

STOCK COMPANY
"Baltic RE Group"

(REGISTRATION NUMBER 40103716434)

CONSOLIDATED ANNUAL REPORT

FOR THE PERIOD
FROM 2 OCTOBER 2013
TO 31 DECEMBER 2014

Riga 2015

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GENERAL INFORMATION

Name of the Parent company	Stock Company "Baltic RE Group"	
Legal form of the Parent company	Stock Company	
Registration number, place and date of registration of the Parent company	40103716434, Riga, 2 October 2013	
Legal address of the Parent company	222c-15 Maskavas Street, Riga, LV-1019	
Board	Giovanni Dalla Zonca	(Head of the Board - right of sole representation)
	Marco Chioatto	(Member of the Board - together with all the rest of)
	Dina Abaja	(Member of the Board - together with all the rest of)
	<i>Raffaele Di Nardo</i>	<i>(Member of the Board - together with all the rest of; from 16.04.2014 to 25.02.2015)</i>
	<i>Massimiliano Rossi</i>	<i>(Member of the Board - together with all the rest of; from 16.04.2014 to 25.02.2015)</i>
Council	Aleksandrs Mahajevs	(Chairperson of the Council)
	Edgars Murāns	(Deputy chairperson of the Council)
	Sanita Ādmine	(Member of the Council)
Principal Subsidiaries (direct holding)	BALTIC RE SPA, Via Altinate 125, CAP 35100, Padova, (PD), Italy (from 04.12.2014 - 86%) (from 22.01.2015 - 100%) LLC "KEY 1", 222C-15 Maskavas Street Riga, LV-1019 (from 04.12.2014 - 12.66%) (from 19.02.2015 - 25%) (BALTIC RE SPA owns 81.17% of LLC "KEY 1" shares) LLC "KEY 6", 222C-15 Maskavas Street Riga, LV-1019 (from 04.12.2014 - 0.27%) (from 19.01.2015 - 11.66%) (BALTIC RE SPA owns 88.34% of LLC "KEY 6" shares)	

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Principal Subsidiaries (indirect holding)	<p>LLC "Key 15", 222C-15 Maskavas Street Riga, LV-1019 (from 04.12.2014 - 33%)</p> <p>LLC "KEY 1" owns 67% of LLC "Key 15" shares</p> <p>LLC "Key 2", 222C-15 Maskavas Street Riga, LV-1019</p> <p>LLC "KEY 6" owns 51%, Giannoni Raffaele owns 30% and BALTIC RE SPA owns 19% of LLC "Key 2" shares)</p> <p>LLC "Skunu 19", 222C-15 Maskavas Street Riga, LV-1019</p> <p>(BALTIC RE SPA owns 100% of LLC "Skunu 19" shares)</p>		
Associates (indirect influence)	<p>LLC "Lion Re", 222C-15 Maskavas Street Riga, LV-1019</p> <p>(BALTIC RE SPA owns 30% of LLC "Lion Re" shares)</p>		
Activity Code (NACE 2.0 red)	<p>Activities of holding companies (64.20)</p> <p>Rental and operating of own or leased real estate (68.20)</p>		
Financial year	<p>02.10.2013</p> <p>31.12.2014</p>		
Auditors	<table border="0" style="width: 100%;"> <tr> <td style="width: 50%; vertical-align: top;"> <p>Marija Jansone Certified Auditor of the Republic of Latvia Certificate No.25</p> </td> <td style="width: 50%; vertical-align: top;"> <p>LLC "AUDIT ADVICE" 9-3 Grecinieku Street, Riga, Latvia, LV – 1050 Licence No.134</p> </td> </tr> </table>	<p>Marija Jansone Certified Auditor of the Republic of Latvia Certificate No.25</p>	<p>LLC "AUDIT ADVICE" 9-3 Grecinieku Street, Riga, Latvia, LV – 1050 Licence No.134</p>
<p>Marija Jansone Certified Auditor of the Republic of Latvia Certificate No.25</p>	<p>LLC "AUDIT ADVICE" 9-3 Grecinieku Street, Riga, Latvia, LV – 1050 Licence No.134</p>		

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	31.12.14. EUR
I. Non-current assets		
Intangible assets		
Other intangible assets	3.	8 627
Goodwill	3.	7 945 612
Total intangible assets		7 954 239
Property, plant and equipment		
Other fixed assets	4.	34 921
Total property, plant and equipment		34 921
Investment property		
Long-term financial investments		37 759 091
Investments in associated companies	6.	248 944
Loans to associated companies	35.	10 000
Other securities and investments		71 264
Other loans and other long-term receivables	35.	104 100
Total long-term financial investments		434 308
Total non-current assets		46 182 559
II. Current assets		
Receivables		
Trade receivables	7.; 35.	95 136
Receivables from associated companies	35.	65 925
Other receivables	8.; 23.; 35.	474 072
Prepaid expenses	9.	21 360
Accrued income	10.	52 632
Total receivables		709 125
Cash and cash equivalents		
Total current assets		859 775
Total current assets		1 568 900
TOTAL ASSETS		47 751 459

The accompanying notes on pages 10 to 28 are an integral part of these financial statements.

Head of the Board

Giovanni Dalla Zonca

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EQUITY AND LIABILITIES	Notes	31.12.14. EUR
I. Equity		
Share capital	12.	5 200 000
Retained earnings		
a) for the reporting year	13.	-160 127
Non-controlling interest		2 151 251
Total equity		7 191 124
II. Liabilities		
Non-current liabilities		
Loans from credit institutions	15.	17 978 016
Borrowings	16.; 35.	60 000
Other payables	17.	339 938
Deferred income	18.	11 000
Total non-current liabilities		18 388 954
Current liabilities		
Loans from credit institutions	19.	1 969 513
Borrowings	20.; 35.	281 616
Prepayments received from customers	21.; 35.	7 743
Trade payables	22.; 35.	1 787 534
Taxes payable	8.; 23.	72 820
Other payables	24.; 35.	17 597 075
Accrued liabilities	25.; 35.	444 080
Deferred income	26.	11 000
Total current liabilities		22 171 381
Total liabilities		40 560 335
TOTAL EQUITY AND LIABILITIES		47 751 459

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Head of the Board

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CONSOLIDATED STATEMENT OF INCOME
(turnover cost method)

	Notes	02.10.2013- 31.12.2014 EUR
Revenue	27.	262 807
Cost of sales	28.	-298 543
Gross profit or loss		-35 736
Distribution costs	29.	-1 731
Administrative expenses	30.	-169 099
Other operating income		13 448
Other operating expense	31.	-9 403
Finance income		909
Share of loss of investments accounted for using the equity	32.	-6 822
Write-down of long-term financial investments and short-term securities		-15 750
Negative goodwill write-off	3.	213 308
Finance costs	33.	-165 781
Profit or loss before tax		-176 657
Other taxes	34.	-10 864
Profit or loss for the year		-187 521
Profit or loss attributable to non-controlling interest		27 394
Total profit or loss		-160 127

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Head of the Board

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CONSOLIDATED STATEMENT OF CASH FLOWS (indirect method)

	02.10.2013- 31.12.2014 EUR
I. Cash flows from operating activities	
1. Profit or loss before tax	-176 657
Adjustments for:	
a) depreciation of investment property;	80 991
b) depreciation of property, plant and equipment;	402
c) amortisation of intangible assets;	384
d) write-down of long-term financial investments and short-term securities;	22 572
e) negative goodwill write-off;	-213 308
f) profit or loss from foreign currency exchange rate fluctuations;	362
g) financial costs.	165 781
2. Profit or loss before adjustments in the balances of current assets and short-term liabilities	-119 473
Adjustments for:	
a) (increase)/decrease in trade receivables;	-709 125
b) increase / (decrease) in trade and other payables.	1 669 861
3. Cash generated from operations	841 263
4. Interest paid	-165 781
5. Real estate tax paid	-10 864
6. Cash flows before extraordinary items	664 618
7. Cash flows from extraordinary items	664 618
8. Net cash generated from operating activities	664 618
II. Cash flows from investing activities	
1. Acquisitions of subsidiary, net of cash acquired	-180 000
2. Purchases of property, plant and equipment and intangible assets	-9 382 940
3. Interest received	909
Net cash used in investing activities	-9 562 031
III. Cash flows from financing activities	
1. Proceeds from issuance of ordinary shares	5 200 000
2. Proceeds from borrowings	4 737 306
3. Repayments of borrowings	-179 756
Net cash used in financing activities	9 757 550
IV. Foreign currency exchange rate fluctuations	-362
V. Net cash flows in the year	859 775
VI. Cash and cash equivalents at the beginning of the year	0
VI. Cash and cash equivalents at the end of the year	859 775

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Head of the Board

Giovanni Dalla Zonca

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CONSOLIDATED STATEMENT OF CASH FLOWS

	Share capital EUR	Non-controlling interest EUR	Retained earnings EUR	Total EUR
Balance as at 02.10.2013	0	0	0	0
Proceeds from shares issued	5 200 000	0	0	5 200 000
Profit or loss for the year	0	2 151 251	-160 127	1 991 124
Balance as at 31.12.2014	5 200 000	2 151 251	-160 127	7 191 124

The accompanying notes on pages 10 to 28 are an integral part of these financial statements.

Head of the Board

Giovanni Dalla Zonca

Consolidated Notes to the Financial Statements

General information

SC "Baltic RE Group" (hereinafter - the Parent company) is a stock corporation, which was registered in State Enterprise register on 2 October 2013.

Parent company mainly leases premises and provides real estate management services and is engaged in the development of the subsidiaries and cash rational investing.

The Board prepared Company's consolidated annual report for the period from 2 October 2013 to 31 December 2014 and signed it on 20 May 2015.

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with the Law of the Republic of Latvia on Consolidated Annual Reports, the Law of the Republic of Latvia on Annual Reports, Regulations No.488 issued by the Cabinet of Ministers of the Republic of Latvia "Law on annual reports enforcement policies", Regulations No.481 issued by the Cabinet of Ministers of the Republic of Latvia "Regulations on the cash flow statement and statement of changes in equity content and preparation procedures". The monetary unit used in the consolidated financial statements is Euro (EUR), the monetary unit of the Republic of Latvia. The consolidated financial statements cover the period from 2 October 2013 to 31 December 2014.

Consolidation

The consolidated financial statements comprise the financial statements of SC "Baltic RE Group" and entities controlled by the Parent company (its subsidiaries). The audited financial statements of the Group's subsidiaries are prepared for 2014, the consolidated statement of income includes data of the subsidiaries' interim financial statements for the period from 4 December 2014 to 31 December 2014, as the subsidiaries were acquired on 4 December 2014. The Parent company's audited financial statements were prepared for the period from 2 October 2013 to 31 December 2014, which is included in the consolidation. The financial statements of the Parent company and its subsidiaries are prepared, using consistent accounting policies.

The consolidated financial statements comprise the financial statements of SC "Baltic RE Group" and entities controlled by the Parent company (its subsidiaries): BALTIC RE SPA, LLC "KEY 1", LLC "Key 2", LLC "KEY 6", LLC "Key 15", LLC "Skunu 19". As at 31 December 2014 the Parent company has investments in the following companies:

Name	Date of acquisition	Interest of the Parent company (%)	
		direct holding	indirect holding
BALTIC RE SPA, Via Altinate 125, CAP 35100, Padua, (PD), Italy, reg.No.04277380285	4 December 2014	86%	86%
LLC "KEY 1", 222C-15 Maskavas Street Riga, LV-1019, reg.No.40103212372	4 December 2014	12.66%	82.47%
LLC "Key 2", 222C-15 Maskavas Street Riga, LV-1019, reg.No.40103451102	4 December 2014	-	55.22%
LLC "KEY 6", 222C-15 Maskavas Street Riga, LV-1019, reg.No.40103285982	4 December 2014	0.27%	76.24%
LLC "Key 15", 222C-15 Maskavas Street Riga, LV-1019, reg.No.40103568148	4 December 2014	33.00%	90.62%
LLC "Skunu 19", 222C-15 Maskavas Street Riga, LV-1019, reg.No.40003993617	4 December 2014	-	86.00%

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Consolidation (continued)

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Control exists when the Parent company has rights to variable returns from its involvement with the investee or has the ability to use its power over the investee to affect the amount of the investor's returns. Consolidation of subsidiaries begins from the date the Group obtains control and ceases when the Group loses control. The financial statements of the Parent company and its subsidiaries are consolidated in the Group's consolidated financial statements by adding together like items of assets and liabilities, as well as income and expense. Intercompany transactions, balances and unrealised gains and losses on transactions between Group's entities are eliminated. Equity and net income attributable to non-controlling interest are presented separately in the consolidated statement of financial position and consolidated statement of income.

Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are equity transactions.

If the Parent company loses control of a subsidiary, it:

- derecognises the assets and liabilities (including goodwill) of the former subsidiary;
- derecognises the carrying amount of any non-controlling interests;
- derecognises the cumulative translation differences recorded in equity;
- recognises a fair value of the consideration received;
- recognises any investment retained in the former subsidiary at its fair value;
- recognises any resulting difference as a gain or loss in profit or loss;
- reclassifies to profit and loss all amounts related to subsidiary, which were recognized in other income and were not included in the statement of income such as profit or loss.

Use of estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expense and disclosure of contingencies. Future events occur may cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements when it's determinable.

Non-current and current items

Liabilities are classified as non-current when the liability is due to be settled more than twelve months after the reporting period. Liabilities are classified as current when the liability is due to be settled within twelve months after the reporting period.

Contingencies

Contingent liabilities are not recognized in these consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Intangible assets

Intangible assets are stated at cost less accumulated depreciation, using the straight-line method. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Impairment losses are recognised when the carrying values of intangible assets exceed the estimated recoverable amount.

(% p.a.)

Intangible assets

10-20 %

Amortization is calculated starting with the following month after the intangible assets are put into operation or engaged in commercial activity, using the straight-line method.

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the statement of income. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. The Parent company at the end of each financial year for the purposes of the consolidated financial reporting performs an impairment testing of goodwill. Goodwill impairment reviews are undertaken annually. Any impairment is recognised immediately as an expense and is not subsequently reversed.

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Recognition and depreciation of property, plant, equipment and investment property

All property, plant, equipment and investment property are stated at historical cost less accumulated depreciation (amortization) and any impairment in value. Depreciation on assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	(% p.a.)	
<i>Investment property</i> - Buildings and constructions	5.00	%
<i>Property, plant and equipment</i> - Other fixed assets	20.00	%

Depreciation (amortization) is calculated starting with the following month after the property, plant, equipment, investment property is put into operation or engaged in commercial activity. Each part of an item of investment property with a cost that is significant in relation to the total cost of the item is depreciated separately. To the extent that the Group and the Parent company depreciate separately some parts of investment property, it also depreciates separately the remainder of the item. The remainder consists of the parts that are individually insignificant. The depreciation for the remainder is determined using approximation techniques to faithfully represent its useful life.

The carrying values of property, plant, equipment and investment property are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of investment property is the higher of an asset's net selling price and its value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognised in the income statement in the cost of sales caption.

Depreciation is not calculated for those items of property, plant and equipment, which have an unlimited useful life. Such assets include, land, library funds, paintings and other antiques, jewellery.

Construction in progress represents investment property under construction and is stated at historical cost. This includes the cost of construction and other direct expenses. Construction in progress is not depreciated as long as the respective assets are not completed and available for use.

Investments in associates

Investments in associates (i.e., a holding of more than 20% of voting power, but less than 50% or which is controlled by other means) are accounted for using the equity method. Under the equity method, on initial recognition the investment in an associate is recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the investee's profit or loss is recognised in the investor's profit or loss.

The consolidated statement of income reflects the Group's interest in the financial results of subsidiaries activities. Unrealised gains or losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. The Group shall assess at the end of each reporting period whether there is any objective evidence that investments in associates are impaired. If such indication exists, the Group determines the amount of impairment, by comparing associates recoverable amount with its carrying amount, and the loss is recognised in profit or loss as profit of the associated company.

Foreign currency translation

On 1 January 2014 Latvia became a member of the Eurozone. From the euro changeover day all transactions denominated in foreign currencies are translated into euro at the foreign exchange reference rates set by the European Central Bank against the euro, which is in force at the beginning of the day of business transaction. Monetary assets and liabilities denominated in foreign currencies are translated into euro according to the foreign exchange reference rate in force on the last date of the reporting year. All opening balances, as well as the prior period comparative figures have been converted from lats (LVL) to euro at the fixed exchange rate of 0.702804 LVL = 1 EUR.

	31.12.14.	31.12.13.
USD	1.2141	1.3791

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions or on reporting of assets and liabilities using the exchange rates that differ from the initial transaction accounting rates are recognized in the statement of income in net value.

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Short-term financial investments: other securities

Short-term securities are securities that are expected to be sold within one year, to gain profit from the difference between the acquisition and the sale value. Initially, short-term securities are recorded at cost. Since they are acquired for the purpose of selling them in the near future, they are classified as current assets and they are valued at their market value at the balance sheet date. The gains and losses arising from changes in fair value are included in the income statement in the period in which they occur.

Trade and other receivables

Trade and other receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when recovery is deemed impossible.

Deferred expenses and revenues

Expenses made before the statement of financial position date but relating to future years, are shown under prepaid expenses. Income receivable before the statement of financial position date but relating to a future year or further years are shown as deferred income.

Accrued income

Accrued income is recognized when the Group and the Parent company have legal or other income from past events, it is probable that the revenue will flow to the Group and the Parent company, and the amount may be credibly estimated and evaluated.

Loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value, net of transaction costs incurred. Discount factor is not taken into account.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of provisions to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Accrued liabilities

Accrued liabilities are recognized when the Company has present legal or other obligation that was a result of past events, there is a high probability that for the completion of the obligation economic benefits outflow will be necessary and the amount may be credibly estimated and evaluated.

Reserve for unused leaves

Reserve for unused leaves is determined by multiplying the average salary of each employee in the reporting year by the number of unused accrued annual leave days.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Parent company and the revenue can be reliably measured, less value added tax and sales-related discounts. The following specific recognition criteria must also be met before revenue is recognised:

Rendering of services

Revenue arising from the rendering of services is recognised in the period when the services are rendered.

Revenue arising from the rendering of services and related costs is recognised by reference to the stage of completion of the transaction at the statement of financial position date.

If the outcome cannot be estimated reliably, revenue arising from the rendering of services is recognised only to the extent of the expenses recognised that are recoverable.

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Revenue recognition (continued)

Other income

Other income is income that is not included in the revenue, is occurred in the result of the economic activity, or is related to, or directly derived. Other income is recognised as follows:

- revenues from fines and penalties – upon receipt;
- proceeds from the sale of non-current assets - net gain or loss on non-current assets' sale are determined by comparing the proceeds with the carrying amount and are included in the profit or loss as incurred;
- revenue from exchange rate fluctuations - net profit or loss from currency fluctuations is calculated as the difference between revenue and losses from exchange rate fluctuations and included in the profit or loss as incurred;
- interest income on current account balances from credit institutions registered in the Republic of Latvia - upon receipt;
- other income – as incurred.

Dividends

Revenue is recognised, when the shareholder's right to receive payment is established.

Related parties

Related parties are the shareholders of the Group that can control the Group or have a significant influence over the activities of the Group, key management personnel of the Parent company and its subsidiaries and close member of any above-mentioned persons, as well as entities over which those persons have a control or significant influence.

Corporate income tax

Corporate income tax includes current and deferred taxes. Current corporate income tax is applied at the rate of 15% on taxable income generated by the Group and the Parent company during the taxation period.

Deferred corporate income tax arising from temporary differences in the timing of the recognition of items in the tax returns and these financial statements is calculated using the liability method. The deferred corporate income tax asset and liability are determined on the basis of the tax rates that are expected to apply when the timing differences reverse. The principal temporary timing differences arise from differing rates of accounting and tax amortisation and depreciation on the Group's and the Parent company's non-current assets, the treatment of temporary non-taxable allowances and reserves, as well as tax losses carried forward for the subsequent years. A deferred tax asset is not recognised because its main reason is an unused tax loss carry forward, but it is considered uncertain that the loss carry forward can be utilised.

Subsequent events

Post-year-end events that provide additional information about the Group's and the Parent company's position at the statement of financial position date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

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GENERAL NOTES

	02.10.2013- 31.12.2014 EUR
1. Number of employees	<u>3</u>
Average number of employees in the period	<u>3</u>
2. Labour costs	<u>30 030</u>
- salaries	24 467
- statutory social insurance contributions	5 563
- including remuneration of the Board:	24 467
- including statutory social insurance contributions of the Board:	5 563
The total personnel costs are included in the following statement of income captions:	
Cost of sales	
- salaries	12 703
- statutory social insurance contributions	2 997
- total	<u>15 700</u>
Administrative expenses	
- salaries	11 764
- statutory social insurance contributions	2 566
- total	<u>14 330</u>

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CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Notes to the Assets

3. Non-current assets

	Other intangible assets	Goodwill	Total
Purchase value as at 02.10.2013	0	0	0
Acquisition value of the subsidiaries as at 04.12.2014	24 937	0	24 937
Goodwill of the Group's subsidiaries	0	7 945 612	7 945 612
Purchase value as at 31.12.2014	24 937	7 945 612	7 970 549
Accumulated depreciation at 02.10.2013	0	0	0
Accumulated depreciation of the Group's subsidiaries at 04.12.2014	15 926	0	15 926
Depreciation charge	384	0	384
Accumulated depreciation at 31.12.2014	16 310	0	16 310
Net book amount at 02.10.2013	0	0	0
Net book amount at 31.12.2014	8 627	7 945 612	7 954 239

Goodwill of the Group's subsidiaries is the following:

Goodwill of BALTIC RE SPA as at 31 December 2014 is EUR 2 476 306.

Goodwill of LLC "KEY 1" as at 31 December 2014 is EUR 235 851.

Goodwill of LLC "Key 2" as at 31 December 2014 is negative and amounts to EUR 213 308. In accordance with the Law on Consolidated Annual Reports, negative difference in the amount of EUR 213 308 is recognised directly in the item of consolidated statement of income "Negative goodwill write-off".

Goodwill of LLC "KEY 6" as at 31 December 2014 is EUR 407 026.

Goodwill of LLC "Key 15" as at 31 December 2014 is EUR 2 604 229.

Goodwill of LLC "Skunu 19" as at 31 December 2014 is EUR 2 222 200.

4. Property, plant and equipment

	Other property, plant and equipment	Prepayments for fixed assets	Total
Purchase value as at 02.10.2013	0	0	0
Purchase value of the subsidiaries as at 04.12.2014	23 591	19 382	42 973
Additions	17 346	0	17 346
Reclassification	0	-19 382	-19 382
Purchase value as at 31.12.2014	40 937	0	40 937
Accumulated depreciation at 02.10.2013	0	0	0
Accumulated depreciation of the Group's subsidiaries at 04.12.2014	5 614	0	5 614
Depreciation charge	402	0	402
Accumulated depreciation at 31.12.2014	6 016	0	6 016
Net book amount at 02.10.2013	0	0	0
Net book amount at 31.12.2014	34 921	0	34 921

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5. Investment property

	Land	Buildings and constructions	Construction in progress	Prepayments for investment property	Total
Purchase value as at 02.10.2013	0	0	0	0	0
Purchase value of the subsidiaries as at 04.12.2014	1 881 612	28 393 015	625 567	330 659	31 230 853
Additions	257 372	8 231 803	236 201	2 626 683	11 352 059
Put into operation	0	1 192 427	-861 768	-330 659	0
Purchase value as at 31.12.2014	2 138 984	37 817 245	0	2 626 683	42 582 912
Accumulated depreciation at 02.10.2013	0	0	0	0	0
Accumulated depreciation of the Group's subsidiaries at 04.12.2014	0	4 742 830	0	0	4 742 830
Depreciation charge	0	80 991	0	0	80 991
Accumulated depreciation at 31.12.2014	0	4 823 821	0	0	4 823 821
Net book amount at 02.10.2013	0	0	0	0	0
Net book amount at 31.12.2014	2 138 984	32 993 424	0	2 626 683	37 759 091

Property	Cadastral No.	Cadastral value as at 31.12.2014	Balance value as at 31.12.2014
Land on 12/14 Kalku Street, Riga, LV-1050	01000020074	440 633	257 372
Building on 12/14 Kalku Street, Riga, LV-1050	01000020074	2 142 820	6 698 623
Subtotal		2 583 453	6 955 995
Land on 1 Kungu Street, Riga, LV-1050	01000010078	407 737	657 891
Building on 1 Kungu Street, Riga, LV-1050	01000010078	2 354 326	6 512 146
Subtotal		2 762 063	7 170 037
Land on 2 Kramu Street, Riga, LV-1050	01000070115	202 844	127 205
Building on 2 Kramu Street, Riga, LV-1050	01000070115	948 739	2 973 471
Subtotal		1 151 583	3 100 676
Land on 6-1 Kalku Street, Riga, LV-1050	01009101904	64 096	319 102
Land on 6-1E Kalku Street, Riga, LV-1050	01009104081	59 573	
Non-residential space on 6-1 Kalku Street, Riga, LV-1050	01009101904	497 219	1 725 210
Non-residential space on 6-1E Kalku Street, Riga, LV-1050	01009104081	100 600	118 746
Subtotal		721 488	2 163 058
Land on 15 Kalku Street, Riga, LV-1050	01000090033	611 264	509 388
Building on 15 Kalku Street, Riga, LV-1050	01000090033	1 558 741	10 763 063
Subtotal		2 170 005	11 272 451
Land on 19 Skunu Street, Riga, LV-1050	01000060034	186 452	268 026
Building on 19 Skunu Street, Riga, LV-1050	01000060034	353 467	4 202 165
Subtotal		539 919	4 470 191
Total		9 928 511	35 132 408

Part of the Parent company's reconstruction / repair in accordance with the building authority's acceptance act was accepted into service on 27 February 2015 and 24 April 2015. The relevant part of the investment property was accepted into service on 27 February 2015 and 24 April 2015, respectively, investment property is depreciated as of the first date of the next month.

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	02.10.2013- 31.12.2014
Total depreciation charge included in the following item of the consolidated statement of income:	EUR
Cost of sales	81 777

6. Investments in associated companies

The Group's investments in associated companies at 31 December 2014 includes investment in LLC "Lion Re". BALTIC RE SPA owns 30% of LLC "Lion Re" shares. Investment in associated company is accounted in the consolidated financial statements under the equity method. The table below provides summarized financial information of the Group's investment in LLC "Lion Re":

	31.12.2014. EUR
Investments in associated companies	
Acquisition costs of associated company	255 766
Associated company's net assets (at acquisition)	798 401
<i>share capital</i>	800 001
<i>retained earnings/loss</i>	-1 600
Group interest	30%
Investment value	239 520
Associated company's profit/loss after acquisition	-22 740
Group's share of profit/loss	-6 822
	-6 822
Group's share of associated company's profit/loss recognized in the income statement	
Investments in associated companies	248 944

7. Trade receivables

	31.12.2014 EUR
Trade receivables, carrying amount – unrelated companies	81 099
Trade receivables, carrying amount – related companies	14 037
Total	95 136

8. Other receivables

	31.12.14. EUR
Overpayment of value added tax	317 147
Tax overpayment to Italian subsidiary	97 762
Short-term loans to related company	* 26 000
Settlements with other debtors for building services	6 646
Doubtful debts	3 526
Allowance for doubtful debts	-3 526
Payments to advance settlement parties	2 198
Overpayment of statutory social insurance contributions	127
Overpayment of real estate tax	32
Advance payments for services	25
Overpayment of state fee of business risk	7
Other receivables	24 128
Total	474 072

* Issued loan is unsecured, 5% annual interest rate, maturity date 21 March 2015, interest is calculated on the last day of the loan term.

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9. Prepaid expenses	31.12.14.
	EUR
Prepaid expenses	<u>21 360</u>
Total	<u>21 360</u>
10. Accrued income	31.12.14.
	EUR
Invoices issued in 2015, but refer to revenue for 2014	<u>52 632</u>
Total	<u>52 632</u>
11. Cash and cash equivalents	31.12.14.
	EUR
Cash at bank, EUR	<u>599 336</u>
Cash on payment cards, EUR	<u>13 136</u>
Guarantee deposits, EUR	<u>* 247 303</u>
Total	<u>859 775</u>

* The Parent company during the reporting period entered into a performance guarantee agreement with the credit institution, which is due to a lease agreement with the lessee (security deposit for the lease of premises), the performance guarantee agreement is until 17 July 2015, the amount of EUR 47 303. See also Note 17.

* Subsidiary of SC "Baltic RE Group" LLC "KEY 6" in prior periods entered into a performance guarantee agreement with the credit institution, which is due to a lease agreement with the lessee (security deposit for the lease of premises), the performance guarantee agreement is until 10 October 2015, the amount of EUR 60 000. See also Note 17.

* Subsidiary of SC "Baltic RE Group" LLC "Key 15" in accordance with the concluded long-term loan agreement with the credit institution has to place a deposit of EUR 140 000. In accordance with the loan agreement conditions, a deposit of EUR 140 000 is transferred back, if certain conditions of the credit institution are executed. The loan agreement conditions were met, and in February 2015 the deposit was fully transferred to LLC "Key 15" current account.

Subsidiary of SC "Baltic RE Group" LLC "Key 15" in prior periods entered into a guarantee agreement with the lessee's parent company, in which the lessee's parent company guarantees the tenant's obligations in the amount of EUR 115 559 (guarantee amount is in force until 01.03.2015), while from 01.03.2015 guarantee amount is EUR 173 338 respectively.

Notes to the Equity and Liabilities

12. Share capital

The share capital of the Parent company is composed of shareholders capital investment of EUR 5 200 000, the total authorised number of ordinary shares is 5 200 000 with a par value of EUR 1 per share. All issued shares are fully paid.

Share capital	31.12.14.
	EUR
Share capital	<u>5 200 000</u>
Total	<u>5 200 000</u>

The Parent company in 2015 increased the share capital up to EUR 24 800 000 through the capitalization of debt and equity contributions.

13. Retained earnings

Retained earnings	31.12.14.
	EUR
Profit or loss for the period	<u>-160 127</u>
Total	<u>-160 127</u>

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14. Non-controlling interest

	31.12.14.
	EUR
BALTIC RE SPA non-controlling interest	1 346 808
LLC "KEY 1" non-controlling interest	159 255
LLC "Key 2" non-controlling interest	-72 918
LLC "KEY 6" non-controlling interest	123 130
LLC "Key 15" non-controlling interest	466 145
LLC "Skunu 19" non-controlling interest	128 831
Total	2 151 251

15. Loans from credit institutions (non-current)

Non-current:	Interest rate	Maturity		31.12.14.
				EUR
Parent company's loan from credit institution (loan restructured in 2015, see below)	2.95%+3M Euribor	06.11.2018	*	3 508 754
Subsidiary's loan from credit institution (SC "Baltic RE Group" took over loan in 2015, see below)	2.7%+6M Euribor	23.11.2017	**	3 372 323
Subsidiary's loan from credit institution (SC "Baltic RE Group" took over loan in 2015, see below)	2.9%+3M Euribor	04.04.2018	***	1 446 210
Subsidiary's loan from credit institution (SC "Baltic RE Group" took over loan in 2015, see below)	2.9%+3M Euribor	10.08.2016	****	1 051 667
Subsidiary's loan from credit institution (SC "Baltic RE Group" took over loan in 2015, see below)	2.7%+6M Euribor	20.11.2017	*****	5 930 536
Subsidiary's loan from credit institution (SC "Baltic RE Group" took over loan in 2015, see below)	2.034%+3M Euribor	31.05.2018	*****	2 668 526
Total				17 978 016

* According to the loan agreement between the Parent company and the credit institution, the loan repayment period is up to 6 November 2018. Interest rate is 3M EURIBOR + 2.95% or 3M EURIBOR + 2.5%, if the reconstruction of real estate is complete, as well as if gearing ratio of SC "Baltic RE Group" is at least 1.2. According to the loan agreement with the credit institution, obligations against the credit institution are secured by mortgage on SC "Baltic RE Group" real estate at the address 12/14 Kalku Street, Riga. The obligations are secured with primary pledge on all property owned by SC "Baltic RE Group" as at the moment of signing the Pledge agreement, as well as the after-acquired property. Obligations are secured by financial collateral on all SC "Baltic RE Group" deposits with the credit institution and all funds. Maximum claim amount secured with the pledge is EUR 5 200 596. Non-current part of the loan is EUR 3 508 754.

** According to the loan agreement between the Group's subsidiary LLC "KEY 1" and the credit institution, the loan repayment period is up to 23 November 2017. Interest rate is 6M EURIBOR + 2.7%. According to the loan agreement with the credit institution, obligations against the credit institution are secured by mortgage on LLC "KEY 1" real estate at the address 1 Kungu Street, Riga. The obligations are secured with pledge. The obligations are secured by financial collateral on all LLC "KEY 1" deposits with the credit institution and all funds. On 6 January 2015 the Parent company SC "Baltic RE Group" took over concluded loan agreement, see also notes below. Non-current part of the loan is EUR 3 372 323.

*** According to the loan agreement between the Group's subsidiary LLC "Key 2" and the credit institution, the loan repayment period is up to 4 April 2018. Interest rate is 3M EURIBOR + 2.9%. According to the loan agreement with the credit institution, obligations against the credit institution are secured by mortgage on LLC "Key 2" real estate at the address 2 Kramu Street, Riga. The obligations are secured with primary pledge on all property owned by LLC "Key 2" as at the moment of signing the Pledge agreement, as well as the after-acquired property. The obligations are secured by financial collateral on all LLC "Key 2" deposits with the credit institution and all funds. On 6 January 2015 the Parent company SC "Baltic RE Group" took over concluded loan agreement, see also notes below. Non-current part of the loan is EUR 1 446 210.

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**** According to the loan agreement between the Group's subsidiary LLC "KEY 6" and the credit institution, the loan repayment period is up to 10 August 2016. Interest rate is 3M EURIBOR + 2.9%. According to the loan agreement with the credit institution, obligations against the credit institution are secured by mortgage on LLC "KEY 6" real estate at the addresses 6-1 Kalku Street, Riga and 6-1E Kalku Street, Riga. The obligations are secured by financial collateral on all LLC "KEY 6" deposits with the credit institution and all funds. On 6 January 2015 the Parent company SC "Baltic RE Group" took over concluded loan agreement, see also notes below. Non-current part of the loan is EUR 1 051 667.

***** According to the loan agreement between the Group's subsidiary LLC "Key 15" and the credit institution, the loan repayment period is up to 20 November 2017. Interest rate is 6M EURIBOR + 2.7%. According to the loan agreement with the credit institution, obligations against the credit institution are secured by mortgage on LLC "Key 15" real estate at the address 15 Kalku Street, Riga. The obligations are secured by pledge on LLC "Key 15" fixed assets, inventory and claim rights. The obligations are secured by financial collateral on all LLC "Key 15" deposits with the credit institution and all funds. The obligations are secured by shares of LLC "Key 15". The obligations are secured by security deposit in the amount of LVL 98 393 (EUR 140 000). On 6 January 2015 the Parent company SC "Baltic RE Group" took over concluded loan agreement, see also notes below. Non-current part of the loan is EUR 5 930 536.

***** According to the loan agreement between the Group's subsidiary LLC "Skunu 19" and the credit institution, the loan repayment period is up to 31 May 2018. Interest rate is 3M EURIBOR + 2.034%. According to the loan agreement with the credit institution, obligations against the credit institution are secured by mortgage on LLC "Key 19" real estate at the address 19 Skunu Street, Riga. The obligations are secured by BALTIC RE SPA securities, bonds and other investments in the capital. On 6 January 2015 the Parent company SC "Baltic RE Group" took over concluded loan agreement, see also notes below. Non-current part of the loan is EUR 2 668 526.

On 6 January 2015 the Parent company took over concluded loan agreements with a credit institution from related companies - LLC "KEY 1", LLC "Key 2", LLC "KEY 6", LLC "Key 15" and LLC "Skunu 19", as well as restructured its concluded loan agreement with the credit institution in 2014. As a result, the Parent company entered into a single loan agreement with the credit institution and concluded individual loan agreements with LLC "KEY 1", LLC "Key 2", LLC "KEY 6", LLC "Key 15" and LLC "Skunu 19". Total loan amount from the credit institution is EUR 28 000 000, the loan repayment period is up to 6 January 2020. According to the loan agreement with the credit institution, obligations against the credit institution are secured by mortgage on Parent company's real estate at the address 12/14 Kalku Street, Riga. The obligations are secured with pledge on all property owned by the Parent company. Maximum claim amount secured with the pledge is EUR 56 000 000.

On 6 January 2015 the Parent company concluded individual loan agreements with related companies on the following conditions:

LLC "KEY 1" According to the loan agreement as of 6 January 2015 between the Parent company and LLC "KEY 1", the loan issued is EUR 3 800 000. The loan repayment period is up to 25 December 2019. Interest rate is 3M EURIBOR + 2.55%. Starting with February 2015, LLC "KEY 1" is repaying the loan to SC "Baltic RE Group". According to the mortgage agreement between the credit institution and LLC "KEY 1", obligations against the credit institution are secured by mortgage on LLC "KEY 1" real estate at the address 1 Kungu Street, Riga. According to the commercial pledge agreement between the credit institution and LLC "KEY 1", the obligations are secured with LLC "Key 15" shares owned by LLC "KEY 1". According to the commercial pledge agreement between the credit institution and BALTIC RE SPA, the obligations are secured with LLC "KEY 1" shares owned by BALTIC RE SPA. According to the commercial pledge agreement between the credit institution and LLC "KEY 1", the obligations are secured with pledge on all property owned by LLC "KEY 1". Maximum claim amount secured with the pledge is EUR 56 000 000. According to the guarantee agreement with the credit institution and LLC "KEY 1", the obligations are secured by LLC "KEY 1" guarantee.

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LLC "Key 2" According to the loan agreement as of 6 January 2015 between the Parent company and LLC "Key 2", the loan issued is EUR 2 250 000. The loan repayment period is up to 25 December 2019. Interest rate is 3M EURIBOR + 2.55%. Starting with February 2015, LLC "Key 2" is repaying the loan to SC "Baltic RE Group". According to the mortgage agreement between the credit institution and LLC "Key 2", obligations against the credit institution are secured by mortgage on LLC "Key 2" real estate at the address 2 Kramu Street, Riga. According to the commercial pledge agreement between the credit institution and BALTIC RE SPA, the obligations are secured with LLC "Key 2" shares owned by BALTIC RE SPA. According to the commercial pledge agreement between the credit institution and shareholder of LLC "Key 2" - LLC "KEY 6", the obligations are secured with LLC "Key 2" shares. According to the commercial pledge agreement between the credit institution and LLC "Key 2", the obligations are secured with pledge on all property owned by LLC "Key 2". Maximum claim amount secured with the pledge is EUR 56 000 000. According to the guarantee agreement with the credit institution and LLC "Key 2", the obligations are secured by LLC "Key 2" guarantee.

LLC "KEY 6" According to the loan agreement as of 6 January 2015 between the Parent company and LLC "KEY 6", the loan issued is EUR 1 840 000. The loan repayment period is up to 25 December 2019. Interest rate is 3M EURIBOR + 2.55%. Starting with February 2015, LLC "KEY 6" is repaying the loan to SC "Baltic RE Group". According to the mortgage agreement between the credit institution and LLC "KEY 6", obligations against the credit institution are secured by mortgage on LLC "KEY 6" real estate at the addresses 6-1 Kalku Street, Riga and 6-1E Kalku Street, Riga. According to the commercial pledge agreement between the credit institution and BALTIC RE SPA, the obligations are secured with LLC "KEY 6" shares owned by BALTIC RE SPA. According to the commercial pledge agreement between the credit institution and LLC "KEY 6", the obligations are secured with LLC "Key 2" shares owned by LLC "KEY 6". According to the commercial pledge agreement between the credit institution and LLC "KEY 6", the obligations are secured with pledge on all property owned by LLC "KEY 6". Maximum claim amount secured with the pledge is EUR 56 000 000. According to the guarantee agreement with the credit institution and LLC "KEY 6", the obligations are secured by LLC "KEY 6" guarantee.

LLC "Key 15" According to the loan agreement as of 6 January 2015 between the Parent company and LLC "Key 15", the loan issued is EUR 6 600 000. The loan repayment period is up to 25 December 2019. Interest rate is 3M EURIBOR + 2.55%. Starting with February 2015, LLC "Key 15" is repaying the loan to SC "Baltic RE Group". According to the mortgage agreement between the credit institution and LLC "Key 15", obligations against the credit institution are secured by mortgage on LLC "Key 15" real estate at the address 15 Kalku Street, Riga. According to the commercial pledge agreement between the credit institution and LLC "KEY 1", the obligations are secured with LLC "Key 15" shares owned by LLC "KEY 1". According to the commercial pledge agreement between the credit institution and LLC "Key 15", the obligations are secured with pledge on all property owned by LLC "Key 15". Maximum claim amount secured with the pledge is EUR 56 000 000. According to the guarantee agreement with the credit institution and LLC "Key 15", the obligations are secured by LLC "Key 15" guarantee.

LLC "Skunu 19" According to the loan agreement as of 6 January 2015 between the Parent company and LLC "Skunu 19", the loan issued is EUR 3 700 000. The loan repayment period is up to 25 December 2019. Interest rate is 3M EURIBOR + 2.55%. Starting with February 2015, LLC "Skunu 19" is repaying the loan to SC "Baltic RE Group". According to the mortgage agreement between the credit institution and LLC "Skunu 19", obligations against the credit institution are secured by mortgage on LLC "Skunu 19" real estate at the address 19 Skunu Street, Riga. According to the commercial pledge agreement between the credit institution and BALTIC RE SPA, the obligations are secured with LLC "Skunu 19" shares owned by BALTIC RE SPA. According to the commercial pledge agreement between the credit institution and LLC "Skunu 19", the obligations are secured with pledge on all property owned by LLC "Skunu 19". Maximum claim amount secured with the pledge is EUR 56 000 000. According to the guarantee agreement with the credit institution and LLC "Skunu 19", the obligations are secured by LLC "Skunu 19" guarantee.

16. Borrowings (non-current)

	31.12.14.
	EUR
Loan received from related company (minority shareholder)	* 60 000
Total	60 000

* The loan received in the amount of EUR 60 000 is unsecured, 2.5% annual interest rate, maturity date 29 November 2016, interest is calculated on the last day of the loan term.

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17. Other payables (non-current)	31.12.14.
	EUR
Security deposits	232 635
Security deposits related to guarantee deposits (Note 11).	107 303
Total	339 938
18. Deferred revenue (non-current)	31.12.14.
	EUR
Payment received for rent of premises in December 2016	11 000
Total	11 000
19. Loans from credit institutions (current)	31.12.14.
	EUR
Current:	Interest rate
	Maturity
Loan from credit institution	3M EURIBOR + 2.95%
	06.11.2018
	249 667
Loan from credit institution	6M EURIBOR + 2.7%
	23.11.2017
	184 890
	<i>Actual payment of current part to credit institution in 2015</i>
	18 959
	<i>Current part of borrowing taken over by SC "Baltic RE Group" from credit institution according to loan repayment schedule, see Note 12</i>
	165 931
Loan from credit institution	3M EURIBOR + 2.9%
	04.04.2018
	60 235
	<i>Actual payment of current part to credit institution in 2015</i>
	13 333
	<i>Current part of borrowing taken over by SC "Baltic RE Group" from credit institution according to loan repayment schedule, see Note 12</i>
	46 902
Loan from credit institution	3M EURIBOR + 2.9%
	10.08.2016
	72 651
	<i>Actual payment of current part to credit institution in 2015</i>
	16 062
	<i>Current part of borrowing taken over by SC "Baltic RE Group" from credit institution according to loan repayment schedule, see Note 12</i>
	56 589
Loan from credit institution	6M EURIBOR + 2.7%
	20.11.2017
	377 626
	<i>Actual payment of current part to credit institution in 2015</i>
	33 258
	<i>Current part of borrowing taken over by SC "Baltic RE Group" from credit institution according to loan repayment schedule, see Note 12</i>
	344 368
Loan from credit institution	3M EURIBOR + 2.034%
	31.05.2018
	91 654
	<i>Actual payment of current part to credit institution in 2015</i>
	23 420
	<i>Current part of borrowing taken over by SC "Baltic RE Group" from credit institution according to loan repayment schedule, see Note 12</i>
	68 234
Loan from credit institution (Italian subsidiary)	932 790
Total	1 969 513
20. Borrowings (current)	31.12.14.
	EUR
Loan received from related company (minority shareholder)	* 250 000
Loan received from related company	** 31 616
Total	281 616
* The loan received is unsecured, 2% annual interest rate, interest is calculated on the last day of the loan term. Interest was calculated and loan fully paid in February 2015.	
** The loan received is unsecured, 2.5% annual interest rate, maturity date 18 September 2015, interest is calculated on the last day of the loan term.	
21. Prepayments received from customers	31.12.14.
	EUR
Prepayments received from customers – unrelated companies	2 881
Prepayments received from customers – related companies	4 862
Total	7 743
22. Trade payables	31.12.14.
	EUR
Trade payables – unrelated companies	829 265
Trade payables – related companies	787 880
Trade payables – construction companies	165 988
Trade payables – from EU	3 700
Trade payables – natural persons	701
Total	1 787 534

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23. Taxes payable	31.12.14.
	EUR
Statutory social insurance contributions	30 744
Personal income tax	40 662
Value added tax	1 171
Real estate tax	243
Total	72 820
24. Other payables (current)	31.12.14.
	EUR
Borrowings from related legal and natural persons, which will be invested in the Parent company's share capital in 2015 (evolved from acquisition of Baltic RE SPA shares) (Note 35)	9 266 535
<i>Investments of related natural persons</i>	3 980 560
<i>Investments of related legal persons</i>	5 285 975
Borrowings from related natural persons, which will be invested in the Parent company's share capital in 2015 (evolved from acquisition of LLC "KEY 1" shares) (Note 35)	1 403 479
Investments of related legal person, which will be invested in the Parent company's share capital in 2015 (evolved from acquisition of LLC "Key 15" shares) (Note 35)	3 486 936
Borrowings taken over as a result of cession from related company, which will be invested in the Parent company's share capital in 2015 (Note 35)	420 000
Borrowings from related natural person, which will be invested in the Parent company's share capital in 2015 (evolved from acquisition of LLC "KEY 6" shares) (Note 35)	8 056
Unpaid bills taken over as a result of cession from related companies, which will be invested in the Parent company's share capital in 2015 (Note 35)	296 828
Investments of natural persons for the increase of share capital	184 759
Investments of related legal person for the increase of share capital (Note 35)	480 591
Investments of related legal person for the increase of share capital (Note 35)	50 132
Investments of related legal person for the increase of share capital (Note 35)	42 825
Borrowings from related legal and natural persons, which will be paid in 2015 (evolved from acquisition of Baltic RE SPA shares) (Note 35).	1 545 482
Borrowings from related legal and natural persons, which will be paid in 2015 (evolved from acquisition of Baltic RE SPA shares in Italy) (Note 35).	127 200
Borrowings from related legal person (as a result of cession; fully paid on 4 February 2015)	120 000
Unpaid bills taken over as a result of cession from related companies	96 600
Unpaid bills taken over as a result of cession from related companies	32 971
Salaries	17 831
Payments to advance settlement party	16 850
Total	17 597 075
25. Accrued liabilities	31.12.14.
	EUR
Accrued liabilities – unrelated companies	48 992
Accrued liabilities – related companies	395 088
Total	444 080
26. Deferred revenue	31.12.14.
	EUR
Payment received for rent of premises in August 2015	11 000
Total	11 000

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Notes to the Consolidated Statement of Income

27. Revenue	02.10.2013- 31.12.2014
	EUR
Revenue from real estate lease and management services, Latvia	213 566
Revenue from other services (portfolio valuation, internal audit / control, organization of real estate valuation)	49 241
Total	262 807
28. Cost of sales	02.10.2013- 31.12.2014
	EUR
Investment property management expenses	107 021
Investment property depreciation	80 991
Property, plant and equipment depreciation	402
Intangible assets amortization	384
Salaries	12 703
State social insurance contributions	2 997
State fee of business risk	4
Electricity expenses	27 976
Heating expenses	18 198
Water supply expenses	1 609
Cleaning, waste management costs	545
Other utilities expenses	749
Insurance payments	8 148
Payment for works and services from outside	6 542
Payment for management and administration services	6 392
Intermediation costs	5 194
Commitment fees on mortgages booking	4 665
Current repair costs	3 265
Payment for legal, notary services related to real estate	2 970
Security expenditure	2 140
Worker recruitment and training expenses	1 563
State and local municipality fees	568
Labour protection expenses	171
Current assets depreciation	21
Other costs	3 325
Total	298 543
29. Distribution costs	02.10.2013- 31.12.2014
	EUR
Advertising costs	454
Participation in the associations	833
Other costs	444
Total	1 731

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30. Administrative expenses	02.10.2013- 31.12.2014
	EUR
Business trips expenses	37 678
Accounting services	18 727
Administrative support services	17 070
Annual report and audit expenses	14 435
Representation expenses in Latvia	6 084
Rental expenses	10 623
Management and administrative personnel salaries	11 764
State social insurance contributions	2 566
State fee of business risk	16
Legal fees	9 110
Bank charges	1 189
Communication expenses	1 172
Office expenses	1 552
Transportation costs	1 263
Other management and administration expenses	21 655
Non-operating costs	14 175
Donations	20
Total	169 099
31. Other operating expense	02.10.2013- 31.12.2014
	EUR
Paid fines and penalties	556
Losses from currency exchange rate fluctuations, net	362
Lost tax overpayment	492
Other expenses	7 993
Total	9 403
32. Share of loss of investments accounted for using the equity	02.10.2013- 31.12.2014
	EUR
The Parent company's share of the subsidiary's loss for the period	6 822
Total	6 822
33. Finance costs	02.10.2013- 31.12.2014
	EUR
Interest expense on bank long-term borrowings	155 240
Interest expense on borrowing from legal person	10 541
Total	165 781
34. Other taxes	02.10.2013- 31.12.2014
	EUR
Real estate tax on land and buildings	10 864
Total	10 864
35. Related party transactions	

Related parties are the shareholders of the Group that can control the Group or have a significant influence over the activities of the Group, key management personnel of the Parent company and its subsidiaries and close member of any above-mentioned persons, as well as entities over which those persons have a control or significant influence.

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Terms and conditions of transactions with related parties

Outstanding balances as at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables. For the year ended 31 December 2014, the Group has not raised any provision for doubtful debts relating to amounts owed by related parties.

Related party		Payable to related parties	Receivable from related parties
Parties that have significant influence over the Company:			
Giovanni Dalla Zonca	31.12.2014		
Marco Chioatto	31.12.2014	459 213	0
Miola Adriano	31.12.2014	2 757 730	0
Cavalleri Carlo	31.12.2014	381 600	0
Cividino Luca	31.12.2014	381 600	0
Cornaggia M.Rossella	31.12.2014	381 600	0
Zago Federico	31.12.2014	267 120	0
Cantoni Barbara	31.12.2014	433 258	0
Bottosso Claudio	31.12.2014	54 881	0
Fachin Alessandro	31.12.2014	127 200	0
Baracco Enrico	31.12.2014	126 477	0
Baracco Gianluigi	31.12.2014	126 477	0
Berno Andrea	31.12.2014	397 906	0
Giannoni Raffaele	31.12.2014	60 000	0
Callegari Luciana, Cividino Luca	31.12.2014	2 306	0
Maiaroli Anna M., Vaccaro Marco	31.12.2014	61 086	0
	Subtotal 31.12.2014:	6 018 454	0
Associated companies:			
LLC "Lion Re" *	31.12.2014	0	75 925
	Subtotal 31.12.2014:	0	75 925
Companies that have significant influence over the Company:			
SFEMI ITALIA S.R.L	31.12.2014	3 779 761	0
Lion Re Limited	31.12.2014	31 616	0
Aki Investments S.R.L.	31.12.2014	1 243 792	0
Henderson S.R.L.	31.12.2014	240 932	0
LLC "OLO"	31.12.2014	43 560	0
LLC "Hansa Properties"	31.12.2014	488 761	0
LLC "THE BRIDGE GROUP"	31.12.2014	1 117 590	30 100
LLC "HOE-GLOBAL PROPERTY SOLUTIONS"	31.12.2014	670 818	0
LLC "Hedgehog Co."	31.12.2014	426 504	14 037
LLC "High Hopes"	31.12.2014	248 040	0
LLC "EKRE"	31.12.2014	1 625 207	0
LLC "REFA REAL ESTATE FINANCIAL ADVISORS"	31.12.2014	1 221 794	0
LLC "AXIA"	31.12.2014	643 929	0
Cube 5 UAB	31.12.2014	1 163 882	0
	Subtotal 31.12.2014:	12 946 186	44 137
	Total 31.12.2014:	18 964 640	120 062

* Issued loan to LLC "Lion Re" is unsecured, 2.5% annual interest rate, maturity date of non-current part of the loan EUR 10 000 is up to 5 May 2016, interest is calculated on the last day of the loan term. Maturity date of current part of the loan EUR 23 925 is up to 18 September 2015 and EUR 42 000 up to 20 November 2015, interest is calculated on the last day of the loan term.

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36. Sworn auditor's remuneration

	02.10.2013- 31.12.2014
	EUR
LLC "AUDIT ADVICE", audit of consolidated statement of financial position for the period from 2 October 2013 to 31 December 2014 (excluding VAT)	3 000
Total	3 000

37. Financial risk management

The main financial instruments of the Group are loans from shareholders, loans from related parties, cash and short-term deposits. The main task of these financial instruments is to provide the financing of the commercial activity of the Group. The Group has various other financial instruments such as trade and other receivables, trade and other payables, which arise directly from its operations.

Financial risks

The main financial risks arising from the Group's financial instruments are currency risk, liquidity risk, credit risk and interest rate risk.

Currency risk

The Group's monetary assets and liabilities that are subjected to foreign currency risk comprise cash, purchaser and commissioning party debts, debts to suppliers and contractors, short-term and long-term loans between related parties and related companies. The Group is mainly subjected to foreign currency risk in relation to the dollar currency.

Liquidity risk

The Group manages its liquidity risk by maintaining sufficient cash or by arranging an adequate amount of committed credit facilities with related persons.

Interest rate risk

The Group's exposure to the risk of changes in the market interest rates relates primarily to long-term and short-term loans. The fixed interest rates of the Group's loans are disclosed in notes 8, 15, 16, 19 and 20.

Credit risk

The Group is exposed to credit risk. It arises from trade receivables, issued short-term loans, as well as cash and cash equivalents. The Group manages its credit risk by continuously assessing the credit history of customers and assigning credit terms on an individual basis. In addition, receivable balances are monitored on an ongoing basis to ensure that the Group's exposure to bad debts is minimised.

38. Events after the reporting period

On 6 January 2015 the Parent company took over concluded loan agreements with a credit institution from related companies - LLC "KEY 1", LLC "Key 2", LLC "KEY 6", LLC "Key 15" and LLC "Skunu 19", as well as restructured its concluded loan agreement with the credit institution in 2014. As a result, the Parent company entered into a single loan agreement with the credit institution and concluded individual loan agreements with LLC "KEY 1", LLC "Key 2", LLC "KEY 6", LLC "Key 15" and LLC "Skunu 19" (Notes 15 and 19).

The Parent company in 2015 increased the share capital up to EUR 24 800 000, veicot parādsaistību kapitalizāciju un iemaksas pamatkapitālā. From 26 March 2015 the Parent company's share capital is composed of shareholders capital investment of EUR 24 800 000, total authorised number of ordinary shares is 24 800 000 with a par value of EUR 1 per share.

Other than the above, there were no material events after the statement of financial position date requiring adjustment of or disclosure in the financial statements or notes there to.

Head of the Board

Giovanni Dalla Zonca

Consolidated Management Report

20 May 2015

The Board of SC "Baltic RE Group" prepared consolidated financial statements in accordance with the Law of the Republic of Latvia on Consolidated Annual Reports, presenting fairly the Group's financial position and the results of operations.

The Board of SC "Baltic RE Group" is responsible for providing accounting records in accordance with laws and regulations of the Republic of Latvia, preservation of Group's assets and the prevention and disclosure of fraud and other irregularities.

Appropriate accounting policies have been applied on a consistent basis during the preparation of financial statements; the management in preparation of the consolidated financial statements has made prudent and reasonable judgments and estimates. The financial statements have been prepared on a going concern basis.

Core business activities of the Group companies

The Group companies mainly deal with the lease of premises and real estate management services. The Parent company is also engaged in the strategic development of the subsidiaries. The Group's structure provides for each of the Group's subsidiaries to undertake specific building lease / rental services:

1) SC "Baltic RE Group" leases / rents real estate at the address 12/14 Kalku Street, Riga, LV-1050, Latvia. SC "Baltic RE Group" provides real estate management, current repairs, maintenance etc., contracted out to the outsourcing companies. Activity of SC "Baltic RE Group" is also strategic development of related companies. Within administration of related companies, the company provides services on economics, tax, finance, marketing, law and technical issues.

2) BALTIC RE SPA activity is the management of subsidiaries, strategic development and real estate research and development.

3) LLC "KEY 1" leases / rents real estate at the address 1 Kungu Street, Riga, LV-1050, Latvia. LLC "KEY 1" provides real estate management, current repairs, maintenance etc., contracted out to the outsourcing companies.

4) LLC "Key 2" leases / rents real estate at the address 2 Kramu Street, Riga, LV-1050, Latvia. LLC "Key 2" provides real estate management, current repairs, maintenance etc., contracted out to the outsourcing companies.

5) LLC "KEY 6" leases / rents real estate at the addresses 6-1 Kalku Street, LV-1050, Latvia and 6-1E Kalku Street, Riga, LV-1050, Latvia. LLC "KEY 6" provides real estate management, current repairs, maintenance etc., contracted out to the outsourcing companies.

6) LLC "Key 15" leases / rents real estate at the address 15 Kalku Street, Riga, LV-1050, Latvia. LLC "Key 15" provides real estate management, current repairs, maintenance etc., contracted out to the outsourcing companies.

7) LLC "Skunu 19" leases / rents real estate at the address 19 Skunu Street, Riga, LV-1050, Latvia. LLC "Skunu 19" provides real estate management, current repairs, maintenance etc., contracted out to the outsourcing companies.

Group's operations during reporting year

Operations during reporting year of the Group, which consists of SC "Baltic RE Group" and its subsidiaries, were focused on the expansion of courses of action, improvement of work organization, which provides a stable and consistent operations across all the Group's business units and the necessary financial support to them. During the reporting period active work with the Group's clients was carried out, as well as successful actions were taken in the research, development and implementation of new activities.

The Group's net turnover for the period from 2 October 2013 to 31 December 2014 is EUR 262 807. The Group ended the reporting period with a loss of EUR - 160 127 apmērā. During the reporting period the Parent company issued a share capital of EUR 5 200 000. The Group's equity as at 31 December 2014 is positive and amounts to EUR 7 191 124.

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Group's operations during reporting year (continued)

SC "Baltic RE Group" was founded during the year. In the reporting year real estate was purchased at the address 12/14 Kalku Street, Riga, LV-1050, which was reconstructed and renovated, in 2015 construction work continued, a part of the property was accepted into service on 27 February 2015 and 24 April 2015. Therefore, SC "Baltic RE Group" revenue for the reporting period is generally small EUR 61 014, of which 80% consists of revenues from services such as portfolio valuation, internal audit / control, organization of real estate valuation, while 20% consists of revenue from leased territory – from the lease of the roof antenna, as well as from the management services, since part of the premises was completed and handed over to tenants at the end of 2014, who were able to use it in accordance with the project registered in the building authority. SC "Baltic RE Group" started to provide property rental services in the reporting year. Overall, the reporting period is ended with a gross loss of EUR - 59 864 and net loss of EUR - 332 595.

BALTIC RE SPA was founded on 15 February 2008 in Italy. During the reporting period BALTIC RE SPA provided research and development services of real estate belonging to related companies, including construction process planning, exploration, as well as in the reporting year BALTIC RE SPA was engaged in the research of a new economically attractive real estate and its possible future purchase. BALTIC RE SPA audited revenue for 2014 is EUR 120 000 and 2014 was ended with a loss of EUR - 133 712, in turn revenue for the consolidated period from 4 December 2014 to 31 December 2014 amounts to EUR 120 000, net profit is EUR 75 565.

LLC "KEY 1" was founded on 29 January 2009. In 2010 LLC "KEY 1" evolved from its subsidiary LLC "DRAVE" (reg.No. 40003342691). On 30 December 2011 reorganization of LLC "DRAVE" was completed, within which LLC "DRAVE" merged with LLC "KEY 1" and real estate of LLC "DRAVE" at the address 1 Kungu Street, Riga, LV-1050 was added to LLC "KEY 1". During the reporting period LLC "KEY 1" provided lease / rental services at the address 1 Kungu Street, Riga, LV-1050. LLC "KEY 1" audited revenue for 2014 is EUR 634 362 and 2014 was ended with a profit of EUR 23 303, in turn revenue for the consolidated period from 4 December 2014 to 31 December 2014 amounts to EUR 49 800, net loss is EUR - 3 105.

LLC "Key 2" was founded on 24 August 2011. During the reporting period LLC "Key 2" provided lease / rental services at the address 2 Kramu Street, Riga, LV-1050. LLC "Key 2" audited revenue for 2014 is EUR 264 024 and 2014 was ended with a loss of EUR - 4 739, in turn revenue for the consolidated period from 4 December 2014 to 31 December 2014 amounts to EUR 20 690, net profit is EUR 592.

LLC "KEY 6" was founded on 14 August 2011. During the reporting period LLC "KEY 6" provided lease / rental services at the addresses 6-1 Kalku Street, LV-1050 and 6-1E Kalku Street, Riga, LV-1050. LLC "KEY 6" audited revenue for 2014 is EUR 329 643 and 2014 was ended with a profit of EUR 26 427, in turn revenue for the consolidated period from 4 December 2014 to 31 December 2014 amounts to EUR 20 982, net loss is EUR - 4 102.

LLC "Key 15" was founded on 23 July 2012. During the reporting period LLC "Key 15" provided lease / rental services at the address 15 Kalku Street, Riga, LV-1050. LLC "Key 15" audited revenue for 2014 is EUR 968 035 and 2014 was ended with a loss of EUR - 211 220, in turn revenue for the consolidated period from 4 December 2014 to 31 December 2014 amounts to EUR 87 709, net loss is EUR - 2 998.

LLC "Skunu 19" was founded on 18 February 2008. During the reporting period LLC "Skunu 19" provided lease / rental services at the address 19 Skunu Street, Riga, LV-1050. LLC "Skunu 19" audited revenue for 2014 is EUR 260 794 and 2014 was ended with a loss of EUR - 207 014, in turn revenue for the consolidated period from 4 December 2014 to 31 December 2014 amounts to EUR 22 383, net loss is EUR - 13 903.

Financial results of the Group's commercial activity and financial standing of the Group

The analysis of the Group's consolidated financial statements shows, that consolidated statement of financial position total is EUR 47 751 459. Non-current assets comprise 97% of the statement of financial position total, of which 82% (EUR 37 759 091) comprise of investment property. Investment property consists of the Group's real estate, which is leased / rented or will be leased / rented. Receivables comprise 45% (EUR 709 125) of the current assets and cash comprises 55% (EUR 859 775) respectively. Equity comprises 15% (EUR 7 191 124) of the statement of financial position total. Non-current liabilities comprise 39% (EUR 18 388 954) of the statement of financial position total, while current liabilities comprise 46% (EUR 22 171 381).

The consolidated statement of comprehensive income includes the Parent company's figures for the period from 2 October 2013 to 31 December 2014 and the Group's subsidiaries figures as of the acquisition date, i.e. for the period from 4 December 2014 to 31 December 2014. The revenue of the Group is EUR 262 807, the cost of sales is EUR 298 543, so that the gross loss amounts to EUR - 35 736 and net loss amounts to EUR - 160 127. The Group's management monitors the external factors affecting the Group's activities and takes the necessary measures to optimize the Group's operations and development.

Calculation of financial results

Liquidity (Company's paying capacity – Company's ability to cover its current liabilities):

Total liquidity ratio = 0.07 (recommended limit of ratio 1-2)

Solvency (Company's ability to cover non-current and current liabilities):

Liabilities to equity ratio = 0.85 (recommended limit of ratio <0.5)

It should be noted that the Parent company's non-current and current liabilities in the statement of financial position include loans from related companies; most part of the current liabilities, i.e. 80% comprise borrowings from natural and legal persons included in other payables in the amount of EUR 15 640 141, which in 2015 were invested in the share capital. Formally, these factors reduce liquidity and increase the solvency ratios, however, they have no negative effects on the Group's financial stability. Financial performance indicators show that the Group is able to settle its obligations, as well as the fact that the Group has sufficient material provision for the

Development of the Group

For the year 2015 the Board of SC "Baltic RE Group" is planning the further activities of development of new real estate research and optimization and development of current business activities. In 2015 the Group's subsidiaries do not intend to change their core business activity. Several Group companies have property under construction, which are scheduled to conclude in 2015, respectively, to put them into operation and to lease. It is planned to strengthen the bond with loyal customers and reliable partners; continuously improve the quality management system, as well as to find new customers and increase sales, the Group plans to optimize costs. The Parent company in 2015 increased the share capital to EUR 24 800 000 through the capitalization of debt and equity capital contributions. By the end of 2015, the Parent company plans to increase the share capital up to EUR 28 000 000. The Group will continue to fund its operations, attracting also the Group's shareholders, subsidiaries and other related companies. The Group gradually meets the set conditions in order to apply for the listing of its shares on the Main List of Riga Stock exchange NASDAQ OMX Riga.

Use of the financial instruments

The Group's principal financial instruments comprise loans from credit institutions, shareholders, management, related companies and private parties. The main task of these financial instruments is to provide the financing of the commercial activity of the Group. The Group has various other financial instruments such as trade receivables and other receivables, advances received from customers, trade payables and other payables, which arise directly from its operations.

Subsequent events

On 6 January 2015 the Parent company took over concluded loan agreements with a credit institution from related companies - LLC "KEY 1", LLC "Key 2", LLC "KEY 6", LLC "Key 15" and LLC "Skunu 19", and also restructured its loan agreement with the credit institution of 2014. As a result, the Parent company entered into a single loan agreement with the credit institution and concluded individual loan agreements with LLC "KEY 1", LLC "Key 2", LLC "KEY 6", LLC "Key 15" and LLC "Skunu 19". See Notes 15 and 19.

The Parent company in 2015 increased the share capital up to EUR 24 800 000 through the capitalization of debt and equity contributions. From 26 March 2015 the Parent company's share capital is composed of shareholders capital investment of EUR 24 800 000, total authorised number of ordinary shares is 24 800 000 with a par value of EUR 1 per share.

Other than the above, there were no material events after the statement of financial position date requiring adjustment of or disclosure in the financial statements or notes there to.

Management's proposals on profit sharing and covering of losses

The Group's management proposes to cover the losses for the reporting period of the Parent company, BALTIC RE SPA, LLC "Key 2", LLC "Key 15" un LLC "Skunu 19" from the next year's profit. The Group's management proposes to cover losses of previous years of the Group's subsidiaries LLC "KEY 1" and LLC "KEY 6" with profit for the reporting period.

Head of the Board

Giovanni Dalla Zonca