

**SIA “AGROCREDIT LATVIA”
UNAUDITED ANNUAL ACCOUNTS
FOR SIX MONTHS ENDED JUNE 30, 2019**

**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 JUNE 30, 2019
(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	K.Ulmaņa gatve 119, Mārupe, Mārupe municipality, LV-2167
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
Person responsible for accounting	Evija Šverna – accountant
Financial year	January 01, 2019 – June 30, 2019

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Management report

Type of operations

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- emitting bonds, banks and private investors.

The Company's performance during the reporting year

The Company was developing further in 1H2019 and the total assets grew by 25% in comparison to the 6m midterm data of 2018. The total interest income increased by 18.5% and the net profit by 43%.

After 2 unfavourable seasons in 2017-2018, this season looks promising in grain growing and the crop productivity is forecasted above average in all regions of Latvia. That will allow the farmers to fix their financial state and cash-flows. Already in the 1st half of the year the Company managed to revolve the impairments of some debtors who managed to pay their liabilities.

The Company started successful cooperation with peer-to peer lending platform Mintos to finance the increase of the credit portfolio. Also additional bonds were listed in Nasdaq and the total bond amount listed achieved 4 mEUR.

The Company's exposure to risks

The Company's main risks are related to its customers' ability to pay for the loans. Quality of credit granting decisions and customer solvency assessment is essential in risk management.

Borrowers' ability to repay loans influenced by external factors - yield and grain prices on the stock exchange. Therefore, the deciding on credits, it is important to provide the customer's ability to repay the loan in poor yield years and unfavourable market conditions.

Statement on internal control procedures

The Board confirms that the internal control procedures are efficient and the risk management and internal control during the whole year has been carried out in accordance with the mentioned control procedures.

Future prospects

Significant part of the credit portfolio will be repaid during the Autumn. Active sales and marketing activities are planned for the coming months to offer the financing for the customers for the next season. The development of IT systems will be continued to make data management more effective and create online solutions with our cooperation partners.

Ģirts Vinters
Chairman of the Board
Rīga, August 28, 2019

Jānis Kārklīņš
Member of the Board

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Statement of management`s responsibility

The management of SIA AgroCredit Latvia is responsible for the preparation of the mid-term financial statements.

Based on the information available to the Board of the Company, 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 Company's assets, liabilities and financial position as at 30 June 2019 and its profit and cash flows for 1H of year 2019.

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

The management of the Company confirms that is responsible for maintaining proper accounting records and for monitoring, controlling and safeguarding the Company's assets. The management of the Company is responsible for detecting and preventing errors, irregularities and/or deliberate data manipulation. The management of the Company is responsible for ensuring that the Company 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 Kārklīņš
Member of the Board

Rīga, August 28, 2019

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Comprehensive income statement for the period of six months ended June 30, 2019

	Pielikums	30.06.2019 EUR	30.06.2018 EUR
Interest and similar income	1	420 987	355 024
Interest expense	2	(187 561)	(155 558)
Administrative expense	3	(94 678)	(108 261)
Other operating expense	4	(19 204)	(7 646)
Other financial expense	5	-	-
Profit before taxes		119 544	83 559
Corporative income tax for the period	6	-	-
Profit for the period		119 544	83 559
Other income		-	-
Total comprehensive income for the period		119 535	83 559

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

 Evija Šverna
 Accountant

Riga, August 28, 2019

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Statement of financial position as at June 30, 2019

	Pielikums	30.06.2019. EUR	31.12.2018. EUR
<u>Assets</u>			
Long term investments			
Fixed assets		5 839	7 081
Loans and receivables		321 752	321 752
Total long-term investments:		327 591	328 833
Current assets			
Loans and receivables		7 926 715	5 205 264
Other debtors		189	18 985
Cash and bank		112 474	373 500
Total current assets:		8 039 378	5 597 749
<u>Total assets</u>		8 366 969	5 926 582
<u>Liabilities</u>			
Shareholders' funds:			
Share capital		1 500 000	1 500 000
Other reserves		25	25
Retained earnings:			
- prior year's retained earnings		331 965	119 365
- current year's profit		119 544	212 600
Total shareholders' funds:		1 951 534	1 831 990
Creditors:			
Long-term creditors:			
Borrowings		3 691 900	3 100 000
Total long-term creditors:		3 691 900	3 100 000
Short-term creditors:			
Borrowings		2 536 130	974 805
Trade creditors and accrued liabilities		187 405	19 787
Total short-term creditors:		2 723 535	994 592
<u>Total liabilities and shareholders' funds</u>		8 366 969	5 926 582

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Statement of changes in equity for the period of six months ended June 30, 2019

	Share capital	Other reserves	Retained earnings	Total
	EUR	EUR	EUR	EUR
As at January 01, 2018	1 500 000	25	119 365	1 619 390
Dividends paid			-	-
Profit for the period	-	-	212 600	212 600
As at December 31, 2018	1 500 000	25	331 965	1 831 990
Profit for the period	-	-	119 544	119 544
As at June 30, 2019	1 500 000	25	451 509	1 951 534

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Statement of cash flows for the period of six months ended June 30, 2019

	30.06.2019	30.06.2018
	EUR	EUR
<u>Cash flow from operating activities</u>		
Profit before extraordinary items and taxes	119 544	83 559
Adjustments for:		
- fixed assets depreciatio	1 242	-
- interest and similar income	(420 987)	(355 024)
- interest and similar expense	181 583	135 842
- izmaiņas uzkrājumos	-	15 000
Loss before adjustments of working capital and shortterm liabilities	(118 618)	(120 623)
Adjustments for:		
- trade debtors' increase/ (decrease)	3 773	(14 250)
- trade creditors' (decrease)/ increas	(4 789)	21 182
Gross cash flow from operating activities	(119 634)	(113 691)
Interest paid	(135 886)	(48 913)
Interest payments received	278 764	260 089
Corporate income tax paid	15 022	(11 211)
Net cash flow from operating activities	38 266	86 274
<u>Cash flow from investing activities</u>		
Acquisition of fixed assets and intangibles	-	-
Loans issued	(3 177 334)	(2 422 233)
Received loans repayment	598 107	1 076 877
Cash flow from investing activities	(2 579 227)	(1 345 356)
<u>Cash flow from financing activities</u>		
Loans received	4 494 992	2 427 500
Loans repaid	(2 215 057)	(1 176 745)
Net cash flow from financing activities	2 279 935	1 250 755
Net cash flow of the reporting year	(261 026)	8 327
Cash and cash equivalents at the beginning of the reporting year	373 500	2 911
Cash and cash equivalents at the end of reporting year	112 474	11 238

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(1) Interest and similar income

	30.06.2019	30.06.2018
	EUR	EUR
Interest income on loans issued	394 590	332 555
Commission fee income	26 397	22 469
	<u>420 987</u>	<u>355 024</u>

All of the Company's revenues generated Latvia.

(2) Interest expense

Interest on loans received – SIA Citadele Banka	-	31 032
Leverage expense	5 979	4 716
LCD bonds' coupon expense	117 584	96 250
Loans from related companies	16 760	-
Interest on loans received – SIA Nordea Finance Latvia	233	2 020
Interest on loans received – other borrowings	47 005	6 540
	<u>187 561</u>	<u>140 558</u>

(3) Impairment

Change of provision for doubtful debts	-	15 000
	<u>-</u>	<u>15 000</u>

(4) Administrative expense

Staff costs	26 434	26 436
Legal services	24 151	32 890
Accounting Services	3 815	4 345
Social insurance	6 368	6 368
Transportation costs	8 277	10 461
Office rent	4 654	4 670
IT costs	11 982	14 307
Office goods	2 797	3 465
Depreciation of fixed assets	1 242	-
Communication expenses	1 801	1 585
Bank commission	272	219
Insurance payments	633	2 593
Risk duty	7	7
Other management costs	2 245	915
	<u>94 678</u>	<u>108 261</u>

(5) Other operating expense

Marketing and advertising costs	2 086	1 633
Promotion costs	2 245	1 660
Debt recovery costs	12 372	2 554
Membership fees	2 501	1 799
	<u>19 204</u>	<u>7 646</u>

(6) Corporate income tax for the period

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Corporate income tax charge for the reporting period	_____ -	_____ -
	_____ -	_____ -

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 June 30, 2019.

Ģirts Vinters
Chairman of the Board

Jānis Kārklīšs
Member of the Board

Evija Šverna
Accountant

Riga, August 28, 2019