

The Prospective Financial Information for the years ending 31 December 2017 and 2018 and the actual information of the Group (the Group is defined in the annual financial statements of Special Closed-Ended Type Real Estate Investment Company "INVL Baltic Real Estate" for the year ended 31 December 2016 ("the IFRS Financial Statements")) are summarized in the table below:

Thousand, EUR	Year ended 31 December 2016 – actual	Year ended 31 December 2017 – forecast	Year ended 31 December 2018 – forecast
Rental income	5,184	5,154	4,924
Net operating income for the year*	2,002	2,570	3,687
Operating profit for the year	1,051	4,079	3,028
Net profit for the year	4,507	3,611	2,566
Total equity	31,073	33,895	34,751
Net assets value per share, EUR**	0.4726	0.5155	0.5285

* Net operating income (NOI) is calculated as revenue after deducting the premises rent costs (excluding the change in the provision for onerous contract), utilities expenses, repair and maintenance expenses, property management and brokerage costs, taxes on property and insurance costs. The reconciliation of NOI to operating profit was provided in the IFRS Financial Statements (Note 8). NOI is included as a supplemental item, since the management believes that NOI, when considered in conjunction with cash flow from operating, investing and financing activities, may provide useful information. NOI is not an indicator of operating activities calculated in accordance with the IFRS, and should not be considered as a substitute for operating profit, net profit, cash flow from operations or other profit/loss or cash flow data determined in accordance with the IFRS. It should be noted that NOI is not a uniform or standardized measure and the calculation of NOI, accordingly, may vary significantly from company to company, and by itself provides no grounds for comparison with other companies.

The table below presents the reconciliation of the Group's net operating income to operating profit for the year; and the reconciliation of operating profit to net profit for the year.

Thousand, EUR	Year ended 31 December 2016 – actual	Year ended 31 December 2017 – forecast	Year ended 31 December 2018 – forecast
Net operating income for the year	2,002	2,570	3,687
Net gains from fair value adjustments on investment property	147	2,326	-
Management and performance fee	(819)	(661)	(312)
Other expenses and income	(279)	(156)	(347)
Operating profit for the year	1,051	4,079	3,028
Finance costs	(561)	(468)	(455)
Income tax credit (expense)	4,017	-	(7)
Net profit for the year	4,507	3,611	2,566

** Net assets value per share is calculated as the total equity, which is calculated from the Group's consolidated data provided in the IFRS Financial Statements, divided by 65,750,000 shares with the nominal value of EUR 0.29 each.

All other measures are the same as those presented in the consolidated statement of comprehensive income provided in the IFRS Financial Statements.

Basis for preparation

INVL Baltic Real Estate is a special closed-ended type real estate investment company, which is managed by a separate management company INVL Asset Management (“the Management Company”). The Prospective Financial Information has been prepared by the Management Company on a basis consistent with the accounting policies adopted by the Group in the preparation of the IFRS Financial Statements. The Group expects that the impact of the application of the specific new standards coming in force in 2018 would not be material. In preparing the Prospective Financial Information the Management Company used criteria specified in the Prospectus Regulation and the ESMA Guidelines. The forecast for 2017 is based on actual figures of a nine-month period ended 30 September 2017 and forecast for October–December of 2017. The forecast for October–December included the impact of revaluation of investment property as at 31 October 2017 (net gains from fair value adjustments on investment property arising from revaluation amounted to EUR 1.2 million).

In December 2017, the Management Company prepared the Group’s financial outlook for the years 2017–2018. The most material factors that affect the financial information projected for 2017 and 2018 are as follows: the completion of one of the stages of reconstruction works carried out at Vilnius Gate business centre, as a result of which the occupancy of the object will be more than 90%; and the signing of the rent agreements with the new tenants for over 2,000 square meters in the office building at Palangos Street 4.

The main assumptions are the following:

- Rental income is planned according to the rent agreements and assumptions on rent of free premises as well as the signing of the new agreements for over 2,000 square meters in the office building at Palangos Street 4, and the increase of the occupancy rate at Vilnius Gate above 90%. In 2018, rental income from own properties is expected to increase about 19% compared to 2017. The total rental income is expected to decrease due to the expiry of the operating lease agreement on real estate properties (the IFRS Financial Statements, Note 9, page 51);
- Utilities income and expenses are planned according to the 2016–2017 consumption average. The change in prices is not projected;
- Maintenance and rechargeable income is planned according to the 2017 average and assumptions on a new pricing for the clients when the clients cover maintenance and additional costs for the common areas and territory. In 2018, the growth of this income is expected to reach EUR 130,000;
- Increase in maintenance costs is planned due to increase in the minimum wage. From 1 January 2018, a minimum monthly wage will increase from EUR 380 to EUR 400;
- Real estate taxes and insurance costs are planned in view of the current levels and legislation in force;
- Repair expenses are planned in view of the expiring rent agreements and the need for repair works;
- Property management fees are projected based on the costs of a newly hired administration team;
- Operating expenses are planned on the basis of the 2017 average, the existing agreements and their effect on 2018;
- Management fee is planned as 1% from market capitalisation, which is estimated based on the price per share equal to EUR 0.475 (management contract will be amended as from January 2018);
- Interest expenses are projected based on the existing bank loan agreements, which stipulate that if EURIBOR is less than zero, then EURIBOR is deemed to be zero. No significant change in EURIBOR is projected, therefore, EURIBOR that is equal to zero is used in the forecast;
- According to the forecast of the Lithuanian Ministry of Finance, the inflation rate of 3.5% is applied in 2018 projections. Rental payments established in the agreements containing the indexation clause are increased according to this rate;
- It is expected that the shareholders will approve the distribution of dividends of EUR 0.026 per share with nominal value of EUR 0.29 in March or April 2018.

The Prospective Financial Information has been prepared on the basis not to predict changes in the fair value of investment properties, changes in allowance for doubtful trade and other receivables and success fee provisions for 2018.

The Management Company believes that it will be able to achieve the forecast results due to the following reasons that can be influenced by the Management Company:

- Most of significant rent agreements are newly signed and will not expire in 2018;
- The process in negotiations regarding the significant rent agreements, which will expire in 2018, is well advanced, and since these rent agreements have been already extended more than once in the past, the Group's management believes in a successful closing of the negotiation process;
- The Management Company's management team consists of staff members who are well aware of the Group's assets and customers and have been working with them for many years.

Assumptions about the factors that are primarily outside of the Management Company influence relate to the following:

- The market prices of the Company's shares, on which the management fee expenses depend in full and the success fee expenses depend in part;
- The fair value of the Group's investment property portfolio as of 31 December 2018 and the revaluation effect on the Group's profit for the year;
- Inflation rates at which rental payments are adjusted;
- Weather conditions on which utility expenses (such as heating and electricity) depend.

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