



**PUBLIC LIMITED COMPANY
"PRIVATIZATION AGENCY"**

2016 REPORT

AND REPORT OF INDEPENDENT AUDITORS



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INFORMATION ABOUT THE COMPANY

Full name of the company	State joint-stock company "Privatization Agency"
Legal status of the company	Corporation
Registration in the Enterprise Register: number, place and date	000319215 in Riga, April 22, 1994
Registration in the Commercial Register: number, place and date	40003192154 in Riga, November 1, 2004
Members of the Board	Vladimirs Loginovs - chairman of the board Juris Vaskýns - member of the board from 27.02.2015 Alvis Mitenbergs - member of the board from 03.06.2015
Legal address	Cr. Valdemýra street 31 Riga LV-1887 Latvia
Financial reporting period	January 1, 2016 - December 31, 2016
News about subsidiaries	AS "Reverta" 148A - 1 Brývvýbas Street, Riga, LV-1012 Equity share 84.15% SIA "Hiponia" 41/43 Elizabetes Street, Riga, LV-1010 Equity share 100% SIA "FeLM" - from April 1, 2016 Cr. Valdemýra street 31 Riga, LV-1887 Equity share 100%
Auditors	SIA "Ernst & Young Baltic" Muits iela 1a, Riga, LV-1010 License No. 17 Diýna Krišjýne LR sworn auditor Certificate No. 124

Shareholder's representative

According to Article 9, Part Five of the Law "On the Privatization of State and Municipal Property Objects", the representative of the shareholder of the state joint-stock company "Privatization Agency" is the Minister of Economy.

Dana Reizniece-Ozola	until 11.02.2016	Minister of Economy
Arvil Asheraden	from 11.02.2016	Minister of Economy

MANAGEMENT REPORT

Review of the Company's performance

The state joint-stock company "Privatization Agency" (hereinafter - the Company) provides professional management of state capital shares and problematic assets (subsidiaries), as well as expropriation and privatization of assets that are not necessary for the implementation of state functions.

Major developments

The performance of the tasks delegated and specifically assigned to the Company in 2016 should be evaluated in the context of the characteristics of the structure of the portfolio owned by the state and held by the Company, as well as the following developments that directly affect the Company's daily operations:

ŷ On September 20, 2016, the Cabinet of Ministers, adopting the relevant Cabinet of Ministers regulations in the field of privatization certificate circulation, assigned the Company three state administration tasks - to service privatization certificate accounts, conclude and administer land redemption (purchase) contracts, as well as ensure receipt of payments in privatization certificates for state and privatization of municipal housing. Therefore, on October 1, 2016, the Company became the only institution in the country that provides servicing of privatization certificate accounts. As part of the execution of the state administration's task, on September 28, 2016, an agreement was concluded between the Company, represented by the Ministry of Economy of the Republic of Latvia, and JSC "Development Financial Institution Altum" (hereinafter - Altum), according to which the Company took over the privatization certificate accounts held by Altum. Previously, on February 10, 2016, the Company implemented a centralized transfer of privatization certificate accounts also from the liquidating AS "Latvijas Krājbanka".

ŷ On April 1, 2016, the Company established a subsidiary company SIA "FeLM", the sole purpose of which is the management of the claim against JSC "KVV LiepĀjas metalurģs". ŷ In 2016, two extensive audit processes of the State Audit Office on the usefulness and legality of the Company's actions were completed, among other things, providing providing the basic functions¹ and sales process recommendations of AS "Citadele banka" for further improvement ², of the Company's operations.

ŷ On November 1, 2016, an agreement was concluded with SIA "KPMG Baltics" for the provision of consulting services for the development of a national strategy for dealing with the state capital shares of SIA "Lattelecom" and SIA "Latvijas Mobilais Telefons". ŷ The company was actively involved in the organization of the portfolio sale process of JSC "Reverta" and SIA "Hiponia", incl. in attracting a financial consultant.

The most important indicators

Despite new challenges that directly affected the Company's daily operations, the Company's net turnover in 2016 was 2.84 million. *euros*, or 2% more than in 2015 (2.79 million *euros*). As a result of the realization of certain important transactions, as well as due to changes in the amount of regulatory deductions, their volume has increased twice in 2016 and reached 2.80 million. *euros* (in 2015 - 1.46 million *euros*).

The company closed the reporting year with a profit of 5.79 million. *euros* (2015 - losses 71.31 thousand *euros*). in 2016

The company has recognized revenues from the reduction of provisions that were created in 2014 in connection with possible losses in legal proceedings for a total amount of 5.79 million. *euros*. The company's earnings before interest, taxes, depreciation and amortization deductions (EBITDA) were 75.91 thousand. *euros* (in 2015 - 21.28 thousand *euros*), EBITDA calculated by correcting the aforementioned revenues from the reduction of reserves. The total amount of assets as of December 31, 2016 is 49.34 million. *EUR* (in 2015 - *EUR* 46.52 million), while the Company's equity - *EUR* 8.66 million. *euros* (in 2015 - 2.88 million *euros*).

In 2016, the Company managed to maintain the intensity of the portfolio development of previous years, concluding a total of 164 purchase contracts (in 2015 - 149 contracts) worth 5.76 million. worth of *euros*, or 31% more than in 2015 (4.40 million *euros*), including:

ŷ 49 contracts for the purchase of built-up and unbuilt plots of land and real estate objects for 2.17 million. worth of *euros* (in 2015, 51 contracts worth 3.09 million *euros*);

ŷ 111 apartment property expropriation contracts for 1.11 million. worth of *euros* (in 2015, 62 contracts worth 220 thousand *euros*); implementing 4

ŷ transactions for the purchase of state capital shares in total 2.48 mln. worth of *euros* (in 2015 - 36 transactions worth 1.09 million *euros*), incl. On November 8, 2016, all shares of JSC "Grindeks" and JSC "Valmieras stikla ņiedra" belonging to the special state pension budget and held by the Company were sold at the auction of the Nasdaq Riga stock exchange for a total value of 2.06 million. *euros*.

¹ The audit report of the State Audit Office was approved by the decision of the State Audit Office of April 12, 2016 No. 2.4.1-14/2015

² The audit report of the State Audit Office was approved by the decision of the State Audit Office of September 30, 2016 No. 2.4.1-5/2016.

MANAGEMENT REPORT

Likewise, within the framework of the development of the portfolio held by the Company in 2016:

- concluded 24 planned purchase contracts of apartment properties, residential houses or their supposed parts to be privatized; concluded 36
- accelerated purchase contracts of privatized apartment properties, residential houses or their supposed parts; 694 agreements were
- concluded on the transfer of the assumed parts of the land into ownership without compensation according to the assumed part of the joint ownership of the privatized object;
- 15 state apartment properties were transferred to the ownership of municipalities; 27 residential houses were handed over to the owners for management; 78 state-owned objects, incl. 52 plots of land; 33 land redemption
- (purchase) agreements were concluded.

As a result of the development of the portfolio of assets held, the Company has transferred to the state budget and other state institutions revenues from the privatization, expropriation and debt capitalization of state assets, as well as from the leasing of state assets in the amount of 5.39 million. in the amount of *euros* (in 2015 - 8.19 million *euros*).

Future activity of the company

On December 15, 2016, the Ministry of Economy submitted for review at the meeting of State Secretaries the draft protocol decision of the Cabinet of Ministers and the informative report "On the state's participation in the state joint-stock company "Privatization Agency" and its general strategic goal". After making the decision, incl. approval of the general strategic goal in the Cabinet of Ministers, the Company will update the operational strategy project for the next three years.

In 2017, the Company plans to continue working on the development of the portfolio in its possession, while promoting the completion of the privatization process in the country. Likewise, in the second half of 2017, it is expected to complete the optimization of the account accounting systems of the taken over privatization certificates, transferring the accounts taken over from AS "Latvijas Krājbanka" in liquidation to the account accounting system of Privatization certificates held by the Company.

Financial risk management

The most important sources of financing for the Company are borrowings from the State Treasury, funds that the Company receives in the form of regulatory deductions and from deductions in the reserve fund. The company also has several other financial tools at its disposal, such as other debtors, debts to suppliers and contractors and other creditors, which result directly from its economic activity.

The main financial risks related to the Company's financial instruments are credit risk, interest rate risk and liquidity risk.

The company's management has established appropriate procedures to control material risks.

Credit risk

The company is exposed to credit risk in connection with issued short-term and long-term loans and cash and its equivalents. The company controls its credit risk by constantly evaluating the solvency of business partners and major debtors, monitoring payments, as well as estimating potential losses.

Currency risk

Based on the current structure of the Company's financial assets and liabilities, the currency risk is not significant.

Interest rate risk

The Company is exposed to interest rate risk in connection with its short-term and long-term borrowings. The company's interest risk is minimized by setting agreed interest rates in borrowing and loan agreements.

Liquidity risk

The company controls its liquidity risk by maintaining an adequate amount of cash and cash equivalents and by constantly monitoring the payments related to the purchase and lease agreements of state-owned objects, continuously monitoring them, thus reducing the increase in uncovered regulatory deductions. The company is improving cash flow planning and monitoring tools, and liquidity and funding security analysis is regularly performed.

Risk of legal

proceedings The company is exposed to the risk of legal proceedings in connection with its operation and the performance of the task delegated by the state regarding the control of the execution of the purchase contracts of state-owned objects and the conditions of privatization or expropriation. The company has developed procedures to mitigate the impact of this risk. In case of necessity, the Company makes provisions for certain legal proceedings in the amount of possible future expenses.

MANAGEMENT REPORT

Value of financial assets and liabilities

The Company's financial assets and liabilities are valued at the lower of their purchase or fair value.

Events after the balance sheet date

The company's investment in the subordinated capital of AS "Citadele banka" as of December 31, 2016 is 34.73 million. *euro* with repayment deadline - December 20, 2017. On January 4, 2017, JSC "Citadele banka" made the final settlement before the deadline, repaying the Company's subordinated loan (principal amount of 34.73 million *euros* and accrued interest of 0.98 million *euros*), thereby settling the remaining obligations in full.

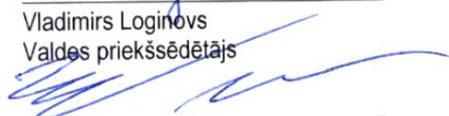
On January 4, 2017, the Company repaid the principal loan amount of 34.73 million to the State Treasury. *euros*.

On January 4, 2017, the European Bank for Reconstruction and Development (hereinafter - EBRD) announced that it wants to use its right to sell AS "Reverta" shares, which results from the agreement on July 30, 2010 between the Company, the Republic of Latvia, EBRD and AS "Reverta" " concluded agreements for the total price - 1 *euro*. On March 7, 2017, by buying back the shares of EBRD, the Company completed the restructuring of its liabilities, and currently owns 96.89% of JSC "Reverta" shares.

In 2017, a court decision approved and entered into force a settlement in the legal proceedings, within the framework of which savings of 5.79 million were created in previous periods. in the amount of *euros* . This is a corrective event after the balance sheet date, therefore, in the 2016 report, previously created provisions have been reduced for the above-mentioned amount.



Vladimirs Loginovs
Valdes priekšsēdētājs



Juris Vaskāns
Valdes loceklis



Alvis Mitenbergs
Valdes loceklis

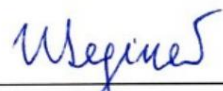



May 29, 2017

CALCULATION OF PROFIT OR LOSS

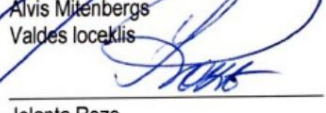
	Note	2016 EUR	2015 EUR
Net sales	3	2,843,918	
Other operating income	4	6,050,207	
Personnel costs:		(1,812,060)	
⁹ compensation for		(1,442,808)	2,794,393,160,045 (1,602,604)
⁹ work state social insurance mandatory		(337,676)	(295,924)
⁹ contributions other social security costs		(31,576)	(28,825)
Impairment adjustments: Impairment		(80,319)	(64,618)
⁹ adjustments for fixed assets and intangible assets		(80,319)	(64,618)
Other costs of economic activity	5	(1,220,713)	(1,330,550)
Other interest income and similar income: ÿ from related companies ÿ from other persons	6	2,433,911,468 2,433,443	3,151,547 -
Interest payments and similar costs: ÿ to other persons	7	(2,429,500) (2,429,500)	(3,179,525) (3,179,525)
Profit or loss before corporate income tax		5,785,444	(71 312)
Corporate income tax for the reporting year		-	-
Profit or loss for the reporting year		5,785,444	(71 312)

The appendix from pages 12 to 29 is an integral part of this financial report.


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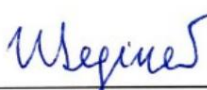


 Jolanta Roze
 Finanšu departamenta vadītāja

May 29, 2017

BALANCE SHEET

	Note	31.12.2016 EUR	31.12.2015 EUR
Active			
Long-term investments			
Intangible assets			
Concessions, patents, licenses, trademarks and similar rights		141 223	1,670
Total intangible assets	8	141 223	1,670
Fixed assets			
Real estate: land plots, buildings and engineering structures		1,546,765	1,565,592
Other fixed assets and inventory		61,326	82,171
Creation of fixed assets and costs of unfinished construction objects		46 179	-
Total fixed assets	9	1 654 270	1,647,763
Long term financial investment			
Participation in the capital of related companies	10	3,001	1
Loans to related companies	11	1,000,000	-
Other loans and other long-term debtors		-	34,727,765
Long-term financial investments together		1,003,001	34,727,766
Long-term investments together		2,798,494	36,377,199
Current assets			
Savings			
Raw materials, basic materials and auxiliary materials		37	45
Stocks together		37	45
Debtors			
Trade payables	12	114 548	219 049
Other debtors	13	34 758 447	2 736
payments of the next period	14	33 052	33 769
Accrued income	15	965 126	992 502
Debtors together		35 871 173	1 248 056
Money	16	10,672,163	8,899,382
Total current assets		46,543,373	10,147,483
Total assets		49,341,867	46,524,682

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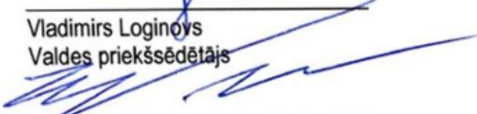
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May 29, 2017

BALANCE SHEET

	Note	31.12.2016 EUR	31.12.2015 EUR
Passive			
Equity			
Share capital (share capital)	17	443 064 930	443 064 930
Revaluation reserve for long-term investments	18	534 412	542 204
Reserves:			
other reserves		1 1	1 1
Uncovered losses of previous years		(440,725,266)	(440 653 954)
Profit or loss for the reporting year		5,785,444	(71 312)
Total equity		8,659,521	2 881 869
Savings			
Other savings	19	214 556	6,000,000
Total savings		214 556	6,000,000
longterm creditors			
other loans	20	34,727,765	34,727,765
Long-term creditors together		34,727,765	34,727,765
short-term creditors			
other loans	20	2 171 178	992 502
Debts to suppliers and contractors		45 477	30 464
Taxes and mandatory state social insurance contributions	21	25 750	27 444
Other creditors	22	2 255 553	308 789
Deferred earnings	23	1 069 201	1 414 775
Accrued liabilities	24	172 866	141 074
Short term creditors together		5,740,025	2,915,048
Creditors together		40,467,790	37,642,813
Total liabilities		49,341,867	46,524,682

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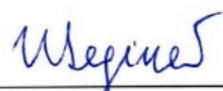
 Jolanta Roze
 Finanšu departamenta vadītāja


May 29, 2017

CASH FLOW STATEMENT

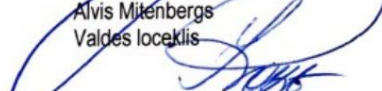
	2016 EUR	2015 EUR
Operating cash flow		
Profit or loss before corporate income tax	5,785,444	(71 312)
<i>Adjustments:</i>		
impairment of fixed assets, impairment of intangible assets, impairment of intangible assets, creation of provisions (except provisions for bad debts), losses from foreign exchange rate fluctuations, other interest income and similar income,	56 548	58,065
	5 626	6,883
	(5 785 444)	-
	95	-
interest payments and similar costs	(2 433 911)	3 (3,151,547)
	2 429 500	3,179,525
Profit or loss before adjustments for the effect of changes in current assets and current accounts payable balances	57,858	21,617
(Increase) or decrease in the balance of receivables	72 723	751 221
Inventory balance (increase) or decrease	8	(16)
Increase or (decrease) in balances of debts payable to suppliers, contractors and other creditors	1,509,599	(6,470,633)
Gross operating cash flow	1,640,188	(5,697,811)
Expenses for interest payments	(1,250,825)	(5,352,441)
Net operating cash flow	389,363	(11,050,252)
Cash flow from investing activities		
Acquisition of shares or parts of related companies, associated companies and other companies	(3,000)	-
Proceeds from the disposal of shares or parts of related companies, associated companies or other companies	-	(2,275,277)
Purchase of fixed assets and intangible investments	(79,324)	(72,578)
Loans issued	(1,000,000)	-
Income from repayment of loans	-	18 400 000
Interest received	2,465,837	4 063 999
Net cash flow from investing activities	1,383,513	20 116 144
Cash flow from financing activities		
Income from the issue of shares and bonds or the investment of equity shares	-	20,659,183
Expenses for repayment of loans	-	(29,605,116)
Net cash flow from financing activities	-	(8,945,933)
The result of fluctuations in foreign exchange rates	(95)	(3)
Net cash flow for the reporting year	1,772,781	119,956
Balance of cash and cash equivalents at the beginning of the reporting year	8,899,382	8,779,426
Balance of cash and cash equivalents at the end of the reporting year	10,672,163	8,899,382

The appendix from pages 12 to 29 is an integral part of this financial report.


Vladimirs Loginovs
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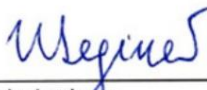


Jolanta Roze
Finanšu departamenta vadītāja

May 29, 2017

STATEMENT OF CHANGES IN EQUITY

	Share capital	Revaluations of long-term investments reserve	Reserves	Retained earnings	In total
	EUR	EUR	EUR	EUR	EUR
On December 31, 2014	422,405,747	542,204	1	(440,653,954)	(17,706,002)
Share capital increase	20,659,183	-	-	-	20,659,183
Losses for the reporting year on	-	-	-	(71,312)	(71,312)
December 31, 2015	443 064 930	542 204	1	(440 725 266)	2,881,869
Reduction in the balance of long-term investment revaluation reserve	-	(7,792)	-	-	(7,792)
Profit for the reporting year on	-	-	-	5,785,444	5,785,444
December 31, 2016	443 064 930	534 412	1	(434 939 822)	8,659,521

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 Valdes loceklis

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May 29, 2017

APPENDIX TO THE FINANCIAL STATEMENT

1. General information about the Company

The company was founded on April 22, 1994 as a non-profit organization, a state joint-stock company. On November 1, 2004, the Company was registered in the commercial register as a state joint-stock company "Privatization Agency".

According to the statutes and the NACE classification, the Company performs the following commercial activities: operations with real estate (68), consulting in commercial activity and management (70.22), operations with securities (66.12), fund management (66.30), operation of general public services (84.11).

In accordance with the procedures set out in the regulatory framework and in compliance with the rights and obligations stipulated by law, the Company manages and within its competence handles state-owned property objects transferred to its possession and possession - prepares state-owned objects for sale, organizes and conducts evaluation of state-owned objects, organizes and conducts auctions, evaluates the offers of potential buyers of state-owned objects, concludes contracts on behalf of the state for the sale of state-owned objects transferred to the Company, controls the execution of concluded contracts, as well as performs the actions specified in laws and contracts to ensure the execution of contracts.

The state of the asset portfolio in the possession and possession of the Company is dynamic - it decreases during the privatization and expropriation of property objects, but at the same time it is supplemented by properties that the Company takes over in its possession or possession in accordance with the regulatory framework and decisions of the Cabinet of Ministers from the State Revenue Service and other institutions. As of December 31, 2016, the total value of the portfolio held and controlled by the Company (corresponding to nominal value and book value), excluding subsidiaries, is 151.56 million. euros.

The company carries out the tasks of the state administration delegated to it, as well as the special tasks assigned by separate orders of the Cabinet of Ministers, which in the context of its daily operations are grouped into five business directions - "Land and real estate objects", "Residential houses and apartment properties", "Capital shares and problem assets", "Contract control" and "Privatization certificates".

1. Land plots and real estate objects

The company performs the tasks of the state administration delegated to it - privatization of state-owned objects, state plots of land in the Law "On the Privatization of State and Municipal Property Objects" (hereinafter - the Privatization Law) and in the Law on the Completion of the Use of State and Municipal Property and Privatization Certificates (hereinafter - the Privatization Completion Law) within the defined competence.

2. Residential houses and apartment properties

By the order of the Cabinet of Ministers of May 29, 2009 No. 353 "On the liquidation of the State Agency for Construction, Energy and Housing"

From July 1, 2009, the functions of privatization and management of state-owned and state-owned residential houses (apartment properties) were transferred to the company in accordance with the law "On Privatization of State and Local Government Residential Buildings".

In accordance with the aforementioned order of the Cabinet of Ministers, in the cases specified in Section 9, Part 1.3 of the Law on the Expropriation of Property of a Public Person (hereinafter - the Expropriation Law) (if the residential house or apartment property is in the possession of the Company) The functions of organizing the expropriation of state-owned and state-owned residential houses, their presumed parts or apartment properties were transferred to the company.

3. Equity shares and problem assets

The company manages and privatizes state capital shares in accordance with the Law on Privatization and the Law on Completion of Privatization, while the management and disposal of state capital shares - in accordance with the Law on the Management of Public Entity Capital Shares and Capital Companies (hereinafter - the Law on the Management of Capital Companies). The management of state capital shares is ensured in accordance with the principles and guidelines of corporate governance recommended by the Economic Cooperation and Development Organization and the Baltic Corporate Governance Institute, observing the competences and conditions specified in the Commercial Law, the Law on the Management of Capital Companies and other regulatory acts.

APPENDIX TO THE FINANCIAL STATEMENT

1. General information about the Company (continued)

The company ensures the management and disposal of problematic assets (subsidiaries) in accordance with the Cabinet of Ministers and Decisions made by the European Commission:

- JSC "Reverta" (as of 31.12.2016, the Company's participation - 84.15%): in accordance with the decision of the Cabinet of Ministers of 24 February 2009, the Company purchased the shares of JSC "Parex banka" with the aim of ensuring the management of capital shares and organizing the sale of shares. On March 15, 2012, the Financial and Capital Market Commission supported the request of JSC "Parex banka" for voluntary relinquishment of the credit institution license, continuing work as a problem assets management company under the name JSC "Reverta";
- SIA "Hiponia" (as of 31.12.2016, the Company's participation - 100%): following the decision of the Cabinet of Ministers of 21 May 2013 on the disposal of the capital shares of SIA "Hipotēku bankas nekustīmā kļamasa aentīras", on 28 June 2013 the Company became its (as of October 1, 2014, operates under a new name - SIA "Hiponia") 100% owner of capital shares; • SIA "FeLM" (as of 31.12.2016. Company's participation - 100%): on 1 April 2016, in accordance with the decision of the Cabinet of Ministers dated 22 March 2016, SIA "FeLM" was founded, the purpose of which is the claim against AS Management of "KVV Liepījas metalurģs".

4. Control of contracts

As part of the execution of the tasks of the state administration delegated to the Company, the Company ensures the control of the execution of the conditions of privatization and expropriation included in the purchase contracts of state-owned objects, plots of land, apartment properties and capital shares until the completion of privatization or the fulfillment of all obligations in accordance with the Law on Privatization, the Law on Completion of Privatization and the Law on Expropriation. Pursuant to the regulatory enactments, buyers of state-owned objects and plots of land are provided with the opportunity to make payments for purchased property objects and plots of land with a 10-year payment period, while for apartment properties - with a 5-year payment period.

5. Privatization certificates

According to Cabinet of Ministers Regulation No. 172 of April 1, 2014 "Regulations on the delegation of the task of administering the circulation of privatization certificates", the task of the state administration is delegated to the company, within the framework of which the allocation, issuance, use and deletion of privatization certificates are controlled, as well as other activities related to the supervision of the circulation of privatization certificates.

5.1. Privatization certificate account servicing

From October 1, 2016, the Company ensures the maintenance of all privatization certificate accounts, providing their owners with services related to the circulation of privatization certificates. This task of the state administration has been delegated to the Company in accordance with the Cabinet of Ministers' regulations of September 20, 2016 No. 624 "Regulations on the delegation of the task of servicing accounts of privatization certificates". Also, the Company ensures the servicing of accounts of privatization certificates in which payments are made for the privatization of state and local government residential houses, based on the Cabinet of Ministers' regulations No. 625 of September 20, 2016 "Regulations on the servicing of accounts of privatization certificates of the state administration task, in which payments are made for for the objects of privatization of residential houses and the transfer of ownership of apartments, artist's workshops and uninhabitable premises until the privatization of the residential house, - delegation". For the successful implementation of the task, based on the contract of September 28, 2016 on the transfer of state administration tasks, the Company took over the privatization certificate account accounting system and the privatization certificate account file archive from Altum.

5.2. Land redemption within the framework of land reform

The company, in compliance with the Cabinet of Ministers' regulations of October 15, 2013 No. 1106 "Procedure for concluding a land redemption (purchase) agreement", within the framework of land reform, concludes land redemption (purchase) agreements with former land owners or their heirs, if the restored or assigned equivalent land plot the area is larger than the area of the land to which property rights are to be renewed, and it exceeds the boundaries of non-connection permitted in the land cadastral survey. This task of the state administration has been delegated to the Company in accordance with Cabinet of Ministers Regulation No. 623 of September 20, 2016 "Regulations on the conclusion of the state administration task - land redemption (purchase) contracts, control of the execution of these contracts and transfer of unredeemed land to the ownership of local governments - delegation". Within the framework of the above-mentioned task, the Company also controls the fulfillment of the obligations specified in the previously concluded land payment redemption agreements, dividing the received funds between the state and relevant local government budgets.



APPENDIX TO THE FINANCIAL STATEMENT

2. Summary of important accounting principles

Guidelines for the preparation of the financial report

The company's financial report is prepared in accordance with the Law on Annual Reports and Consolidated Annual Reports.

The financial report is prepared in accordance with the principle of initial value accounting. In the financial statement, the monetary unit is *the euro* (EUR).

The financial report covers the period from January 1, 2016 to December 31, 2016.

The income statement is classified by type of expense. The cash flow statement is prepared using the indirect method.

On January 1, 2016, the new Law on Annual Reports and Consolidated Annual Reports and the related Regulations of the Cabinet of Ministers No. 775 entered into force, at the same time the Law on Annual Reports and the related Regulations of the Cabinet of Ministers No. 481 and No. 488, according to which the 2015 was prepared, became invalid .annual financial report.

The new law provides additional relief for small and medium-sized companies in the preparation of the financial report, while determining that the financial report of such companies must provide a true and clear picture of the company's financial position and profit or loss, while the annual report of medium-sized and large companies - also about cash flow.

In order to improve the comparability of the prepared profit or loss statement and balance sheet, some items of the 2015 profit or loss statement and balance sheet have been reclassified.

Continuation of the company's activities

The financial statement has been prepared based on the assumption that the Company will continue to operate.

On December 15, 2016, the Ministry of Economy submitted for review at the meeting of State Secretaries the draft protocol decision of the Cabinet of Ministers and the informative report "On the state's participation in the state joint-stock company "Privatization Agency" and its general strategic goal". After making the decision, incl. approval of the general strategic goal in the Cabinet of Ministers, the Company will update the operational strategy project for the next three years in accordance with Article 57 of the Law on the Management of Capital Companies. The company will continue to implement state administration tasks related to the privatization, expropriation and management of state assets corresponding to its specialization, as well as continue to fulfill additional tasks assigned to it by orders of the Cabinet of Ministers.

Use of estimates

When preparing the financial report, the management has to rely on certain estimates and assumptions, which affect the balances of the balance sheet and profit or loss statement items reflected in individual reports, as well as the amount of possible liabilities.

Future events may affect the assumptions on which the relevant estimates are made. Any impact of changes in estimates is reflected in the financial statements at the time they are determined.

Revaluation of foreign currencies

The functional currency of the company and the currency used in the financial statement is the monetary unit of the Republic of Latvia, *the euro* (EUR). All transactions in foreign currencies are revalued in EUR according to *the euro* reference rate published by the European Central Bank on the day of the relevant transaction. Monetary assets and liabilities denominated in foreign currency are converted into EUR at the *euro* reference rate published by the European Central Bank on the last day of the reporting year. Exchange rate differences arising from settlements in currencies or when reflecting asset and liability items using exchange rates that differ from the exchange rates originally used for accounting transactions are recognized in the profit or loss statement at net value.

Intangible assets

Intangible assets are recorded at their original cost, which is amortized over the asset's useful life using the straight-line method. If any events or changes in circumstances indicate that the carrying value of intangible assets may be irrecoverable, the value of the relevant intangible assets is reviewed for impairment. Impairment losses are recognized when the carrying amount of intangible assets exceeds their recoverable amount.

APPENDIX TO THE FINANCIAL STATEMENT

2. Summary of significant accounting principles (continued)

Fixed assets

Fixed assets are recorded at their original value less accumulated depreciation and impairment. Depreciation is not calculated for land. Depreciation is calculated over the useful life of the following asset using the straight-line method:

Buildings	in 100 years
Technological equipment and devices	in 5 years
Other fixed assets	in 3 - 7 years

Depreciation is calculated starting from the next month after the fixed assets are put into operation or involved in economic activity. For each part of the fixed asset, if the costs are significant in relation to the total costs of this fixed asset, depreciation must be calculated separately. If the Company separately depreciates some parts of the fixed asset, it also separately depreciates the remaining parts of the same fixed asset. The balance consists of those parts of the fixed asset that are not individually important. Depreciation of the remaining parts is calculated using approximation methods to truly reflect their useful lives.

If any events or changes in circumstances indicate that the carrying value of fixed assets may be irrecoverable, the value of the relevant fixed assets is reviewed to determine their impairment. If there are indications of irrecoverability and if the asset's carrying amount exceeds the estimated recoverable amount, the asset or cash-generating unit is written down to its recoverable amount.

The recoverable amount of the fixed asset is the greater of the net realizable value and the value in use. When determining the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market expectations regarding changes in the asset's value and the risks attributable to them. For an asset that does not itself generate significant cash flows, the recoverable amount is determined according to the cash-generating asset to which it belongs. Impairment losses are recognized in the income statement as other costs of economic activity.

The recognition of the accounting value of fixed assets is stopped if it is disposed of or if no economic benefits are expected from the further use of the asset in the future. Any gain or loss resulting from the derecognition of an asset (calculated as the difference between the net proceeds from disposal and the asset's carrying amount) is recognized in the income statement in the period when the asset is derecognised.

The costs of creating fixed assets and unfinished construction objects are accounted for at initial value. The initial value includes construction costs and other direct costs. For unfinished construction, depreciation is not calculated until the relevant assets are completed and put into operation.

Participation in subsidiaries

Investments in subsidiaries (ie companies in which the Company owns more than 50% of the share capital or which it controls in some other way) are accounted for using the cost method. After initial recognition, investments in subsidiaries are carried at their original cost less impairment losses. If any events or changes in circumstances indicate that the balance sheet value of investments in subsidiary companies could be irrecoverable, the value of the respective investments in subsidiary companies is revised according to a higher value that does not exceed the acquisition cost.

Other financial assets

Financial assets are classified as investments that the Company initially recognizes at fair value with revaluation recognition in the income statement, investments that are by definition loans and receivables, held-to-maturity investments and available-for-sale investments, as appropriate. On initial recognition, financial assets are recorded at their fair value plus directly attributable transaction costs, if the corresponding investments in profit or loss are not recorded at their fair value.

After initial recognition, the Company determines the classification of its financial assets and, if permissible and appropriate, reviews this classification at the end of each financial year.

**APPENDIX TO THE FINANCIAL STATEMENT**

2. Summary of significant accounting principles (continued)

The purchase or sale of ordinary financial assets is recognized and derecognized on the day of the transaction, that is, on the day when the Company undertakes to purchase the relevant asset. A regular purchase or sale of financial assets is a purchase or sale of financial assets that requires the delivery of the asset within a period of time determined by regulations or conventions in force in the market.

Loans and receivables

Loans and receivables are non-derivative financial assets with a fixed or determinable payment schedule that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in the income statement at the time of derecognition of these assets or their value decrease, as well as during the amortization process.

Savings

Inventories are stated at the lower of acquisition cost or market price. Inventories are valued using the FIFO method.

Accounts payable and other receivables

Debts from buyers and customers are recorded and reflected in the balance sheet according to the original amount of invoices, less provisions for bad debts. Provisions for bad debts are estimated when receipt of the full amount owed is no longer probable. Debts are written off when their recovery is considered impossible.

Cash and cash equivalents

Cash and cash equivalents consist of money in the bank and treasury and short-term deposits, the original maturity of which does not exceed three months.

Loans and borrowings

Loans and borrowings are initially reflected in their initial value, which is determined by adding to the fair value of the loan or borrowing amount the costs associated with issuing the loan or deducting the costs associated with receiving the loan. After initial recognition, loans and borrowings are recorded at their amortized cost using the effective interest method.

The amortized value is calculated taking into account the cost of issuing the loan or borrowing, as well as any discounts or premiums associated with the loan or borrowing.

Gains or losses resulting from amortization are reflected in the income statement as interest income and expense.

Savings

Provisions are recognized when the Company has a current obligation (legal or practice-related) caused by a past event, and there is a probability that the fulfillment of these obligations will require an outflow of resources containing economic benefits from the Company, and the amount of the obligation can be estimated reliably enough. If the Company anticipates that the expenses necessary for the creation of provisions will be partially or fully reimbursed, for example within the framework of an insurance contract, the reimbursement of these expenses is recognized as a separate asset only when it is practically clear that these expenses will really be reimbursed. Costs associated with any provision are reflected in the income statement less amounts that have been recovered.

APPENDIX TO THE FINANCIAL STATEMENT

2. Summary of significant accounting principles (continued)**Contingent liabilities and assets**

Contingent liabilities are not recognized in this financial statement. They are recognized as liabilities only when the probability that the funds will be issued becomes sufficiently reasonable. Contingent assets are not recognized in this financial statement, but are reflected only when the probability that the economic benefits related to the transaction will reach the Company is sufficiently justified.

Lease

Financial lease transactions, within the framework of which the Company transfers all the risks and rewards arising from the ownership of the leased object, are recognized in the balance sheet as fixed assets for an amount that, at the beginning of the lease, corresponds to the fair value of the leased property or, if it is lower, the minimum for the present value of the lease payments. Finance lease payments are split between finance charges and amortization of the liability to provide a constant interest rate on the balance of the liability each period.

Finance costs are included in the income statement as interest costs.

If there is sufficient reason to believe that at the end of the lease period the relevant leased object will become the lessee's property, the estimated time of use is assumed to be the time of useful use of this asset. In all other cases, depreciation of capitalized leased assets is calculated using the straight-line method over the shorter of the estimated useful lives of the assets or the lease period.

A lease of assets, in which practically all the risks arising from ownership are assumed and the lessor receives compensation, is classified as an operating lease. Lease payments under an operating lease are expensed over the lease term using the straight-line method.

Revenue recognition

The procedure for financing the company is basically regulated by Cabinet of Ministers Regulation No. 680 of December 1, 2015 "Procedure in which Deductions must be made to the privatization agency for privatization of state property, expropriation of state capital shares and other activities specified in regulatory acts, as well as a reserve fund to be created and used and payments to be made to the state budget" (hereinafter - Regulations No. 680).

The Company's activities are financed from the deductions, incl. the process of privatization of state property, the process of granting, canceling and circulation of privatization certificates, expropriation expenses of state capital shares and organizational security of the process of privatization, expropriation and management of state residential buildings in accordance with the conditions and procedures regulated by the Cabinet of Ministers.

The calculated regulatory deductions are recognized as revenues and credited to the net turnover in the period when the privatization, expropriation or lease agreement of the state-owned object is concluded and the subjects' payments for the concluded agreements are received.

Rental income

Income from the Company's leased property is recognized in the income statement on a straight-line basis over the period of the lease agreement.

Corporate income tax

Corporate income tax consists of the calculated and deferred corporate income tax for the reporting year. Corporate income tax for the reporting year is calculated by applying a tax rate of 15% to the taxable income earned in the relevant tax period.

The main temporary differences in terms of time result from the different depreciation rates applied to fixed assets for accounting and tax purposes, certain non-deductible provisions for tax purposes, as well as differences in the amount of deductible interest costs and tax losses carried forward to future years.

APPENDIX TO THE FINANCIAL STATEMENT

2. Summary of significant accounting principles (continued)**State properties in the possession of the company**

According to the Privatization Law, the Company takes possession of the state real estate to be privatized, but the state retains ownership rights to the state-owned object until the ownership rights are transferred to a third party in accordance with the terms of the purchase agreement.

The company is the holder of state capital shares in capital companies in which the state-owned capital share has been transferred for privatization or expropriation, or the state capital share in the company has arisen as a result of object privatization, or confiscated capital shares have been transferred to it.

According to Article 74 of the Law "On the Privatization of State and Local Government Residential Buildings", state residential buildings can be transferred to local governments or privatized to the Company in accordance with the procedures established by the Cabinet of Ministers.

State real estate and capital shares taken over by the Company are not included in the Company's assets.

Liabilities to the state budget and other state institutions

Funds from privatization, expropriation, lease and debt capitalization of state property are credited to the state budget

In accordance with the procedure provided for in the Privatization Law.

From the funds received, the Company deducts regulatory deductions and deductions in the reserve fund in accordance with the aforementioned Regulations No. 680.

The company's obligations to the state budget for monetary revenues from the privatization, expropriation, lease and debt capitalization of state property are reflected in the balance sheet item "Other creditors" in the composition of short-term creditors.

Real estate tax settlements for state real estate owned by the Company

The first part of Section 2 of the Law "On real estate tax" stipulates that Latvian or foreign natural and legal persons and groups of such persons established on the basis of a contract or other agreement, or their representatives, who own or have legal possession of real estate, pay real estate tax.

Local governments send real estate tax notices to the Company for real estate owned by the Company. The company pays real estate tax on the basis of the mentioned notifications. In case the real estate is leased, the Company collects the tax for the leased real estate from the lessee. The liabilities of state property lessees to the Company for real estate tax are reflected in the balance sheet item "Payables from buyers and customers" as part of current assets.

Events after the balance sheet date

The financial report reflects such events after the end of the reporting year, which provide additional information about the Company's financial position on the date of preparation of the balance sheet (corrective events). If the events after the end of the reporting period are not corrective, they are reflected in the notes to the financial statement only if they are material.

APPENDIX TO THE FINANCIAL STATEMENT

3. Net turnover

	2016 EUR	2015 EUR
Regulatory deductions: ¨		
sale of real estate ¨ preparation of state residential houses and apartment properties for privatization and expropriation ¨	1,116,644	429 238
control of privatization and expropriation agreements ¨ sale of objects to be privatized or liquidated and their property and expropriation and privatization of state capital shares ¨ control of lease agreements ¨ administration of privatization and expropriation cases and assessment of state properties to be privatized or expropriated ¨ preparation of plots of land for privatization, registration and confirmation of property rights in the land register ¨ covering legal proceedings costs ¨ protection and management of state properties to be privatized and expropriated ¨ insurance services	979 627 358 928 123,939,105,459 69,577 28,507 12,500 2,505 1,162	314,204,414,100 1 444 98 298 127,845 15,437 (4,666) 64,381 3,338
Statutory deductions total	2,798,848	1,463,619
The part of revenue of future periods recognized in the reporting period:	45,070	1,289,321
¨ loss coverage for privatization certificate functions execution ¹	365 277	554 110
¨ covering losses for the execution of the task of privatization and expropriation of apartment properties and residential houses ² ¨ the portion of revenue for future periods adjusted during the reporting period ³	164,082 (484,289)	589 418 145 793
Revenues from the sale of capital shares held by the State Social Insurance Agency and reimbursement of expenses	-	41,453
Total net turnover	2,843,918	2,794,393

¹ The regulations of the Cabinet of Ministers, by which the tasks of the state administration in the field of circulation of privatization certificates are delegated to the Company, determine that the expenses of the Company, in coordination with the Ministry of Economy, are covered from the revenues obtained from the performance of the relevant tasks of the state administration. If the received revenues do not cover the expenses, then the losses are coordinated with the Ministry of Economy and covered from the reserve fund.

² According to Article 59, Part One, Clause 10 of the Law "On the Privatization of State and Local Government Residential Buildings", the Company's duty is to manage the state residential buildings in its possession until they are handed over to the management and management of apartment owners. The fifth part of Article 67 of the Law stipulates that the Company receives a grant from general revenues from the funds credited to the state basic budget in accordance with the annual state budget law and uses it:

- 1) for financing the privatization process of residential houses; 2) for the maintenance of residential houses during their privatization process;
- 3) for organizing the maintenance and management of privatized residential houses; 4) for performing the functions specified in Article 59 of this Law.

If the grant has not been awarded in the relevant reporting period, as a result of the performance of the above-mentioned task delegated by the state the resulting losses are covered from the resources of the reserve fund.

³ According to Clause 18.8 of Regulation No. 680, the Company shall cover from the funds of the reserve fund those expenses that cannot be covered from the normative deductions provided for in the regulations, while after the sale of state property and receipt of revenue, the funds previously received in advance from the reserve fund shall be transferred back to the Company in the reserve fund. Based on the results of 2016, the revenue part of the following periods was adjusted and the reserve fund was accordingly supplemented by 484,289 euros. In 2015, losses in the amount of 145,793 euros were covered in advance from the reserve fund .



APPENDIX TO THE FINANCIAL STATEMENT

4. Other revenues from economic activity

	2016	2015
	EUR	EUR
Income from savings reduction ¹	5 785 444	-
Revenue from the provision of services	83 391	74,686
Revenues from the administration of privatization certificate accounts and land purchase agreements ²	66 685	4 066
Recovered receivables for which provision had been made	40 872	37 353
Income from renting out premises	17 714	16 452
Fixed assets and inventory received without compensation	10 353	-
Revenue from fines collected	10 132	6 607
A decrease in the balance of the revaluation reserve for long-term investments	7 792	-
Other income	27 824	-
	6 050 207	20,881,160,045

1 Provisions created in 2014 for possible losses in legal proceedings were reduced.

2 Revenues from the administration of accounts of privatization certificates and land purchase agreements include the service fee taken over from Altum, received from land purchasers for the administration of accounts for active land purchase agreements. The total amount of revenue taken over for land purchase agreements is 49,204 euros.

5. Other costs of economic activity

	2016	2015
	EUR	EUR
Security and management of objects handed over for privatization ¹	228 605	144 014
Payment of Altum expenses ²	203 745	491 334
Legal and other consultancy services	126 796	130 897
Maintenance of the information system	76 799	76 599
Public security	38 110	37 299
Preparation of real estate (including land) for privatization ³ Property evaluation	37 842	43 895
	32 488	23 576
Litigation expenses in the privatization of residential houses	28 644	40 763
Subscription to information systems and databases	23 757	21 615
Administration of privatization certificate accounts and land purchase agreements	20 765	10 498
Executive Officer Liability Insurance	18 250	18 250
Other subcontractor services	52 199	4 730
Total cost of subcontractor services:	888 000	1 043 470
Tax on unrented immovable properties	97 414	-
Costs of maintenance and repair of buildings and premises	95 128	80 989
Communication costs	32 633	35 177
Real estate tax - Company building, land	26 536	25 645
Inventory and stationery	16 554	14 139
Creation of provisions for other doubtful debts	15 525	81 420
Vehicle maintenance costs	11 879	13 221
Audit costs of the annual report	11 011	7 986
Maintenance and rental costs of computer equipment	8 971	13 867
Employee training costs	3 781	2 817
Costs of errands	2 226	1 922
Representation costs	1 264	1 727
Other payments	9 791	8 170
Other costs in total:	332 713	287 080
	1 220 713	1 330 550

1 The item of expenses "Security and management of objects transferred to privatization" includes expenses for security and management of objects to be privatized that are not leased, as well as management expenses of non-privatized housing stock.

APPENDIX TO THE FINANCIAL STATEMENT

2 The expense item "Payment of Altum expenses" includes payments to Altum in accordance with the orders of the Ministry of Economy. Taking over the tasks delegated by the state from Altum, final settlements were made in November 2016.

3 The expense item "Preparation of real estate (including land) for privatization" includes expenses for the preparation of objects (land together with buildings) and built-up plots of land for privatization, for the preparation of residential houses for privatization and expropriation, as well as for the identification and registration of the property of an ownerless or heirless person.

6. Other interest income and similar income

	2016 EUR	2015 EUR
Interest income from investment in subordinated capital	2,429,500	3 150 325
Interest income from deposits and account balances		1 222
Interest income from the loan of SIA "FeLM"	3,943,468	-
	2,433,911	3 151 547

7. Interest payments and similar costs

	2016 EUR	2015 EUR
Interest expenses for borrowing from the State Treasury	2,429,500	3,179,525
	2,429,500	3,179,525

8. Intangible investments

	Concessions, patents, licenses, trademarks and similar rights
On December 31, 2014	
Initial value	711 617
Accumulated amortization and depreciation Balance	(705 320)
value on December 31	6 297
2015 Balance	
value on January 1 Purchase	6,297
	2 256
Depreciation	(6,883)
Balance value on December 31	1,670
On December 31, 2015	
Initial value	713,873
Accumulated amortization and depreciation Balance	(712,203)
value on December 31	1,670
2016 Balance	
value on January 1 Purchase	1,670,155,161
Depreciation	(15,608)
Balance value on December 31	141,223
On December 31, 2016	
Initial value	869 034
Accumulated amortization and depreciation Balance	(727 811)
value on December 31	141 223

APPENDIX TO THE FINANCIAL STATEMENT

In 2016, within the scope of tasks of the state administration, related to the maintenance and servicing of privatization certificate accounts, the company took over the privatization certificate account accounting systems developed by these institutions and the necessary software and technical equipment for the use of these systems from the liquidating JSC "Latvijas Krājbanka" and Altum.

9. Fixed assets

	Buildings and structures	Technological equipment and devices	Other fixed assets	Creation of fixed assets and costs of unfinished construction objects	IN TOTAL
On December 31, 2014					
Initial value	4,022,880	10,516	495,913	-	4,529,309
Accumulated depreciation and value reduction	(2,438,461)	(10,516)	(444 826)	-	(2,893,803)
Balance value on December 31	1,584,419	-	51 087	-	1,635,506
2015					
Balance value on January 1	1,584,419	-	51 087	-	1 635 506
Purchase Initial value of excluded fixed assets	-	-	70 322	-	70 322
Accumulated depreciation of excluded fixed assets	-	-	(21 347)	-	(21 347)
Depreciation	-	-	21,017	-	21,017
Depreciation of excluded fixed assets	(18,827)	-	(38,908)	-	(57,735)
Balance value on December 31	1,565,592	-	82,171	-	1,647,763
On December 31, 2015					
Initial value	4,022,880	10,516	544,888	-	4,578,284
Accumulated depreciation and impairment	(2,457,288)	(10,516)	(462 717)	-	(2,930,521)
Balance value on December 31	1,565,592	-	82 171	-	1,647,763
2016					
Balance value on January 1	1,565,592	-	82 171	-	1 647 763
Purchase	-	-	25 039	46 179	71 218
Depreciation	(18,827)	-	(45,884)	-	(64,711)
Balance value on December 31	1,546,765	-	61,326	46 179	1,654,270
On December 31, 2016					
Initial value	4,022,880	10,516	569,927	46 179	4,649,502
Accumulated depreciation and impairment	(2,476,115)	(10,516)	(508 601)	-	(2,995,232)
Balance value on December 31	1,546,765	-	61 326	46 179	1,654,270

According to the data of the State Land Service, on December 31, 2016, the land plot in Riga, K. Valdemāra street 31, with cadastral number 0100-019-0074 and an area of 1,252 m², has a cadastral value of 178,145 euros, while the cadastral value of administrative buildings is 1 590,931 euros.

APPENDIX TO THE FINANCIAL STATEMENT

10. Participation in the capital of related companies

Name of the company	%	Purchase value	Revaluation of the investment in 2016	31.12.2016	
				EUR	EUR
<u>Long term financial investment:</u>					
SIA "Hiponia"	100	1	-	1	
SIA "FeLM"	100	3,000		3,000	
Total long-term financial investments:		3 001	-	3 001	

Name of the company	Short-term financial investments:	%	Purchase value	Revaluation of investment	31.12.2016	
					EUR	EUR
AS "Reverta"		84.15	293,635,264	-	-	

On January 4, 2017, the EBRD announced that it wants to use its right to sell AS "Reverta" shares, resulting from the agreement concluded on July 30, 2010 between the Company, the Republic of Latvia, EBRD and AS "Reverta" for a total price of 1 euro. On March 7, 2017, by buying back the shares of EBRD, the Company completed the restructuring of liabilities, and currently the Company owns 96.89% of the shares of AS "Reverta".

Financial information about subsidiaries:

Name of the company	Equity		Losses for the reporting year	
	31.12.2016	31.12.2015	2016	2015
	EUR'000	EUR'000	EUR'000	EUR'000
AS "Reverta"	(407 002)	(361,924)	(45,078)	(54,252)
SIA "Hiponia"	(12,517)	(6,947)	(5,570)	(11,300)
SIA "FeLM"	(164)	-	(167)	-

On April 1, 2016, in accordance with the decision of the Cabinet of Ministers of March 22, 2016, SIA "FeLM" was founded, whose sole purpose of operation is the management of the claim against JSC "KVV Liep̄jas metalurģs".

11. Loans to related companies

	31.12.2016	31.12.2015
	EUR	EUR
Loan SIA "FeLM": ŷ long-term part - principal amount ŷ short-term part - calculated interest ¹		-
	1,000,000,468	1,000,468

¹ Interest calculated on the loan of SIA "FeLM" is presented in the item "Accrued income".

12. Debts of buyers and customers

	31.12.2016	31.12.2015
	EUR	EUR
Other debts	1,031,015	1,178,139
Provisions for doubtful other debts	(916,467)	(959,090)
	114,548	219,049



APPENDIX TO THE FINANCIAL STATEMENT

13. Other debtors

	31.12.2016	31.12.2015
	EUR	EUR
The principal amount of the loan AS "Citadele banka".	34 727 765	-
Claims against AS "Latvijas Krājbanka" in liquidation	10 419 143	10,419,143
Settlements with the State Social Insurance Agency for capital shares	30 682	-
Overpayment of personal income tax	-	1 513
Settlements for interest income from deposits	-	1 222
Other receivables	-	-
Provisions for bad debts ¹	(10,419,143)	1 (10 419 143)
	34,758,447	2 736

1 Provisions have been created in the amount of 100% of the funds that were in November 2011 in JSC Latvijas Krājbanka, which is currently being liquidated.

14. Costs of future periods

	31.12.2016	31.12.2015
	EUR	EUR
Executive Officer Liability Insurance	13,688	18,250
Health insurance payments	12,428	10,350
Other payments	6,936	5,169
	33,052	33,769

15. Accrued Revenue

	31.12.2016	31.12.2015
	EUR	EUR
Interest calculated on the loan AS "Citadele banka".	960 109	992 502
Accrued Service Revenue	4 549	-
Calculated interest of loan SIA "FeLM".	468	-
	965 126	992 502

The company's investment in the subordinated capital of AS "Citadele banka" as of December 31, 2016 is 34.73 million. *euros*. The loan repayment term specified in the contract is December 20, 2017. On January 4, 2017, JSC "Citadele banka" made the final settlement before the deadline, paying the principal amount of the loan of 34.73 million. *EUR* and accrued interest of 980 thousand. *euros*.

16. Money

	31.12.2016	31.12.2015
	EUR	EUR
Funds in the accounts of credit institutions	9 171 563	8,899,382
Funds in the State Treasury for land purchase agreements ¹	1 500 600	-
	10 672 163	8,899,382

In 2015, funds include a short-term deposit in the amount of 2,500,000 *euros*.

1 The funds received in accordance with the concluded land payment redemption agreements will be transferred to the budgets of the state and the respective local governments after the obligations specified in the agreements have been fully fulfilled.

17. Share capital (share capital)

The subscribed and paid-up share capital of the company on December 31, 2016 is 443,064,930 *euros*, which consists of 443,064,930 shares with a nominal value of 1 *euro*. All shares of the Company are registered shares.

APPENDIX TO THE FINANCIAL STATEMENT

18. Long-term investment revaluation reserve

	31.12.2016	31.12.2015
	EUR	EUR
Revaluation reserve for long-term investments	534 412	542 204
	534 412	542 204

In accordance with Article 34, Part 1 of the Law on Annual Reports and Consolidated Annual Reports and Clause 305.3 of Regulation No. 775 of the Cabinet of Ministers of December 22, 2015 "Regulations for the Application of the Law on Annual Reports and Consolidated Annual Reports", the revaluation reserve for long-term investments shall be reduced simultaneously with the relevant the annual depreciation calculation of the fixed asset object, gradually including it in the income in the profit or loss statement during the remaining useful life of the relevant fixed asset object.

19. Other accruals

	31.12.2016	31.12.2015
	EUR	EUR
Other savings at the beginning of the year	6,000,000	6,000,000
Changes	(5,785,444)	-
Other accruals at the end of the year	214,556	6,000,000

In 2014, the Company created provisions of 6 million. in the amount of *euros* for possible future expenses that could arise when fulfilling the task delegated by the state regarding the execution of contracts for the purchase of state-owned objects, the control of these contracts, regarding current and future legal proceedings, which should be covered from the Company's funds in case of satisfaction of the claims with a valid court ruling. In 2016, the amount of possible expenses did not change as a result of legal proceedings, and no additional provisions were made in the reporting year. In 2017, in one of the legal proceedings, according to the court's decision, a settlement was approved, which entered into force on May 3, 2017. Thus, in accordance with Clause 3.1 of the Cabinet of Ministers Regulation No. 775 "Regulations on the Application of the Law on Annual Reports and Consolidated Annual Reports", the data for the year of review have been corrected and the previously created reserves for the relevant legal proceedings have been reduced.

20. Other borrowings

	31.12.2016	31.12.2015
	EUR	EUR
Treasury loan: long-term		
⁹ part - principal amount	34,727,765	
part - calculated interest	2,171,178	34,727,765,992,502
	36,898,943	35,720,267

On May 21, 2009, an agreement was concluded between the Company and the Republic of Latvia for a state loan to the Company in the amount of 322,991,901 *euros* (227,000,000 lats). The contract provided for the full repayment and final settlement of each part of the loan issued within 7 years from the date of issuance of the relevant part of the loan (according to the amendments of June 26, 2013, the loan repayment deadline is set for December 20, 2018).

The loan balance as of December 31, 2016 was 34.73 million. *euros*. The loan repayment deadline is December 20, 2018. Upon receiving the funds from AS "Citadele banka" on January 4, 2017, the principal amount of the loan was fully repaid.

In accordance with existing contracts, the interest calculated shall be repaid to the state budget by December 20, 2018.



APPENDIX TO THE FINANCIAL STATEMENT

21. Taxes and mandatory state social insurance contributions Type of tax

	31.12.2016	31.12.2015
	EUR	EUR
Value added tax State social	25 584	
insurance mandatory contributions Personal income tax Natural	74	
resources tax Total includes: Ÿ	21	
overpayment of taxes Ÿ tax	71	
liabilities	25 750	27.209,164 (1,513) 71,2
	-	(1,513)
	25.750	27.444

Overpayment of taxes is shown in the item "Other debtors".

In 2016, the Company paid a total of 963,686 euros in taxes to the state budget, of which 487,564 euros were mandatory state social insurance contributions, 265,832 euros personal income tax, 183,379 euros value added tax, and 26,536 euros real estate tax.

22. Other creditors

	31.12.2016	31.12.2015
	EUR	EUR
Liabilities for land purchase agreements and state fees from certificate operations	1 500 253	-
Liabilities to the state budget: on	350 136	110 112
Ÿ privatization proceeds from the	168 937	13 766
Ÿ expropriation of housing and privatization on state	100 627	16 337
Ÿ property rental income (without VAT) on the expropriation of	69 282	68 059
Ÿ capital shares	11 290	11 950
Liabilities to other state institutions	181 299	25 176
Settlements with the State Social Insurance Agency for the sale of capital shares	-	1 002
Total liabilities to the state budget and other state institutions	2 031 688	136 290
Security deposit for participation in the auction	41 676	99 139
Salary and deductions from it	2 052	1 422
Other obligations	180 137	71 938
	2 255 553	308 789

23. Deferred income

	31.12.2016	31.12.2015
	EUR	EUR
Revenues for future periods - Reserve Fund		
Balance at beginning of period	1 414 775	
Growth during the period	276 824	
Covering regulatory deductions from the reserve fund	(602 388)	
Covering expenses from the reserve fund ¹	(144 657)	
Included in the revenue of the reporting period	(45 070)	
Balance at end of period	899 484	2.738.022,478,859 (489,978) (22
Revenues for future periods – other	169 717	-
Total deferred income	1 069 201	1.414.775

¹ Expenses covered from reserve funds include expenses for cancellation of privatization certificates, ensuring the operation of the licensing commission for privatization certificate market brokerage companies, expenses for taxes and fees in accordance with Regulations No. 680.



APPENDIX TO THE FINANCIAL STATEMENT

24. Accrued liabilities

	31.12.2016	31.12.2015
	EUR	EUR
Accrued liability for employee benefits	105 941	87 753
Accrued liabilities for vacations ¹	52 091	50 702
Accrued liabilities for legal services	8 842	-
Accrued liabilities for audit services	5 421	
Accrued liabilities for other services	571	
	172 866	2,396,223,141,074

¹ Accumulated liabilities for unused vacations have been calculated taking into account the number of unused vacation days of each employee on December 31, 2016 and the average daily earnings in the last six months.

During the reporting year, the Company has had transactions with related parties (summarized below) as part of its economic activity.

25. Transactions with related parties:

Subsidiaries:	Year	Interest income on the loan EUR	Issuance of a loan EUR	Fee received for services EUR	Related party debts EUR
SIA "FeLM"	2016	468	1,000,000	34,848	295
	2015	-	-	-	-
SIA "Hiponia"	2016		Rent received EUR	Fee received for services EUR	Related party debts EUR
	2015		299	150,920	4,549
			745	-	90 370

26. General Notes**a) Average number of employed persons**

	2016	2015
	EUR	EUR
The average number of persons employed by the Company, i.e. see state employees	70	66
	68	63

b) Personnel costs

	2016	2015
	EUR	EUR
Board members:		
• salaries,	144 507	105 672
• mandatory state social insurance contributions, etc. payments ¹	34 099	22 952
	178,606	128,624

¹ In 2016, the risk fee payments are included, adjusting the 2015 data accordingly.

APPENDIX TO THE FINANCIAL STATEMENT
27. Information about the state property in the possession of the Company

The managed portfolio of the company consists of state assets in its possession and custody as of December 31, 2016. The state of the Company's portfolio is dynamic - it decreases during the privatization and expropriation of property objects, but at the same time the Company's portfolio is supplemented by properties that it takes over in its possession and possession in accordance with the regulatory framework. Real estates in this appendix are reflected in their accounting value, the value of capital shares is indicated in their nominal value.

a) Buildings, structures and land

	Number of objects, pcs.		Cadastral value of objects, EUR	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Real estate - buildings, structures, built-up and unbuilt plots of land	701	709	19,826,800	18,797,126
	701	709	19,826,800	18,797,126

b) In the holding of the capital share

	Capital shares, pcs.		Value of capital shares, EUR	
	31.12.2016	31.12.2015	31.12.2016.	31.12.2015
In the holding of the capital share	31	39	114 053 235 86	115 908 229
Shares of the capital of the heirless ¹	43	46	760 114	489 290
	74	85	139 995	116 397 519

The value of capital shares is indicated in their nominal value, recalculating the value of capital shares expressed in lats according to the exchange rate from lats to euro approved by the Council of the European Union .

¹ The capital shares of the heirless in the companies in which the liquidation process was initiated or a decision was taken to terminate the operation were recognized as having a zero value on December 31, 2016.

c) Non-privatized parts of residential houses

According to Cabinet of Ministers order No. 353 of May 29, 2009 "On the liquidation of the State Agency for Construction, Energy and Housing", residential houses and non-privatized parts of residential houses were transferred to the possession of the Company. As of December 31, 2016, the company owns 1,087 state apartment properties.

	Number of objects, pcs.		Cadastral value of objects, EUR	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Real estate - apartment	1,087	1 207	4,186,944	5,461,936
	1,087	1 207	4,186,944	5,461,936

APPENDIX TO THE FINANCIAL STATEMENT

d) Accounts receivable for state property purchase and lease agreements

The Company does not assume credit risk and liquidity risk in relation to debts arising from the purchase and lease agreements of state property, and they should not be recognized as part of the Company's assets. The company administers the payments related to these contracts and brings lawsuits against buyers and lessees who do not make payments on time.

	31.12.2016 EUR	31.12.2015 EUR
Long-term debts (in book value): purchase contracts Short-term debts (in book value): ģ purchase contracts ģ rent other debts	6,289,745	8,688,500
ģ	5,250,999,450,434	-
ģ	-	9,121,140,444,842,432,330
Settlements in privatization certificates ¹	1 410 201	-
	13 401 379	18,686,812
Including doubtful and lost debts: debts in ģ legal proceedings ² debts of ģ insolvent debtors debts for which the ģ payment deadline has been delayed	3 667 407	5,734,945
	397 320	3 563 856
	655 531	198 834
	4 720 258	9 497 635

¹ Receivables in privatization certificates are listed according to their nominal value *in euros*.

² Debts pending in legal proceedings are shown without calculated fines. The total amount of debts in legal proceedings with fines on December 31, 2016 is 4.5 million. *euros* (in 2015 - 7.6 million *euros*). As of December 31, 2016, bad (doubtful) debts make up 35% of the total balance of debts (in 2015 - 51%).

28. Operating lease

In 2015, the company concluded an operating lease agreement for renting a car. As of December 31, 2016, the contract is valid, and the mandatory payment in case of termination of the contract is one month's payment in the amount of 626 *euros*.

	31.12.2016 EUR	31.12.2015 EUR
Less than one year 1 - 5 years	9,855	17,372
	9,855	17,372

29. Events after the balance sheet date

The company's investment in the subordinated capital of AS "Citadele banka" as of December 31, 2016 is 34.73 million. *euro* with repayment deadline - December 20, 2017. On January 4, 2017, JSC "Citadele banka" made the final settlement before the deadline, repaying the Company's subordinated loan (principal amount of 34.73 million *euros* and accrued interest of 0.98 million *euros*), thereby settling the remaining obligations in full. On January 4, 2017, the Company repaid the principal loan amount of 34.73 million to the State Treasury. *euros*.

On January 4, 2017, the EBRD announced that it wants to use its right to sell AS "Reverta" shares, resulting from the agreement concluded on July 30, 2010 between the Company, the Republic of Latvia, EBRD and AS "Reverta" for a total price of 1 *euro*. On March 7, 2017, by buying back the shares of EBRD, the Company completed the restructuring of its liabilities, and currently owns 96.89% of JSC "Reverta" shares.

In 2017, a court decision approved and entered into force a settlement in the legal proceedings, within the framework of which savings of 5.79 million were created in previous periods. in the amount of *euros*. This is a corrective event after the balance sheet date, therefore, in the 2016 report, previously created provisions have been reduced for the above-mentioned amount.

Vladimirs Loginovs
Valdes priekšsēdētājs

Juris Vaskāns
Valdes loceklis

Alvis Miltenbergs
Valdes loceklis

Jolanta Roze
Finanšu departamenta vadītāja

May 29, 2017



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NEATKARĪGU REVIDENTU ZIŅOJUMS

VAS „Privatizācijas aģentūra” akcionāram

Atzinums

Mēs esam veikuši VAS „Privatizācijas aģentūra” (“Sabiedrība”) pievienotajā gada pārskatā ietvertā finanšu pārskata, kas atspoguļots no 7. līdz 29. lappusei, revīziju. Pievienotais finanšu pārskats ietver 2016. gada 31. decembra bilanci un peļņas vai zaudējumu aprēķinu, pašu kapitāla izmaiņu pārskatu un naudas plūsmas pārskatu par gadu, kas noslēdzās 2016. gada 31. decembrī, kā arī finanšu pārskata pielikumu, kas ietver nozīmīgu grāmatvedības uzskaites principu kopsavilkumu un citu paskaidrojošu informāciju.

Mūsaprāt, pievienotais finanšu pārskats sniedz patiesu un skaidru priekšstatu par VAS „Privatizācijas aģentūra” finanšu stāvokli 2016. gada 31. decembrī un par tās darbības finanšu rezultātiem un naudas plūsmu gadā, kas noslēdzās 2016. gada 31. decembrī saskaņā ar Latvijas Republikas Gada pārskatu un konsolidēto gada pārskatu likumu.

Atzinuma pamatojums

Mēs veicām revīziju saskaņā ar Latvijas Republikā atzītiem Starptautiskajiem revīzijas standartiem (SRS). Mūsu pienākumi, kas noteikti šajos standartos, tālāk izklāstīti mūsu ziņojuma sadaļā “Revidenta atbildība par finanšu pārskata revīziju”. Mēs esam neatkarīgi no Sabiedrības saskaņā ar Starptautiskās Grāmatvežu ētikas standartu padomes izstrādātā Profesionālu grāmatvežu ētikas kodeksa (SGESP kodekss) prasībām un Latvijas Republikas Revīzijas pakalpojumu likumā iekļautajām neatkarības prasībām, kas ir piemērojamas mūsu veiktajai finanšu pārskata revīzijai Latvijas Republikā. Mēs esam ievērojuši pārējos Revīzijas pakalpojumu likumā un SGESP kodeksā noteiktos ētikas principus. Mēs uzskatām, ka mūsu iegūtie revīzijas pierādījumi dod pietiekamu un atbilstošu pamatojumu mūsu atzinumam.

Ziņošana par citu informāciju

Cita informācija ietver vadības ziņojumu, kas sniegts pievienotajā gada pārskatā no 4. līdz 6. lappusei, bet tā neietver finanšu pārskatu un mūsu revidentu ziņojumu par to. Vadība ir atbildīga par citu informāciju.

Mūsu atzinums par finanšu pārskatu neattiecas uz šo citu informāciju, un mēs nesniedzam par to nekāda veida apliecinājumu, izņemot to kā norādīts mūsu ziņojuma sadaļā “Citas ziņošanas prasības saskaņā ar Latvijas Republikas tiesību aktu prasībām”.

Saistībā ar finanšu pārskata revīziju mūsu pienākums ir iepazīties ar citu informāciju un, to darot, izvērtēt, vai šī cita informācija būtiski neatšķiras no finanšu pārskata vai no mūsu revīzijas gaitā iegūtajām zināšanām un vai tā nesatur cita veida būtiskas neatbilstības.

Ja, pamatojoties uz veikto darbu un ņemot vērā revīzijas laikā gūtās zināšanas un izpratni par Sabiedrību un tās darbības vidi, mēs secinām, ka citā informācijā ir būtiskas neatbilstības, mūsu pienākums ir par to ziņot. Mūsu uzmanības lokā šajā ziņā nav nonākuši nekādi apstākļi, par kuriem būtu jāziņo.

Citas ziņošanas prasības saskaņā ar Latvijas Republikas tiesību aktu prasībām

Latvijas Republikas Revīzijas pakalpojumu likumā noteiktas vēl citas ziņošanas prasības attiecībā uz vadības ziņojumu. Šīs papildu prasības nav ietvertas SRS.

Mūsu pienākums ir izvērtēt, vai vadības ziņojums ir sagatavots saskaņā ar Latvijas Republikas Gada pārskatu un konsolidēto gada pārskatu likuma prasībām.

Pamatojoties vienīgi uz mūsu revīzijas ietvaros veiktajām procedūrām, mūsaprāt:

- vadības ziņojumā par finanšu gadu, par kuru ir sagatavots finanšu pārskats, sniegtā informācija atbilst finanšu pārskatam, un
- vadības ziņojums ir sagatavots saskaņā ar Latvijas Republikas Gada pārskatu un konsolidēto gada pārskatu likuma prasībām.



Vadības un personu, kurām uzticēta Sabiedrības pārvalde, atbildība par finanšu pārskatu

Vadība ir atbildīga par finanšu pārskatu, kas sniedz patiesu un skaidru priekšstatu, sagatavošanu saskaņā ar Latvijas Republikas Gada pārskatu un konsolidēto gada pārskatu likumu un par tādu iekšējo kontroli, kādu vadība uzskata par nepieciešamu, lai būtu iespējams sagatavot finanšu pārskatu, kas nesatur ne krāpšanas, ne kļūdu izraisītas būtiskas neatbilstības.

Sagatavojot finanšu pārskatu, vadības pienākums ir izvērtēt Sabiedrības spēju turpināt darbību, pēc nepieciešamības sniedzot informāciju par apstākļiem, kas saistīti ar Sabiedrības spēju turpināt darbību un darbības turpināšanas principa piemērošanu, ja vien vadība neplāno likvidēt Sabiedrību vai pārtraukt tās darbību, vai arī tai nav citas reālas alternatīvas kā Sabiedrības likvidēšana vai darbības pārtraukšana.

Personas, kurām uzticēta Sabiedrības pārvalde, ir atbildīgas par Sabiedrības finanšu pārskata sagatavošanas pārraudzību.

Revidenta atbildība par finanšu pārskata revīziju


Mūsu mērķis ir iegūt pietiekamu pārliecību par to, ka finanšu pārskats kopumā nesatur kļūdu vai krāpšanas izraisītas būtiskas neatbilstības, un sniegt revidentu ziņojumu, kurā izteikts atzinums. Pietiekama pārliecība ir augsta līmeņa pārliecība, bet tā negarantē, ka revīzijā, kas veikta saskaņā ar SRS, vienmēr tiks atklāta būtiska neatbilstība, ja tāda pastāv. Neatbilstības var rasties krāpšanas vai kļūdu rezultātā, un tās ir uzskatāmas par būtiskām, ja var pamatoti uzskatīt, ka tās katrā atsevišķi vai visas kopā varētu ietekmēt saimnieciskos lēmumus, ko lietotāji pieņem, pamatojoties uz šo finanšu pārskatu.

Veicot revīziju saskaņā ar SRS, mēs visā revīzijas gaitā izdarām profesionālus spriedumus un ievērojam profesionālo skepsi. Mēs arī:

- identificējam un izvērtējam riskus, ka finanšu pārskatā varētu būt krāpšanas vai kļūdu dēļ radušās būtiskas neatbilstības, izstrādājam un veicam revīzijas procedūras šo risku mazināšanai, kā arī iegūstam revīzijas pierādījumus, kas sniedz pietiekamu un atbilstošu pamatojumu mūsu atzinumam. Risks, ka netiks atklātas būtiskas krāpšanas radītas neatbilstības, ir augstāks nekā kļūdu izraisītu neatbilstību risks, jo krāpšana var ietvert slepenas norunas, dokumentu viltošanu, ar nodomu neuzrādītu informāciju, maldinošas informācijas sniegšanu vai iekšējās kontroles pārkāpumus;
- iegūstam izpratni par iekšējo kontroli, kas ir būtiska revīzijas veikšanai, lai izstrādātu konkrētiem apstākļiem atbilstošas revīzijas procedūras, nevis lai sniegtu atzinumu par Sabiedrības iekšējās kontroles efektivitāti;
- izvērtējam pielietoto grāmatvedības uzskaites politiku piemērotību un grāmatvedības aplēšu un attiecīgās vadības uzrādītās informācijas pamatotību;
- izdarām secinājumu par vadības piemērotā darbības turpināšanas principa atbilstību un, pamatojoties uz iegūtajiem revīzijas pierādījumiem, par to, vai pastāv būtiska nenoteiktība attiecībā uz notikumiem vai apstākļiem, kas var radīt nozīmīgas šaubas par Sabiedrības spēju turpināt darbību. Ja mēs secinām, ka būtiska nenoteiktība pastāv, revidentu ziņojumā tiek vērsta uzmanība uz finanšu pārskatā sniegto informāciju par šiem apstākļiem. Ja šāda informācijas finanšu pārskatā nav sniegta, mēs sniedzam modificētu atzinumu. Mūsu secinājumi ir pamatoti ar revīzijas pierādījumiem, kas iegūti līdz revidentu ziņojuma datumam. Tomēr nākotnes notikumu vai apstākļu ietekmē Sabiedrība savu darbību var pārtraukt;
- izvērtējam vispārējo finanšu pārskata izklāstu, struktūru un saturu, tajā skaitā pielikumā atklāto informāciju un to, vai finanšu pārskats patiesi atspoguļo tā pamatā esošos darījumus un notikumus.

Personām, kurām uzticēta Sabiedrības pārvalde, mēs cita starpā sniedzam informāciju par plānoto revīzijas apjomu un laiku, kā arī par svarīgiem revīzijas novērojumiem, tajā skaitā par būtiskiem iekšējās kontroles trūkumiem, kurus mēs identificējam revīzijas laikā.

SIA „ERNST & YOUNG BALTIC”
Licence Nr. 17



Diāna Krišjāne
Valdes priekšsēdētāja
LR zvērināta revidente
Sertifikāts Nr. 124

Rīgā, 2017. gada 29. maijā