



Unaudited Public
Financial Report

for the 1st half
of 2013

REVERTA

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Management Report

Dear shareholders and partners!

Semi-annual performance data of 2013 compiled by Joint-Stock Company Reverta once again show ability of the Company to work in line with aims and tasks set out and approved by the Restructuring Plan. Although the distressed loans recovery process becomes more complicated because of various circumstances, Reverta has recovered EUR 35.8m during the reporting period. Overall, EUR 460.6m has been recovered since 01 August 2010. At the end of the reporting period, the total of Reverta's asset portfolio was EUR 462.9m.

The Company has reached its main goal of the reporting period and has repaid EUR 13m to the State Treasury as interest on the treasury bonds. The payment was made by two instalments – EUR 7.1m was paid in February and EUR 5.9m in May 2013.

Like in previous periods, funds necessary to repay the State Aid were mostly recovered from restructured loans. Though, an ever increasing proportion of total recoveries are earnings from disposal of real estate portfolio objects. This is related to the gradual recovery of economies of Latvia and the world, which consequently has led to increased activities on real estate markets. Small flats in standardized multi-storey blocks are still one of the most demanded types of property, but good sales results have been also achieved in selling new special-project dwelling properties, such as „Zemturu nami“, „Orions“ and others. The decision to form Reverta's own team of real estate sales specialists has fully proved itself to be right, and it has allowed for a significant return from the real estate portfolio. Income of the reporting period received from sales of real estate properties has reached historically highest mark – EUR 14m (as compared to EUR 3m of the same period last year).

In accordance with the plan, Reverta has accumulated EUR 30m for unsecured debts during the reporting period, has made the aforementioned interest payments on State Aid to the State Treasury, as well as interest payments on subordinated liabilities to the former owners of Parex banka and their family members in the amount of EUR 2.3m. These items compose losses of the Company, but, as Reverta has already stated several times before, the only measure of its efficiency is the amount of funds recovered, and, in accordance with the Restructuring Plan, no profit can be expected in future.

Reverta's distressed loans portfolio, EUR 387.8m as of 30 June 2013, consists of Baltic and CIS debts. Approximately 60% of all debts are those of Latvian origin. There are significant obstacles being put in the Company's way for recovery of debts by some borrowers, who are actively using both lawful and unlawful methods to avoid repayment of their liabilities. The whole situation is made even worse by inefficient court system and inadequacies of legislation that allow some groups of people to use various methods, including counterfeiting of documents, producing of fictitious agreements, putting pressure on courts, etc., to destroy general principles of justice, thus causing significant harm to the interests of community and the State.

A particularly complicated matter is that of recovering some debts of notable amount in Russia, where Reverta has already several times encountered a grave discrimination of foreign investors and violation of laws by Russian courts. For example, in the matter of Severorgsintez (the amount of outstanding liabilities of Severorgsintez towards Reverta is USD 108m) Russian Court of Arbitration has ignored the ruling of Latvian Court of Arbitration, which is a grave breach of the UN Convention 1958. At the same time, Russian court has recognized and enforced other foreign arbitral awards, thus showing its discriminative attitude towards judgements of Latvian party in particular. Such practice causes heavy losses to Reverta, and their total and final amount will be known only after the matter of Severorgsintez is closed.

Most significant events after the end of the reporting period

On 26 July 2013, a new Supervisory Board of the Company was elected during the extraordinary Shareholders' Meeting due to the end of the term of office of the previous Supervisory Board. Michael Bourke, the previous Chairman of the Supervisory Board, and Mary Ellen Collins were re-elected to the Board, and there are two newcomers – Kaspars Āboliņš and Andris Ozoliņš.

On 01 August 2013, the new Supervisory Board of Reverta elected Michael Bourke for another term of Chair of the Supervisory Board, and Kaspars Āboliņš was elected Deputy Chairman of the Supervisory Board, whereas Mary Ellen Collins and Andris Ozoliņš will be performing duties of the Members of the Supervisory Board.

After re-election, Michael Bourke said that in the coming years the newly elected Supervisory Board is going to continue work on loan restructuring and debt recovery through legal processes and courts.

In August 2013, Reverta transferred EUR 14.1m more to the State Treasury. Thus, since 01 August 2010, Reverta has made payments of EUR 127.6m to the Treasury and has paid State guaranteed syndicated loan in the amount of EUR 234m, as well as EUR 10.6m interest on the above loan.

Christopher John Gwilliam
Chairman of the Management Board

Solvita Deglava
Member of the Management Board

Ruta Amtmane
Member of the Management Board

Riga,
29 August 2013

The Council and the Management Board

The Council

<i>Name</i>	<i>Position</i>
Michael Joseph Bourke	Chairman of the Council
Mary Ellen Collins	Member of the Council
Sarmīte Jumīte	Deputy chairwoman of the Council (till 31.07.2013)
Vladimirs Loginovs	Member of the Council (till 31.07.2013)
Kaspars Āboliņš	Deputy chairwoman of the Council (from 01.08.2013)
Andris Ozoliņš	Member of the Council (from 01.08.2013)

The Management Board

<i>Name</i>	<i>Position</i>
Christopher John Gwilliam	Chairman of the Management Board, p.p.
Solvita Deglava	Member of the Management Board, p.p.
Ruta Amtmane	Member of the Management Board

Statement of Responsibility of the Management

The Management of AS Reverta (hereinafter – the Company) are responsible for the preparation of the financial statements of the Company as well as for the preparation of the consolidated financial statements of the Company and its subsidiaries (hereinafter – the Group).

The financial statements set out on pages 7 to 14 are prepared in accordance with the source documents and present fairly the financial position of the Company and the Group as at 30 June 2013 and the results of their operations, changes in shareholders' equity and cash flows for the six month period ended 30 June 2013. The management report set out on pages 3 to 4 presents fairly the financial results of the reporting period and future prospects of the Company and the Group.

The financial statements are prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board as adopted by the European Union on a going concern basis. Appropriate accounting policies have been applied on a consistent basis. Prudent and reasonable judgments and estimates have been made by the Management in the preparation of the financial statements.

The Management of AS Reverta are responsible for the maintenance of proper accounting records, the safeguarding of the Group's assets and the prevention and detection of fraud and other irregularities in the Group.

Christopher John Gwilliam
Chairman of the Management Board

Solvita Deglava
Member of the Management Board

Ruta Amtmane
Member of the Management Board

Riga,
29 August 2013

Statements of Comprehensive Income

	LVL 000's			
	30/06/2013	30/06/2012	30/06/2013	30/06/2012
	Group	Group	Company	Company
Interest income	2,995	3,041	3,003	3,185
Interest expense	(10,376)	(13,985)	(10,376)	(13,985)
Net interest expense	(7,381)	(10,944)	(7,373)	(10,800)
Commission and fee income	16	103	16	51
Commission and fee expense	(9)	(18)	(6)	(12)
Net commission and fee income / (expense)	7	85	10	39
Net realised loss on available-for-sale financial assets	-	(43)	-	(43)
Result of revaluation of financial instruments and foreign currency, net	384	4,481	478	4,948
Other income	155	436	515	441
Net financial result of the segment	(6,835)	(5,985)	(6,370)	(5,415)
Real estate segment income	1,147	357	19	93
Real estate segment expense	(705)	(499)	(57)	(139)
Revaluation result, net	531	(89)	211	(89)
Net result of RE segment	973	(231)	173	(135)
Collaterals and assets under repossession expense	(128)	(113)	(128)	(113)
Administrative expense	(3,480)	(4,255)	(3,331)	(3,784)
Amortisation and depreciation charge	(70)	(218)	(70)	(217)
Impairment charges and reversals, net	(21,095)	(19,395)	(21,095)	(20,800)
Loss from asset write-offs	(572)	(1,159)	(572)	(1,159)
(Loss)/profit on disposal of assets held for sale	-	(46)	-	-
Loss before taxation	(31,207)	(31,402)	(31,393)	(31,623)
Corporate income tax	(92)	(122)	(92)	(91)
Loss for the period	(31,299)	(31,524)	(31,485)	(31,714)
Attributable to:				
Shareholders of the parent company	(31,299)	(31,524)	(31,485)	(31,714)
Non-controlling interest	-	-	-	-
Other comprehensive income:				
Change in fair value of available-for-sale securities	-	487	-	487
Total comprehensive loss for the period	(31,299)	(31,037)	(31,485)	(31,227)
Attributable to:				
Shareholders of the parent company	(31,299)	(31,037)	(31,485)	(31,227)
Non-controlling interest	-	-	-	-

Statements of Financial Position

	LVL 000's			
	30/06/2013	31/12/2012*	30/06/2013	31/12/2012*
	Group	Group	Company	Company
Assets				
Balances due from credit institutions	13,642	4,441	11,718	3,908
Shares and other non-fixed income securities	8	10	8	10
Bonds and other fixed income securities	79	78	79	78
Loans	239,236	278,507	272,530	314,807
Fixed assets	90	108	79	97
Intangible assets	82	102	81	102
Investments in subsidiaries	-	-	28,226	25,702
Investment property	61,881	63,966	4,889	5,583
Other assets	11,193	11,727	7,705	7,959
Total assets	326,211	358,939	325,315	358,246
Liabilities				
Issued debt securities	387,301	387,717	387,301	387,717
Other liabilities	2,264	3,303	1,722	2,778
Subordinated liabilities	53,160	53,134	53,160	53,134
Total liabilities	442,725	444,154	442,183	443,629
Equity				
Paid-in share capital	311,027	311,027	311,027	311,027
Share premium	12,694	12,694	12,694	12,694
Accumulated losses	(440,235)	(408,936)	(440,589)	(409,104)
Total shareholders' equity attributable to the shareholders of the Company	(116,514)	(85,215)	(116,868)	(85,383)
Non-controlling interest	-	-	-	-
Total equity	(116,514)	(85,215)	(116,868)	(85,383)
Total liabilities and equity	326,211	358,939	325,315	358,246

* Auditor: SIA "PricewaterhouseCoopers"

Statements of Changes in Equity

Group	LVL 000's				
	Issued share capital	Share premium	Fair value revaluation reserve	Retained earnings	Total equity
Balance as at 31 December 2011	311,027	12,694	(487)	(312,813)	10,421
Loss for the period	-	-	-	(31,524)	(31,524)
Other comprehensive income for the period	-	-	487	-	487
Balance as at 30 June 2012	311,027	12,694	-	(344,337)	(20,616)
Loss for the period	-	-	-	(64,599)	(64,599)
Balance as at 31 December 2012	311,027	12,694	-	(408,936)	(85,215)
Loss for the period	-	-	-	(31,299)	(31,299)
Balance as at 30 June 2013	311,027	12,694	-	(440,235)	(116,514)

Company	LVL 000's				
	Issued share capital	Share premium	Fair value revaluation reserve	Retained earnings	Total equity
Balance as at 31 December 2011	311,027	12,694	(487)	(312,311)	10,923
Loss for the period	-	-	-	(37,714)	(37,714)
Other comprehensive income for the period	-	-	487	-	487
Balance as at 30 June 2012	311,027	12,694	-	(344,025)	(20,304)
Loss for the period	-	-	-	(65,079)	(65,079)
Balance as at 31 December 2012	311,027	12,694	-	(409,104)	(85,383)
Loss for the period	-	-	-	(31,485)	(31,485)
Balance as at 30 June 2013	311,027	12,694	-	(440,589)	(116,868)

Statements of Cash Flows

	LVL 000's			
	30/06/2013	30/06/2012	30/06/2013	30/06/2012
	Group	Group	Company	Company
Cash flows from operating activities				
Loss before tax	(31,207)	(31,402)	(31,394)	(31,623)
Amortisation and depreciation	70	218	70	217
Change in impairment allowances and other accruals	21,095	25,077	21,095	25,323
Interest income	(2,993)	-	(3,000)	-
Interest expense	10,376	12,054	10,376	12,054
Other non-cash items	(1,099)	(3,966)	(912)	(3,104)
Foreign currency transactions	(463)	(1,688)	(476)	(1,688)
Cash generated before changes in assets and liabilities	(4,221)	293	(4,241)	1,179
Decrease in loans and receivables	19,845	42,344	22,878	36,275
Decrease/(increase) in investment property	9,808	2,126	134	207
(Decrease)/ increase in deposits	-	(10,167)	-	(10,167)
(Increase)/decrease in other assets	(4,294)	(11,915)	991	(6,052)
(Decrease)/ increase in other liabilities	(1,040)	(524)	(1,055)	(122)
Cash generated from operating activities before corporate income tax	20,098	22,157	18,707	21,320
Corporate income tax paid	(92)	(122)	(92)	(91)
Net cash flows from operating activities	20,006	22,035	18,615	21,229
Cash flows from investing activities				
Purchase of intangible and fixed assets	(31)	(38)	(31)	(34)
Sale of available-for-sale securities, net	-	398	-	398
Net cash flow from investing activities	(31)	360	(31)	364
Cash flows from financing activities				
Redemption of issued debt securities (principal)	-	(16,903)	-	(16,903)
Interest for issued debt securities	(9,155)	(8,798)	(9,155)	(8,798)
Interest for subordinated debt	(1,619)	(1,801)	(1,619)	(1,801)
Net cash flow from financing activities	(10,774)	(27,502)	(10,774)	(27,502)
Net cash flow for the reporting period	9,201	(5,107)	7,810	(5,909)
Cash and cash equivalents at the beginning of the reporting period	4,441	25,588	3,908	25,440
Cash and cash equivalents at the end of the reporting period	13,642	20,481	11,718	19,531

Consolidation Group Structure as at 30 June 2013

No.	Name of company	Registration number	Registration address	Country of domicile	Company type*	% of total paid-in share capital	% of total voting rights	Basis for inclusion in the group**
1	AS "Reverta"	LV-40003074590	Latvia, Riga LV-1010, Republikas laukums 2A	LV	KS	100	100	MAS
2	Regalite Holdings Limited	CY-HE93438	Cyprus, Nicosia 1075, 58 Arch. Makarios 3 Avenue, Iris Tower, 6th floor, office 602	CY	PLS	100	100	MS
3	OOO "Parex Leasing and Factoring"	GE-205224461	Georgia, Tbilisi, Kazbegi avenue 44	GE	LIZ	100	100	MS
4	SIA "NIF"	LV-40103250571	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
5	SIA "NIF Dzīvojamie īpašumi"	LV-40103253915	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
6	SIA "NIF Komerģīpašumi"	LV-40103254003	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
7	SIA "NIF Zemes īpašumi"	LV-40103255348	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
8	UAB "NIF Lietuva"	LT-302462108	Lithuania, Vilnius LT03107, K.Kalinausko 13	LT	PLS	100	100	MS
9	OÜ "NIF Eesti"	EE-11788043	Estonia, Tallinn 10119, Roosikrantsi 2	EE	PLS	100	100	MS
10	SIA "NIF Projekts 1"	LV-50103300111	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
11	SIA "NIF Projekts 2"	LV-40103353475	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
12	SIA "NIF Projekts 3"	LV-40103353511	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
13	SIA "NIF Projekts 4"	LV-40103398418	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
14	SIA "NIF Projekts 5"	LV-40103398850	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
15	SIA "NIF Projekts 6"	LV-40103398865	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
16	SIA "NIF Projekts 7"	LV-40103512479	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
17	SIA "NIF Projekts 8"	LV-40103512604	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
18	SIA "NIF Projekts 9"	LV-40103512498	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
19	Carnella Maritime Corp.	BVI-1701483	British Virgin Islands, Mill Mall Tower, 2 nd Floor, Wickhams Cay 1, Tortola.	BVI	PLS	100	100	MS

*KS – commercial company, LIZ – leasing company, PLS – company providing various support services.

** MS – subsidiary company, MAS – parent company.

Notes

Information about Reverta's structure

As at 30 June 2013 the Company had 4 representative offices.

Issued share capital as at 30 June 2013

Shareholders	Nominal value, (LVL)	Number of shares	Paid-in share capital, (LVL)	Voting rights	Paid-in share capital, (%)
SJSC "Privatizācijas Aģentūra"	1	261 733 152	261,733,152	205 783 152	84.15%
EBRD	1	39 631 824	39,631,824	39 631 824	12.74%
Other	1	9 662 319	9,662,319	5 468 463	3.11%
Total		311 027 295	311,027,295	250 883 439	100%

Information on certain parties that were related to the Company at the moment it received state aid

The following table represents summary of material transactions with certain parties that were related to the Company at the moment it received the State Aid:

	LVL 000's					
	1 st half of 2013			1 st half of 2012		
	Period-end balance	Average interest rate *	Interest income/ (expense)	Period-end balance	Average interest rate *	Interest income/ (expense)
Loans issued by the Company	1,897	0.00%	-	1,915	0.00%	-
Subordinated financing provided to the Company	36,005	3.72%	(1,067)	36,005	4.12%	(1,182)

* According to period-end rates

Subordinated financing contracts were entered into force in 2008 and have maturities ranging 2015 through 2018. Subordinated financing is LVL and EUR denominated. Prior repayment can be unilaterally requested only upon liquidation of the Company.

The following table represents the details of the Company's subordinated capital:

Counterparty	Residence country	Currency	Issue size, 000's	Interest rate	Original agreement date	Original maturity date	Amortised cost (LVL 000's) 30/06/2013	Amortised cost (LVL 000's) 30/06/2012
Notes-private placement	UK	EUR	20,000	4.772%	28/12/2007	28/12/2022	13,335	13,280
Private person	Latvia	LVL	7,500	6M Rigibid + 3%	28/09/2007	26/09/2017	7,500	7,501
Private person	Latvia	LVL	7,500	6M Rigibid + 3%	28/09/2007	26/09/2017	7,500	7,501
Notes – public issue	n/a	EUR	5,050	12%	08/05/2008	08/05/2018	3,820	3,820
Private person	Latvia	EUR	15,000	12%	20/06/2008	14/05/2015	10,602	10,602
Private person	Latvia	LVL	1,500	6M Rigibid + 3%	30/10/2008	30/10/2018	1,500	1,500
Private person	Latvia	LVL	1,500	6M Rigibid + 3%	30/10/2008	30/10/2018	1,500	1,500
Private person	Latvia	LVL	2,284	6M Rigibid + 3%	04/12/2008	17/09/2015	2,285	2,284
Private person	Latvia	LVL	2,284	6M Rigibid + 3%	04/12/2008	17/09/2015	2,285	2,284
Private person	Latvia	LVL	1,416	6M Rigibid + 3%	04/12/2008	29/09/2015	1,416	1,416
Private person	Latvia	LVL	1,416	6M Rigibid + 3%	04/12/2008	29/09/2015	1,416	1,416
Total							53,159	53,104

Risk management

The Group's risk is managed according to principles set out in Group's Risk Management Policy. The Group adheres to the following key risk management principles:

- Undertaking an acceptable risk level is one of the Group's main functions in all areas of operation. Risks are always assessed in relation to the expected return. Risk exposures that are not acceptable for the Group are, where possible, avoided, limited or hedged;
- The Group does not assume new high or uncontrollable risks irrespective of the return they provide. Risks should be diversified and those risks that are quantifiable should be limited or hedged;
- Risk management is based on awareness of each and every Group's employee about the nature of transactions he/she carries out and related risks;
- The Group aims to ensure as low as possible risk exposure and low level of operational risk.

Risk management is an essential element of the Group's management process. Risk management within the Group is controlled by an independent unit unrelated to customer servicing - Risk Management Division.

The Group is exposed to the following main risks: credit risk, liquidity risk, currency risk and operational risk. The Group has approved risk management policies for each of these risks, which are briefly summarised below.

Credit risk

Credit risk is the risk that the Group will incur losses from debtor's non-performance or default. The group is exposed to credit risk in its loan restructuring activities.

Credit risk management is based on adequate risk assessment and decision-making. For material risks, risk analysis is conducted by independent Risk Management Division. The analysis of credit risk comprises evaluation of customer's creditworthiness and collateral and its liquidity. The analysis of creditworthiness of a legal entity includes analysis of the industry, the company, and its current and forecasted financial position. The analysis of creditworthiness of an individual includes the analysis of the customer's credit history, income and debt-to-income ratio analysis, as well as the analysis of social and demographic factors. All decisions about loan restructuring or changes in loan agreements are made by the Credit Committee and further reviewed by the Company's Management Board.

The Group reviews its loan portfolio on a regular basis to assess its quality and concentrations, as well as to evaluate the portfolio trends.

Credit risk identification, monitoring and reporting is the responsibility of Risk Management Division.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its legal payment obligations. The purpose of liquidity risk management is to ensure the availability of liquid assets sufficient to meet potential obligations.

Under ordinary circumstances the Group manages its liquidity risk in accordance with the Group's Liquidity Risk Management Policy. Liquidity risk is assessed and related decisions are made by the Company's Management Board. Daily liquidity management, as well as liquidity risk measurement, monitoring and reporting, is ensured by the Finance, Risk Management & Operational Department. Liquidity risk management in the Group is coordinated by the

Finance, Risk Management & Operational Department. The main source of liquidity are debt securities issued by the Company.

Operational risk

Operational risk is the risk of suffering losses resulting from processes that are deficient or non-compliant with requirements of external and internal regulations, losses resulting from actions of employees and system malfunctioning, as well as losses resulting from actions of third parties or from other external conditions, including legal risk (risk of penalty fees, sanctions applied by external institutions, losses resulting from litigation and other similar events), but excluding strategic risk and reputation risk. The Group further divides operational risk into the following categories: personnel risk, process risk, IT and systems risk, external risk.

The Group does not undertake / accept operational risks with unquantifiable impact that are concurrently unmanageable (it is impossible to prevent such risks or provide for their consequences – e.g. non-compliance with legal regulations etc.), irrespective of the financial gains this could bring (i.e., the Group does not perform business activities incurring such operational risks).

The Group applies following approaches for operational risk management:

- Defining operational risk indicators – use of statistical, financial and other indicators that reflect the level of various operational risk types and its changes within the Group;
- Operational risk measurement by recording and analysing operational risk events, the extent of the respective damage incurred, causes and other related information (data base of operational risk losses and incidents);
- “Four-eye-principle” and segregation of duties;
- Business continuity planning;
- Insurance;
- Investments in appropriate data processing and information protection technologies.

Currency risk

Currency risk is related to mismatch in foreign currency asset and liability positions that impact the Group’s cash flow and financial results via fluctuations in currency exchange rates.

Currency risk management in the Group is carried out in accordance with the Group options. Day-to-day currency risk monitoring, management and reporting is the responsibility of Finance, Risk Management & Operational Department.