

# 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@invalidalt.com">realestate@invalidalt.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.invalidalt.com/en/main/news/Material\\_events?ID=929](http://www.invalidalt.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)

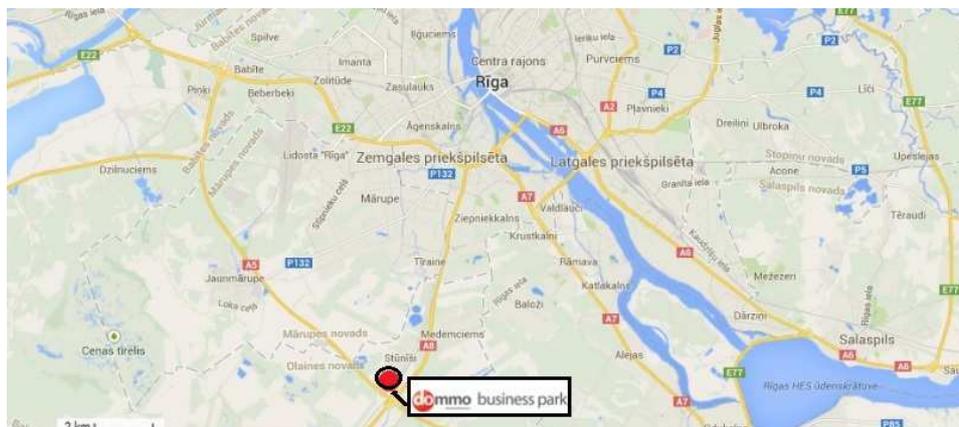


Fig. 2.3.3. Real estate objects owned by group companies of INVL Baltic Real Estate, AB in Riga (Latvia)

*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.

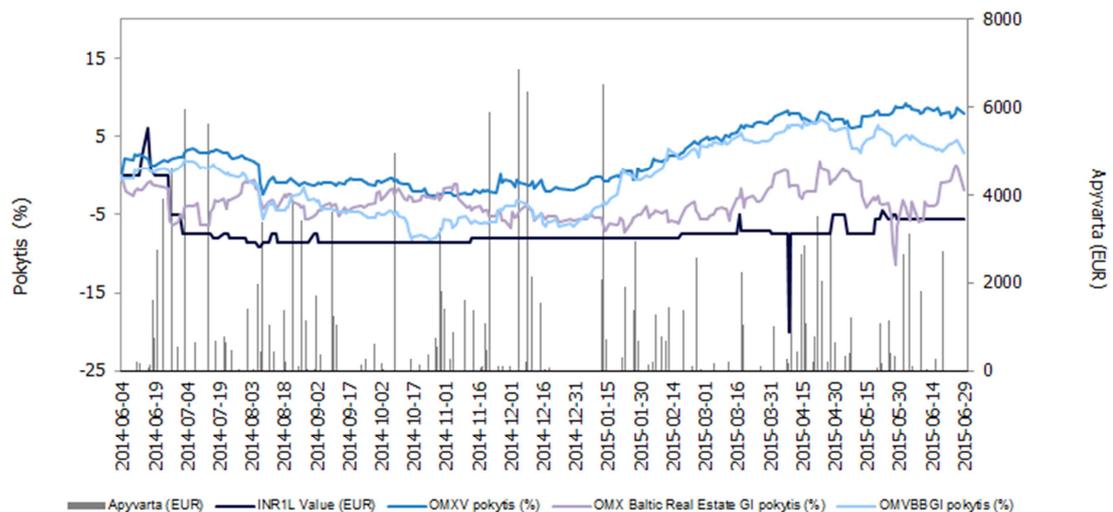


Fig. 7.3. Turnover of INVL Baltic Real Estate, AB shares, change of share price and indexes

# 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.

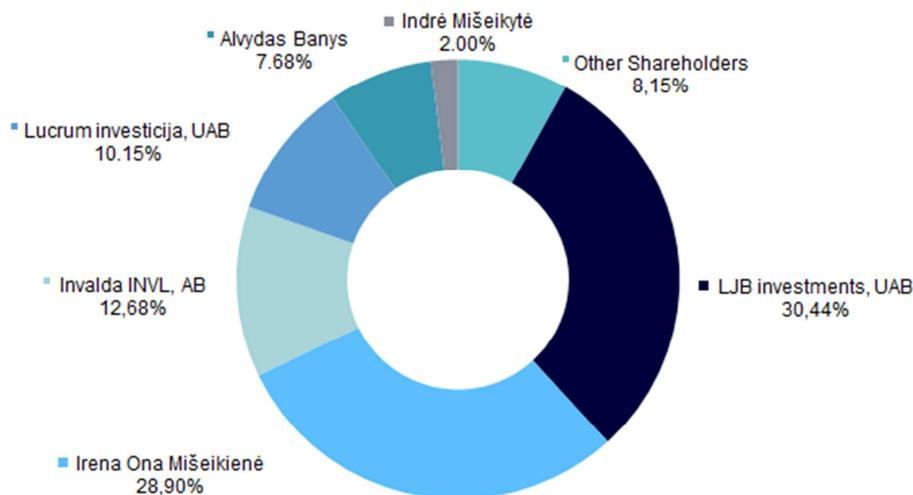


Fig. 8.2. Votes as of 30 June 2015

<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 Sulnis 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.

# INVL Baltic Real Estate

## 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	-

# INVL Baltic Real Estate

## **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