



**INVALDA** **INVL**

**Invalda INVL, 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. 03-50 of the Board of the Bank of Lithuania passed on 28 February 2013

**Translation note:**

**This version of the Annual Report is a translation from the original, which was prepared in Lithuanian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version takes precedence over this translation.**

**CONTENTS**

I. General Information .....	4
1. Reporting period for which the report is prepared .....	4
2. General information about the Issuer and other companies comprising the Issuer's group .....	4
2.1. Information about the Issuer .....	4
2.2. Information on company's goals, philosophy and strategy .....	4
2.3. Information about the Issuer's group of companies .....	4
3. Agreements with intermediaries on public trading in securities.....	5
4. Information on Issuer's branches and representative offices .....	5
II. Information About Securities .....	6
5. The order of amendment of Issuer's Articles of Association .....	6
6. Information about Issuer's authorised capital .....	6
6.1. Structure of the authorized capital .....	6
6.2. Information about the Issuer's treasury shares.....	6
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 .....	7
8. Shareholders.....	9
8.1. Information about shareholders of the company .....	9
III. Issuer's Managing Bodies .....	10
9. Structure. authorities. the procedure for appointment and replacement .....	10
10. Information about the Audit Committee of the company .....	12
11. Information on the amounts calculated by the Issuer. other assets transferred and guarantees granted to the Members of the Board, the president and CFO .....	13
IV. Information about the Issuer's and its Group Companies' activity.....	14
12. Overview of the Issuer's and its group activity. their performance and business development.....	14
12.1. Operational environment.....	14
12.2. Significant Issuer's and its group events during the reporting period .....	15
12.4. Significant group events during the reporting period, the impact on the financial statements ...	16
The asset management business .....	17
Other investments .....	19
13. Issuer's and its group companies' performance results .....	24
14. A description of the principal risks and uncertainties .....	25
15. Information on the related parties' transactions.....	25
16. Significant investments made during the reporting period .....	25
17.1. Evaluation of implementation of goals for 2016.....	25
17.2. Activity plans and forecasts .....	25

## TABLES AND FIGURES

Table 1. Structure of Invalda INVL, AB authorised capital as of 30 June 2016 .....	6
Table 2. Main characteristics of Invalda INVL, AB shares admitted to trading .....	7
Table 3. Trading in Invalda INVL, AB shares .....	7
Table 4. Shareholders who held title to more than 5% of Invalda INVL, AB authorised capital and/or votes as of 30 June 2016.....	9
Table 5. Baltic stock market results.....	14
Table 6. Key economics indicators.....	15
Table 7. Global GDP forecast .....	15
Table 8. Results of the asset management.....	18
Table 9. Results of Litagra, UAB group.....	19
Table 10. Results of the facility management .....	21
Table 11. Main items of financial statements, thousand EUR .....	24
Table 12. Calculation of the net asset value of Invalda INVL, AB.....	24
Figure 1. The group companies of Invalda INVL, AB as of 30 June 2016.....	5
Figure 2. Turnover of Invalda INVL shares and share price .....	8
Figure 3. Invalda INVL share price and indexes change .....	8
Figure 4. Votes as of 30 June 2016 .....	9
Figure 5. Results of investment funds managed by INVL Asset Management.....	17
Figure 6. Results of the 2nd pillar pension funds managed by INVL Asset Management.....	17
Figure 7. Results of the 3rd pillar pension funds managed by INVL Asset Management.....	18
Figure 8. Structure of Litagra group .....	19
Figure 9. Share price and turnover of Šiaulių bankas during the first half of 2016 .....	20
Figure 10. Services and activity location of facility management sector companies .....	21
Figure 11. Real estate objects owned by group companies of INVL Baltic Real Estate, AB in Vilnius (Lithuania).....	22
Figure 12. Real estate objects owned by group companies of INVL Baltic Real Estate, AB in Riga (Latvia) .....	22
Figure 13. Geography of INVL Technology portfolio companies' .....	23

## I. GENERAL INFORMATION

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

The report is prepared for 6 months of 2016 (January – June). but material events of the Issuer and its group that took place after the reporting period are disclosed 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 company Invalda INVL
Code	121304349
Adress	Gynėjų str. 14, LT-01109 Vilnius, Lithuania
Telephone	+370 5 279 0601
Fax	+370 5 279 0530
E-mail	<a href="mailto:info@invaldainvl.lt">info@invaldainvl.lt</a>
Website	<a href="http://www.invaldainvl.lt">www.invaldainvl.lt</a>
Legal form	The public joint-stock company
Date and place of registration	20 March 1992. Register of Enterprise of Vilnius
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

Invalda INVL, operating since 1991, is one of the leading asset management groups in the Baltic region.

The companies it owns in Lithuania and Latvia manage pension funds (2nd and 3rd pillar), investment and real estate funds, individual portfolios, private equity and other financial instruments. Invalda INVL also directly owns private equity investments. Company seeks to continuously increase shareholder's property value.

Invalda INVL, AB started the activity in 1991 as the company Invalda, AB. From 1991 until 1997 it operated as a public investment company established during the state property privatization, which was implemented in accordance to the State Property Primary Privatization law of the Republic of Lithuania. From 1997 until 2003 the company operated as a licenced holding investment company (the license was issued by the Securities Commission of Lithuania). Company's equities have been traded on the NASDAQ Vilnius Exchange since 1995. 31 May 2013 the split-off procedure of Invalda, AB was completed and the company continued its activity under the new name of Invalda LT, AB. On May 2015 the company changed its corporate name to the public joint-stock company Invalda INVL.

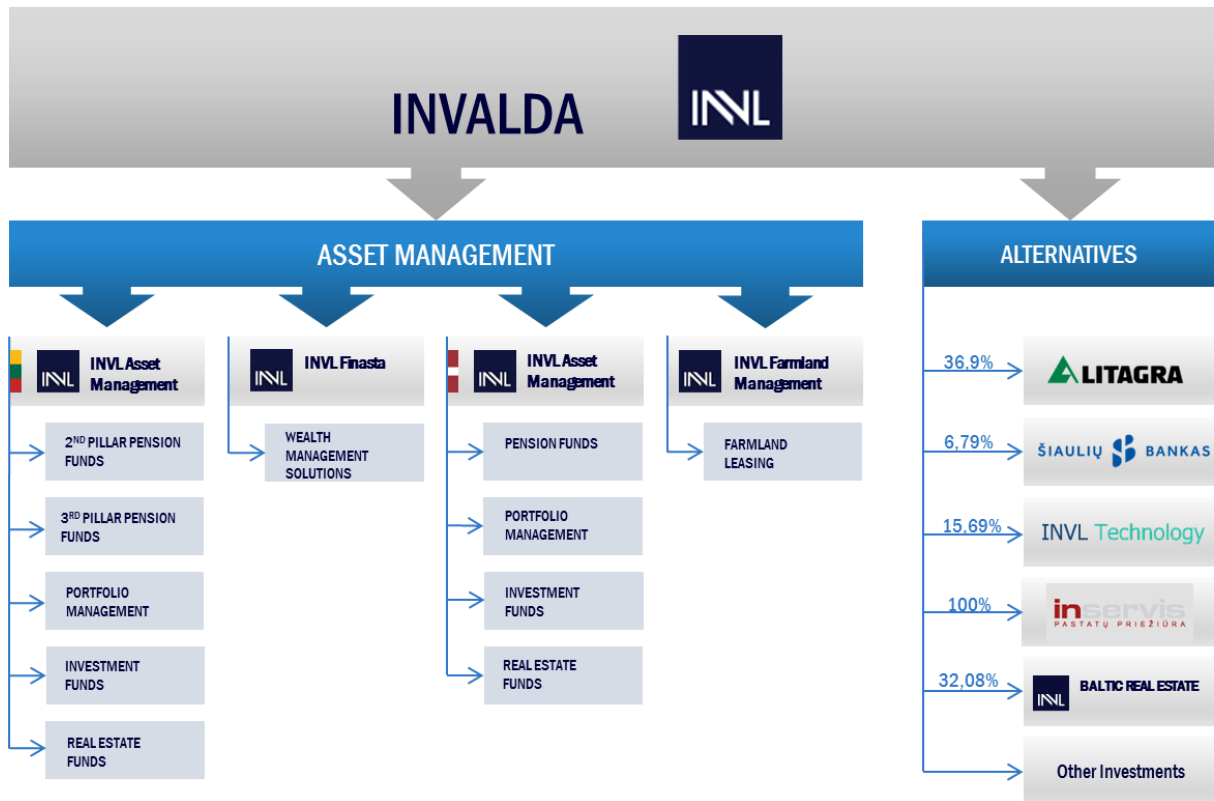
In 2014, Invalda INVL acquired MP Pension Funds Baltic and Finasta Asset Management's companies in Lithuania and Latvia. They managed pension accumulation funds. Finasta Asset Management also provided investment fund and private portfolio management services. With completion in October 2015 of the merger of INVL Asset Management, MP Pension Funds Baltic and INVL Fondai, now it is INVL Asset Management that operates in the market. More than 170 thousand clients in Lithuania and Latvia as well as international investors entrusted more than EUR 370 thousand assets to INVL group.

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

Currently, the largest part of Invalda INVL group assets is concentrated in Lithuania and Latvia. At the end of the reporting period the company acted in the field of asset management business and managed other private equity investments, operating in agricultural, facility management, real estate and banking areas.

The asset management business is the core of the company's strategic, while other investments may be sold receiving attractive offers.

Figure 1. The group companies of Invalda INVL, AB as of 30 June 2016



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

Invalda INVL, AB has signed agreements with these intermediaries:

- SIAULIU BANKAS, AB (Tilzes str. 149, Šiauliai, Lithuania; tel. +370 41 595 607) – the agreement on investment services, the agreement on management of securities accounting, the agreement on payment of dividends;
- DnB Bankas, AB (J. Basanaviciaus str. 26, Vilnius, Lithuania; tel. +370 5 239 3503) – the agreement on financial instruments account management, implementation of orders and offering recommendations;
- SEB Bankas, AB (Gedimino ave. 12, Vilnius, Lithuania; tel. +370 5 268 2370) – the agreement on management of securities account;
- Medicinos Bankas, UAB (Pamenkalnio str. 40, Vilnius, Lithuania; tel. +370 5 264 4845) - the agreement on management of securities account;
- Danske Bank A/S, Lithuania branch (Saltoniskiu str. 2, Vilnius, Lithuania; tel. +370 5 521 6666) - the agreement on investment services;
- FMI Orion Securities, UAB (A. Tumeno str. 4. (block B), Vilnius, Lithuania; tel. +370 5 231 3841) - the agreement on investment services;
- Bank Zachodni WBK S.A. (Rynek 9/11, 50-950 Wrocław, Poland; tel. +61 856 4445) – the agreement of intermediation;
- AB SEB Pank (Tornimae str. 2., 15010, Tallin, Estonia; tel. +372 6657 772) - the agreement of intermediation.

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

Invalda INVL, 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 Invalda INVL, AB may be amended by resolution of the General Shareholders' Meeting, if the decision is 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 11 May 2015. The document is published on the company's website.

### 6. Information about Issuer's authorised capital

#### 6.1. Structure of the authorized capital

**Table 1. Structure of Invalda INVL, 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	11,865,993	11,586,609	0.29	3,441,137.97	100

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

Invalda INVL group manages asset management company INVL Asset Management and financial brokerage company INVL Finasta. According to Lithuanian law, a natural or legal person (or persons acting in concert), indirectly willing to acquire or increase their shareholding in an asset management company (more than 20, 30 or 50 percent), have to obtain a decision from the Bank of Lithuania not to object this acquisition. This means that investors, willing to acquire more than 20 percent shareholding in Invalda INVL, AB, can do so only with a prior decision from the Bank of Lithuania.

Invalda INVL also owns asset management company INVL Asset Management in Latvia, therefore according Latvian Financial and Capital Market Commission restrictions under acquisition of the shareholding in Invalda INVL must be fulfilled as well.

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

During the reporting period the company implemented own share acquisition process for one time.

2 May 2016 Invalda INVL announced about acquisition of own shares. Share purchase started on 5 May 2016. Share purchase ended on 19 May 2016. Max number of shares to be acquired (units): 250,000. Share purchase price (EUR): 4.11 per share. On 19 May 2016 the company announced about the acquisition of 135,739 units of own shares (1.14 percent), EUR 557.88 thousand (without brokerage fee) were paid for the acquired shares on 23 May 2016.

The authorised capital of Invalda INVL is EUR 3,441,137.97. It is divided into 11,865,993 ordinary registered shares with nominal value EUR 0.29 each. Taking into consideration the fact that the shares own by the company does not give the voting rights, the total amount of shares with voting rights in Invalda INVL, AB (ISIN LT0000102279) equals to 11,586,609 units.

## 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 2. Main characteristics of Invalda INVL, AB shares admitted to trading**

Shares issued, units	11,865,993
Shares with voting rights, units	11,586,609
Nominal value	0.29 EUR
Total nominal value	3,441,317.97 EUR
ISIN code	LT0000102279
Name	IVL1L
Exchange	NASDAQ Vilnius
List	Baltic Secondary list Baltic Main List (from 1 January 2008 until 20 July 2015)
Listing date	19 December 1995
Indrawn into indexes	VILSE (OMX Vilnius Index) OMXBPI (OMX Baltic All Share Price Index) OMXBGI (OMX Baltic All Share Gross Index) B40PI (OMX Baltic Financials Price Index) B8000PI (OMX Baltic Financials PI) B8700PI (OMX Baltic Financial Services PI) B8000GI (OMX Baltic Financials GI) B8700GI (OMX Baltic Financial Services GI)

Company uses no services of liquidity providers.

**Table 3. Trading in Invalda INVL, AB shares**

	6 months of 2014	6 months of 2015	6 months of 2016
Share price, EUR			
- open	3.380	3.100	3.460
- high	3.490	3.700	4.080
- low	2.760	2.950	3.260
- medium	3.135	3.142	3.611
- last	2.910	3.600	3.870
Turnover, units	56,183	29,476	36,610
Turnover, EUR	179,688.43	98,141.11	130,523.26
Traded volume, units	314	188	222

Figure 2. Turnover of Invalda INVL shares and share price

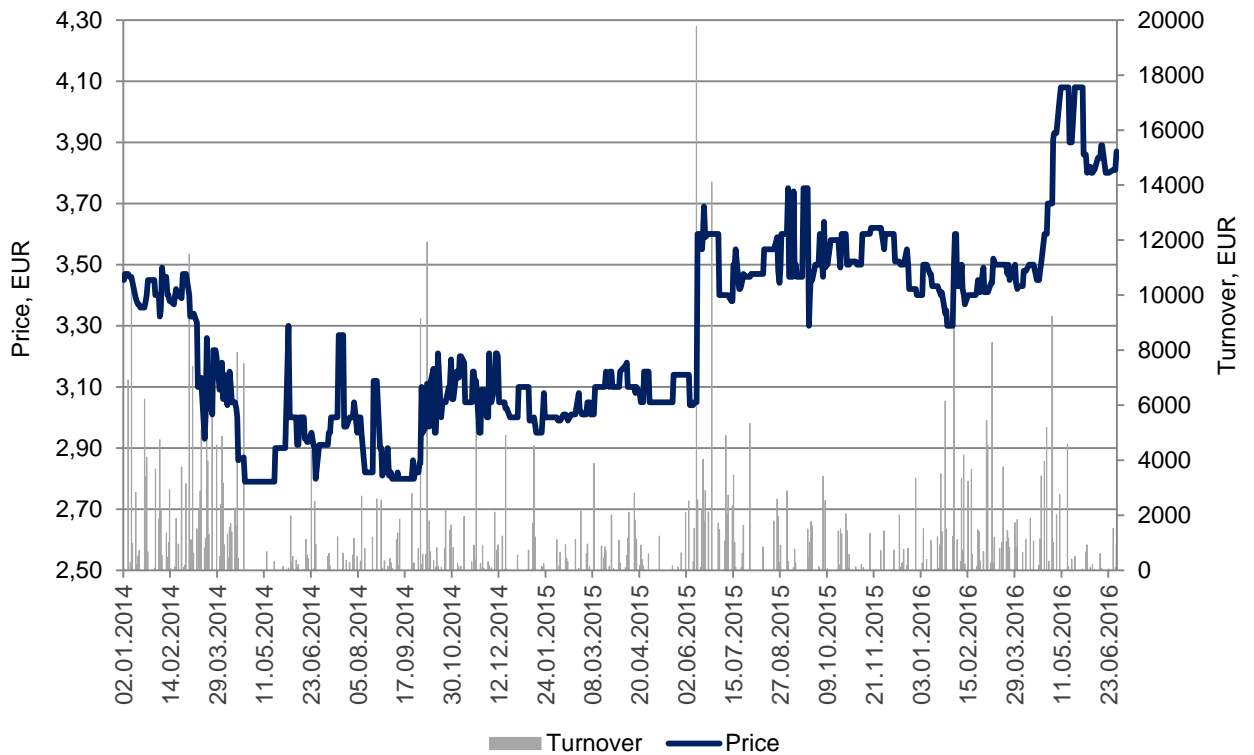
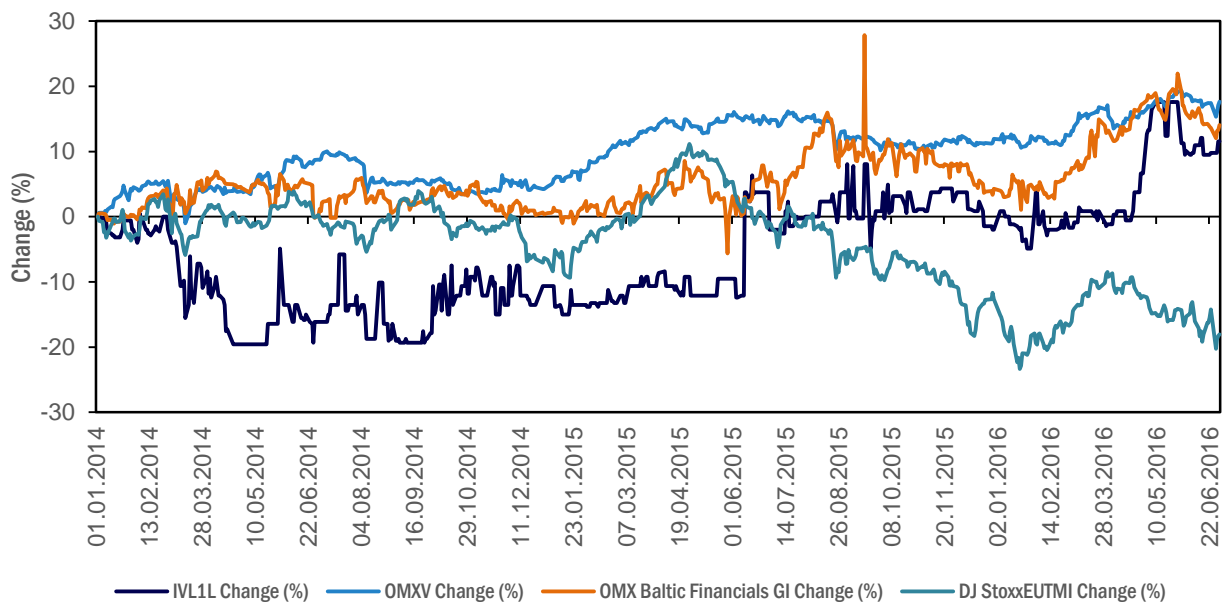


Figure 3. Invalda INVL share price and indexes change\*



\* OMX index is an all-share index which includes all the shares listed on the Main and Secondary lists on the NASDAQ OMX Vilnius with exception of the shares of the companies where a single shareholder controls at least 90% of the outstanding shares. The OMX Baltic Financial GI index is based on the Industry Classification Benchmark (ICB) developed by FTSE Group (FTSE). Dow Jones Stoxx EU Enlarged TMI index covers approximately 95% of the free float market capitalisation of the New Europe countries, including Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia and Slovenia.



## 8. Shareholders

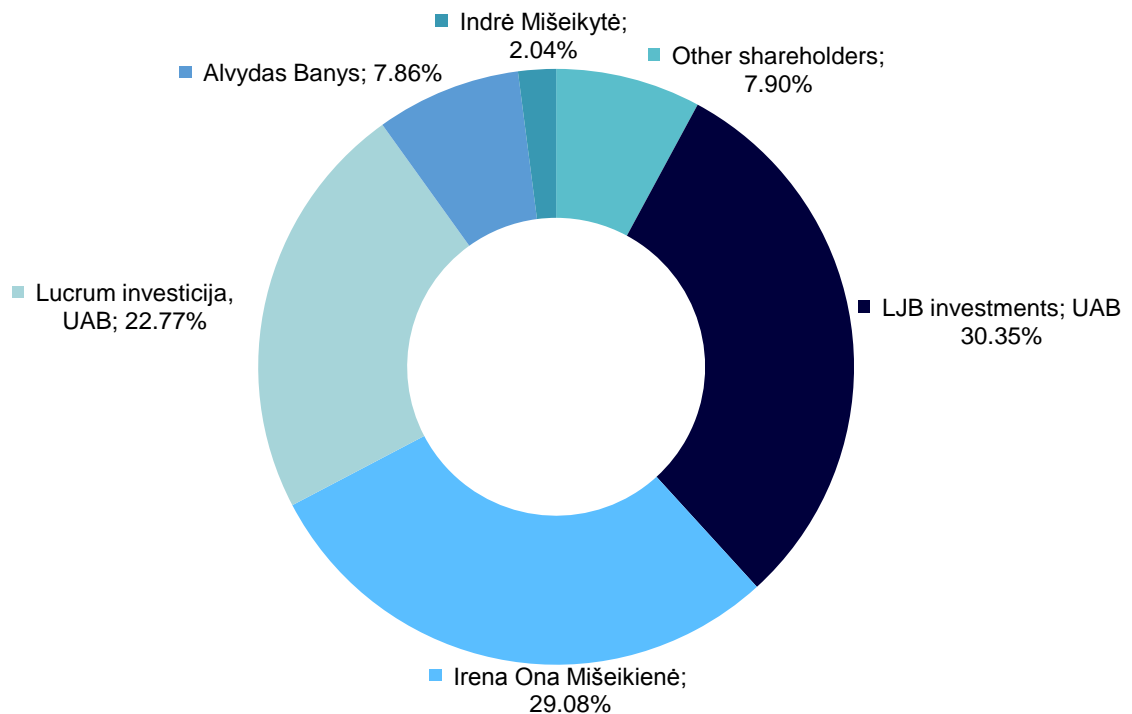
### 8.1. Information about shareholders of the company

The Shareholders of Invalda INVL, AB Alvydas Banys, LJB Investments, UAB, Irena Ona Mišeikienė, Indrė Mišeikytė, Darius Šulnis, Lucrum investicija, UAB, have signed the agreement on the implementation of a long-term corporate governance policy, so their votes are countable together .

**Table 4. Shareholders who held title to more than 5% of Invalda INVL, 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 (together with the persons acting in concert), %
LJB Investments. UAB code 300822575, Juozapavičiaus str. 9A, Vilnius	3,515,855	29.63	30.35	61.75	92.10
Irena Ona Mišeikienė	3,369,435	28.40	29.08	63.02	
Darius Šulnis	0	0.00	0.00	92.10	
Lucrum Investicija, UAB* code 300806471. Gynėjų str. 14, Vilnius	2,401,442	20.24	20.73	71.37	
Alvydas Banys	910,875	7.68	7.86	82.24	
Indrė Mišeikytė	236,867	2.00	2.04	90.06	

\*Lucrum Investicija, UAB has additionally 2.04 % of votes granted by the shares sold by the repurchase agreement.



**Figure 4. Votes as of 30 June 2016**

There are no shareholders entitled to special rights of control.

Invalda INVL, AB has no knowledge of any restriction on voting rights or mutual agreements between the shareholders, that might result in the restriction of shares transfer and (or) voting rights. There are no agreements to which the Issuer is a party and which would come into effect of being amended or terminated in case of change in the Issuer's control during the reporting period. 30 June 2016 the total number of shareholders exceeded 3,600.

### III. ISSUER'S MANAGING BODIES

#### 9. Structure. authorities. the procedure for appointment and replacement



The governing bodies of Invalda INVL, AB are: the General Shareholders' Meeting, sole governing body – the President, and a collegial governing body – the Board. The Supervisory Board is not formed.

The Board of Invalda INVL, AB was elected during the Extraordinary General Shareholders' Meeting on 28 May 2013. The Board was elected for the 4 years term of office. Mr. Banyas 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 President of the company on 22 May 2013.



**Alvydas Banyas – Chairman of the Board**

<b>The term of office</b>	<b>From 2013 until 2017</b>
<b>Educational background and qualifications</b>	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.
<b>Work experience</b>	Since 1 July 2013 Invalda INVL, AB - Advisor Since 2007 LJB Investments, UAB - Director Since 2007 JLB Property, UAB - Director 1996 – 2006 Invalda, AB - Vice President 1996 – 2007 Nenuorama, UAB - President
<b>Owned amount of shares in Invalda INVL, AB</b>	Personally: 910,875 units of shares. 7.68 % of authorised capital and 7.86 % votes; together with controlled company LJB Investments: 4,426,730 units of shares. 37.31 % of authorized capital and 38.21 % votes. Total votes together with persons acting in concert - 92.10 %.
<b>Participation in other companies</b>	INVL Baltic Farmland, AB – Chairman of the Board INVL Baltic Real Estate, AB – Chairman of the Board

Litagra, UAB – Member of the Board



**Indre Miseikyte – Member of the Board**

<b>The term of office</b>	<b>From 2013 until 2017</b>
<b>Educational background and qualifications</b>	Vilnius Gedimino Technical University. Faculty of Architecture. Master in Architecture.
<b>Work experience</b>	Since May 2012 Invalda INVL, AB - Advisor Since June 2013 Invalda Privatus Kapitalas, AB - Advisor Since 2002 Inreal Valdymas, UAB - Architect 2000 – 2002 Gildeta, UAB - Architect 1997 – 2000 Kremi, UAB - Architect 1996 – 2002 Invalda, AB - Architect 1996 – 1997 Gildeta, UAB - Architect 1994 – 1996 Vilniaus Baldai, AB - Architect
<b>Owned amount of shares in Invalda INVL, AB</b>	Personally: 236,867 units of shares. 2 % of authorised capital and 2.04 % votes. Total votes together with persons acting in concert - 92.10 %.
<b>Participation in other companies</b>	Invalda Privatus Kapitalas, AB – Member of the Board INVL Baltic Real Estate, AB – Member of the Board INVL Baltic Farmland, AB – Member of the Board



**Darius Sulnis – Member of the Board, the President**

<b>The term of office in the Board</b>	<b>From 2013 until 2017</b>
<b>Educational background and qualifications</b>	Duke University (USA). Business Administration. Global Executive MBA. Vilnius University. Faculty of Economics. Master in Accounting and Audit. Financial broker's license (general) No. A109.
<b>Work experience</b>	Since the beginning of 2015 – CEO of INVL Asset Management, UAB. 2006 – 2011 Invalda. AB – President. 2011 – 2013 Invalda. AB – Advisor. Since May 2013 Invalda INVL, AB – President. 2002 – 2006 Invalda Real Estate, UAB (current name Inreal Valdymas) – Director 1994 – 2002 FBC Finasta, AB – Director
<b>Owned amount of shares in Invalda INVL, AB</b>	Personally: 0 units of shares. 0.00 % of authorised capital and votes; together with controlled company Lucrum Investicija: 2,401,442 units of shares. 20.24 % of authorised capital. 22.77 % of votes (including votes granted by the shares transferred by the repurchase agreement). Total votes together with persons acting in concert - 92.10 %.

continued on the next page

**Participation in other companies**

INVL Asset Management, UAB – CEO, Chairman of the Board  
 INVL Asset Management, IPAS (Latvia) - Member of the Supervisory Board  
 INVL atklājais pensiju fonds, AS (Latvia) – Member of the Supervisory Board  
 Litagra, UAB – Member of the Board  
 INVL Baltic Farmland, AB – Member of the Board


**Raimondas Rajeckas – CFO**
**Educational background and qualifications**

Vilnius University, Faculty of Economics.

**Work experience**

Since 2006 Invalda LT, AB – CFO  
 2001 – 2006 Valmeda, AB – CFO  
 2000 – 2001 Galincius, AB – CFO  
 2000 – 2001 Invaldos Marketingas, UAB (current name Inreal Valdymas. UAB) – CFO  
 2000 – 2002 Gildeta, AB – Accountant  
 1998 – 2000 Invalda, AB – Accountant

**Owned amount of shares in Invalda INVL, AB**

-

**Participation in other companies**

Invalda INVL Investments, UAB – Director  
 Proprietas, UAB – Director  
 Aktyvo, UAB – Director  
 Aktyvus Valdymas, UAB – Director  
 Iniciatyvos Fondas, VSI – Director  
 MBGK, UAB – Director  
 MGK Invest, UAB – Director  
 RPNG, UAB – Director  
 Regenus, UAB – Director  
 Cedus Invest, UAB – Director  
 Cedus, UAB – Director  
 Group of companies Inservis, UAB – Member of the Board

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

The Audit Committee consists of 2 members. one of which is independent. The members of the Audit Committee are elected and dismissed by the General Shareholders' Meeting of Invalda INVL, AB for a term not exceeding 4 years. The main functions of the Audit Committee should be the following:

- provide recommendations to 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 process of preparation of financial reports of the company;
- monitor the efficiency of the internal control and risk management systems of the company. Once a year review the need of the internal audit function.
- monitor the implementation of the audit firm's recommendations and comments imposed by the Board and the manager of the company.

The Member of the Audit Committee of the company may resign from his post before the expiry of term of office, notifying the Board of the company in writing at least 14 calendar days in advance. When the Board of the Company

receives the notice of resignation and estimates all circumstances related to it. The Board may pass the decision either to convene the Extraordinary General Shareholders Meeting to elect the new member of the Audit Committee or to postpone the question upon the election of the new member of the Audit Committee until the nearest General Shareholders Meeting. In any case the new member is elected till the end of term of office of the operating Audit Committee.



**Danutė Kadanaitė – Member of the Audit Committee**

<b>The term of office</b>	<b>Since 2013 until 2017</b>
<b>Educational background and qualifications</b>	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
<b>Work experience</b>	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
<b>Owned amount of shares in Invalda INVL, AB</b>	-



**Tomas Bubinas – Independent Member of the Audit Committee**

<b>The term of office</b>	<b>Since 2013 until 2017</b>
<b>Educational background and qualifications</b>	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
<b>Work experience</b>	Since 2013 Chief Operating Officer of Biotechpharma, UAB. 2010 – 2012 Senior Director of TEVA Biopharmaceuticals (USA). 2004-2010 – TEVA Pharmaceuticals, Chief Financial Officer for the Baltic States. 2001-2004 – Sicom Biotech, Chief Financial Officer 1999 – 2001 Senior Manager of PricewaterhouseCoopers. 1994 – 1999 Senior Auditor, Manager of Coopers & Lybrand.
<b>Owned amount of shares in Invalda INVL, AB</b>	-

## 11. Information on the amounts calculated by the Issuer. other assets transferred and guarantees granted to the Members of the Board, the president and CFO

Within six months period of 2016 the calculated remuneration for the Board members of Invalda INVL, AB (as employees of the Company and including wages from the subsidiaries) amounted to EUR 107.1 thousand, that is on the average EUR 6.0 thousand per month for each member.

The calculated remuneration to the president of the Company (including wages from the subsidiaries) and CFO totalled to EUR 65.9 thousand, on the average EUR 5.5 thousand per month for each.

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 managers and CFO. On 29 April 2016 General Shareholders' Meeting of Invalda INVL has approved Invalda INVL Employee Stock Option Policy (hereinafter, the Policy) and authorised the Board of Invalda INVL to ensure the proper implementation of the Policy. In the Policy it is foreseen to offer Employees options contracts during the year 2016, on the basis of which according to the procedures and terms established in options contracts during the year 2019 Employees will be able to exercise the right to acquire 52,906 ordinary shares of Invalda INVL which nominal value is EUR 0.29, by paying for every acquired share 1 (one) euro. In order to the Policy provisions Invalda INVL signed options contract with CFO for 12,594 ordinary registered shares of Invalda INVL.

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

### 12. Overview of the Issuer's and its group activity. their performance and business development

#### 12.1. Operational environment

##### Lithuanian economy overview

Lithuania's economy grew 2.0% in the second quarter of 2016 compared with the same period of 2015, according to the Statistics Department's preliminary estimate. In a commentary published by the Bank of Lithuania, the senior economist at the Central Bank's Economics Department, Darius Imbrasas, said that while Lithuania's economic growth in the first half of 2016 may seem rather sluggish, the broader geopolitical situation must be kept in mind. The main reasons for the slower growth are the sanctions being applied to trade with Russia and the difficult economic situation in neighbouring eastern countries. Investments have also been limited by the fact that use of support funds from the new EU financial perspective is not yet up to speed. The Bank of Lithuania forecasts GDP growth of 2.6% for 2016, expecting a pick up in consumer purchasing power and investment.

Another economist at the Economics Department of the Bank of Lithuania, Nerijus Černiauskas, notes that growth of Lithuania's economy in the first half of 2016 was negatively impacted by a fall in the value of exports (by 2.4%). On the other hand, given that oil products constitute a large part of Lithuania's exports and their prices directly depend on the world market, if oil products are excluded then exports would show annual growth of 2.6%. Moreover, if the impact of re-exports is eliminated and only products of Lithuanian origin excluding oil products are considered, growth in the value of exports would be 4%.

Meanwhile, economic growth was salvaged by domestic consumption which was buoyed by falling unemployment. The jobless rate of 7.6% at the end of the second quarter was 2.6 percentage points lower than at the end of 2015, when it was 10.2%. The 12-month increase in the consumer price index at the end of June was 0.7%.

Forecasts by the Bank of Lithuania suggest the pace of Lithuania's economy in coming quarters should remain stable or accelerate somewhat due to an improving economic situation among key trading partners. The economy is forecast to expand 2.6% in 2016. The main positive factors supporting growth of the economy are likely to remain sustainable recovery of the euro-zone economies, expansion in industries focused on the domestic market, falling unemployment, rising average wages and rather stable prices. Of course, economic growth may also be impacted by uncertainty regarding the course of the global economy, which increased in recent months due to the UK's referendum on withdrawing from the EU.

Lithuania's equity market has performed well, though it has lagged significantly behind Estonia.

**Table 5. Baltic stock market results**

Index/shares	31.12.2015	30.06.2016	+/-%
OMX Tallinn	898.99	980.37	9.05
OMX Riga	594.35	620.68	4.43
OMX Vilnius	485.99	510.69	5.08

Source: NASDAQ OMX

**Table 6. Key economics indicators**

Rate	2013	2014	2015	2016
Real GDP, annual change (excluding seasonal and labour days, %)	3.7	3.0	1.6	2.8
Nominal GDP (LTL billion)	34.962	36.444	37.190	38.454
Retail trade turnover (at constant prices, excluding vehicle trade) annual change (%)	4.5	5.6	5.3	
CPI, annual change (%)	0.4	(0.3)	(0.1)	
HICP, annual average change (%)	1.2	0.2	(0.7)	0.3
Average monthly wage (4th quarter, EUR)	677.8	714.5	756.9	809.9
Annual change of average monthly wage (4th quarter, %)	4.8	5.4	5.9	7.0

Source: SEB bank.

**Table 7. Global GDP forecast**

Annual change, %	2014	2015	2016	2017
USA	2.4	2.4	1.9	2.5
Japan	(0.1)	0.6	0.5	0.5
Germany	1.6	1.7	1.7	1.8
China	7.3	6.9	6.5	6.3
Great Britain	2.9	2.3	1.9	2.3
Euro zone	0.9	1.6	1.7	1.8
Nordic countries	1.6	2.2	2.2	2.0
Baltic countries	2.8	1.8	2.6	3.1
Lithuania	3.0	1.6	2.8	3.2
Latvia	2.4	2.7	2.7	3.5
Estonia	2.9	1.1	2.0	2.4
Emerging markets	4.7	3.9	4.1	4.7
The World, PPP	3.4	3.1	3.1	3.7

## 12.2. Significant Issuer's and its group events during the reporting period

- On 7 March 2016 Invalda INVL AB informed having subscribed for the New Shares (15,546,663 shares for EUR 0.40 per share) of INVL Baltic Real Estate, AB have paid thereof by offsetting against the opposite homogeneous demands against the Company, arising from the loan agreements (for the amount of EUR 6,218,665.20). After the registration of newly issued shares Invalda INVL AB will own 32.1 percent of share capital in INVL Baltic Real Estate AB.
- On 8 March 2016 unaudited results of Invalda INVL, AB group for the 12 months of 2015 were announced: consolidated net profit attributable to shareholders of Invalda INVL, AB totalled to EUR 4.471 million, in the same period of 2014 it was EUR 4.027 million. Consolidated net profit totalled to EUR 4.471 million, in the same

period of 2014 it was EUR 4.010 million. The net profit of Invalda INVL, AB for the 12 months of 2015 amounted to EUR 4.767 million, in the same period of 2014 it was EUR 20.498 million.

- On 7 April 2016 Invalda INVL announced about convocation of the General Shareholders Meeting of Invalda INVL and draft resolutions. The agenda of the General Shareholders Meeting of the public joint stock company Invalda INVL includes: Presentation of the public joint-stock company Invalda INVL consolidated annual report; presentation of the independent auditor's report on the financial statements of the public joint-stock company Invalda INVL; on the approval of the consolidated and stand-alone financial statements for 2015 of the public joint-stock company Invalda INVL.; regarding the distribution of the public joint-stock company Invalda INVL profit for 2015; regarding purchase of own shares of the public joint-stock company Invalda INVL; on the approval of the public joint-stock company Invalda INVL Employee Stock Option Policy; regarding the specific number of ordinary registered shares of the public joint-stock company Invalda INVL for which during year 2016 employees shall be offered options contracts and regarding the price of the shares.
- On 7 April 2016 Invalda INVL, AB announced an audited results of Invalda INVL, AB group for the period for 2015, which showed that consolidated net profit attributable to shareholders of Invalda INVL, AB totalled to EUR 4.188 million. The net profit of Invalda INVL, AB for 2015 amounted to EUR 4.481 million.
- On 29 April 2016 the resolutions of General Shareholders meeting, which was held on the same day, were published.
- On 2 May 2016 Invalda INVL, AB announced that has signed Employee stock option contracts. On 29 April 2016 General Shareholders' Meeting of Invalda INVL has approved Invalda INVL Employee Stock Option Policy and authorized the Board of Invalda INVL to ensure the proper implementation of the Policy. In the Policy it is foreseen to offer Employees options contracts during the year 2016, on the basis of which according to the procedures and terms established in options contracts during the year 2019 Employees will be able to exercise the right to acquire 52,906 ordinary shares of Invalda INVL which nominal value is EUR 0.29, by paying for every acquired share 1 (one) euro. In order to the Policy provisions Invalda INVL signed options contracts with Employees for 52,906 ordinary registered shares of Invalda INVL.
- On 2 May 2016 announced that the Board of Invalda INVL, AB, taking into account the public joint stock company Invalda INVL has formed and not utilised the reserve for the purchase of own shares which is equal to EUR 10,570 million and considering the Resolution of the General Shareholders meeting held on 29 April 2016, initiates purchase of own ordinary registered EUR 0.29 (twenty nine euro cents) nominal value shares. The acquisition will be implemented through the market of official offer of NASDAQ Vilnius stock exchange. The purchase conditions were also announced.
- On 19 May 2016 Invalda INVL, AB finished the share buy-back. The company will purchase 1.14 % of own shares for the total amount of EUR 557,887.29 (without brokerage fees). Invalda INVL, AB could purchase up to 250.000 shares. During the share buy-back 135,739 units of shares were tendered. Every shareholder sold 100 % of offered shares for the price of EUR 4.11 per share. Share purchase procedure started from 5 May 2016 and was implemented through the market of official tender offers of NASDAQ Vilnius stock exchange until 19 May. The acquired shares will be settled on 23 May.
- On 23 May 2016 after the settlement of its own shares, there was announced that the total amount of voting rights in Invalda INVL equals to 11,586,609 units.
- On 31 May 2016 Invalda INVL, AB announced unaudited results of Invalda INVL, AB group for the 3 months of 2016. Consolidated net loss attributable to shareholders of Invalda INVL, AB amounted to EUR 0.18 million, consolidated equity capital for the 3 months of 2016 amounted to EUR 47.9 million, consolidated net loss totaled to EUR 0.18 million. The net loss of Invalda INVL, AB for the 3 months of 2016 amounted to EUR 0.1 million, equity capital of Invalda INVL, AB for the 3 months of 2016 amounted to EUR 48.4 million.

### 12.3. Significant Issuer's events since the end of the reporting period

- On 18 August 2016 it was published that Invalda INVL, AB, one of the Baltic region's leading asset management groups, together with its INVL Asset Management subsidiaries in Lithuania and Latvia, has become a full member of Invest Europe - the organisation that unites Europe's private equity and venture capital sectors and investors. Invest Europe represents the private equity, venture capital and infrastructure sectors of European countries, along with their investors. Its members take a long-term approach to investing in privately held companies, providing them not only with capital but also with innovation and expertise. Invest Europe also seeks to contribute constructively to policy affecting private capital investment in Europe. It conducts research on the industry and shares information with its members. Moreover, Invest Europe acts as the guardian of the industry's professional standards, setting requirements for its members in the areas of accountability, good governance and transparency.

### 12.4. Significant group events during the reporting period, the impact on the financial statements



**The asset management business**

Invalda INVL manages licensed asset management companies INVL Asset Management in Lithuania and Latvia, land administration company INVL Farmland Management and brokerage company INVL Finasta.



During the reporting period INVL Asset Management funds' portfolio changed: in June INVL Flexible Strategy Sub-Fund was merged to INVL Baltic Fund, on 1 July announced about the start of INVL Developing World Markets Bond sub-fund. This fund offers to invest in bonds world-wide and distribution and management fees are not applied until 2018.



FINASTA

On 14 July INVL Asset Management assumed the management of the closed-ended type investment company INVL Technology.



FARMLAND MANAGEMENT

INVL Asset Management pension funds, according to the information of the Bank of Lithuania, led in five out of seven categories according to the first half return: Second pillar funds earned the most among the small and average equity-share pension funds. The third pillar pension funds were the best in all categories - bonds, shares and mixed investment.

**Figure 5. Results of investment funds managed by INVL Asset Management**

INVESTMENT PRODUCT	RECOMMENDED MIN. INVESTMENT PERIOD, YEARS	INVESTMENT FUND	THE FIRST HALF OF 2016, %	THE LAST 5 YEARS, %
Investment fund	3-5	<a href="#">INVL Emerging Europe ex Russia TOP 20 Subfund</a>	-8.0 -9.1	-8.9 -39.2
		<a href="#">INVL Russia TOP20 Subfund</a>	25.8 21.1	-18.5 -36.0
		<a href="#">INVL Baltic Fund</a>	95 8.0	-3.1 30.8
	2	<a href="#">INVL Global Emerging Markets Bond Subfund</a>	Since 1 July 2016	Since 1 July 2016
	1-3	<a href="#">INVL Emerging Europe Bond Subfund</a>	3.9 5.5	29.6 32.5

**Figure 6. Results of the 2<sup>nd</sup> pillar pension funds managed by INVL Asset Management**

INVESTMENT PRODUCT	RECOMMENDED AGE, YEARS	PENSION FUNDS	THE FIRST HALF OF 2016, %	THE LAST 5 YEARS, %
II pillar pension fund	58-65	<a href="#">INVL STABILO II 58+</a>	1.5 1.5	24.0 15.0
	53-57	<a href="#">INVL MEZZO II 53+</a>	3.1 4.6	28.0 20.5
	47-52	<a href="#">INVL MEDIO II 47+</a>	1.6 3.5	32.6 49.2
	16-46	<a href="#">INVL EXTREMO II 16+</a>	-1.3 -0.1	37.4 48.8

**Figure 7. Results of the 3<sup>rd</sup> pillar pension funds managed by INVL Asset Management**

INVESTMENT PRODUCT	RECOMMENDED AGE	INVESTMENT FUND	THE FIRST HALF OF 2016, %	THE LAST 5 YEARS, %
III pillar pension funds	58-65 years	<u>INVL STABILO III 58+</u>		
	47-52 years	<u>INVL MEDIO III 47+</u>		
	16-46 years	<u>INVL EXTREMO III 16+</u>		
	16-46 years	<u>INVL III EQUITY</u>		

**Table 8. Results of the asset management**

EUR million (if not stated otherwise)	2014		2015		6 months of 2016	
	Lithuania	Latvia	Lithuania	Latvia	Lithuania	Latvia
Number of clients, units	113.7	48.0	118.2	48.5	120.2	51
Asset under management**	230.2	45.1	265.2	63.0	308.7	65.6
<i>2nd pillar pension funds</i>	155.2	40.5	179.0	45.7	195.3	50.4
<i>3rd pillar pension funds</i>	8.3	1.2	10.6	1.2	11.8	1.1
<i>Investment funds</i>	38.4	2.2	32.5	14.8	42.7	12.8
<i>Portfolios</i>	28.3	1.2	33.6	1.3	49.3	1.3
<i>Alternative assets</i>	-	-	9.5	-	9.6	-
Revenues (January – June)	2.4*	0.6*	1.4	0.4	1.7	0.4
Profit before tax (EUR thousand) (January – June)	(10)*	150*	(92)	79	(261)	(9)

\* Provided data for 12 months

\*\* Eliminated investments into own products, for which the management fee is not charged

**Other investments**

**Agriculture**

During the reporting period in the agricultural sector Invalda INVL, AB owned 36.9 percent of Litagra, UAB shares through the wholly-owned company Cedus Invest, UAB. Litagra, UAB is one of the largest groups of agriculture companies in the Baltic states.

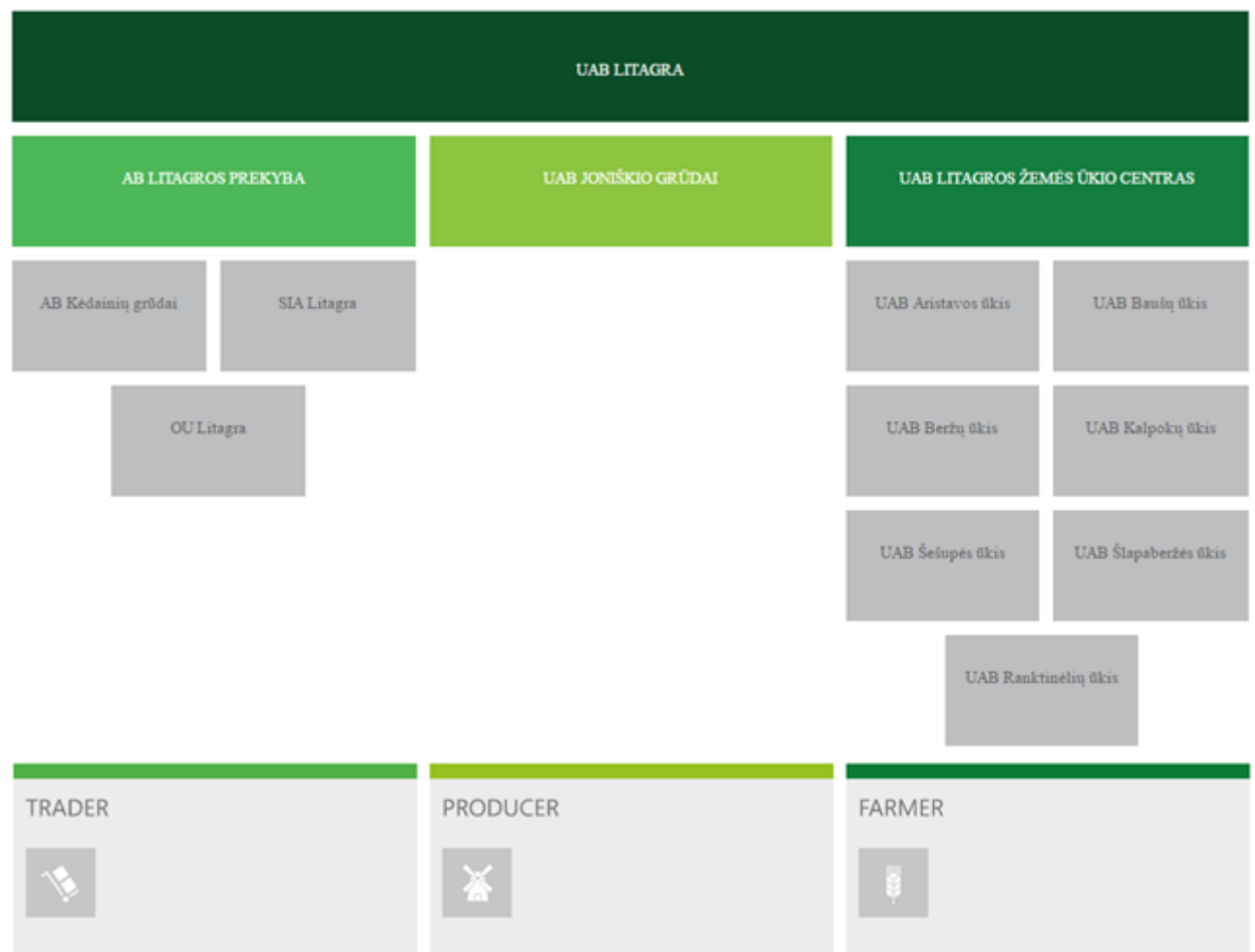
Consolidated net profit of Litagra group for the 2015-2016 financial year, which ended 30 June, amounted to EUR 155 million, or 18.2 percent more than for the 2014-2015 financial year, EBITDA decreased by 11 percent to EUR 5 million, while the net profit decreased by 10% till EUR 1.4 million.

Completed reorganization had a positive impact on the trade department results, but feed production and primary agricultural production indicators were worse than a year ago. Litagra Group's results were especially negatively affected by a fall in milk prices.

Due to the decrease of primary agricultural production value of the business during the first half of this year the stake owned by Invalda INVL, AB was undervalued 19.5 percent and amounted to EUR 12 million. In results there were EUR 2.9 million loss.



**Figure 8. Structure of Litagra group**



**Table 9. Results of Litagra, UAB group**

EUR million	2014	2014/2015	2015/2016
Sales	134.2	131.6	155.5
EBITDA	5.1	5.6	5.0
Net profit according to the data provided by the company	0.8	1.55	1.4

More information on the services and activity of the Litagra, UAB is provided on <http://www.litagrargroup.lt>

**Banking**

Invalda INVL, AB owns 6.79 percent of Šiaulių bankas, AB shares. Šiaulių Bankas, AB shares are listed on NASDAQ Vilnius stock exchange.

Šiaulių Bankas Group earned EUR 26.241 million of net profit over the first half-year of 2016, which is up by 72.7 percent in the same period of 2015 when it earned EUR 15.198 million. These are the best operating results Šiaulių bankas, AB have ever had. The results were partially improved by the one-time actions, but the main operating results were also strong.

Good operating results reflected in the increase of the price of Šiaulių bankas shares – the stake of Šiaulių bankas, owned by Invalda INVL, went up from EUR 6.36 million to EUR 8.4 million.



**Figure 9. Share price and turnover of Šiaulių bankas during the first half of 2016**



**Facility management**

Invalda INVL, AB owns these facility management companies: Inservis, Priemiestis, Jurita.

Sales of the facilities management companies decreased by 3% till EUR 3.4 million in the first half, EBITDA – by 25% till EUR 0.3 million and the net profit – by 24% till EUR 0.2 million.

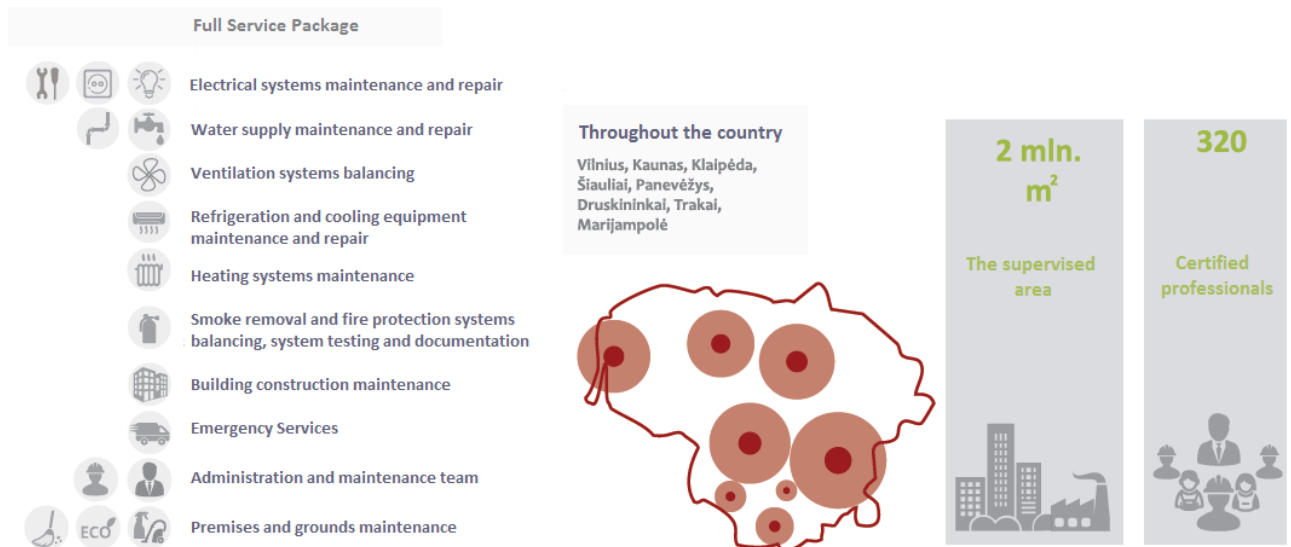
Inservis Įmonių Grupė has acquired 36 percent of Informacinio Verslo Paslaugų Įmonė company's shares for the amount of EUR 350 thousand. Dividend of EUR 44 thousand were received from this company during reporting period.

At the end of June 2016 investments into facility management companies, owned by Invalda INVL, were valued at EUR 5.5 million, this is 18 percent more than it was at the end of 2015. Dividend of EUR 0.35 million were paid to Invalda INVL group during reporting period. Profit for the reporting period because of change in fair value was EUR 0.9 million.

The companies provide facility management and engineering systems maintenance services, auditing and incidents management services, indoor air quality testing, apartment's administration, installation and maintenance, cleaning and other services.



**Figure 10. Services and activity location of facility management sector companies**



**Table 10. Results of the facility management**

EUR million	6 months of 2014	6 months of 2015	6 months of 2016
Sales	2.7	3.5	3.4
EBITDA	0.4	0.4	0.3
Net profit	0.3	0.3	0.2

**Real Estate**

Invalda INVL owns 32.1% of INVL Baltic Real Estate shares which are valued at EUR 8.2 million. During the first half EUR 263 thousand were earned from this investment. Shares are listed on NASDAQ Vilnius stock Exchange.



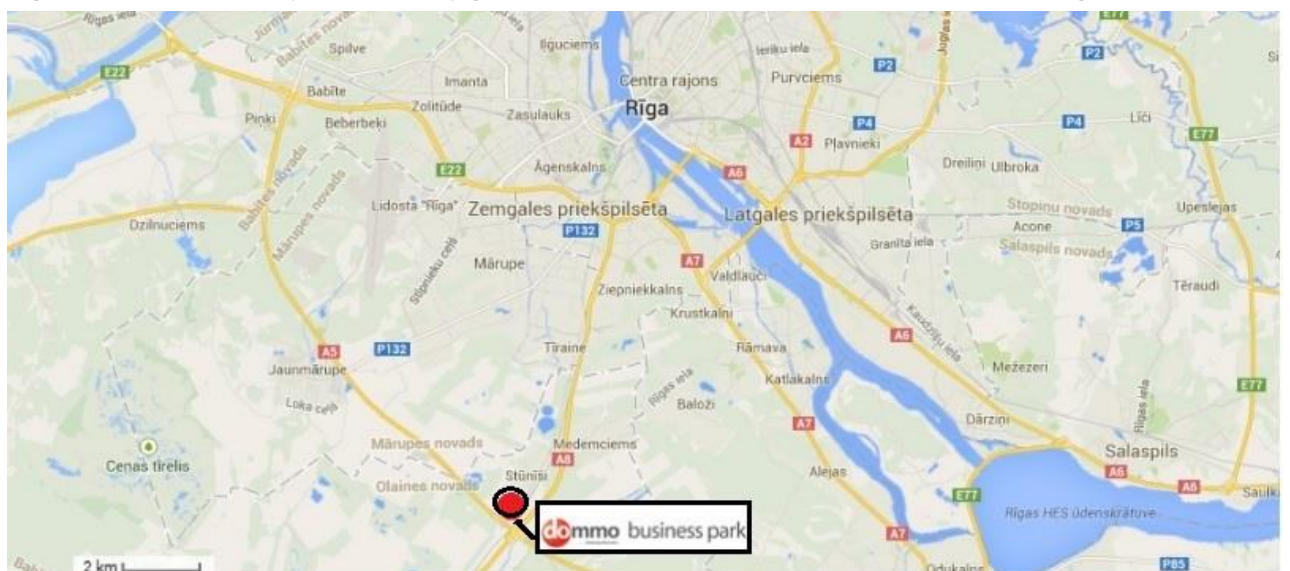
INVL Baltic Real Estate manages 58 thousand square metres of real estate in strategic locations in Vilnius and Riga. Value of managed real estate is EUR 52 million.

INVL Baltic Real Estate earned EUR 0.591 million in 6 months of 2016 or 35.6% more than in the same period last year when the net profit totalled EUR 0.436 million). In March this year the company issued EUR 9 million share issue. In the second quarter of this year INVL Baltic Real Estate paid out EUR 789 thousand dividends (EUR 0.012 per share).

**Figure 11. Real estate objects owned by group companies of INVL Baltic Real Estate, AB in Vilnius (Lithuania)**



**Figure 12. Real estate objects owned by group companies of INVL Baltic Real Estate, AB in Riga (Latvia)**



IT

„Invalda INVL owns 15.69% of INVL Technology shares valued at EUR 3.4 million in the end of the first half of 2016. EUR 0.4 million loss from this investment was recorded. The shares of the company are listed on NASDAQ Vilnius stock Exchange.



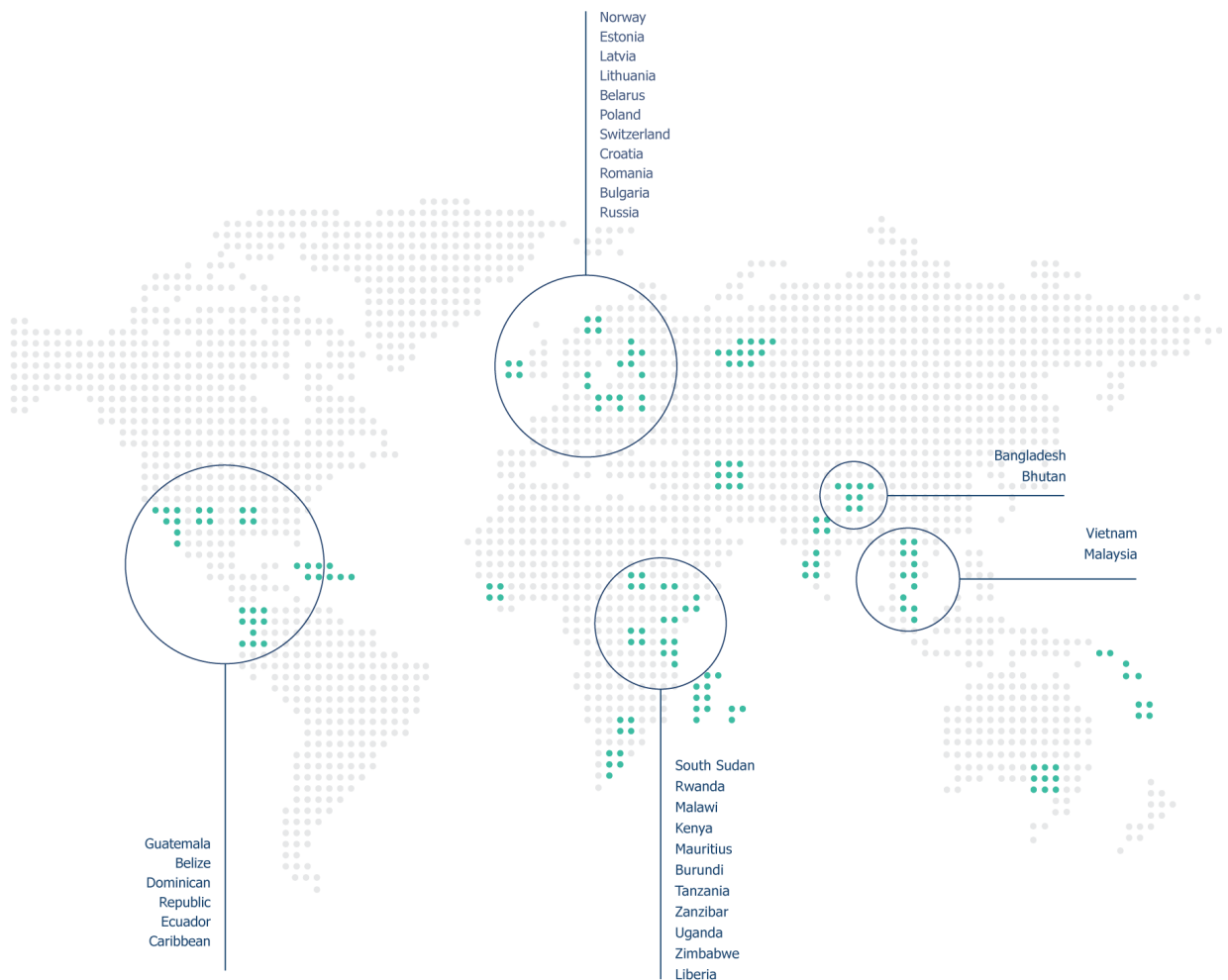
INVL Technology operates as a cluster of B2B- and B2G-oriented IT businesses with a focus in four key areas: business climate improvement and e-governance, IT infrastructure, cyber security and IT intensive industries' solutions.

Currently, INVL Technology has investments in the Norwegian company Norway Registers Development AS with subsidiaries NRD UAB and Etronika UAB in Lithuania, Norway Registers Development East Africa Ltd. in Tanzania, Norway Registers Development Rwanda Ltd. in Rwanda and Infobank Uganda Ltd. in Uganda. It has also invested in BAIP UAB with its subsidiary Acena UAB, NRD CS UAB and Algoritmu Sistemios UAB, all in Lithuania, and Estonia's Andmevara AS with its subsidiary Andmevara SRL in Moldavia.

During 6 months of 2016 value of portfolio companies increased till EUR 20.58 million (at the end of 2015 it amounted to EUR 16.96 million). •The equity of the company amounted to EUR 23.925 million as of 30 June 2016.

On 14 July 2016 the Bank of Lithuania issued INVL Technology a closed-ended type investment company licence and the management of the company was assumed by INVL Asset Management.

Figure 13. Geography of INVL Technology portfolio companies'



### 13. Issuer's and its group companies' performance results

**Table 11. Main items of financial statements, thousand EUR**

	Company's			Group's		
	2014 1H	2015 1H	2016 1H	2014 1H	2015 1H	2016 1H
Non current assets	28,416	40,246	47,247	28,013	38,080	43,879
Current assets	18,268	8,390	1,881	18,397	11,003	5,120
Assets total	46,684	48,636	49,128	46,410	49,083	48,999
Non-current liabilities	-	-	-	-	84	75
Current liabilities	774	831	919	504	925	1,419
Liabilities total	774	831	919	504	1,009	1,494
Equity	45,910	47,805	48,209	45,906	48,074	47,505
Equity per share	3,87	4,08	4,16	3,87	4,10	4,10
Income	-	-	-	2,319	1,754	2,146
Change in fair value of financial assets	4,261	3,668	-252	3,054	3,677	-232
Result before taxes	22,072	3,853	118	2,709	4,196	-210
Net result	21,866	3,813	141	5,431	4,139	-213
Net result attributable to holders of the parent Company	-	-	-	<b>5,448</b>	<b>4,139</b>	<b>-213</b>

**Table 12. Calculation of the net asset value of Invalda INVL, AB**

EUR thousand	Evaluation criteria	2015	2016 1H
Investment into asset management	Acquisition cost price	6,955	7,942
Cash and cash equivalents	Book value	1,238	444
Deferred income tax asset	Book value	137	131
Investments into INVL Baltic Real Estate, AB	Market price	1,985	8,225
Investments into INVL Technology, AB	Market price	3,831	3,437
Other listed shares	Market price	512	635
Investments into Litagra, UAB (including loans granted)	Comparative method of multipliers	14,897	11,998
Investments into Šiauliai Bank	Market price	6,363	8,405
Investments into Inservis, UAB (including loans granted)	Comparative method of multipliers	4,828	5,943
Investments into other subsidiary companies (including loans granted)	Fair value of net assets	1,121	1,093
Loans to group companies of INVL Baltic Real Estate, AB	Book value	6,862	-
Loans to group companies and shareholders of INVL Technology, AB	Book value	-	-
Other loans, other assets	Book value	602	875
<b>Total assets</b>	Book value	<b>49,331</b>	<b>49,128</b>
<b>Liabilities</b>	Book value	<b>858</b>	<b>919</b>
<b>Net asset value</b>	<b>Book value</b>	<b>48,473</b>	<b>48,209</b>

Invalda INVL, AB is an asset management and investment company. The significant impact for the profit of the company has investments recalculation by the true value as well as acquisition and selling deals, therefore not all company performance indicators are suitable for the evaluation of Invalda INVL, AB. Furthermore, investments into main asset management business are recorded at acquisition price in financial reports which may be different from the market price. That is why some ratios can show not real situation of the company.



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

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

## 15. Information on the related parties' transactions

The detailed information on the related parties' transactions has been disclosed in the explanatory notes of the consolidated and Company's financial statements for 6 months of 2016.

## 16. Significant investments made during the reporting period

On 7 March 2016 Invalda INVL AB informed having subscribed for the new shares (15,546,663 shares for EUR 0.40 per share) of INVL Baltic Real Estate AB (company code 152105644, share issue code LT0000127151) have paid thereof by offsetting against the opposite homogeneous demands against the Company, arising from the loan agreements (for the amount of EUR 6,218,665.20). After the registration of newly issued shares Invalda INVL AB owns 32.08 percent of share capital in INVL Baltic Real Estate AB. Shares of INVL Baltic Real Estate AB are listed on NASDAQ Vilnius stock exchange.

Information on other investments is disclosed in the explanatory notes of the financial statements.

## 17. Estimation of Issuer's and Group's activity last year and activity plans and forecasts

### 17.1. Evaluation of implementation of goals for 2016

During the first half of 2016 management results of assets entrusted by clients were good and this caused the growth of managed assets.

Asset management activity was unprofitable due to rapid expansion but the growth of the managed assets should cause the improvement of the results.

In July 2016 INVL Asset Management assumed the management of INVL Technology, a closed-ended type investment company investing into IT companies.

### 17.2. Activity plans and forecasts

Being one of the leading private equity, real estate, investment and pension fund management group in the region, in 2016 Invalda INVL plans to continue to strengthen and develop asset management business. The main priority remains the successful management of entrusted assets seeking to increase its value and return to investors. It is expected that in 2016 the number of managed entities will grow and operations in new asset management segments will start as well as the overall size of assets under management will increase significantly.

President

Darius Šulnis