

Special Closed-Ended Type Real Estate Investment Company INVL BALTIC REAL ESTATE

CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017
(all amounts are in EUR thousand unless otherwise stated)

Interim consolidated statement of comprehensive income

	Notes	<u>1st Half Year 2017</u>	<u>1st Half Year 2016</u>
Revenue	4	3,281	3,072
Interest income		-	-
Net gains from fair value adjustments on investment property	7	960	-
Other income		21	15
Premises rent costs	4	(825)	(698)
Utilities	3	(493)	(509)
Repair and maintenance cost of premises	3	(530)	(410)
Management and Performance Fee	4	(241)	-
Property management and brokerage costs	3	(148)	(175)
Taxes on property	3	(166)	(160)
Employee benefits expenses		(16)	(59)
Impairment of assets (reversal of impairment)	9	(1)	(5)
Depreciation and amortisation		(6)	(4)
Other expenses		(74)	(35)
Operating profit		1,762	1,032
Finance costs	5	(234)	(315)
Profit before income tax		1,528	717
Income tax expenses	6	-	(126)
NET PROFIT FOR THE PERIOD		1,528	591
Other comprehensive income for the period, net of tax		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,528	591
Attributable to:			
Equity holders of the parent		1,528	591
Basic and diluted earnings per share (in EUR)	13	0.02	0.01

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Interim consolidated statement of financial position

	Notes	As at 30 June 2017	As at 31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment		67	25
Investment properties	7	54,070	52,410
Intangible assets		102	48
Operating lease pre-payments	4	100	100
Deferred income tax asset		-	1
Total non-current assets		54,339	52,584
Current assets			
Inventories, prepayments and deferred charges	8	712	1,311
Trade and other receivables	9	527	413
Prepaid income tax		1	-
Deposits		150	150
Cash and cash equivalents		325	751
Total current assets		1,715	2,625
Total assets		56,054	55,209
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of the parent			
Share capital	10	19,068	19,068
Share premium	10	2,478	2,478
Reserves	10	3,254	3,018
Retained earnings		7,012	6,509
Total equity		31,812	31,073
Liabilities			
Non-current liabilities			
Non-current borrowings	12	20,151	20,792
Provisions	4	1,115	981
Deferred income tax liability		-	-
Other non-current liabilities		9	9
Total non-current liabilities	15	21,275	21,782
Current liabilities			
Current portion of non-current borrowings	12	1,115	815
Trade payables		446	133
Income tax payable		-	12
Provisions	4	50	105
Advances received		290	99
Other current liabilities	15	1,066	1,190
Total current liabilities		2,967	2,354
Total liabilities		24,242	24,136
Total equity and liabilities		56,054	55,209

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Consolidated statements of changes in equity

Group	Reserves					Retained earnings (accumulated deficit)	Total
	Share capital	Share premium	Legal reserve	Reserve of purchase of own shares			
Balance as at 31 December 2016	19,068	2,478	190	2,828	6,509	31,073	
Profit for the six months ended 30 June 2017	-	-	-	-	1,528	1,528	
Total comprehensive income for the six months ended 30 June 2017	-	-	-	-	1,528	1,528	
Dividends approved	11	-	-	-	(789)	(789)	
Transfer to reserves	10	-	236	-	(236)	-	
Total transactions with owners of the Company, recognised directly in equity	-	-	236	-	(1,025)	(789)	
Balance as at 30 June 2017	19,068	2,478	426	2,828	7,012	31,812	

Group	Reserves					Retained earnings (accumulated deficit)	Total
	Share capital	Share premium	Legal reserve	Reserve of purchase of own shares			
Balance as at 31 December 2015	12,536	-	25	-	6,026	18,587	
Profit for the six months ended 30 June 2016	-	-	-	-	591	591	
Total comprehensive income for the six months ended 30 June 2016	-	-	-	-	591	591	
Increase of share capital	10	6,532	2,478	-	(242)	8,768	
Dividends approved	11	-	-	-	(789)	(789)	
Transfer to reserves	10	-	-	165	2,828	(2,993)	
Total transactions with owners of the Company, recognised directly in equity	-	6,532	2,478	165	2,828	(4,024)	
Balance as at 30 June 2016	19,068	2,478	190	2,828	2,593	27,157	

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Consolidated statement of cash flows

	Notes	<u>1st Half Year 2017</u>	<u>1st Half Year 2016</u>
Cash flows from (to) operating activities			
Net profit for the period		1,528	591
Adjustments for non-cash items and non-operating activities:			
Net gains from fair value adjustments on investment property	7	(960)	-
Depreciation and amortization		6	4
Interest income		-	-
Interest expenses	5	234	315
Deferred taxes	6	1	126
Current income tax expenses	6	(1)	-
Provisions		78	(161)
Gains from derecognition of non-bank borrowing		-	(2)
Impairment of assets (reversal of impairment)	9	1	5
Changes in working capital:			
Decrease (increase) in inventories		-	-
Decrease (increase) in trade and other receivables		(53)	89
Decrease (increase) in other current assets		432	(29)
(Decrease) increase in trade payables		233	(177)
(Decrease) increase in other current liabilities		(434)	148
Cash flows from(to) operating activities		1,065	909
Income tax paid		(12)	-
Net cash flows from (to) operating activities		1,053	909
Cash flows from (to) investing activities			
Acquisition of non-current assets (except investment properties)		(102)	-
Proceeds from sale of non-current assets (except for investment properties)		-	100
Acquisition of investment properties	7	(700)	(5,881)
Loans granted		-	-
Repayment of granted loans		-	176
Interest received		-	-
Net cash flows from (to) investing activities		(802)	(5,605)

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Consolidated statement of cash flows (cont'd)

	Notes	<u>1st Half Year 2017</u>	<u>1st Half Year 2016</u>
Cash flows from (to) financing activities			
Cash flows related to Group owners			
Issue of new shares	10	-	2,791
Costs of distribution of new shares	10	-	(248)
Dividends paid to equity holders of the parents		<u>(103)</u>	<u>(767)</u>
		(103)	1,776
Cash flows related to other sources of financing			
Proceeds from loans	12	-	5,300
(Repayment) of loans	12	(337)	(1,774)
Interest paid		<u>(237)</u>	<u>(295)</u>
		(574)	3,231
Net cash flows from (to) financing activities		<u>(677)</u>	<u>5,007</u>
Net increase (decrease) in cash and cash equivalents		<u>(426)</u>	<u>311</u>
Cash and cash equivalents at the beginning of the period		<u>751</u>	<u>393</u>
Cash and cash equivalents at the end of the period		<u>325</u>	<u>704</u>

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Notes to the interim condensed financial statements

1 General information

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

On 22 December 2016 the Company was issued a closed-end investment company (UTIB) licence by the Bank of Lithuania. Under the Company's Articles of Association, the Company will operate until 22 December 2046, with an extension possibility for additional term of twenty years.

As the Company obtained the status of a closed-end investment company, its management was thereafter undertaken by UAB INVL Asset Management ('the Management Company'), which is entitled to the Management Fee and the Performance Fee.

Based on the Articles of Association, for the sake of efficiency of the Company's activities and control over its investments, an Investment Committee shall be formed by a decision of the Board of the Management Company. The Investment Committee shall consist of 3 (three) members, to the positions of which the representatives of the Management Company (employees, members of management bodies of the Management Company, other persons appointed by a decision of the Board of the Management Company) shall be appointed. Members of the Investment Committee shall be appointed and removed from office by the Board of the Management Company. An approval of the Investment Committee must be obtained for all investments of the Company and for their sale.

The Company also signed an agreement on depository services with AB SEB Bankas, which acts as a depository of the Company's assets.

The Group consists of the Company and its directly and indirectly owned subsidiaries (hereinafter the Group, Note 5 of annual financial statements for year ended 31 December 2016).

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

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

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

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

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1 General information (cont'd)

The Management Company shall manage the Company's portfolio of investment instruments following the principles of diversification (the conformity of the Company's portfolio of investment instruments to the diversification principles shall be achieved within four years after the Bank of Lithuania has issued a permission to certify the Company's incorporation documents and to choose the Depository) as set forth in the Articles of Association. The Company cannot invest directly or indirectly more than 30% of its net asset value into a single real estate object. The total amount of investments into real estate objects under construction cannot exceed 20% of net asset value of the Company. The total amount of investments into a real estate object and movable property and/or equipment necessary for its use cannot exceed 40% of net asset value of the Company. The Company cannot invest more than 30% of its net asset value into any single issuer of the instruments. More detailed requirements are set out in the Articles of Association of the Company.

As at 30 June 2017 the Company's share capital is divided into 65,750,000 ordinary registered shares with the nominal value of EUR 0.29 each (as at 31 December 2016: 65,750,000 ordinary registered shares with the nominal value of EUR 0.29 each). All the shares of the Company were fully paid. Subsidiaries did not hold any shares of the Company. As at 30 June 2017 and 31 December 2016 the shareholders of the Company were (by votes)*:

	As at 30 June 2017		As at 31 December 2016	
	Number of votes held	Percentage	Number of votes held	Percentage
AB Invalda INVL	21,127,994	32.13	21,089,449	32.08
UAB LJB Investments (controlling shareholder Mr. Alvydas Banyas)	13,158,474	20.01	13,158,474	20.01
Mrs. Irena Ona Mišeikienė	12,492,979	19.00	12,492,979	19.00
Mr. Alvydas Banyas	3,318,198	5.05	3,318,198	5.05
Other minor shareholders	15,652,355	23.81	15,690,900	23.86
Total	65,750,000	100.00	65,750,000	100.00

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

2 Accounting policies

Basis of preparation

The interim condensed financial statements for the 6 months ended 30 June 2017 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 2016.

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 and Company's annual financial statements for the year ended 31 December 2016.

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3 Segment information

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

- Owned property in Lithuania. The reportable segment comprises five operating segments on a property-by-property basis, which are aggregated. The operating segments have similar economic characteristics, because all owned premises are located in Vilnius, Lithuania. These are office buildings with some warehouse premises. Most of them have further development opportunities. All properties are multi-tenant. Corporate tenants dominate, but some premises are also leased to governmental and retail tenants.
- Leasehold property. They are located in Vilnius and Kaunas, Lithuania. These are office buildings and warehouses.
- Owned property in Latvia. Revenue is earned from warehouse located in Riga, Latvia.

The following table presents performance of reportable segments of the Group for the six months ended 30 June 2017:

	Owned property in Lithuania	Leasehold property	Owned property in Latvia	Total
Six months ended 30 June 2017				
Revenue	2,133	916	232	3,281
Expenses				
Premises rent costs	(10)	(850)	(2)	(862)
Utilities	(409)	(80)	(4)	(493)
Repair and maintenance of premises	(485)	(34)	(11)	(530)
Property management and brokerage costs	(91)	(56)	(1)	(148)
Taxes on property	(158)	-	(8)	(166)
Insurance costs	(3)	-	(1)	(4)
Net operating income for the period	977	(104)	205	1,078

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

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

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3 Segment information (cont'd)

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

	01.01.2017 - 30.06.2017			01.01.2016 - 30.06.2016		
	Net operating income to operating profit	Premises rent costs	Revenue	Net operating income to operating profit	Premises rent costs	Revenue
From reportable segment	1,078	(862)	3,281	952	(859)	3,071
Provision for onerous contracts	37	37	-	161	161	-
Other revenue not included in reportable segments	-	-	-	1	-	1
Add back insurance costs (included within 'other expenses')	4	-	-	6	-	-
Impairment of assets (reversal of impairment)	(1)	-	-	(5)	-	-
Employee benefits expenses	(16)	-	-	(59)	-	-
Depreciation and amortisation	(6)	-	-	(4)	-	-
Other expenses	(74)	-	-	(35)	-	-
Other income	21	-	-	15	-	-
Management and Performance Fee	(241)	-	-	-	-	-
Net gains from fair value adjustments on investment property	960	-	-	-	-	-
Total	1,762	(825)	3,281	1,032	(698)	3,072

The table below presents distribution of the Group non-current assets (other than financial instruments and deferred tax assets) by geographical area as at 30 June 2017 and 31 December 2016:

	Lithuania	Latvia	Total
As at 30 June 2017	46,234	8,105	54,339
As at 31 December 2016	44,533	8,050	52,583

4 Revenue, lease expenses and provisions

Revenue

Analysis of revenue by category:

	1 st Half Year 2017	1 st Half Year 2016
Rent income	2,719	2,539
Utilities revenue	491	516
Other services revenue	71	17
Total revenue	3,281	3,072

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4 Revenue, lease expenses and provisions (cont'd)

Revenue (cont'd)

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

	<u>1st Half Year 2017</u>	<u>1st Half Year 2016</u>
Rent income from owned premises	1,893	1,772
Other revenue from owned premises	472	441
<i>Total revenue from owned premises</i>	<u>2,365</u>	<u>2,213</u>
Rent income from subleased premises	826	767
Other revenue from subleased premises	90	92
<i>Total revenue from subleased premises</i>	<u>916</u>	<u>859</u>
Total revenue	<u>3,281</u>	<u>3,072</u>

Analysis of revenue of the Group by geographical areas:

	<u>1st Half Year 2017</u>	<u>1st Half Year 2016</u>
Lithuania	3,049	2,894
Latvia	232	178
Total	<u>3,281</u>	<u>3,072</u>

Expenses and provisions

The Company is leasing premises from an external party until August 2017 under the lease agreement of 10 August 2007, except for one property, which is leased until the expiry of the current sublease agreement (31 December 2025). The Company had paid a one off deposit in the amount of EUR 825 thousand corresponding to the 6 months rental fee amount which will be set-off against the last part of lease payment at the termination of the lease. The rent payments are subject to an indexation at the end of August each year on the basis of harmonised consumer price index, if the latter is more than 1%, but there is a cap for annual indexation of 3.8%. In November of 2016 the amendment to the lease agreement was signed. According to the amendment, EUR 275 thousand of prepayments was set off against lease payables in 2016, EUR 167 thousand of prepayments was set off during the 1st half year of 2017 and EUR 283 thousand of prepayments has to be set off during the second half year of 2017, and EUR 100 thousand of prepayments has to be set off in 2025.

During the 1st Half Year of 2017 and the 1st Half Year of 2016 the Group has incurred EUR 813 thousand and EUR 688 thousand lease expenses under this agreement, respectively. Contingent rent constitutes EUR 134 thousand within this amount for each above mentioned periods. The lease expenses of the Group from other agreements amounted to EUR 12 thousand and to EUR 10 thousand during the 1st Half Year of 2017 and the 1st Half Year of 2016, respectively.

The lease agreement of 10 August 2007 is an onerous contract, therefore there is a provision of EUR 236 thousand and EUR 272 thousand to cover the loss anticipated in connection with this contract recognised in the statement of financial position as at 30 June 2017 and 31 December 2016, respectively.

The changes in the provision for onerous contract during 1st Half Year 2017 are presented below:

	<u>1st Half Year 2017</u>
As of 31 December 2016	272
Re-estimation of provision at the end of the year	23
Amount used (recognised as a reduction of 'Premises rent costs')	(60)
The reversal of the discount effect and changes in the discount rate	1
As of 30 June 2017	<u>236</u>
Non-current	186
Current	50

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4 Revenue, lease expenses and provisions (cont'd)

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

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

In addition to the above, deferred charges of EUR 205 thousand arising from expense recognition on a straight-line basis were recognised in the statement of financial position of the Group within "Inventories, prepayments and deferred charges" (Note 8) as at 30 June 2017 (as at 31 December 2016: EUR 820 thousand).

As at 30 June 2017 the Company recognised non-current provision for the Performance Fee of EUR 929 thousand (as at 31 December 2016: EUR 814 thousand). During the 1st Half Year of 2017 increase of EUR 115 thousand of provision for the Performance Fee was recognised in the statement of comprehensive income of the Group within "Management and Performance Fee".

5 Finance costs

	<u>1st Half Year 2017</u>	<u>1st Half Year 2016</u>
Interest expenses of bank borrowings	(233)	(245)
Interest expenses of borrowings from related parties	-	(58)
Interest expenses from third parties	-	(10)
Unwinding of the discount effect of provision for onerous contract	(1)	(2)
	<u>(234)</u>	<u>(315)</u>

6 Income tax

	<u>1st Half Year 2017</u>	<u>1st Half Year 2016</u>
Components of the income tax expenses		
Prior year current income tax correction	1	-
Deferred income tax expenses	(1)	(126)
Income tax expenses charged to profit or loss – total	<u>-</u>	<u>(126)</u>

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

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7 Investment properties

The movements of investment properties of the Group were:

Group	Other investment properties valued using sales comparison method	Properties leased out by the entity	Investment properties held for future redevelopment	Total
	Level 2	Level 3	Level 3	
Fair value hierarchy				
Balance as at 31 December 2015	3,735	46,292	1,720	51,747
Additions	-	-	-	-
Subsequent expenditure	-	63	-	63
Gain from fair value adjustment	-	-	-	-
Loss from fair value adjustment	-	-	-	-
Balance as at 30 June 2016	3,735	46,355	1,720	51,810
Balance as at 31 December 2016	4,017	48,043	350	52,410
Additions	-	-	-	-
Subsequent expenditure	-	700	-	700
Gain from fair value adjustment	125	1,006	-	1,131
Loss from fair value adjustment	(100)	(71)	-	(171)
Balance as at 30 June 2017	4,042	49,678	350	54,070

On 29 January 2016 the Company has completed the acquisition of investment properties located at Gynėjų str. 14, Vilnius, by settling outstanding payables. The final settlement was financed by additional borrowings from the related party AB Invalda INVL (EUR 800 thousand) and from AB Šiaulių bankas (EUR 4,500 thousand). During 1st Half Year of 2016 a reconstruction of this investment property was started. During 1st Half Year of 2017 and 1st Half Year of 2016 the reconstruction expenses of EUR 697 thousand and EUR 63 thousand have incurred, respectively, and were capitalised and added to the acquisition cost of this investment property. During the 1st Half Year of 2017 the reconstruction expenses of EUR 3 thousand have incurred for the investment properties in Latvia, additionally.

Investment properties are measured at fair value. As at 30 June 2017 and 31 December 2016, properties leased out by the entity and investment properties held for future redevelopment in Lithuania were valued on 28 April 2017, on 31 May 2017 and on 31 October 2016, respectively, by an accredited valuer UAB OBER-HAUS Nekilnojamosis Turtas (hereinafter together with SIA OBER-HAUS Vertešanas Serviss referred to as 'Oberhaus') using an income approach. As at 30 June 2017 (valuations dates - 28 April 2017, on 31 May 2017) and as at 31 December 2016 (valuations date - 31 October 2016), investment properties located in Lithuania were also valued by an accredited valuer UAB Newsec Valuations (hereinafter 'Newsec') using an income approach and market approach. As at 30 June 2017 investment properties located in Latvia were valued by an accredited valuer SIA OBER-HAUS Vertešanas Serviss using a market approach for land and using an income approach for warehouse. As at 31 December 2016, investment properties located in Latvia were valued respectively in August 2016 by an accredited valuer SIA OBER-HAUS Vertešanas Serviss and in September 2016 by SIA City Real Estate Company (hereinafter CRE) using a market approach for land and using an income approach for warehouse.

The split of carrying amounts of the properties leased out by the entity by type of the Group:

	30 June 2017	31 December 2016
Offices premises in city centre – Lithuania	43,945	42,296
Warehouse and office premises in industrial area - Lithuania	859	806
Warehouse – Latvia	4,874	4,941
	49,678	48,043

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7 Investment properties (cont'd)

Description of valuation techniques used and key inputs to valuation on investment properties located in Lithuania as at 30 June 2017:

	Valuation technique	Significant unobservable inputs	Range (weighted average)	
			Oberhaus	Newsec
Properties leased out by the entity	Discounted cash flows	Discount rate (%)	8.5 – 10 (9.04)	9.0 – 10.9 (9.08)
		Capitalisation rate for terminal value (%)	7.0 – 9.5 (7.58)	7.5 – 9.0 (7.67)
		Vacancy rate (%)	3 – 15	5 – 25
		Office premises in city centre - Rent price EUR per sq. m. (without VAT)	7.50 – 19.60 (9.72)	7.16 – 19.0 (10.18)
		Warehouse and office premises in industrial area - Rent price EUR per sq. m. (without VAT)	2.1 – 6.0 (3.58)	2.37 – 5.83 (4.06)
Investment properties held for future redevelopment	Discounted cash flows with estimated costs to complete	Profit on cost ratio of the entire project (%)	30	-
		Cost to completion EUR per sq. m. (without VAT)	887	-
		Sales price EUR per sq. m. (with VAT)*	1,810	-
		Completion date, years	2	-

Description of valuation techniques used and key inputs to valuation on investment properties located in Latvia as at 30 June 2017:

	Valuation technique	Significant unobservable inputs	Value of input or range	
			Oberhaus	
Properties leased out by the entity	Discounted cash flows (five year estimated)	Discount rate (%)		11
		Capitalisation rate for terminal value (%)		9
		Vacancy rate (%)	5 (15 in first year and 10 in third year)	
		Increase of rents per year (%)		1.4-1.6
		Inflation (%)		1.4-1.6

Description of valuation techniques used and key inputs to valuation on investment properties located in Lithuania as at 31 December 2016:

	Valuation technique	Significant unobservable inputs	Range (weighted average)	
			Oberhaus	Newsec
Properties leased out by the entity	Discounted cash flows	Discount rate (%)	8.5 – 10 (9.12)	9.06 – 10.90 (9.14)
		Capitalisation rate for terminal value (%)	7.0 – 9.5 (7.64)	7.5 – 9.0 (7.68)
		Vacancy rate (%)	3 – 15	3 – 12
		Office premises in city centre - Rent price EUR per sq. m. (without VAT)	7.25 – 19.60 (10.0)	7.16 – 19.0 (10.0)
		Warehouse and office premises in industrial area - Rent price EUR per sq. m. (without VAT)	2.0 – 6.0 (3.28)	2.37 – 5.80 (3.57)
Investment properties held for future redevelopment	Discounted cash flows with estimated costs to complete	Profit on cost ratio of the entire project (%)	30	-
		Cost to completion EUR per sq. m. (without VAT)	887	-
		Sales price EUR per sq. m. (with VAT)*	1,810	-
		Completion date, years	2	-

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7 Investment properties (cont'd)

Description of valuation techniques used and key inputs to valuation on investment properties located in Latvia as at 31 December 2016:

	Valuation technique	Significant unobservable inputs	Value of input or range	
			Oberhaus	CRE
Properties leased out by the entity	Discounted cash flows (five year estimated)	Discount rate (%)	11	9.5
		Capitalisation rate for terminal value (%)	9	10
		Vacancy rate (%)	5 (20 in first year and 10 in fourth year)	5 – 10
		Rent price EUR per sq. m. (excl. VAT)*	-	3.5 – 5.0
		Increase of rents per year (%)*	0.7-2.0	-
		Inflation (%)	0.7-2.0	2.5

*Oberhaus is used for valuation of current contractual rent prices and has indexed these prices by input of increase of rents per year. CRE is used for valuation of contractual rent prices for the periods of the current rent contracts. CRE is used inputs of rent price, disclosed in the table above, for the periods after expiry of the current rent contracts.

The sensitivity analysis of investment properties located in Lithuania valued using income approach as at 30 June 2017 is as follows:

Group Reasonable possible shift +/- (%)	Increase of estimates		Decrease of estimates	
	Properties leased out by the entity	Investment properties held for future redevelopment	Properties leased out by the entity	Investment properties held for future redevelopment
Change in future rental rates by 10 %	4,965	-	(4,958)	-
Change in future sale prices of developed properties by 10%	-	160	-	(170)
Change in construction costs by 10%	-	(130)	-	130
Change in expected vacancy rates by 20%	(617)	-	670	-
Change in discount and capitalization rate by 50 bps	(2,908)	-	3,382	-
Change in profit on cost ratio of the entire project by 200 bps	-	(30)	-	20

The sensitivity analysis of investment properties located in Latvia valued using income approach as at 30 June 2017 is as follows:

Reasonable possible shift +/- (%)	Increase of estimates	Decrease of estimates
	Change in Increase of rents per year by 100 bps or change in future rental rates by 1%	168
Change in expected vacancy rates by 20%	(73)	72
Change in discount and capitalization rate by 50 bps	(272)	303

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7 Investment properties (cont'd)

The sensitivity analysis of investment properties located in Lithuania valued using income approach as at 31 December 2016 is as follows:

Group Reasonable possible shift +/- (%)	Increase of estimates		Decrease of estimates	
	Properties leased out by the entity	Investment properties held for future redevelopment	Properties leased out by the entity	Investment properties held for future redevelopment
Change in future rental rates by 10 %	4.904	-	(4.949)	-
Change in future sale prices of developed properties by 10%	-	160	-	(170)
Change in construction costs by 10%	-	(130)	-	130
Change in expected vacancy rates by 20%	(601)	-	611	-
Change in discount and capitalization rate by 50 bps	(2.832)	-	3.160	-
Change in profit on cost ratio of the entire project by 200 bps	-	(30)	-	20

The sensitivity analysis of investment properties located in Latvia valued using income approach as at 31 December 2016 is as follows:

Reasonable possible shift +/- (%)	Increase of estimates	Decrease of estimates
Change in Increase of rents per year by 100 bps or change in future rental rates by 1%	92	(109)
Change in expected vacancy rates by 20%	(73)	53
Change in discount and capitalization rate by 50 bps	(261)	270

As at 30 June 2017 investment properties with carrying amount of EUR 53,592 thousand were pledged to the banks as collateral for the loans (as at 31 December 2016 – EUR 51,942 thousand, respectively).

From December 2016 a written consent was required for sale of investment property from AB SEB bankas as a depository service provider. According to the Lithuanian Law on Collective Investment Undertakings, the sale price of investment properties may not be lower by more than 15% of the value determined by the independent qualified valuer. Having concluded a contract on sale of investment properties, when the above-described condition is not satisfied, the Management Company must, in exceptional cases and provided that interests of participants of the Company are not harmed, notify the supervisory authority thereof immediately. The 5 parking spaces acquired by the Company with the carrying amount of EUR 43 thousand (as at 31 December 2016: EUR 42 thousand) are subject to interim measures not to sell them to third parties if the legal dispute is in process. The legal dispute between the seller of the parking spaces and third entity is regarding the right to land and legitimacy of construction of parking spaces. There were no other restrictions on the realisation of investment properties or the remittance of income and proceeds of disposals during the 1st Half Year of 2017.

There were no restrictions on the realisation of investment properties or the remittance of income and proceeds of disposals during the 1st Half Year of 2016.

At the end of the period two material contracts for the reconstruction of investment property, located at Gynėjų str. 14, Vilnius, were signed, the value of which, net of VAT, is EUR 1,472 thousand. Until 30 June 2017 the work on these contracts was made for EUR 344 thousand. No other material contractual obligations to purchase, construct, repair or enhance investment properties existed at the end of the period.

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8 Inventories, pre-payments and deferred charges

Inventories, pre-payments and deferred charges are presented in the table below:

	<u>30 June 2017</u>	<u>31 December 2016</u>
Inventories	7	7
Operating lease deferred charges (Note 4)	205	820
Current portion of operating lease pre-payments (Note 4)	283	450
Pre-payments and other deferred charges	<u>210</u>	<u>31</u>
Total inventories, pre-payments and deferred charges	<u>705</u>	<u>1,308</u>

9 Trade and other receivables

	<u>30 June 2017</u>	<u>31 December 2016</u>
Trade and other receivables, gross	553	435
Taxes receivable, gross	8	11
Less: allowance for doubtful trade and other receivables	<u>(34)</u>	<u>(33)</u>
	<u>527</u>	<u>413</u>

Trade and other receivables are non-interest bearing and are generally with a credit term of 30 days. As at 30 June 2017 and as at 31 December 2016 the Group's trade and other receivables with nominal value of EUR 42 thousand and of EUR 42 thousand, respectively, were past due and impaired. The net amount of EUR 8 thousand is presented in the statement of financial position of the Group as at 30 June 2017 (as at 31 December 2016: EUR 9 thousand).

Movements in the allowance for accounts receivable of the Group (assessed individually) were as follows:

	<u>Individually impaired</u>
Balance as at 31 December 2016	33
Charge for the year	1
Write-offs charged against the allowance	-
Recoveries of amounts previously written-off	-
Balance as at 30 June 2017	<u>34</u>
	<u>Individually impaired</u>
Balance as at 31 December 2015	-
Charge for the year	5
Write-offs charged against the allowance	-
Recoveries of amounts previously written-off	-
Balance as at 30 June 2016	<u>5</u>

The ageing analysis of trade and other receivables of the Group is as follows:

	Trade receivables neither past due nor impaired	Trade receivables past due but not impaired				Total
		Less than 30 days	30–90 days	91–180 days	More than 180 days	
30 June 2017	405	72	16	16	2	511
31 December 2016	259	48	34	21	31	393

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10 Share capital and reserves

As at 30 June 2017 and as at 31 December 2016 the Group's share capital is divided into 65,750,000 ordinary registered shares with the nominal value of EUR 0.29 each. All the shares of the Company were fully paid.

On 11 April 2017 EUR the annual general meeting has decided to transfer from retained earnings EUR 236 thousand to the legal reserve.

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

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

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

11 Dividends

On 15 January 2016 the General Shareholder Meeting of the Company has approved the dividend policy which stipulates the payment each year of dividends per share of no less than EUR 0.012, if the legal and contractual requirements did not restrict that.

A dividend in respect of the year ended 31 December 2015 of EUR 0.012 per share, amounting to a total dividend of EUR 789 thousand, was approved at the annual general meeting on 27 April 2016.

A dividend in respect of the year ended 31 December 2016 of EUR 0.012 per share, amounting to a total dividend of EUR 789 thousand, was approved at the annual general meeting on 11 April 2017.

12 Borrowings

	<u>As at 30 June 2017</u>	<u>As at 31 December 2016</u>
Non-current:		
Non-current bank borrowings	20,146	20,788
Non-current other borrowings	5	4
	<u>20,151</u>	<u>20,792</u>
Current:		
Current portion of non-current borrowings	1,115	815
	<u>1,115</u>	<u>815</u>
Total borrowings	<u>21,266</u>	<u>21,607</u>

All borrowings are expressed in EUR.

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12 Borrowings (cont'd)

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

Interest rate type:	As at 30 June 2017	As at 31 December 2016
Fixed	5	4
Floating	21,261	21,603
	21,266	21,607

As at 30 June 2017 and as at 31 December 2016 all Group entities have complied with bank loan covenants.

On 26 January 2016 the Company has signed the amendment to the borrowing agreement with AB Šiaulių bankas. Therefore, the amount of borrowing was increased from EUR 14,754 thousand to EUR 19,254 thousand, the maturity of agreement was extended from 25 September 2019 until 5 January 2023, and the settlement schedule was changed. In 2016 the Company has to repay the amount of EUR 466 thousand instead of the amount of EUR 862 thousand. The investment properties located at Gynėjų str. 14, Vilnius, were pledged to the AB Šiaulių bankas.

The Group received EUR 800 thousand of borrowings from AB Invalda INVL before the issue of new shares. After the issue of new shares the borrowings from related parties were offset and repaid (Notes 10 and 16).

During the 1st Half Year of 2017 and the 1st Half Year of 2016 the Group repaid respectively EUR 337 thousand and EUR 1,774 thousand of borrowings.

13 Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

The weighted average number of shares for the six months ended 30 June 2017 was 65,750 thousand.

The weighted average number of shares for the six months ended 30 June 2016 was as follows:

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

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

	1 st Half Year 2017	1 st Half Year 2016
Net profit (loss), attributable to the equity holders of the parent	1,528	591
Weighted average number of ordinary shares (thousand)	65,750	57,334
Basic earnings (deficit) per share (EUR)	0.02	0.01

For 1st Half Year of 2017 and 2016 diluted earnings per share of the Group are the same as basic earnings per share.

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14 Liquidity risk

The Group's liquidity ratio (total current assets including assets held for sale / total current liabilities) as at 30 June 2017 and 31 December 2016 was approximately 0.58 and 1.12, respectively. As at 30 June 2017 the current assets were lower than current liabilities by EUR 1,252 thousand in the Group. Management of the Group forecasted the cash flows of the Group for next twelve months and the forecast indicates that the Group will have sufficient funds to cover liabilities, which fall due in year after the end of the reporting period. In July 2017 the Group has signed an agreement on the sale of investment property, located at Kirtimų str., Vilnius, for EUR 1,000 thousand (Note 17).

The table below summarises the maturity profile of the Group's financial liabilities as at 30 June 2017 and 31 December 2016 based on contractual undiscounted payments.

	On demand	Less than 3 months	4 to 12 months	2 to 5 years	More than 5 years	Total
Interest bearing borrowings	-	287	1,255	8,048	13,782	23,372
Trade and other payables	-	446	-	-	-	446
Provision for onerous contract	-	43	7	75	114	239
Other liabilities	702	275	-	-	-	977
Balance as at 30 June 2017	702	1,051	1,262	8,123	13,896	25,034
Interest bearing borrowings	-	286	961	8,232	14,462	23,941
Trade and other payables	-	133	-	-	-	133
Provision for onerous contract	-	29	76	56	114	275
Other liabilities	16	302	470	-	-	788
Balance as at 31 December 2016	16	750	1,507	8,288	14,576	25,137

15 Other liabilities

Other current and non-current liabilities are presented in the table below:

	30 June 2017	31 December 2016
<u>Financial liabilities</u>		
Dividends payable	702	16
Operating lease payment (Note 4)	188	752
Other amounts payable	87	20
	977	788
<u>Non – financial liabilities</u>		
Salaries and social security contributions payable	2	2
Tax payable	87	400
Other amounts payable	9	9
	98	411
Total other current and non-current liabilities	1,075	1,199
Non-current liabilities	9	9
Current liabilities	1,066	1,190

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16 Related party transactions

The related parties of the Group were the shareholders of the Company, who have significance influence (note 1), key management personnel, including companies under control or joint control of key management and shareholders having significant influence. AB Invalda INVL and the entities controlled by AB Invalda INVL (hereinafter the Other related parties) are also considered to be related parties, because the shareholders of the Company, having significance influence, also have a joint control over AB Invalda INVL group through shareholders' agreement.

The Group's transactions with related parties during six months ended 30 June 2017 and related half year-end balances were as follows:

1st Half Year 2017 Group	Revenue and other income from related parties	Purchases and interest from related parties	Receivables from related parties	Payables to related parties
AB Invalda INVL (accounting services)	-	5	-	6
Other related parties (maintenance and repair services)	-	206	-	105
Other related parties (rent, utilities)	108	2	2	-
Other related parties (management services)	-	127	-	67
	<u>108</u>	<u>340</u>	<u>2</u>	<u>178</u>

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

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

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

As at 30 June 2017 the Company is owed to AB Invalda INVL EUR 253 thousand of dividends, net of tax, and is owed to other shareholders, who have significance influence, EUR 319 thousand of dividends, net of tax.

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

17 Events after the reporting period

On 26 July 2017 the Company has signed an agreement on the sale of 3,000 square metres of office and warehouse premises on Kirtimų Street in Vilnius. The value of the transaction is EUR 1,000 thousand plus VAT. The property on Kirtimų Street was valued at EUR 859 thousand as at 30 June 2017. The ownership of property would be transferred to the buyer, when the price is paid excluding VAT. The transaction is expected to be completed in 3rd Quarter 2017.