

SIA “AGROCREDIT LATVIA”

**UNAUDITED ANNUAL ACCOUNTS
FOR SIX MONTHS ENDED
30 JUNE 2016**

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

SIA "AGROCREDIT LATVIA"
ANNUAL ACCOUNTS FOR SIX MONTHS ENDED 30 JUNE 2016
(TRANSLATION FROM LATVIAN)

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Information about the company

Information about the company	SIA AGROCREDIT LATVIA
Legal status of the Company	Limited liability company
Number, place and date of registration	40103479757 Commercial Registry Riga, 11 November 2011
Operations as classified by NACE classification code system	64.91 – Financial leasing 64.92 – Other credit granting
Address	Puķu street 8-7, Riga LV-1048, Latvia (till 19.04.2016) K.Ulmaņa gatve 119, Mārupe, Mārupe municipality, LV-2167 (from 19.04.2016)
Names and addresses of shareholders	AgroCredit Estonia OU (100%) Reg. No. 1000241097 Sirbi 9-2, Tallinn 11713, Estonia
Names and positions of Board members	Ģirts Vinters – Chairman of the Board Jānis Kārklīšs – Member of the Board
Financial year	1 January 2016 – 30 June 2016

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Management report

SIA AgroCredit Latvia (hereinafter – the Company) is a specialized financial services provider, offering credit services to farmers. The Company mainly issues short-term financing to crop farmers for the purchase of raw materials, which is repaid after the harvest sales.

Credit policy of the Company is classified as a relatively conservative using basic principles characteristic to banking practice. Taking decisions on financing, the Company considers such aspects as experience of the potential client in agriculture, financial results the previous year, the cropped area, cultural and regional aspects, as well as recommendations from other companies of the industry. The amount of financing is usually no more than half of the average expected sales volume of yield, which allows customers to pay for their obligations in poor yield years.

The Company provides the necessary resources for crediting from its own funds as well as attracts from external sources of financing- banks and investment funds, private investors and bonds.

In the first half of 2016 the Company has continued its growth and the total loan portfolio has increased by almost 20% compared to the respective period last year. The Company's credit policy has remained unchanged and it has mainly granted seasonal funding for crop farmers that will be repaid in autumn after the grain harvest realization. The Company's share capital was increased in order to provide additional leverage. The Company has also made preparations for its bonds to be included in a public market.

There are no planned significant changes in the Company's activities in the second half of the year. In September is expected current season's loan repayment and a seasonal decrease in the loan portfolio. At the same time the Company will start issuing funding for the new season, which will guaranteed by grain contracts of 2017.

Ģirts Vinters
Chairman of the Board

Jānis Kārklīšs
Member of the Board

Rīga, 31.08.2016

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Statement of management's responsibility

Management of SIA AgroCredit Latvia is responsible for preparation of financial statements for six months ended 30 June 2016.

Based on the information available to the Board, the financial statements are prepared on the basis of the relevant primary documents and statements in accordance with International Financial Reporting Standards as adopted by the European Union and present a true and fair view of the Group's assets, liabilities and financial position as at 30 June 2016 and its profit and cash flows for six months ended 30 June 2016.

The management of the Company confirms that the accounting policies and management estimates have been applied consistently and appropriately. The management of the parent company confirms that the consolidated financial statements have been prepared on the basis of the principles of prudence and going concern.

The management of Company confirms that is responsible for maintaining proper accounting records and for monitoring, controlling and safeguarding the Group's assets. The management of the parent company is responsible for detecting and preventing errors, irregularities and/or deliberate data manipulation. The management of the parent company is responsible for ensuring that the Group operates in compliance with the laws of the Republic of Latvia.

The management report presents fairly the Company's business development and operational performance.

Ģirts Vinters
Chairman of the Board

Jānis Kārklīšs
Member of the Board

Riga, 31.08.2016

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Comprehensive income statement for the period of six months ended 30 June 2016

	Notes	30.06.2016 EUR	30.06.2015 EUR
Interest and similar income	1	295 806	244 040
Interest expense	2	(132 417)	(113 095)
Administrative expense	3	(70 541)	(30 165)
Other operating income	4	-	866
Other operating expense	5	(9 130)	(3 932)
Other financial expense	6	(72)	(120)
Profit before taxes		83 646	97 594
Corporative income tax for the period	7	(12 590)	(14 672)
Deferred tax		71 056	82 922
Profit for the period			
Other income			
Total comprehensive income for the period		71 056	82 922

Notes on pages from 10 to 11 are integral part of these financial statements.

 Ģirts Vinters
 Chairman of the Board

 Jānis Kārklīšs
 Member of the Board

Riga, 31.08.2016

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Statement of financial position as at 30 June 2016

	Notes	30.06.2016. EUR	31.12.2015. EUR
<u>Assets</u>			
Long term investments			
Fixed assets		5 278	6 998
Loans and receivables		394 203	519 798
Deferred tax asset		-	-
Total long-term investments:		399 481	526 796
Current assets			
Loans and receivables		5 335 130	3 592 356
Other debtors		1 250	7 384
Cash and bank		101 067	25 203
Total current assets:		5 437 447	3 624 943
<u>Total assets</u>		5 836 928	4 151 739
<u>Liabilities</u>			
Shareholders' funds:			
Share capital		1 500 000	1 000 020
Other reserves		25	25
Retained earnings:			
- prior year's retained earnings		190 533	47 575
- current year's profit		71 056	142 958
Total shareholders' funds:		1 761 614	1 190 578
Creditors:			
Long-term creditors:			
Borrowings- SIA Nordea Finance Latvia		247 763	247 763
Accounts payable to affiliated companies		80 000	570 000
Bonds issued		940 000	540 000
Deferred tax liabilities		284	284
Total long-term creditors:		1 268 047	1 358 047
Short-term creditors:			
Borrowings- SIA Citadele banka		1 274 586	673 190
Borrowings- SIA Nordea Finance Latvia		57 434	114 819
Other borrowings		1 020 000	500 000
Bonds issued		380 000	290 000
Trade creditors and accrued liabilities		75 247	25 105
Total short-term creditors:		2 807 267	1 603 114
<u>Total liabilities and shareholders' funds</u>		5 836 928	4 151 739

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 Chairman of the Board

 Jānis Kārklīņš
 Member of the Board

Rīga, 31.08.2016

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Statement of changes in equity for the period of six months ended 30 June 2016

	Share capital EUR	Other reserves EUR	Retained earnings EUR	Total EUR
As at 31 December 2014	1 000 020	25	47 575	1 047 620
Profit for the year			142 958	142 958
As at 31 December 2015	1 000 020	25	190 533	1 190 578
Capital increase	499 980			499 980
Profit for the period			71 056	71 056
As at 30 June 2016	1 500 000	25	261 589	1 761 614

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SIA "AGROCREDIT LATVIA"
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Statement of cash flows for the period of six months ended 30 June 2016

	Note	30.06.2016 EUR	30.06.2015 EUR
<u>Cash flow from operating activities</u>			
Profit before extraordinary items and taxes		83 646	99 594
<u>Adjustments for:</u>			
- fixed assets depreciation		2 128	1 613
- interest and similar income		(273 478)	(231 606)
- interest and similar expense		120 598	108 995
Loss before adjustments of working capital and short-term liabilities		(67 106)	(21 404)
<u>Adjustments for:</u>			
- trade debtors' increase/ (decrease)		(797 505)	(236 712)
- trade creditors' (decrease)/ increase		1 457 258	799 057
Gross cash flow from operating activities		592 647	540 941
Interest paid		(73 330)	(37 423)
Interest payments received		176 686	148 308
Corporate income tax paid		(9 316)	(19 450)
Net cash flow from operating activities		619 581	632 376
<u>Cash flow from investing activities</u>			
Acquisition of fixed assets and intangibles		(409)	-
Loans issued		(1 931 614)	(1 335 693)
Received loans repayment		418 326	550 528
Cash flow from investing activities		(1 513 697)	(785 165)
<u>Cash flow from financing activities</u>			
Proceeds from increase of share capital		499 980	-
Loans received		1 010 000	140 000
Loans repaid		(540 000)	-
Net cash flow from financing activities		969 980	140 000
Net cash flow of the reporting year		75 864	(12 789)
Cash and cash equivalents at the beginning of the reporting year		25 203	14 260
Cash and cash equivalents at the end of reporting year		101 067	1 471

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Notes to the financial statements

(1) Interest and similar income

	30.06.2016	2015
	EUR	EUR
Commission fee income	20 625	11 827
Interest income on loans issued	275 181	232 213
Other interest income	-	-
	<u>295 806</u>	<u>244 040</u>

(2) Interest expense

Interest on loans received – SIA Citadele Banka	41 815	39 436
Interest on loans received – SIA Nordea Finance Latvia	6 168	4 781
Interest on loans received – other borrowings	26 519	35 718
Interest on loans received from affiliated companies	13 191	42
Bonds' coupon expense	32 905	28 017
Leverage expense	11 819	4 101
	<u>132 417</u>	<u>113 095</u>

(3) Administrative expense

Staff costs	25 450	9 727
Social insurance	6 004	2 295
Risk duty	4	6
Office goods	2 753	911
Communication expenses	1 349	1 307
Accounting Services	5 367	5 687
legal services	15 597	696
IT costs	2 717	3 445
Bank commission	298	376
Transportation costs	2 947	2 468
Depreciation of fixed assets	2 128	1 613
Office rent	3 523	854
Insurance payments	138	226
household goods	352	190
Business trip expenses	1 434	-
Representation costs	480	364
Other management costs	-	-
	<u>70 541</u>	<u>30 165</u>

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Notes to the financial statements (continued)

(4) Other operating income

	30.06.2016	2015
	EUR	EUR
Other interest income	-	-
Other interest income from AgroCredit Estonia OU	-	866
	<u>-</u>	<u>866</u>

(5) Other operating expense

Donations	-	7
Net foreign exchange fluctuations	-	-
Membership fees	3 351	749
Marketing and advertising costs	5 302	3 095
Promotion costs	477	81
	<u>9130</u>	<u>3 932</u>

(6) Other financial expense

Interest paid – SIA Nordea Finance Latvia	72	120
Penalties	-	-
	<u>72</u>	<u>120</u>

(7) Corporate income tax for the period

Corporate income tax charge for the reporting period	12 590	14 672
Deferred tax charge	-	-
	<u>12 590</u>	<u>14 672</u>

Subsequent events

There are no subsequent events since the last date of the reporting year, which would have a significant effect on the financial position of the Company as at 30 June 2016.