

# INVL Baltic Farmland

## INVL Baltic Farmland, AB Consolidated Interim Report for 6 months of 2015

Prepared in accordance with The Rules for the Preparation and the Submission of the Periodic and Additional Information. approved by the decision No. 03-48 of the Board of the Bank of Lithuania passed on 28 February 2013.

Approved by the Board of INVL Baltic Farmland, AB on 21 July 2015.

# INVL Baltic Farmland

## Translation note:

This version of the Consolidated Interim Report for 6 months of 2015 is a translation from the original, which was prepared in Lithuanian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version takes precedence over this translation.

## CONTENTS

I. GENERAL INFORMATION .....	3
1. Reporting period for which the report is prepared .....	3
2. General information about the Issuer and other companies comprising the Issuer's group .....	3
2.1. Information about the Issuer .....	3
2.2. Information on company's goals, philosophy and strategy .....	3
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 .....	5
5. The order of amendment of Issuer's Articles of Association .....	5
6. Structure of the authorized capital .....	5
6.1. 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 .....	6
8. Dividends .....	7
9. Shareholders .....	8
III. ISSUER'S MANAGING BODIES .....	9
10. The managing bodies of the Issuer .....	9
11. Information about the Audit Committee of the company .....	11
12. Information on the amounts calculated by the Issuer, other assets transferred and guarantees granted to the Members of the Board, director and company providing accounting services .....	12
IV. INFORMATION ABOUT THE ISSUER'S AND ITS GROUP COMPANIES' ACTIVITY .....	12
13. Overview of the Issuer and its group activity .....	12
13.1. Business environment .....	12
Agricultural sector .....	12
12.2. Significant Issuer's and its group events during the reporting period and since the end of it, affect on the financial statement .....	14
The Company .....	14
The group .....	15
14. A description of the principal risks and uncertainties .....	15
15. Significant investments made during the reporting period .....	15
16. Information on the related parties' transactions .....	15
17. Activity plans and forecast of the Issuer and it's group .....	15

# INVL Baltic Farmland

## I. GENERAL INFORMATION

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

The report covers financial period of INVL Baltic Farmland, starting from 1 January 2015 and ending on 30 June 2015. Important events of the Issuer and its group, occurred during the end reporting period, were included as well. The report is unaudited.

### 2. General information about the Issuer and other companies comprising the Issuer's group

#### 2.1. Information about the Issuer

Name of the Issuer	The public joint-stock INVL Baltic Farmland, hereinafter INVL Baltic Farmland, AB
Code	303299781
Address	Seimyniskiu str. 1A, LT-09312, Vilnius, Lithuania
Telephone	+370 5 279 0601
Fax	+370 5 279 0530
E-mail	<a href="mailto:farmland@invalidalt.com">farmland@invalidalt.com</a>
Website	<a href="http://www.invlbalticfarmland.lt">www.invlbalticfarmland.lt</a>
Legal form	public joint-stock company
Date and place of registration	29 April 2014. Register of Legal Entities
Register in which data about the Company are accumulated and stored	Register of Legal Entities

#### 2.2. Information on company's goals, philosophy and strategy

The public joint-stock company INVL Baltic Farmland was established on 29 April 2014 on the basis of a part of assets split-off from Invalda INVL, AB (previous name Invalda LT, AB (code 121304349)). The split-off terms are published on website [http://www.invalidalt.com/en/main/news/Material\\_events?ID=929](http://www.invalidalt.com/en/main/news/Material_events?ID=929). Following the split-off, 14.45% of assets, equity and liabilities of Invalda INVL, AB were transferred to INVL Baltic Farmland, AB.

Public joint stock company INVL Baltic Farmland manages shares of companies investing into agricultural land. Invalda LT started investing into agricultural land in 2004 through a subsidiary company Ekotra. Now INVL Baltic Farmland has 100% in 18 companies owning more than 3 thousand hectares of agricultural land in Lithuania. More than 99% of land is rented to farmers and agricultural companies. INVL Baltic Farmland focuses on growth of quality of owned land and environmental sustainability.

Companies - land owners and joint-stock company INVL Baltic Farmland on 30 June 2015 have signed a basic property administration agreement with INVL Farmland Management which administrates agricultural land owned by the companies in order to ensure steady growth of income for the shareholders and the value of the land.

Management fees paid for INVL Farmland Management are 7 percent of annual rental income of the companies - land owners as well as 0.5 percent of INVL Baltic Farmland market capitalization. Moreover there is a success fee which becomes valid only when consolidated equity of companies - land owners annual growth is higher than 5 percent plus inflation (High-Water Mark principle is applicable). Success fee is 20 percent of the consolidated equity in excess of the above mentioned benchmark.

Investments into agricultural land are classified as long term and are recommended for investors who are satisfied with the return on rent and possible income from increase of agricultural land prices. Since prices of agricultural products are determined in the world markets, this investment allow to participate in the world food supply chain.

Shares of INVL Baltic Farmland are listed on NASDAQ OMX Vilnius stock exchange since 4 June 2014.

# INVL Baltic Farmland

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

INVL Baltic Farmland has 100% in 18 companies owning more than 3 thousand hectares of agricultural land in the most fertile regions of Lithuania. Companies - land owners and joint-stock company INVL Baltic Farmland on 30 June 2015 have signed a basic property administration agreement with INVL Farmland Management which administrates agricultural land owned by the companies in order to ensure steady growth of income for the shareholders and the value of the land.

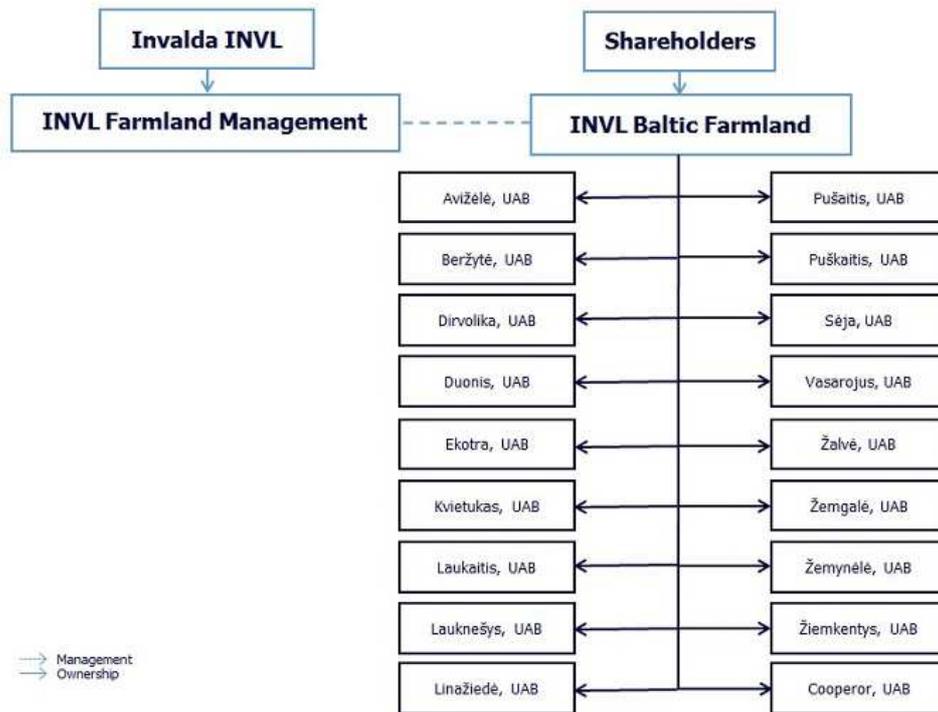
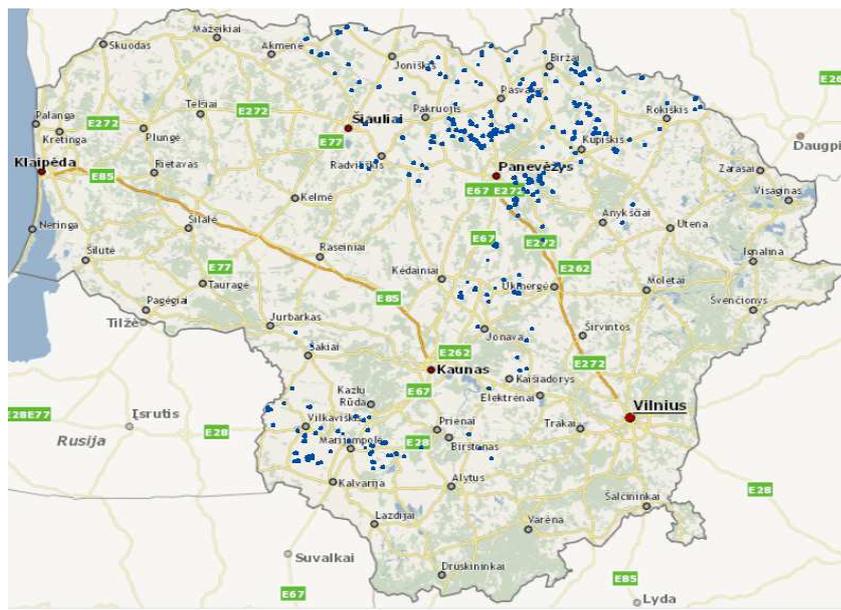


Fig. 2.3.2. Group structure of INVL Baltic Farmland, AB as of 1 July 2015, after the agreement between INVL Baltic Farmland, UAB and INVL Farmland Management, UAB became effective



# INVL Baltic Farmland

Table 2.3.3. Information about companies of INVL Baltic Farmland group.

Company name	District of company's activities	Owned land plot, hectares	Cultivated cropland area, hectares
Avizele, UAB	Rokiskis dist., Anyksciai dist.	113.82	107,51
Berzyte, UAB	Birzai dist.	149.89	145.79
Dirvolika, UAB	Akmene dist., Joniskis dist., Siauliai dist.	199.44	192.03
Duonis, UAB	Jonava dist., Kedainiai dist., Ukmerge dist.	183.56	175.79
Ekotra, UAB	Vilkaviskis dist.	238.76	228.70
Kvietukas, UAB	Pakruojis dist., Pasvalys dist.	124.61	118.90
Laukaitis, UAB	Pakruojis dist., Pasvalys dist., Siauliai dist.	204.10	193.44
Lauknesys, UAB	Birzai dist., Pasvalys dist.	109.73	107.91
Linaziede, UAB	Alytus dist., Jonava dist., Kasiadorys dist., Prienai dist.	85.13	80.75
Pusaitis, UAB	Radviliskis dist.	82.44	81.10
Puskaitis, UAB	Marijampole dist., Prienai dist., Vilkaviskis dist.	210.74	204.20
Seja, UAB	Kedainiai dist.	91.40	88.67
Vasarojus, UAB	Anyksciai dist., Panevezys dist., Ukmerge dist.	375.68	366.57
Zalve, UAB	Kupiskis dist.	216.88	201.73
Zemgale, UAB	Birzai dist., Kupiskis dist., Panevezys dist.	241.80	232.06
Zemynele, UAB	Sakiai dist., Vilkaviskis dist.	72.23	70.47
Ziemkentys, UAB	Panevezys dist., Pasvalys dist.	415.03	406.95
<b>Total</b>		<b>3115.21</b>	<b>3002.56</b>

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

INVL Baltic Farmland has signed the agreement with this intermediary:

- Finasta, AB FMI (Maironio str. 11, Vilnius, Lithuania. tel. +370 5 203 2233) – the agreement on management of securities accounting.
- Šiaulių bank, AB (Tilžės str. 149, Šiauliai, Lithuania, tel. +370 41 595 607) – the agreement on investment services.
- Finasta bank, AB (Maironio str. 11, Vilnius, Lithuania, tel. +370 203 2233) – the agreement on investment services.

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

INVL Baltic Farmland, AB has no branches or representative offices.

## II. INFORMATION ABOUT SECURITIES

### 5. The order of amendment of Issuer's Articles of Association

The Articles of Association of INVL Baltic Farmland, AB may be amended by resolution of the General Shareholders' Meeting, passed by more than 2/3 of votes (except in cases provided for by the Law on Companies of the Republic of Lithuania).

Actual wording of the Articles of Association is dated as of 5 June 2015.

### 6. Structure of the authorized capital

Table 6.1. Structure of INVL Baltic Farmland, AB authorised capital as of 30 June 2015.

Type of shares	Number of shares, units	Total voting rights granted by the issued shares, units	Nominal value, EUR	Total nominal value, EUR	Portion of the authorised capital, %
Ordinary registered shares	3,291,549	3,291,549	0,29	954,549.21	100

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

# INVL Baltic Farmland

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

INVL Baltic Farmland or its subsidiary have not implemented acquisition of shares in INVL Baltic Farmland directly or indirectly under the order of subsidiary by persons acting by their name.

The General Shareholders Meeting of INVL Baltic Farmland, AB that was held on 25 June 2014 approved resolution to purchase of own shares. The period during which the company may acquire its own shares - 12 months from the day of this resolution. The maximum one share acquisition price – EUR 4.00 (LTL 13.81), minimum one share acquisition price – EUR 2.86 (LTL 9.88).

Seeking to ensure shareholders will, expressed during voting for the implementation of the reserve for own shares, and seeking to ensure the right of choice for the shareholders to decide whether to hold or to sell shares of the company, Baltic INVL Farmland, AB initiated acquisition of own shares 1 time during 2015.

- On 27 January 2015 INVL Baltic Farmland, AB announced about initiating acquisition of own shares since 29 January 2015. Share acquisition ends on 26 February 2015. Max number of shares to be acquired: 16,471. Share acquisition price: EUR 2.86 per share. On 26 February the company announced about acquisition fo 0.02 percent of own shares. 710 units of shares were offered. The settlement for the acquired shares happened on 2 March 2015.

The general shareholders meeting of INVL Baltic Farmland held on 24 March 2015 approved the resolution to annul 2,660 shares owned by INVL Baltic Farmland.

At the end of the reporting period the Authorised capital of the company was EUR 954,549.21, shares issued (units) – 3,291,549, issued shares granted by the voting rights (units) – 3,291,549.

## 7. Trading in Issuer's securities as well as securities, which are deemed to be a significant financial investment to the Issuer on a regulated market

Table 7.1. Main characteristics of INVL Baltic Farmland, AB shares admitted to trading

Shares issued, units	3,291,549
Shares with voting rights, units	3,291,549
Nominal value, EUR	0.29
Total nominal value, EUR	954,549.21
ISIN code	LT0000128753
Name	INL1L
Exchange	NASDAQ Vilnius
List	Baltic Secondary List
Listing date	4 June 2014

Company uses no services of liquidity providers.

Table 7.2. Trading in INVL Baltic Farmland, AB shares

	6 months of 2014*	6 months of 2015
Share price, EUR		
- open	3.000	2.800
- high	3.450	3.010
- low	3.000	2.580
- medium	3.269	2.711
- last	3.240	2.790
Turnover, units	2,436	7,541
Turnover, EUR	7,982.92	20,924.94
Traded volume, units	35	113

\* Data as of 4 June 2014, since the beginning of companies listing in the Stock Exchange.

# INVL Baltic Farmland

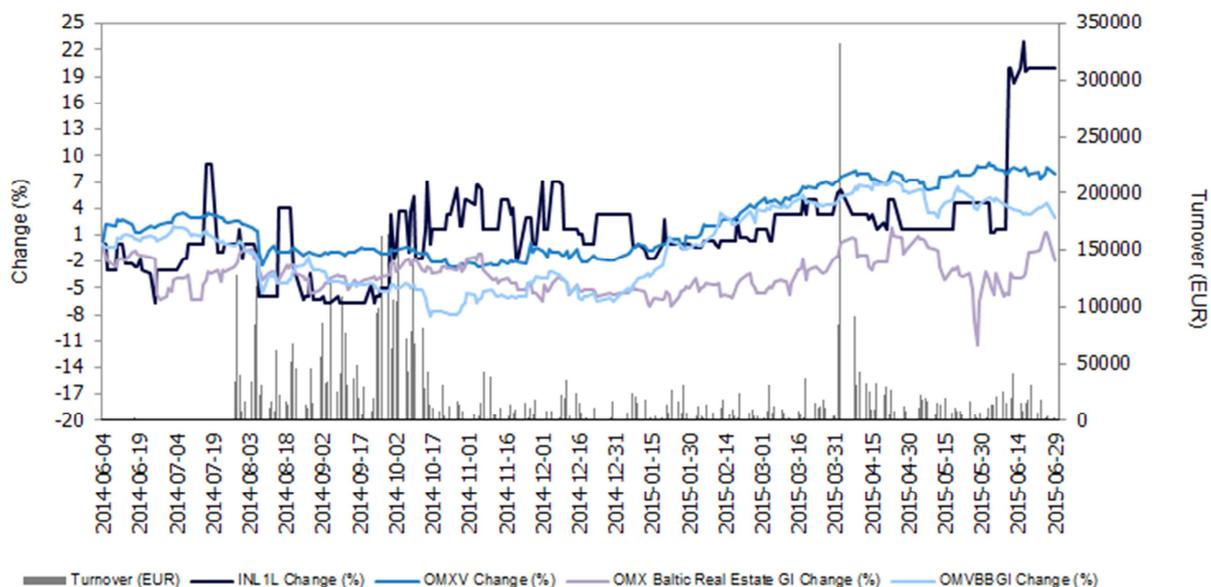


Fig. 7.3. Turnover of INVL Baltic Farmland, AB shares, change of share price and indexes<sup>1</sup>

## 8. Dividends

On 24 March 2015, the General Shareholders Meeting of INVL Baltic Farmland, AB approved the dividend payment policy and decided to allocate EUR 0.06 dividend per share.

Dividends were to the shareholders who at the end of the tenth business day following the day of the General Shareholders Meeting that adopted a decision on dividend payment, i.e. on 8 April 2015 were shareholders of INVL Baltic Farmland, AB.

21 April 2015 INVL Baltic Farmland announced that the company will start to allocate dividends from 22 April 2015. Dividends were allocated to whose shareholders of the company, who has provided existing bank accounts.

<sup>1</sup> 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 Real Estate GI index is based on the Industry Classification Benchmark (ICB) developed by FTSE Group (FTSE).

# INVL Baltic Farmland

## 9. Shareholders

Table 9.1. Shareholders who held title to more than 5% of INVL Baltic Farmland, AB authorised capital and/or votes as of 30 June 2015.

Name of the shareholder or company	Number of shares held by the right of ownership, units	Share of the authorised capital held, %	Share of the votes, %		
			Share of votes given by the shares held by the right of ownership, %	Indirectly held votes, %	Total, %
LJB Investments, UAB code 300822575, Juozapavičiaus str. 9A, Vilnius	1,002,724	30.46	30.46	0	30.46
Irena Ona Mišeikienė	952,072	28.92	28.92	0	28.92
Lucrum Investicija, UAB code 300806471. Šeimyniškių str. 3, Vilnius	677,788	20.59	20.59	2.0 <sup>2</sup>	22.59
Alvydas Banys	252,875	7.69	7.69	55.05 <sup>3</sup>	62.74
Darius Šulnis	0	0.00	0.00	62.74 <sup>4</sup>	62.74
Indrė Mišeikytė	65,758	2.00	2.00	62.74 <sup>5</sup>	62.74
Eglė Surplienė	0	0	0	62.74 <sup>6</sup>	62.74

The total number of shareholders in INVL Baltic Farmland increase 3700.

There are no shareholders entitled to special rights of control.

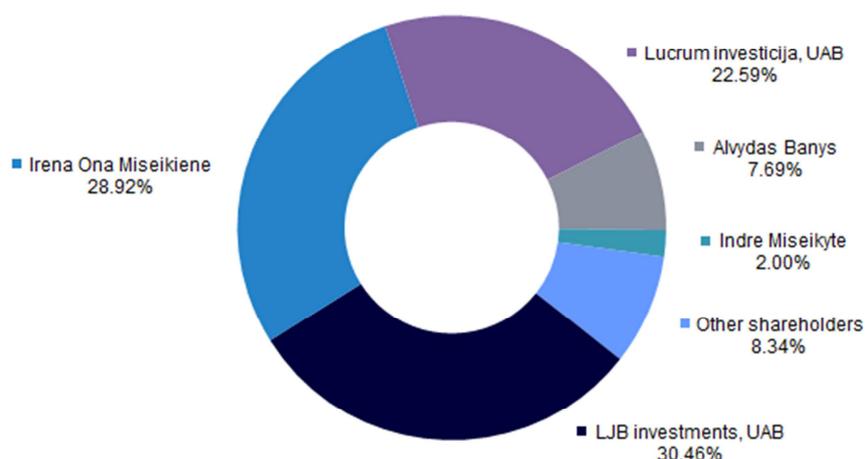


Fig. 9.2. Votes as of 30 June 2015

<sup>2</sup> Lucrum Investicija, UAB has 2% of votes according to a repurchase agreement.

<sup>3</sup> According to Part 6 of Paragraph 1 of Article 24 and Paragraph 2 of Article 24 of the Law on Securities of the Republic of Lithuania, it is considered that Alvydas Banys has votes of LJB Investments, a company controlled by him, and also votes of Darius Sulnis and Indre Mišeikyte, managers of INVL Baltic Farmland.

<sup>4</sup> According to Part 6 of Paragraph 1 of Article 24 and Paragraph 2 of Article 24 of the Law on Securities of the Republic of Lithuania, it is considered that Darius Sulnis has votes of Lucrum Investicija, a company controlled by him, and also votes of Alvydas Banys and Indre Mišeikyte, managers of INVL Baltic Farmland.

<sup>5</sup> According to Paragraph 2 of Article 24 of the Law on Securities of the Republic of Lithuania, it is considered that Indre Mišeikyte has votes of Alvydas Banys and Darius Sulnis, managers of INVL Baltic Farmland.

<sup>6</sup> According to Paragraph 2 of Article 24 of the Law on Securities of the Republic of Lithuania, it is considered that Eglė Surplienė has votes of Alvydas Banys, Darius Sulnis and Indre Mišeikyte, managers of INVL Baltic Farmland.

# INVL Baltic Farmland

## III. ISSUER'S MANAGING BODIES

### 10. The managing bodies of the Issuer



The governing bodies of INVL Baltic Farmland, AB are: the General Shareholders' Meeting, sole governing body – the director and a collegial governing body – the Board. The Supervisory Board is not formed. Information about Members of the Board and director of the company.

The Board of INVL Baltic Farmland, AB was elected during the General Shareholders' Meeting of INVL Baltic Farmland, AB the company split-off from Invalda LT, AB on 28 April 2014. Mr. Banys was elected as the Chairman of the Board. Mr. Šulnis and Ms. Mišeikytė were elected as the Members of the Board. Mr. Sulnis were appointed as a director of the company since the establishment of the company, he held this position until 29 June 2015. From 30 June 2015 Egle Surpliene holds position as a director of the company.



Alvydas Banys – Chairman of the Board

The term of office	From 2014 until 2017
Educational background and qualifications	Vilnius Gediminas Technical University. Faculty of Civil Engineering. Master in Engineering and Economics. Junior Scientific co-worker. Economic's Institute of Lithuania's Science Academy.
Work experience	Since 1 July 2013 Invalda LT, 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
Owned amount of shares in INVL Baltic Farmland, AB	Personally: 252,875 units of shares, 7.69 % of authorised capital, 7.69 % of votes. Together with controlled company LJB Investments: 1,255,599 units of shares, 38.15 % of authorized capital, 38.15 % of votes. Total votes (together with Members of the Board of INVL Baltic Farmland) – 62.74 %.
Participation in other companies	Invalda INVL, AB – Chairman of the Board Invalda LT Investments, UAB – Chairman of the Board INVL Baltic Real Estate, AB – Chairman of the Board INVL Technology, AB – Member of the Board MP Pension Funds Baltic, UAB – Member of the Board Litagra, UAB – Member of the Board

# INVL Baltic Farmland



Indrė Mišeikytė – Member of the Board

The term of office	From 2014 untill 2017
Educational background and qualifications	Vilnius Gedimino Technical University. Faculty of Architecture. Master in Architecture
Work experience	Since May 2012 Invalda LT, AB - Advisor Since June 2013 Invalda Privatus Kapitalas, AB – Advisor Since 2002 Inreal Valdymas, UAB - Architect Since 2002 Gildeta, UAB - Architect
Owned amount of shares in INVL Baltic Farmland, AB	Personally: 65,758 units of shares, 2 % of authorised capital, 2 % of votes. Total votes (together with Members of the Board of INVL Baltic Farmland) – 62.74 %.
Participation in other companies	Invalda INVL, AB – Member of the Board Invalda Privatus Kapitalas, AB – Member of the Board INVL Baltic Real Estate, AB – Member of the Board



Darius Šulnis – Member of the Board, director (director until 29 June 2015)

The term of office	From 2014 untill 2017
Educational background and qualifications	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.
Work experience	Since the beginning of the 2015 – general director 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
Owned amount of shares in INVL Baltic Farmland, AB	Personally: 0 units of shares, 0.00 % of authorised capital and votes. Together with controlled company Lucrum Investicija: 677,788 units of shares, 20.59 % of authorised capital, 22.59 % of votes (including votes granted by the shares transferred by the repurchase agreement). Total votes (together with Members of the Board of INVL Baltic Farmland) – 62.74 %.
Participation in other companies	Invalda INVL, AB – Member of the Board, the president Litagra, UAB – Member of the Board Invalda LT Investments, UAB – director, Member of the Board MP Pension Funds Baltic – Chairman of the Board Bank Finasta – Member of the Supervisory Board INVL Asset Management, UAB – Chairman of the Board, general director IPAS Finasta Asset Management (Latvia) – Deputy Chairman of the Supervisory Board AS Finasta atklātais pensiju fonds (Latvia) – Deputy Chairman of the Supervisory Board

# INVL Baltic Farmland

Egle Surpliene

Director (since 30 June 2015)

Educational background and qualifications	Vilnius University, Faculty of Economic Cybernetics and Finance, Economic Cybernetics studies, Economics - mathematics diploma (equivalent of Master's degree) 2009 - Award in Financial Planning (CII program and exam) certificate. 2005 - OMX Vilnius dealer certificate 1996 - General financial broker license
Work experience	September 2014 - present - Director, UAB Margio investicija October 2009 - present - Wealth manager, UAB FPI Geroves Valdymas March 2009 - present - Director, UAB DIM investment Autumn 2006 - October 2009 - Wealth manager, VIP Clients manager, AB FBC Finasta, AB bank Finasta June 2005 - July 2006 - Project manager, UAB Zabolis ir partneriai June 1999 - June 2005 - Member, Deputy Director of the Commission, Securities Commission of Lithuania June 1995 - June 1999 - Head of Issuer Division, UAB FMI Vilfima June 1993 - June 1995 - Member of Market Regulation Division, Securities Commission of Lithuania
Owned amount of shares in INVL Baltic Farmland, AB	Personally: 0 units of shares, 0.00 % of authorised capital and votes. Total votes (together with Members of the Board of INVL Baltic Farmland) – 62.74 %.
Participation in other companies	August 2014 - present - Member of the Board, UAB Birstono investicija July 2013 - present - Member of the Board, UAB Tuta

Invalda INVL, AB provides accounting services and preparation of the documents related with bookkeeping for INVL Baltic Farmland, AB according to an agreement signed on 30 April 2014 No. 20140430/03.

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

The Audit Committee consists of 2 members, one of whom is independent. The members of the Audit Committee are elected by the General Shareholders' Meeting. The main functions of the Committee are the following:

- provide recommendations for the Board of the company with selection, appointment, reappointment and removal of an external audit company as well as the terms and conditions of engagement with the audit company;
- monitor the process of external audit;
- monitor how the external auditor and audit company follow the principles of independence and objectivity;
- observe the preparation process of company's financial reports;
- monitor the efficiency of company's internal control and risk management systems. Once a year review the need of the internal audit function;
- monitor if the company's board and/or managers properly response to the audit firm's recommendations and comments.

The General Shareholders Meeting which took place on 23 December 2014 decided to elect Danute Kadanaite and Tomas Bubinas (independent member) to the Audit Committee of INVL Baltic Farmland, AB for the 4 (four) years term of office.



Danutė Kadanaitė – Member of the Audit Committee

The term of office	Since 2014 until 2017
Educational background and qualifications	2004 – 2006 Mykolas Romeris University. Faculty of Law. Master in Financial Law 2000 – 2004 m. Faculty of Law, BA in Law 1997 International School of Management
Work experience	Since 2009 Lawyer. Legisperitus, UAB 2008 – 2009 Lawyer, Finasta FBC 2008 – Lawyer, Invalda, AB 1999 – 2002 Administrator, Office of Attorney of Law Arturas Sukevicius 1994 – 1999 Legal Consultant, Financial brokerage company Apyvarta, UAB
Owned amount of shares in INVL Baltic Farmland, AB	-

# INVL Baltic Farmland



Tomas Bubinas – Independent Member of the Audit Committee

The term of office	Since 2014 until 2017
Educational background and qualifications	2004 – 2005 Baltic Management Institute (BMI), Executive MBA 1997 – 2000 Association of Chartered Certified Accountants. ACCA. Fellow Member 1997 Lithuanian Sworn Registered Auditor 1988 – 1993 Vilnius University, Msc. in Economics
Work experience	Since 2013 Chief Operating Officer at Biotechpharma, UAB 2010 – 2012 Senior Director, Operations. TEVA Biopharmaceuticals (USA) 1999 – 2001 Senior Manager, PricewaterhouseCoopers 1994 – 1999 Senior Auditor, Manager, Coopers & Lybrand.
Owned amount of shares in INVL Baltic Farmland, AB	-

## 12. Information on the amounts calculated by the Issuer, other assets transferred and guarantees granted to the Members of the Board, director and company providing accounting services

Members of Board of INVL Baltic Farmland, AB did not receive annual benefit (bonus) since the start of activity of the company until the end of the reporting period.

The calculated remuneration to the director of the Company totalled to EUR 1,855, on the average EUR 309 per month.

The payment for the company providing accounting services amounted to EUR 2,375 since the beginning of company's activity until the end of the reporting period.

During the reporting period the Issuer transferred no assets, granted no guarantees, paid no bonuses and made no special payouts for the Company's manager and Members of the Board. To the Board members, which are shareholders of the Company, were paid EUR 16 thousand of dividends, net of tax. To the entities, which are controlled by the Board members, were paid EUR 105 thousand of dividends, net of tax.

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

### 13. Overview of the Issuer and its group activity

#### 13.1. Business environment

##### Agricultural sector

INVL Baltic Farmland has 100% in 18 companies owning more than 3 thousand hectares of agricultural land in the most fertile regions of Lithuania. Companies – land owners and joint-stock company INVL Baltic Farmland on 30 June 2015 have signed a basic property administration agreement with INVL Farmland Management which administrates agricultural land owned by the companies.

In the long time period the company seeks to gain profit from growth of rent as well as increase of land value.

At the end of the first half of 2015 the total value of the managed land was EUR 10.6 million, or EUR 3.5 thousand per hectare. Next valuation is planned at the end of the year 2015.

Since May 2014 changes to the Agricultural Land Acquisition temporary law entered into force. Under these changes, the persons cannot acquire more than 500 hectares of agricultural land. Also, the amount of people having pre-emptive right to purchase the land was expanded. Restrictions define that persons who own more than 25 percent of shares in agricultural land companies, as well as persons who own more than 25 percent in several companies are held as related parties. Therefore, those willing to purchase additional agricultural land have to have documents proving that the person, during the last 10 years before the deal, was engaged in agricultural activity for at least 3 years and has declared his farmland as well as crop. For legal entities restrictions define that they have to additionally provide documents proving that more than 50 percent of their business annual income comes from farming activities and company is economically sound.

Due to the restrictions INVL Baltic Farmland is unable to invest in agricultural land in Lithuania as well as unable to take control of the companies owning agricultural land.

# INVL Baltic Farmland

Restrictions had a significant impact on the whole agricultural land sector. According to State Enterprise Centre of Registers data, in 2014 amount of transaction in agricultural land was down by 22 percent compared to 2013. Similar tendencies were visible in 2015 as well. In March 2015 number of transactions was down by 22 percent compared to March 2014 (3.9 thousand transactions). In April number of transactions (4.7 thousand) was down by 31.4 percent compared to April 2014. According to the publication of Ministry of Agriculture situation in the most fertile regions was a bit different as the number of transactions and farmland prices were stable or even showed positive gains.

Contrary to slowing agricultural land transactions land rental market was gaining momentum. Rental prices were positively affected by the decision to allot bigger funds to small farmers. The biggest benefits are paid to the farmers for the first 30 hectares. Moreover, rent is interesting for big farmers and agricultural companies as well because it gives priority to acquire the land in case of owner's decision to sell.

According to the data of National Paying Agency, in 2014 it made more than 250 million worth of direct payments – 2.3 percent more than in 2013. Farmers in Lithuania declared 2.83 million hectares of farmland – 1.1 percent more than the year before. According to the data provided by the Ministry of Agriculture in Lithuania there is 3.9 million hectares of farmland therefore declared land constitutes only slightly more than 70 percent of total.

## Group key figures of INVL Baltic Farmland

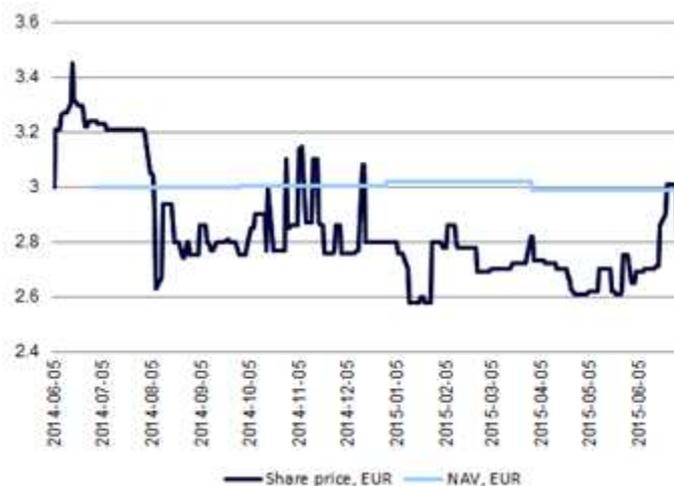
	30 June 2014	30 June 2015
Book value of land, EUR thousand	10,558	10,558
Other assets, EUR thousand	338	437
Consolidated equity, EUR thousand	9,881	9,938
Deferred income tax liabilities, EUR thousand	839	848
Other liabilities, EUR thousand	176	209
Controlled cultivated cropland area, ha	3,006	3,003
Average rental income per hectare, EUR	109	149
Book value of one share, EUR	3.00	3.02
Dividend yield, %	-	2.2
<b>Profit (loss), EUR thousand</b>	<b>30 June 2014*</b>	<b>30 June 2015</b>
Revenue	55	230
Income before tax	38	237
Net profit	33	206

\* The period covers the beginning of the activity of the company (29 April 2014) and ends on 30 June 2014.

<b>Management fees, %</b>	
Percent of the consolidated rental income	7
Percent of weighted average capitalization of INVL Baltic Farmland Q2	0.5
Success fee (percent of the consolidated equity per share in excess of the benchmark value)	20
Bad debt level as a percentage of the total consolidated income (if exceeded, the excess is taken from other management fees)	5

# INVL Baltic Farmland

## Historical relation between share price and NAV



	Share price Premium/Discount vs. NAV, %
2014 IIQ	8.0%
2014 IIIQ	(8.5)%
2014 IVQ	(7.2)%
2015 IQ	(5.7)%

## 12.2. Significant Issuer's and its group events during the reporting period and since the end of it, affect on the financial statement

### The Company

- On 27 January 2015 the Company announced preliminary unaudited results for 12 months of 2014. Unaudited consolidated net profit as well as consolidated net profit attributable to shareholders of INVL Baltic Farmland, AB amounted to EUR 90.7 thousand (LTL 313 thousand).
- On 27 January 2015 INVL Baltic Farmland, AB announced that the Company initiates the acquisition of own shares since 29 January 2015. Share acquisition ends on 26 February 2015. Max number of shares to be acquired: 16,471. Share acquisition price: EUR 2.86 per share.
- On 26 February 2015 the Company announced about acquisition of 0.02 % of own shares for the total amount of EUR 2.03 thousand without brokerage fees. INVL Baltic Farmland, AB could purchase up to 16,471 shares. During the share buy-back procedure 710 units of shares were tendered. Share buy-back procedure started from 29 January and was implemented through the market of official tender offers of NASDAQ Vilnius stock exchange until 26 February. Settlement for the acquired shares will happen on 2 March.
- On 27 February 2015 the Company announced consolidated net profit as well as consolidated net profit attributable to shareholders of INVL Baltic Farmland, AB amounted to EUR 89.5 thousand (LTL 309 thousand) of 2014.
- On 27 February 2015 INVL Baltic Farmland, AB announced that it is planning to earn EUR 260 thousand net profit in 2015. The Board of INVL Baltic Farmland, AB, a company investing into agricultural land, approved its activity forecasts for 2015. Consolidated revenues of INVL Baltic Farmland, AB are forecasted at EUR 450 thousand and net profit should amount to EUR 260 thousand.
- On 27 February 2015 the Company announced results of INVL Baltic Farmland, AB for 12 months of 2014. Consolidated net profit as well as consolidated net profit attributable to shareholders of INVL Baltic Farmland, AB amounted to EUR 89.5 thousand (LTL 309 thousand) at the end of 2014.
- On 2 March 2015 INVL Baltic Farmland, AB informed that that the company settled for treasury shares and acquired 710 units of shares (0.02 % of share capital) for the amount of EUR 2.03 thousand (without brokerage fee), during the share buy-back procedure, which took place from 29 January till 26 February 2015. The company paid EUR 2.86 for one share.
- On 24 March 2015 INVL Baltic Farmland, AB announced decisions of the General Shareholders Meeting. During the meeting the Shareholders were presented with the consolidated annual report of the Company and independent auditor's report on the financial statements, approved the consolidated and companies financial statements for 2014, dividend payment and distribution of the profit of the Company, reduced authorized capital from LTL 3,294,209 to LTL 3,291,549, changed the par value of share from LTL 1 to EUR 0.29, approved the new wording of the Articles of Association and decided to sign an agreement with private limited company INVL Farmland Management, UAB based on which to transfer the administration of assets owned by joint-stock company INVL Baltic Farmland, AB subsidiaries to the company mentioned before. Information about convened General Shareholders Meeting was published on 27 February 2015.
- On 24 March 2015 the Company announced the annual information (consolidated and Company's financial statements, consolidated annual report) and the confirmation of responsible persons of INVL Baltic Farmland, AB for the year 2014.
- On 21 April 2015 the General Shareholders Meeting of INVL Baltic Farmland, AB decided to allocate EUR 0.06 dividend per share.

# INVL Baltic Farmland

- On 28 April 2015 the Company announced that an unaudited consolidated net profit as well as consolidated net profit attributable to shareholders of INVL Baltic Farmland, AB amounted to EUR 116 thousand.
- On 5 June 2015 The public joint-stock company INVL Baltic Farmland announced that according to the resolution of the General Shareholders Meeting held on 24 March 2015, the Company registered the reduced authorized capital from EUR 955 320.61 to EUR 954 549.21 and the new wording of the Articles of Association.
- On 30 June 2015 By the decision of the Board of INVL Baltic Farmland, AB of 29 June 2015, Egle Surpliene is elected to the position of CEO of INVL Baltic Farmland, AB from 30 June. She is replacing Darius Sulnis who has submitted a notice of resignation from CEO position.
- On 30 June 2015 INVL Baltic Farmland, AB and group companies made land plot administration agreement with INVL Farmland Management, UAB.

## The group

Since the beginning of the activity of the Issuer until the end of the reporting period, companies - land owners and INVL Baltic Farmland on 30 June 2015 have signed a basic property administration agreement with INVL Farmland Management which administrates agricultural land owned by the companies in order to ensure steady growth of income for the shareholders and the value of the land. The companies during the reporting period rented agricultural land for farmers and agricultural companies and performed usual.

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

During the six months of 2015 of this year there were no material changes from the information about the principal risks and uncertainties disclosed in the latest annual report.

Except risks related to the basic property administration agreement signed on 30 June. According to the agreement, the land administration were transferred to INVL Farmland Management, UAB

## 15. Significant investments made during the reporting period

During the reporting period INVL Baltic Farmland, AB has not made any acquisitions.

## 16. Information on the related parties' transactions

Information on the related parties' transactions is disclosed in consolidated interim condensed unaudited financial statements' explanatory notes for 6 months of 2015.

## 17. Activity plans and forecast of the Issuer and it's group

Taking into consideration better than expected results of the first half of 2015 the Board of INVL Baltic Farmland has adjusted its forecast for the full year 2015.

Forecasted income planned at 457 thousand euro and net profit at 316 thousand euro. For comparison: initial forecast was income of 450 thousand euro and net profit of 260 thousand euro. Forecast is based on the assumption that value of the land stays at the same level.

Director



Egle Surpliene