

**Consolidated interim report for
the second quarter and first 6 months of 2014
(unaudited)**



Table of contents

BRIEF DESCRIPTION.....	3
MANAGEMENT REPORT	4
CONDENSED CONSOLIDATED INTERIM REPORT	8
Management Board’s declaration	8
Condensed consolidated statement of financial position	9
Condensed consolidated statement of comprehensive income	10
Condensed consolidated cash flow statement	11
Condensed consolidated statement of changes in equity	12
Notes to condensed consolidated interim report	13
Note 1 Accounting Principles Followed upon Preparation of the Consolidated Interim Accounts	13
Note 2 Investment property	13
Note 3 Borrowings	14
Note 4 Payables and prepayments.....	15
Note 5 Equity	15
Note 6 Expenses related to investment property	15
Note 7 Administrative and general expenses	16
Note 8 Earnings per share	16
Note 9 Segment	16
Note 10 Related party transactions	17

Brief description

AS Trigon Property Development is a real estate development company.

AS Trigon Property Development currently owns one real estate development project involving a 35.46-hectare area in the City of Pärnu, Estonia. Commercial real estate will be developed on this area.

The Group is listed in Nasdaq OMX Tallinn Stock Exchange. On November 6, 2012, the Listing and Surveillance Committee of NASDAQ OMX Tallinn decided to delist AS Trigon Property Development shares from the Main List starting November 21, 2012, and to admit the shares simultaneously to trading in the Secondary List.

In total OÜ Trigon Wood is controlling 59.62 % of votes represented by shares in AS Trigon Property Development. The biggest shareholders of OÜ Trigon Wood are AS Trigon Capital (30.13%), Veikko Laine Oy (26.49%), Hermitage Eesti OÜ (12.64%), Thominvest Oy (11.94%) and SEB Finnish Clients (10.96%).

Business name:	AS Trigon Property Development
Address:	Viru väljak 2 Tallinn 10111
Commercial Registry no.:	10106774
Beginning of financial year:	1.1.2014
End of financial year:	31.12.2014
Beginning of interim period:	1.1.2014
End of interim period:	30.6.2014
Auditor:	PricewaterhouseCoopers AS
Phone:	+372 6679 200
Fax:	+372 6679 201
E-mail:	info@trigonproperty.com
Internet homepage:	www.trigonproperty.com

Management report

Overview of business areas

The main business activity of Trigon Property Development AS is real estate development. As at 30.06.2014 AS Trigon Property Development owned one development project involving a 35.46-hectare area in the City of Pärnu, Estonia. Commercial real estate will be developed on this area. The property has been rented out to third parties until the beginning of the construction works. To finance the development the Group is planning to sell parts of the investment property. Trigon Property Development AS is considering expansion of business activity and analysing acquisition opportunities for various new projects.

Management

In order to manage the Trigon Property Development AS the general meeting of the shareholders, held at least once in a year, elects supervisory board, which according to the articles of association may have 3 to 7 members. Members of the Trigon Property Development AS supervisory board are Ülo Adamson (chairman of the supervisory board), Joakim Johan Helenius and Heiti Riisberg. Members of Trigon Property Development AS supervisory board are elected for five years. The mandates of current supervisory board members will expire on 29 June 2016. During the period between the general meetings the supervisory board plans actions of the company, organises management and accomplishes supervision over management actions. In order to manage daily activities the supervisory board appoints member(s) of the management board of the Trigon Property Development AS in accordance with the Commercial Code. In order to elect a member of the management board, his or her consent is required. By the articles of association a member of the management board shall be elected for a specified term of three years. Currently the management board of Trigon Property Development AS has one member. The term of office of the management board member Aivar Kempfi expires on 07 October 2016.

Audits are carried out by PricewaterhouseCoopers AS.

The law, the articles of association, decisions and goals stated by the shareholders and supervisory board are followed when managing the company. According to the Commercial Code a resolution on amendment of the articles of association shall be adopted, if at least two-third of the votes represented at a general meeting is in favour of the amendment.

Group structure

Shares of subsidiaries

	Location	Shareholding as of 30.06.2014	Shareholding as of 31.12.2013	Shareholding as of 30.06.2013
OÜ VN Niidu Kinnisvara	Estonia	100%	100%	100%

OÜ VN Niidu Kinnisvara was set up for the development of the land located in the area of Niidu Street in Pärnu.

Financial ratios

Statement of financial position	6 months 2014	6 months 2013
Total assets	2 332 173	2 297 199
Return on assets	-0.96%	-0.91%
Equity	2 149 571	2 159 855
Return on equity	-1.04%	-0.97%
Debt ratio	7.83%	5.98%
Share (30.06)		
Closing price of the share	0.487	0.440
Earnings per share	-0.00498	-0.00466
Price-to-earnings (PE) ratio	-97.89	-94.39
Book value of the share	0.48	0.48
Price-to-book ratio	1.02	0.92
Market capitalisation	2 191 043	1 979 587

Return on assets = net profit / total assets

Return on equity = net profit/ equity

Debt ratio = liabilities / total assets

Earnings per share = net profit/ number of shares

Price-to-earnings (PE) ratio = closing price of the share / earnings per share

Book value of the share = equity / number of shares

Price-to-book ratio = closing price of the share / book value of the share

Market capitalisation = closing price of the share * number of shares

Share

Since 5th of September 1997, the shares of Trigon Property Development AS have been listed in the Tallinn Stock Exchange. Trigon Property Development AS has issued 4,499,061 registered shares, each with the nominal value of 0.60 euros. The shares are freely transferable, no statutory restrictions apply. There are no restrictions on transfer of securities to the company as provided by contracts between the company and its shareholders.

The share with a price of 0.519 euros at the end of 2013 was closed in the end of June 2014 at 0.487 euros. In total of 172,303 shares were traded in the first six months of 2014 and the total sales amounted to 81,490 euros.

Share price and trading statistics on the Tallinn Stock Exchange from 01.01.2013 to 30.06.2014:



The distribution of share capital by the number of shares acquired as at 30.06.2014

	Number of shareholders	% of shareholders	Number of shares	% of share capital
1-99	82	19.48%	2 669	0.06%
100-999	157	37.29%	53 045	1.18%
1 000-9 999	151	35.87%	394 994	8.78%
10 000-99 999	26	6.18%	731 660	16.26%
100 000-999 999	4	0.95%	634 501	14.10%
1 000 000-9 999 999	1	0.24%	2 682 192	59.62%
TOTAL	421	100%	4 499 061	100%

List of shareholders with over 1% holdings as at 30.06.2014.

Shareholder	Number of shares	Ownership %
OÜ TRIGON WOOD	2 682 192	59.62
AS HARJU KEK	224 000	4.98
MADIS TALGRE	170 501	3.79
M.C.E.FIDARSI OSAÜHING	140 000	3.11
OÜ SUUR SAMM	100 000	2.22
Central Securities Depository of Lithuania	83 664	1.86
JAMES KELLY	82 468	1.83
Skandinaviska Enskilda Banken Finnish Clients	67 844	1.51
TOIVO KULDMÄE	49 231	1.09

Personal

AS Trigon Property Development had one employee as at 30 June 2014 and 31 December 2013. Total labour costs in first six months of 2014 were 8,040 euros (6m 2013: 8,844 euros).

Description of main risks

Interest rate risk

Interest rate risk is the risk that the interest rates of the Group's liabilities differ significantly from the market interest rates. The interest rate risk of AS Trigon Property Development is limited to the difference between the fixed interest rates of the Group's long-term borrowings and the market interest rates. At the time of preparing these financial statements, the market interest rates were higher than the interest rates of the Group's borrowings; therefore the fair value of the loan assumed by the Group is lower than its carrying amount.

Operating environment risk

The Group is exposed to the risk of real estate prices and real estate rental prices. The Group is not exposed to the market risk arising from financial instruments, as it does not hold any securities or derivative agreements.

Fair value

The fair values of accounts payable, short-term loans and borrowings do not materially differ from their book values. The fair value of long-term loans and borrowings is presented in Note 3.

Condensed consolidated interim report

Management Board's declaration

The Management Board confirms the correctness and completeness of the consolidated unaudited interim report of AS Trigon Property Development for the second quarter and first six months of 2014 as set out on pages 4-17.

The Management Board confirms that to the best of their knowledge:

1. the accounting policies and presentation of information applied in the preparation of the condensed consolidated interim report are in compliance with International Financial Reporting Standards (IFRS) as adopted in the European Union.
2. the interim report presents a true and fair view of the financial position, the results of operations and cash flows of the Group;
3. the management report presents true and fair view of significant events that took place during the accounting period and their impact to financial statements and includes the description of major risks and doubts;
4. group entities are going concerns.

Member of the Management Board



Aivar Kemp

29.08.2014

Condensed consolidated statement of financial position

<i>EUR</i>	30.06.2014	31.12.2013	30.06.2013
Cash	1 533	1 366	16 628
Receivables and prepayments	640	1 013	1 073
Total current assets	2 173	2 379	17 701
Investment property (Note 2)	2 330 000	2 330 000	2 290 000
Total non-current assets	2 330 000	2 330 000	2 290 000
TOTAL ASSETS	2 332 173	2 332 379	2 307 701
Borrowings (Note 3)	12 516	25 032	25 032
Payables and prepayments (Note 4)	25 240	25 747	18 586
Total current liabilities	37 756	50 779	43 618
Long-term borrowings (Note 3)	144 846	109 646	90 677
Total non-current liabilities	144 846	109 646	90 677
Total liabilities	182 602	160 425	134 295
Share capital at nominal value (Note 5)	2 699 437	2 699 437	2 699 437
Share premium	226 056	226 056	226 056
Statutory reserve capital	287 542	287 542	287 542
Retained earnings	-1 063 464	-1 041 081	-1 039 629
Total equity	2 149 571	2 171 954	2 173 406
TOTAL LIABILITIES AND EQUITY	2 332 173	2 332 379	2 307 701

The notes to the condensed consolidated interim report presented on pages 13-17 are an integral part of this report.

Condensed consolidated statement of comprehensive income

<i>EUR</i>	2 Q 2014	2 Q 2013	6 months 2014	6 months 2013
Rental income (Note 9)	1 140	3 640	2 280	7 280
Expenses related to investment property (Note 6)	0	-5 771	-5 771	-9 588
Gross loss	1 140	-2 131	-3 491	-2 308
Administrative and general expenses (Note 7)	-6 959	-9 109	-13 794	-15 435
Operating profit (-loss)	-5 819	-11 240	-17 285	-17 743
Net financial income	-3 361	-2 312	-5 098	-3 229
NET PROFIT (-LOSS) FOR THE PERIOD	-9 180	-13 552	-22 383	-20 972
TOTAL COMPREHENSIVE INCOME	-9 180	-13 552	-22 383	-20 972
Basic earnings per share (Note 8)	-0,00204	-0,00301	-0,00498	-0,00466
Diluted earnings per share (Note 8)	-0,00204	-0,00301	-0,00498	-0,00466

The notes to the condensed consolidated interim report presented on pages 13-17 are an integral part of this report.

Condensed consolidated cash flow statement

<i>EUR</i>	6 months	6 months
Cash flows from operating activities		
<i>Net profit (-loss) for the period</i>	-22 383	-20 972
<u>Adjustments for:</u>		
Interest charge	5 098	3 229
Changes in working capital:		
Change in receivables and prepayments related to operating activities	373	1 511
Change in liabilities and prepayments related to operating activities	-4 353	-8 075
Cash used in operations	-21 265	-24 307
Interests paid (Note 3)	-1 252	-1 252
Total cash flows used in operating activities	-22 517	-25 559
Cash flows from financing activities		
Received loans (Note 3)	35 200	17 000
Repayment of loans (Note 3)	-12 516	-12 516
Total cash flows from financing activities	22 684	4 484
CHANGE IN CASH BALANCE	167	-21 075
OPENING BALANCE OF CASH	1 366	26 868
CLOSING BALANCE OF CASH	1 533	5 793

The notes to the condensed consolidated interim report presented on pages 13-17 are an integral part of this report.

Condensed consolidated statement of changes in equity

<i>EUR</i>	Share capital	Share premium	Statutory reserve capital	Retained earnings	Total
Balance 31.12.2012	2 699 437	226 056	287 542	-1 032 209	2 180 826
Total comprehensive income for the period	0	0	0	-20 972	-20 972
Balance 30.06.2013	2 699 437	226 056	287 542	-1 053 181	2 159 854
Total comprehensive income for the period	0	0	0	12 100	12 100
Balance 31.12.2013	2 699 437	226 056	287 542	-1 041 081	2 171 954
Total comprehensive income for the period	0	0	0	-22 383	-22 383
Balance 30.06.2014	2 699 437	226 056	287 542	-1 063 464	2 149 571

Additional information regarding the owners' equity is provided in note 5.

The notes to the consolidated condensed interim financial statements presented on pages 13-17 are an integral part of these financial statements.

Notes to condensed consolidated interim report

Note 1 Accounting Principles Followed upon Preparation of the Consolidated Interim Accounts

General Information

The condensed interim report prepared as at 30 June 2014 include the consolidated results of AS Trigon Property Development and its wholly-owned subsidiary OÜ VN Niidu Kinnisvara (together referred to as the Group). The Group's main area of operations is real estate development.

Bases for Preparation

The accounting policies used for preparing the consolidated interim report of AS Trigon Property Development for the second quarter and first six months of 2014 are in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union. The presentation of the consolidated financial statements complies with the requirements of IAS 34 "Interim Financial Reporting". Consolidated interim financial statements should be read together with the consolidated annual report of last year. The accounting policies that have been used in the preparation of the condensed interim report are the same as those used in the consolidated annual report for the year ended 31 December 2013.

The financial statements have been prepared in euros (EUR).

Management estimates that AS Trigon Property Development is a going concern and the Group's consolidated interim report for the second quarter and first six months of 2014 presents a true and fair view of the financial position, the results of operations and the cash flows of AS Trigon Property Development. This interim report has not been audited.

Note 2 Investment property

	<i>EUR</i>
Balance as of 31.12.2012	2 290 000
Balance as of 30.06.2013	2 290 000
Change in fair value	40 000
Balance as at 31.12.2013	2 330 000
Balance as at 30.06.2014	2 330 000

Group currently owns one real estate development project involving a 35.46-hectare area in the City of Pärnu, Estonia.

The expenses related to the management of investment property totalled 5,771 euros in the first six months of 2014 (6m 2013: 9,588 euros).

The property has been rented out until the beginning of construction works under operating lease agreements. Revenue from the leasing of investment property totalled 2,280 euros in first six months of 2014 (6m 2013: 7,280 euros).

In 2013 the investment property was valued by independent valuer Newsec Valuations EE using the comparable transactions approach which benchmarked the value of Niidu land area against the prices of transacted land plots along the Pärnu City. The benchmark land plot prices ranged from EUR 8 to 15 per square meter, depending on the location and basic site infrastructure. Based on comparable transaction the valuer has estimated the sales price at 10.3 EUR/m². To evaluate the present value of the area as of 31.12.2013, the valuer has estimated the sales period to be 4 years and discount rate 18.7% was used.

As at 31 December 2013 the evaluation resulting in a fair value of 2,330,000 euros.

According to IFRS 13 real estate is considered level 3 investment. Main inputs are sales price, the discount rate and sales period in the discounted cash flow. Sensitivity of the main inputs to investment property fair value as of 31.12.2013:

Discount rate	sales price, EUR/m ²						
	8,85	9,31	9,80	10,32	10,84	11,38	11,95
16,0%	2 120 000	2 230 000	2 360 000	2 480 000	2 610 000	2 750 000	2 890 000
16,9%	2 070 000	2 190 000	2 310 000	2 440 000	2 560 000	2 700 000	2 840 000
17,8%	2 030 000	2 140 000	2 260 000	2 380 000	2 510 000	2 640 000	2 780 000
18,7%	1 990 000	2 100 000	2 210 000	2 330 000	2 450 000	2 580 000	2 720 000
19,6%	1 940 000	2 050 000	2 160 000	2 280 000	2 400 000	2 530 000	2 660 000
20,6%	1 900 000	2 010 000	2 120 000	2 230 000	2 350 000	2 470 000	2 600 000
21,6%	1 860 000	1 960 000	2 070 000	2 180 000	2 300 000	2 410 000	2 540 000

Sales period	
+1 year	2 250 000
-1 year	2 530 000

The property valuation is based on estimates, assumptions and historical experience adjusted with prevailing market conditions and other factors which management assesses to the best of its ability on an on-going basis. Therefore, based on the definition and taking into account that evaluation is based on a number of presumptions, which may not realize in assessed way, the valuation can be subject to significant adverse effects. This could lead to a significant change in the carrying amount of investment property in future periods. The fair value of the investment property, which is assessed using the described model is essentially dependent on whether this project could be accomplished and appropriate financing found in compliance with the presumptions made and schedule used in evaluation model.

As at 30 June 2014 and 31 December 2013, investment properties were encumbered with mortgages for the benefit of Estonian Republic in the amount of 395 thousand euros. Mortgages were set as collateral for long-term borrowings (note 3). As at 30 June 2014 and 31 December the carrying amount of investment properties encumbered with mortgages was 2,330,000 euros.

Note 3 Borrowings

EUR	30.06.2014	31.12.2013	30.06.2013
Current borrowings			
<i>Instalment payment for land</i>	12 516	25 032	12 516
TOTAL	12 516	25 032	12 516
Non-current borrowings			
<i>Instalment payment for land</i>	12 516	12 516	37 547
<i>Loans from related parties</i>	132 330	97 130	70 130
TOTAL	144 846	109 646	107 677

As at 30 June 2014 short-term borrowings include instalment payment for land 12,516 (30.06.2013: 12,516) euros with the repayment date 20 November 2014 (2013: 20 November 2013).

Non-current borrowings include the instalment payment for land 12,516 (2013: 37,547) euros on which interest in the fixed amount of 2,503 euros per annum is paid. The repayment date of the loan is 2015. Long-term borrowings include also loans from parent company in the amount of

132,330 (2013: 70,130) euros with interest rate 7% and the repayment date 31.12.2015. The loan received in 2014 has same terms as the previous loan.

Borrowing terms have not been breached during the accounting period or as at the balance sheet date.

Note 4 Payables and prepayments

<i>EUR</i>	30.06.2014	31.12.2013	31.03.2013
Payables	226	2 760	2 671
Interests	20 831	16 984	14 138
Other payables	4 183	6 003	342
TOTAL	25 240	25 747	17 151

Note 5 Equity

	Number of shares <i>pcs</i>	Share capital <i>EUR</i>
Balance 30.06.2014	4 499 061	2 699 437
Balance 31.12.2013	4 499 061	2 699 437
Balance 30.06.2013	4 499 061	2 699 437

The share capital of AS Trigon Property Development is 2,699,437 euros which is divided into 4,499,061 ordinary shares with the nominal value of 0.60 euro. The maximum share capital stipulated in the articles of association is 10,797,744 euros. Each ordinary share grants one vote to its owner at the General Meeting of Shareholders and the right to receive dividends.

As at 30 June 2014 the retained earnings amounted to -1,063,464 euros. As at 31 December 2013 the retained earnings amounted to -1,041,081 euros.

As at 30 June 2014, the Group had 421 shareholders (31 December 2013: 444 shareholders) of which the entities with more than a 5% holdings were:

- Trigon Wood OÜ with 2,682,192 shares or 59.62% (2013: 59.62%)

Members of the Management Board and Supervisory Board did not own directly any shares of Trigon Property Development AS as at 30 June 2014 and 31 December 2013

Note 6 Expenses related to investment property

<i>EUR</i>	2 Q 2014	2 Q 2013	6 months 2014	6 months 2013
Land tax	0	5 771	5 771	5 771
Other expenses	0	0	0	3 817
TOTAL	0	5 771	5 771	9 588

Note 7 Administrative and general expenses

<i>EUR</i>	2 Q 2014	2 Q 2013	6 months 2014	6 months 2013
Salary	4 020	4 020	8 040	8 844
Security transactions and stock exchange fees	1 704	2 850	3 253	2 850
Consulting	1 050	2 079	2 250	3 554
Other	185	160	251	187
TOTAL	6 959	9 109	13 794	15 435

Note 8 Earnings per share

<i>EUR</i>	6 months 2014	6 months 2013
Basic earnings per share (basic EPS)	-0.00498	-0.00466
Diluted earnings per share	-0.00498	-0.00466
Book value of the share	0.48	0.48
Price to earnings ratio (P/E)	-97.89	-94.39
Closing price of the share of AS Trigon Property Development on Tallinn Stock Exchange 30.06	0.487	0.440

Basic earnings per share have been calculated on the basis of the net profit for the interim period and the number of shares.

Diluted earnings per share equal the basic earnings per share because the Group does not have any potential ordinary shares with the dilutive effect on the earnings per share.

Note 9 Segment

The Group operates in one business segment - property investments. Property investment division rents out land and develops property in Estonia.

	6 months 2014		6 months 2013	
	<i>EUR</i>	%	<i>EUR</i>	%
Client A	0	0%	5 000	69%
Client B	2 280	100%	2 280	31%
TOTAL	2 280	100%	7 280	100%

Note 10 Related party transactions

The following parties are considered to be related parties:

- Parent company Trigon Wood OÜ and owners of the parent company;
- Members of the Management board, the Management Board and the Supervisory Board of AS Trigon Property Development and their close relatives;
- Entities under the control of the members of the Management Board and Supervisory Board;
- Individuals with significant ownership unless these individuals lack the opportunity to exert significant influence over the business decisions of the Group.

The Group is listed in secondary list of Nasdaq OMX Tallinn Stock Exchange. In total OÜ Trigon Wood is controlling 59.62 % of votes represented by shares in AS Trigon Property Development. Biggest shareholders of OÜ Trigon Wood are AS Trigon Capital (30.13%), Veikko Laine Oy (26.49%), SEB Finnish Clients (10.96%), Hermitage Eesti OÜ (12.64%) and Thominvest Oy (11.94%).

In 2014 and 2013 no remuneration has been paid to the Management or Supervisory board. There are no potential liabilities to members of the Management Board or Supervisory Board.

In first six months of 2014 Group received loan from related parties in the amount of 35,200 (6m 2013: 17,000) euros.

As at 30 June 2014 the balance of loans from parent company was in the amount of 132,330 (30.06.2013: 70,130) euros and the accrued interest from these loans was 20,831 (30.06.2013: 14,138) euros. In first six months of 2014 interest 3,847 (6m 2013: 1,978) euros were calculated.