.5 percent of INVL Baltic Farmland market capitalization. Moreover there is a success fee which becomes valid only when consolidated equity of companies - land owners annual growth is higher than 5 percent plus inflation (High-Water Mark principle is applicable). Success fee is 20 percent of the consolidated equity in excess of the above mentioned benchmark.

As the company has signed the property administration agreement it employs a minimum number of people.

It is prohibited for one person to have more than 500 hectares of land in Lithuania since 2014. That's why INVL Baltic Farmland development is limited and the generated funds are directed to the payment of dividends to shareholders.

Investments into agricultural land are classified as long term and are recommended for investors who are satisfied with the return on rent and possible income from increase of agricultural land prices.

2.3. Information about the Issuer's group of companies

INVL Baltic Farmland has 100% in 18 companies owning more than 3 thousand hectares of agricultural land in the most fertile regions of Lithuania. Companies - land owners and joint-stock company INVL Baltic Farmland, whose shareholder is Invalda INVL – one of the leading asset management groups in the Baltic region, on 30 June 2015 have signed a basic property administration agreement with INVL Farmland Management which administrates agricultural land owned by the companies in order to ensure steady growth of income for the shareholders and the value of the land.

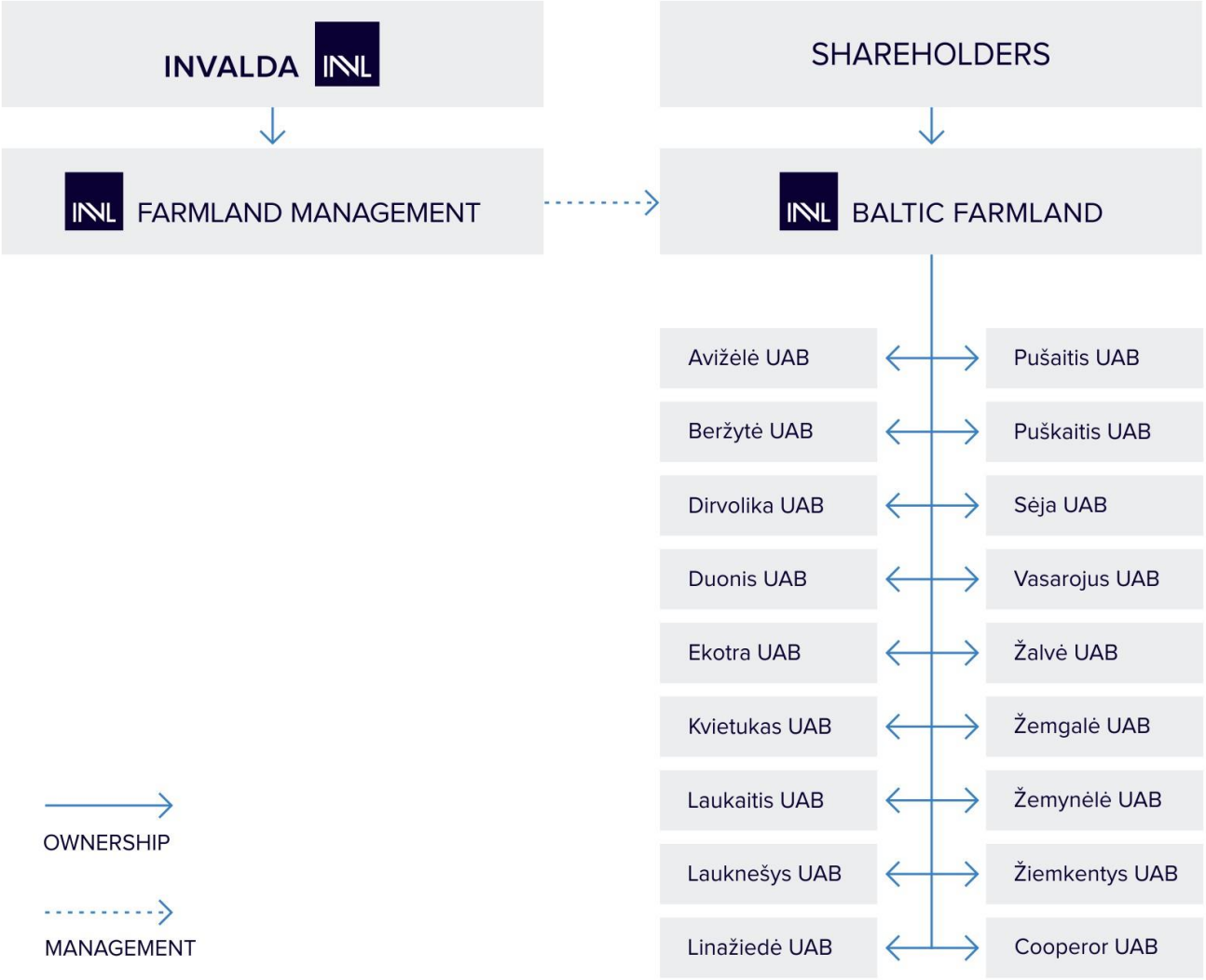


Fig. 2.3.1. Group structure of INVL Baltic Farmland, AB as of 31 December 2018

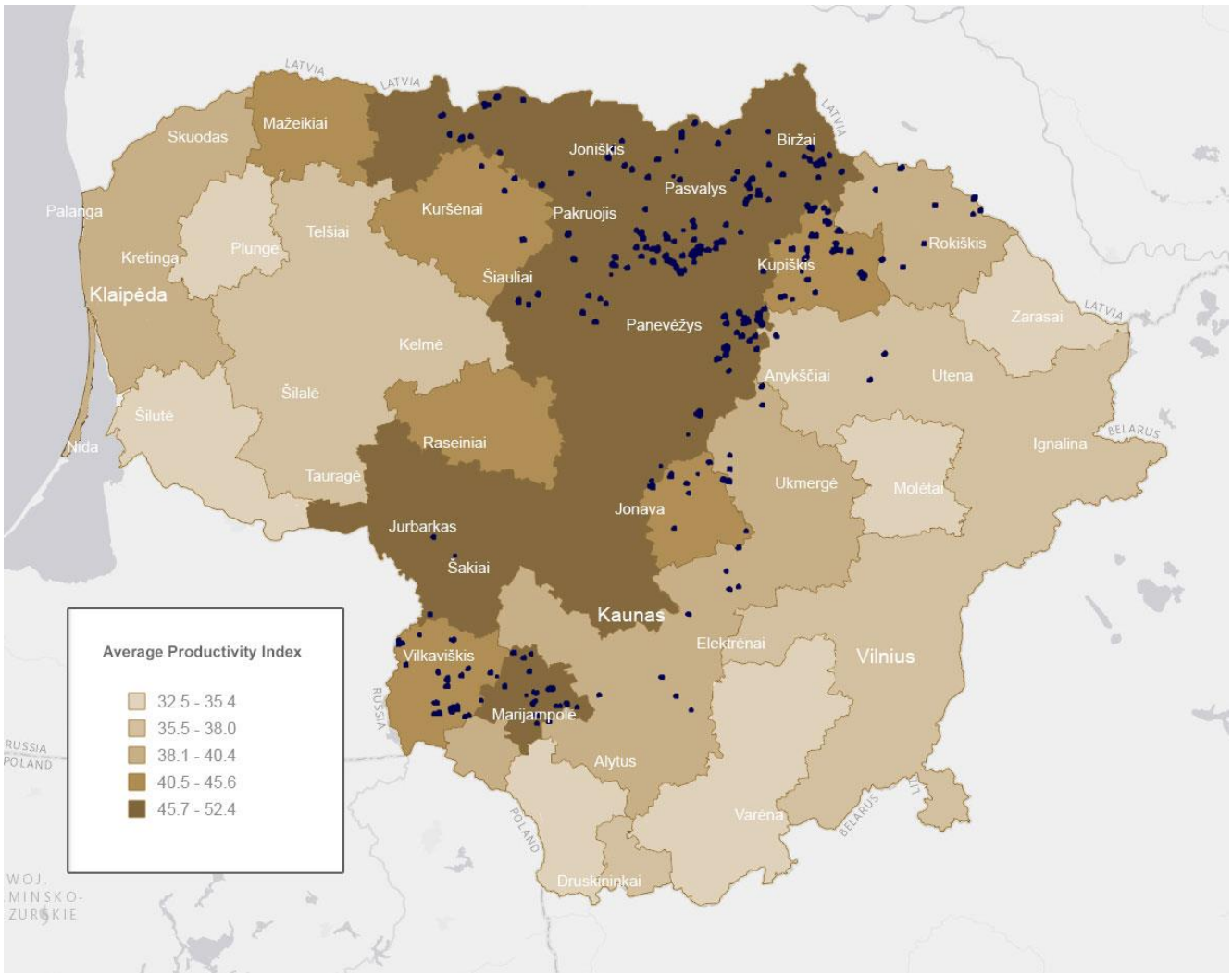


Fig. 2.3.2. Agricultural land portfolio and agricultural land fertilisation of INVL Baltic Farmland, AB

Plots belonging to the company are in the most fertile areas of Lithuania. They are highlighted in blue.

Table 2.3.3. Information about companies of INVL Baltic Farmland group*.

Company name	District of company's activities	Owned land plot, hectares	Cultivated cropland area, hectares
Avizele, UAB	Rokiskis dist., Anyksciai dist.	113.82	107.51
Berzyte, UAB	Birzai dist.	150.49	145.99
Dirvolika, UAB	Akmene dist., Joniskis dist., Siauliai dist.	199.44	192.03
Duonis, UAB	Jonava dist., Kedainiai dist., Ukmerge dist.	182.38	174.64
Ekotra, UAB	Vilkaviskis dist.	238.76	228.70
Kvietukas, UAB	Pakruojis dist., Pasvalys dist.	119.55	114.22
Laukaitis, UAB	Pakruojis dist., Pasvalys dist., Siauliai dist.	204.10	193.44
Lauknesys, UAB	Birzai dist., Pasvalys dist.	109.94	107.83
Linaziede, UAB	Alytus dist., Jonava dist., Kaisiadorys dist., Prienai dist.	85.13	80.75
Pusaitis, UAB	Radviliskis dist.	82.44	81.10
Puskaitis, UAB	Marijampole dist., Prienai dist., Vilkaviskis dist.	210.74	204.20
Seja, UAB	Kedainiai dist.	86.59	83.71
Vasarojus, UAB	Anyksciai dist., Panevezys dist., Ukmerge dist.	375.73	364.85
Zalve, UAB	Kupiskis dist.	216.88	201.73
Zemgale, UAB	Birzai dist., Kupiskis dist., Panevezys dist.	241.80	232.06
Zemynele, UAB	Sakiai dist., Vilkaviskis dist.	72.57	70.81
Ziemkentys, UAB	Panevezys dist., Pasvalys dist.	414.70	402.18
	Total:	**3,105.06**	**2,985.75**

**The data is provided not including the land taken for public needs, implementing the special national importance project - the project of Rail Baltica.*

3 Agreements with intermediaries on public trading in securities

INVL Baltic Farmland has signed the agreements with these intermediaries:

- Šiaulių bank, AB (Tilžės str. 149, Šiauliai, Lithuania, tel. +370 41 595 607) – the agreement on investment services, the agreement on management of securities accounting and agreement on dividend distribution.

4 Information on Issuer's branches and representative offices

INVL Baltic Farmland, AB has no branches or representative offices.

II. INFORMATION ABOUT SECURITIES

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

The Articles of Association of INVL Baltic Farmland, AB may be amended by resolution of the General Shareholders' Meeting, passed by more than 2/3 of votes (except in cases provided for by the Law on Companies of the Republic of Lithuania). During the reporting period Articles of Association of the Company was changed once: shareholders of the Company during the ordinary shareholders meeting held on 10 April 2018 approved the change of the Articles of Association of the Company, seeking to reflect actual wording of the Law on Companies of the Republic of Lithuania.

Actual wording of the Articles of Association of the Company is dated as of 18 April 2018. The Company's Articles of Association is published on the Company's web page.

6 Structure of the authorized capital

Table 6.1. Structure of INVL Baltic Farmland, AB authorised capital as of 31 December 2018.

Type of shares	Number of shares, units	Total voting rights granted by the issued shares, units	Nominal value, EUR	Total nominal value, EUR	Portion of the authorised capital, %
Ordinary registered shares	3,291,549	3,228,510	0.29	954,549.21	100

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

6.1. Information about the Issuer's treasury shares

The General Shareholders Meeting of the Company that was held on 28 October 2015 approved resolution to purchase its own shares. The period during which the company could acquire its own shares - 18 months from the day of this resolution. The maximum one share acquisition price – EUR 4.00, minimum one share acquisition price – EUR 2.87. During this period the Company initiated acquisition of own shares 1 time. On 21 June the company announced about acquisition of 1.92 percent of own shares. 63,039 units of shares were offered. The settlement for the acquired shares happened on 22 June 2016.

The General Shareholders Meeting of INVL Baltic Farmland, AB that was held on 22 March 2017 made decision to purchase its own shares. The period during which the company may acquire its own shares - 18 months from the day of this resolution. The maximum one share acquisition price – EUR 4.50, minimum one share acquisition price – EUR 3.16.

The General Shareholders Meeting of INVL Baltic Farmland, AB that was held on 10 April 2018 approved resolution to purchase its own shares. The period during which the company may acquire its own shares - 18 months from the day of this resolution. The maximum one share acquisition price – EUR 5.00, minimum one share acquisition price – EUR 3.00.

During the reporting period the Company has not implemented purchase of own shares.

At the end of the reporting period the amount of company's acquired own shares stayed the same and amounted to 63,039 (units). Subsidiaries of INVL Baltic Farmland have not implemented acquisition of shares in INVL Baltic Farmland directly or indirectly under the order of subsidiary by persons acting by their name.

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

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

Shares issued, units	3,291,549
Shares with voting rights, units	3,228,510
Nominal value, EUR	0.29
Total nominal value, EUR	954,549.21
ISIN code	LT0000128753
LEI code	5299000AUE9M1W13ZQ36
Name	INL1L
Exchange	Nasdaq Vilnius
List	Baltic Secondary list
Listing date	4 June 2014

Company uses no services of liquidity providers.

Table 7.2. Trading in the company's shares 2014* - 2018 (quarterly) on NASDAQ Vilnius:

Reporting period	Price, EUR			Turnover, EUR			Last trading date	Total turnover	
	high	low	last	high	low	last		quantity	EUR
2014 2nd Q*	3.450	3.000	3.240	2,505	7	142	30.06.2014	2,436	7,983
2014 3rd Q	3.450	2.620	2.750	1,402	3	131	30.09.2014	3,148	9,384
2014 4th Q	3.150	2.750	2.800	1,750	3	17	30.12.2014	2,292	6,625
2015 1st Q	2.86	2.58	2.82	1,799.56	2.69	42.3	31.03.2015	2,455	6,647.69
2015 2nd Q	3.01	2.61	2.79	5,499.57	5.4	22.32	30.06.2015	5,086	14,277.25
2015 3rd Q	3.38	2.65	2.81	2,056.53	3.12	367.55	30.09.2015	3,346	10,215.73
2015 4th Q	3.25	2.73	2.9	1,235	8.76	0	30.12.2015	1,970	5,831.7
2016 1st Q	2.95	2.81	2.9	1,888.41	2.83	388.6	31.03.2016	7,230	20,750.74
2016 2nd Q	3.25	2.81	2.96	9,610.52	5.62	0	30.06.2016	6,943	22,061.49
2016 3rd Q	3.5	2.97	3.5	2,440.7	5.96	2,440.7	30.09.2016	2,158	6,844.82
2016 4th Q	3.65	3.15	3.34	9,074.36	3.35	66.8	30.12.2016	6,714	23,658.84
2017 1st Q	4.30	3.15	4.30	2,557.04	26.08	301	31.03.2017	2,905	10,684.95
2017 2nd Q	4.01	3.75	3.88	4,516.05	7.56	0	30.06.2017	7,854	29,872.22
2017 3rd Q	4.20	3.69	3.80	1,668.16	41.36	0	29.09.2017	2,266	8,730.19
2017 4th Q	4.20	3.78	3.89	4,908.67	19.45	0	29.12.2017	3,039	12,246.93
2018 1st Q	4.32	3.96	4.32	2,572.64	3.96	0	29.03.2018.	1,279	5,463.80
2018 2nd Q	4.80	3.90	4.08	1,697	23.40	0	29.06.2018	2,136	9,369.12
2018 3rd Q	4.34	3.80	3.80	1,414.08	8.00	380	28.09.2018	2,077	8,347.86
2018 4th Q	4.00	3.50	3.50	1,365	10.5	238	28.12.2018	1,295	4,623.38

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

Table 7.3. Trading in INVL Baltic Farmland, AB shares 2014* - 2018

	2014*	2015	2016	2017	2018
Share price, EUR					
- open	3.000	2.800	2.950	3.340	4.300
- high	3.450	3.380	3.700	4.300	4.800
- low	2.620	2.580	2.810	3.150	3.500
- medium	2.969	2.876	3.181	3.754	4.111
- last	2.800	2.900	3.340	3.890	3.500
Turnover, units	7,876	12,857	23,045	16,064	1,057
Turnover, EUR	23,992.4	36,972.37	73,315.89	61,534.29	24,376.60
Traded volume, units	133	199	219	179	105

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

Table 7.4. Capitalisation, 2014*-2018

Last trading date	Number of shares granted with voting rights, units	Last price, EUR	Capitalisation, EUR
30.06.2014	3,294,209	3.24	10,673,237
30.09.2014	3,294,209	2.75	9,059,075
30.12.2014	3,292,259	2.80	9,218,325
31.03.2015	3,291,549	2.82	9,282,168
30.06.2015	3,291,549	2.79	9,183,422
30.09.2015	3,291,549	2.81	9,249,252
30.12.2015	3,291,549	2.90	9,545,492
31.03.2016	3,291,549	2.90	9,545,492
30.06.2016	3,228,510	2.96	9,556,390
30.09.2016	3,228,510	3.50	11,299,785
30.12.2016	3,228,510	3.34	10,783,223
31.03.2017	3,228,510	4.30	13,882,593
30.06.2017	3,228,510	3.88	12,526,619
29.09.2017	3,228,510	3.80	12,268,338
29.12.2017	3,228,510	3.89	12,558,904
31.03.2018	3,228,510	4.32	13,947,163
30.06.2018	3,228,510	4.08	13,172,321
29.09.2018	3,228,510	3.80	12,268,338
29.12.2018	3,228,510	3.50	11,299,785

** The data is provided since 4 June 2014, from the begining of the listing of the company in the Stock Exchange.*

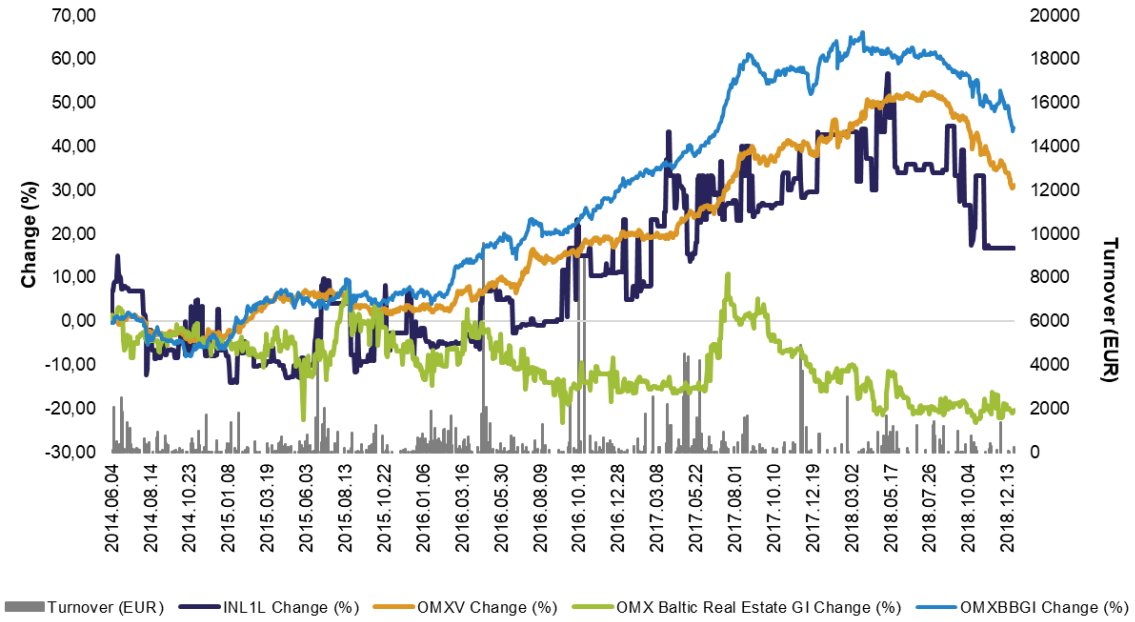


Fig. 7.1. Turnover of INVL Baltic Farmland, AB shares, change of share price and indexes[1]

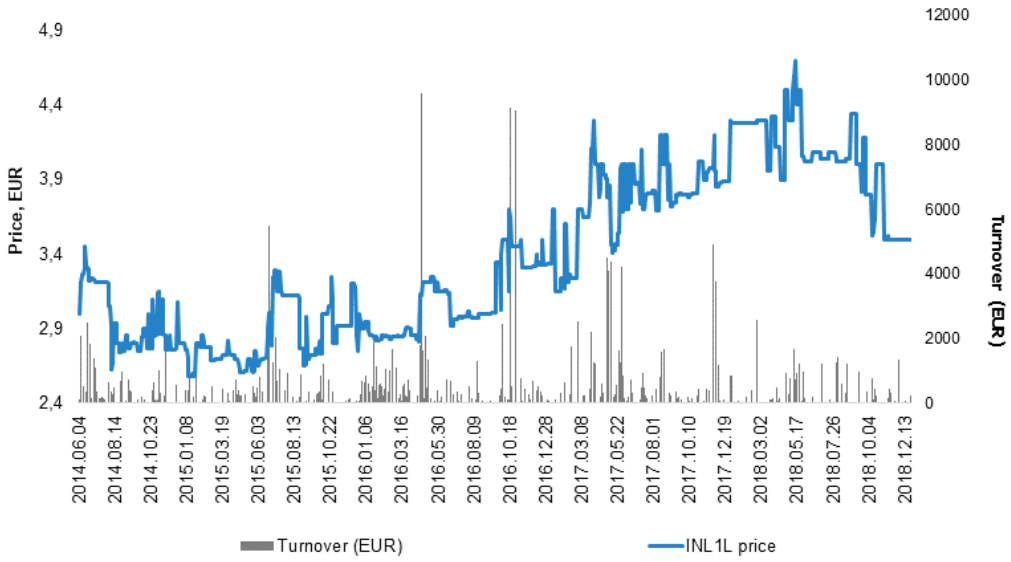


Fig. 7.2. Change of share price of INVL Baltic Farmland, AB

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

8 Dividends

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

The General Shareholders Meeting of the Company held on 10 April 2018 approved the new wording of the Dividend Payment Policy. According to the Policy, it is decided to allocate EUR 0.10 dividend per share (exceptions, which state decrease / increase of the allocated dividend is disclosed in the Company's dividend payment policy).

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

According to the Law on Personal Income Tax and the Law on Corporate Income Tax, 15 % tax is applied to the dividends since 2014. The company is responsible for calculation, withdrawn and transfer (to the benefit of the State) of applicable taxes[2].

The General Shareholders Meeting of INVL Baltic Farmland, AB held on 10 April 2018, decided to allocate EUR 0.15 dividend per share.

Dividends were allocated to the shareholders, who at the end of the tenth business day following the day of the General Shareholders Meeting that adopted a decision on dividend payment, i.e. on 24 April 2018 were shareholders of INVL Baltic Farmland, AB.

On 8 May 2018 the company announced that will start to allocate dividends from 9 May 2018. Dividends were allocated to those shareholders of the company, who has provided existing bank accounts.

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

Table 8.1. Indexes related with shares

Company's*	2014	2015	2016	2017	2018
Net Asset Value per share, EUR	3.02	3.21	3.51	3.72	3.91
Price to book value (P/Bv)	0.93	0.90	0.95	1.05	0.89
Dividend yield	-	2.1	2.0	1.8	4.3
Dividends/ Net profit	-	0.24	0.18	0.26	0.43

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

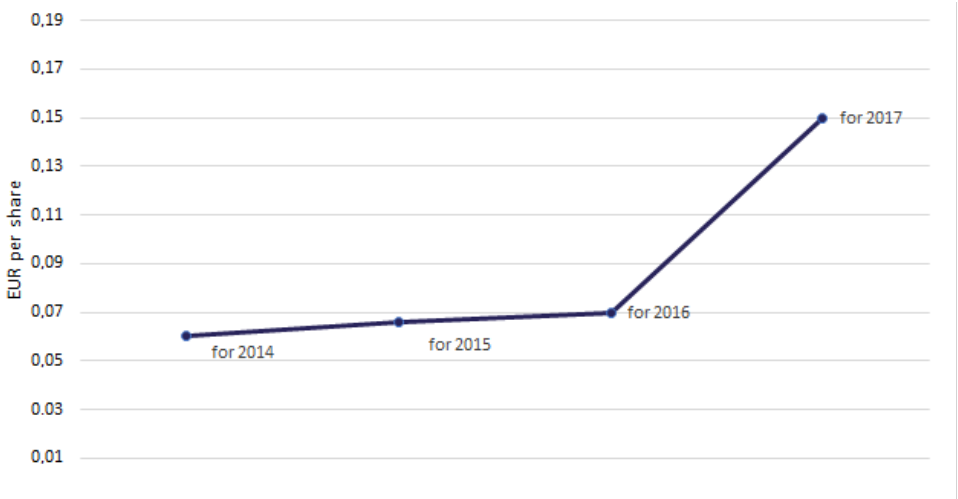


Fig. 8.1. Dividens allocation per share

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

9 Shareholders

9.1. Information about company's shareholders

The total number of shareholders in INVL Baltic Farmland was 3,338 on 31 December 2018. There are no shareholders entitled to special rights of control.

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

Name of the shareholder or company	Number of shares held by the right of ownership, units	Share of the authorised capital held, %	Share of the votes, %		
			Share of votes given by the shares held by the right of ownership, %	Indirectly held voting rights, %	Total voting rights, %
LJB Investments, UAB code 300822575, Juozapavičiaus str. 9A, Vilnius	977,751	29.70	30.28	0	30.28
Irena Ona Mišeikienė	931,831	28.31	28.86	0	28.86
Lucrum Investicija, UAB code 300806471, Šeimyniškių str. 3, Vilnius	479,310	14.56	14.85	0	14.85
Alvydas Banys	252,875	7.68	7.83	47.13[3]	54.96
Darius Šulnis	0	0.00	0.00	54.96[4]	54.96
Indrė Mišeikytė	64,450	1.96	2.0	52.96[5]	54.96
Eglė Surplienė	0	0.00	0.00	54.96[6]	54.96
Ilona Šulnienė	185,000	5.62	5.73	0	5.73

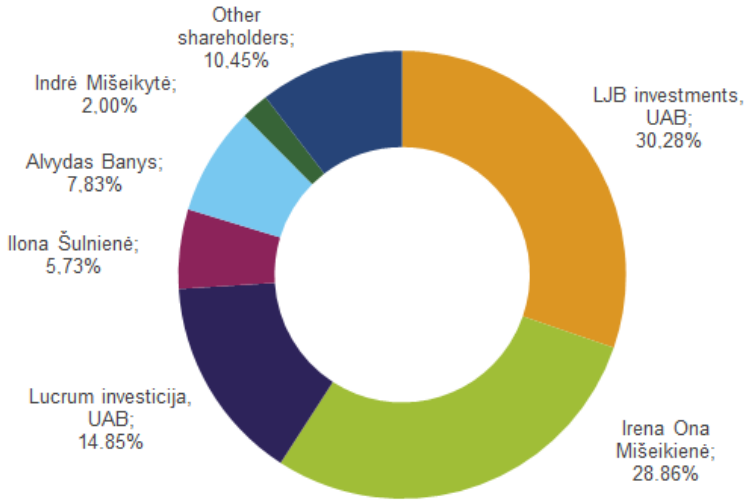
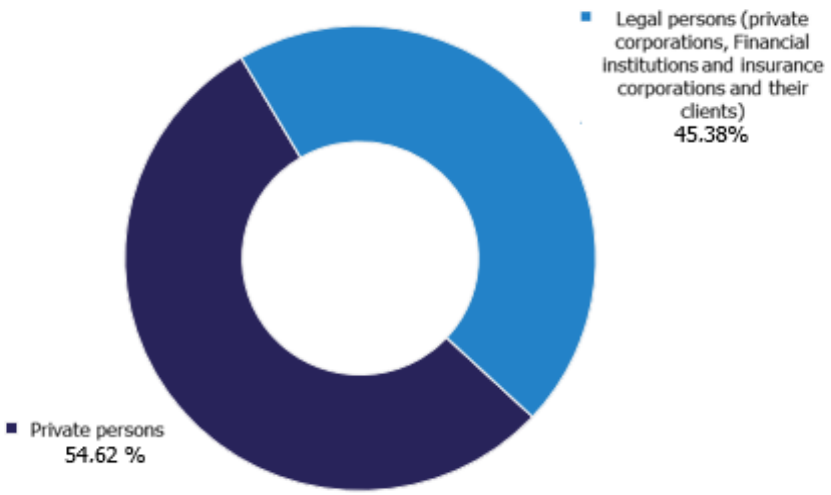


Fig. 9.1.1. Votes as of 31 December 2018

3 According to Part 6 of Paragraph 1 of Article 26 and Paragraph 2 of Article 24 of the Law on Securities of the Republic of Lithuania, it is considered that Alvydas Banys has votes of LJB Investments, a company controlled by him, and also votes of Darius Sulnis and Indre Miseikyte, managers of INVL Baltic Farmland.
4 According to Part 6 of Paragraph 1 of Article 26 and Paragraph 2 of Article 24 of the Law on Securities of the Republic of Lithuania, it is considered that Darius Sulnis has votes of Lucrum Investicija, a company controlled by him, and also votes of Alvydas Banys and Indre Miseikyte, managers of INVL Baltic Farmland. According to Paragraph 2 of Article 24 of the Law on Securities of the Republic of Lithuania, it is considered that Indre Miseikyte has votes of Alvydas Banys and Darius Sulnis, managers of INVL Baltic Farmland.
5 According to Paragraph 2 of Article 26 of the Law on Securities of the Republic of Lithuania, it is considered that Indre Miseikyte has votes of Alvydas Banys and Darius Sulnis, managers of INVL Baltic Farmland.
6 According to Paragraph 2 of Article 26 of the Law on Securities of the Republic of Lithuania, it is considered that Egle Surpliene has votes of Alvydas Banys, Darius Sulnis and Indre Miseikyte, managers of INVL Baltic Farmland.

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

Investors	Shareholders		Share of votes given by the owned shares	
	Amount	Part, %	Amount	Part, %
Private persons	3,321	99.49	1,763,285	54.62
Legal persons (private corporations, Financial institutions and insurance corporations and their clients)	17	0.51	1,465,225	45.38
Total	**3,338**		**3,228,510**	



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

Table 9.1.3. Distribution of securities by investors' groups as of 31 December 2018

Regions	Shareholders		Share of votes given by the owned shares	
	Amount	Part, %	Amount	Part, %
Lithuania	3,295	98.71	3,220,798	99.77
Other EU members	31	0.93	6,912	0.21
Non- EU countries	12	0.36	800	0.02
Total	**3,338**		**3,228,510**	

9.2. Rights and obligations carried by the shares

9.2.1. Rights of the shareholders

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

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

9.2.2. Obligations of the shareholders

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

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

The person who acquired all shares or part of shares in the company from the Company's sole shareholder must notify the company of the acquisition or transfer of shares within 5 days from the conclusion of the transaction. The notice shall indicate the number of acquired or transferred shares, including share number per class, when the different share class is acquired, the nominal share price and the particulars of the person who acquired or transferred the shares (the natural person's full name, personal number, personal code and address; the name, legal form it has taken, registration number, address of the registered office of the legal person.). A document confirming the acquisition of the shares or an acquisition extract must be added to the notice. If an acquisition extract is provided, it must include the parties to the transaction, the subject of the transaction and the date of acquisition of the shares.

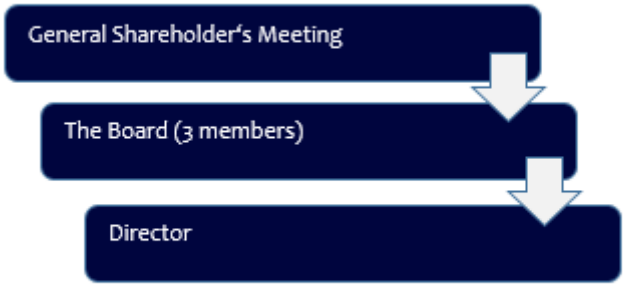
Contracts between the company and holder of all its share shall be executed in a simple written form, unless the Civil Code prescribes the mandatory notarised form.

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

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

III. ISSUER'S MANAGING BODIES

10 Structure, authorities, the procedure for appointment and replacement



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

10.1. General Shareholders' Meeting

10.1.1. Powers of the General Shareholders' Meeting

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

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

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

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

- amend the Articles of Association of the Company, unless otherwise provided for by the Law on Companies of the Republic of Lithuania;
- change the premises of the Company;
- elect members of the Board;
- dismiss the Board or its members;
- elect and dismiss the firm of auditors, set the conditions for auditor remuneration;
- determine the class, number, nominal value and the minimum issue price of the shares issued by the Company;
- take a decision regarding conversion of shares of one class into shares of another class, approve share conversion procedure;
- take a decision to change the number of shares of the same class issued by the company and the nominal value per share without changing the authorized capital;
- take a decision to replace private limited liability company share certificates by shares;
- approve the annual financial statements report;
- take a decision on profit/loss appropriation;
- take a decision on the formation, use, reduction and liquidation of reserves;
- approve the financial statements for the purpose of deciding on the allocation of dividends for a period shorter than a financial year;

- to decide on the allocation of dividends for a period shorter than a financial year;
- take a decision on the issue of convertible debentures;
- take a decision on withdrawal for all the shareholders the pre-emption right to acquire the Company's shares or convertible debentures of the specific issue;
- take a decision to increase the authorised capital;
- take a decision to reduce the authorised capital, except the cases provided for by the Law on Companies of the Republic of Lithuania;
- take a decision for the Company to purchase its own shares;
- take a decision on the approval of the Rules for the Offering of Shares to Employees and / or Members of the Bodies (hereinafter referred to as the Share Allocation Rules);
- take a decision on the reorganisation or split-off of the Company and approve the terms of reorganisation or split-off, except the cases provided for by the Law on Companies of the Republic of Lithuania;
- take a decision on transformation of the Company;
- take a decision on restructuring of the Company;
- take a decision to liquidate the Company, cancel the liquidation of the Company, except the cases provided by the Law on Companies of the Republic of Lithuania;
- elect and dismiss the liquidator of the Company, except the cases provided by the Law on Companies of the Republic of Lithuania.

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

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

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

The shareholders are entitled: (i) to propose to supplement the agenda of the General Shareholders Meeting submitting draft resolution on every additional item of agenda or, than there is no need to make a decision - explanation of the shareholder (this right is granted to shareholders who hold shares carrying at least 1/20 of all the votes). Proposal to supplement the agenda is submitted in writing sending the proposal by registered mail to the Company at Gyneju str. 14, Vilnius, Lithuania, or delivered in person to the representative of the Company or by sending proposal to the Company by email farmland@invaldainvl.com. The agenda is supplemented if the proposal is received no later than 14 before the General Shareholders Meeting; (ii) to propose draft resolutions on the issues already included or to be included in the agenda of the General Shareholders Meeting at any time prior to the date of the General Shareholders meeting (in writing sending the proposal by registered mail to the Company at Gyneju str. 14, Vilnius, Lithuania, or delivered in person to the representative of the Company or by sending proposal to the Company by email farmland@invaldainvl.com) or in writing during the General Shareholders Meeting (this right is granted to shareholders who hold shares carrying at least 1/20 of all the votes); (iii) to submit questions to the Company related to the issues of agenda of the General Shareholders Meeting in advance but no later than 3 business days prior to the General Shareholders Meeting in writing sending the proposal by registered mail to the Company at Gyneju str. 14, Vilnius, Lithuania, or delivered in person to the representative of the Company or by sending proposal to the Company by email farmland@invaldainvl.com. The company reserves the right to answer to those shareholders of the Company who can be identified and whose questions are not related to the company's confidential information or commercial secrets.

Shareholder participating at the General Shareholders Meeting and having the right to vote must submit documents confirming personal identity. Each shareholder may authorize either a natural or a legal person to participate and to vote on the shareholder's behalf at the General Shareholders Meeting. A power of attorney issued by a natural person must be certified by a notary. The representative has the same rights as his represented shareholder at the General Shareholders Meeting. The authorized persons must have documents confirming their personal identity and power of attorney approved in the manner specified by law which must be submitted to the Company no later than before the commencement of registration for the General Shareholders Meeting. A power of attorney issued in a foreign state must be translated into Lithuanian and legalised in the manner established by law. The Company does not establish special form of power of attorney.
Shareholder is entitled to issue power of attorney by means of electronic communications for legal or natural persons to participate and to vote on its behalf at the General Shareholders Meeting. No notarisation of such authorization is required.

The power of attorney issued through electronic communication means must be confirmed by the shareholder with a safe electronic signature developed by safe signature equipment and approved by a qualified certificate effective in the Republic of Lithuania. The shareholder shall inform the Company on the power of attorney issued through the means of electronic

communication by e-mail farmland@invaldainvl.com not later than on the last business day before the General Shareholders Meeting. The power of attorney and notification must be issued in writing and could be sent to the Company by communication means, if the transmitted information is secured and the shareholder's identity can be identified.

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

Shareholder or its representative may vote in writing by filling general voting bulletin, in such a case the requirement to deliver a personal identity document does not apply. The form of general voting bulletin is presented at the Company's webpage www.invlbalticfarmland.lt section For Investors. If shareholder requests, the Company shall send the general voting bulletin to the requesting shareholder by registered mail or shall deliver it in person against signature no later than 10 days prior to the General Shareholders Meeting free of charge. The filled general voting bulletin must be signed by the shareholder or its authorized representative. Document confirming the right to vote must be added to the general voting bulletin if authorized person is voting. The filled general voting bulletin must be sent by the registered mail to the Company at Gyneju str. 14, Vilnius, Lithuania, or delivered in person to the representative of the Company no later than the day before of the General Shareholders Meeting.

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

There was 2 (two) General Shareholders Meeting of INVL Baltic Farmland, AB during the 2018.

On 19 March 2018 INVL Baltic Farmland announced about convocation of the General Shareholders Meeting and published the draft resolutions of the General Shareholders Meeting. On 10 April 2018 the Company announced resolutions of the General Shareholders Meeting: during the meeting the Shareholders of the Company were presented with the consolidated annual report of the Company and independent auditor's report on the financial statements and annual report, approved the consolidated and companies financial statements for 2017, and approved the profit distribution (allocating EUR 0.15 dividend per share). The shareholders also made a decision regarding the purchase of own shares of the INVL Baltic Farmland, approved the new wording of the dividend payment policy, also, elected Members of the Board for the new 4 (four) years term of office, approved the new wording of the Articles of Association of the Company of INVL Baltic Farmland.

On 18 October 2018 INVL Baltic Farmland announced about convocation of the General Shareholders Meeting and published the agenda and draft resolutions of the General Shareholders Meeting. On 9 November 2018 the Company announced resolutions of the General Shareholders Meeting: to conclude an agreement regarding carrying out of the audit of the annual financial statements of the AB INVL Baltic Farmland for 2018 financial year with the audit company PricewaterhouseCoopers and establish the payment in amount of EUR 6,300 for audit of annual financial statements set and opinion on the annual report (VAT will be calculated and payed additionally in accordance with order established in legal acts).

10.2. The Board

10.2.1. Powers of the Board

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

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

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

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

control system, the Board closely cooperates with the manager of the Company. The procedure of work of the Board shall be laid down in the rules of procedure of the Board.

The Board shall consider and approve:

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

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

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

The Board shall take the following decisions:

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

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

1. the organisation of the activities of the Company;
2. the financial status of the Company;
3. the results of business activities, income and expenditure estimates, the stocktaking data and other accounting data of changes in the assets.

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

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

10.2.2. Procedure of work of the Board

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

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

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

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

Each Member of the Board actively participates in the Meetings of Board and devotes sufficient time and attention to perform his duties as the Member of the Board.

9 Meetings of the Board of the company have been held in 2018. Since the start of the company, the composition of the Board has not changed and consisted from: Alvydas Banys, Indrė Mišeikytė and Darius Šulnis. Avydas Banys, Darius Šulnis and Indre Miseikyte attended all the Meetings of the Board personally.

10.3. The Director

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

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

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

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

The Director shall be responsible for:

- the organisation of activities and the implementation of objects of the company
- the drawing up of the annual financial statements and preparation of the annual report of the Company;
- preparation of a draft decision on dividend allocation for a period shorter than a financial year, preparation of the interim financial statements and also, preparation of an interim report, related to decision on dividend allocation for a period shorter than a financial year. The provisions of the Law on Financial Statements of the Company regulating the preparation and publication of the annual report shall apply *mutatis mutandis* to the interim report;
- drafting of the Share Allocation Rules;
- the conclusion of the contract with the firm of auditors where the audit is mandatory or required under the Statutes of the company;
- the submission of information and documents to the General Meeting, the Supervisory Board and the Board in cases laid down in this Law or at their request;
- the submission of documents and particulars of the company to the administrator of the Register of Legal Persons;
- the submission of the documents of a public limited liability company to the Bank of Lithaunia and the Central Securities Depository of Lithuania;
- the publication of information referred to in this Law in the daily indicated in the Statutes;
- notification to shareholders and the Board of the Company about key events relevant to the Company's operations;
- the submission of information to shareholders;
- the fulfilment of other duties laid down in this Law and other laws and legal acts as well as in the Statutes and the staff regulations of the manager of the company.

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

11 Information about members of the Board, Company providing accounting services

The Board of INVL Baltic Farmland, AB has been elected for the new four-year term of office during the General Shareholders Meeting held on 10 April 2018. The shareholders of the Company approved the Board of the same composition as the Board operating in 2014-2018. Mr. Banys was elected as the Chairman of the Board. Mr. Šulnis and Ms. Mišeikytė were elected as the Members of the Board. From 30 June 2015 Egle Surpliene holds position as a director of the company.

Alvydas Banys – Chairman of the Board

The term of office	From 2018 until 2022
Educational background and qualifications	Vilnius Gediminas Technical University. Faculty of Civil Engineering. Master in Engineering and Economics. Junior Scientific co-worker. Economic‘s Institute of Lithuania‘s Science Academy.
Work experience	Since 1 July 2013 Invalda INVL, AB – Advisor Since 2007 LJB Investments, UAB – Director Since 2007 LJB Property, UAB – Director 1996 – 2006 Invalda, AB – Vice President 1996 – 2007 Nenuorama, UAB – President
Owned amount of shares in INVL Baltic Farmland	Personally: 252,875 units of shares, 7.68 % of authorised capital, 7.83 % of votes. Together with controlled company LJB Investments: 1,230,626 units of shares, 37.38 % of authorized capital, 38.11 % of votes. Total votes (together with Members of the Board of INVL Baltic Farmland) – 54.96 %.
Participation in other companies	Invalda INVL, AB – Chairman of the Board Litagra, UAB – Member of the Board UTIB INVL Technology – Member of the Advisory Committee

Indrė Mišeikytė – Member of the Board

The term of office	From 2018 until 2022
Educational background and qualifications	Vilnius Gedimino Technical University. Faculty of Architecture. Master in Architecture

Continued on the next page

The beginning of the table is on the previous page

Work experience	Since May 2012 Invalda INVL, AB – Advisor Since June 2013 Invalda Privatus Kapitalas, AB – Advisor Since 2002 Inreal Valdymas, UAB – Architect Since 2002 Gildeta, UAB – Architect
Owned amount of shares in INVL Baltic Farmland	Personally: 64,450 units of shares, 1.96 % of authorised capital, 2 % of votes. Total votes (together with Members of the Board of INVL Baltic Farmland) – 54.96 %.
Participation in other companies	Invalda INVL, AB – Member of the Board Invalda Privatus Kapitalas, AB – Member of the Board UTIB INVL Technology – Member of the Advisory Committee

Darius Šulnis – Member of the Board

The term of office	From 2018 until 2022
Educational background and qualifications	Duke University (USA). Business Administration. Global Executive MBA. Vilnius University. Faculty of Economics. Master in Accounting and Audit. Financial broker‘s license (General) No. A109.
Work experience	2006 – 2011 Invalda, AB – President. 2011 – 2013 Invalda, AB – Advisor. Since May 2013 Invalda INVL, AB – President. 2002 – 2006 Invalda Real Estate, UAB (current name Inreal Valdymas) – Director 1994 – 2002 FBC Finasta, AB – Director
Owned amount of shares in INVL Baltic Farmland	Personally: 0 units of shares, 0.00 % of authorised capital and votes. Together with controlled company Lucrum Investicija: 479,310 units of shares, 14.56 % of authorised capital. Total votes (together with Members of the Board of INVL Baltic Farmland) – 54.96 %.
Participation in other companies	Invalda INVL, AB – Member of the Board, the president INVL Asset Management, UAB – Chairman of the Board Litagra, UAB – Member of the Board Šiaulių bankas, AB – Member of the Supervisory Board

Continued on the next page

The beginning of the table is on the previous page

Eglė Surplienė – Director

Educational background and qualifications	Vilnius University, Faculty of Economic Cybernetics and Finance, Economic Cybernetics studies, Economics – mathematics diploma (equivalent of Master's degree) 2009 – Award in Financial Planning (CII program and exam) certificate. 2005 – OMX Vilnius dealer certificate 1996 – General financial broker license
Work experience	October 2009 - present – Wealth manager, UAB FPI Geroves Valdymas March 2009 - present – Director, UAB DIM investment September 2014 - June 2016 – Director, UAB Margio investicija August 2006 - October 2009 – Wealth manager, VIP Clients manager, AB FBC Finasta, AB bank Finasta June 2005 - July 2006 – Project manager, UAB Zabolis ir partneriai June 1999 - June 2005 – Member, Deputy Director of the Commission, Securities Commission of Lithuania June 1995 - June 1999 – Head of Issuer Division, UAB FMI Vilfima June 1993 - June 1995 - Member of Market Regulation Division, Securities Commission of Lithuania
Owned amount of shares in INVL Baltic Farmland, AB	Personally: 0 units of shares, 0.00 % of authorised capital and votes. Total votes (together with Members of the Board of INVL Baltic Farmland) – 54.96 %.
Participation in other companies	Atelier investment management, UAB (till January 2018 operated under the name Gerovė kūrimas, UAB) – Chairman of the Board Ars Lab limited IE – Member of the Board Gerovės valdymas, UAB FPĮ – director Gerovės partneriai, KŪB – full member Iniciatyvos fondas, VŠĮ – director DIM investment, UAB – director

Invalda INVL, AB provides accounting services and preparation of the documents related with bookkeeping for INVL Baltic Farmland, AB according to an agreement signed on 30 April 2014 No. 20140430/03.

12 Information about the Audit Committee of the company

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

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

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

12.1. Procedure of work of the audit committee

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

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

The Company's Audit Committee is guided by the Regulations of the Audit Committee (hereinafter referred to as the Regulations) approved by the General Shareholders Meeting of the Company held on 22 March 2017. The Regulations are published on the Company's website in the section For investors.

12.2. Members of the Audit Committee

During the General Shareholders Meeting of INVL Baltic Farmland held on 22 March 2017, the decision to elect Dangutė Pranckėnienė, partner and auditor of Moore Stephens Vilnius, UAB and Tomas Bubinas, Chief Operating Officer at Biotechpharma, UAB for the Audit Committee for the 4 (four) years of office term has been adopted. Both members of the Audit Committee are independent, having submitted an notice certifying their independence.

During the the reporting period the composition of the Audit Committee remain unchanged.

Tomas Bubinas – Independent Member of the Audit Committee

The term of office	Since 2017 till 2021
Educational background and qualifications	2004 - 2005 Baltic Management Institute (BMI), Executive MBA 1997 - 2000 Association of Chartered Certified Accountants. ACCA. Fellow Member 1997 Lithuanian Sworn Registered Auditor 1988 - 1993 Vilnius University, Msc. in Economics

Continued on the next page

The beginning of the table is on the previous page

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

Dangutė Pranckėnienė – Independent Member of the Audit Committee

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

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

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

During the year 2018 to the Board members, which are shareholders of the Company, were paid EUR 40 thousand of dividends, net of tax. To the entities, which are controlled by the Board members, were paid EUR 256 thousand of dividends, net of tax. Natural persons, who are related to the Board members of the company, were paid EUR 119 thousand of dividends, net of tax. There were no assets transferred, no guarantees granted, no bonuses paid and no special payouts made by the company to its managers. The Members of the Board were not granted with bonuses by other companies of INVL Baltic Farmland, AB group.

INVL Baltic Farmland, AB Group and the Company for the company providing accounting services respectively paid EUR 15 thousand and EUR 3 thousand during the reporting period (in 2017 – respectively EUR 15 thousand and EUR 3 thousand; in 2016 – respectively EUR 15 thousand and EUR 3 thousand; in 2015 – respectively EUR 16 thousand and EUR 4 thousand; in 2014 – respectively EUR 10 thousand and EUR 2 thousand).

Table 13.1. Information about calculated remuneration for the CEO of the issuer for 2016- 2018

	2016	2017	2018
For members of administration (the CEO)	1,487	1,527	1,587

IV. INFORMATION ABOUT THE ISSUER'S AND ITS GROUP COMPANIES' ACTIVITY

14 Overview of the Issuer and its group activity

14.1. BUSINESS ENVIRONMENT

Based on the information provided by the Department of Statistics, faster economic growth observed in 2017 slowed down in 2018, but the GDP still grew in all the quarters of 2018: 3.7 percent in QI, 3.8 percent in QII, 3.3 percent in QIII, 3.6 percent in QIV. Comparing December 2017 and December 2018, the annual inflation of 1.9 percent was recorded in Lithuania.
Taking into account that economies of some foreign trade partners important for Lithuania grew at a slower rate and the negative risk due to increased tensions in the area of international trade grew compared to QI 2018, the development of exports of Lithuanian goods and services in 2018 was more restrained than expected at the start of the year.

It is forecast that growth of the Lithuanian economy will be slower over the next two years and the risks, which could slow down the economic development, will be numerous. However, the continuing drop in the unemployment rate, rising incomes, domestic consumption and investment will have a positive impact on the Lithuanian economy. The European Commission predicts that the real GDP of Lithuania should grow 2.6 percent in 2019.

In 2018, the total volumes of agricultural production were 9.5 percent less than in 2017. Crop production value fell by 13.6 percent, it was affected by 17.3 percent worse agricultural harvest, the cause of which was drought suffered by many regions of Lithuania. The harvest of leguminous crops decreased most (by 42.3 per cent). Comparing December 2017 and December 2018, the export of grains in 2018 was 45.34 percent less than in the equivalent period in 2017. The purchase prices of crop products increased by 4.4 percent. The value of livestock production dropped by mere 3 percent due to the decline in the purchase prices of livestock production by 3.3 percent. Despite changes in the production purchase prices, livestock production volumes grew by 0.3 percent in 2018.

The value of crop production produced in 2018 amounted to EUR 1.2 billion (-13.6 percent), while of livestock production – EUR 0.89 billion (-3 percent). According to the assessments by the Department of Statistics, the grain harvest fell to 4.4 million tons last year. Even though the first half of 2018 was fairly optimistic, but then disastrous drought that prevailed later and the prolonged dry period in individual regions, which amounted to a dangerous meteorological phenomenon, severely damaged summer grain crop harvest.

As for longer-term trends in the agricultural sector, the situation is improving and the efficiency of operations in the country grows. The fertility of grain cultures has almost doubled in 10 years. The value added created in the sector has significantly grown, too. This is the result of investments into agricultural machinery, bigger farms, deeper knowledge and application of new technologies intended for modernization in agriculture. Over the last decade, considerable support from the structural funds of the European Union has been assigned for agriculture and food sectors and rural development. Growing support usually leads to increases in land sale and rental prices.

Growth in prices of agricultural land over the past 5 years was much influenced by consistently growing economy of the country, increasing income of market participants and their activity in more expensive territories with developed communications, infrastructure of roads and services. The value of agricultural land plots also depends on sufficient profitability of agricultural activities, supported with the European Union agricultural subsidies, as well as on farm enlargement processes when farms that acquired or rented additional agricultural land plots may seek a bigger effect of the economy of scope. Supply of agricultural land plots in Lithuania is sufficiently active, however the reserve of land plots attractive for farming is getting low. Big farmers increase their holdings by buying smaller plots, but the offer is getting less and less each year. Fertile land plots, prices of which rose from 1.20 to 3.6 times over the past five years, are usually sold very quickly. The average market values of agricultural land plots in Lithuanian urban municipalities remained almost the same over the past five years, meanwhile the average market values in fertile territories (e.g. in Šakiai, Joniškis or Vilkaviškis district municipalities) have risen from 2.4 to 3.6 times.

Restrictions for acquisition of agricultural land applicable in Lithuania and constantly growing purchase prices of agricultural land plots increase rental demand and rental prices. Young farmers that work big land plots and agricultural companies are

intensively interested in lease of land plots, as in case of renting agricultural land plots, one has a higher probability to acquire them if the owners wish to sell their land plots.
In May 2014, tighter amendments to the Provisional Law on the Acquisition of Agricultural Land entered into force, which do not allow related persons acquiring more than 500 ha of land from the State or other persons. The tighter requirements indicate that related persons are deemed to persons holding more than 25 percent of shares or member shares in agricultural companies and persons holding over 25 percent of shares in each of several companies. The Provisional Law on the Acquisition of Agricultural Land has received considerable criticism, therefore a more liberal Law on Amending Provisional Law No. IX-1314 on the Acquisition of Agricultural Land was adopted in November 2017. It dropped some qualification requirements (mandatory education in the field of agriculture, the requirement to have been engaged in agricultural activities for 3 years over the past 10 years, etc.) to be met in order to be able to acquire agricultural land. Also, the group of persons having the right of first refusal to acquire a land plot offered for sale was expanded. In addition to co-owners, land tenants and neighbours, a new group appeared – farmers of the municipality, where the land plot offered for sale is located, and of adjacent municipalities, also companies registered there, which earn at least 50 percent of their income from agricultural activities.
The company "INVL Baltic Farmland" owns 100 percent of shares in 18 private limited liability companies, which collectively have more than 3,000 ha of agricultural land in Lithuania.

From 30 June 2015, when a simple administrative agreement was signed with "INVL Farmland Management", a company controlled by "Invalda INVL", which is one of the biggest asset management groups in the Baltic States, the administration of the land plots was assigned to this company.

The applicable tighter requirements for land acquisition mean that companies of "INVL Baltic Farmland" group cannot directly invest in agricultural land in Lithuania any more, also they cannot take over control of companies holding agricultural land.

In the long term, "INVL Baltic Farmland" seeks to earn from growth in land lease and increase in the value of land. According to data of the property valuation performed in QIV 2018, the value of land plots increased by 7.4 percent per year and reached EUR 13.92 million. On average, one hectare is worth EUR 4.66 thousand.

The following graph shows the difference of prices of agricultural land in Lithuania by region:

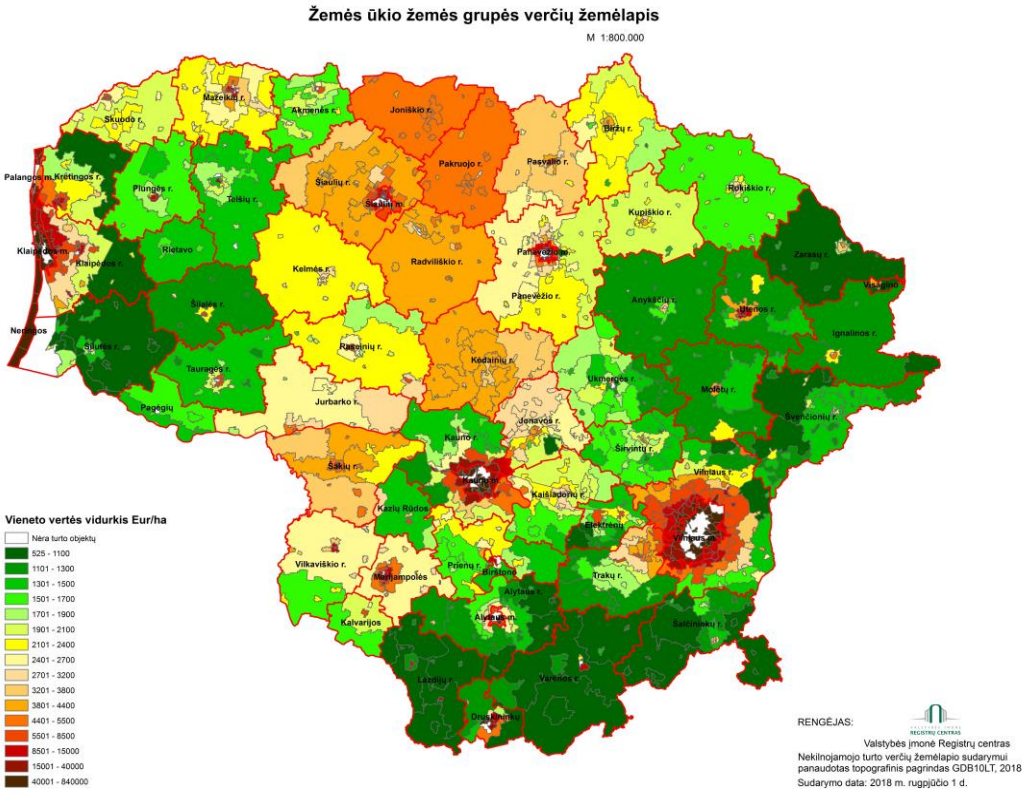


Fig. 14.1.1. Map on values of land qualified as agricultural land in Lithuania
Source: the Centre of Registers (data as of 1 August 2018) http://www.registrucentras.lt/bylos/dokumentai/ntr/masvert/zem_zu2019.pdf

GROUP KEY FIGURES

	31 December 2016	31 December 2017	31 December 2018
Controlled cultivated cropland area*, ha	2,999	2,999	2,986
Book value of land**, EUR thousand	12,335	12,964	13,922
Average rental income per hectare, EUR (not included the variable part of the rent, equal to the land lease payment payable to the state)	172	179	188
Consolidated equity, EUR thousand	11,343	12,002	12,630
Number of votes, units	3,228,510	3,228,510	3,228,510
Book value of one share, EUR	3.51	3.72	3.91

** The data is provided not including the land taken for public needs, implementing the special national importance project - the project of Rail Baltica..*
***Investment properties are stated at fair value and are valued by accredited valuer UAB korporacija Matininkai using sales comparison method. The valuation was performed in December 2016, 2017 and 2018.*

THE BALANCE SHEET AND PROFIT (LOSS) SUMMARY REPORTS

Balance sheet, thousand EUR	Group			Company		
	31.12.2016	31.12.2017	31.12.2018	31.12.2016	31.12.2017	31.12.2018
Investment property	12,335	12,964	13,922	-	-	-
Investments into subsidiaries	-	-	-	6,624	7,360	8,335
Loans granted	-	-	-	4,656	4,538	4,320
Trade receivables	82	195	155	5	5	13
Cash	209	199	140	101	154	29
Other assets	6	1	1	6	1	1
Deferred income tax liabilities	1,121	1,235	1,387	-	-	-
Other liabilities	168	122	201	49	56	68
Consolidated equity	11,343	12 002	12,630	11,343	12,002	12,630
Profit (loss)	01.01.2016 – 31.12.2016	01.01.2017 – 31.12.2017	01.01.2018 – 31.12.2018	01.01.2016 – 31.12.2016	01.01.2017 – 31.12.2017	01.01.2018 – 31.12.2018
Revenue	531	575	615	-	-	-
Revaluation of investment property	1,098	629	958	-	-	-
Income before tax	1,398	1,044	1,315	1,220	911	1,138
Net profit	1,193	885	1,113	1,193	885	1,113

INDEXES

	2016	2017	2018
Return on Equity (ROE), %	10.89	7.58	9.04
Return on Assets (ROA), %	9.82	6.81	8.07
Liquidity ratio	1.77	3.91	1.47
Operating profit margin (pretax profit margin), %	263.28	181.57	213.82
Operating profit excluding revaluation of investment property margin, %	56.50	72.17	58.05
Earnings per share (EPS), EUR	0.37	0.27	0.34
Price earnings ratio (P/E)	9.03	14.41	10.29
Net profit margin (%)	224.67	153.91	180.98
EBITDA margin (%)	56.50	72.17	58.05

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

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

FINANCIAL RESULTS AND INFORMATION RELATED TO THE DIVIDENDS

- On 19 March 2018 the Company announced an audited group results of 2017. The audited consolidated net profit of INVL Baltic Farmland, AB Group and the Company amounted to EUR 885 thousand, the revenue amounted to EUR 575 thousand. On 10 April 2018 the Company announced the approved audited annual financial information for 2017 together with the confirmation of responsible persons.
- On 19 March 2018 INVL Baltic Farmland informed that it is planning to earn EUR 360 thousand net profit in 2018. Consolidated revenues of INVL Baltic Farmland are forecasted at EUR 609 thousand and net profit should amount to EUR 360 thousand.
- On 8 May 2018 the Company announced financial results for 3 months of 2018 - the unaudited consolidated net profit of the AB INVL Baltic Farmland group was EUR 71 thousand and the revenue amounted to EUR 140 thousand.
- On 8 May 2018 INVL Baltic Farmland in order to implement resolutions of the General Shareholders Meeting regarding allocation of Company's profit, announced the procedure for the payout of dividends for 2017. On 10 April 2018, the General Shareholders Meeting of INVL Baltic Farmland, AB decided to allocate EUR 0.15 dividend per share. Dividends were paid to the shareholders who on 24 April 2018 were shareholders of INVL Baltic Farmland, AB. The Company informed that the dividends will be allocated from 9 May 2018.
- On July 26th the Company announced unaudited consolidated financial results of the INVL Baltic Farmland group: unaudited consolidated net profit amounted to EUR 140 thousand for 6 months of 2018 and the revenue was EUR 281 thousand. The Company published half year results for the 6 months of 2018, financial statements, factsheet and management statement.
- On 7th November 2018 INVL Baltic Farmland announced unaudited results for 9 months of 2018: unaudited consolidated net profit of the AB INVL Baltic Farmland group was EUR 229 thousand and the revenue was EUR 422 thousand.

GENERAL SHAREHOLDERS MEETING

- On 19 March 2018 INVL Baltic Farmland announced about convocation of the General Shareholders Meeting and published the draft resolutions of the General Shareholders Meeting. On 10 April 2018 the Company announced resolutions of the General Shareholders Meeting: during the meeting the Shareholders of the Company were presented with the consolidated annual report of the Company and independent auditor's report on the financial

statements and annual report, approved the consolidated and companies financial statements for 2017, and approved the profit distribution (allocating EUR 0.15 dividend per share). The shareholders also made a decision regarding the purchase of own shares of the INVL Baltic Farmland, approved the new wording of the dividend payment policy, also, elected Members of the Board for the new 4 (four) years term of office, approved the new wording of the Articles of Association of the Company of INVL Baltic Farmland.

- On 18 October 2018 INVL Baltic Farmland announced about convocation of the General Shareholders Meeting and published the agenda and draft resolutions of the General Shareholders Meeting. On 9 November 2018 the Company announced resolutions of the General Shareholders Meeting: to conclude an agreement regarding carrying out of the audit of the annual financial statements of the AB INVL Baltic Farmland for 2018 financial year with the audit company PricewaterhouseCoopers and establish the payment in amount of EUR 6,300 for audit of annual financial statements set and opinion on the annual report (VAT will be calculated and payed additionally in accordance with order established in legal acts).

MANAGEMENT OF THE COMPANY

- On 10 April 2018 the Company informed that the General Shareholders Meeting of INVL Baltic Farmland re-elected Alvydas Banys, Indrė Mišeikytė and Darius Šulnis to the Board of the Company for the new 4 (four) years term of office. Also, Alvydas Banys was elected as a Chairman of the Board at the Board meeting on 10 April 2018.
- On 19 April 2018 INVL Baltic Farmland announced that on 18th April 2018 the new wording of the Articles of Association of the public joint stock company INVL Baltic Farmland was registered at the Register of Legal Entities. The Articles of Association have been changed in order to implement the current wording of the Law on Companies of the Republic of Lithuania.
- On 10 October 2018 the Company announced notifications about acquisition or disposal of a block of Company's shares and transactions concluded by managers of the companies.
- On 20 December 2018 INVL Baltic Farmland published investor's calendar for 2019: 28 February 2019 – audited financial reports and annual report; 8 May – factsheet for 3 months of 2019; 23 July – semi–annual report of 2019; 25 October – factsheet for 9 months of 2019.

THE GROUP

The companies during the reporting period rented agricultural land for farmers and agricultural companies and performed usual.

14.3. EMPLOYEES

There is only one employee (director) at INVL Baltic Farmland, AB. Invalda INVL, AB provides accounting services for the company. Employment agreements are concluded following requirements of the Labour Code of the Republic of Lithuania. Employees are employed and laid off following requirements of the Labour Code. There are no special employees' rights and duties described in the employment agreements.

There were 2 employees working at INVL Baltic Farmland and INVL Baltic Farmland subsidiary companies on 31 December 2018 (31 December 2017 - 2; 31 December 2016 – 2; 31 December 2015 – 2; 31 December 2014 – 5).

14.4. INFORMATION ABOUT AGREEMENTS OF THE COMPANY AND THE MEMBERS OF THE BOARD, OR THE EMPLOYEES' AGREEMENTS PROVIDING FOR COMPENSATION IN CASE OF THE RESIGNATION OR IN CASE THEY ARE DISMISSED WITHOUT A DUE REASON OR THEIR EMPLOYMENT IS TERMINATED IN VIEW OF THE CHANGE OF THE CONTROL OF THE COMPANY.

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

15 A description of the principal advantages, risks and uncertainties

15.1. Advantages of investments

Agricultural land in Lithuania is undervalued

Agricultural land prices in Lithuania are among the lowest in the European Union, and much lower than in neighbouring Poland. This is caused by increased land fragmentation and other reasons.

Land allows saving core capital and has a low risk

After recent market turmoil, investors are paying more and more attention on capital preservation. Investment in agricultural land is backed by assets which has only a small possibility of devaluation. Historical data shows that land, in the long term, is characterized by strong core capital preservation features. Unlike investments in exhaustible metals, oil and gas resources, a well-managed agricultural land is a completely renewable resource, which remains productive forever.

Land is a good protection against inflation

Agricultural land, as an asset class, has a positive correlation with inflation. Historically, agricultural land values rose faster than inflation, therefore agricultural land is an effective insurance against inflation and a capital preservation tool. It may be attractive to investors, who are worried about governments' inflationary policies.

Land generates stable income

Unlike other popular insurance against inflation measures, such as precious metals, land provides a regular income to the investor, which, in the low interest environment, is often higher than the deposit or bond interest. Although land investment does not bring the highest income in the real estate sector, not depreciating assets with strong price growth potential and close to 100 % occupation (unlike commercial real estate, high-quality agricultural land demand is always high, regardless of the economic environment) generate the income.

Investment in land is characterized by lower income volatility

By placing agricultural land in a diversified portfolio, investors can reduce the risk of income shortage at a time when other assets generate little or no income. While the long-term rise in agricultural commodity prices positively affect the value of land, short-term fluctuations in the price of production are assumed by the farmer rather than the landowner.

Historically, land had higher yield

In developed countries agricultural land had higher profits than other asset classes, including equities, bonds and commercial real estate, despite the lower risk (measured as the standard deviation of the annual return).

Land is an attractive diversification tool

Agricultural land yield has a low or even negative correlation with traditional asset classes like stocks and bonds, and a small positive correlation with residential and commercial real estate. These features make farmland an attractive diversification tool that can reduce the impact of general market fluctuations on diversified portfolio.

Agricultural land advantages compared with other real estate investments

Investment in agricultural land is classified as a real estate, but has unique features. This allowed agricultural land to protect itself from extreme falls in the value of assets, which were experienced by residential and commercial property during the crisis.

15.2. Risk factors

Information, provided in this section, should not be considered complete and covering all aspects of the risk factors associated with the activity and securities of the public joint-stock company INVL Baltic Farmland.

Risk factors, associated with activities of INVL Baltic Farmland

Restriction of the purchase of agricultural land

The public joint-stock company INVL Baltic Farmland invests in agricultural land in Lithuania through its owned private companies. In 1 January 2014 changes to the Agricultural Land Acquisition temporary law (No. IX-1314) entered into force, providing restrictions of the purchase of agricultural land (including restriction of purchase of shares in the legal entity owning agricultural land). This law was changed from 1 January 2018 by Agricultural Land Acquisition law (No. XIII-801). These restrictions mean that the public joint-stock company INVL Baltic Farmland and its owned private companies will not be able to purchase agricultural land in Lithuania additionally and/or acquire shares in companies owning agricultural land.

Prohibition stated in the law can reduce the amount of buyers of agricultural land, owned by subsidiaries of the public joint-stock company INVL Baltic Farmland, and thus the liquidity and price of the asset.

The total investment risk

The value of the investment in agricultural land can vary in the short term, depending on the harvest, prices of agricultural products, local demand and supply fluctuations, competition between farmers and financial situation. Investment in agricultural land should be carried out in the medium and long term, so that investor can avoid the short-term price fluctuations. Investing in real estate is connected with the long-term risks. After failure of investments or under other ill-affected circumstances (having been unable to pay for the creditors) the bankruptcy proceedings may be initiated.

Agricultural production and other commodity price volatility risk

Agricultural products and other commodities prices are historically characterized by very large fluctuations, on which, in many cases, depends the price of agricultural land. The main factor affecting profitability of agricultural business is the price of the crop (wheat, canola, etc.), but fuel, labor, fertilizers' and other commodity prices also affect the cost of agricultural activity, therefore their increase lowers profit margins and reduces the ability to pay higher prices for agricultural land leases. If high fuel, fertilizer and labor costs coincide with the fall of agricultural output prices, farmers and investors in the agricultural sector may suffer a loss.

Common agricultural risk

The public joint-stock company INVL Baltic Farmland will seek to lease its owned agricultural land to farmers and agricultural companies for the highest price possible. Factors that could adversely affect the agricultural sector may be: weather conditions (floods, droughts, heavy rains, hail, frost, weeds, pests, diseases, fire, climate change related worsening conditions and others). Any of these factors, together or separately, could have a negative impact on farmers' incomes and farmland values. Part of the risks, not all, can be insured, but the insurance costs reduce agricultural profitability, thus not all Lithuanian farmers do it.

Reliance on the European Union and national subsidies

Lithuanian and the European Union farmers' activities and profits are highly dependent on the European Union's Common Agricultural Policy (CAP) - EU and national subsidies for agricultural activities. Recent changes to the CAP are valid for the period 2014 – 2020.

Elimination of direct payments could have a negative impact on agricultural land rents and values.

Land illiquidity risk

Investments in agricultural land under certain market conditions are relatively illiquid, thus finding buyers for these lands can take time. Investors may consider the investment in agricultural land only if they do not have needs for the sudden liquidity.

Risk of legislative and regulatory changes

Lithuanian law, the European Union directives and other legislative changes may affect the income of farmers and agricultural land rents. For example, changes affecting agricultural products price controls, export restrictions, customs entry or withdrawal, more stringent environmental restrictions could adversely affect the profitability of agriculture.

Tax increase risk

Tax laws change may lead to a greater taxation of the public joint-stock company INVL Baltic Farmland and its group companies, which in turn may reduce the profits and assets of the company.

Inflation and deflation risk

It is likely that during its operational period the public joint-stock company INVL Baltic Farmland will face both inflation and deflation risks as investments in agricultural land are long term. If the profit from the agriculture land rent will be less than the inflation rate, it will result in loss of purchasing power. It is estimated that investment in agricultural land profitability is highly correlated with inflation.

Credit risk

The public joint-stock company INVL Baltic Farmland will seek to lease agricultural land plots in the highest price possible to farmers in Lithuania and agricultural companies. There is a risk that tenants of the land will not fulfil their obligations - it would adversely affect the profit of the public joint-stock company INVL Baltic Farmland. Large parts of liabilities not fulfilled in time may cause disturbances in activities of the public joint-stock company INVL Baltic Farmland, there might be a need to seek additional sources of financing, which may not always be available.

The public joint-stock company INVL Baltic Farmland also bears the risk of holding funds in bank accounts or investing in short-term financial instruments.

Liquidity risk

The public joint-stock company INVL Baltic Farmland may be faced with a situation where it will not be able to settle with suppliers and other creditors in time. The company will seek to maintain adequate liquidity levels or secure funding in order to reduce this risk.

Interest rate risk

Interest rate risk mainly includes loans with a variable interest rate. The public joint-stock company INVL Baltic Farmland plans to use very small amount of debt. Rising interest rates worldwide may adversely affect the values of property - agricultural land.

Large shareholders risk

Three shareholders of the public joint-stock company INVL Baltic Farmland together with related parties hold more than 60 percent of shares and their voting will influence the election of the Members of the Boards of company, essential decisions regarding management of the public joint-stock company INVL Baltic Farmland, operations and financial position. There is no guarantee that the decisions made by the major shareholders' will always coincide with the opinion and interest of the minority shareholders. Large shareholders have the right to block the proposed solutions of other shareholders.

MARKET-RELATED RISKS

Market risk

Shareholders of the public joint-stock company INVL Baltic Farmland bear the risk of incurring losses due to adverse changes in the market price of the shares. The stock price drop may be caused by negative changes in assets value and profitability of the company, general stock market trends in the region and the world. Trading of shares of the public joint-stock company INVL Baltic Farmland may depend on comments of the brokers and analysts and published independent analyzes of the company and its activities. The unfavorable analysts' outlook of the shares of the public joint-stock company INVL Baltic Farmland may adversely affect the market price of the shares. Non-professional investors assessing the shares are advised to seek the assistance of intermediaries of public trading or other experts in this field.

Liquidity risk

If demand for shares decreases or they are deleted from the stock exchange, investors will face the problem of realization of shares. If the financial situation of the public joint-stock company's INVL Baltic Farmland deteriorates, the demand for company's shares may drop, which will lead to fall in share price.

Dividend payment risk

Dividend payment to the shareholders of the public joint-stock company INVL Baltic Farmland is not guaranteed and will depend on the profitability, investment plans and the overall financial situation of the company.

Tax and legal risk

Changes in the equity-related legislation or state tax policy can change shares attractiveness of the public joint-stock company INVL Baltic Farmland. This may reduce the liquidity of the shares of the company and/or price.

Inflation risk

When inflation increases, the risk, that the stock price change may not offset the current rate of inflation, appears. In this case, the real returns from capital gain on market shares for traders may be less than expected.

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

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

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

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

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

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

16 Significant investments made during the reporting period

During the reporting period INVL Baltic Farmland, AB has not made any acquisitions.

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

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

18 Information on the related parties' transactions

Information on the related parties' transactions is disclosed in Notes 16 of consolidated financial statements for the year ended 31 December 2018.

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

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

20 Significant events since the end of the financial year

There were no events since the end of the financial year.

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

21.1. Evaluation of implementation of goals for 2018

The initial forecast of INVL Baltic Farmland for year 2018 was income of EUR 609 thousand and net profit of EUR 360 thousand.

INVL Baltic Farmland had revenue of EUR 615 thousand in 2018 and earned unaudited net profit of EUR 1 113 thousand for the year. Profit was forecasted under the assumption that the value of agricultural land holdings in the balance sheet would not change, but a valuation conducted by the company Matininkai showed that it had increased by 7.4% to EUR 13.92 million compared to previous year, or EUR 4.66 thousand per hectare. Excluding the effects of the property revaluation and related deferred profit tax and management fees, INVL Baltic Farmland’s profit would have been EUR 347 thousand. In 2018 it was recognised higher as forecasted provision for impairment of trade receivables.

While preparing the profit forecast for 2018 the change of provision for impairment of trade receivables was not assessed, therefore it can be stated that INVL Baltic Farmland has accomplished the calculated profit forecasts for 2018.

21.2. Activity plans and forecasts

INVL Baltic Farmland will continue focusing on enhancing the quality of owned land and environmental sustainability.

Taking into consideration the lease agreements, total income should be around EUR 650 thousand in 2019. Net profit for the year is expected to be around EUR 395 thousand. These predictions are based on the assumption that there will be no changes in land value in 2019, no land sale/acquisition transactions will be made and not predicting the changes in provision for impairment of trade receivables.

INVL Baltic Farmland’s dividend policy stipulates that dividend payments to shareholders should be no less than EUR 0.10 per share, in case net profit of the reporting period is larger than previously described share of the profit attributable for dividends, the Board of the Company taking into consideration a need for investments and working capital as well as market conditions, projected cash flows and other in the opinion of the Board significant conditions can propose to the General Shareholders Meeting to pay as dividends higher share of the profit than described earlier.

V. OTHER INFORMATION

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

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

23 Information on audit company

The company have not approved criteria for selection of the audit company, but normally 'big 4' audit firms (Deloitte, KPMG, PricewaterhouseCoopers and Ernst and Young) are invited to participate. In the General Extraordinary Shareholders' Meeting of the company held 9 November 2018 the audit company PricewaterhouseCoopers, UAB was elected to provide audit services on annual financial statements of the company for the financial year of 2018. It was decided to conclude an agreement with the audit company to carry out of the audit of the annual financial statements of the AB INVL Baltic Farmland for 2018 financial year and establish the payment in amount of EUR 6,300 (six thousand three hundred euros) for audit of annual financial statements set and opinion on the annual report (VAT will be calculated and payed additionally in accordance with order established in legal acts).

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

No internal audit is performed in the company.

24 Data on the publicly disclosed information

The information publicly disclosed of INVL Baltic Farmland, AB during 2018 is presented on the company's website www.invlbalticfarmland.lt.

Table 24.1. Summary of publicly disclosed information

Date of disclosure	Brief description of disclosed information
19.03.2018	Audited results of INVL Baltic Farmland group of 2017
19.03.2018	Convocation of the Shareholders Meeting of INVL Baltic Farmland and draft resolutions
19.03.2018	INVL Baltic Farmland plans to earn EUR 360 thousand net profit in 2018
10.04.2018	Resolutions of the Ordinary General Shareholders meeting of INVL Baltic Farmland
10.04.2018	Audited annual information of INVL Baltic Farmland for 2017
10.04.2018	Chairman of the Board of INVL Baltic Farmland was elected
20.04.2018	REPEATED 19.04.2018 The wording of the Articles of Association of INVL Baltic Farmland have been registered
08.05.2018	AB INVL Baltic Farmland unaudited results and factsheet for 3 months of 2018
08.05.2018	Procedure for the payout of dividends for the year 2017
26.07.2018	Unaudited results of INVL Baltic Farmland for 6 months of 2018

Date of disclosure	Brief description of disclosed information
10.10.2018	Notification about acquisition and disposal of voting rights
10.10.2018	Notification on transaction concluded by the manager of the company
18.10.2018	Convocation of the General Extraordinary Shareholders Meeting of INVL Baltic Farmland and draft resolutions
07.11.2018	AB INVL Baltic Farmland unaudited results and factsheet for 9 months of 2018
09.11.2018	Resolutions of the General Extraordinary Shareholders meeting of INVL Baltic Farmland
20.12.2018	INVL Baltic Farmland investor's calendar for 2019

Table 24.2. Summary of the notifications on transactions in INVL Baltic Real Estate shares concluded by managers of the Company during 2018.

Date	Person	Number of securities	Security price (EUR)	Total Value of transaction (EUR)	Form of transaction	Type of transaction	Place of transaction	Form of settlement
05.10.2018	Lucrum Investicija UAB	185,000	4.13	764,050.00	Sale	Share sale-purchase	Trade concluded outside the regulated market	money
08.10.2018	Lucrum Investicija UAB	65,758	-	-	Completion of the repurchase transaction (disposal of voting rights)	Disposal – acquisition of voting rights	-	-

Director Eglė Surplienė

APPENDIX 1. INFORMATION ABOUT GROUP COMPANIES, THEIR CONTACT DETAILS

Company	Registration information	Type of activity	Contact details
Ekotra, UAB	Code 303112623 Registration address Gyneju str. 14, Vilnius Legal form – private limited liability company Registration date 01.08.2013	Investments into agricultural land. Rent of the agricultural land.	Telephone +370 5 279 0601 Fax +370 5 279 0530 E-mail farmland@invaldainvl.com
Puskaitis, UAB	Code 303112769 Registration address Gyneju str. 14, Vilnius Legal form – private limited liability company Registration date 01.08.2013	Investments into agricultural land. Rent of the agricultural land.	Telephone +370 5 279 0601 Fax +370 5 279 0530 E-mail farmland@invaldainvl.com
Zemynele, UAB	Code 303112559 Registration address Gyneju str. 14, Vilnius Legal form – private limited liability company Registration date 01.08.2013	Investments into agricultural land. Rent of the agricultural land.	Telephone +370 5 279 0601 Fax +370 5 279 0530 E-mail farmland@invaldainvl.com
Kvietukas, UAB	Code 303112678 Registration address Gyneju str. 14, Vilnius Legal form – private limited liability company Registration date 01.08.2013	Investments into agricultural land. Rent of the agricultural land.	Telephone +370 5 279 0601 Fax +370 5 279 0530 E-mail farmland@invaldainvl.com
Lauknesys, UAB	Code 303112655 Registration address Gyneju str. 14, Vilnius Legal form – private limited liability company Registration date 01.08.2013	Investments into agricultural land. Rent of the agricultural land.	Telephone +370 5 279 0601 Fax +370 5 279 0530 E-mail farmland@invaldainvl.com
Vasarojus, UAB	Code 303004626 Registration address Gyneju str. 14, Vilnius Legal form – private limited liability company Registration date 01.08.2013	Investments into agricultural land. Rent of the agricultural land.	Telephone +370 5 279 0601 Fax +370 5 279 0530 E-mail farmland@invaldainvl.com
Laukaitis, UAB	Code 303112694 Registration address Gyneju str. 14, Vilnius Legal form – private limited liability company Registration date 01.08.2013	Investments into agricultural land. Rent of the agricultural land.	Telephone +370 5 279 0601 Fax +370 5 279 0530 E-mail farmland@invaldainvl.com
Ziemkentys, UAB	Code 303112648 Registration address Gyneju str. 14, Vilnius Legal form – private limited liability company Registration date 01.08.2013	Investments into agricultural land. Rent of the agricultural land.	Telephone +370 5 279 0601 Fax +370 5 279 0530 E-mail farmland@invaldainvl.com

Company	Registration information	Type of activity	Contact details
Zemgale, UAB	Code 303112744 Registration address Gyneju str. 14, Vilnius Legal form – private limited liability company Registration date 01.08.2013	Investments into agricultural land. Rent of the agricultural land.	Telephone +370 5 279 0601 Fax +370 5 279 0530 E-mail farmland@invaldainvl.com
Avizele, UAB	Code 303113077 Registration address Gyneju str. 14, Vilnius; Legal form – private limited liability company Registration date 01.08.2013	Investments into agricultural land. Rent of the agricultural land.	Telephone +370 5 279 0601 Fax +370 5 279 0530 E-mail farmland@invaldainvl.com
Berzyte, UAB	Code 303112915 Registration address Gyneju str. 14, Vilnius Legal form – private limited liability company Registration date 01.08.2013	investments into agricultural land. Rent of the agricultural land.	Telephone +370 5 279 0601 Fax +370 5 279 0530 E-mail farmland@invaldainvl.com
Duonis, UAB	Code 303112790 Registration address Gyneju str. 14, Vilnius Legal form – private limited liability company Registration date 01.08.2013	investments into agricultural land. Rent of the agricultural land.	Telephone +370 5 279 0601 Fax +370 5 279 0530 E-mail farmland@invaldainvl.com
Pusaitis, UAB	Code 3031131032 Registration address Gyneju str. 14, Vilnius Legal form – private limited liability company Registration date 01.08.2013	investments into agricultural land. Rent of the agricultural land.	Telephone +370 5 279 0601 Fax +370 5 279 0530 E-mail farmland@invaldainvl.com
Zalve, UAB	Code 303113045 Registration address Gyneju str. 14, Vilnius Legal form – private limited liability company Registration date 01.08.2013	investments into agricultural land. Rent of the agricultural land.	Telephone +370 5 279 0601 Fax +370 5 279 0530 E-mail farmland@invaldainvl.com
Seja, UAB	Code 303113013 Registration address Gyneju str. 14, Vilnius Legal form – private limited liability company Registration date 01.08.2013	investments into agricultural land. Rent of the agricultural land.	Telephone +370 5 279 0601 Fax +370 5 279 0530 E-mail farmland@invaldainvl.com
Dirvolika, UAB	Code 303112954 Registration address Gyneju str. 14, Vilnius Legal form – private limited liability company Registration date 01.08.2013	investments into agricultural land. Rent of the agricultural land.	Telephone +370 5 279 0601 Fax +370 5 279 0530 E-mail farmland@invaldainvl.com

Company	Registration information	Type of activity	Contact details
Linaziede, UAB	Code 303112922 Registration address Gyneju str. 14, Vilnius Legal form – private limited liability company Registration date 01.08.2013	investments into agricultural land. Rent of the agricultural land.	Telephone +370 5 279 0601 Fax +370 5 279 0530 E-mail farmland@invaldainvl.com
Cooperor, UAB	Code 303252162 Registration address Gyneju str. 14, Vilnius Legal form – private limited liability company Registration date 27.02.2014	Carries no activity	Telephone +370 5 279 0601 Fax +370 5 279 0530 E-mail farmland@invaldainvl.com

APPENDIX 2. DISCLOSURE CONCERNING THE COMPLIANCE WITH THE GOVERNANCE CODE

INVL Baltic Farmland, AB, following Article 22 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 24.5 of the Listing Rules Nasdaq Vilnius, discloses its compliance with the Governance Code, approved by Nasdaq Vilnius for the companies listed on the regulated market, and its specific provisions (hereinafter – The Governance code).

INVL Baltic Farmland, AB announces information concerning the Compliance with the Governance code in the Annual report of 2018 according to the Governance code valid till 15th January 2019.

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

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

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

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

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

company's funds. The General Shareholders' Meeting should approve the amount of such remuneration.		
Principle IV: The duties and liabilities of a collegial body elected by the General Shareholders' Meeting The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the General Shareholders' Meeting, and the powers granted to the collegial body should ensure effective monitoring of the Company's management bodies and protection of interests of all the Company's shareholders.		
4.1. The collegial body elected by the General Shareholders' Meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.	Yes	The Board submits Company's annual financial statement and consolidated annual financial statement, profit distribution drafts to the General Shareholders' Meeting, delivers consolidated annual report, also performs all other functions set forth in the legal acts of the Republic of Lithuania.
4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or Audit Committee and, if necessary, respective company-not-pertaining body (institution).	Yes	According to the information held with the Company, all Board members act in good will with respect to the Company, are guided by the interests of the Company, not by the personal or third parties' interests, and seek to preserve their independency while adopting the decisions.
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes	The Board members perform their functions properly: they actively participate in the Board meetings and devote sufficient time for the performance of their duties as Board members.
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	The Board treats all shareholders honestly and impartially.
4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company	No	There were no significant transactions concluded between the company and its shareholders, members of the managing bodies. According to the company's

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

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

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

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

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

4.14.2. All members of the Committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the Audit Committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations. 4.14.3. The Audit Committee should decide whether participation of the chairman of the collegial body, Chief Financial Officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the Committee is required (if required, when). The Committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present. 4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the Audit Committee should act as the principal contact person for the internal and external auditors. 4.14.5. The Audit Committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The Audit Committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The Committee should be timely furnished information on all issues arising from the audit. 4.14.6. The Audit Committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action. 4.14.7. The Audit Committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.		
4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and Committee's competence and work efficiency and	Yes	The Board once a year conducts self-assessment of its activities. During 2018 the Board structure and composition remained unchanged. The Board assesses its organization and the minutes of the Board meetings positively. The Board members actively participate in

assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.		Board meetings and devote sufficient time and attention to the board member's duties. Members of the Board attend the meetings in person or remotely. In 2018 the Board analyzed available information, discussed and adopted decisions on all main issues concerning the activities of INVL Baltic Farmland and its group. In 2018 the Board initiated two shareholders meeting.
Principle V: The working procedure of the Company's collegial bodies. The working procedure of supervisory and management bodies established in the Company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the Company's bodies.		
5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	Yes	The activity of the Board is chaired by the chairman who is also responsible for convocation of the meetings as well as preparation of the agenda. Frequency of the meetings and questions of the agenda depend on the particular events or projects or they are related with ordinary functions of the Board prescribed by legal acts.
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's Supervisory Board should be convened at least once in a quarter, and the company's Board should meet at least once a month7.	Yes	The Board meetings are held at least once per quarter.
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members	Yes	The Board meetings are being convened by the Chairman. The Chairman of the Board informs members about the meeting by phone or by email.

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

of the collegial body are present or certain issues of great importance to the company require immediate resolution.		
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's Board should be free to attend meetings of the company's Supervisory Board, especially where issues concerning removal of the Board members, their liability or remuneration are discussed.	No	The Company may not implement this recommendation since only the Board is formed.
Principle VI: The equitable treatment of shareholders and shareholder rights. The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	Shares which compose the authorized capital of the Company grant equal rights to all shareholders.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The Company informs shareholders about the rights of newly issued shares. Information about the rights of already issued shares is provided in the Shareholders' Policy approved by the Board, the Articles of the Association, Company's annual report.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the General Shareholders' Meeting. All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	Yes	Shareholders of the Company have equal opportunities to get familiarized and participate in adopting decisions important to the Company. Approval of the General Shareholders' Meeting is also necessary in cases stipulated in Chapter V of the Law on Companies of the Republic of Lithuania. No other cases when the approval of the General Shareholders' Meeting should be obtained are foreseen, since it would impair Company's business considering the nature of the Company's activity.
6.4. Procedures of convening and conducting a General Shareholders' Meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the Company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the General Share-holders' Meeting and receive answers to them.	Yes	The procedures of convening and conducting of the General Shareholders' Meeting comply with the provisions of legal acts and provide the shareholders with equal opportunities to participate in the meetings get familiarized with the draft resolutions and materials necessary for adopting the decision in advance, also give questions to the Board members.
6.5. If is possible, in order to ensure shareholders living abroad the right to access to the information, it is recommended that documents on the course of the General Shareholders' Meeting, should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages in advance. It is	Yes	The information about General Shareholders' Meetings are published in Lithuanian and English on the Company's website.

recommended that the minutes of the General Shareholders' Meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in Lithuanian, English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.		
6.6. Shareholders should be furnished with the opportunity to vote in the General Shareholders' Meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	The Company's shareholders are furnished with the opportunity to participate in the General Shareholders' Meeting both personally and via an attorney, if such a person has a proper authorization or if an agreement on the transfer of voting rights was concluded in the manner set forth in the legal acts. The Company provides the shareholders with conditions to vote by completing the general voting ballot.
6.7. With a view to increasing the shareholders' opportunities to participate effectively at General Shareholders' Meetings, the companies are recommended to expand use of modern technologies by allowing the shareholders to participate and vote in General Shareholders' Meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch shareholder meetings by means of modern technologies.	No	Shareholders can vote via an attorney or by completing the general voting ballot but shareholders can not participate and vote in General Shareholders' Meetings via electronic means of communication.
Principle VII: The avoidance of conflicts of interest and their disclosure The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.		
7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	The Board members fully comply with these recommendations.
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the General		

Shareholders' Meeting or any other corporate body authorised by the meeting.		
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.		
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.		
Principle VIII: Company's remuneration policy Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the Company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of Company's remuneration policy and remuneration of directors.		
8.1. A Company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.	No	The Company does not prepare a remuneration policy since the majority of VIII principle items are not relevant for the present structure of the Company. Information about the benefits and loans for the members of the management bodies is provided in the periodical reports, financial statements.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.		
8.3. Remuneration statement should leastwise include the following information: 1) explanation of the relative importance of the variable and non-variable components of directors' remuneration; 2) sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; 3) an explanation how the choice of performance criteria contributes to the long-term interests of the company;		

4) an explanation of the methods, applied in order to determine whether performance criteria have been fulfilled; 5) sufficient information on deferment periods with regard to variable components of remuneration; 6) sufficient information on the linkage between the remuneration and performance; 7) the main parameters and rationale for any annual bonus scheme and any other non-cash benefits; 8) sufficient information on the policy regarding termination payments; 9) sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code; 10) sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code; 11) sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned; 12) a description of the main characteristics of supplementary pension or early retirement schemes for directors; 13) remuneration statement should not include commercially sensitive information.		
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.		
8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.5.1. The following remuneration and/or emoluments-related information should be disclosed: - the total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the Annual General Shareholders' Meeting; - the remuneration and advantages received from any undertaking belonging to the same group; - the remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted;		

- if permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; - compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; - total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: - the number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; - the number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; - the number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; - all changes in the terms and conditions of existing share options occurring during the financial year. 8.5.3. The following supplementary pension schemes-related information should be disclosed: - when the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; - when the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. 8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.		
8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.		
8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.		
8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment		

should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.		
8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.		
8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.		
8.11. Termination payments should not be paid if the termination is due to inadequate performance.		
8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of Annual General Shareholders' Meeting.		
8.13. Shares should not vest for at least three years after their award.		
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria.		
8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).		
8.16. Remuneration of non-executive or supervisory directors should not include share options.		
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend General Shareholders' Meetings where appropriate and make considered use of their votes regarding directors' remuneration.		
8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the Annual General Shareholders' Meeting. Remuneration statement should be put for voting in Annual General		

Shareholders' Meeting. The vote may be either mandatory or advisory.		
8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of Annual General Shareholders' Meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in Annual General Shareholders' Meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	Not applicable	In 2018 the schemes, on which basis the managers were remunerated in shares, share selection transactions or other rights to acquire the shares or be remunerated based on the share price movements were not applied in the Company.
8.20. The following issues should be subject to approval by the Annual General Shareholders' Meeting: 1) grant of share-based schemes, including share options, to directors; 2) determination of maximum number of shares and main conditions of share granting; 3) the term within which options can be exercised; 4) the conditions for any subsequent change in the exercise of the options, if permissible by law; 5) all other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual General Shareholders' Meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.		
8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe the shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.		
8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the Annual General Shareholders' Meeting.		
8.23. Prior to the Annual General Shareholders' Meeting that is intended to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The		

notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.		
Principle IX: The role of stakeholders in corporate governance The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the Company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the Company concerned.		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The Company respects the rights of interest holders and allows the interest holders to participate in the management of the Company in the manner set forth by the laws. The detailed information about planned events has been constantly disclosed in line with requirements of legal acts; therefore, the investors (shareholders) have enough opportunities to familiarize with necessary information as well as vote on decisions. More detailed explanation about disclosure procedure is provided below in the part 10.
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.		
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.		
Principle X: Information disclosure and transparency The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the Company, including the financial situation, performance and governance of the Company.		
10.1. The company should disclose information on: the financial and operating results of the company; company objectives; persons holding by the right of ownership or in control of a block of shares in the company; members of the company's supervisory and management bodies, Chief Financial Officer of the company and their remuneration; material foreseeable risk factors; transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; material issues regarding employees and other stakeholders; governance structures and strategy.	Yes	Information set forth in this recommendation is disclosed in the notifications on material event, periodical reports. This information is also published on Company's website.

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

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

APPENDIX 3. COMPANY'S MANAGEMENT REPORT

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

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

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

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

The Company discloses such information in sections "Yes/No/Irrelevant" and "Commentary" of Appendix 2 of the consolidated report of 2018 "Information regarding the compliance with Corporate Governance Code.

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

The Company provides information regarding the level of risk, risk management, and implemented internal control systems, as well as the measures, in Clause 15.4. of the consolidated report of 2018.

4. INFORMATION REGARDING SIGNIFICANT DIRECTLY OR INDIRECTLY MANAGED HOLDINGS

The Company provides information regarding the significant directly or indirectly managed holdings in Note 5 of the financial statements of 2018.

5. **INFORMATION REGARDING TRANSACTIONS WITH RELATED PARTIES, ACCORDING TO THE LAW ON COMPANIES ARTICLE 37[2] (**by *specifying the counterparty (legal form, name, code, register of the legal entity in which the person is stored, premises (address); name, surname, address of the natural person and the value of the transaction);*

Information regarding Transactions with Related Parties, according to the Law on Companies article 37[2] , is published on the Company's web site – „For Investors" → „Related parties transactions". The link to the Company's web site: *https://invlbalticfarmland.com/lit/en/investor-relations/related-parties-transactions*

The Company provides information about Transactions with Related Parties at the moment of the release of the Annual report:

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

Related party	Company's relationship with the other counterparty	Date and value of the transaction	Other information
Avižėlė, UAB Code 303113077 Gynėjų str. 14, Vilnius, Lithuania Register of Legal Entities	100 percent managed by INVL Baltic Farmland, AB	On 31th December 2018 partial modification of the loan agreement No. BFARM/161230/01 of 30-12-2016 for the amount of EUR 136 thousand. On 29th January 2019 loan agreement No. BFARM/190129/01 for the amount of EUR 4 thousand.	
Beržytė, UAB Code 30112915 Gynėjų str. 14, Vilnius, Lithuania Register of Legal Entities	100 percent managed by INVL Baltic Farmland, AB	On 31th December 2018 partial modification of the loan agreement No. BFARM/171229/01 of 29-12-2017 for the amount of EUR 305 thousand. On 29th January 2019 loan agreement No. BFARM/190129/02 for the amount of EUR 15 thousand.	
Dirvolika, UAB Code 303112954 Gynėjų str. 14, Vilnius, Lithuania Register of Legal Entities	100 percent managed by INVL Baltic Farmland, AB	On 31th December 2018 partial modification of the loan agreement No. BFARM/141231/03 of 31-12-2014 for the amount of EUR 215 thousand.	
Duonis, UAB Code 303112790 Gynėjų str. 14, Vilnius, Lithuania Register of Legal Entities	100 percent managed by INVL Baltic Farmland, AB	On 31th December 2018 partial modification of the loan agreement No. BFARM/161230/03 of 30-12-2016 for the amount of EUR 270 thousand. On 29th January 2019 loan agreement No. BFARM/190129/03 for the amount of EUR 10 thousand.	
Žemgalė, UAB Code 303112744 Gynėjų str. 14, Vilnius, Lithuania Register of Legal Entities	100 percent managed by INVL Baltic Farmland, AB	On 31th December 2018 partial modification of the loan agreement No. BFARM/161230/04 of 30-12-2016 for the amount of EUR 297 thousand. On 29th January 2019 loan agreement No. BFARM/190129/04 for the amount of EUR 8 thousand.	
Linažiedė, UAB Code 303112922 Gynėjų str. 14, Vilnius, Lithuania Register of Legal Entities	100 percent managed by INVL Baltic Farmland, AB	On 31th December 2018 partial modification of the loan agreement No. BFARM/141231/06 of 31-12-2014 for the amount of EUR 88 thousand. On 29th January 2019 loan agreement No. BFARM/190129/05 for the amount of EUR 7 thousand.	
Puškaitis, UAB Code 303112769 Gynėjų str. 14, Vilnius, Lithuania Register of Legal Entities	100 percent managed by INVL Baltic Farmland, AB	On 31th December 2018 partial modification of the loan agreement No. BFARM/141231/07 of 31-12-2014 for the amount of EUR 320 thousand.	

Related party	Company's relationship with the other counterparty	Date and value of the transaction	Other information
Kvietukas, UAB Code 303112687, Gynėjų str. 14, Vilnius, Lithuania Register of Legal Entities	100 percent managed by INVL Baltic Farmland, AB	On 31th December 2018 partial modification of the loan agreement No. BFARM/161230/05 of 30-12-2016 for the amount of EUR 179 thousand. On 29th January 2019 loan agreement No. BFARM/190129/06 for the amount of EUR 11 thousand.	
Laukaitis, UAB Code 303112694 Gynėjų str. 14, Vilnius, Lithuania Register of Legal Entities	100 percent managed by INVL Baltic Farmland, AB	On 31th December 2018 partial modification of the loan agreement No. BFARM/161230/06 of 30-12-2016 for the amount of EUR 259 thousand. On 29th January 2019 loan agreement No. BFARM/190129/07 for the amount of EUR 11 thousand.	
Vasarojus, UAB Code 303112776 Gynėjų str. 14, Vilnius, Lithuania Register of Legal Entities	100 percent managed by INVL Baltic Farmland, AB	On 31th December 2018 partial modification of the loan agreement No. BFARM/171229/02 of 23-12-2017 for the amount of EUR 645 thousand.	
Lauknešys, UAB Code 303112655 Gynėjų str. 14, Vilnius, Lithuania Register of Legal Entities	100 percent managed by INVL Baltic Farmland, AB	On 31th December 2018 partial modification of the loan agreement No. BFARM/141231/11 of 31-12-2014 for the amount of EUR 147 thousand.	
Žiemkentys, UAB Code 303112648 Gynėjų str. 14, Vilnius, Lithuania Register of Legal Entities	100 percent managed by INVL Baltic Farmland, AB	On 31th December 2018 partial modification of the loan agreement No. BFARM/141231/12 of 31-12-2014 for the amount of EUR 498 thousand.	
Pušaitis, UAB Code 303113102 Gynėjų str. 14, Vilnius, Lithuania Register of Legal Entities	100 percent managed by INVL Baltic Farmland, AB	On 31th December 2018 partial modification of the loan agreement No. BFARM/141231/13 of 31-12-2014 for the amount of EUR 112 thousand.	
Sėja, UAB Code 303113013 Gynėjų str. 14, Vilnius, Lithuania Register of Legal Entities	100 percent managed by INVL Baltic Farmland, AB	On 31th December 2018 partial modification of the loan agreement No. BFARM/171229/03 of 29-12-2017 for the amount of EUR 100 thousand. On 29th January 2019 loan agreement No. BFARM/190129/08 for the amount of EUR 10 thousand.	
Žemynėlė, UAB Code 303112559, Gynėjų str. 14, Vilnius, Lithuania Register of Legal Entities	100 percent managed by INVL Baltic Farmland, AB	On 14th November 2018 loan agreement No. BFARM/181114/02 for the amount of EUR 7 thousand. On 31th December 2018 partial modification of the loan agreement No. BFARM/161230/07 of 30-12-2016 for the amount of EUR 120 thousand. On 31th December 2018 partial modification of the loan agreement No. BFARM/181114/02 of 14-11-2018 for the amount of EUR 7 thousand.	

Related party	Company's relationship with the other counterparty	Date and value of the transaction	Other information
Žalvė, UAB Code 303113045, Gynėjų str. 14, Vilnius, Lithuania Register of Legal Entities	100 percent managed by INVL Baltic Farmland, AB	On 14th November 2018 loan agreement No. BFARM/181114/01 for the amount of EUR 18 thousand. On 31th December 2018 partial modification of the loan agreement No. BFARM/171229/04 of 29-12-2017 for the amount of EUR 232 thousand. On 31th December 2018 partial modification of the loan agreement No. BFARM/181114/01 of 14-11-2018 for the amount of EUR 18 thousand.	
Ekotra, UAB Code 303112623 Gynėjų str. 14, Vilnius, Lithuania Register of Legal Entities	100 percent managed by INVL Baltic Farmland, AB	On 31th December 2018 partial modification of the loan agreement No. BFARM/151231/01 of 31-12-2015 for the amount of EUR 312 thousand.	

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

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

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

No restrictions on voting rights are applied in the Company.

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

The Board members of the Company act in accordance with the Law on Companies of the Republic of Lithuania, Articles of Association of the Company, Rules of Procedure of the Board, as well as other applicable legislation. The Board members of the Company always act for the benefit of the Company and its shareholders.

The procedure for changing the Articles of Association of INVL Baltic Farmland is no different from stated in the Law on Companies of the Republic of Lithuania.

9. INFORMATION REGARDING THE POWERS OF THE BOARD MEMBERS

The Board members of the Company act in accordance with the Law on Companies of the Republic of Lithuania, Articles of Association of the Company, Rules of Procedure of the Board, as well as other applicable legislation, and have no special powers. The Board members of the Company always act for the benefit of the Company and its shareholders.

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

The company provides information regarding the competence of the general meeting of shareholders, the rights of shareholders, and implementation thereof, as well as the procedure for convening the meetings of shareholders, in Clause 10.1.2. of the consolidated annual report of 2018.

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

The company provides information on the Board members of the Company and the director of the Company in Clauses 10.2, 10.3. and 11 of the consolidated annual report of 2018, defining the boundaries of the management's activities, also mentions other important information related to the positions held.

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

Taking into account the current organizational structure of the company and the fact that the administration of the INVL Baltic Farmland group owned land, according to the basic property administration agreement signed on 30 June 2015, is transmitted to the owned company INVL Farmland Management, INVL Baltic Farmland, as the company has signed the property administration agreement it employs a minimum number of people; election of the members of the Board the Company as well as the manager of the Company is not subject to diversity policies.

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

The Manager of the Company (director) received an average monthly salary of EUR 132 from the Company in 2018, the Manager of the Company did not received any other payments from the Company during the reporting period. Meanwhile, the Members of the Board of the Company did not received any salaries, bonuses, bonuses from the Company during the reporting period, except for the annual dividend allocation, which was approved during the Company's shareholders meeting. The number of shares held by each member of the Board is presented in Clause 11 in the consolidated annual report for 2018.

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

The Company's shareholders do not have mutual agreements.