



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.

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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

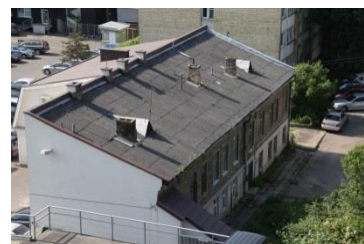

Residential house at Kalvariju str. 11, Vilnius (Rovelija, UAB)

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)

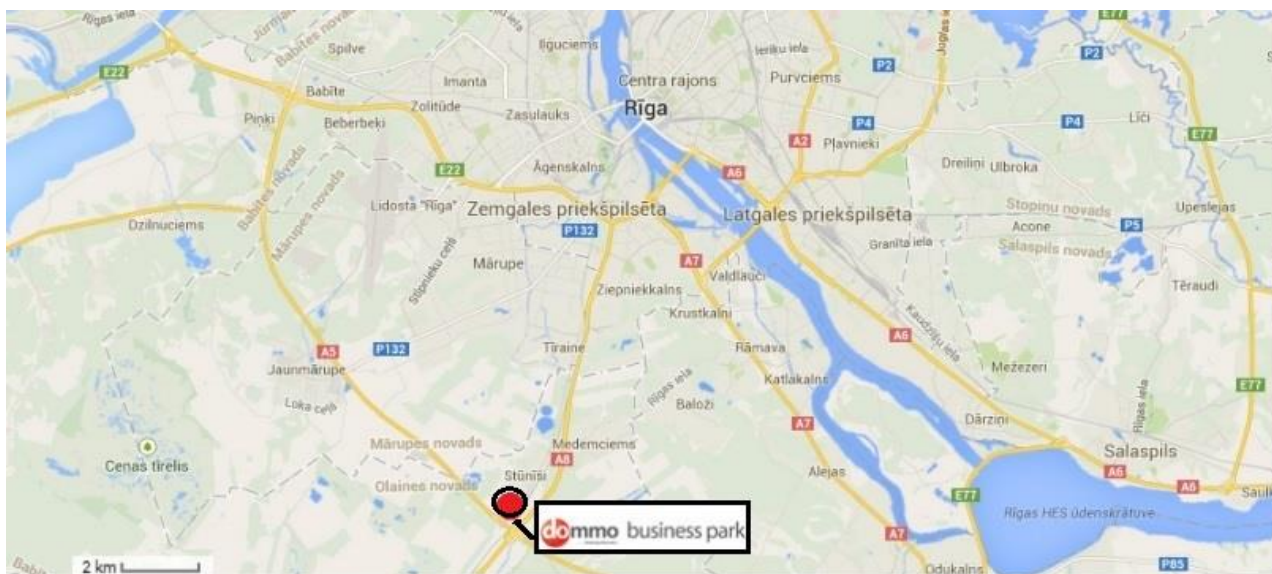


Fig. 2.3.3. Real estate objects owned by group companies of INVL Baltic Real Estate, AB in Riga (Latvia)

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:

- Siauliu 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

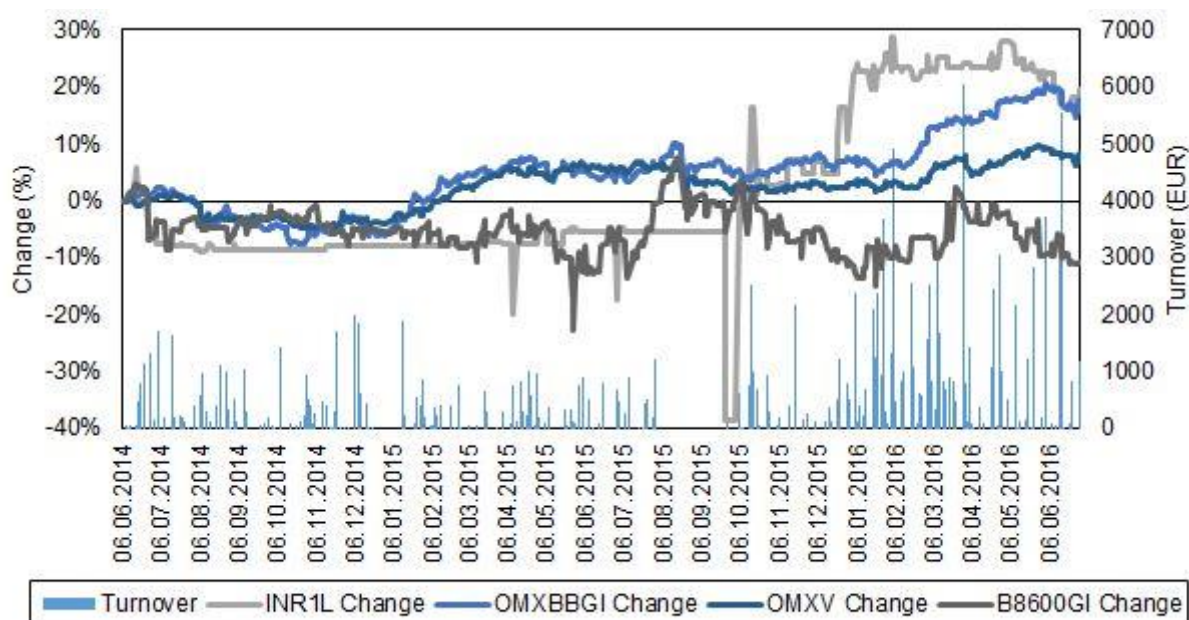
Shares issued, units	65,750,000
Shares with voting rights, units	65,750,000
Nominal value, EUR	0.29
Total nominal value, EUR	19,067,500
ISIN code	LT0000127151
Name	INR1L
Exchange	NASDAQ Vilnius
List	Baltic Secondary list
Listing date	04.06.2014

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
Invalida 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.

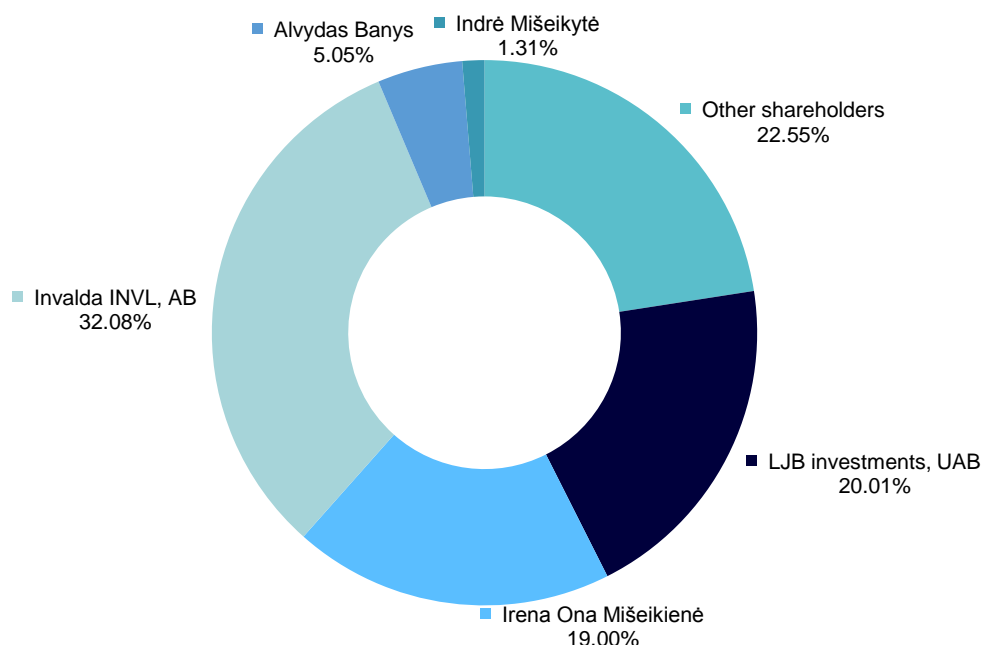


Fig. 8.2. Votes as of 30 June 2016

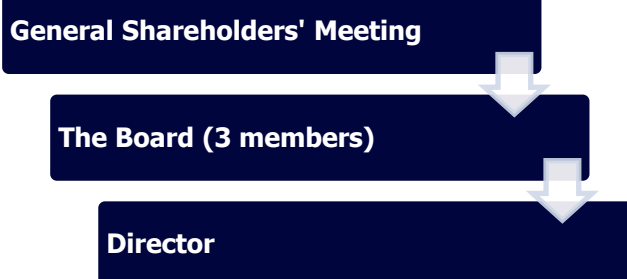
¹ According to section 1 item 6 and section 2 of article 24 of the Law on Securities of the Republic of Lithuania, Alvydas Banys is considered to hold the voting rights of the controlled company UAB LJB Investments and the voting rights of AB INVL Baltic Real Estate managers Egidijus Damulis and Indre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

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 Miseikytė and Andrius Dauksas. This Board was also the Board of the Former Parent Company before the reorganization. Due to the resignation of Andrius Daukšas 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 INVL Baltic Real Estate, Andrius Daukšas was elected to the position of CEO of INVL Baltic Real Estate from 17 August 2015 and held this position till 3 January 2016. Andrius Daukšas also was the CEO of Former Parent Company. Since 4 January 2016 Egidijus Damulis replaced Andrius Daukšas 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 INVL 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 INVL Baltic Real Estate – 26.38%.
Participation in other companies	Invalda INVL, AB – Chairman of the Board INVL 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. Sicor 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 INV L Baltic Real Estate published the presentation of the new issue of shares for the investors.
- On 15 January 2016 INV L Baltic Real Estate announced decisions of the General Shareholders Meeting. During the meeting of the public joint-stock company INV L 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 INV L Baltic Real Estate company group and the part of profit attributable to the shareholders of AB INV L Baltic Real Estate was EUR 4.1 million.
- On 29 January 2016 INV L 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 INV L 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 INV L Baltic Real Estate announced the notification on the final number of allocated shares and allocation thereof.
- On 9 March 2016 INV L 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 INV L Baltic Real Estate announced the received Notifications about acquisition and disposal of voting rights.
- On 18 March 2016 INV L Baltic Real Estate announced about the cost of Public Offering.
- On 5 April 2016 INV L Baltic Real Estate announced consolidated audited results of INV L 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 INV L Baltic Real Estate amounted to EUR 4,096 thousand. The audited net profit of INV L Baltic Real Estate, AB for 2015 amounted to EUR 3,282 thousand.
- On 27 April 2016 AB INV L 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 INV L Baltic Real Estate announced the annual information (consolidated and Company's financial statements, consolidated annual report) and the confirmation of responsible persons of INV L Baltic Real Estate for the year 2015.
- On 6 May 2016 the Board of INV L Baltic Real Estate applied to the Bank of Lithuania for issuance of the closed-end investment company license.
- On 10 May 2016 AB INV L Baltic Real Estate announced that an unaudited consolidated net profit for 3 months of 2016, the unaudited consolidated net profit of the AB INV L Baltic Real Estate group and the part of profit attributable to the shareholders of AB INV L Baltic Real Estate was EUR 341 thousand, the revenue was EUR 1,618 thousand.
- On 23 May 2016 AB INV L Baltic Real Estate announced information about the procedure for the payout of dividends for the year 2015.
- On 25 May 2016 INV L 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 INV L 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