



Unaudited Condensed  
Financial Report

for the 3rd quarter  
of 2015

**REVERTA**

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## Management Report

### Dear shareholders and partners!

In the first nine months of 2015 (hereinafter – reporting period), joint stock company Reverta continued performance of targets and tasks established in the Restructuring Plan – Reverta has repaid EUR 22.5 m to the State Treasury, of which EUR 14.5 m was interest on the State aid and EUR 8 m was the repayment of the principal amount. As reported before, in 2015 the biggest challenges for Reverta were the unfavourable market conditions caused by the geopolitical situation, which continued to have a significant effect on Reverta's operation also during this reporting period. From the viewpoint of loan workout and recovery, and asset disposal the reporting period can be described in similar words as the previous period of six months - since 1 August 2010, when Reverta commenced recovery of State aid paid to Parex banka, this has been the most difficult and complicated period.

Since 1 August 2010 Reverta has recovered a total of EUR 639.5 m. The State has received from Reverta a total of EUR 581.8 m in the form of various payments, of which EUR 336 m was paid to the Treasury.

The total asset portfolio of Reverta continued to decrease and at the end of the reporting period it was EUR 182.8 m, as compared to EUR 272.2 m at the same period of the previous year.

During the first nine months of this year, Reverta's loss did not exceed the plan and was in the amount of EUR 32.6 m, as compared to EUR 31 m in the first nine months of 2014. As previously, the loss comprised, first, interest expense on issued bonds (EUR 16.7 m) and, second, provisions for the impairment in asset value. According to the Restructuring Plan, loss was always part of Reverta's operation.

During the reporting period, Reverta's performance, including the amount of funds to be repaid to the State Treasury, was largely dependent on the completion term of several big deals which were creating an unpredictable and unstable cash flow already since the beginning of 2015. As a result of increasing caution exercised by investors, it has become more difficult to find buyers for large real estate objects and, besides, evaluation process of deals has become more meticulous and time consuming than before. As Reverta has already disposed of the largest portion of its investment projects, every deal is of great importance now in ensuring the cash flow.

Although Latvian real estate market does not show any significant increase of activity, deals, though mostly with low value properties, are being concluded and within the reporting period Reverta received EUR 11.2 m from sales of real estate properties, as compared to EUR 37.6 m in the same period in 2014. Overall, a certain stability of the market and purchasing capacity of Latvian people exists, and therefore transaction amounts vary from several thousand euros for land properties to 30 to 100 thousand euros for dwelling properties. As planned, Reverta's real estate portfolio has significantly decreased and the most attractive properties have been already disposed of, therefore Reverta is working actively to arouse interest of buyers. At the end of the reporting period, there were approximately 255 objects put on sale, part of which are land properties.

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

In November 2015 Reverta made another regular interest payment in the amount of EUR 4.6 m to the State Treasury.

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Solvita Deglava  
Chairperson of the Management Board

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Edgars Miļūns  
Member of the Management Board

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Ruta Amtmane  
Member of the Management Board

Riga,  
27 November 2015

## The Council and the Management Board

### The Council

<b>Name</b>	<b>Position</b>
Michael Joseph Bourke	Chairman of the Council
Kaspars Āboliņš	Deputy Chairman of the Council (till 01.02.2015)
Mary Ellen Collins	Deputy Chairperson of the Council (from 25.02.2015 till 02.06.2015)
Mary Ellen Collins	Member of the Council (till 24.02.2015 and from 03.06.2015)
Līga Kļaviņa	Deputy Chairperson of the Council (from 03.06.2015)
Andris Ozoliņš	Member of the Council (till 28.05.2015)
Artūrs Neimanis	Member of the Council (from 29.05.2015)

### The Management Board

<b>Name</b>	<b>Position</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 September 2015 and the results of their operations, changes in shareholders' equity and cash flows for the nine month period ended 30 September 2015. 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.

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Solvita Deglava  
Chairperson of the Management Board

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Edgars Miļūns  
Member of the Management Board

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Ruta Amtmane  
Member of the Management Board

Riga,  
27 November 2015



## Statements of Comprehensive Income

	EUR 000's			
	30/09/2015	30/09/2014	30/09/2015	30/09/2014
	Group	Group	Company	Company
Interest income	1,227	2,718	1,572	3,448
Interest expense	(16,736)	(21,216)	(16,736)	(21,308)
<b>Net interest expense</b>	<b>(15,509)</b>	<b>(18,498)</b>	<b>(15,164)</b>	<b>(17,860)</b>
Commission and fee income	19	22	19	22
Commission and fee expense	(16)	(16)	(14)	(14)
<b>Net commission and fee income / (expense)</b>	<b>3</b>	<b>6</b>	<b>5</b>	<b>8</b>
Result of revaluation of financial instruments and foreign currency, net	481	521	296	385
Other income	179	144	1,077	1,136
<b>Net financial result of the segment</b>	<b>(14,846)</b>	<b>(17,827)</b>	<b>(13,786)</b>	<b>(16,331)</b>
Real estate segment income	550	4,142	40	37
Real estate segment expense	(860)	(1,039)	(178)	(89)
Revaluation result, net	-	(3)	-	-
<b>Net result of RE segment</b>	<b>(310)</b>	<b>3,100</b>	<b>(138)</b>	<b>(52)</b>
Collaterals and assets under repossession expense	(32)	(27)	(32)	(27)
Administrative expense	(5,025)	(5,341)	(4,958)	(5,122)
Amortisation and depreciation charge	(53)	(52)	(51)	(50)
Impairment of assets, net	(16,182)	(9,359)	(13,652)	(9,328)
<b>Loss before taxation</b>	<b>(36,448)</b>	<b>(29,506)</b>	<b>(32,617)</b>	<b>(30,910)</b>
Corporate income tax	(10)	(307)	(10)	(115)
<b>Loss for the period</b>	<b>(36,458)</b>	<b>(29,813)</b>	<b>(32,627)</b>	<b>(31,025)</b>

## Statements of Financial Position

	EUR 000's			
	30/09/2015	31/12/2014*	30/09/2015	31/12/2014*
	Group	Group	Company	Company
<b>Assets</b>				
Balances due from credit institutions	10,092	5,713	8,824	5,171
Loans	115,702	162,096	131,283	173,040
Fixed assets	55	63	48	55
Intangible assets	60	87	60	86
Investments in subsidiaries	-	-	21,655	21,655
Investment property	48,327	46,466	10,422	9,703
Other assets	11,649	14,395	10,524	10,548
<b>Total assets</b>	<b>185,885</b>	<b>228,820</b>	<b>182,816</b>	<b>220,258</b>
<b>Liabilities</b>				
Issued debt securities	452,356	458,185	452,356	458,185
Other liabilities	1,741	2,456	2,574	1,627
Subordinated liabilities	75,918	75,851	75,918	75,851
<b>Total liabilities</b>	<b>530,015</b>	<b>536,492</b>	<b>530,848</b>	<b>535,663</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	(804,745)	(768,287)	(808,647)	(776,020)
<b>Total shareholders' equity attributable to the shareholders of the Company</b>	<b>(344,130)</b>	<b>(307,672)</b>	<b>(348,032)</b>	<b>(315,405)</b>
<b>Total liabilities and equity</b>	<b>185,885</b>	<b>228,820</b>	<b>182,816</b>	<b>220,258</b>

\* Auditor: SIA "PricewaterhouseCoopers"



## Statements of Changes in Equity

Group	EUR 000's			
	Issued share capital	Share premium	Retained earnings	Total equity
<b>Balance as at 31 December 2013</b>	<b>442,552</b>	<b>18,063</b>	<b>(707,898)</b>	<b>(247,283)</b>
Loss for the period	-	-	(23,836)	(23,836)
<b>Balance as at 30 September 2014</b>	<b>442,552</b>	<b>18,063</b>	<b>(731,734)</b>	<b>(271,119)</b>
Loss for the period	-	-	(36,553)	(36,553)
<b>Balance as at 31 December 2014</b>	<b>442,552</b>	<b>18,063</b>	<b>(768,287)</b>	<b>(307,672)</b>
Loss for the period	-	-	(36,458)	(36,458)
<b>Balance as at 30 September 2015</b>	<b>442,552</b>	<b>18,063</b>	<b>(804,745)</b>	<b>(344,130)</b>

Company	EUR 000's			
	Issued share capital	Share premium	Retained earnings	Total equity
<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 September 2014</b>	<b>442,552</b>	<b>18,063</b>	<b>(741,863)</b>	<b>(281,248)</b>
Loss for the period	-	-	(34,157)	(34,157)
<b>Balance as at 31 December 2014</b>	<b>442,552</b>	<b>18,063</b>	<b>(776,020)</b>	<b>(315,405)</b>
Loss for the period	-	-	(32,627)	(32,627)
<b>Balance as at 30 September 2015</b>	<b>442,552</b>	<b>18,063</b>	<b>(808,647)</b>	<b>(348,032)</b>

## Statements of Cash Flows

	EUR 000's			
	30/09/2015	30/09/2014	30/09/2015	30/09/2014
	Group	Group	Company	Company
<b>Cash flows from operating activities</b>				
Loss before tax	(36,448)	(29,506)	(32,617)	(30,910)
Amortisation and depreciation	52	52	51	50
Change in impairment allowances and other accruals	16,182	9,359	13,652	9,328
Interest income	(1,226)	(2,718)	(1,572)	(3,448)
Interest expense	16,736	21,216	16,736	21,308
Other non-cash items	(479)	(521)	(294)	(463)
<b>Cash generated before changes in assets and liabilities</b>	<b>(5,183)</b>	<b>(2,118)</b>	<b>(4,044)</b>	<b>(4,135)</b>
Proceeds from loans and receivables	25,167	34,113	21,825	59,459
Proceeds from investment property	11,245	37,577	7,988	351
(Increase)/decrease in other assets	(3,606)	(8,957)	(534)	(2,166)
(Decrease)/ increase in other liabilities	(716)	(2,224)	946	11,312
<b>Cash generated from operating activities before corporate income tax</b>	<b>26,907</b>	<b>58,391</b>	<b>26,181</b>	<b>64,821</b>
Corporate income tax paid	(10)	(307)	(10)	(115)
<b>Net cash flows from operating activities</b>	<b>26,897</b>	<b>58,084</b>	<b>26,171</b>	<b>64,706</b>
<b>Cash flows from investing activities</b>				
Purchase of intangible and fixed assets	(20)	(57)	(20)	(57)
<b>Net cash flow from investing activities</b>	<b>(20)</b>	<b>(57)</b>	<b>(20)</b>	<b>(57)</b>
<b>Cash flows from financing activities</b>				
Redemption of issued debt securities (principal)	(8,000)	(49,801)	(8,000)	(49,801)
Interest for issued debt securities	(14,498)	(16,849)	(14,498)	(16,849)
Interest for subordinated debt	-	(2,297)	-	(2,297)
<b>Net cash flow from financing activities</b>	<b>(22,498)</b>	<b>(68,947)</b>	<b>(22,498)</b>	<b>(68,947)</b>
<b>Net cash flow for the reporting period</b>	<b>4,379</b>	<b>(10,920)</b>	<b>3,653</b>	<b>(4,298)</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>5,713</b>	<b>21,485</b>	<b>5,171</b>	<b>14,157</b>
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>10,092</b>	<b>10,565</b>	<b>8,824</b>	<b>9,859</b>

## Consolidation Group Structure as at 30 September 2015

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 Dzīvojamie īpašumi"	LV-40103253915	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
5	SIA "NIF Komerccīpašumi"	LV-40103254003	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
6	SIA "NIF Zemes īpašumi"	LV-40103255348	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
7	UAB "NIF Lietuva"	LT-302462108	Lithuania, Vilnius LT03107, K.Kalinausko 13	LT	PLS	100	100	MS
8	OÜ "NIF Eesti"	EE-11788043	Estonia, Tallinn 10119, Roosikrantsi 2	EE	PLS	100	100	MS
9	SIA "NIF Projekts 1"	LV-50103300111	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
10	SIA "NIF Projekts 6"	LV-40103398865	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
11	SIA "NIF Projekts 7"	LV-40103512479	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
12	SIA "NIF Projekts 8"	LV-40103512604	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
13	Carnella Maritime Corp.	BVI-1701483	British Virgin Islands, Mill Mall Tower, 2 nd Floor, Wickhams Cay 1, Tortola.	BVI	PLS	100	100	MS
14	SIA "NIF Projekts 10"	LV-50103930111	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MMS

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

\*\* MS – subsidiary company, MAS – parent company, MMS – subsidiary of the subsidiary company.

## Notes

### Information about Reverta's structure

As at 30 September 2015 the Company had 4 representative offices.

### Issued share capital as at 30 September 2015

Shareholders	Nominal value, (EUR)	Number of shares	Paid-in share capital, (EUR)	Voting rights	Paid-in share capital, (%)
SJSC "Privatizācijas Aģentūra"	0.10	3 724 127 238	372,412,723.8	2 928 030 460	84.15%
EBRD	0.10	563 910 051	56,391,005.1	563 910 051	12.74%
Other	0.10	138 482 377	13,748,237.7	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			
	3 <sup>rd</sup> quarter of 2015		3 <sup>rd</sup> quarter of 2014	
	Period-end balance	Interest income/ (expense)	Period-end balance	Interest income/ (expense)
Loans issued by the Company	2,800	-	2,715	-
Subordinated financing provided to the Company	51,311	-	51,311	(1,479)

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	Issue size, (EUR 000's)	Interest rate	Original agreement date	Original maturity date	Amortised cost (EUR 000's) 30/09/2015	Amortised cost (EUR 000's) 30/09/2014
Notes-private placement	UK	20,000	4.759%	28/12/2007	28/12/2022	19,164	19,073
Private person	Latvia	10,672	6M Rigibid + 3%	04/12/2008	26/09/2017	10,699	10,699
Private person	Latvia	10,672	6M Rigibid + 3%	04/12/2008	26/09/2017	10,699	10,699
Notes – public issue	n/a	5,350	12%	08/05/2008	08/05/2018	5,444	5,444
Private person	Latvia	15,000	12%	20/06/2008	31/12/2017	15,075	15,075
Private person	Latvia	2,134	6M Rigibid + 3%	30/10/2008	30/10/2018	2,140	2,140
Private person	Latvia	2,134	6M Rigibid + 3%	30/10/2008	30/10/2018	2,140	2,140
Private person	Latvia	3,250	6M Rigibid + 3%	04/12/2008	31/12/2017	3,259	3,259
Private person	Latvia	3,250	6M Rigibid + 3%	04/12/2008	31/12/2017	3,259	3,259
Private person	Latvia	2,015	6M Rigibid + 3%	04/12/2008	31/12/2017	2,020	2,020
Private person	Latvia	2,015	6M Rigibid + 3%	04/12/2008	31/12/2017	2,020	2,020
					<b>Total</b>	<b>75,919</b>	<b>75,828</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 & Operational Department.

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 & Operational Department. 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 & Operational Department.

### 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.