

# INVL Baltic Real Estate

## CONFIRMATION OF RESPONSIBLE PERSONS

14 August 2015

Following the Rules on Preparation And Submission Of Periodic And Additional Information of the Bank of Lithuania and the Law on Securities (article 22) of the Republic of Lithuania, management of INVL Baltic Real Estate, AB hereby confirms that, to the best our knowledge, the attached Consolidated Interim Condensed Unaudited Financial Statements for the 6 months of 2015 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 Real Estate and Consolidated Group. Present Consolidated Interim Report includes a fair review of the development and performance of the business.

### ENCLOSURE:

1. INVL Baltic Real Estate, AB Consolidated Interim Condensed Unaudited Financial Statements for 6 months of 2015.
2. INVL Baltic Real Estate, AB Consolidated Interim Report for 6 months of 2015.

Director

Andrius Daukšas

Person authorised to conduct accounting

Raimondas Rajeckas

### **INVL Baltic Real Estate, AB**

Seimyniskiu str. 1A, LT-09312 Vilnius, Lithuania.

Tel. (+370 5) 279 0601. Fax. (+370 5) 279 0530. Email: [realestate@invaldalt.com](mailto:realestate@invaldalt.com)

Code 303299735. Registered at Centre of Registers. Account LT514010051001989336, AB DNB bank.

# AB INVL BALTIC REAL ESTATE

CONSOLIDATED INTERIM CONDENSED NOT-AUDITED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2015 PREPARED ACCORDING TO  
INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN  
UNION

**AB INVL BALTIC REAL ESTATE**

**CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015**

(all amounts are in EUR thousand unless otherwise stated)

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**GENERAL INFORMATION**

**Board of Directors**

Mr. Alvydas Banyas (chairman of the Board)  
Ms. Indrė Mišeikytė  
Mr. Andrius Daukšas

**Management**

Mr. Andrius Daukšas (director)

**Address and company code**

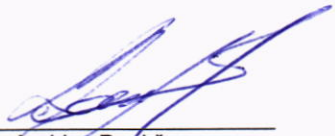
Šeimyniškių Str. 1A,  
Vilnius,  
Lithuania

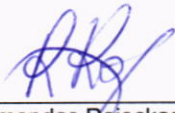
Company code 303299735

**Banks**

AB DNB Bankas  
AB Šiaulių Bankas  
AB SEB Bankas  
Nordea Bank AB Lithuania Branch

The financial statements were approved and signed by the Management and the Board of Directors on 14<sup>th</sup> August 2015.

  
\_\_\_\_\_  
Mr. Andrius Daukšas  
Director

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

## AB INVL BALTIC REAL ESTATE

### CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

(all amounts are in EUR thousand unless otherwise stated)

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## Management report

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

According to the valuation completed in the end of 2014, consolidated value of owned real estate was EUR 34 million. In 1<sup>st</sup> half year of 2015 rent income from owned properties amounted to EUR 1.3 million, while net profit was equal to EUR 0.62 million. At the same time consolidated equity was EUR 15.1 million.

On 9 April 2015 the Group has signed agreements to increase economic interest into Latvian entities SIA Dommo Grupa and SIA Dommo Biznesa parks from 50 to 100 percent for EUR 3,071 thousand. It acquired 100 percent of the shares of SIA Dommo Grupa, which owns 100 percent of the shares of SIA Dommo Biznesa parks. According to above mentioned agreement, the Group has acquired the remaining 50 percent of claims of rights arising from these loans agreements. Acquisition of shares and claims of rights to the entities was completed on 2 July 2015. The project will be developed by ourselves or sold to other developers, considering what would be more beneficial for the shareholders.

On 23 April 2015 the Group has signed agreement concerning sale of 100 percent of the shares of enterprise in bankruptcy UAB INTF Investicija. The sale of the shares would be completed, when precondition for sale would be met. According to them the purchaser of shares has to reach agreement with the creditors of the entity, bankruptcy procedure of UAB INTF Investicija has to ended by peace agreement and status „enterprise in bankruptcy“ has to be deregister. This deal will have positive impact for the financial results of the company.

Commercial real estate trends stayed positive in the first half of 2015 despite the slowdown in economy growth, Greek crisis, uncertain geopolitical situation and sanctions. According to Inreal, UAB 2015 first half Lithuanian economy and real estate market review, 3 new business centers (around 16,000 square meters in total) had been opened in Vilnius by the middle of the year, 2 new business centers (around 4,500 square meters in total) had been opened in Kaunas. Overall office space in Vilnius increased to 526,300 square meters after the implementation of the new office buildings. Currently, office space is rented fast during a construction period of a project which adds more positivity to the real estate market. It is also visible from a low vacancy rate. According to Ober-Haus, UAB second quarter market comment, vacancy rate in Vilnius increased from 3.9% at the beginning of the year to 4.9% at the end of the first quarter and settled at 4.4% or 23,050 square meters at the end of the second quarter.

Situation in the warehouse and logistics real estate sector has improved but remains unstable. According to Inreal, UAB, the industrial confidence indicator went back to the level of 2013 in the first half of 2015, which indicates that industrial and warehouse representatives managed to re-orientate to Western markets after the change in business environment. Large warehousing and industrial companies have started optimizing their activity by investing in the warehousing objects thus decreasing rental costs. However, the number of those who are willing to invest in industry development decreases due to slowdown in economy growth and the continuing poor geopolitical situation.

In Latvia industrial real estate market remained active in the first half of 2015. According to Colliers International market overview, during the first half of the year 3 new industrial buildings were completed, totaling 40,000 square meters. Until the end of the year it is planned to complete buildings with total size of 83,100 square meters. Despite the active supply, the market remains stable because of simultaneously growing demand. During the first half of 2015 vacancy rate slightly increased from 2.2% to 2.7%. The slight increase was determined by completion of new industrial projects. It is expected that vacancy rate can slightly increase by the end of the year. Average rental prices did not change compared to the end of 2014 indicating market equilibrium.

**AB INV L BALTIC REAL ESTATE****CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015**

(all amounts are in EUR thousand unless otherwise stated)

**Interim consolidated income statements**

	Notes	<u>1<sup>st</sup> Half Year 2015</u>	<u>1<sup>st</sup> Half Year 2014</u>
<b>Revenue</b>	3	<b>2,685</b>	<b>841</b>
Interest income	8	285	34
Net gains (losses) from fair value adjustments on investment property		-	(3)
Other income		4	-
Premises rent costs	3	(803)	(286)
Utilities		(483)	(120)
Repair and maintenance cost of premises		(302)	(92)
Property management and brokerage costs		(168)	(43)
Taxes on property		(124)	(56)
Employee benefits expenses		(11)	(2)
Depreciation and amortisation		(2)	(2)
Other expenses		(42)	(67)
<b>Operating profit</b>		<b>1,039</b>	<b>204</b>
Finance costs	4	(336)	(100)
<b>Profit before income tax</b>		<b>703</b>	<b>104</b>
Income tax credit (expenses)	5	(86)	(16)
<b>NET PROFIT FOR THE PERIOD</b>		<b>617</b>	<b>88</b>
<b>Other comprehensive income for the period, net of tax</b>		<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>617</b>	<b>88</b>
Attributable to:			
Equity holders of the parent		617	88
Basic and diluted earnings per share (in EUR)		0.09	0.01

**AB INVL BALTIC REAL ESTATE****CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015**

(all amounts are in EUR thousand unless otherwise stated)

**Interim consolidated income statements (cont'd)**

	<u>2<sup>nd</sup> Quarter 2015</u>	<u>2<sup>nd</sup> Quarter 2014</u>
<b>Revenue</b>	<b>1,280</b>	<b>841</b>
Interest income	235	34
Net gains (losses) from fair value adjustments on investment property	-	(3)
Other income	4	-
Premises rent costs	(414)	(286)
Utilities	(186)	(120)
Repair and maintenance cost of premises	(174)	(92)
Property management and brokerage costs	(84)	(43)
Taxes on property	(61)	(56)
Employee benefits expenses	(5)	(2)
Depreciation and amortisation	(1)	(2)
Other expenses	(23)	(67)
<b>Operating profit</b>	<b>571</b>	<b>204</b>
Finance costs	(187)	(100)
<b>Profit before income tax</b>	<b>384</b>	<b>104</b>
Income tax credit (expenses)	(43)	(16)
<b>NET PROFIT FOR THE PERIOD</b>	<b>341</b>	<b>88</b>
<b>Other comprehensive income for the period, net of tax</b>	<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>341</b>	<b>88</b>
Attributable to:		
Equity holders of the parent	341	88
Basic and diluted earnings per share (in EUR)	0.05	0.01

**AB INVL BALTIC REAL ESTATE**

**CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015**

(all amounts are in EUR thousand unless otherwise stated)

**Interim consolidated statement of financial position**

	Notes	<u>As at 30 June 2015</u>	<u>As at 31 December 2014</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		22	13
Investment properties	6	33,848	33,848
Intangible assets		160	160
Loans granted	8	4,149	3,981
Operating lease pre-payments	3	825	825
Deferred income tax asset		1	-
<b>Total non-current assets</b>		<b><u>39,005</u></b>	<b><u>38,827</u></b>
<b>Current assets</b>			
Inventories		50	-
Trade and other receivables		450	293
Current loans granted	8	3,251	125
Prepayments and deferred charges		-	5
Cash and cash equivalents		412	358
<b>Total current assets</b>		<b><u>4,163</u></b>	<b><u>781</u></b>
<b>Total assets</b>		<b><u>43,168</u></b>	<b><u>39,608</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital		2,043	2,040
Share premium		2,966	2,966
Reserves		6,970	6,883
Retained earnings		3,129	2,602
<b>Total equity</b>		<b><u>15,108</u></b>	<b><u>14,491</u></b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Non-current borrowings	7	19,535	19,432
Provisions	3	206	182
Deferred income tax liability		3,643	3,567
Other non-current liabilities	3	350	411
<b>Total non-current liabilities</b>		<b><u>23,734</u></b>	<b><u>23,592</u></b>
<b>Current liabilities</b>			
Current portion of non-current borrowings	7	290	478
Current borrowings	7	709	590
Trade payables		67	78
Provisions	3	105	183
Income tax payable		11	-
Advances received		246	44
Other current liabilities	8	2,898	152
<b>Total current liabilities</b>		<b><u>4,326</u></b>	<b><u>1,525</u></b>
<b>Total liabilities</b>		<b><u>28,060</u></b>	<b><u>25,117</u></b>
<b>Total equity and liabilities</b>		<b><u>43,168</u></b>	<b><u>39,608</u></b>

**AB INVL BALTIC REAL ESTATE**

**CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015**

(all amounts are in EUR thousand unless otherwise stated)

**Consolidated statements of changes in equity**

Group	Reserves					Retained earnings (accumulated deficit)	Total
	Share capital	Share premium	Legal reserve	Reserve of purchase of own shares			
<b>Balance as at 31 December 2014</b>	<b>2,040</b>	<b>2,966</b>	<b>281</b>	<b>6,602</b>	<b>2,602</b>	<b>14,491</b>	
Profit for the three months ended 30 June 2015	-	-	-	-	617	617	
Other comprehensive income for the three months ended 30 June 2015	-	-	-	-	-	-	
<b>Total comprehensive income for the three months ended 30 June 2015</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>617</b>	<b>617</b>	
The adjustment of the par value of the shares due to conversion to euro	3	-	-	-	(3)	-	
Changes in reserves	-	-	87	-	(87)	-	
<b>Total transactions with owners of the Company, recognised directly in equity</b>	<b>3</b>	<b>-</b>	<b>87</b>	<b>-</b>	<b>(90)</b>	<b>-</b>	
<b>Balance as at 30 June 2015</b>	<b>2,040</b>	<b>2,966</b>	<b>368</b>	<b>6,602</b>	<b>3,129</b>	<b>15,108</b>	

Group	Notes	Reserves					Retained earnings	Total
		Share capital	Share premium	Legal reserve	Reserve for purchase of own shares			
The Group's equity formed on 29 April 2014 under split-off conditions according to predecessor values method		2,040	2,966	281	6,602	2,170	14,059	
<b>Total transactions with owners of the Company, recognised directly in equity</b>		<b>2,040</b>	<b>2,966</b>	<b>281</b>	<b>6,602</b>	<b>2,170</b>	<b>14,059</b>	
Net profit for the 6 months ended 30 June 2014		-	-	-	-	88	88	
Other comprehensive income for the 6 months ended 30 June 2014		-	-	-	-	-	-	
<b>Total comprehensive income for the 6 months ended 30 June 2014</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>88</b>	<b>88</b>	
<b>Balance as at 30 June 2014</b>		<b>2,040</b>	<b>2,966</b>	<b>281</b>	<b>6,602</b>	<b>2,258</b>	<b>14,147</b>	



**AB INVL BALTIC REAL ESTATE**

**INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015**

(all amounts are in EUR thousand unless otherwise stated)

**Consolidated statement of cash flows**

	Notes	1 <sup>st</sup> Half Year 2015	1 <sup>st</sup> Half Year 2014
<b>Cash flows from (to) operating activities</b>			
Net profit (loss) for the period		617	88
<b>Adjustments for non-cash items and non-operating activities:</b>			
Net gains (losses) from fair value adjustments on investment property		-	3
Depreciation and amortization		2	2
Interest (income)		(285)	(34)
Interest expenses	4	336	100
Deferred taxes	5	75	16
Current income tax expenses	5	11	-
Provisions		(57)	(17)
<b>Changes in working capital:</b>			
Decrease (increase) in inventories		(50)	-
Decrease (increase) in trade and other receivables		(157)	41
Decrease (increase) in other current assets		5	21
(Decrease) increase in trade payables		(19)	40
(Decrease) increase in other current liabilities		87	(8)
<b>Cash flows (to) from operating activities</b>		<b>565</b>	<b>252</b>
Income tax (paid)		-	-
<b>Net cash flows (to) from operating activities</b>		<b>565</b>	<b>252</b>
<b>Cash flows from (to) investing activities</b>			
(Acquisition) of non-current assets (except investment properties)		(11)	-
(Acquisition) of investment properties		-	(3)
Acquisition of loans	8	(300)	-
Loans (granted)		-	-
Repayment of granted loans		61	-
Interest received		-	-
<b>Net cash flows (to) investing activities</b>		<b>(250)</b>	<b>(3)</b>
<b>Cash flows from (to) financing activities</b>			
Cash flows related to Group owners			
Cash received according to split-off terms		-	158
		-	158
Cash flows related to other sources of financing			
Proceeds from loans		105	90
(Repayment) of loans		(186)	(322)
Interest (paid)		(180)	(44)
		(261)	(276)
<b>Net cash flows (to) from financial activities</b>		<b>(261)</b>	<b>(118)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>54</b>	<b>131</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>358</b>	<b>-</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>412</b>	<b>131</b>

## AB INVL BALTIC REAL ESTATE

### INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

(all amounts are in EUR thousand unless otherwise stated)

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## Notes to the interim condensed financial statements

### 1 General information

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

The Company's address is as follows:

Šeimyniškių str. 1A,  
Vilnius,  
Lithuania.

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

Because the Company is established on 29 April 2014, the comparative figures for 1<sup>st</sup> Half Year of 2014 covers period starting from 29 April 2014 and ending on 30 June 2014.

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

The Company's share capital is divided into 7,044,365 ordinary registered shares with the par value of EUR 0.29 each. Change of the par value from LTL to EUR was registered on 14 May 2015. All the shares of the Company were fully paid. Subsidiaries did not hold any shares of the Company. As at 30 June 2015 the shareholders of the Company were (by votes)\*:

	<b>Number of votes held</b>	<b>Percentage</b>
UAB LJB Investments	2,144,351	30.44
Mrs. Irena Ona Mišeikiene	2,035,918	28.90
AB Invalda INVL	893,127	12.68
UAB Lucrum Investicija	714,967	10.15
Mr. Alvydas Banys	540,750	7.68
Ms. Indrė Mišeikytė	140,618	2.00
Other minor shareholders	574,634	8.15
Total	<u>7,044,365</u>	<u>100.00%</u>

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

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

## **2 Accounting policies**

### **Basis of preparation**

The interim condensed financial statements for the six months ended 30 June 2015 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2014.

From 1 January 2015 euro is the Company's and the Group's functional and presentation currency. The financial statements are presented in thousands of euro (EUR) and all values are rounded to the nearest thousand except when otherwise indicated. The previous year comparison information recalculated using the official litas to euro conversion ratio: 1 euro = 3.4528 litas.

### **Significant accounting policies**

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014, except adoption of new Standards and Interpretations as of 1 January 2015, noted below.

#### *IFRIC 21 Levies*

The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional. The Group is not currently subjected to significant levies so the impact on the Group is not material.

#### *Annual Improvements to IFRSs 2013*

The improvements consist of changes to four standards.

- The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented.
- IFRS 3 was amended to clarify that it does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself.
- The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9.
- IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination.

The amendments had no impact on the Group's financial statements for the 6 months ended 30 June 2015.

**AB INVL BALTIC REAL ESTATE****INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015**

(all amounts are in EUR thousand unless otherwise stated)

**3 Revenue, lease expenses and provision for onerous lease contract**Revenue

Analysis of revenue by category:

	<u>1<sup>st</sup> Half Year 2015</u>	<u>1<sup>st</sup> Half Year 2014</u>
Rent income	2,143	704
Utilities revenue	531	134
Other services revenue	11	3
<b>Total revenue</b>	<b><u>2,685</u></b>	<b><u>841</u></b>

The Group has earned rent income from both owned and subleased premises. Breakdown of revenue by ownership of premises is presented below:

	<u>1<sup>st</sup> Half Year 2015</u>	<u>1<sup>st</sup> Half Year 2014</u>
Rent income from owned premises	1,316	427
Other revenue from owned premises	438	113
<i>Total revenue from owned premises</i>	<i>1,754</i>	<i>540</i>
Rent income from subleased premises	827	277
Other revenue from subleased premises	104	24
<i>Total revenue from subleased premises</i>	<i>931</i>	<i>301</i>
<b>Total revenue</b>	<b><u>2,685</u></b>	<b><u>841</u></b>

Expenses and provisions

Subsidiary AB Invaldos Nekilnojamojo Turto Fondas is leasing premises from external party until August 2017 under the lease agreement of 10 August 2007. The subsidiary had paid a one off deposit in the amount of EUR 825 thousand corresponding to the 6 months rental fee amount which will be set-off against the last part of lease payment at the termination of the lease. During the reporting period the Group has incurred EUR 793 thousand lease expenses under this agreement. Contingent rent constitutes EUR 134 thousand within this amount. The lease expenses of the Group from other agreements amounted to EUR 10 thousand during the reporting period. The lease agreement of 10 August 2007 is an onerous contract, therefore there is a provision of EUR 311 thousand to cover the loss anticipated in connection with this contract recognised in the statement of financial position as at 30 June 2015.

The changes in the provision for onerous contract are presented below:

	<u>1<sup>st</sup> Half Year 2015</u>
<b>As of 31 December 2014</b>	<b>365</b>
Re-estimation of provision at the end of the year	36
Amount used (recognised as a reduction of 'Premises rent costs')	(94)
The reversal of the discount effect and changes in the discount rate	4
<b>As of 30 June 2015</b>	<b><u>311</u></b>
Non-current	206
Current	105

In addition to the above, a deferred liability of EUR 350 thousand arising from expense recognition on a straight-line basis is recognised in the statement of financial position within "Other non-current liabilities" as at 30 June 2015.

**AB INVL BALTIC REAL ESTATE****INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015**

(all amounts are in EUR thousand unless otherwise stated)

**4 Finance costs**

	<u>1<sup>st</sup> Half Year 2015</u>	<u>1<sup>st</sup> Half Year 2014</u>
Interest expenses of bank borrowings	(178)	(56)
Interest expenses of borrowings from related parties	(117)	(41)
Interest expenses from third parties	(38)	-
The reversal of the discount effect of provision for onerous contract	(3)	(3)
	<u>(336)</u>	<u>(100)</u>

**5 Income tax**

	<u>1<sup>st</sup> Half Year 2015</u>	<u>1<sup>st</sup> Half Year 2014</u>
<b>Components of the income tax expenses</b>		
Current year income tax	(11)	-
Deferred income tax expenses	(75)	(16)
Income tax expenses charged to profit or loss – total	<u>(86)</u>	<u>(16)</u>

**6 Investment properties**

During 1<sup>st</sup> half year of 2015 the Group has not acquired, nor sold investment property. Investment properties are stated at fair value. Leased investment properties and investment properties held for future redevelopment were valued using income approach by accredited valuer UAB OBER-HAUS Nekilnojamosis Turtas as at 21 November, 8 December and 31 December 2014. There were no significant changes in the market at the end of 2014 and during the three months of 2015 that could have an effect on the value of those investment properties, therefore the updated valuation was not performed as at 30 June 2015.

As at 30 June 2015 investment properties with carrying amount of EUR 33,298 thousand were pledged to the banks as collateral for the loans. There were no other restrictions on the realisation of investment properties or the remittance of income and proceeds of disposals during the 1<sup>st</sup> Quarter of 2015. No material contractual obligations to purchase, construct, repair or enhance investment properties existed at the end of the period.

**7 Loans granted**

	<u>As at 30 June 2015</u>	<u>As at 31 December 2014</u>
Non-current:		
Non-current bank borrowings	14,810	14,810
Non-current borrowings from related parties	4,725	4,622
	<u>19,535</u>	<u>19,432</u>
Current:		
Current portion of non-current borrowings	290	478
Borrowings from related parties	709	590
	<u>999</u>	<u>1,068</u>
<b>Total borrowings</b>	<u><b>20,534</b></u>	<u><b>20,500</b></u>

Borrowings are denominated in euro.

**AB INVL BALTIC REAL ESTATE****INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015**

(all amounts are in EUR thousand unless otherwise stated)

**7 Loans granted (cont'd)**

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

Interest rate type:	As at 30 June 2015	As at 31 December 2014
Fixed	5,434	5,212
Floating	15,100	15,288
	20,534	20,500

**8 Material events during the reporting period**Sale of shares of UAB INTF Investicija

On 23 April 2015 the Group has signed agreement concerning sale of 100 percent of the shares of enterprise in bankruptcy UAB INTF Investicija. The sale of the shares would be completed, when precondition for sale would be met. According to them the purchaser of shares has to reach agreement with the creditors of the entity, bankruptcy procedure of UAB INTF Investicija has to ended by peace agreement and status „enterprise in bankruptcy“ has to be deregister. The minimum sale price upon the fulfilment of sale preconditions is equal to EUR 290 thousand. The deal has to be completed during 3<sup>rd</sup> Quarter 2015.

Acquisition of the rights to the group of Latvian entities

On 9 April 2015 the Group has signed agreements to increase economic interest into Latvian entities SIA Dommo Grupa and SIA Dommo Biznesa Parks from 50 to 100 percent for EUR 3.071 thousand. In April 2015 EUR 300 thousand EUR was paid according to this agreement to the seller. Interest was calculated for remaining debt. EUR 2.809 thousand of remaining debt was recognised within “Other current liabilities” in the statement of financial position. The remaining debt was paid on 2 July 2015. From that date the Group owns 100 percent of the shares of SIA Dommo Grupa, which owns 100 percent of the shares of SIA Dommo Biznesa parks. As was disclosed in the annual financial statements, The Group owned 50 percent of the rights to cash flows to these Latvian entities according to loans agreements. According to above mentioned agreement, the Group has acquired the remaining 50 percent of claims of rights arising from these loans agreements. EUR 285 thousand of interest income from these loans was recognised during 1<sup>st</sup> half year of 2015 in the Group's financial statements.

From 1 July 2015 acquired Latvian entities would become subsidiaries and would be consolidated.

Based on the preliminary assessment, the fair values of the identifiable assets and liabilities of Latvian entities are:

	Fair values recognised on acquisition
Investment properties	8,012
Property, plant and equipment	2
Trade and other receivables	2
Other current assets	5
Cash and cash equivalents	232
<b>Total assets</b>	<b>8,253</b>
Current liabilities without the Group's claims to Latvian entities	(255)
<b>Total liabilities</b>	<b>(255)</b>
<b>Total identifiable net assets</b>	<b>7,998</b>
<b>Profit from bargain purchases</b>	<b>(598)</b>
<b>The carrying amount of the Group's claims to Latvian entities</b>	<b>7,400</b>

**AB INVL BALTIC REAL ESTATE****INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015**

(all amounts are in EUR thousand unless otherwise stated)

**7 Material events during the reporting period (cont'd)**

The assessment is preliminary, because is waiting for final valuation of investment properties and assessment of deferred tax/liabilities. In this assessment was used valuation performed by accredited valuer SIA OBER-HAUS Vertešanas serviss in February 2014. Deferred tax assets/liabilities are assessed as equalled to nil.

In July 2015 SIA Dommo Biznesa Parks has received EUR 3,000 thousand borrowing from ABLV Bank, AS, which was used to repay part of loans granted by the Company.

**9 Related party transactions**

The related parties of the Group were the shareholders of the Company (note 1), key management personnel, including companies under control or joint control of key management and shareholders having significant influence, the entities of the group of AB Invalda INVL and entities of other groups, which were split-off from AB Invalda INVL.

The Group's transactions with related parties during 1<sup>st</sup> half year of 2015 and related half year-end balances were as follows:

<b>1<sup>st</sup> half year 2015 Group</b>	<b>Revenue and other income from related parties</b>	<b>Purchases and interest from related parties</b>	<b>Receivables from related parties</b>	<b>Payables to related parties</b>
AB Invalda INVL (accounting services)	-	7	-	1
AB Invalda INVL (loans)	-	117	-	5,434
UAB Inservis (maintenance and repair services)	-	180	-	45
Entities of facility management segments of AB Invalda INVL (rent, utilities and other)	4	-	1	-
Other entities of the group of AB Invalda INVL (asset management, banking activities)	13	53	-	-
	<u>17</u>	<u>357</u>	<u>1</u>	<u>5,480</u>
Liabilities to shareholders and management	-	-	-	-

During 1<sup>st</sup> half year of 2015 the Group has received EUR 105 thousand of loans from AB "Invalda INVL"

The Group's transactions with related parties during 1<sup>st</sup> half year of 2014 and related half year-end balances were as follows:

<b>1<sup>st</sup> half year 2014 Group</b>	<b>Revenue and other income from related parties</b>	<b>Purchases and interest from related parties</b>	<b>Receivables from related parties</b>	<b>Payables to related parties</b>
AB Invalda INVL (accounting services)	-	2	-	7
AB Invalda INVL (loans)	-	41	-	4,591
UAB Inservis (maintenance and repair services)	-	46	-	55
UAB Inservis (rent and utilities)	1	-	-	-
	<u>1</u>	<u>89</u>	<u>-</u>	<u>4,653</u>
Liabilities to shareholders and management	-	-	-	-

From the Company's activities' start date until the end of 1<sup>st</sup> half year of 2014 the Group has received EUR 90 thousand of loans from AB "Invalda INVL"

**AB INVL BALTIC REAL ESTATE**

**INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015**

(all amounts are in EUR thousand unless otherwise stated)

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**10 Events after the reporting period**

On 10 August 2015 the Shareholder Meetings of the Company and of the subsidiary AB “Invalidos Nekilnojamojo Turto Fondas” has approved that the Company will be merged with its subsidiary company AB “Invalidos Nekilnojamojo Turto Fondas” After the merger process entity will continue its operations under the name INVL Baltic Real Estate and will remain listed on NASDAQ OMX Vilnius stock exchange. Shareholders of the Company will get 6,136287941 shares of AB “Invalidos Nekilnojamojo Turto Fondas” for every ordinary share. After the merger process the total number of shares for the entity will be 43,226,252. Afterward the merged entity would apply for closed-end investment companies license in Bank of Lithuania.



# INVL Baltic Real Estate

## INVL Baltic Real Estate, AB Consolidated Interim Report for 6 months of 2015

Prepared in accordance with The Rules for the Preparation and the Submission of the Periodic and Additional Information. approved by the decision No. 03-48 of the Board of the Bank of Lithuania passed on 28 February 2013.

Approved by the Board of INVL Baltic Real Estate, AB on 14 August 2015.

# INVL Baltic Real Estate

## Translation note:

This version of the Consolidated Interim Report for 6 months of 2015 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.

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# INVL Baltic Real Estate

## I. GENERAL INFORMATION

### 1. Reporting period for which the report is prepared

The report covers financial period of INVL Baltic Real Estate, starting from 1 January 2015 and ending on 30 June 2015. Important events of the Issuer and its group, occurred during the end reporting period, were included as well. The report is unaudited.

### 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 Real Estate, hereinafter INVL Baltic Real Estate, AB
Code	303299735
Address	Seimyniskiu str. 1A, LT-09312, Vilnius, Lithuania
Telephone	+370 5 279 0601
Fax	+370 5 279 0530
E-mail	<a href="mailto:realestate@invaldalt.com">realestate@invaldalt.com</a>
Website	<a href="http://www.invlbalticrealestate.lt">www.invlbalticrealestate.lt</a>
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 public joint-stock company INVL Baltic Real Estate was established on 29 April 2014 on the basis of a part of assets split-off from Invalda INVL, AB (previous name Invalda LT, code 121304349). The split-off terms are published on website [http://www.invaldalt.com/en/main/news/Material\\_events?ID=929](http://www.invaldalt.com/en/main/news/Material_events?ID=929). Following the split-off, 30.9% of assets, equity and liabilities of Invalda INVL, AB were transferred to INVL Baltic Real Estate, AB.

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

Almost all objects give rental income and have further development prospects.

Shares of INVL Baltic Real Estate are listed on NASDAQ OMX Vilnius stock exchange since 4 June 2014.

The General shareholders meeting of INVL Baltic Real Estate held on 10 August 2015 approved reorganization terms of the public joint - stock company Invaldos Nekilnojamojo Turto Fondas and the public joint - stock company INVL Baltic Real Estate. According to the terms, INVL Baltic Real Estate will be merged with its managed Invaldos Nekilnojamojo Turto Fondas and will change the corporate name to INVL Baltic Real Estate and will remain listed on Nasdaq Vilnius Stock Exchange. For every share of the public joint-stock company INVL Baltic Real Estate shareholder of the company shall get 6.136287941 ordinary registered shares of the public joint-stock company Invaldos Nekilnojamojo Turto Fondas.

Later the company will apply for the closed-end investment companies license issued by the Bank of Lithuania.

#### 2.3. Information about the Issuer's group of companies

Companies of INVL Baltic Real Estate group owns 12 real estate properties in Vilnius and Riga.



Fig. 2.3.1. Simplified group structure of INVL Baltic Real Estate, AB as of 30 June 2015.

# INVL Baltic Real Estate

## 2.3.1. Real estate objects owned by group companies in Vilnius (Lithuania)



Fig. 2.3.2. Real estate objects owned by group companies of INVL Baltic Real Estate, AB in Vilnius (Lithuania)

### Investments in real estate

*IBC class A and B business centers at Seimyniskiu str. 1a, Seimyniskiu str. 3, A.Juozapaviciaus str. 6, Slucko str. 2 in Vilnius (Invalidos Nekilnojamojo Turto Fondas, AB)*

IBC Business Center – a versatile, functional business premises complex. IBC is located in a very convenient location – on the right bank of the Neris River in the central part of Vilnius, situated near important public institutions and businesses, at the main business artery in the Constitution Avenue, therefore is easily and quickly accessible from any place in Vilnius.

IBC Class A business center consists of two buildings, in which about 6,700 sq. m. are being leased (the total area of buildings – 11,400 sq. m). The center owns 250 spots parking lot in the protected courtyard, also in the two-storey covered and underground garages. IBC Business Center is being constantly developed, more and more services are offered each year.

#### Block F basic information:

Total area: 4,500 sq. m  
Leased area: 3,400 sq. m  
Land area: 1.47 ha (total area of the IBC complex)  
Property market value in the end of 2014: EUR 6.5 mln.



#### Block G basic information:

Total area: 6,900 sq. m  
Leased area: 3,300 sq. m  
Land area: 1.47 ha (total area of the IBC complex)  
Property market value in the end of 2014: EUR 6.1 mln.



IBC Class B business center consists of 4 buildings, in which about 9,900 sq. m of different purpose premises are being leased (the total area of buildings – 11,200 sq. m). The center owns 200 spots parking lot in the protected courtyard.

The IBC business center has a development opportunity, detailed plan of the area is prepared.

# INVL Baltic Real Estate

## Block A basic information:

Total area: 2,100 sq. m  
Leased area: 1,700 sq. m  
Land area: 1.47 ha (total area of the IBC complex)  
Property market value in the end of 2014: EUR 1.9 mln.



## Block B basic information:

Total area: 7,300 sq. m  
Leased area: 6,900 sq. m  
Land area: 1.47 ha (total area of the IBC complex)  
Property market value in the end of 2014: EUR 6.5 mln.



## Block C basic information:

Total area: 200 sq. m  
Leased area: 100 sq. m  
Land area: 1.47 ha (total area of the IBC complex)  
Property market value in the end of 2014: EUR 0.2 mln.



## Block D basic information:

Total area: 1,600 sq. m  
Leased area: 1,200 sq. m  
Land area: 1.47 ha (total area of the IBC complex)  
Property market value in the end of 2014: EUR 1.1 mln.



## OFFICE BUILDING AT PALANGOS STR. 4/VILNIUS STR. 33, VILNIUS (INVALIDOS NEKILNOJAMOJO TURTO FONDAS, AB)

Business center is located in one of the busiest places in the Old Town of Vilnius, between Vilnius, Pamenkalnio, Islandijos and Palangos streets. Vilnius Old Town - one of the most important components of the city and its center, the oldest part of the city of Vilnius, situated on the left bank of the Neris River. Old Town area - protected and managed in accordance with the special heritage protection well, small business and residential function are being supported. There is a closed, guarded parking and underground garage in the area, convenient public transport access. Radvilų Palace, Teacher's House, Lithuanian Technical Library, St. Catherine's Church and other cultural attractions, cafes, restaurants are located near the building.

## Block A basic information:

Total area: 5,100 sq. m  
Leased area: 3,800 sq. m  
Land area: 0.49 ha (total area of the complex)  
Property market value in the end of 2014: EUR 4.3 mln.



# INVL Baltic Real Estate

## Block B basic information:

Total area: 4,700 sq. m

Leased area: 2,400 sq. m

Land area: 0.49 ha (total area of the complex)

Property market value in the end of 2014: EUR 2.9 mln.



*ZYGIO BUSINESS CENTER – OFFICE BUILDING AT J. GALVYDZIO STR. 7 / ZYGIO STR. 97, VILNIUS (INVALIDOS NEKILNOJAMOJO TRURTO FONDAS, AB)*

Zygio business center – the yellow brick, authentic nineteenth century architecture, renovated office building, perfectly adapted to modern office activities. The building stands in the Northern Town (J. Galvydzio str. 7 / Zygio str. 97) – in a strategically attractive, busy part of Vilnius, easily accessible by car and public transport. Other commercial and business centers, banks, the State Tax Inspectorate, Social Insurance, Employment Exchange, medical clinics and various business services companies, attracting large flows of people, are located nearby. Also, even four large shopping centers – Domus Gallery, Parkas, Hyper Rimi, Banginis-Senukai, are located near the business center. Distance to the center of Vilnius is about 3.5 km. 70 spots covered parking lot is installed next to the building.

The object has a development potential, building permit for the construction of a new building is obtained.

## Basic information:

Total area: 3,200 sq. m

Leased area: 2,600 sq. m

Land area: 0.60 ha

Property market value in the end of 2014: EUR 3 mln.



*OFFICE BUILDING AT KIRTIMŲ STR. 33, VILNIUS (INVALIDOS NEKILNOJAMOJO TRURTO FONDAS, AB)*

Administrative buildings and warehouses are in a strategically convenient location, in respect to storage/manufacturing, in the industrial area, the southwestern part of Vilnius, Kirtimų street. This complex is very suitable for logistics, as it is located near the Western city bypass, which is one of the most important traffic arteries of Vilnius city. Engineering infrastructure is well-developed in the area.

## Basic information:

Total area: 3,000 sq. m

Leased area: 2,500 sq. m

Land area: 0.67 ha

Property market value in the end of 2014: EUR 0.8 mln.



*Residential house at Kalvariju str. 11, Vilnius (Rovelija, UAB)*

The house borders with IBC complex area owned by Invalidos Nekilnojamojo Turto Fondas, AB. The company owns all apartments located in this building.

## Basic information:

Total area: 276 sq. m

Property market value in the end of 2014: LTL 0.5 mln.



# INVL Baltic Real Estate

## 2.3.2. Real estate objects owned by group companies in Riga (Latvia)



Fig. 2.3.3. Real estate objects owned by group companies of INVL Baltic Real Estate, AB in Riga (Latvia)

*Dommo Business Park manufacturing/warehouse and office premises complex in Latvia (assets are owned by SIA DOMMO Group and SIA DOMMO Biznesa Parks, INVL Baltic Real Estate, AB, owns 50% of creditorial claims in these companies)*

The area is strategically well-located, to the right of Jelgava road, in front of the intersection with Jurmala - Tallinn bypass. Distance to the center of Riga and the airport is 13 km, the port - 16 km. The area is suitable for the development of logistics centers.

### Basic information:

Total area: 12,800 sq. m

Leased area: 12,600 sq. m

Land area: 58.21 ha

Property market value: EUR 8 mln.



## 3. Agreements with intermediaries on public trading in securities

INVL Baltic Real Estate has signed the agreement with this intermediary:

- Finasta, AB FMI (Maironio str. 11, Vilnius, Lithuania. tel. +370 5 203 2233) – the agreement on management of securities accounting.

## 4. Information on Issuer's branches and representative offices

INVL Baltic Real Estate, 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 Real Estate, 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).

Actual wording of the Articles of Association is dated as of 14 May 2015.

### 6. Structure of the authorized capital

Table 6.1. Structure of INVL Baltic Real Estate, AB authorised capital as of 30 June 2015.

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	7,044,365	7,044,365	0.29	2,042,866	100

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

# INVL Baltic Real Estate

## 6.1. Information about the Issuer's treasury shares

INVL Baltic Real Estate or its subsidiary have not implemented acquisition of shares in INVL Baltic Real Estate 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 Real Estate, AB shares admitted to trading

Shares issued, units	7,044,365
Shares with voting rights, units	7,044,365
Nominal value, EUR	0.29
Total nominal value, EUR	2,042,866
ISIN code	LT0000128746
Name	INR1L
Exchange	NASDAQ Vilnius
List	Baltic Secondary List
Listing date	4 June 2014

Company uses no services of liquidity providers.

Table 7.2. Trading in INVL Baltic Real Estate, AB shares

	6 months of 2014*	6 months of 2015
Share price, EUR		
- open	2.000	1.840
- high	2.120	1.910
- low	1.900	1.600
- medium	1.999	1.859
- last	1.900	1.890
Turnover, units	2,357	10,446
Turnover, EUR	4,650.59	19,364.22
Traded volume, units	25	95

\* Data as of 4 June 2014, since the beginning of the listing of the company in the Stock Exchange.

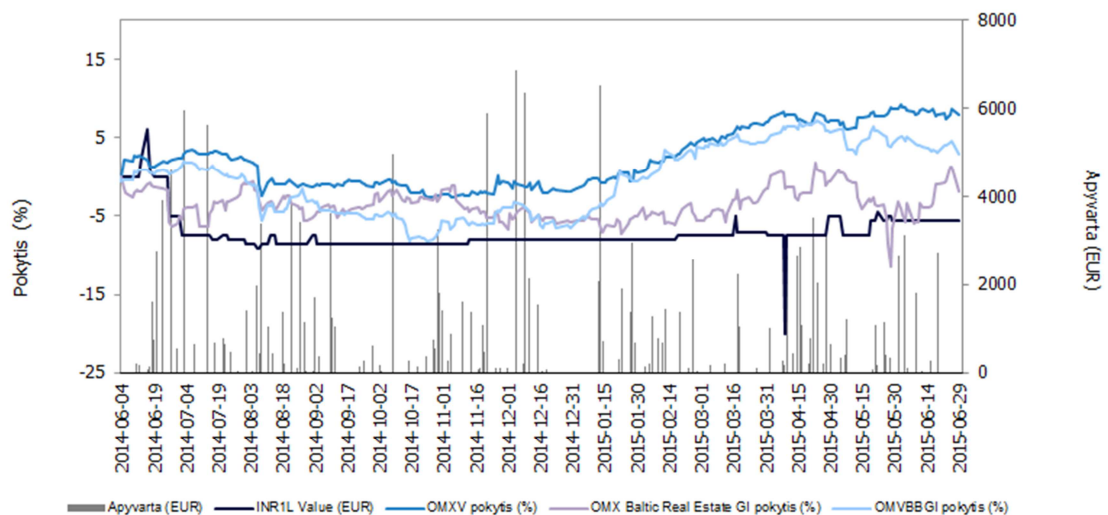


Fig. 7.3. Turnover of INVL Baltic Real Estate, AB shares, change of share price and indexes



# INVL Baltic Real Estate

## 8. Shareholders

Table 8.1. Shareholders who held title to more than 5% of INVL Baltic Real Estate, AB authorised capital and/or votes as of 30 June 2015.

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 votes, %	Total, %
LJB Investments, UAB code 300822575, Juozapavičiaus str. 9A, Vilnius	2,144,351	30.44	30.44	0	30.44
Irena Ona Mišeikienė	2,035,918	28.90	28.90	0	28.90
Invalda INVL, AB code 121304349, Seimyniskiu str. 1A, Vilnius	893,127	12.68	12.68	0	12.68
Lucrum Investicija, UAB code 300806471, Šeimyniškių str. 3, Vilnius	574,349	8.15	8.15	2.0 <sup>1</sup>	10.15
Darius Šulnis	0	0.00	0.00	10.15 <sup>2</sup>	10.15
Alvydas Banys	540,750	7.68	7.68	32.44 <sup>3</sup>	40.12
Indrė Mišeikytė	140,618	2.00	2.00	38.12 <sup>4</sup>	40.12
Andrius Daukšas	0	0.00	0.00	40.12 <sup>5</sup>	40.12

The total number of shareholders in INVL Baltic Real Estate increase 3,700.

There are no shareholders entitled to special rights of control.

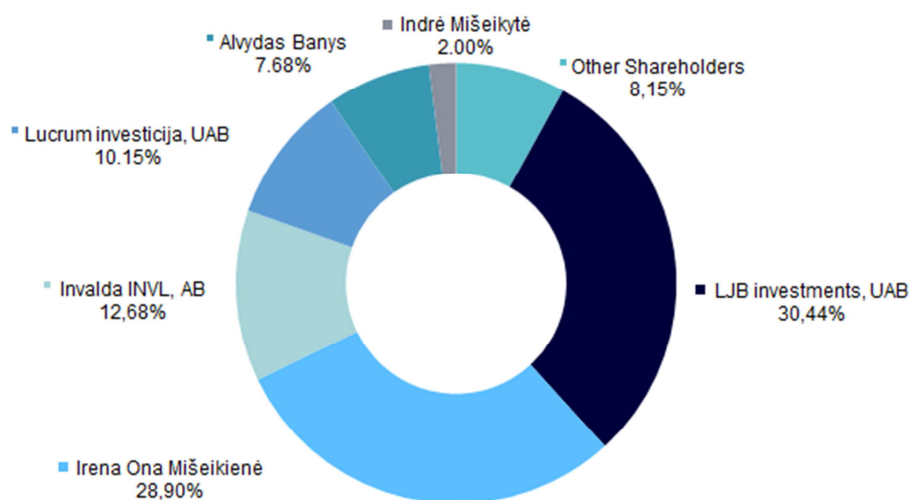


Fig. 8.2. Votes as of 30 June 2015

<sup>1</sup> Lucrum Investicija, UAB has 2% of votes according to a repurchase agreement.

<sup>2</sup> According to Part 6 of Paragraph 1 of Article 24 of the Law on Securities of the Republic of Lithuania, it is considered that Darius Šulnis has votes of Lucrum Investicija, a company controlled by him.

<sup>3</sup> According to Part 6 of Paragraph 1 of Article 24 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 Indre Miseikyte and Andrius Daukšas, managers of INVL Baltic Real Estate.

<sup>4</sup> 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 Andrius Daukšas, managers of INVL Baltic Real Estate.

<sup>5</sup> According to Paragraph 2 of Article 24 of the Law on Securities of the Republic of Lithuania, it is considered that Andrius Daukšas has votes of Alvydas Banys and Indrė Mišeikytė, managers of INVL Baltic Real Estate.

# INVL Baltic Real Estate

## III. ISSUER'S MANAGING BODIES

### 9. The managing bodies of the Issuer



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

The Board of INVL Baltic Real Estate, AB was elected during the General Shareholders' Meeting of INVL Baltic Real Estate, AB the company split-off from Invalda LT, AB on 28 April 2014. Mr. Banys was elected as the Chairman of the Board. Mr. Šulnis and Ms. Mišeikytė were elected as the Members of the Board. Mr. Šulnis was appointed as the director of the company on 28 April 2014. By the decision of the Board of INVL Baltic Real Estate of 9 December 2014, Andrius Daukšas was elected to the position of CEO of INVL Baltic Real Estate from 10 December. He replaced Darius Šulnis who has submitted a notice of resignation from CEO position. Due to the resignation of Darius Šulnis, the General Shareholders Meeting of 23 December 2014 elected Andrius Daukšas to the Board of the company till the end of office of the current Board.



Alvydas Banys – Chairman of the Board

The term of office	From 2014 until 2018
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 Real Estate, AB	Personally: 540,750 units of shares, 7.68 % of authorised capital, 7.68 % of votes. Together with controlled company LJB Investments: 2,685,101 units of shares, 38.12 % of authorized capital, 38.12 % of votes. Total votes together with other Board members of INVL Baltic Real Estate – 40.12 %.
Participation in other companies	Invalda INVL, AB – Chairman of the Board Invalda LT Investments, UAB – Chairman of the Board INVL Baltic Farmland, AB – Chairman of the Board INVL Technology, AB – Member of the Board MP Pension Funds Baltic, UAB – Member of the Board Litagra, UAB – Member of the Board Invaldos Nekilnojamojo Turto Fondas, AB - Member of the Board

# INVL Baltic Real Estate



Indrė Mišeikytė – Member of the Board

The term of office	From 2014 untill 2018
Educational background and qualifications	Vilnius Gedimino Technical University. Faculty of Architecture. Master in Architecture
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 Real Estate, AB	Personally: 140,618 units of shares, 2 % of authorised capital - 2 % of votes Total votes together with other Board members of INVL Baltic Real Estate – 40.12%.
Participation in other companies	Invalda INVL, AB – Member of the Board Invalda Privatus Kapitalas, AB – Member of the Board INVL Baltic Farmland, AB – Member of the Board Invalidos Nekilnojamojo Turto Fondas, AB - Member of the Board



Andrius Daukšas – Member of the Board, director

The term of office	From 2014 untill 2018
Educational background and qualifications	Master's degree in banking at the Faculty of Economics of Vilnius University. Financial broker's license (general) No. G311.
Work experience	Since Decem ber 2014 – director at INVL Baltic Real Estate Since March 2010 - investment manager at Invalda INVL 2008-2010 - director of the Treasury Department of the bank Finasta 2004-2008 - an accountant, later - the department manager of securities accounting at FBC Finasta
Owned amount of shares in INVL Baltic Real Estate, AB	Personally: 0 units of shares, 0,00 % of authorised capital and votes. Total votes together with other Board members of INVL Baltic Real Estate – 40.12%
Participation in other companies	Imonių Grupe Inservis, UAB - Member of the Board, director Jurita, UAB - Member of the Board Inservis, UAB - Member of the Board Kelio Zenklai, UAB - Chairman of the Board Invalidos Nekilnojamojo Turto Fondas, AB - Member of the Board

Invalda INVL, AB provides accounting services and preparation of the documents related with bookkeeping for INVL Baltic Real Estate, AB according to an agreement signed on 30 April 2014 No. 20140430/01.

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## 10. Information about the Audit Committee of the company.

The Audit Committee consists of 2 members, one of whom is independent. 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 General Shareholders Meeting which took place on 23 December 2014 decided to elect Danute Kadanaite and Tomas Bubinas (independent member) to the Audit Committee of INVL Baltic Real Estate, AB for the 4 (four) years term of office.



Danutė Kadanaitė – Member of the Audit Committee

The term of office	Since 2014 until 2018
Educational background and qualifications	2004 – 2006 Mykolas Romeris University. Faculty of Law. Master in Financial Law 2000 – 2004 m. Faculty of Law, BA in Law 1997 International School of Management
Work experience	Since 2009 Lawyer. Legisperitus, UAB 2008 – 2009 Lawyer, Finasta FBC 2008 – Lawyer, Invalda, AB 1999 – 2002 Administrator, Office of Attorney of Law Arturas Sukevicius 1994 – 1999 Legal Consultant, Financial brokerage company Apyvarta, UAB
Owned amount of shares in INVL Baltic Real Estate, AB	-



Tomas Bubinas – Independent Member of the Audit Committee

The term of office	Since 2014 until 2018
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
Work experience	Since 2013 Chief Operating Officer at Biotechpharma, UAB 2010 – 2012 Senior Director, Operations. TEVA Biopharmaceuticals (USA) 1999 – 2001 Senior Manager, PricewaterhouseCoopers 1994 – 1999 Senior Auditor, Manager, Coopers & Lybrand.
Owned amount of shares in INVL Baltic Real Estate, AB	-

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## **11. Information on the amounts calculated by the Issuer, other assets transferred and guarantees granted to the Members of the Board, director and company providing accounting services**

Members of Board of INVL Baltic Real Estate, AB did not receive annual benefit (bonus) since the start of activity of the company until the end of the reporting period.

The calculated remuneration to the director of the Company totalled to EUR 3,190, on the average EUR 532 per month.

The payment for the company providing accounting services during the reporting period amounted to EUR 2,375.

During the reporting period the Issuer transferred no assets, granted no guarantees, paid no bonuses or dividends and made no special payouts for the Company's manager and Members of the Board.

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

### **12. Overview of the Issuer and its group activity**

#### **12.1. Operational environment conditions**

##### **Commercial real estate sector**

Commercial real estate trends stayed positive in the first half of 2015 despite the slowdown in economy growth, Greek crisis, uncertain geopolitical situation and sanctions. According to Inreal, UAB 2015 first half Lithuanian economy and real estate market review, 3 new business centers (around 16,000 square meters in total) had been opened in Vilnius by the middle of the year, 2 new business centers (around 4,500 square meters in total) had been opened in Kaunas. Overall office space in Vilnius increased to 526,300 square meters after the implementation of the new office buildings.

Currently, office space is rented fast during a construction period of a project which adds more positivity to the real estate market. It is also visible from a low vacancy rate. According to Ober-Haus, UAB second quarter market comment, vacancy rate in Vilnius increased from 3.9% at the beginning of the year to 4.9% at the end of the first quarter and settled at 4.4% or 23,050 square meters at the end of the second quarter. Small increase was recorded because office building Vertingas was sold to Swedish investment company Nordic & Baltic Property Group, which resulted in premises being empty for some time. Vacancy rate in Kaunas increased from 1.3% to 5.7% until the end of the first quarter, which was followed by a decrease to 4.2% or a bit more than 3,800 square meters in the end of the first half. The main reason behind the increase in vacancy rate was completion of 3,600 square meters business center in the beginning of the year, which was built by telecommunication and real estate development company Mikrovisatos valda, UAB. The rental pace was not as fast as it was expected which resulted in the increase of free office space. Vacancy rate in Klaipeda remains high and reached 19.1%.

According to the data provided by Ober-Haus, UAB, the increase in rental prices remained small but stable and was 1-2% during the first half of the year in three largest Lithuanian cities. In Vilnius class A office space rental price was EUR 13-16 per square meter, while in B class premises the price was EUR 8-12 per square meter. In Kaunas the price was EUR 9.5-13 per square meter and EUR 5.8-8 per square meter, respectively in class A and class B office premises. In Klaipeda class A space – EUR 8.7-11.6 per square meter, class B space – EUR 5.2-7.5 per square meter.

Commercial premises' profitability measures continued to decline due to growing value of the commercial real estate. The highest class space profitability in Vilnius decreased from 7.6% to 7.4% in the first quarter of the year. While capital value index in Vilnius increased by 8% from first quarter of 2014 until first quarter of 2015.

Situation in the warehouse and logistics real estate sector has improved but remains unstable. According to Inreal, UAB, the industrial confidence indicator went back to the level of 2013 in the first half of 2015, which indicates that industrial and warehouse representatives managed to re-orientate to Western markets after the change in business environment. Large warehousing and industrial companies have started optimizing their activity by investing in the warehousing objects thus decreasing rental costs. However, the number of those who are willing to invest in industry development decreases due to slowdown in economy growth and the continuing poor geopolitical situation.

According to Inreal, UAB, even though industrial real estate vacancy rate remains low and demand exceeds supply, rental prices remain settled and in the nearest future should not change. According to the data provided by the Ober-Haus, UAB, new warehouses' rental price in Vilnius was EUR 3.5-5.2 per square meter at the end of the first half of 2015, while old warehouses' – EUR 1.5-3.0 per square meter. In Kaunas EUR 3.5-4.9 per square meter and EUR 1.5-2.9 per square meter, in Klaipeda EUR 3.4-4.7 per square meter and EUR 1.4-3.0 per square meter, respectively new and old warehouses' rental price at the middle of the year.

According to the data provided by Ober-Haus, UAB, second half of the year should be more active. Only in Vilnius six new business centers will be built by the end of the year, totaling 38,000 square meters. During 2016 six additional business centers are planned to be finished, which should add 100,000 square meters. One of the biggest among them will be 20,000 square meters business center "City" in Zalgiris str., which is being developed by Hanner, AB and is planned to be completed by the end of 2016. Another large project is being developed by M.M.M. Projektai, UAB and is projected to be 65,000 square meters office space complex, construction is planned to start in 2016. The increase in the supply of new office space buildings is partially connected to the establishment of international companies' service

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centers in Lithuania. According to Invest in Lithuania, there are 55 service centers located in Lithuania at the moment which should expand their number of employees by 2,000 people in the nearest future. That would require additional office space of 15,000 – 20,000 square meters (one employee needs 7.5 – 10 square meters on average in this type of companies).

In Latvia industrial real estate market remained active in the first half of 2015. According to Colliers International market overview, during the first half of the year 3 new industrial buildings were completed, totaling 40,000 square meters. The largest among them takes space of 30,000 square meters and was developed for Palipaks, SIA. Until the end of the year it is planned to complete buildings with total size of 83,100 square meters. Largest among them: industrial complex with the size of 44,000 square meters and Jelgavas Biznesa Parks reaching 16,000 square meters. Despite the active supply, the market remains stable because of simultaneously growing demand. During the first half of 2015 vacancy rate slightly increased from 2.2% to 2.7%. The slight increase was determined by completion of new industrial projects. It is expected that vacancy rate can slightly increase by the end of the year. Average rental prices did not change compared to the end of 2014 and remained EUR 3.5- 4.5 per square meter for A class buildings indicating market equilibrium. It is expected that prices will remain the same until the end of the year.

## 12.2. Significant Issuer's and its group events during the reporting period and since the end of it, affect on the financial statement

### The Company

- On 13 February 2015 INVL Baltic Real Estate announced the unaudited results for 12 months of 2014. Unaudited consolidated net profit as well as consolidated net profit attributable to shareholders of INVL Baltic Real Estate amounted to EUR 0.45 million (LTL 1.56 million) at the end of 2014. Consolidated equity of INVL Baltic Real Estate amounted to EUR 14.5 million (LTL 50.1 million) or EUR 2.06 per share at the end of 2014.
- On 16 March 2015 the Company announced consolidated audited results of INVL Baltic Real Estate group of 2014. At the end of 2014, consolidated net profit as well as consolidated net profit attributable to shareholders of INVL Baltic Real Estate amounted to EUR 0.43 million (LTL 1.5 million).
- On 10 April 2015 NVL Baltic Real Estate, AB - the real estate investment company, announced that on 9th April 2015 signed agreements to increase economic interest in nearby Riga located logistics complex Dommo from 50 to 100 per cent for EUR 3.1 million
- On 30 April 2015 INVL Baltic Real Estate, AB announced decisions of the General Shareholders Meeting. During the meeting of the public joint-stock company INVL Baltic Real Estate the Shareholders were presented with the consolidated annual report of the Company and independent auditor's report on the financial statements of INVL Baltic Real Estate, approved the consolidated and companies financial statements for 2014, the new wording of the Company and preparation of the reorganization terms of the public joint-stock company INVL Baltic Real Estate. It was also decided to reduce authorized capital and change the par value of one share of INVL Baltic Real Estate, AB from LTL 1 to EUR 0,29 cents, accordingly changing share capital from LTL 7,044,365 to EUR 2,042,865.85.
- On 30 April 2015 the Company announced the annual information (consolidated and Company's financial statements, consolidated annual report) and the confirmation of responsible persons of INVL Baltic Real Estate, AB for the year 2014.
- On 12 May 2015 the Company announced that an unaudited consolidated net profit of 3 months of 2015 as well as consolidated net profit attributable to shareholders of INVL Baltic Real Estate amounted to EUR 276 thousand.
- On 30 June 2015 the Company announced about drawn - up reorganization terms of the public joint - stock company Invaldos Nekilnojamojo Turto Fondas and the public joint - stock company INVL Baltic Real Estate.
- On 2 July 2015, the Company announced that INVL Baltic Real Estate completed acquisition process and increased share in nearby Riga located logistics complex Dommo from 50 to 100 per cent for EUR 3.1 million.
- On 29 July 2015 the company announced that in order to ensure the well-organized reorganization process of the public joint stock companies INVL Baltic Real Estate and Invaldos Nekilnojamojo Turto Fondas, the trading in shares of INVL Baltic Real Estate in NASDAQ OMX Vilnius Stock Exchange is expected to be suspended from 3 August 2015 until the completion of the reorganization.
- On 10 August 2015 INVL Baltic Real Estate, AB announced decisions of the General Shareholders Meeting. During the meeting of the public joint-stock company INVL Baltic Real Estate the Shareholders decided to reorganize public joint-stock company INVL Baltic Real Estate in the manner of joining, merging the company into public joint-stock company Invaldos Nekilnojamojo Turto Fondas (code 152105644), which after the reorganization becomes successor to all rights and obligations of the public joint-stock company INVL Baltic Real Estate, including the name, to approve the Terms of Reorganization of public joint-stock company INVL Baltic Real Estate, the New Wording of the company resulting from the reorganisation Articles of Association, audit committee formation and rules of activity, the election of members and the setting of remuneration for the independent member of audit committee. Also the Shareholders decided to enter into contract with private limited liability company PricewaterhouseCoopers (code 111473315) for carrying out the audit of 2015, 2016 and 2017 set of annual financial statements, setting 10,550 EUR remuneration for each year of the set of annual financial statements audit, to change the registered office address and to register the office at municipality of Vilnius, Vilnius city, Šeimyniškių str. 1A and to remove the board of the company *in corpore* and to elect Alvydas Banys, Andrius Daukšas and Indrė Mišeikytė as the members of the new board.

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## The group

The General shareholders meeting of INVL Baltic Real Estate held on 10 August 2015 approved reorganization terms of the public joint - stock company Invaldos Nekilnojamojo Turto Fondas and the public joint - stock company INVL Baltic Real Estate. According to the terms, the company will be merged with its managed Invaldos Nekilnojamojo Turto Fondas and will change the corporate name to INVL Baltic Real Estate and will be listed on Nasdaq Vilnius Stock Exchange. For every share of the public joint-stock company INVL Baltic Real Estate shareholder of the company shall get 6.136287941 ordinary registered shares of the public joint-stock company Invaldos Nekilnojamojo Turto Fondas.

Other companies of the Issuer performed usual activity during the reporting period.

## Key figures of INVL Baltic Real Estate, AB group

EUR million (if not stated otherwise)	30 June 2014	30 June 2015
Managed common area	51,676 sq. m	51,676 sq. m
Managed rental area	40,500 sq. m	40,500 sq. m
The real estate value*	33.80	33.85
Value of the loans granted for companies in Latvia	4.15	7.40
Long-term prepayment under the sublease agreement	0.82	0.82
Cash	0.13	0.41
Other assets	0.51	0.68
<b>ASSETS</b>	<b>39.41</b>	<b>43.16</b>
Equity	14.15	15.11
Loans from credit institutions	16.16	15.10
Loans from Invalda INVL	4.59	5.43
Deferred tax liability	3.52	3.64
Other payables	0.99	3.88
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>39.41</b>	<b>43.16</b>

## Income of INVL Baltic Real Estate, AB group

EUR million	30 June 2014	30 June 2015
<b>Income</b>	<b>0.841</b>	<b>2.685</b>
<i>rental income from own objects</i>	<i>0.427</i>	1.316
<i>rental income from property owned by clients</i>	<i>0.277</i>	0.827
<i>other income</i>	<i>0.137</i>	0.542
<b>Profit before tax</b>	<b>0.104</b>	<b>0.703</b>
<b>Net profit</b>	<b>0.088</b>	<b>0.617</b>

## 13. A description of the principal risks and uncertainties

During the six months of 2015 of this year there were no material changes from the information about the principal risks and uncertainties disclosed in the latest annual report.

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## 14. Significant investments made during the reporting period

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

## 15. Information on the related parties' transactions

Information on the related parties' transactions is disclosed in consolidated interim condensed unaudited financial statements' explanatory notes for 6 months of 2015.

## 16. Activity plans and forecast of the Issuer and it's group

The General shareholders meeting of INVL Baltic Real Estate held on 10 August 2015 approved reorganization terms of the public joint - stock company Invaldos Nekilnojamojo Turto Fondas and the public joint - stock company INVL Baltic Real Estate. According to the terms, INVL Baltic Real Estate will be merged with its managed Invaldos Nekilnojamojo Turto Fondas and will change the corporate name to INVL Baltic Real Estate and will remain listed on Nasdaq Vilnius Stock Exchange. For every share of the public joint-stock company INVL Baltic Real Estate shareholder of the company shall get 6,136287941 ordinary registered shares of the public joint-stock company Invaldos Nekilnojamojo Turto Fondas.

INVL Baltic Real Estate intends to apply for a closed-end investment company licence and in its essence will become similar to fund.

After closed-end investment company license is granted, the company plans to evaluate the investment environment and attract additional capital.

Director



Andrius Daukšas