



Unaudited Public  
Financial Report

for the 1<sup>st</sup> half  
of 2014

**REVERTA**

## Contents

Management Report.....	3
The Council and the Management Board .....	5
Statement of Responsibility of the Management.....	6
Statements of Comprehensive Income .....	7
Statements of Financial Position.....	8
Statements of Changes in Equity .....	9
Statements of Cash Flows .....	10
Consolidation Group Structure .....	11
Notes .....	12

## Management Report

### Dear shareholders and partners!

The performance of Joint-Stock Company *Reverta* in the first half of 2014 has been significant – a total of EUR 31.1m has been paid to the State Treasury. The payment comprises the principal amount (EUR 19.8m) and interest (EUR 11.3m). Shortly after the end of the reporting period, another payment was made ahead of schedule in the amount of EUR 35.6m, thus making the total amount paid to the Treasury this year EUR 66.7m.

As a result of successful RE sales and loan restructuring, *Reverta* has recovered EUR 38.7m during the first half of 2014 and more than EUR 550m since 1 August 2010. This is a remarkable achievement, and especially so when the counteractions of several borrowers are taken into account along with the negative effect the inadequacies in Latvian legislation and court system are having on the recovery process.

By the end of reporting period *Reverta* had disposed of more than half of its distressed assets. The total of *Reverta's* assets as of 30 June 2014 was EUR 296.8m.

*Reverta* continued implementation of the balanced sales strategy during the reporting period and carried out well-considered and gradual sales of its real estate portfolio, at the same time taking care of the increase of its asset value at the most optimum level. This is an important basic principle of *Reverta's* activities as there are no other sources of income envisaged by the Restructuring Plan.

During the reporting period, the real estate market has been quite dynamic. This can be explained both by the overall growth of Latvian economy and the increasing number of new mortgage loans being issued. During the reporting period, there was especially big demand for medium-sized flats in standard apartment buildings. The interest in land plots is moderate though increasing. The aforementioned economic circumstances along with the efficient sales strategy have allowed *Reverta* to increase the speed and volume of RE sales. 264 properties have been sold for the total amount of EUR 16.3m during the reporting period as compared to EUR 14m during the same period last year. By the end of June 2014, *Reverta* had offered 522 properties for sales.

In February 2014, for more effective management of the subsidiaries and with an aim to reduce the maintenance and administrative costs, *Reverta* started reorganization process by merging *LLC NIF*, *LLC NIF Projekts 2*, *LLC NIF Projekts 3* and *LLC NIF Projekts 9* with *LLC NIF Dzīvojamie īpašumi*.

Taking into consideration the uncertainty created by the Ukraine / Russia conflict, *Reverta* has made additional Provisions for Loan losses on loan affected by this conflict. The losses during the reporting period were in the amount of EUR 23.3m as compared to EUR 44.8m at the same period last year. Taking into consideration the low quality of *Reverta's* loan portfolio and the decreasing value of some particular assets, even down to 10% of their initial value, it can be expected that there will be need for even further provisions and more losses will be incurred.

Although, at the moment, it is not possible to make accurate estimations of the whole impact of the Russian crisis, there are concerns that the strained political and economic situation might have unfavourable effect on the Latvian economy in general and the performance of *Reverta* in particular.

In line with the approved amendments to the Law on Control of Aid for Commercial Activity that have become effective on 1 July 2014, *Reverta* will be allowed to repay sub-debts – the principal amount and interest, only after a full repayment of the State Aid. The adopted amendments will allow the State to be the first to recover investments into *Parex banka* and will allow *Reverta* to save EUR 4.4m of interest every year, as well as to postpone repayment of

subordinated obligations in the amount of EUR 75m. The aforementioned sums mostly comprise payments to the former shareholders of *Parex banka* and associated persons.

***The most significant events after the end of the reporting period***

There were several significant and noteworthy events after the end of the reporting period:

- 1) On 15 July 2014, one of the most difficult properties of *Reverta* – *Skonto* sports complex, was sold for EUR 13.8m. The deal can be regarded as especially successful, and it allowed *Reverta* to recover a significant sum of money for the repayment of the State Aid. There were several investors showing interest in the *Skonto* sports complex and, after a careful evaluation, the offer of the company *SSA* was recognized the most beneficial.
- 2) In August 2014, with an aim to reduce the administrative costs, the liquidation of *AS Reverta* subsidiaries *SIA NIF4* and *SIA NIF5* was started.
- 3) In August 2014, *Reverta* has paid EUR 35.6m to the State Treasury. The payment comprised the principal of the State Aid in the amount of EUR 30m (paid ahead of schedule) and EUR 5.6m of interest.

---

Solvita Deglava  
Chairperson of the Management Board

---

Edgars Miļūns  
Member of the Management Board

---

Ruta Amtmane  
Member of the Management Board

Riga,  
29 August 2014

## The Council and the Management Board

### The Council

<b><i>Name</i></b>	<b><i>Position</i></b>
Michael Joseph Bourke	Chairman of the Council
Mary Ellen Collins	Member of the Council
Kaspars Āboliņš	Deputy Chairman of the Council
Andris Ozoliņš	Member of the Council

### The Management Board

<b><i>Name</i></b>	<b><i>Position</i></b>
Solvita Deglava	Chairperson of the Management Board
Ruta Amtmane	Member of the Management Board
Edgars Miļūns	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 2014 and the results of their operations, changes in shareholders' equity and cash flows for the six month period ended 30 June 2014. 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.

---

Solvita Deglava  
Chairperson of the Management Board

---

Edgars Miļūns  
Member of the Management Board

---

Ruta Amtmane  
Member of the Management Board

Riga,  
29 August 2014

## Statements of Comprehensive Income

	EUR 000's			
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
	Group	Group	Company	Company
Interest income	1,617	4,262	2,175	4,273
Interest expense	(15,107)	(14,764)	(15,107)	(14,764)
<b>Net interest expense</b>	<b>(13,490)</b>	<b>(10,502)</b>	<b>(12,932)</b>	<b>(10,491)</b>
Commission and fee income	13	23	13	23
Commission and fee expense	(8)	(13)	(7)	(9)
<b>Net commission and fee income / (expense)</b>	<b>5</b>	<b>10</b>	<b>6</b>	<b>14</b>
Result of revaluation of financial instruments and foreign currency, net	(87)	546	(87)	680
Other income	82	221	744	733
<b>Net financial result of the segment</b>	<b>(13,490)</b>	<b>(9,725)</b>	<b>(12,269)</b>	<b>(9,064)</b>
Real estate segment income	1,701	1,632	35	27
Real estate segment expense	(820)	(1,003)	(44)	(81)
Revaluation result, net	(14)	755	-	300
<b>Net result of RE segment</b>	<b>867</b>	<b>1,384</b>	<b>(9)</b>	<b>246</b>
Collaterals and assets under repossession expense	(13)	(182)	(13)	(182)
Administrative expense	(3,588)	(4,951)	(3,478)	(4,739)
Amortisation and depreciation charge	(33)	(100)	(32)	(100)
Impairment of assets, net	(7,501)	(30,829)	(7,434)	(30,829)
<b>Loss before taxation</b>	<b>(23,758)</b>	<b>(44,403)</b>	<b>(23,235)</b>	<b>(44,668)</b>
Corporate income tax	(78)	(131)	(78)	(131)
<b>Loss for the period</b>	<b>(23,836)</b>	<b>(44,534)</b>	<b>(23,313)</b>	<b>(44,799)</b>

## Statements of Financial Position

	EUR 000's			
	30/06/2014	31/12/2013*	30/06/2014	31/12/2013*
	Group	Group	Company	Company
<b>Assets</b>				
Balances due from credit institutions	21,698	21,485	14,065	14,156
Shares and other non-fixed income securities	7	10	7	10
Loans	211,356	241,846	233,998	276,127
Fixed assets	72	77	61	64
Intangible assets	104	90	103	90
Investments in subsidiaries	-	-	32,768	32,769
Investment property	58,956	72,889	5,267	5,492
Other assets	15,321	14,260	10,534	10,801
<b>Total assets</b>	<b>307,514</b>	<b>350,657</b>	<b>296,803</b>	<b>339,509</b>
<b>Liabilities</b>				
Issued debt securities	500,355	518,641	500,355	518,641
Other liabilities	2,473	3,626	1,890	3,128
Subordinated liabilities	75,806	75,675	75,806	75,675
<b>Total liabilities</b>	<b>578,634</b>	<b>597,942</b>	<b>578,051</b>	<b>597,444</b>
<b>Equity</b>				
Paid-in share capital	442,552	442,552	442,552	442,552
Share premium	18,063	18,063	18,063	18,063
Accumulated losses	(731,735)	(707,900)	(741,863)	(718,550)
<b>Total shareholders' equity attributable to the shareholders of the Company</b>	<b>(271,120)</b>	<b>(247,285)</b>	<b>(281,248)</b>	<b>(257,935)</b>
<b>Total liabilities and equity</b>	<b>307,514</b>	<b>350,657</b>	<b>296,803</b>	<b>339,509</b>

\* Auditor: SIA "Ernst&Young Baltic"



## Statements of Changes in Equity

Group	EUR 000's			
	Issued share capital	Share premium	Retained earnings	Total equity
<b>Balance as at 31 December 2012</b>	<b>442,552</b>	<b>18,063</b>	<b>(581,864)</b>	<b>(121,249)</b>
Loss for the period	-	-	(44,534)	(44,534)
<b>Balance as at 30 June 2013</b>	<b>442,552</b>	<b>18,063</b>	<b>(626,398)</b>	<b>(165,783)</b>
Loss for the period	-	-	(81,501)	(81,501)
<b>Balance as at 31 December 2013</b>	<b>442,552</b>	<b>18,063</b>	<b>(707,899)</b>	<b>(247,284)</b>
Loss for the period	-	-	(23,836)	(23,836)
<b>Balance as at 30 June 2014</b>	<b>442,552</b>	<b>18,063</b>	<b>(731,735)</b>	<b>(271,120)</b>

Company	EUR 000's			
	Issued share capital	Share premium	Retained earnings	Total equity
<b>Balance as at 31 December 2012</b>	<b>442,552</b>	<b>18,063</b>	<b>(582,103)</b>	<b>(121,488)</b>
Loss for the period	-	-	(44,799)	(44,799)
<b>Balance as at 30 June 2013</b>	<b>442,552</b>	<b>18,063</b>	<b>(626,902)</b>	<b>(166,287)</b>
Loss for the period	-	-	(91,648)	(91,648)
<b>Balance as at 31 December 2013</b>	<b>442,552</b>	<b>18,063</b>	<b>(718,550)</b>	<b>(257,935)</b>
Loss for the period	-	-	(23,313)	(23,313)
<b>Balance as at 30 June 2014</b>	<b>442,552</b>	<b>18,063</b>	<b>(741,863)</b>	<b>(281,248)</b>

## Statements of Cash Flows

	EUR 000's			
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
	Group	Group	Company	Company
<b>Cash flows from operating activities</b>				
Loss before tax	(23,758)	(44,403)	(23,235)	(44,668)
Amortisation and depreciation	33	100	32	100
Change in impairment allowances and other accruals	7,501	30,015	7,434	30,015
Interest income	(1,617)	(4,262)	(2,175)	(4,273)
Interest expense	15,107	14,764	15,107	14,764
Other non-cash items	(426)	(1,561)	(461)	(1,295)
Foreign currency transactions	-	(659)	-	(677)
<b>Cash generated before changes in assets and liabilities</b>	<b>(3,160)</b>	<b>(6,006)</b>	<b>(3,298)</b>	<b>(6,034)</b>
Decrease in loans and receivables	25,229	28,237	37,492	32,552
Decrease/( increase) in investment property	16,342	13,956	350	191
(Increase)/decrease in other assets	(3,558)	(6,110)	89	1,410
(Decrease)/ increase in other liabilities	(1,152)	(1,480)	(1,236)	(1,501)
<b>Cash generated from operating activities before corporate income tax</b>	<b>33,701</b>	<b>28,597</b>	<b>33,397</b>	<b>26,618</b>
Corporate income tax paid	(78)	(131)	(78)	(131)
<b>Net cash flows from operating activities</b>	<b>33,623</b>	<b>28,466</b>	<b>33,319</b>	<b>26,487</b>
<b>Cash flows from investing activities</b>				
Purchase of intangible and fixed assets	(49)	(44)	(49)	(44)
Sale of available-for-sale securities, net	-	-	-	-
<b>Net cash flow from investing activities</b>	<b>(49)</b>	<b>(44)</b>	<b>(49)</b>	<b>(44)</b>
<b>Cash flows from financing activities</b>				
Redemption of issued debt securities (principal)	(19,801)	-	(19,801)	-
Interest for issued debt securities	(11,262)	(13,026)	(11,262)	(13,026)
Interest for subordinated debt	(2,298)	(2,304)	(2,298)	(2,304)
<b>Net cash flow from financing activities</b>	<b>(33,361)</b>	<b>(15,330)</b>	<b>(33,361)</b>	<b>(15,330)</b>
<b>Net cash flow for the reporting period</b>	<b>213</b>	<b>13,092</b>	<b>(91)</b>	<b>11,113</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>21,485</b>	<b>6,319</b>	<b>14,156</b>	<b>5,560</b>
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>21,698</b>	<b>19,411</b>	<b>14,065</b>	<b>16,673</b>

## Consolidation Group Structure as at 30 June 2014

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 2014 the Company had 4 representative offices.

### Issued share capital as at 30 June 2014

Shareholders	Nominal value, (EUR)	Number of shares	Paid-in share capital, (EUR)	Voting rights	Paid-in share capital, (%)
SJSC "Privatizācijas Aģentūra"	0.10	3 724 074 799	372,407,479.9	2 928 030 460	84.15%
EBRD	0.10	563 811 205	56,381,120.5	563 910 051	12.74%
Other	0.10	137 633 662	13,763,366.2	77 809 197	3.11%
<b>Total</b>		<b>4 425 519 666</b>	<b>442,551,966.6</b>	<b>3 569 749 708</b>	<b>100%</b>

### 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:

	EUR 000's			
	1 <sup>st</sup> half of 2014		1 <sup>st</sup> half of 2013	
	Period-end balance	Interest income/ (expense)	Period-end balance	Interest income/ (expense)
Loans issued by the Company	2,672	-	2,699	-
Subordinated financing provided to the Company	51,220	(1,473)	51,230	(1,518)

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 (EUR 000's) 30/06/2014	Amortised cost (EUR 000's) 30/06/2013
Notes-private placement	UK	EUR	20,000	4.759%	28/12/2007	28/12/2022	19,052	18,974
Private person	Latvia	LVL	7,500	6M Rigibid + 3%	28/09/2007	26/09/2017	10,672	10,672
Private person	Latvia	LVL	7,500	6M Rigibid + 3%	28/09/2007	26/09/2017	10,672	10,672
Notes – public issue	n/a	EUR	5,050	12%	08/05/2008	08/05/2018	5,444	5,435
Private person	Latvia	EUR	15,000	12%	20/06/2008	14/05/2015	15,075	15,085
Private person	Latvia	LVL	1,500	6M Rigibid + 3%	30/10/2008	30/10/2018	2,134	2,134
Private person	Latvia	LVL	1,500	6M Rigibid + 3%	30/10/2008	30/10/2018	2,134	2,134
Private person	Latvia	LVL	2,284	6M Rigibid + 3%	04/12/2008	17/09/2015	3,251	3,251
Private person	Latvia	LVL	2,284	6M Rigibid + 3%	04/12/2008	17/09/2015	3,251	3,251
Private person	Latvia	LVL	1,416	6M Rigibid + 3%	04/12/2008	29/09/2015	2,015	2,015
Private person	Latvia	LVL	1,416	6M Rigibid + 3%	04/12/2008	29/09/2015	2,015	2,015
<b>Total</b>							<b>75,715</b>	<b>75,638</b>

## 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.