

Riga, 15 September 2016

AS "Baltic RE Group"

Consolidated interim statement for period from 1 January 2016 to 30 June 2016 and a
review of interim financial information

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Information on the Concern

Name of the Concern	AS "Baltic RE Group"	
Legal status of the Concern	Joint Stock Company	
Registration No., place and date	40103716434, Riga, 02.10.2013.	
Legal address	Skunu street 19, Riga, LV-1050	
Members of the Board	Giovanni Dalla Zonca	- Head of the Board
	Marco Chioatto	- Member of the Board
	Dina Abaja	- Member of the Board
Members of the Supervisory Board	Cesare Pizzul	- Chairman of the Supervisory Board from 21.04.2016.
	Aleksandrs Mahajevs	- Deputy Chairman of the Supervisory Board from 21.04.2016.
	Edgars Murāns	- Member of the Supervisory Board
	Aleksandrs Mahajevs	- Chairman of the Supervisory Board till 21.04.2016.
	Edgars Murāns	- Deputy Chairman of the Supervisory Board till 21.04.2016.
Consolidated interim financial statement period	from 01.01.2016.	till 30.06.2016.
Information on related companies (direct influence)	LLC "Key 15" Skunu street 19, Riga, LV-1050	
	LLC "KEY 1" Skunu street 19, Riga, LV-1050	
	LLC "KEY 6" Skunu street 19, Riga, LV-1050	
	LLC "Key 2" Skunu street 19, Riga, LV-1050	
	LLC "Skunu 19" Skunu street 19, Riga, LV-1050	
	Baltic RE Spa Via Altinate 125, CAP 35100, Padova, (PD), Italy	
Core business activity	Self-owned or leased Real Estate lease and management Holding-company activities	
NACE code	68.20 64.20	
Auditors	Nexia Audit Advice SIA Grecinieku street 9-3 Riga, LV-1050 License No. 134	Certified Auditor Marija Jansone Certificate No. 25

INTERIM CONSOLIDATED MANAGEMENT REPORT

Core business activities

SC "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 SC "Baltic RE Group" and its subsidiaries: BALTIC RE SPA, LLC "KEY 1", LLC "Key 2", LLC "KEY 6", LLC "Key 15", LLC "Skunu 19" (hereinafter - the Group).

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

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, Riga, Latvia, 6-1A Kalku Street, Riga, LV-1050 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.

Operations during reporting period 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.

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

Total liquidity ratio = 2.43 (recommended limit of ratio 1-2)

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

Liabilities to equity ratio = 0.53 (recommended limit of ratio <0.5)

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 business further development.

Main financial indicators characterizing the Company

The analysis of the Group's consolidated financial statements shows, that consolidated statement of financial position total is EUR 51 615 913. Non-current assets comprise 95% of the statement of financial position total, of which 80% (EUR 39 145 668) comprise of investment property. Investment property consists of the Group's real estate, which is leased/ rented or will be leased/ rented. Receivables comprise 22% (EUR 561 467) of the current assets and cash comprises 34% (EUR 852 409) respectively. Equity comprises 47% (EUR 24 144 480) of the statement of financial position total. Non-current liabilities comprise 51% (EUR 26 436 954) of the statement of financial position total, while current liabilities comprise 2% (EUR 1 034 479).

The Group's net turnover for the period from 1 January 2016 to 30 June 2016 is EUR 2 024 952. The Group ended the interim reporting period with a profit of EUR 118 227. During the interim reporting period the Parent company increased a share capital up to EUR 25 000 000. The Group's equity as at 30 June 2016 is positive and amounts to EUR 24 144 480.

Future prospects and further development

For the year 2016 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 2016 the Group's subsidiaries do not intend to change their core business activity. Some Group companies have property under partial internal renovation, which are scheduled to conclude till the end of financial year 2016, 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 Group will continue to fund its operations, attracting also the Group's shareholders, subsidiaries and other related companies. Group gradually fulfills the prescribed conditions so that in near future it can make debt securities release and listing in the stock exchange NASDAQ OMX Riga.

Subsequent events

There are no material events after the interim consolidated balance sheet date requiring adjustments of or disclosure in the financial statement or notes there to.

At the time of signing of this report there are no unclear circumstances, the Group may face in the coming months of the financial year and that could affect its financial situation and financial performance.

Giovanni Dalla Zonca

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15 September 2016

Marco Chioatto

signature

Dina Abaja

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Consolidated Income statement

	Note No.	01.01.2016.- 30.06.2016. EUR	01.01.2015.- 30.06.2015. EUR
Net sales	2	2 024 952	1 760 110
Cost of sales	3	-1 046 205	-1 235 812
Gross profit		978 747	524 298
Distribution costs	4	-4 332	-1 059
Administrative expenses	5	-478 505	-309 988
Other operating income	6	35 197	72 060
Other operating expenses		-2 827	-440
Gain from investments in subsidiaries and associated companies		0	368 309
Interest income and similar income		0	2 150
Interest expense and similar expenses	7	-356 131	-377 481
Profit before tax		172 149	277 849
Other taxes	8	-53 922	-57 471
Net profit for the financial year		118 227	220 378

The accompanying notes on pages 11 through 25 form an integral part of these interim consolidated financial statements.

Giovanni Dalla Zonca

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15 September 2016

Marco Chioatto

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Dina Abaja

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Consolidated balance sheet

ASSETS	Note No.	30.06.2016. EUR	31.12.2015. EUR
Non-current assets			
Intangible assets			
Concessions, patents, licences, trade marks and similar rights		684	820
Other intangible assets		3 061	4 444
Goodwill		9 520 144	9 606 766
Total intangible assets	9	9 523 889	9 612 030
Property, plant and equipment			
Other fixtures and fittings, tools and machinery		121 199	107 559
Advance payments for property, plant and equipment		0	3 025
Total property, plant and equipment	10	121 199	110 584
Investment property	11	39 145 668	39 231 165
Non-current financial assets			
Other securities and investments		32 230	32 230
Other loans and non-current receivables	12	13 000	13 000
Deferred corporate income tax assets		265 706	265 706
Total non-current financial assets		310 936	310 936
Total non-current assets		49 101 692	49 264 715
Current assets			
Receivables			
Trade receivables		562 467	714 889
Other receivables	13	857 077	467 967
Prepaid expenses	14	192 530	140 670
Accrued income		49 738	67 686
Total receivables		1 661 812	1 391 212
Cash and cash equivalents		852 409	1 638 774
Total current assets		2 514 221	3 029 986
TOTAL ASSETS		51 615 913	52 294 701

Consolidated balance sheet

EQUITY AND LIABILITIES	Note No.	30.06.2016. EUR	31.12.2015. EUR
Equity			
Share capital		25 000 000	24 853 452
Reserves:			
a) reserves which has developed from purchase of extra shares		-1 796 681	-1 796 681
Retained earnings:			
a) brought forward		822 934	-246 088
b) for the financial year		118 227	1 080 787
Total equity		24 144 480	23 891 470
Liabilities			
Non-current liabilities			
Loans from credit institutions	15	25 950 389	25 950 389
Other borrowings	16	31 616	31 616
Other liabilities	18	443 949	381 783
Deferred income		11 000	0
Total non-current liabilities		26 436 954	26 363 788
Current liabilities			
Loans from credit institutions	15	760 111	1 410 968
Trade payables		94 498	295 889
Taxes and statutory social insurance payments	17	120 524	103 797
Other liabilities	18	23 712	112 030
Deferred income		346	11 000
Accrued liabilities	19	35 288	105 759
Total current liabilities		1 034 479	2 039 443
Total liabilities		27 471 433	28 403 231
TOTAL EQUITY AND LIABILITIES		51 615 913	52 294 701

The accompanying notes on pages 11 through 25 form an integral part of these interim consolidated financial statements.

Giovanni Dalla Zonca

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15 September 2016

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CONSOLIDATED STATEMENT OF CASH FLOWS

	01.01.2016.- 30.06.2016.	01.01.2015.- 30.06.2015.
	EUR	EUR
Cash flows to/ from operating activities		
Profit before taxes	172 149	277 849
Adjustments for:		
Depreciation of investment property	563 810	562 183
Depreciation of property, plant and equipment	12 011	0
Amortisation of intangible assets	76 376	2 391
Interest and similar income	0	-2 150
Interest and similar expenses	356 131	377 481
Operating profit or loss before changes in current assets and liabilities	1 180 477	1 217 754
Adjustments:		
Increase / decrease in receivables	-270 600	2 734 110
Increase / decrease in payables	-292 706	-4 161 111
Cash generated from operations	617 171	-209 247
Interest and similar expenses	-356 131	-377 481
Real estate tax paid	-53 922	-57 471
Net cash flows to/ from operating activities	207 118	-644 199
Cash flows to/ from investing activities		
Acquisition of shares of subsidiaries or associates	0	-2 529 679
Acquisition of property, plant, equipment and intangible assets	-489 174	-3 253 934
Loans issued	0	-10 000
Net cash flows to/ from investing activities	-489 174	-5 793 613
Cash flows to/ from financing activities		
Proceeds from issue of share capital and debenture or investments in other companies	146 548	433 642
Proceeds from borrowings	0	26 000 000
Repayment of borrowings	-650 857	-20 030 945
Net cash flows to/ from financing activities	-504 309	6 402 697
Net decrease / increase in cash and cash equivalents	-786 365	-35 115
Cash and cash equivalents at the beginning of the year	1 638 774	859 775
Cash and cash equivalents at the end of the year	852 409	824 660

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15 September 2016

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Reserves	Non-controlling interest	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR
As at 31.12.2014.	5 200 000	0	2 206 039	-246 088	7 159 951
Issue of share capital	19 600 000	0	0	0	19 600 000
Reserves	0	-1 796 681	0	0	-1 796 681
Non-controlling interest	0	0	-2 206 039	0	-2 206 039
Profit for the financial year	0	0		220 378	220 378
As at 30.06.2015.	24 800 000	-1 796 681	0	-25 710	22 977 609
Issue of share capital	53 452	0	0	0	53 452
Profit for the financial year	0	0	0	860 409	860 409
As at 31.12.2015.	24 853 452	-1 796 681	0	834 699	23 891 470
Issue of share capital	146 548	0	0	0	146 548
Dividends calculated	0	0	0	-11 765	-11 765
Profit for the financial year	0	0	0	118 227	118 227
Atlikums 30.06.2016.	25 000 000	-1 796 681	0	941 161	24 144 480

The accompanying notes on pages 11 through 25 form an integral part of these interim consolidated financial statements.

Giovanni Dalla Zonca

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15 September 2016

Marco Chioatto

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Dina Abaja

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**(1) Significant accounting principles****Basis of preparation**

The Interim consolidated annual report has been prepared in accordance with Law on the Annual Financial statements and Consolidated Financial statements, and with 22 December 2015 the Cabinet of Ministers regulations No.775 "Annual report and consolidated annual report application of a law regulations" section 14 "Arrangement for preparation of financial statement for period which is shorter than financial year (interim financial statement). The income statement has been prepared according to the function of expense method.

Accounting principles applied

Financial statements are prepared on a going concern basis, the measurement and accounting policies are consistent with those of the prior year, and prudent estimates have been made in the preparation of the financial statements.

The interim consolidated financial statements for period from 1 January 2016 to 30 June 2016 comprise the interim financial statements of SC "Baltic RE Group" and entities controlled by the Parent company (its subsidiaries). The interim financial statements of the Group's subsidiaries are prepared for period from 1 January 2016 to 30 June 2016. The Parent company's interim financial statements were prepared for the period from 1 January 2016 to 30 June 2016, which is included in the consolidation. The interim financial statements of the Parent company and its subsidiaries are prepared, using consistent accounting policies.

The interim 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 30 June 2016 the Parent company has investments in the following companies:

Name	Last changes in interest	Interest of the Parent company (%)	
		Direct holding	Indirect holding
BALTIC RE SPA, Via Altinate 125, CAP 35100, Padua, (PD), Italy, Reg.No.04277380285	22 January 2015	100%	-
LLC „KEY 1”, 19 Skunu Street, Riga, LV-1050, Reg.No.40103212372	19 February 2015	25%	75%
LLC „Key 2”, 19 Skunu Street, Riga, LV-1050, Reg.No.40103451102	20 February 2015	-	100%
LLC „KEY 6”, 19 Skunu Street, Riga, LV-1050, Reg.No.40103285982	26 December 2015	51.66%	48.34%
LLC „Key 15”, 19 Skunu Street, Riga, LV-1050, Reg.No.40103568148	4 December 2014	33%	67%
LLC „Skunu 19”, 19 Skunu Street, Riga, LV-1050, Reg.No.40003993617	4 July 2014	-	100%

Subsidiaries are fully consolidated from the date on which control is transferred to the Groups. 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.

Reclassification

In financial period, to improve the quality of prepared financial position and income statement, changes in classification of items (including reclassification) in comparison to the previous reporting period (period from 01.01.2015. to 30.06.2015.) are carried out. If it is impossible to reclassify the comparative amounts, then the reclassification of the items is not carried out. Reclassification has no impact on the financial result. Comparative information for the period from 01.01.2015. to 30.06.2015. is classified based on the same principles as in the financial statements for period from 01.01.2016. to 30.06.2016.

Consolidated interim financial statement period

Interim financial statement is 6 month from 01.01.2016. to 30.06.2016.

Foreign currency translation

Financial statements are prepared in euro (EUR).

Related parties

Related parties are defined as the Company's shareholders, members of the Supervisory Board or Board of Directors, as well as their close relatives and companies in which they have significant impact or control.

Investments

- Subsidiaries

Subsidiary is a company directly or indirectly controlled by another company (i.e. where the Company holds more than 50% of shareholders voting rights). The parent company exercises control over the subsidiary's financial and business policy. The Company recognizes income from the investment only to the extent that the Company receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of the investment and are recognised as a reduction of the cost of the investment.

- Investment properties

Investment properties consist of investments in land and buildings that are held to earn rentals or for capital appreciation. The investment properties are initially measured at costs value. After initial recognition investment property is carried at cost less accumulated depreciation and any impairment value.

Depreciation and amortisation are calculated on a straight-line basis over the estimated useful life of the asset by applying the following depreciation rates.

Investment properties:

Buildings and constructions	3.33%
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Depreciation is calculated starting with the following month after the 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 company depreciates separately some parts of investment property, it also depreciates separately the remainder of the item. The remainder consists of the parts that are individually significant. The depreciation for the remainder is determined using approximation techniques to faithfully represent its useful life

Investment property shall be derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. The difference between the net disposal proceeds and the carrying amount of the asset and shall be recognised in profit or loss in the period of the disposal. Transfers to, or from investment property are made when, and only when, there is a change in use. For transfer from investment property to owner-occupied property, cost value is used, net of accumulated depreciation and accumulated impairment loss, if any. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. If an investment property or its part becomes owner-occupied and used for administrative purposes, it is reclassified as property, plant and equipment to the item "Land and building". Such reclassification was not made in the financial statement.

Construction in progress represents investment property under construction and is stated at historical costs. 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.

Intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are stated at cost less accumulated depreciation. Property, plant and equipment are recognized as non-current assets if their acquisition cost exceeds EUR 100. Purchases under EUR 100 are recognised as low-cost inventory.

The cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Interest on loan received for formation of items of property, plant and equipment for the period until commissioning of the respective asset is capitalised in the prime cost of the new asset.

Only the rights acquired against a charge are recognized as "Concessions, patents, licences, trademarks and similar". Depreciation and amortisation are calculated on a straight-line basis over the estimated useful life of the asset by applying the following depreciation rates.

Intangible assets:

Licences	33.33%
Other intangible assets	10%

Property, plant and equipment:

Office equipment	20%
Computer hardware	33.33%
Other fixed assets	20%

Gain or loss from sale of fixed assets are recognized in the income statement.

Repair and renovation expenses increasing the useful life or the value of the asset are capitalized and depreciated over their useful life. All other repair and maintenance expenses are charged to the income statement in the period in which they are incurred.

Research costs are expensed as incurred. Development costs are capitalized if their future recoverability can be foreseen with reasonable certainty. Such development costs are depreciated over the whole cost recovery period.

Receivables

Receivables are recognized 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.

Prepaid expenses and deferred income

Expenses, incurred before the balance sheet date, but relating to future years, shall be set out as prepaid expenses on the asset side. Income, received before the balance sheet date, but relating to the next year or future years, shall be set out as deferred income in the liabilities.

Accrued income

Accrued income is recognized when the Company has a legal or other forms of revenue reasonably incurred as a result of past events and it is probable that the revenue will flow to the Company, and the amount may be credibly estimated and

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at bank, demand deposits, and other short-term highly liquid investments with an original maturity of three months or less.

Financial instruments

- Non-current loans and receivables

A financial asset created by the company by lending money or providing service directly to the debtor; not created with the purpose to sell it immediately or in the near future. Loans are initially recognized at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, loans are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognised in the income statement as interest income and expense. If there is objective evidence that an impairment on loss and receivables has been incurred, a loan loss allowance is established.

Provisions

Provisions are recognized when the Company 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 to the obligation. Where the Company 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 relation to any provision is presented in the income statement net of any reimbursement.

Accrued liabilities

Accrued liabilities are recognised when the Company 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.

Accrued liabilities for unused vacation days

Accrued liabilities for unused vacation days are determined by multiplying the average salary of each employee in the last 6 months of the reporting year by the number of unused accrued annual vacation days.

Contingencies

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

Revenue recognition

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the revenue can be reliably measured. Revenue from rendering of services is recognized by reference to the stage of completion at the reporting date. Dividend income is recognised when the shareholder's right to receive payment is established. Interest income is recognized as the interest accrues. Revenue from fines and penalties are recognized upon received. Revenue from exchange rate fluctuations are recognized from 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. Other income is recognised as incurred.

Corporate income tax

Corporate income tax includes current and deferred taxes. Corporate income tax is recognized in the income statement. Current corporate income tax is applied at the rate of 15% on taxable income generated by the Company during the taxation period according to the Law on Corporate Income Tax.

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. Deferred tax is calculated by applying a 15% tax rate set by the law. The principal temporary timing differences arise from differing rates of accounting and tax amortisation and depreciation on the Company's non-current assets, the treatment of temporary non-taxable provisions and reserves, as well as tax losses carried forward to the subsequent years.

Use of assumptions

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as income and expenses. The management has assessed the income statement and concluded that the financial statements give a true and fair view of the financial position of the Company, based on all the information currently available.

Subsequent events

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

(2) Net sales

Net sales present the income from the Company's operations received during the reporting year, i.e. from rendering services less value added tax.

Type of activity	01.01.2016.-	01.01.2015.-
	30.06.2016.	30.06.2015.
	EUR	EUR
Revenue from real estate leasing services in Latvia	1 522 168	1 465 174
Revenue from real estate management services in Latvia	449 375	210 068
Revenue from other services	53 405	46 420
Other income	4	38 448
Total	2 024 952	1 760 110

(3) Cost of sales

	01.01.2016.-	01.01.2015.-
	30.06.2016.	30.06.2015.
	EUR	EUR
Investment property depreciation	575 821	562 183
Real estate maintained costs	83 596	137 203
Personnel expenses	49 557	59 447
Electricity expenses	183 445	153 656
Heat expenses	57 485	64 597
Statutory social insurance payments	11 353	14 024
Property management costs	14 148	0
Insurance costs	23 965	13 175
Water expenses	10 353	8 106
Employee training expenses*	1 144	769
Labour protection expenses	1 115	1 070
Repair costs	5 465	12 846
State and municipality duties	378	1 909
Security expenses	1 232	4 593
Depreciation of current assets	695	576
Entrepreneurial state risk duty	17	17
Brokerage services related to real estate	4 522	2 822
Utility expenses	5 386	4 477
Legal services expenses	1 622	2 046
Communication expenses	206	2 939
Other costs of sales	4 741	5 115
Commitment fee for mortgage loan reservation	0	2 645
Brokerage costs	9 959	90 334
Payment for the management and administration services	0	91 263
Total	1 046 205	1 235 812

* In previous financial period "Employee training expenses" was classified in position Administration expenses.

(4) Distribution costs

	01.01.2016.-	01.01.2015.-
	30.06.2016.	30.06.2015.
	EUR	EUR
Participation in the associations	3 835	0
Advertising expenses	497	1 059
Total	4 332	1 059

(5) Administrative expenses

	01.01.2016.- 30.06.2016.	01.01.2015.- 30.06.2015.
	EUR	EUR
Audit fee	13 505	9 520
Business trip expenses	28 155	33 873
Legal expenses	10 796	35 687
Rent expenses*	3 939	36 467
Representation expenses	14 107	10 040
Reorganization expenses	28 614	0
Personnel expenses	194 832	15 912
Bank charges	6 467	8 454
Office expenses	7 671	4 796
Communication expenses	4 962	2 735
Transportation expenses*	5 101	4 033
Statutory social insurance payments	44 812	3 755
Expenses related to the bond issue	20 000	0
Property, plant and equipment depreciation	1 383	0
Write-off of intangible assets*	75 504	2 391
Entrepreneurial state risk duty	32	28
Donations	13	0
Administration expenses	18 612	26 318
Premises utilities and management fee*	0	7 879
Accounting services	0	108 100
Total	478 505	309 988

* In previous period part of "Rent expenses", "Transportation expenses", "Write-off intangible assets" and "Premises utilities and management fee" was classified in position Costs of sales.

(6) Other operating income

	01.01.2016.- 30.06.2016.	01.01.2015.- 30.06.2015.
	EUR	EUR
Penalties received	32 918	53 824
Other operating income	2 279	18 236
Total	35 197	72 060

(7) Interest expense and similar expenses

	01.01.2016.- 30.06.2016.	01.01.2015.- 30.06.2015.
	EUR	EUR
Interest expenses paid to bank	349 758	371 994
Interest expenses and similar expenses	6 373	5 487
Total	356 131	377 481

(8) Other taxes

	01.01.2016.- 30.06.2016.	01.01.2015.- 30.06.2015.
	EUR	EUR
Real estate tax	53 922	57 471
Total	53 922	57 471

(9) Intangible assets

	Concessions, patents, licences, trade marks and similar rights	Other intangible assets	Goodwill	Total intangible assets
	<u>EUR</u>	EUR	<u>EUR</u>	<u>EUR</u>
Acquisition value as at 01.01.2016.	819	24 937	9 606 766	9 632 522
Goodwill decrease	0	0	-11 765	-11 765
Acquisition value as at 30.06.2016.	819	24 937	9 595 001	9 620 757
Accumulated value as at 01.01.2016.	0	20 492	0	20 492
Accumulated value as at 30.06.2016.	135	21 876	74 857	96 868
Carrying amount as at 01.01.2016.	819	4 445	9 606 766	9 612 030
Carrying amount as at 30.06.2016.	684	3 061	9 520 144	9 523 889

Goodwill of the Group's subsidiaries is the following:

Goodwill of BALTIC RE SPA as at 30 June 2016 is EUR 2 628 541.

Goodwill of LLC "KEY 1" as at 30 June 2016 is EUR 235 851.

Goodwill of LLC "KEY 6" as at 30 June 2016 is EUR 407 026.

Goodwill of LLC "Key 15" as at 30 June 2016 is EUR 2 604 229.

Goodwill of LLC "Skunu 19" as at 30 June 2016 is EUR 2 222 200.

	Concessions, patents, licences, trade marks and similar rights	Other intangible assets	Goodwill	Total intangible assets
	<u>EUR</u>	EUR	<u>EUR</u>	<u>EUR</u>
Acquisition value as at 01.01.2015.	0	24 937	7 945 612	7 970 549
Additions	819	0	0	819
Goodwill increase	0	0	1 661 154	1 661 154
Acquisition value as at 31.12.2015.	819	24 937	9 606 766	9 632 522
Accumulated value as at 01.01.2015.	0	16 310	0	16 310
Depreciation charge	0	4 182	0	4 182
Accumulated value as at 31.12.2015.	0	20 492	0	20 492
Carrying amount as at 01.01.2015.	0	8 627	7 945 612	7 954 239
Carrying amount as at 31.12.2015.	819	4 445	9 606 766	9 612 030

(10) Property, plant and equipment

		Other fixtures and fittings, tools and machinery	Advance payments for property, plant and equipment	Total property, plant and equipment
		<u>EUR</u>	<u>EUR</u>	<u>EUR</u>
Acquisition value as at	01.01.2016.	120 290	3 025	123 315
Additions		22 627	0	22 627
Reclassified		3 025	-3 025	0
Acquisition value as at	30.06.2016.	145 942	0	145 942
Accumulated value as at	01.01.2016.	12 731	0	12 731
Depreciation charge		12 012	0	12 012
Accumulated value as at	30.06.2016.	24 743	0	24 743
Carrying amount as at	01.01.2016.	107 559	3 025	110 584
Carrying amount as at	30.06.2016.	121 199	0	121 199

		Other fixtures and fittings, tools and machinery	Advance payments for property, plant and equipment	Total property, plant and equipment
		<u>EUR</u>	<u>EUR</u>	<u>EUR</u>
Acquisition value as at	01.01.2015	40 937	0	40 937
Additions		79 353	3 025	82 378
Acquisition value as at	31.12.2015	120 290	3 025	123 315
Accumulated value as at	01.01.2015	6 016	0	6 016
Depreciation charge		6 715	0	6 715
Accumulated value as at	31.12.2015	12 731	0	12 731
Carrying amount as at	01.01.2015	34 921	0	34 921
Carrying amount as at	31.12.2015	107 559	3 025	110 584

(11) Investment property

	Land	Building	Investment property - Other fixtures and fittings, tools and machinery	Advances payments for investment property creating expenses	Investment property creating expenses	Total investment properties
	EUR	EUR		EUR	EUR	EUR
Acquisition value as at 01.01.2016.	2 138 984	38 155 645	21 235	0	4 511 298	44 827 162
Additions	0	476 054	2 259	0	0	478 313
Reclassified	0	4 282 311	0	0	-4 282 311	0
Acquisition value as at 30.06.2016.	2 138 984	42 914 010	23 494	0	228 987	45 305 475
Accumulated value as 01.01.2016.	0	5 591 412	4 585	0	0	5 595 997
Depreciation charge	0	562 089	1 721	0	0	563 810
Accumulated value as 30.06.2016.	0	6 153 501	6 306	0	0	6 159 807
Carrying amount as at 01.01.2016.	2 138 984	32 564 233	16 650	0	4 511 298	39 231 165
Carrying amount as at 30.06.2016.	2 138 984	36 760 509	17 188	0	228 987	39 145 668

	Land	Building	Investment property - Other fixtures and fittings, tools and machinery	Advances payments for investment property creating expenses	Investment property creating expenses	Total investment properties
	EUR	EUR	EUR	EUR	EUR	EUR
Acquisition value as at 01.01.2015	2 138 984	37 802 458	14 788	102 288	2 524 395	42 582 913
Additions	0	0	6 447	0	2 237 802	2 244 249
Reclassified	0	353 187	0	-102 288	-250 899	0
Acquisition value as at 31.12.2015	2 138 984	38 155 645	21 235	0	4 511 298	44 827 162
Accumulated value as 01.01.2015	0	4 821 858	1 964	0	0	4 823 822
Depreciation charge	0	769 554	2 621	0	0	772 175
Accumulated value as 31.12.2015	0	5 591 412	4 585	0	0	5 595 997
Carrying amount as at 01.01.2015	2 138 984	32 980 600	12 824	102 288	2 524 395	37 759 091
Carrying amount as at 31.12.2015	2 138 984	32 564 233	16 650	0	4 511 298	39 231 165

Cadastral value of the all reale estates witch are included in Concern:

	30.06.2016.	31.12.2015.
	EUR	EUR
Land	1 990 217	1 972 599
Building	8 448 242	8 448 241
Total:	10 438 459	10 420 840

(12) Other loans and non-current receivables

	30.06.2016.	31.12.2015.
	EUR	EUR
Loan issued	13 000	13 000
Total	13 000	13 000

(13) Other receivables

	30.06.2016.	31.12.2015.
	EUR	EUR
Overpaid value added tax	34 595	49 563
Advances payments	472 687	28 247
Guarantee deposit (the security for the lease of premises)	107 303	107 303
Advance payments for compensation	20 361	66 867
Overpaid business risk duty	87	0
Settlement with employee	8 644	1 943
Received security deposit	47	47
Overpaid taxes	13	92 684
Otrher receivables	209 571	33 045
Overpaid corporate income tax	1 161	78 268
Overpaid personal income tax	4	0
Advanced paid salary	2 604	0
Current loan issued	0	10 000
Total	857 077	467 967

(14) Prepaid expenses

	30.06.2016.	31.12.2015.
	EUR	EUR
Commission fee for granting of credit	68 380	70 245
Other prepaid expenses	124 150	70 425
Total	192 530	140 670

(15) Loans from credit institutions

	Interest rate	Maturity	30.06.2016.	31.12.2015.
			EUR	EUR
Non-current loans				
Loan from ABLV bank	2.55%	06.01.2020.	25 950 389	25 950 389
Total non-current loans	X	X	25 950 389	25 950 389

	Interest rate	Maturity	30.06.2016.	31.12.2015.
			EUR	EUR
Current loans				
Loan from ABLV bank	2.55%	31.12.2016.	558 958	1 110 714
Loan from creditcompanies in Italy		31.12.2016.	201 153	300 254
Total current loans	X	X	760 111	1 410 968

(16) Other borrowings

	Interest rate	Maturity	30.06.2016.	31.12.2015.
			EUR	EUR
Non-current borrowings				
Loan from Lion Holding Limited	2.50%	18.09.2020.	31 616	31 616
Total non-current borrowings	X	X	31 616	31 616

(17) Taxes and statutory social insurance payments

	30.06.2016.	31.12.2015.
	EUR	EUR
Corporate income tax	0	21 865
Value added tax	42 223	8 841
Statutory social insurance payments	14 851	31 362
Personal income tax	8 466	41 662
Unemployment risk duty	0	7
Real estate tax	53 882	60
Other taxes	1 102	0
Total	120 524	103 797

(18) Other liabilities

	30.06.2016.	31.12.2015.
	EUR	EUR
Other non-current liabilities		
From receivables received guarantee deposits	443 949	381 783
Total	443 949	381 783

	30.06.2016.	31.12.2015.
	EUR	EUR
Other current liabilities		
Debts to employee	2 754	6 098
Settlement for LMT payments	999	0
Unpaid salary	15 000	105 208
Other liabilities	4 959	724
Total	23 712	112 030

(19) Accrued liabilities

	30.06.2016.	31.12.2015.
	EUR	EUR
Accrued liabilities	25 743	96 214
Accrued liabilities for unused vacation days	9 545	9 545
Total	35 288	105 759

(20) 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.

Terms and conditions applicable to transactions with related parties

Sales to and purchases from related parties are made at normal market prices. Outstanding balances as at year-end are unsecured and settlements are made in cash. There have been no guarantees provided or received for any related party receivables. For the reporting period, the Company has not raised any allowances for doubtful debts relating to amounts owed by related parties.

(21) Number of employees

	01.01.2016.-	01.01.2015.-
	30.06.2016.	30.06.2015.
Average number of employees during the financial year	13	7

(22) Personnel expenses

Type of expenses	01.01.2016.- 30.06.2016.	01.01.2015.- 30.06.2015.
Salaries	244 389	75 359
Statutory social insurance payments	56 165	17 779
Total	300 554	93 138

(23) Management remuneration

In period from 1 January 2016 to 30 June 2016 all Members of board gross remuneration gross was in amount of EUR 117 856 and all Members of the Supervisory Board gross remuneration was in amount of EUR 13 500.

(24) Information on off-balance sheet liabilities and pledged assets

According to the company's agreement with ABLV Bank AS, liabilities to credit institution are secured by mortgages on real estate owned by the Company at the address Kalku Street 12/14, Riga. Commitments have been secured by the first round of the Pledge on all of the Company's property as the case date of pledge, as well as the future components. Liabilities are secured by a financial pledge to all the Company's deposits with credit institutions and any funds. The maximum amount of the secured claim totals EUR 5 200 596.

On 6 January 2015 the 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. As a result, the 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. Non-current part of the loan is EUR 56 000 000.

On 6 January 2015 the 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 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 2.55% + 3 month EURIBOR. Starting with February 2015, LLC "Key 1" is prepaying the loan to JSC "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 Kungu street 1, 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.

LLC "Key 2"

According to the loan agreement as of 6 January 2015 between the 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 2.55% + 3 month EURIBOR. Starting with February 2015, LLC "Key 2" is prepaying the loan to JSC "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 Kramu street 2, 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 owned by Baltic Re Spa. 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 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 2.55% + 3 month EURIBOR. Starting with February 2015, LLC "Key 6" is prepaying the loan to JSC "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 Kalku street 6-601, Riga and Kalku street 6-1E, 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 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 2.55% + 3 month EURIBOR. Starting with February 2015, LLC "Key 15" is prepaying the loan to JSC "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 Kalku street 15, Riga. According to the commercial pledge agreement between the credit institution and LLC "Key 15", the obligations are secured with LLC "Key 15" shares owned by LLC "Key 15". According to the commercial pledge agreement between the credit institution and Baltic RE Spa, the obligations are secured with LLC "Key 15" shares owned by Baltic RE Spa. 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 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 2.55% + 3 month EURIBOR. Starting with February 2015, LLC "Skunu 19" is prepaying the loan to JSC "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 Skunu street 19, 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.

(25) Financial risk management

The Company's principal financial assets comprise trade receivables denominated in *euro*, and deposits with credit institutions. Cash is held at well-known Latvian finance institutions. The main creditor of the Company is AS "ABLV Banka", which provides financing for the Company's short and long-term financial deals. Therefore, the Company is exposed to interest rate risk which can influence the Company's operational result. The carrying amounts of all financial assets and liabilities approximate their fair value. The Company did not use any derivative financial instruments during the reporting period.

(26) Real estate market value assessment

The value of real estate, which is located in Riga, Kalku street 12/14 and consists of a land plot with the total area of 3 434 sq.m., is EUR 13 292 000. Valuation has been performed by Colliers International Advisors SIA, appraisers Jānis Ozols (Professional Qualification Certificate of the Latvian Association of Property Appraisers No. 98) and Ilze Krieviņa (Professional Qualification Certificate of the Latvian Association of Property Appraisers No. 123).

The value of real estate, which is located in Riga, Kungu street 1 and consists of a land plot with the total area of 2 886 sq.m., is EUR 8 867 000. Valuation has been performed by Colliers International Advisors SIA, appraisers of Jānis Ozols (Professional Qualification Certificate of the Latvian Association of Property Appraisers No. 98) and Ilze Krieviņa (Professional Qualification Certificate of the Latvian Association of Property Appraisers No. 123).

The value of real estate, which is located in Riga, Kalku street 6 and consists of a land plot with the total area of 887 sq.m., is EUR 3 807 000. Valuation has been performed by Colliers International Advisors SIA, appraisers of Jānis Ozols (Professional Qualification Certificate of the Latvian Association of Property Appraisers No. 98) and Ilze Krieviņa (Professional Qualification Certificate of the Latvian Association of Property Appraisers No. 123).

The value of real estate, which is located in Riga, Kalku street 15 and consists of a land plot with the total area of 5 194 sq.m., is EUR 18 531 000. Valuation has been performed by Colliers International Advisors SIA, appraisers of Jānis Ozols (Professional Qualification Certificate of the Latvian Association of Property Appraisers No. 98) and Ilze Krieviņa (Professional Qualification Certificate of the Latvian Association of Property Appraisers No. 123).

The value of real estate, which is located in Riga, Kramu street 2 and consists of a land plot with the total area of 1 195 sq.m., is EUR 3 373 000. Valuation has been performed by Colliers International Advisors SIA, appraisers of Jānis Ozols (Professional Qualification Certificate of the Latvian Association of Property Appraisers No. 98) and Ilze Krieviņa (Professional Qualification Certificate of the Latvian Association of Property Appraisers No. 123).

The value of real estate, which is located in Riga, Skunu street 19 and consists of a land plot with the total area of 1 165 sq.m., is EUR 3 967 000. Valuation has been performed by Colliers International Advisors SIA, appraisers of Jānis Ozols (Professional Qualification Certificate of the Latvian Association of Property Appraisers No. 98) and Ilze Krieviņa (Professional Qualification Certificate of the Latvian Association of Property Appraisers No. 123).

Referring to what above, according to the same valuation report issued on April 17, 2016 by Colliers International Advisors SIA, the value of the properties owned by the Company is higher if considered as a value of a property portfolio , and not as sums of single assets .

Under such assumption, the market value of the property portfolio is Eur 56 266 000.

(27) Events after the end of financial period

There are no material events after the interim consolidated balance sheet date requiring adjustments of or disclosure in the financial statement or notes there to.

Giovanni Dalla Zonca

signature

15 September 2016

Marco Chioatto

signature

Dina Abaja

signature