



CONFIRMATION OF RESPONSIBLE PERSONS

12 August 2016

Following the Rules on Preparation And Submission Of Periodic And Additional Information of the Bank of Lithuania and the Law on Securities (article 23) 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 2016 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 and position of the company and the consolidated group in relation to the description of the main risks and contingencies faced thereby.

ENCLOSURE:

1. INVL Baltic Real Estate, AB Consolidated Interim Condensed Unaudited Financial Statements for 6 months of 2016.
2. INVL Baltic Real Estate, AB Consolidated Interim Report for 6 months of 2016.

Director

Egidijus Damulis

Person authorised to conduct accounting

Raimondas Rajeckas

AB INVL BALTIC REAL ESTATE

CONSOLIDATED INTERIM CONDENSED NOT-AUDITED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016 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 2016

(all amounts are in EUR thousand unless otherwise stated)

GENERAL INFORMATION

Board of Directors

Mr. Alvydas Banys (chairman of the Board)
Ms. Indrė Mišeikytė
Mr. Egidijus Damulis

Management

Mr. Egidijus Damulis (director)

Address and company code

Gynėjų Str. 14,
Vilnius,
Lithuania

Company code 152105644

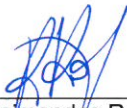
Banks

AB Šiaulių Bankas
AB SEB Bankas
ABLV Bank, AS
AB DNB Bankas
Nordea Bank AB Lithuania Branch
Nordea Bank AB Latvia Branch
AS "Citadele banka"
"Swedbank" AS
AS DNB banka

The financial statements were approved and signed by the Management and the Board of Directors on 12th August 2016.



Mr. Egidijus Damulis
Director



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

AB INV L BALTIC REAL ESTATE**CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016**

(all amounts are in EUR thousand unless otherwise stated)

Interim consolidated statement of comprehensive income

	Notes	<u>1st Half Year 2016</u>	<u>1st Half Year 2015</u>
Revenue	4	3,072	2,685
Interest income		-	101
Net gains (losses) from fair value adjustments on investment property		-	-
Other income		15	4
Premises rent costs	4	(698)	(803)
Utilities		(509)	(483)
Repair and maintenance cost of premises		(410)	(302)
Property management and brokerage costs		(175)	(168)
Taxes on property		(160)	(124)
Employee benefits expenses		(59)	(11)
Impairment of assets (reversal of impairment)		(5)	-
Depreciation and amortisation		(4)	(2)
Other expenses		(35)	(42)
Operating profit		1,032	855
Finance costs	5	(315)	(336)
Profit before income tax		717	519
Income tax expenses	6	(126)	(83)
NET PROFIT FOR THE PERIOD		591	436
Other comprehensive income for the period, net of tax		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		591	436
Attributable to:			
Equity holders of the parent		591	436
Basic and diluted earnings per share (in EUR)		0.01	0.01

AB INVL BALTIC REAL ESTATE

CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

(all amounts are in EUR thousand unless otherwise stated)

Interim consolidated statement of financial position

	Notes	<u>As at 30 June 2016</u>	<u>As at 31 December 2015</u>
ASSETS			
Non-current assets			
Property, plant and equipment		23	27
Investment properties	7	51,810	51,747
Intangible assets		1	1
Operating lease pre-payments	4	825	825
Deferred income tax asset		4	2
Total non-current assets		52,663	52,602
Current assets			
Inventories, prepayments and deferred charges		45	16
Trade and other receivables		315	373
Deposits		150	150
Cash and cash equivalents		704	393
Total current assets		1,214	932
Non-current assets and assets of disposal group classified as held-for-sale	8	756	981
Total assets		54,633	54,515
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of the parent			
Share capital		19,068	12,536
Share premium		2,478	-
Reserves		3,018	25
Retained earnings		2,593	6,026
Total equity		27,157	18,587
Liabilities			
Non-current liabilities			
Non-current borrowings	10	21,227	22,876
Provisions	4	21	88
Deferred income tax liability		4,159	4,037
Other non-current liabilities	4	230	290
Total non-current liabilities		25,637	27,291
Current liabilities			
Current portion of non-current borrowings	10	708	1,117
Current borrowings	10	4	623
Trade payables		136	5,759
Provisions	4	167	259
Advances received		741	505
Other current liabilities		83	374
Total current liabilities		1,839	8,637
Total liabilities		27,476	35,928
Total equity and liabilities		54,633	54,515

AB INVL BALTIC REAL ESTATE

CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

(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			
Balance as at 31 December 2015	12,536	-	25	-	-	6,026	18,587
Profit for the six months ended 30 June 2016	-	-	-	-	-	591	591
Other comprehensive income for the six months ended 30 June 2016	-	-	-	-	-	-	-
Total comprehensive income for the six months ended 30 June 2016	-	-	-	-	-	591	591
Increase of share capital	9 6,532	2,478	-	-	-	(242)	8,768
Dividends approved	11 -	-	-	-	-	(789)	(789)
Transfer to reserves	9 -	-	165	2,828	-	(2,993)	-
Total transactions with owners of the Company, recognised directly in equity	6,532	2,478	165	2,828	-	(4,024)	7,979
Balance as at 30 June 2016	19,068	2,478	190	2,828	-	2,593	27,157

Group	Reserves					Retained earnings (accumulated deficit)	Total
	Share capital	Share premium	Legal reserve	Reserve of purchase of own shares			
Balance as at 31 December 2014	2,040	2,966	281	6,602	-	2,602	14,491
Profit for the six months ended 30 June 2015	-	-	-	-	-	436	436
Other comprehensive income for the six months ended 30 June 2015	-	-	-	-	-	-	-
Total comprehensive income for the six months ended 30 June 2015	-	-	-	-	-	436	436
The adjustment of the par value of the shares due to conversion to euro	9 3	-	-	-	-	(3)	-
Transfer to reserves	-	-	87	-	-	(87)	-
Total transactions with owners of the Company, recognised directly in equity	3	-	87	-	-	(90)	-
Balance as at 30 June 2015	2,043	2,966	368	6,602	-	2,948	14,927

AB INVL BALTIC REAL ESTATE

INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

(all amounts are in EUR thousand unless otherwise stated)

Consolidated statement of cash flows

	Notes	<u>1st Half Year 2016</u>	<u>1st Half Year 2015</u>
Cash flows from (to) operating activities			
Net profit for the period		591	436
Adjustments for non-cash items and non-operating activities:			
Net gains (losses) from fair value adjustments on investment property		-	-
Depreciation and amortization		4	2
Interest income		-	(101)
Interest expenses	5	315	336
Deferred taxes	6	126	74
Current income tax expenses	6	-	9
Provisions		(161)	(57)
Loss on settlement of pre-existing relationships		(2)	-
Impairment of assets (reversal of impairment)		5	-
		<u>909</u>	<u>565</u>
Changes in working capital:			
Decrease (increase) in inventories		-	(50)
Decrease (increase) in trade and other receivables		89	(78)
Decrease (increase) in other current assets		(29)	5
(Decrease) increase in trade payables		(177)	(98)
(Decrease) increase in other current liabilities		148	87
		<u>909</u>	<u>565</u>
Cash flows from (to) operating activities		909	565
Income tax paid		-	-
Net cash flows from (to) operating activities		909	565
Cash flows from (to) investing activities			
Acquisition of non-current assets (except investment properties)		-	(11)
Proceeds from sale of non-current assets (except for investment properties)	8	100	-
Acquisition of investment properties	7	(5,881)	-
Acquisition of loans		-	(300)
Loans granted		-	-
Repayment of granted loans	8	176	61
Interest received		-	-
		<u>(5,605)</u>	<u>(250)</u>
Net cash flows from (to) investing activities		(5,605)	(250)

(cont'd on the next page)

AB INVL BALTIC REAL ESTATE**INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016**(all amounts are in EUR thousand unless otherwise stated)

Consolidated statement of cash flows (cont'd)

	Notes	<u>1st Half Year 2016</u>	<u>1st Half Year 2015</u>
Cash flows from (to) financing activities			
Cash flows related to Group owners			
Issue of new shares	9	2,791	-
Costs of distribution of new shares	9	(248)	-
Dividends paid to equity holders of the parents		(767)	-
		<u>1,776</u>	<u>-</u>
Cash flows related to other sources of financing			
Proceeds from loans	7, 9	5,300	105
(Repayment) of loans		(1,774)	(186)
Interest paid		(295)	(180)
		<u>3,231</u>	<u>(261)</u>
Net cash flows from (to) financing activities		<u>5,007</u>	<u>(261)</u>
Net increase(decrease) in cash and cash equivalents		<u>311</u>	<u>54</u>
Cash and cash equivalents at the beginning of the period		<u>393</u>	<u>358</u>
Cash and cash equivalents at the end of the period		<u>704</u>	<u>412</u>

AB INVL BALTIC REAL ESTATE

INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

(all amounts are in EUR thousand unless otherwise stated)

Notes to the interim condensed financial statements

1 General information

AB INVL Baltic Real Estate (hereinafter the Company, previous name AB Invaldos Nekilnojamojo Turto Fondas, code 152105644) is a joint stock company registered in the Republic of Lithuania. It was established on 28 January 1997. On 17 August 2015 the parent entity AB INVL Baltic Real Estate (hereinafter the Former Parent Company, code 30329973) was merged to the Company, which continues its operations under the name INVL Baltic Real Estate.

The Group consists of the Company and its directly and indirectly owned subsidiaries and the Former Parent Company (hereinafter the Group, Note 5 of annual financial statements for year ended 31 December 2015).

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

The Group was established on 29 April 2014 by spinning-off from AB Invalda INVL (code 121304349) the investments into entities, which business is investment into investment properties held for future development, into commercial real estate and renting thereof. On 17 August 2015 the Former Parent Company was merged to the Company. As a result of the Merger the Former Parent Company ceased to exist and the Company changed its name to AB INVL Baltic Real Estate and became the parent of the Group. The reorganisation, being the legal merger only, had no impact on the consolidated financial statements of the Group, except for reclassification within shareholders' equity lines to reflect the change of the parent entity that consolidates the Group. Accordingly, it had no impact on the Group's assets, liabilities and performance measurement. Financial information that is and will be prepared by the Group for the periods after 17 August 2015 represents the continuation of the financial information prepared by the Group until 17 August 2015.

The Group has invested in commercial real estate: business centres and manufacturing and warehouse properties in Lithuania and Latvia. All the properties generate leasing income and most of them offer prospects for further development.

The Group seeks to earn profit from investments in commercial real estate by ensuring the growth of leasing income. When it makes business sense, the Company also considers investments in the reorganisation of its existing portfolio of properties, taking advantage of their good location.

As at 30 June 2016 the Company's share capital is divided into 65,750,000 ordinary registered shares with the nominal value of EUR 0.29 each. As at 31 December 2015 the Company's share capital was divided into 43,226,252 ordinary registered shares with the nominal value of EUR 0.29 each. All the shares of the Company were fully paid. Subsidiaries did not hold any shares of the Company. As at 30 June 2016 and 31 December 2015 the shareholders of the Company were (by votes)*:

	As at 30 June 2016		As at 31 December 2015	
	Number of votes held	Percentage	Number of votes held	Percentage
AB Invalda INVL	21,089,449	32.08	5,512,324	12.75
UAB LJB Investments (controlling shareholder Mr. Alvydas Banys)	13,158,474	20.01	13,158,474	30.44
Mrs. Irena Ona Mišeikienė	12,492,979	19.00	12,492,979	28.90
Mr. Alvydas Banys	3,318,198	5.05	3,318,198	7.68
UAB Lucrum Investicija (sole shareholder Mr. Darius Šulnis)	2,087,244	3.17	4,387,244	10.15
Ms. Indrė Mišeikytė	862,873	1.31	862,873	2.00
Other minor shareholders	12,740,783	19.38	3,494,160	8.08
Total	<u>65,750,000</u>	<u>100.00</u>	<u>43,226,252</u>	<u>100.00</u>

* 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.

The Company's shares are traded on the Baltic Secondary List of NASDAQ Vilnius from 16 September 2015. Before the merger the shares of the Former Parent Company were traded on the Baltic Secondary List of NASDAQ Vilnius from 4 June 2014 until 17 August 2015.

2 Accounting policies

Basis of preparation

The interim condensed financial statements for the six months ended 30 June 2016 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 2015.

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 2015, except adoption of new Standards and Interpretations as of 1 January 2016, noted below.

A number of new or amended standards became applicable for the current reporting period:

- *Annual Improvements to IFRSs 2010-2012 Cycle* (effective for annual periods beginning on or after 1 February 2015);
- *Annual Improvements to IFRSs 2012-2014 Cycle* (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 19 – *Defined benefit plans: Employee contributions* (effective for annual periods beginning on or after 1 February 2015);
- Amendments to IFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations* (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 16 and IAS 38: *Clarification of Acceptable Methods of Depreciation and Amortisation Operations* (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer plants* (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 1: *Disclosure Initiative* (effective for annual periods beginning on or after 1 January 2016).

However, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. The amendments had no impact on the Group's financial statements for the six months ended 30 June 2016.

AB INVL BALTIC REAL ESTATE**INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016**

(all amounts are in EUR thousand unless otherwise stated)

3 Segment information

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. The Board of Directors analyses performance of the Group on property-by-property basis of owned premises, while leased premises are reported on a combined basis. Performance is evaluated based on net operating income. Net operating income is calculated by deducting from revenue premises rent costs (excluding provision for onerous contract), utilities expenses, repair and maintenance expenses, property management and brokerage costs, taxes on property and insurance costs. Segment assets and liabilities are not reported to the Board of Directors. Management of the Company has determined following reportable segments:

- Owned property in Lithuania. All owned premises are located in Vilnius, Lithuania. These are office buildings with some warehouse premises. Most of them have further development opportunities.
- Leasehold property. They are located in Vilnius and Kaunas, Lithuania. These are office buildings and warehouses.
- Owned property in Latvia. Revenue is earned from warehouse located in Riga, Latvia. The segment was acquired in 2015.

The following table presents performance of reportable segments of the Group for the six months ended 30 June 2016:

	Owned property in Lithuania	Leasehold property	Owned property in Latvia	Total
Six months ended 30 June 2016				
Revenue	2,035	858	178	3,071
Expenses				
Premises rent costs	(9)	(850)	-	(859)
Utilities	(417)	(85)	(7)	(509)
Repair and maintenance of premises	(355)	(38)	(17)	(410)
Property management and brokerage costs	(91)	(84)	-	(175)
Taxes on property	(151)	-	(9)	(160)
Insurance costs	(4)	-	(2)	(6)
Net operating income for the period	1,008	(199)	143	952

The following table presents performance of reportable segments of the Group for the six months ended 30 June 2015:

	Owned premises in Lithuania	Leasehold property	Owned premises in Latvia	Total
Six months ended 30 June 2015				
Revenue	1,742	930	-	2,672
Expenses				
Premises rent costs	(9)	(851)	-	(860)
Utilities	(389)	(94)	-	(483)
Repair and maintenance of premises	(265)	(37)	-	(302)
Property management and brokerage costs	(79)	(89)	-	(168)
Taxes on property	(124)	-	-	(124)
Insurance costs	(2)	-	-	(2)
Net operating income for the period	874	(141)	-	733

AB INVL BALTIC REAL ESTATE**INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016**

(all amounts are in EUR thousand unless otherwise stated)

3 Segment information (cont'd)

The following table presents reconciliation of the Group's operating profits from net operating income, rent costs and revenue.

	01.01.2016 - 30.06.2016			01.01.2015 - 30.06.2015		
	Net operating income to operating profit	Premises rent costs	Revenue	Net operating income to operating profit	Premises rent costs	Revenue
From reportable segment	952	(859)	3,071	733	(860)	2,672
Provision for onerous contracts	161	161	-	57	57	-
Other revenue not included in reportable segments	1	-	1	13	-	13
Add back insurance costs (included within 'other expenses')	6	-	-	2	-	-
Impairment of assets (reversal of impairment)	(5)	-	-	-	-	-
Employee benefits expenses	(59)	-	-	(11)	-	-
Depreciation and amortisation	(4)	-	-	(2)	-	-
Other expenses	(35)	-	-	(42)	-	-
Interest income	-	-	-	101	-	-
Other income	15	-	-	4	-	-
Net gains from fair value adjustments on investment property	-	-	-	-	-	-
Total	1,032	(698)	3,072	855	(803)	2,685

The table below presents distribution of the Group non-current assets (other than financial instruments and deferred tax assets) by geographical area as at 30 June 2016 and 31 December 2015:

	Lithuania	Latvia	Total
As at 30 June 2016	44,628	8,031	52,659
As at 31 December 2015	44,568	8,032	52,600

4 Revenue, lease expenses and provision for onerous lease contractRevenue

Analysis of revenue by category:

	1 st Half Year 2016	1 st Half Year 2015
Rent income	2,539	2,143
Utilities revenue	516	531
Other services revenue	17	11
Total revenue	3,072	2,685

AB INVL BALTIC REAL ESTATE**INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016**

(all amounts are in EUR thousand unless otherwise stated)

4 Revenue, lease expenses and provision for onerous lease contract (cont'd)

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

	<u>1st Half Year 2016</u>	<u>1st Half Year 2015</u>
Rent income from owned premises	1,772	1,316
Other revenue from owned premises	441	438
<i>Total revenue from owned premises</i>	<u>2,213</u>	<u>1,754</u>
Rent income from subleased premises	767	827
Other revenue from subleased premises	92	104
<i>Total revenue from subleased premises</i>	<u>859</u>	<u>931</u>
Total revenue	<u>3,072</u>	<u>2,685</u>

Expenses and provisions

The Company is leasing premises from external party until August 2017 under the lease agreement of 10 August 2007. The Company 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 1st half year of 2016 and the 1st half year of 2015 the Group has incurred EUR 688 thousand and EUR 793 thousand, respectively, lease expenses under this agreement. Contingent rent constitutes EUR 134 thousand within this amount for each above mentioned periods. The lease expenses of the Group from other agreements amounted to EUR 10 thousand for each above mentioned periods. The lease agreement of 10 August 2007 is an onerous contract, therefore there is a provision of EUR 188 thousand to cover the loss anticipated in connection with this contract recognised in the statement of financial position as at 30 June 2016.

The changes in the provision for onerous contract during 1st Half Year 2016 are presented below:

	<u>1st Half Year 2016</u>
As of 31 December 2015	347
Re-estimation of provision at the end of the year	2
Amount used (recognised as a reduction of 'Premises rent costs')	(164)
The reversal of the discount effect and changes in the discount rate	3
As of 30 June 2016	<u>188</u>
Non-current	21
Current	167

The changes in the provision for onerous contract during 1st Half Year 2015 are presented below:

	<u>1st Half Year 2015</u>
As of 31 December 2014	365
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
As of 30 June 2015	<u>311</u>

In addition to the above, a deferred liability of EUR 230 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 2016.

AB INVLT BALTIC REAL ESTATE**INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016**

(all amounts are in EUR thousand unless otherwise stated)

5 Finance costs

	<u>1st Half Year 2016</u>	<u>1st Half Year 2015</u>
Interest expenses of bank borrowings	(245)	(178)
Interest expenses of borrowings from related parties	(58)	(117)
Interest expenses from third parties	(10)	(38)
The reversal of the discount effect of provision for onerous contract	(2)	(3)
	<u>(315)</u>	<u>(336)</u>

6 Income tax

	<u>1st Half Year 2016</u>	<u>1st Half Year 2015</u>
Components of the income tax expenses		
Current year income tax	-	(9)
Deferred income tax expenses	(126)	(74)
Income tax expenses charged to profit or loss – total	<u>(126)</u>	<u>(83)</u>

Income tax credit related with issue costs of new shares are amounted to EUR 6 thousand and was recognised in the statement of changes in equity.

7 Investment properties

The movements of investment properties of the Group were:

Group	Other investment properties valued using sales comparison method	Properties leased out by the entity	Investment properties held for future redevelopment	Total
Fair value hierarchy	Level 2	Level 3	Level 3	
Balance as at 31 December 2015	3,735	46,292	1,720	51,747
Additions	-	-	-	-
Subsequent expenditure	-	63	-	63
Gain from fair value adjustment	-	-	-	-
Loss from fair value adjustment	-	-	-	-
Balance as at 30 June 2016	3,735	46,355	1,720	51,810
Balance as at 31 December 2014	-	31,375	2,473	33,848
Balance as at 30 June 2015	-	31,375	2,473	33,848

On 29 January 2016 the Company has completed the acquisition of investment properties located at Gynėjų str. 14, Vilnius, by settling outstanding payables. The final settlement was financed by additional borrowings from the related party AB Invalda INVLT (EUR 800 thousand) and from AB Šiaulių bankas (EUR 4,500 thousand). During 1st half year of 2016 a reconstruction of these investment properties was started.. The reconstructions costs of this period amounted to EUR 63 thousand.

Investment properties are stated at fair value. Properties leased out by the entity and investment properties held for future redevelopment in Lithuania were valued using income approach by accredited valuer UAB OBER-HAUS Nekilnojamosis Turtas on 23 October – 4 November 2015. Investment properties located in Latvia were valued using market approach for land and using income approach for warehouse by accredited valuer SIA OBER-HAUS Vertešanas serviss in October 2015 as of the date of business combination.

AB INVL BALTIC REAL ESTATE

INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

(all amounts are in EUR thousand unless otherwise stated)

7 Investment properties (cont'd)

As at 30 June 2016 investment properties (including assets classified as held-for-sale) with carrying amount of EUR 52,016 thousand were pledged to the banks as collateral for the loans (as at 31 December 2015 – EUR 41,622 thousand, respectively).

During 1st half year of 2015 the Group has not acquired, nor sold investment property.

There were no other restrictions on the realisation of investment properties or the remittance of income and proceeds of disposals during the 1st half year of 2016. No material contractual obligations to purchase, construct, repair or enhance investment properties existed at the end of the period.

8 Non-current assets and assets of disposal group classified as held-for-sale

	Group	
	As at 30 June 2016	As at 31 December 2015
Non-current assets and assets of disposal group classified as held-for-sale		
Investment properties held-for-sale	756	705
Intangible assets as part of disposal group	-	100
Loans granted as part of disposal group	-	176
	<u>756</u>	<u>981</u>

Assets related with enterprise in bankruptcy UAB Sago (disposal group)

On 17 December 2015 the Board of Directors has approved the sale of the technical development project and loans granted related with enterprise in bankruptcy UAB Sago. The sale agreements were signed on 31 December 2015. The sale was completed in January 2016 after settlement was made.

Investment property

The Company has signed preliminary agreement, according to which the constructed building foundation with attributed to it leased land would be sold for EUR 500 thousand plus construction cost of building foundation (as at 30 June 2016 – EUR 256 thousand and as at 31 December 2015 – EUR 205 thousand). The Company has received in advance EUR 650 thousand from the buyer until 30 June 2016. The deal will be completed in 2016. Therefore this part of investment property located at Žygio str. 97, Vilnius, is measured according to the disposal price and was classified as non-current assets held-for-sale as at 30 June 2016.

9 Share capital and reserves

The new shares were offered through public offering from 4 January until 4 March 2016. During the public offering the investors have subscribed for 22,523,748 shares, the issue price of one share was EUR 0.40, the total issue proceeds – EUR 9,010 thousand. Share capital was increased by EUR 6,532 thousand within this amount and rest amount of EUR 2,478 thousand was attributed to share premium. The Company has received cash inflows of EUR 2,791 thousand from investors during the public offering. AB Invalda INVL has subscribed for 15,546,663 new shares. They were paid by offsetting the Company's liabilities of EUR 6,219 thousand arising from the borrowings provided by AB Invalda INVL. Issue costs of new shares' issue amounted to EUR 248 thousand. Income tax credit related with issue costs are amounted to EUR 6 thousand. Cash inflows were used to repay remaining borrowings of EUR 1,501 thousand to AB Invalda INVL including accrued interests during 2016. Remaining amount would be used in the operating activity of the Company.

On 8 March 2016 the new share capital was registered in the Register of Legal entities, and from that date the total authorised number of ordinary shares is 65,750,000 with the par value of EUR 0.29 per share, the Company's authorized share capital is equal to EUR 19,067,500.

On 27 April 2016 EUR the annual general meeting has decided to transfer from retained earnings EUR 165 thousand to the legal reserve and 2,828 thousand to the reserve for the acquisition of own shares.

As at 31 December 2015 the Company's and the Group's share capital is divided into 43,226,252 ordinary registered shares with the nominal value of EUR 0.29 each.

AB INVL BALTIC REAL ESTATE

INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

(all amounts are in EUR thousand unless otherwise stated)

9 Share capital and reserves (cont'd)

As at 31 December 2014 the Group's share capital represents the share capital of the Former Parent Company. Its share capital was divided into 7,044,365 ordinary registered shares with the nominal value of LTL 1 each. The changes in the currency of par value of one share of the Former Parent Company were registered in the Register of Legal entities on 14 May 2015 and share capital increased by EUR 3 thousand as a result.

Both the legal reserve and reserve for the acquisition of own shares presented in the consolidated financial statements represent the reserves of Former Parent Company until the merger, and the reserves of the Company from the merger onwards.

10 Borrowings

	<u>As at 30 June 2016</u>	<u>As at 31 December 2015</u>
Non-current:		
Non-current bank borrowings	21,227	16,631
Non-current borrowings from related parties	-	6,245
	<u>21,227</u>	<u>22,876</u>
Current:		
Current portion of non-current borrowings	708	1,117
Borrowings from related parties	-	617
Other borrowings	4	6
	<u>712</u>	<u>1,740</u>
Total borrowings	<u>21,939</u>	<u>24,616</u>

Borrowings are denominated in euro.

Borrowings with fixed or floating interest rate (with changes in 3 and 6 months period) were as follows:

Interest rate type:	<u>As at 30 June 2016</u>	<u>As at 31 December 2015</u>
Fixed	4	6,868
Floating	21,935	17,748
	<u>21,939</u>	<u>24,616</u>

On 26 January 2016 the Company has signed the amendment to the borrowing agreement with AB Šiaulių bankas. Therefore, the amount of borrowing was increased from EUR 14,754 thousand to EUR 19,254 thousand, the maturity of agreement was extended from 25 September 2019 until 5 January 2023, and the settlement schedule was changed. In 2016 the Company has to repay the amount of EUR 466 thousand instead of the amount of EUR 862 thousand. The investment properties located at Gynėjų str. 14, Vilnius, were pledged to the AB Šiaulių bankas and the pledge to the Seller's bank was removed accordingly. The Company has right to pay dividends without bank consent in the future, if the ratio of EBITDA divided by the sum of debt service payments (interest and principal repayments) and dividends would be higher than 1.1, to repay subordinated loans and pay dividends for the year 2015 (regardless of the above mentioned ratio) from cash inflows from the new shares' issue according to the amendments to the borrowing agreement. After issue of new shares the borrowings from related parties were offset and repaid (Note 9).

11 Dividends

On 15 January 2016 the General Shareholder Meeting of the Company has approved the dividend policy which stipulates the payment each year of dividends per share of no less than EUR 0.012, if the legal and contractual requirements did not restrict that. A dividend in respect of the year ended 31 December 2015 of EUR 0.012 per share, amounting to a total dividend of EUR 789 thousand, was approved at the annual general meeting on 27 April 2016.

AB INVL BALTIC REAL ESTATE**INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016**

(all amounts are in EUR thousand unless otherwise stated)

12 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 the six months ended 30 June 2016 was as follows:

Calculation of weighted average for the six months ended 30 June 2016	Number of shares (thousand)	Par value (EUR)	Issued/182 (days)	Weighted average (thousand)
Shares issued as at 31 December 2015	43,226	0.29	182/182	43,226
Issued new shares as at 8 March 2016	22,524	0.29	114/182	14,108
Shares issued as at 30 June 2016	65,750	0.29		57,334

There were new shares issued of the Company after merger in 2015. Before the merger the Former Parent Company had 7,044 thousand of shares in issue. The issue of the shares during the merger process is considered as shares' split, therefore for basic earnings per share calculation 43,226 thousand of shares are used for 1st Half Year of 2015.

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

	1st Half Year 2016	1st Half Year 2015
Net profit (loss), attributable to the equity holders of the parent	591	436
Weighted average number of ordinary shares (thousand)	57,334	43,226
Basic earnings (deficit) per share (EUR)	0.01	0.01

13 Liquidity risk

The Group's liquidity ratio (total current assets including assets held for sale / total current liabilities) as at 30 June 2016 and 31 December 2015 was approximately 1.07 and 0.2, respectively. Liquidity ratio was improved due to attraction of funds during new shares' issue.

The table below summarises the maturity profile of the Group's financial liabilities as at 30 June 2016 and 31 December 2015 based on contractual undiscounted payments.

	On demand	Less than 3 months	4 to 12 months	2 to 5 years	More than 5 years	Total
Interest bearing borrowings	-	290	866	8,219	15,150	24,525
Trade and other payables	-	136	-	-	-	136
Provision for onerous contract	-	52	115	21	-	188
Other liabilities	22	1	-	-	-	23
Balance as at 30 June 2016	22	479	981	8,240	15,150	24,872
Interest bearing borrowings	-	321	1,795	24,830	-	26,946
Trade and other payables	-	5,759	-	-	-	5,759
Provision for onerous contract	-	87	175	89	-	351
Other liabilities	-	286	-	-	-	286
Balance as at 31 December 2015	-	6,543	1,970	24,919	-	33,342

AB INVL BALTIC REAL ESTATE**INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016**

(all amounts are in EUR thousand unless otherwise stated)

14 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, and joint ventures.

The Group's transactions with related parties during six months ended 30 June 2016 and related half year-end balances were as follows:

1st Half Year 2016 Group	Revenue and other income from related parties	Purchases and interest from related parties	Receivables from related parties	Payables to related parties
AB Invalda INVL (accounting services)	-	5	-	1
AB Invalda INVL (borrowings)	-	58	-	-
Subsidiaries of AB Invalda INVL (maintenance and repair services)	-	211	-	12
Subsidiaries of AB Invalda INVL (rent, utilities and other)	108	3	2	-
Subsidiaries of AB Invalda INVL (distribution of new shares)	-	187	-	-
	<u>108</u>	<u>464</u>	<u>2</u>	<u>13</u>

During 1st half year of 2016 the Group has received EUR 800 thousand of loans from AB "Invalda INVL". During 1st half year of 2016 the Group has repaid the loans with accrued interest (amount of EUR 1,501 thousand was repaid in cash and amount of EUR 6,219 thousand was offset against the new shares subscribed during the public offering).

During 1st half year of 2016 to the Board members, which are shareholders of the Company, were paid EUR 43 thousand of dividends, net of tax. To the entities, which are controlled by the Board members, were paid EUR 203 thousand of dividends, net of tax. To the natural persons related to the Board members the Company paid EUR 127 thousand of dividends, net of tax. To AB Invalda INVL the Company paid EUR 253 thousand of dividends, net of tax.

The Group's transactions with related parties during six months ended 30 June 2015 and related half year-end balances were as follows:

1st Half Year 2015 Group	Revenue and other income from related parties	Purchases and interest from related parties	Receivables from related parties	Payables to related parties
AB Invalda INVL (accounting services)	-	5	-	1
AB Invalda INVL (borrowings)	-	117	-	5,434
Subsidiaries of AB Invalda INVL (maintenance and repair services)	-	180	-	45
Subsidiaries of AB Invalda INVL (rent and utilities)	17	-	1	-
Subsidiaries of AB Invalda INVL (purchase of inventories)	-	50	-	-
Subsidiaries of AB Invalda INVL (services to issuer)		3		
	<u>17</u>	<u>355</u>	<u>1</u>	<u>5,480</u>

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

Latvian entities were joint ventures of the Group as at 31 December 2014 and became subsidiary from 1 July 2015. The carrying amount of loans granted to them as at 30 June 2015 was EUR 7,217 thousand. From 1 January till 30 June 2015 the Group has received EUR 49 thousand as repayment of these loans granted. Interest income of loans granted to joint ventures for 1st half year of 2015 was EUR 101 thousand.



INVL BALTIC REAL ESTATE, AB

CONSOLIDATED INTERIM REPORT FOR 6 MONTHS OF 2016

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 12 August 2016.

Translation note:

This version of the Consolidated Interim Report for 6 months of 2016 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	3
1. Reporting period for which the report is prepared	3
2. General information about the Issuer and other companies comprising the Issuer's group	3
2.1. Information about the Issuer	3
2.2. Information on company's goals, philosophy and strategy	3
2.3. Information about the Issuer's group of companies	3
2.3.1. Real estate objects owned by group companies in Vilnius (Lithuania)	4
2.3.2. Real estate objects owned by group companies in Riga (Latvia)	8
3. Agreements with intermediaries on public trading in securities	8
4. Information on Issuer's branches and representative offices	8
II. INFORMATION ABOUT SECURITIES	9
5. The order of amendment of Issuer's Articles of Association	9
6. Structure of the authorized capital	9
6.1. Information about the Issuer's treasury shares	9
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	9
8. Shareholders	11
III. ISSUER'S MANAGING BODIES	12
9. The managing bodies of the Issuer	12
10. Information about the Audit Committee of the company	14
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	15
IV. INFORMATION ABOUT THE ISSUER'S AND ITS GROUP COMPANIES' ACTIVITY	15
12. Overview of the Issuer and its group activity	15
12.1. Operational environment conditions	15
12.2. Significant Issuer's and its group events during the reporting period and since the end of it, affect on the financial statement	16
The Company	16
The review of the important group events, operations and business development	16
Key figures of INVL Baltic Real Estate, AB group	17
13. A description of the principal risks and uncertainties	18
14. Significant investments made during the reporting period	18
15. Information on the related parties' transactions	18
16. Activity plans and forecast of the Issuer and it's group	18

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 2016 and ending on 30 June 2016. 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	152105644
Address	Gyneju str. 14, LT-01109, Vilnius, Lithuania
Telephone	+370 5 279 0601
Fax	+370 5 279 0530
E-mail	breinfo@invl.com
Website	bre.invl.com
Legal form	public joint-stock company
Date and place of registration	28 January 1997; 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 28 January 1997. On 17 August 2015 the company was reorganized in the manner of joining, merging the company to public joint-stock company Invaldos Nekilnojamojo Turto Fondas, which after the reorganization became successor to all rights and obligations of the public joint-stock company INVL Baltic Real Estate, including the name, and continues its operations under a new name as a public joint-stock company INVL Baltic Real Estate. The former parent company and the group were established on 29 April 2014 on the basis of a part of assets split-off from Invalda INVL, AB (former name Invalda LT, AB, code 121304349). 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 profit on investments in commercial real estate by ensuring the growth of leasing income and steadily developing the potential of existing properties, taking advantage of their location. The companies owned by INVL Baltic Real Estate, AB have investments in office, warehouse and manufacturing properties in Lithuania and Latvia. INVL Baltic Real Estate manages about 58 square metres of real estate in Vilnius and Riga – mostly business centres and other commercial premises. These properties have high occupancy rates and generate stable cash flows. In addition, some of them have further development potential. INVL Baltic Real Estate has approved a dividend policy which stipulates the annual payment of dividend per share of no less than EUR 0.012.

Shares of INVL Baltic Real Estate are listed on the Baltic Secondary List of Nasdaq Vilnius, AB stock exchange since 16 September 2015. Before the reorganization the former parent company has been listed on the NASDAQ Vilnius, AB exchange since 4 June 2014.

On 6 May 2016 the Board of INVL Baltic Real Estate applied to the Bank of Lithuania for issuance of the closed-end investment company license.

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 2016.

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 centres at Seimyniskiu str. 1a, Seimyniskiu str. 3, A.Juozapaviciaus str. 6, Slucko str. 2 in Vilnius

IBC Business Centre – 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 centre consists of two buildings, in which about 7,100 sq. m. are being leased (the total area of buildings – 11,400 sq. m). The centre owns 250 spots parking lot in the protected courtyard, also in the two-storey covered and underground garages. IBC Business Centre is being constantly developed, more and more services are offered each year.

Block F basic information:

Total area: 4,500 sq. m

Leased area: 3,800 sq. m

Land area: 1.47 ha (total area of the IBC complex)

Property market value, 31 December 2015: EUR 6.6 million



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, 31 December 2015: EUR 5.5 million



IBC Class B business centre consists of 4 buildings, in which about 10,600 sq. m of different purpose premises are being leased (the total area of buildings – 11,300 sq. m). The centre owns 200 spots parking lot in the protected courtyard.

The IBC business centre has a development opportunity; detailed plan of the area is prepared.

Block A basic information:

Total area: 2,100 sq. m

Leased area: 1,900 sq. m

Land area: 1.47 ha (total area of the IBC complex)

Property market value, 31 December 2015: EUR 2.1 million



Block B basic information:

Total area: 7,400 sq. m

Leased area: 7,200 sq. m

Land area: 1.47 ha (total area of the IBC complex)

Property market value, 31 December 2015: EUR 6.6 million



Block C basic information:

Total area: 200 sq. m
 Leased area: 200 sq. m
 Land area: 1,47 ha (total area of the IBC complex)
 Property market value, 31 December 2015: EUR 0.2 million



Block D basic information:

Total area: 1,600 sq. m
 Leased area: 1,300 sq. m
 Land area: 1.47 ha (total area of the IBC complex)
 Property market value, 31 December 2015: EUR 1.3 million



Office building at Palangos str. 4/Vilniaus str. 33, Vilnius

Business centre 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 centre, 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.

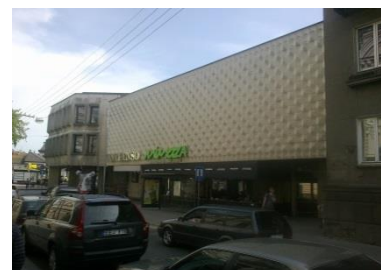
Block A basic information:

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, 31 December 2015: EUR 4.4 million



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, 31 December 2015: EUR 2.9 million



Zygio Business Centre – office building at J. Galvydzio str. 7 / Zygio str. 97, Vilnius

Zygio business centre – 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 centres, 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 centres – Domus Gallery, Parkas, Hyper Rimi, Banginis-Senukai, are located near the business centre. Distance to the centre of Vilnius is about 3.5 km. 70 spots covered parking lot is installed next to the building.

Basic information:

Total area: 3,200 sq. m
 Leased area: 2,600 sq. m
 Land area: 0.60 ha
 Property market value, 31 December 2015: EUR 3.04 million



Vilnius Gates Business centre, Gyneju str. 14, Vilnius

This building beside the main street of Vilnius – Gedimino Prospektas – and one of the capital's key transport arteries – Geležinio Vilko Street – stands out not just for its great location but also for its architectural concept.

INVL Baltic Real Estate owns two floors of premises in this complex – they start from the playful inverted glass frustum edifice with a restaurant on the ground floor and continue along Gynėjų Street, also including 55 parking spaces in the underground car park. The company acquired these premises in late 2015. The building is under restructuring at the moment. This will help to meet the needs of tenants better.

Basic information:

Total area: 8,100 sq. m
 Leased area: 6,400 sq. m
 Land area: 0.26 ha
 Property market value, 31 December 2015: EUR 10.28 million



Office building at Kirtimų str. 33, Vilnius

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, 31 December 2015: EUR 0.78 million

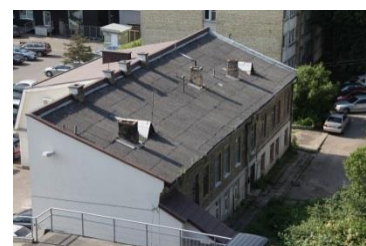


Residential house at Kalvariju str. 11, Vilnius (Rovelija, UAB)

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, 31 December 2015: EUR 0.52 million



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

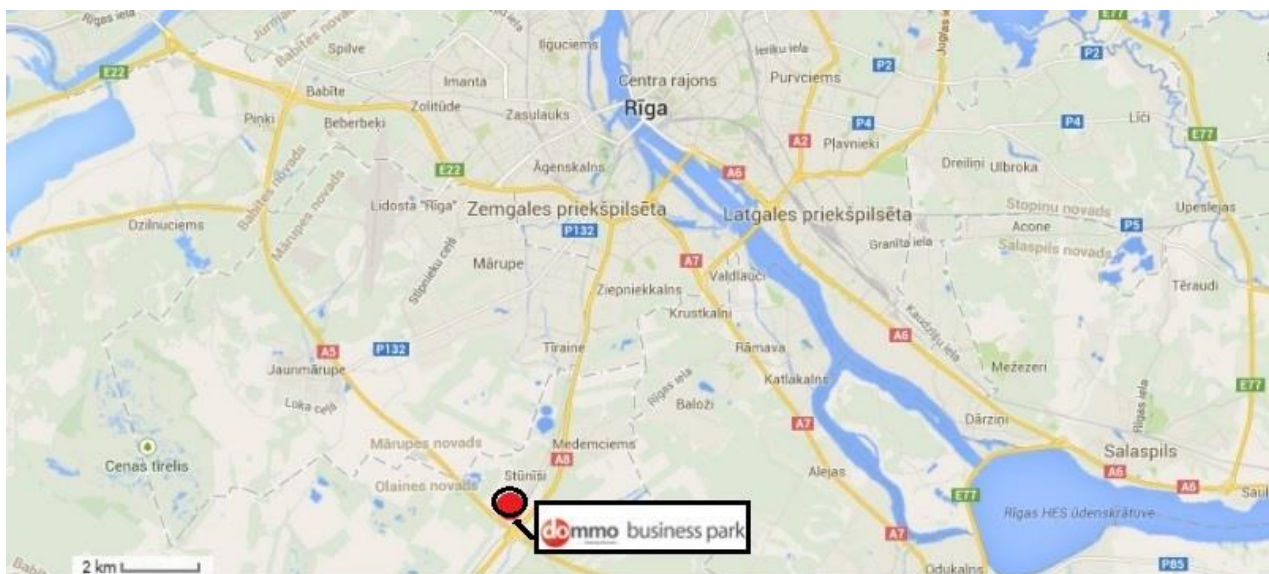


Fig. 2.3.3. Real estate objects owned by group companies of INVL Baltic Real Estate, AB in Riga (Latvia)

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 centre of Riga and the airport is 13 km, the port - 16 km. The area is suitable for the development of logistics centres.

Basic information:

- Total area: 12,800 sq. m
- Leased area: 12,600 sq. m
- Land area: 58.21 ha
- Property market value: EUR 8.03 million



3. Agreements with intermediaries on public trading in securities

INVL Baltic Real Estate has signed these agreements with this intermediary:

- SIAuli bankas (Seimyniskiu str. 1A, Vilnius, Lithuania. tel. +370 5 203 2233) – the agreement on management of securities accounting, the market maker services agreement and dividend payment agreement.

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 8 March 2016, which entered into force after the new share issue placement.

6. Structure of the authorized capital

Table 6.1. Structure of INVL Baltic Real Estate, AB authorised capital as of 30 June 2016.

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	65,750,000	65,750,000	0.29	19,067,500	100

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

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	65,750,000
Shares with voting rights, units	65,750,000
Nominal value, EUR	0.29
Total nominal value, EUR	19,067,500
ISIN code	LT0000127151
Name	INR1L
Exchange	NASDAQ Vilnius
List	Baltic Secondary list
Listing date	04.06.2014

Company has signed a market-making agreement with Šiaulių bankas, AB on 1 March 2016.

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

	6 months of 2014*	6 months of 2015	6 months of 2016
Share price, EUR			
- open	2.000	1.840	0.399
- high	2.120	1.910	0.447
- low	1.900	1.600	0.380
- medium	1.999	1.859	0.402
- last	1.900	1.890	0.390
Turnover, units	2,357	10,446	233,109
Turnover, EUR	4,650.59	19,364.22	93,827.97
Traded volume, units	25	95	216

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

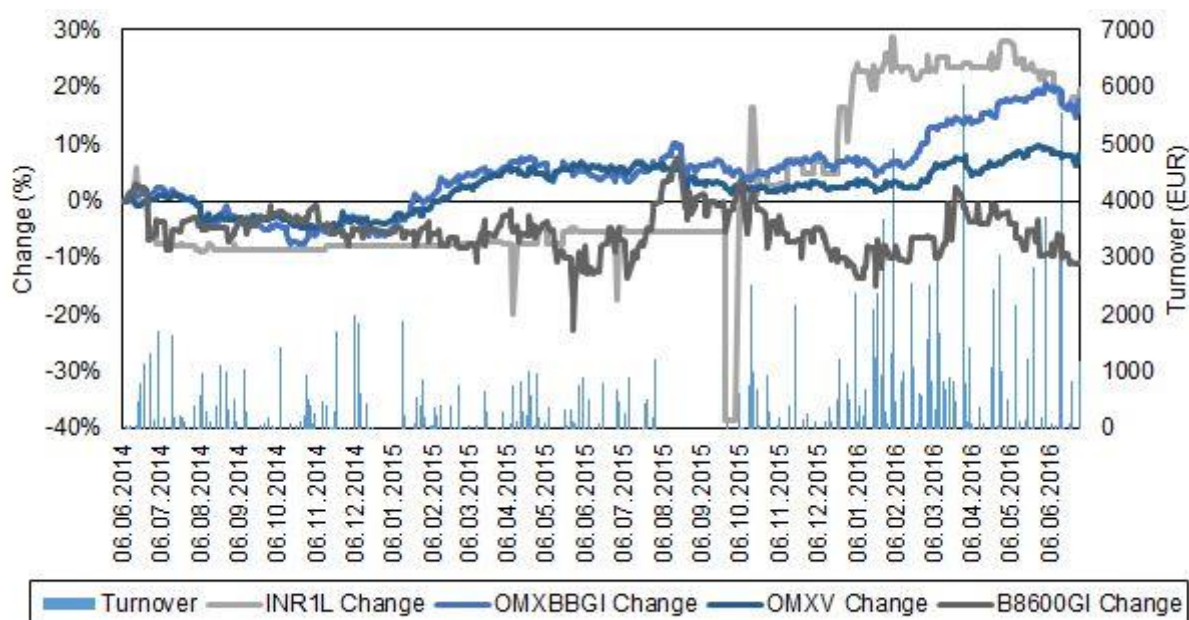


Fig. 7.3. Turnover of INVL Baltic Real Estate, AB shares, change of share price and indexes

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 2016.

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	13,158,474	20.01	20.01	0	20.01
Irena Ona Mišeikienė	12,492,979	19.00	19.00	0	19.00
Invalda INVL, AB code 121304349, Gynėjų str. 14, Vilnius	21,089,449	32.08	32.08	0	32.08
Alvydas Banys	3,318,198	5.05	5.05	21.33 ¹	26.38
Indrė Mišeikytė	862,873	1.31	1.31	25.07 ²	26.38
Egidijus Damulis	5,000	0.01	0.01	26.37 ³	26.38

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

There are no shareholders entitled to special rights of control.

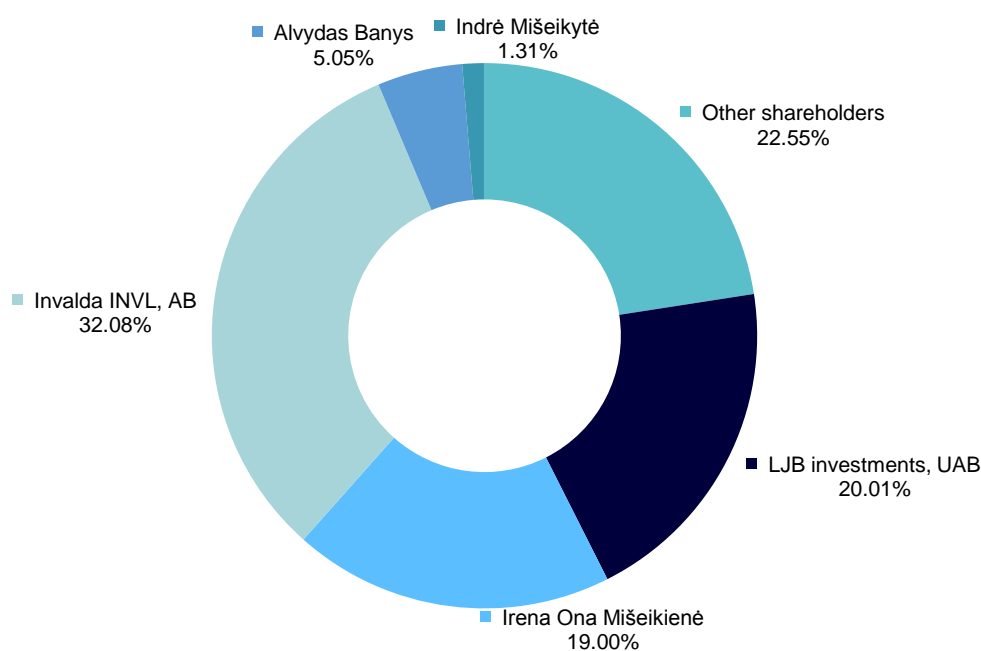


Fig. 8.2. Votes as of 30 June 2016

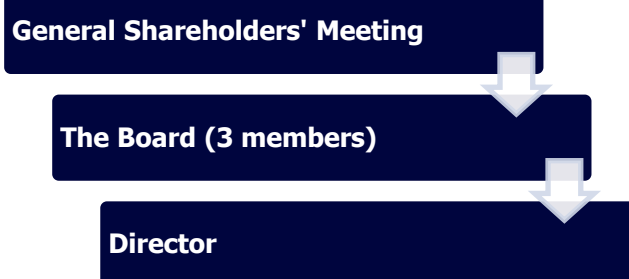
¹ According to section 1 item 6 and section 2 of article 24 of the Law on Securities of the Republic of Lithuania, Alvydas Banys is considered to hold the voting rights of the controlled company UAB LJB Investments and the voting rights of AB INVL Baltic Real Estate managers Egidijus Damulis and Indre Miseikyte.

² According to section 2 of article 24 of the Law on Securities of the Republic of Lithuania, Indre Miseikyte is considered to hold the voting rights of INVL Baltic Real Estate managers Alvydas Banys and Egidijus Damulis.

³ According to section 2 of article 24 of the Law on Securities of the Republic of Lithuania, Egidijus Damulis is considered to hold the voting rights of INVL Baltic Real Estate managers Alvydas Banys and Indre Miseikyte.

III. ISSUER'S MANAGING BODIES

9. The managing bodies of the Issuer



The governing bodies of INV L 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.

General Shareholders Meeting elected Alvydas Banys, Andrius Dauksas and Indre Miseikyte to the Board of the company for 4 (four) years term of office on 10 August 2015. Till 3 January 2016 the Board consisted of Chairman of the Board Alvydas Banys and members of the Board Indre Miseikyte and Andrius Dauksas. This Board was also the Board of the Former Parent Company before the reorganization. Due to the resignation of Andrius Dauksas since 3 January 2016, the General Shareholders Meeting of 15 January 2016 elected Egidijus Damulis to the Board of the company till the end of office of the current Board.

By the decision of the Board of INV L Baltic Real Estate, Andrius Dauksas was elected to the position of CEO of INV L Baltic Real Estate from 17 August 2015 and held this position till 3 January 2016. Andrius Dauksas also was the CEO of Former Parent Company. Since 4 January 2016 Egidijus Damulis replaced Andrius Dauksas who has submitted a notice of resignation from CEO position.



Alvydas Banys – Chairman of the Board

The term of office	From 2015 until 2019
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 2013 Invalda LT, 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 INV L Baltic Real Estate, AB	Personally: 3,318,198 units of shares, 5.05% of authorised capital, 5.05% of votes. Together with controlled company LJB Investments: 16,476,672 units of shares, 25.06% of authorized capital, and 25.06% of votes. Total votes together with other Board members of INV L Baltic Real Estate – 26.38%.
Participation in other companies	Invalda INV L, AB – Chairman of the Board INV L Baltic Farmland, AB – Chairman of the Board Litagra, UAB – Member of the Board



Indrė Mišeikytė – Member of the Board

The term of office	From 2015 untill 2019
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: 862,873 units of shares, 1.31% of authorised capital - 2% of votes 1.31 Total votes together with other Board members of INVL Baltic Real Estate – 26.38%.
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



Egidijus Damulis – Member of the Board (since 15.01.2016), director (since 04.01.2016)

The term of office	From 2016 untill 2019
Educational background and qualifications	ISM University of Management and Economics and BI Norwegian Business School, Executive MBA. Vilnius University International Business School, International Business and Economics. Kaunas University of Technology, Informatics and Digital Technologies. Qualification as a Property and Business Appraiser Assistant.
Work experience	Since January 2016 - INVL Baltic Real Estate – CEO Since December 2007 - Oslo Namai, UAB – CEO 2008-2016 - Eicore, UAB – CEO Since May 2001 - Selvaag Lietuva, UAB – CEO
Owned amount of shares in INVL Baltic Real Estate, AB	Personally: 5,000 units of shares; 0.01% of authorised capital and votes. Total votes together with other Board members of INVL Baltic Real Estate – 26.38 %.
Participation in other companies	Baltic Sea Properties AS - Member of the Board Lithuanian Real Estate Development Association (LNTPA) - 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 1 July 2013 No. 20130701/20.

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 General Shareholders Meeting which took place on 10 August 2015 decided to elect Danute Kadanaitė, the lawyer at Legisperitus, UAB and Tomas Bubinas (independent member), Chief Operating Officer at Biotechpharma, UAB to the Audit Committee of INVL Baltic Real Estate, AB for the 4 (four) years term of office. They were also the members of the Audit Committee of Former Parent Company.



Danutė Kadanaitė – Member of the Audit Committee

The term of office	Since 2015 until 2019
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	-



Tomas Bubinas – Independent Member of the Audit Committee

The term of office	Since 2015 until 2019
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) 2004 – 2010 CFO for Baltic countries. Teva Pharmaceuticals 2001 – 2004 CFO. Sicom Biotech 1999 – 2001 Senior Manager, PricewaterhouseCoopers 1994 – 1999 Senior Auditor, Manager, Coopers & Lybrand.
Owned amount of shares in INVL Baltic Real Estate	-

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.

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) during the reporting period.

The calculated remuneration to the director of the Company totalled to EUR 22,598, on the average EUR 3,766 per month.

The payment for the company providing accounting services during the reporting period amounted to EUR 5,503.

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. The Board members, which are shareholders of the Company, were paid EUR 43 thousand of dividends, net of tax. The entities, which are controlled by the Board members, were paid EUR 203 thousand of dividends, net of tax. Natural persons, who are related to the Board members of the company, were paid EUR 127 thousand of dividends, net of tax.

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

During the first half of 2016 marked positive trends in the commercial real estate market in Lithuania. There was a higher number of transactions, activity in commercial real estate developments was noticed in Vilnius and Kaunas. Based on data from State Enterprise Centre of Registers, the number of non-residential property contracts signed during the first quarter of 2016 was 25% higher compared to the same period in 2015.

Based on Ober-Haus 2016 Q1 commercial real estate report, there was zero no business centers opened in Vilnius during the first quarter of 2016. Consequently, total vacancy rate remained the same at 4.1%. However, 6 new business centers are planned to be opened this year which will add 82,600 m² to total office space. The number is almost as high as in the record-breaking 2008, when 90,000 m² new office space was established. Half of all additional office space in 2016 is pre-leased already.

Rent prices of modern commercial offices in Vilnius have increased by 45% on average during the last 6 years. Despite this, slowing economic growth is likely to cool off such growth levels in 2016. During the first half of 2016 no significant changes to rent price levels were recorded – Class A offices rent for 13.5-16.5 EUR/m², Class B for 8.0-13.0 EUR/m². According to Saulius Vagonis, Head of Valuation & Analysis in Ober-Haus, 9-10 new commercial objects are likely to be opened in 2017 which will add 80,000 m² to office space supply in Vilnius. In order to keep vacancy rate stable, demand for office space will have to increase. Based on Giedrius Brūzgė, Property Administration Team manager in JSC Eika, modern and high-standard offices will be easily filled by migrating companies – a trend that started in 2016 and will continue next year. So far new commercial areas were successfully filled by expanding service centers. However, it is still possible that the competition in the office segment will significantly increase, if the expansion of service centers will pause but the supply remain increasing.

Vilnius industrial real estate market does not show much activity in 2016 so far. Ober-Haus Real Estate Market Report 2016 indicates that two new logistics centers for the use of constructing companies will be opened in Vilnius this year. It will add 7,400 m² new warehouse space to the market. In early 2016, warehouse rent rates in Vilnius were the same as in Riga – modern warehouses rent for 3.5 EUR/m², old warehouses for 1.5-3.0 EUR/m². It is likely that no big changes to supply and demand are coming in 2016 and vacancy rate will remain at 3-4%. Thus, the industrial real estate market will be stable.

There were no significant changes to commercial property in the first half of 2016 in Riga. Based on Ober-Haus Real Estate Market Report 2016, only 5,100 m² new office space was opened. Vacancy rate has decreased from 6,7% in Q1 to 4.7% in Q2. Class A offices rent for 13.0-16.0 EUR/m², Class B for 9.0-12.0 EUR/m². On the strategically convenient Via Baltica Route, "VGP Park Kekava" logistics center was partially opened which added 20,000 m² to the market. Fully built, it will contain 60,000 m² total area.

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 January 2016 INVL Baltic Real Estate published the presentation of the new issue of shares for the investors.
- On 15 January 2016 INVL Baltic Real Estate announced decisions of the General Shareholders Meeting. During the meeting of the public joint-stock company INVL Baltic Real Estate the Shareholders approved the dividend policy and elected Egidijus Damulis, who replaced the resigned member Andrius Daukšas, to the Board of the company till the end of office of the current Board.
- On 27 January 2016 the company announced preliminary operating results and factsheet for 12 months of 2015. Unaudited consolidated net profit of the AB INVL Baltic Real Estate company group and the part of profit attributable to the shareholders of AB INVL Baltic Real Estate was EUR 4.1 million.
- On 29 January 2016 INVL Baltic Real Estate informed about the completed EUR 7.5 million transaction to acquire 6,500 square metres of commercial and office premises at the Vilnius Gates complex.
- On 2 March 2016 INVL Baltic Real Estate announced that has signed a market-making agreement with Šiaulių Bankas, which has undertaken to act as market maker for the company's shares to increase their liquidity.
- On 7 March 2016 INVL Baltic Real Estate announced the notification on the final number of allocated shares and allocation thereof.
- On 9 March 2016 INVL Baltic Real Estate informed that on 8 March 2016 the increased authorized capital of the Company and its new wording of Articles of Association has been registered with the Register of Legal Entities.
- On 14 March 2016 INVL Baltic Real Estate announced the received Notifications about acquisition and disposal of voting rights.
- On 18 March 2016 INVL Baltic Real Estate announced about the cost of Public Offering.
- On 5 April 2016 INVL Baltic Real Estate announced consolidated audited results of INVL Baltic Real Estate group of 2015. At the end of 2015, Audited consolidated net profit as well as consolidated net profit attributable to shareholders of INVL Baltic Real Estate amounted to EUR 4,096 thousand. The audited net profit of INVL Baltic Real Estate, AB for 2015 amounted to EUR 3,282 thousand.
- On 27 April 2016 AB INVL Baltic Real Estate, AB announced decisions of the General Shareholders Meeting. During the meeting the Shareholders were presented with the consolidated annual report of the Company and independent auditor's report on the financial statements, approved the consolidated and companies financial statements for 2015, approved the distribution of the profit of the Company and decided to purchase com. Information about convened General Shareholders Meeting was published on 5 April 2016.
- On 27 April 2016 AB INVL Baltic Real Estate announced the annual information (consolidated and Company's financial statements, consolidated annual report) and the confirmation of responsible persons of INVL Baltic Real Estate for the year 2015.
- On 6 May 2016 the Board of INVL Baltic Real Estate applied to the Bank of Lithuania for issuance of the closed-end investment company license.
- On 10 May 2016 AB INVL Baltic Real Estate announced that an unaudited consolidated net profit for 3 months of 2016, the unaudited consolidated net profit of the AB INVL Baltic Real Estate group and the part of profit attributable to the shareholders of AB INVL Baltic Real Estate was EUR 341 thousand, the revenue was EUR 1,618 thousand.
- On 23 May 2016 AB INVL Baltic Real Estate announced information about the procedure for the payout of dividends for the year 2015.
- On 25 May 2016 INVL Baltic Real Estate, AB has received notification on the disposal of voting rights from the shareholder Lucrum investicija, UAB. An event changing the breakdown of voting rights - disposal of voting rights according to the shares sale-purchase agreement.

The review of the important group events, operations and business development

The real estate investment company INVL Baltic Real Estate had a net profit in the first half of this year of EUR 0.6 million, or EUR 0.01 per share. The company's revenue for the period was EUR 3.1 million, of which EUR 1.8 million was from the owned leasing properties. Compared to the first half of last year, the company's net profit increased 36 per cent, revenue grew 14 per cent, and revenue from owned leasing properties rose 35 per cent.

INVL Baltic Real Estate's equity capital at the end of the first half of this year was EUR 27.157 million, or EUR 0.41 per share. During the second quarter INVL Baltic Real Estate paid out dividends of EUR 0.012 per share (in total EUR 789 thousand).

During the first half of 2016 a lot of attention has been given to the 6,400 square metres Vilnius Gates complex that was acquired in January of this year and now is implementing its new concept. Completion of the first phase of reconstruction of the Vilnius Gates service and business centre is planned already in August 2016. It is calculated that after reorganization the leasable area of the space at the complex will increase from 6,400 to 7,200 square metres. Premises on the ground floor are being adapted for service centres, restaurants and health and wellness services, while the first floor will be dedicated to exclusive offices. Their attractiveness will be enhanced not only by large windows looking out over the Neris River and Geležinio Vilko Street, but also by additional skylights that are being installed to ensure natural light. Here, in the Vilnius Gates premises, the 'Rise Vilnius' innovation and IT start-up space of British bank Barclays was officially opened in July 2016.

Having completed a 9-million-euro share offering in March 2016, INVL Baltic Real Estate is steadily pursuing the goal of becoming a closed-end investment company (UTIB). In early May, the board of INVL Baltic Real Estate applied to the Bank of Lithuania for a UTIB license. On obtaining that status, the company's management would be transferred in a trust arrangement to INVL Asset Management, part of one of the leading Baltic asset management groups Invalda INVL.

Key figures of INVL Baltic Real Estate, AB group

Balance sheet, million EUR	31 12 2015	30 06 2016
Investment properties	51.8	51.8
Other non-current assets	0.8	0.8
Cash	0.4	0.7
Other current assets	1.5	1.3
TOTAL ASSETS	54.5	54.6
Borrowings from credit institutions	17.8	21.9
Borrowings from Invalda INVL	6.8	-
Other liabilities	11.3	5.5
TOTAL LIABILITIES	35.9	27.4
EQUITY	18.6	27.2
<i>Equity per share, EUR</i>	<i>0.43</i>	<i>0.41</i>
Profit (loss) statement, million EUR	01 01 2015 – 30 06 2015	01 01 2016 – 30 06 2016
Revenue	2.7	3.1
<i>from own properties</i>	1.3	1.8
<i>from subleased properties</i>	0.8	0.8
<i>other revenue</i>	0.6	0.5
Profit before taxes	0.5	0.7
Net profit	0.4	0.6
<i>Earnings per share, EUR</i>	<i>0.01</i>	<i>0.01</i>

Portfolio, , thousand EUR	30 06 2015	30 06 2016
Operational Property investments	31,375	46,355
Property Investment redevelopment	2,473	1,720
Other investment properties	-	3,735
Rent Income during six months	2,143	2,539
NOI (Net Operating Income) during six months*	733	952
NLA (Net Leasable Area), m ²	42,076	48,135

Borrowings	30 06 2015	30 06 2016
Borrowings, thousand EUR	20,534	21,939
Borrowings to value of investment properties*	60.7	42.3
Gearing ratio*	0.57	0.44
Interest coverage ratio*	2.54	3.36
Bank's Debt Service Coverage Ratio*	2.05	1.83

* <http://bre.invl.com/lit/en/for-investors/formulas-of-performance-indicators>

13. A description of the principal risks and uncertainties

During the six months of 2016 of this year there were no material changes from the information about the principal risks and uncertainties disclosed in the latest annual report.

14. Significant investments made during the reporting period

On 29 January 2016 INVL Baltic Real Estate, AB completed EUR 7.5 million transaction to acquire 6,500 square metres of commercial and office premises at the Vilnius Gates complex. The reconstruction of the acquired building was started in the second quarter of this year. Completion of the first phase of the reconstruction of Vilnius Gates service and business centre is planned in August 2016.

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 2016.

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

INVL Baltic Real Estate, AB applied 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



Egidijus Damulis