AS "Baltic RE Group"

(REGISTRATION NUMBER 40103716434)

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EU

(TRANSLATION FROM THE ORIGINAL IN LATVIAN)

Riga, 2018

Contents

General Information

Name of the Parent company	AS "Baltic RE Group"
Legal form of the Parent company	Joint Stock Company
Registration number, place and date of registration of the Parent company	40103716434 Riga, 2 October 2013
Legal address of the Parent company	19 Skunu Street, Riga, LV-1050, Latvia
Corporate website	www.balticregroup.com

Board

The Board is the executive body of AS "Baltic RE Group", which manages and represents the Parent company. It is responsible for the commercial activities of the Parent company, as well as for Accounting and compliance with the laws and regulations. The Board administers the property of AS "Baltic RE Group" and acts with its means according to the requirements of law, the Statutes and decisions of Meetings of shareholders and Council.

The Statutes of AS "Baltic RE Group" regulate the composition and election of the Board, its functions, representation and decision making. The Board Regulations determine rights, duties, responsibilities and operating procedures of the Board.

Giovanni Dalla Zonca (Head of the Board - right of sole representation)

Giovanni Dalla Zonca is CEO and co-founder of AS "Baltic RE Group".

Giovanni Dalla Zonca has extensive experience in real estate consulting and entrepreneurship. He worked for many years as a financial consultant for the real estate industry, and was founder and CEO of Renta, a primary Italian network of placement of real estate finance issued by Barclays Bank.

As a strategic consultant he has worked for over 10 years with leading Italian real estate funds and private investors in the retail real estate sector, assisting customers in the selection of investments, in the construction of the financing and in preparation of draft turnaround. Thanks to the experience as a direct investor in several European countries, in 2008 Giovanni Dalla Zonca was co-founder of Baltic RE Group, where he is currently partner and CEO.

Giovanni Dalla Zonca regularly participates as an expert speaker and entrepreneur at important international conferences in the sector and is a columnist for articles and studies on the real estate industry for leading international publications.

Giovanni has graduated with honours in Economics from the University of Trieste.

Marco Chioatto (Member of the Board - together with all the rest of)

Marco Chioatto has Degree in Economics at Università di Venezia, he is Chartered Accountant in Padua, Italy.

He has been a Senior Partner in the Studio Associate Cantoni Chioatto a professional firm with 16 people including 7 Professionals and 9 employees. He works as an auditor and external auditor for companies (SpA and Srl) in Northeast of Italy.

From 1996 to 1998 he held the position of President of the Association of Young Chartered Accountants Padua. From 1998 to 2004 he held the position of Director and Vice President of the Association of Chartered Accountants of Padua. Marco Chioatto served until 2007 as Vice President of the Association of Chartered Accountants of North East of Italy. The Association currently has about 2 300 members.

Marco Chioatto has carried out on behalf of the Association of Chartered Accountants of Padua, to lecture at conferences in the Association itself and within the School for Practitioners Chartered Accountants of Padua.

Marco Chioatto has deepen experience as consultant in Real Estate field in Italy and abroad, participating in many deals for acquisition of real estate Fund, and buildings, and participating in managing Real Estate Fund.

Thanks to his experience as professional in real estate sector, in 2008 Marco Chioatto was co-founder of Baltic RE Group, where he is currently a partner and CFO.

Dina Abaja (Member of the Board - together with all the rest of)

Dina Abaja has more than 7 years' experience in high street real estate – retail, offices and mixed use centres management as key account for owners and tenants. Since 2004 Dina Abaja has been Member of the Board and Member of the Council in several companies.

Dina Abaja is engaged with commercial property management, administration of lease agreement changes and extensions, negotiations with tenants, technical maintenance supervision together with technical team, financial supervision together with the financial team and property marketing and advertising, consulting in regard to other property.

Since 2013 Dina Abaja is a Member of the Board of AS "Baltic RE Group". Her extensive experience has allowed her to provide quality real estate market review, success in search of new tenants and development of the content of the buildings.

Dina Abaja has Bachelor degree in Economics and International business affairs from the International Commercial University of Latvia.

Dina Abaja has participated in numerous professional trainings, exhibitions, and real estate conferences (including the Annual Baltic States Real Estate Conferences), seminars and she obtained significant specific professional experience and education in this field.

Council

The Council is the supervisory institution of AS "Baltic RE Group", which represents the interests of the shareholders during the time periods between the Meetings of shareholders and supervises the activities of the Board within the scope specified in the Commercial Law and the Statutes.

The Statutes of AS "Baltic RE Group" regulate the composition and election of the Council, its functions and decision making. Council Regulations are adopted according to provisions of Commercial Law and Statutes and regulate Councils decision-making authority and procedures, as well execution of Council decisions.

Cesare Pizzul (Chairperson of the Council)

Cesare Pizzul graduated with honours in Mining Engineering from the University of Trieste (Italy), he received a postgraduate specialization in Mining Geostatistic at the Ecole Nationale des Mines de Paris, and attended a master course in General Management at the ISTUD of Stresa (Italy).

In 1994 he became the founder and CEO of Sunshine Investments, a private equity and financial holding destined to invest in industrial companies in the North East of Italy.

Since 2001 he is a corporate advisor for primary companies following the international expansion of several important clients.

In 2006 Cesare Pizzul founded Wulfenia Business Consulting, an international corporate advisors company involved in financial, administrative, fiscal and corporate consulting in Central Eastern Europe, the Balkans and in South America, specifically focusing on outsourcing of the administration and other services for retail shops chains all over Europe.

In 2008–2014 Cesare Pizzul held the positions of Independent Director, President of the Remuneration Committee, President of the Related Parties Committee, Member of the Internal Control Committee at Eurotech Group SpA, a nano high performing computers company listed in Milan Stock Exchange.

Cesare Pizzul has extensive experience in advisory and independent control in major (even listed) companies all over Europe.

Aleksandrs Mahajevs (Deputy chairperson of the Council)

Edgars Murāns (Member of the Council)

Audit Committee	The Audit Committee monitors the preparation process of AS "Baltic RE Group" annual report and consolidated annual report; internal control, risk management and internal audit system efficiency, as it applies to credibility and objectivity of annual reports and consolidated annual reports, submit proposals for elimination of deficiencies in the relevant system; monitors audit process of annual report and consolidated annual report; informs the Council on the conclusions of sworn auditor's made during audit of annual report and consolidated annual report and provide views on how the audit has contributed to credibility and objectivity of the prepared annual report and consolidated annual report, as well as informs of what has been the importance of the Audit Committee in this process; provides sworn auditor candidate selection process. The Statutes of AS "Baltic RE Group" regulate the composition and election of the Audit Committee, its functions and representation of AS "Baltic RE Group". **Cesare Pizzul** **Edgars Murāns** **Inta Fominova**
Principal subsidiaries	**SIA "KEY 1"** 19 Skunu Street, Riga, LV-1050, Latvia (AS "Baltic RE Group" owns 100%) **SIA "Key 2"** 19 Skunu Street, Riga, LV-1050, Latvia (AS "Baltic RE Group" owns 100%) **SIA "KEY 6"** 19 Skunu Street, Riga, LV-1050, Latvia (AS "Baltic RE Group" owns 100%) **SIA "Key 15"** 19 Skunu Street, Riga, LV-1050, Latvia (AS "Baltic RE Group" owns 100%) **SIA "Skunu 19"** 19 Skunu Street, Riga, LV-1050, Latvia (AS "Baltic RE Group" owns 100%) **SIA "TER Properties"** 19 Skunu Street, Riga, LV-1050, Latvia (AS "Baltic RE Group" owns 91.11%) **SIA "BB 21"** 19 Skunu Street, Riga, LV-1050, Latvia (SIA "TER Properties" owns 100%) **SIA "BB 19"** 19 Skunu Street, Riga, LV-1050, Latvia (AS "Baltic RE Group" owns 100%)
Activity code (NACE 2.0 rev)	Renting and operating of own or leased real estate (68.20) Buying and selling of own real estate (68.10) Real estate agencies (68.31) Management of real estate on a fee or contract basis (68.32)
Financial year	1 January 2018 – 31 December 2018
Interim reporting period	1 January 2018 – 30 June 2018

Management Report

General information

AS "Baltic RE Group" (hereinafter - the 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 Group "Baltic RE Group" includes AS "Baltic RE Group" and its subsidiaries: SIA "KEY 1", SIA "Key 2", SIA "KEY 6", SIA "Key 15", SIA "Skunu 19", SIA "TER Properties", SIA "BB 21", SIA "BB 19" (hereinafter – the Group).

Core business activities of the Group companies

The Group companies mainly deal with the lease / rent 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) AS "Baltic RE Group" leases / rents real estate at the address 12/14 Kalku Street, Riga, LV-1050, Latvia. AS "Baltic RE Group" provides real estate management, current repairs, maintenance etc., contracted out to the outsourcing companies. Activity of AS "Baltic RE Group" is also strategic development of related companies. Within administration of related companies, the company provides services on economics, tax, finance, marketing, legal and technical issues.
2) SIA "KEY 1" leases / rents real estate at the address 1 Kungu Street, Riga, LV-1050, Latvia. SIA "KEY 1" provides real estate management, current repairs, maintenance etc., contracted out to the outsourcing companies.
3) SIA "Key 2" leases / rents real estate at the address 2 Kramu Street, Riga, LV-1050, Latvia. SIA "Key 2" provides real estate management, current repairs, maintenance etc., contracted out to the outsourcing companies.
4) SIA "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. SIA "KEY 6" provides real estate management, current repairs, maintenance etc., contracted out to the outsourcing companies.
5) SIA "Key 15" leases / rents real estate at the address 15 Kalku Street, Riga, LV-1050, Latvia. SIA "Key 15" provides real estate management, current repairs, maintenance etc., contracted out to the outsourcing companies.
6) SIA "Skunu 19" leases / rents real estate at the address 19 Skunu Street, Riga, LV-1050, Latvia. SIA "Skunu 19" provides real estate management, current repairs, maintenance etc., contracted out to the outsourcing companies.
7) SIA "TER Properties" activity is the management and strategic development of related companies, as well as real estate management.
8) SIA "BB 21" leases / rents real estate at the address Brivibas boulevard 21, Riga, LV-1050, Latvia. SIA "BB 21" provides real estate management, current repairs, maintenance etc., contracted out to the outsourcing companies.
9) SIA "BB 19" activity is intermediary services in real estate.

This enables the Group to make the management of each particular property more effective and optimised, as well as to focus better on appropriate tasks.

Management's objectives and its strategies

The Group "Baltic RE Group" holds a major portfolio of premium-class historic buildings in Old Riga, where the Group continuously invests in and which in addition were reconstructed according to the wishes of new tenants — the representatives of well-known brands. The Group buys historical buildings in Old Riga and nearby with a potential of transformation of the commercial area, renovates them, restoring the original appearance of the facade as far as possible and putting in order internal engineering networks to the full. It often happens that premises are reconstructed and improved in accordance with the tenants' individual needs.

One of the Group's operational principles is to preserve the importance of the building and to increase its value further on, which provides not only financial benefit for the Group, but contributes to the maintenance of the historical centre of Riga as well.

“Baltic RE Group” shareholders are confident that the historical centre of Riga has a high trading potential in the high street segment where the key shops and offices of this city are located. This is determined by a combination of historical sights of Riga, the street quality and the consumer purchasing power.

Currently, the Group is the largest lessor of all-purpose and high-quality commercial areas in Old Riga and close areas, with agreements concluded with such well-known companies and organisations as Norwegian Embassy, the Financial and Capital Market Commission, H & M Hennes & Mauritz LLC, Reserved (member of LPP Fashion Group that owns a fashion retail chain with over 1 600 stores across Europe), etc. At the moment of the release of the Management Report, the portfolio of the properties owned by the Group has 100% occupancy (leased out) of the surfaces currently in exploitation.

Group’s operations during reporting period

Group’s operations during the reporting period were focused on the expansion of courses of action, improvement of work organization, which provides 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 restrictions imposed on AS “ABLV Bank” by the Financial and Capital Market Commission and AS “ABLV Bank” notice on self-liquidation in February 2018 did not affect or did not indicate any uncertainty in the Parent company’s and its subsidiaries’ further economic activities, and they did not limit full execution of obligations undertaken with bonds issued by AS “Baltic RE Group” and listed on Nasdaq Riga Baltic Bond List.

AS “Baltic RE Group” and its subsidiaries used in total 8 current accounts in AS “ABLV Bank”, and the total deposited amount did not exceed EUR 100 000 (limit of guaranteed compensation) at the moment of imposed restrictions, therefore these current account balances were fully protected by the Latvian deposit guarantee fund. In March 2018, balances of AS “Baltic RE Group” and its subsidiaries current accounts in AS “ABLV Bank” were transferred in full to Group companies’ current accounts in other banks as a guaranteed compensation.

To secure day-to-day operations and to protect against any possible consequences in the ordinary management, AS “Baltic RE Group” and its subsidiaries are currently using their current accounts in other commercial banks in Latvia. On 19 February 2018 AS “Baltic RE Group” received official permission from AS “ABLV Bank” to use accounts in other Latvian credit institutions without any restrictions. The Group companies issued notices to their tenants about additional bank accounts active for payments and settlements and the activities and cash flows of the Group companies haven’t suspended, as well as Group companies haven’t stopped or suspended payment of its liabilities. The Parent company continues to fulfil its obligations to AS “ABLV Bank” and in 2018 makes loan repayment according to loan repayment schedule. The situation with AS “ABLV Bank” did not cause any negative economic / financial effects for AS “Baltic RE Group” and its subsidiaries, nor did it cause operational difficulties.

The Group’s revenue for the six months ended 30 June 2018 is EUR 2 699 685, which increased by 16.8% comparing with the six months ended 30 June 2017. The Group ended the reporting period with a profit of EUR 228 498 respectively. The Group’s equity as at 30 June 2018 is positive and amounts to EUR 21 273 058.

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

The analysis of the Group’s condensed interim consolidated financial statements shows, that condensed interim consolidated statement of financial position total is EUR 61 891 197. Non-current assets comprise 97% of the condensed interim consolidated statement of financial position total, of which 85% (EUR 50 742 331) comprise of investment property. Investment property consists of the Group’s real estate, which is leased / rented. Equity comprises 34% (EUR 21 273 058) of the condensed interim consolidated statement of financial position total. Non-current liabilities comprise 55% (EUR 33 942 124) of the condensed interim consolidated statement of financial position total, while current liabilities comprise 11% (EUR 6 676 015).

The analysis of the Group’s condensed interim consolidated statement of comprehensive income shows, that the revenue of the Group for the six months ended 30 June 2018 is EUR 2 699 685, the cost of sales is EUR 606 323, depreciation of investment property is EUR 691 239, so that the gross profit amounts to EUR 1 402 123 and net profit amounts to EUR 228 498. 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 (Group’s paying capacity – Group’s ability to cover its current liabilities):
Total liquidity ratio = 0.29 - the ratio has decreased, comparing with six months ended 30 June 2017 (2.86); this difference is mainly due to the transfers performed by shareholders for the future share capital increase, that are temporary registered as debt (current liabilities) and shall become an equity when transformed on share capital (see also Note 8).

Solvency (Group's ability to cover non-current and current liabilities):
Debt to assets ratio = 0.66 - the ratio has slightly increased, comparing with six months ended 30 June 2017 (0.62).

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 further development of business.

Use of the financial instruments and financial risk factors

The Group's principal financial liabilities comprise loan from credit institution, bonds issued, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include loans, trade and other receivables and cash that arrive directly from its operations.

Financial risk management

The risk management function within the Group is carried out in respect of financial risks. Financial risks are risks arising from financial instruments to which the Group is exposed during or at the end of the reporting period. The main financial risks arising from the Group's financial instruments are credit risk and liquidity risk. The Group's top management oversees the management of these risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. We remark that following a prudential policy carried out in 2017 interest rate risk is not affecting the Group as both the interest rate of the portfolio loan and the bonds are fixed.

Development of the Group and future prospects

For the year 2018 the Board of AS "Baltic RE Group" is planning the further activities of development of new real estate research and optimization and development of current business activities. In 2018 the Group's subsidiaries do not intend to change their core business activity. It is planned to strengthen the activity 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 Group is focused and ready to get opportunities which shall appear on the market, to further invest in landmark properties consistent with the unparalleled quality of the existing portfolio.

Subsequent events

During the period from the last day of the reporting period to the date of signature of this report, there were no material events requiring adjustment of or disclosure in the financial statements or notes there to.

On behalf of AS "Baltic RE Group" Board:

Giovanni Dalla Zonca
Head of the Board

Riga, 31 August 2018

Statement of Responsibility of the Management

The Board of AS “Baltic RE Group” prepared these condensed interim consolidated financial statements. These condensed interim consolidated financial statements give a true and fair view of the AS “Baltic RE Group” (hereinafter – the Parent company) and AS “Baltic RE Group” and its subsidiaries (hereinafter – the Group) assets, liabilities, financial position as at the end of the respective interim period and profit or loss for that respective period. The Management Report contains truthful information.

Condensed interim consolidated financial statements are prepared in accordance with the International Financial Reporting Standards as adopted by the European Union.

In preparing those financial statements, the Board:

- selects suitable accounting policies and then applies them consistently;
- makes judgments and estimates that are reasonable and prudent;
- prepares the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Board of AS “Baltic RE Group” is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position, financial performance and cash flows of the Group and enable them to ensure that financial statements drawn up from them comply with International Financial Reporting Standards as adopted by the European Union.

On behalf of AS “Baltic RE Group” Board:

Giovanni Dalla Zonca
Head of the Board

Riga, 31 August 2018

Condensed Interim Consolidated Financial Statements

Condensed Interim Consolidated Statement of Financial Position

		30.06.2018	31.12.2017
		Unaudited	**Audited**
ASSETS	Note	**EUR**	**EUR**
Non-current assets			
Goodwill		8 856 842	8 856 842
Intangible assets		137	274
Property, plant and equipment		371 030	374 554
Investment property	7	50 742 331	49 733 432
Other loans and other long-term receivables		13 000	13 000
		59 983 340	**58 978 102**
Current assets			
Work in progress		69 133	69 133
Advance payments for goods		-	990
Trade receivables		680 742	563 064
Other receivables		1 044 788	1 095 975
Accrued income		60 942	58 775
Cash and cash equivalents		52 252	403 946
		1 907 857	**2 191 883**
TOTAL ASSETS		**61 891 197**	**61 169 985**
EQUITY AND LIABILITIES			
Equity			
Share capital	8	25 000 000	25 000 000
Other reserves		(5 316 321)	(5 316 321)
Retained earnings		1 324 433	1 115 382
Equity attributable to owners of the Parent company		21 008 112	20 799 061
Non-controlling interest		264 946	245 499
Total equity		**21 273 058**	**21 044 560**
Non-current liabilities			
Loans from credit institutions	9	29 084 338	29 084 338
Bonds issued	9	3 894 348	3 875 404
Borrowings	9	45 000	33 039
Other payables		918 438	816 592
		33 942 124	**33 809 373**
Current liabilities			
Loans from credit institutions	9	666 300	1 277 030
Borrowings	9	50 000	118 400
Prepayments received from customers		461	-
Trade payables		643 591	433 654
Taxes payable		146 403	105 908
Other payables		5 097 681	4 251 792
Deferred revenue		12 497	19 312
Accrued liabilities		59 082	109 956
		6 676 015	**6 316 052**
Total liabilities		**40 618 139**	**40 125 425**
TOTAL EQUITY AND LIABILITIES		**61 891 197**	**61 169 985**

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

On behalf of AS “Baltic RE Group” Board:

Giovanni Dalla Zonca
Head of the Board

Riga, 31 August 2018

Condensed Interim Consolidated Statement of Comprehensive Income

	Note	01.01.2018-30.06.2018 Unaudited EUR	01.01.2017-30.06.2017 Unaudited EUR
Continuing operations			
Revenue		2 699 685	2 310 871
Cost of sales		(606 323)	(570 866)
Depreciation of investment property	7	(691 239)	(680 601)
Gross profit		**1 402 123**	**1 059 404**
Distribution costs		(2 323)	(819)
Administrative expenses		(564 645)	(545 995)
Other operating income		3 489	80 160
Other operating expense		(1 489)	(29)
Loss recognised on disposal of subsidiary		-	(4 755)
Operating profit		**837 155**	**587 966**
Finance income		-	2
Finance costs		(608 657)	(506 534)
Profit before tax from continuing operations		**228 498**	**81 434**
Income taxes		-	-
Profit for the period from continuing operations		**228 498**	**81 434**
Discontinued operations			
Loss for the period from discontinued operations		-	(478)
PROFIT FOR THE PERIOD		**228 498**	**80 956**
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		**228 498**	**80 956**
Profit attributable to:			
- Owners of the Parent company		209 051	78 187
- Non-controlling interest		19 447	2 769
TOTAL		**228 498**	**80 956**
Earnings per share:			
Basic and diluted earnings per share		0.008	0.003
Total comprehensive income attributable to:			
- Owners of the Parent company		209 051	78 187
- Non-controlling interest		19 447	2 769
TOTAL		**228 498**	**80 956**
Total comprehensive income for the period attributable to owners of the Parent company arises from:			
- Continuing operations		209 051	78 623
- Discontinued operations		-	(436)
TOTAL		**209 051**	**78 187**

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

On behalf of AS "Baltic RE Group" Board:

Giovanni Dalla Zonca
Head of the Board

Riga, 31 August 2018

Condensed Interim Consolidated Statement of Cash Flows

	Note	01.01.2018-30.06.2018 Unaudited EUR	01.01.2017-30.06.2017 Unaudited EUR
Cash flows from operating activities			
Profit before tax from continuing operations		228 498	81 434
Loss before tax from discontinued operations		-	(478)
Profit before tax		**228 498**	**80 956**
Adjustments for:			
Amortisation and depreciation		722 020	687 994
Write-down of long-term financial investments		-	(3 351)
Loss on disposal of subsidiary		-	4 755
Finance income		-	(2)
Finance costs		608 657	506 534
Operating cash flows before working capital changes		**1 559 175**	**1 276 886**
(Increase) / decrease in inventories		-	(133 261)
(Increase) / decrease in trade receivables		(67 668)	(639 971)
Increase / (decrease) in trade and other payables		212 555	1 370 289
Cash generated from operations		**1 704 062**	**1 873 943**
Interest paid		(608 657)	(487 153)
Corporate income tax paid		-	(42 417)
Net cash generated from operating activities		**1 095 405**	**1 344 373**
Cash flows from investing activities			
Net cash outflow on acquisition of subsidiaries		-	(3 445 162)
Net cash outflow on disposal of subsidiary		-	(384)
Purchases of intangible assets, property, plant and equipment and investment property		(1 727 258)	(2 131 726)
Interest received		-	2
Net cash used in investing activities		**(1 727 258)**	**(5 577 270)**
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		-	2 525 000
Proceeds from borrowings		890 889	-
Repayments of borrowings		(610 730)	(603 121)
Net cash used in financing activities		**280 159**	**1 921 879**
Net increase in cash and cash equivalents		(351 694)	(2 311 018)
Cash and cash equivalents at the beginning of the period		403 946	4 366 860
CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD		**52 252**	**2 055 842**

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

On behalf of AS "Baltic RE Group" Board:

Giovanni Dalla Zonca
Head of the Board

Riga, 31 August 2018

Condensed Interim Consolidated Statement of Changes in Equity

		Equity attributable to owners of the Parent company					
		Share capital	Other reserves	Retained earnings	TOTAL	Non-controlling interest	**TOTAL**
	Note	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Balance as at 31 December 2016 (audited)		**25 000 000**	**(1 841 117)**	**1 103 282**	**24 262 165**	**-**	**24 262 165**
Comprehensive income							
Profit for the period		-	-	78 187	78 187	2 769	**80 956**
Other comprehensive income		-	-	-	-	-	**-**
Total comprehensive income		**-**	**-**	**78 187**	**78 187**	**2 769**	**80 956**
Non-controlling interest arising on business combination		-	-	-	-	713 166	**713 166**
Acquisition of non-controlling interest		-	(156 149)	-	(156 149)	(493 794)	**(649 943)**
Disposal of non-controlling interest		-	-	-	-	840	**840**
Balance as at 30 June 2017 (unaudited)		**25 000 000**	**(1 997 266)**	**1 181 469**	**24 184 203**	**222 981**	**24 407 184**
Balance as at 31 December 2017 (audited)		**25 000 000**	**(5 316 321)**	**1 115 382**	**20 799 061**	**245 499**	**21 044 560**
Comprehensive income							
Profit for the period		-	-	209 051	209 051	19 447	**228 498**
Other comprehensive income		-	-	-	-	-	**-**
Total comprehensive income		**-**	**-**	**209 051**	**209 051**	**19 447**	**228 498**
Balance as at 30 June 2018 (unaudited)		**25 000 000**	**(5 316 321)**	**1 324 433**	**21 008 112**	**264 946**	**21 273 058**

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

On behalf of AS "Baltic RE Group" Board:

Giovanni Dalla Zonca
Head of the Board

Riga, 31 August 2018

Notes to the Condensed Interim Consolidated Financial Statements

1. General information

AS "Baltic RE Group" (hereinafter - the Parent company) is a stock corporation, which was registered in the Register of Enterprises of the Republic of Latvia on 2 October 2013. The legal address of AS "Baltic RE Group" is 19 Skunu Street, Riga, LV-1050, Latvia.

Core business activity of the Parent company is management of the Group "Baltic RE Group", which includes AS "Baltic RE Group" and its subsidiaries (hereinafter – the Group) and strategic development of subsidiaries.

The Group holds a major portfolio of premium-class historic buildings in Old Riga and nearby. The Group's structure provides for each of the Group's subsidiaries to undertake specific building lease / rental services, as well as provide real estate management and maintenance.

AS "Baltic RE Group" issued bonds are listed on the stock exchange Nasdaq Riga Baltic Bond List.

These unaudited condensed interim consolidated financial statements for the six months ended 30 June 2018 were authorised for issue by a resolution of the AS "Baltic RE Group" Board on 31 August 2018.

2. Basis of preparation

These condensed interim consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with International Accounting Standard (IAS) 34 Interim financial reporting as adopted by the European Union (EU).

The condensed interim financial statements should be read in conjunction with the consolidated annual report for the year ended 31 December 2017, which has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS as adopted by the EU. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last financial statements.

The financial statements are presented in Euro (EUR), the monetary unit of the Republic of Latvia.

These condensed interim consolidated financial statements for the six months ended 30 June 2018 comprise the financial statements of AS "Baltic RE Group" and entities controlled by the Parent company (its subsidiaries). Information on consolidation group structure is provided in Note 6.

3. Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year.

New and revised IFRSs and interpretations adopted by the Group

The following new and amended IFRSs as adopted by the EU became effective in 2018, but did not have significant impact on these consolidated financial statements of the Group:

1) *New standards and interpretations*

- IFRS 9 Financial Instruments (issued on 24 July 2014) (effective for annual periods beginning on or after 1 January 2018).

  IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project:

  - classification and measurement of financial assets and financial liabilities;
  - impairment methodology and
  - general hedge accounting.

  The impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group has reviewed its financial assets and liabilities and IFRS 9 does not have a material impact on the financial statements. The classification and measurement of the Group's financial instruments has not changed under IFRS 9 because of the nature of the Group's operations and the types of financial instruments that it holds. The Group's financial assets are measured at amortised cost, which meet the conditions for classification at amortised cost under IFRS 9. There is no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model - "expected credit loss" model - applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group expects a small increase in the loss allowance for trade receivables by approximately 5%.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

- IFRS 15 Revenue from Contracts with Customers (issued on 28 May 2014) including amendments to IFRS 15: Effective date of IFRS 15 (issued on 11 September 2015) (effective for annual periods beginning on or after 1 January 2018).

  IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

  The new revenue standard will supersede all current revenue recognition requirements under IFRS.

  The new model specifies that revenue should be recognised when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

  - over time, in a manner that depicts the Group's performance; or
  - at a point in time, when control of the goods or services is transferred to the customer.

  IFRS 15 also establishes the principles that a Group shall apply to provide qualitative and quantitative disclosures which provide useful information to users of consolidated financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

  IFRS 15, when initially applied, did not have material impact on the Group's consolidated financial statements. The timing and measurement of the Group's revenues have not changed under IFRS 15 because of the nature of the Group's operations and the types of revenues it earns.

- IFRIC 22 Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016) (effective for annual periods beginning on or after 1 January 2018).

2) *Amendments:*

- Amendments to IAS 40: Transfers of Investment Property (issued on 8 December 2016) (effective for annual periods beginning on or after 1 January 2018).
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (issued on 20 June 2016) (effective for annual periods beginning on or after 1 January 2018).
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued on 12 September 2016) (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 Financial Instruments is applied for the first time).
- Annual Improvements to IFRS Standards 2014-2016 Cycle (issued on 8 December 2016) (amendments to IFRS 1, IAS 28 effective for annual periods beginning on or after 1 January 2018).

3) *Clarifications:*

- Clarifications to IFRS 15 Revenue from Contracts with Customers (issued on 12 April 2016) (effective for annual periods beginning on or after 1 January 2018).

New and revised IFRSs and interpretations issued and adopted by the EU, but not yet effective

The standards that are issued, but not yet effective up to the date of issuance of the Group's condensed interim consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective, and the Group's assessment of the potential impact of these standards on the financial statements is set out below:

1) *New standards and interpretations:*

- IFRS 16 Leases (issued on 13 January 2016) (effective for annual periods beginning on or after 1 January 2019).

  IFRS 16 supersedes IAS 17 Leases and related interpretations. The standard eliminates the current dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases.

  Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires a lessee to recognise a right-of-use asset and a lease liability. The right-of-use asset is depreciated and the liability accrues interest. This will result in a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals.

  IFRS 16 introduces a number of limited scope exceptions for lessees which include:

  - leases with a lease term of 12 months or less and containing no purchase options, and
  - leases where the underlying asset has a low value ("small-ticket" leases).

  It is expected that the new standard, when initially applied, will not have material impact on the Group's consolidated financial statements, since lessor accounting shall remain largely unaffected by the introduction of the new standard and the distinction between operating and finance leases will be retained. The Group has not yet prepared an analysis of the expected quantitative impact of the new standard.

2) *Amendments:*

- Amendments to IFRS 9: Prepayment Features with Negative Compensation (issued on 12 October 2017) (effective for annual periods beginning on or after 1 January 2019).

New and revised IFRSs and interpretations issued, but not yet adopted by the EU

1) *New standards and interpretations:*

- IFRS 14 Regulatory Deferral Accounts (issued on 30 January 2014) (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard.
- IFRS 17 Insurance Contracts (issued on 18 May 2017) (effective for annual periods beginning on or after 1 January 2021).
- IFRIC 23 Uncertainty over Income Tax Treatments (issued on 7 June 2017) (effective for annual periods beginning on or after 1 January 2019).

2) *Amendments:*

- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (issued on 12 October 2017) (effective for annual periods beginning on or after 1 January 2019).
- Annual Improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017) (effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (issued on 7 February 2018) (effective for annual periods beginning on or after 1 January 2019).
- Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018) (effective for annual periods beginning on or after 1 January 2020).

4. Accounting judgments, estimates and assumptions

The preparation of interim consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities.

In preparing these condensed interim consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017.

5. Financial risk management and Financial instruments

5.1. Financial risk factors

Financial risks

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

The condensed interim consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 31 December 2017.

There have been no changes in the risk management or in any risk management policies since the year end.

5.2. Fair value estimation

The Group has financial instruments which are not measured at fair value in the statement of financial position. For these financial instruments, the fair values are not materially different to their carrying amounts, since the interest payable is close to current market rates.

The fair value of the following financial assets and liabilities approximate their carrying amount:

- trade and other receivables;
- other current financial assets;
- cash and cash equivalents;
- trade and other payables.

Fair value of financial liabilities measured at amortised cost

	30.06.2018	31.12.2017
Non-current	33 184 186	33 153 281
Current	713 468	1 267 768
TOTAL:	**33 897 654**	**34 421 049**

6. Consolidation group structure

Interest in subsidiaries

The Group has the following subsidiaries at 30 June 2018:

Name	Country of incorporation and place of business	Nature of business	Effective consolidation percentage of the Parent company 30.06.2018	Effective consolidation percentage of the Parent company 31.12.2017
SIA "KEY 1" reg.No.40103212372 19 Skunu Street, Riga, LV-1050	Latvia	Rental / lease, management of real estate	100%	100%
SIA "Key 2" reg.No.40103451102 19 Skunu Street, Riga, LV-1050	Latvia	Rental / lease, management of real estate	100%	100%
SIA "KEY 6" reg.No.40103285982 19 Skunu Street, Riga, LV-1050	Latvia	Rental / lease, management of real estate	100%	100%
SIA "Key 15" reg.No.40103568148 19 Skunu Street, Riga, LV-1050	Latvia	Rental / lease, management of real estate	100%	100%
SIA "Skunu 19" reg.No.40003993617 19 Skunu Street, Riga, LV-1050	Latvia	Rental / lease, management of real estate	100%	100%
SIA "TER Properties" reg.No. 40103881878 19 Skunu Street, Riga, LV-1050	Latvia	Management of subsidiaries Development of real estate	91.11%	91.11%
SIA "BB 21" reg.No. 40103940391 19 Skunu Street, Riga, LV-1050	Latvia	Rental / lease, management of real estate	91.11%	91.11%
SIA "BB 19" reg.No. 40203095542 19 Skunu Street, Riga, LV-1050	Latvia	Intermediary services in real estate	100%	100%

7. Investment property

In the 1st half of 2018 the Group renovated and reconstructed its own buildings.

01.01.2018-30.06.2018	Land	Buildings and constructions	Construction in progress	Prepayments for investment property	TOTAL
Cost at 31.12.2017	**2 761 468**	**49 032 123**	**5 850 973**	**430 098**	**58 074 662**
Additions	-	138 517	1 690 675	193 275	**2 022 467**
Put into operation	-	363 744	(401 391)	(284 682)	**(322 329)**
Cost at 30.06.2018	**2 761 468**	**49 534 384**	**7 140 257**	**338 691**	**59 774 800**
Accumulated depreciation at 31.12.2017	**-**	**8 341 230**	**-**	**-**	**8 341 230**
Depreciation charge	-	691 239	-	-	**691 239**
Accumulated depreciation at 30.06.2018	**-**	**9 032 469**	**-**	**-**	**9 032 469**
Net book amount at 31.12.2017	**2 761 468**	**40 690 893**	**5 850 973**	**430 098**	**49 733 432**
Net book amount at 30.06.2018	**2 761 468**	**40 501 915**	**7 140 257**	**338 691**	**50 742 331**

8. Share capital

The share capital of the Parent company is composed of shareholders capital investment of EUR 25 000 000, the total authorised number of ordinary shares is 25 000 000 with a par value of EUR 1 per share. All issued shares are fully paid.

It was planned to increase the share capital of AS "Baltic RE Group" by May 2018 by issuing 4 000 000 of new registered shares with voting rights at a selling price of one share of EUR 1.10, however, the increase in share capital was postponed until October 2018. As a result of the new issue, the equity of the Parent company will be increased by EUR 4 400 000. The newly registered share capital of the Parent company after the completion of the capital increase will be EUR 29 000 000.

9. Loans and borrowings

Non-current	Interest rate	Maturity	30.06.2018	31.12.2017
Secured				
Loan from credit institution [1]	3.10%	30.06.2022	29 084 338	29 084 338
Unsecured				
Bonds issued [2]	6.15%	12.12.2020	3 894 348	3 875 404
Loan from legal person	6.15%	31.03.2019	45 000	-
Loan from legal person	2.50%	18.09.2020	-	33 039
		SUBTOTAL:	**33 023 686**	**32 992 781**
Current				
Secured				
Loan from credit institution [1]	3.10%	31.12.2018	618 280	1 229 510
Unsecured				
Loans from credit institutions	2.983% - 7.33%	31.12.2018	45 188	38 258
Loans from credit institutions (credit card balances)	-	31.12.2018	2 832	9 262
Loans from legal persons	3.10%	31.07.2018	50 000	-
Loan from related company for the increase of share capital	-	31.12.2018	-	118 400
		SUBTOTAL:	**716 300**	**1 395 430**
		TOTAL:	**33 739 986**	**34 388 211**

[1] Loan agreement with credit institution

In June 2017 the Parent company concluded an addendum to the existing portfolio loan agreement with AS "ABLV Bank" for increasing the loan amount to EUR 31 000 000. The new loan was negotiated following the acquisition of 91.11% of SIA "TER Properties" share capital, which through its wholly-owned subsidiary owns real estate at Brivibas boulevard 21, Riga.

With the aim of better financial efficiency, the loan for the purchase and renovation of the property at Brivibas boulevard 21, Riga was therefore included in the existing loan, which was then transformed into a new fixed rate 3.10% loan (previous interest rate: 2.25% + 3M EURIBOR) with the total amount increased up to EUR 31 000 000 and loan repayment term until 30 June 2022. With the additional loan received from the credit institution, the Parent company has fully refinanced the new subsidiary SIA "TER Properties".

Covenants

The loan agreement concluded between the Parent company and the credit institution contains several conditions that the Parent company has to fulfil, including financial covenants. Once a quarter, the Parent company has to report to the credit institution on the fulfilment of these conditions. As at the end of the reporting period the Parent company met financial conditions that were set.

The terms of the loan agreement also prohibit the Parent company from paying dividends without the written consent of the credit institution, with the exception of distribution of dividends provided that Debt Service Coverage Ratio (DSCR) according to audited annual financial statements is not less than 1.25 and all provisions of the loan agreement are fulfilled.

Mortgage on real estate

According to the loan agreement with the credit institution, the Parent company's obligations against the credit institution are secured by a mortgage on real estate owned by the Group companies – AS "Baltic RE Group", SIA "KEY 1", SIA "Key 2", SIA "KEY 6", SIA "Key 15", SIA "Skunu 19", SIA "BB 21".

Pledges

According to the loan agreement with the credit institution, the Parent company's obligations against the credit institution are secured by a pledge on Group companies – AS "Baltic RE Group", SIA "KEY 1", SIA "Key 2", SIA "KEY 6", SIA "Key 15", SIA "Skunu 19", SIA "BB 21" as assets in aggregate; AS "Baltic RE Group" shares owned in SIA "KEY 1", SIA "KEY 6", SIA "Key 15" and SIA "Skunu 19"; SIA "KEY 1" shares owned in SIA "Key 15"; SIA "KEY 6" shares owned in SIA "Key 2"; SIA "Skunu 19" shares owned in SIA "KEY 1" and SIA "KEY 6"; SIA "TER Properties" shares owned in SIA "BB 21". Maximum claim amount is EUR 40 300 000.

Guarantees

According to the loan agreement with the credit institution, the Parent company's obligations against the credit institution are secured by the Group companies' - SIA "KEY 1", SIA "Key 2", SIA "KEY 6", SIA "Key 15", SIA "Skunu 19", SIA "BB 21" guarantees.

Financial pledge

According to the loan agreement with the credit institution, the Parent company's obligations against the credit institution are secured by financial pledge on all Parent company's deposits with the credit institution and all funds.

[2] Bonds issued

The Parent company AS "Baltic RE Group" issued bonds are listed on a regulated market - the stock exchange Nasdaq Riga Baltic Bond List starting from 12 December 2016. The Parent company AS "Baltic RE Group" issued 4 000 bonds with a face value of a single bond of EUR 1 000 and the fixed interest rate of 6.15% with coupon payment twice a year. Bond redemption date is 12 December 2020. The Parent company is entitled to redeem the bonds prematurely. On the date of bond issue financial liabilities were valued at their fair value, net of directly attributable transaction costs.

Ensuring the Group's activities in relation to the situation with AS "ABLV Bank"

The restrictions imposed on AS "ABLV Bank" by the Financial and Capital Market Commission and AS "ABLV Bank" notice on self-liquidation in February 2018 did not affect or did not indicate any uncertainty in the Parent company's and its subsidiaries' further economic activities, and they did not limit full execution of obligations undertaken with bonds issued by AS "Baltic RE Group" and listed on Nasdaq Riga Baltic Bond List.

AS "Baltic RE Group" and its subsidiaries used in total 8 current accounts in AS "ABLV Bank", and the total deposited amount did not exceed EUR 100 000 (limit of guaranteed compensation) at the moment of imposed restrictions, therefore these current account balances were fully protected by the Latvian deposit guarantee fund. In March 2018, balances of AS "Baltic RE Group" and its subsidiaries current accounts in AS "ABLV Bank" were transferred in full to Group companies' current accounts in other banks as a guaranteed compensation.

To secure day-to-day operations and to protect against any possible consequences in the ordinary management, AS "Baltic RE Group" and its subsidiaries are currently using their current accounts in other commercial banks in Latvia. On 19 February 2018 AS "Baltic RE Group" received official permission from AS "ABLV Bank" to use accounts in other Latvian credit institutions without any restrictions. The Group companies issued notices to their tenants about additional bank accounts active for payments and settlements and the activities and cash flows of the Group companies haven't suspended, as well as Group companies haven't stopped or suspended payment of its liabilities. The Parent company continues to fulfil its obligations to AS "ABLV Bank" and in 2018 makes loan repayment according to loan repayment schedule.

10. Events after the reporting period

During the period from the last day of the reporting period to the date of signature of these condensed interim consolidated financial statements, there were no material events requiring adjustment of or disclosure in the financial statements or notes there to.

On behalf of AS “Baltic RE Group” Board:

Giovanni Dalla Zonca
Head of the Board

Riga, 31 August 2018