

~~IEROBEŽOTAS PIEEJAMĪBAS~~
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REVERTA

~~STINGRI KONFIDENCIĀLI~~

Akciju sabiedrība «Reverta»
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VAS „Privatizācijas aģentūra”
Valdes priekšsēdētājam V. Loginova k-gam

Rīgā, 2016.gada 16.decembrī
Nr.2.-05/78

Par informāciju Eiropas Komisijai

Pielikumā nosūtām ziņojumu uz 3 lapām par AS „Reverta” sniegtā valsts atbalsta apmēra novirzēm pret 2015.gada 21.oktobra ziņojumā „AS „Reverta” sniegtā valsts atbalsta apmēra iespējamās novirzes, salīdzinot ar 2014.gada 9.jūlja Eiropas Komisijas lēmumā SA.36612-2014/C (ex 2013/NN)” noteikto, kam ir piekritusi Eiropas Komisija, tālākai iesniegšanai Eiropas Komisijā.

Ar cieņu,

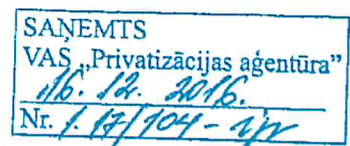
AS „Reverta” valdes priekšsēdētāja



Solvita Deglava

Deklasificēšanas pamatojums: EM 09.03.2026. vēstule Nr.7-12/2026/1417N

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MEMORANDUM

Riga, 16 December 2016

On deviations to approved state aid repayment schedule

In accordance with Memorandum „Potential deviations of state aid amounts provided to Reverta vs. European Commission's decision SA.36612 – 2014/C (ex 2013/NN) of July 9, 2014” as of 21 October 2015, submitted to the Commission, and the consequent Commission's confirmation of November 3, 2015 that no need for an amendment of the Commission decision is necessary, the state aid repayment schedule for the period 2015 till 2017 was the following (hereinafter – Prognosis 2015):

Issued debt securities	2015	2016	2017
At the beginning of period	455 354	421 854	359 354
Repayment of principal	(33 500)	(62 500)	(13 000)
At the end of period	421 854**	359 354	346 354
Interest payments	(18 895)	(17 718)	(3 658)
Additional pay on capitalised state aid*	(3 220)	(3 229)	(805)

* According to EC decision No C 26/2009 (ex N289/2009), dated 15.09.2010, interest 18% p.a. shall be paid on capitalised state aid as from 2014.

**In Prognosis 2015 (Worst case scenario) at the end of 2015 the liquidity aid balance was envisaged at EUR 447,0m due to the possible timing difference of resolution of 3 large exposures. The end balances for 2016 and 2017 were estimated to be the same in both Base case and Worst case scenarios.

During 2015 the payments (principal, interest and additional pay) related to liquidity aid to Reverta amounted to 53,1m EUR. As a result the outstanding balance of issued debt securities (liquidity aid principal) as at 31 December 2015 was 424,6m EUR, which was only by 2,7m EUR or 0,6% higher than 421,9m EUR envisaged in the Base case of Prognosis 2015. The Worst case scenario of Prognosis 2015 envisaged the outstanding balance of issued debt securities as at 31 December 2015 in amount of 447,0m EUR. Therefore the repayment of liquidity aid complied in all material aspects with Prognosis 2015.

Until the date of this memorandum during 2016 Reverta has made payments in respect to issued debt securities in amount of 46,6m EUR. On 20 December 2016 Reverta plans to transfer additional pay on capitalised state aid in amount of 3,2m EUR as well as on 30 December 2016 to repay 10,0m EUR of principal together with accrued interest in amount of 51k EUR. Therefore total amount of payments made by Reverta in respect to issued debt securities (liquidity aid) during 2016 will comprise 59,8m EUR and the outstanding balance of issued debt securities as at 31 December 2016 will be 384,6m EUR or by 25,3m EUR or 7% higher than 359,4m EUR envisaged in Prognosis 2015.

Issued debt securities	2016
At the beginning of period	424 646
Repayment of principal	(40 015)
At the end of period	384 631
Interest payments	(16 590)
Additional pay on capitalised state aid	(3 229)

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This deviation is explained by the following significant factors:

- (i) sustained uncertain geopolitical situation in the region which decreased the interest of investors from the East to invest in Latvia and Baltics significantly;
- (ii) the ability and willingness of debtors having assets in Russia to settle liabilities towards Reverta remains low;
- (iii) local investors have been significantly affected by existing macroeconomic slowdown in Latvia (estimated GDP growth rate of 1.8% or even lower compared to previous forecast of 2.5%). With very few exemptions local investors lack the interest and ability to enter into transactions with value above 500k EUR;
- (iv) still active and successful counteractions by debtors during legal recovery processes as well as inefficiency of the courts system and law enforcement institutions result in slower than expected cash recoveries.

These factors have had the following negative effects on Reverta's projected cash collections during 2016:

- cash proceeds from the sales of top 10 highest value properties (individual market value as estimated by independent valuator above 1,0m EUR) were projected in amount of 35,1m EUR. Out of projected sales of 10 real estate properties Reverta has managed to sell only 5 properties recovering 17,2m EUR instead of projected 18,0m EUR. The other 5 real estate properties with projected sales value of 17,1m EUR were not sold. Therefore 17,2m EUR have been collected in 2016 resulting in deviation of 17,8m EUR. Real estate properties which were not sold are now included in real estate portfolio offered to potential investors during the process of sales of Reverta's asset portfolios.
- it was projected to recover 34,5m EUR from 9 exposures having remaining recoverable amount above 1,0m EUR. From these 9 exposures during 11 months of 2016 Reverta recovered 21,0m EUR or by 13,5m EUR less than projected. This deviation is explained by worsened situation in Russia affecting recovery of 2 large exposures, malicious activities carried out by one of the debtors together with insolvency administrator resulted in delayed recovery of one large exposure in Latvia and delayed cash receipt from sales of collateral through auction.

At the same time during 11 months of 2016 from workout of loan portfolio Reverta has recovered 43,9m EUR and together with its subsidiaries sold 188 properties for total sales value of 23,5m EUR.

At the time of preparation of this memorandum Reverta has signed the deals with total value of 14,3m EUR that are expected to be completed and money to be received by the end of 2016/at the beginning of 2017. Also during the next few weeks the deals with total value of 9,5m EUR are likely to be signed, the cash proceeds from which might be received during the first quarter of 2017.

On sales process of remaining Reverta's asset portfolios

On 14 June 2016 the Government of Latvia has approved the new sale strategy for Reverta giving green light to the launch of sale of Reverta's asset portfolios to investors.

On 2 August 2016 the agreement with selected independent advisor KPMG Baltics was signed and the work on sales of remaining Reverta's asset portfolios was started. Reverta's assets were divided into 4 portfolios. On 20 October 2016 the teaser was sent out to 65 investors. In total 15 NDAs with potential investors were signed and virtual data room was opened for these investors on 17 November 2016.

The deadline for submission of non-binding bids was set on 13 December 2016 and 7 potential investors submitted their bids either for all 4 portfolios or for selected number of portfolios. Currently the

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submitted bids are evaluated and analysed together with KPMG with the aim to select the bidders for final bidding phase.

According to current plan at the beginning of January 2017 the final due diligence process will be started aiming to receive binding bids from investors until end of February 2017. During March – April 2017 based on evaluation of the binding bids received the decision to sell portfolios should be made by the Management Board and Supervisory Board of Reverta and Cabinet of Ministers and the respective sales agreements with selected investor/investors should be signed. The transfer of assets and closing is scheduled to take place until end of June 2016.

Taking into account that Reverta is in run-off mode thus not distorting competition and that the terms of the restructuring plan are closely observed with respect to the outstanding liquidity state aid, we kindly ask the European Commission for understanding and confirmation that no amendments are required to the European Commission's decision of July 9, 2014 in state aid case SA.36612 (2014/C), since the outstanding liquidity state aid to Reverta is affected by global economic circumstances beyond Reverta's reach.