

# AB INVL BALTIC REAL ESTATE

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

**AB INVL BALTIC REAL ESTATE**

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

(all amounts are in EUR thousand unless otherwise stated)

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**GENERAL INFORMATION**

**Board of Directors**

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

**Management**

Mr. Andrius Daukšas (director)

**Address and company code**

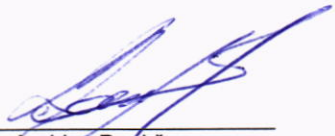
Šeimyniškių Str. 1A,  
Vilnius,  
Lithuania

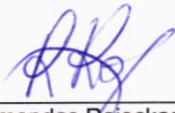
Company code 303299735

**Banks**

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

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

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

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

## AB INVL BALTIC REAL ESTATE

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

(all amounts are in EUR thousand unless otherwise stated)

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## Management report

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

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

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

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

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

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

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

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

(all amounts are in EUR thousand unless otherwise stated)

**Interim consolidated income statements**

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

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

(all amounts are in EUR thousand unless otherwise stated)

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

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

**AB INVLT BALTIC REAL ESTATE**

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

(all amounts are in EUR thousand unless otherwise stated)

**Interim consolidated statement of financial position**

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

**AB INVL BALTIC REAL ESTATE**

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

(all amounts are in EUR thousand unless otherwise stated)

**Consolidated statements of changes in equity**

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

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

**AB INVL BALTIC REAL ESTATE**

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

(all amounts are in EUR thousand unless otherwise stated)

**Consolidated statement of cash flows**

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



## AB INVL BALTIC REAL ESTATE

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

(all amounts are in EUR thousand unless otherwise stated)

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## Notes to the interim condensed financial statements

### 1 General information

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

The Company's address is as follows:

Šeimyniškių str. 1A,  
Vilnius,  
Lithuania.

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

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

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

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

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

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

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

## **2 Accounting policies**

### **Basis of preparation**

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

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

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

### **Significant accounting policies**

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

#### *IFRIC 21 Levies*

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

#### *Annual Improvements to IFRSs 2013*

The improvements consist of changes to four standards.

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

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

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

(all amounts are in EUR thousand unless otherwise stated)

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

Analysis of revenue by category:

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

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

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

Expenses and provisions

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

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

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

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

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**4 Finance costs**

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

**5 Income tax**

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

**6 Investment properties**

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

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

**7 Loans granted**

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

Borrowings are denominated in euro.

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

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

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

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

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

Acquisition of the rights to the group of Latvian entities

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

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

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

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

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

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

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

**9 Related party transactions**

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

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

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

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

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

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

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

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**10 Events after the reporting period**

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