

SIA “ExpressCredit”

**UNAUDITED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD 01.01.2018.-30.06.2018.**

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

Translation from Latvian

EXPRESSCREDIT SIA
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FOR THE PERIOD 01.01.2018.-30.06.2018. (TRANSLATION FROM LATVIAN)

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Information on the Company

Name of the Company	ExpressCredit SIA
Legal status of the Company	Limited liability company
Number, place and date of registration	40103252854 Commercial Registry Riga, 12 October 2009
Operations as classified by NACE classification code system	NACE2 64.91 Financial leasing NACE2 64.92 Other credit granting NACE2 47.79 Retail sale of second-hand goods in stores
Address	Raunas street 44 k-1, Riga, LV-1039 Latvia
Names and addresses of shareholders	Lombards24.lv, SIA (65.99%) Raunas street 44k-1, Riga, Latvia AE Consulting, SIA 31.51% (until 20.12.2017.) 10% (from 20.12.2017.) Posma street 2, Riga, Latvia EC finance, SIA (21.51% from 20.12.2017.), Raunas street 44k-1, Riga, Latvia Private individuals (2.5% - from 23.12.2015)
Ultimate parent company	AS EA investments, reģ. Nr. 40103896106 Raunas street 44k-1, Riga, Latvia
Names and positions of Board members	Agris Evertovskis - Chairman of the Board Kristaps Bergmanis - Member of the Board Didzis Admidins - Member of the Board Ivars Lamberts - Member of the Board
Names and positions of Council members	Ieva Judinska-Bandeniece – Chairperson of the Council Uldis Judinskis - Deputy Chairman of the Council Ramona Miglane - Member of the Council
Responsible person for accounting	Santa Šoldre - Chief accountant
Financial period	1 January – 30 June 2018

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Information on the Subsidiaries

Subsidiary	SIA ExpressInkasso (parent company interest in subsidiary – 100%)
Date of acquisition of the subsidiary	22.10.2010
Number, place and date of registration of the subsidiary	40103211998; Riga, 27 January 2009
Address of the subsidiary	Raunas Street 44 k-1; Riga, LV 1039, Latvia
Operations as classified by NACE classification code system of the subsidiary	66.1 Financial support services except insurance and pension accrual
Subsidiary	SIA ViziaFinance (till 07.03.2018. SIA MoneyMetro) (parent company interest in subsidiary – 100%)
Date of acquisition of the subsidiary	23.02.2015
Number, place and date of registration of the subsidiary	40003040217, Riga, 06 December 1991
Address of the subsidiary	Raunas Street 44 k-1, Riga, LV 1039, Latvia (till 30.04.2015 – Kalēju street 18/20, Riga)
Operations as classified by NACE classification code system of the subsidiary	64.92 Other financing services

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Statement of management's responsibility

The management of SIA „ExpressCredit” group is responsible for the preparation of the financial statements.

Based on the information available to the Board of the parent company of the Group, 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 2018 and its profit and cash flows for the period from 1 January to 30 June 2018.

The management of the parent 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 the parent 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 Group's business development and operational performance.

Agris Evertovskis
Chairman of the Board

Didzis Ādmīdiņš
Board Member

Kristaps Bergmanis
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Riga, 03 August 2018

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Management report

In the first half of 2018, the company's turnover amounted to EUR 9.2 million, an increase of 5.7% compared to the corresponding period in 2017, while the profit for the period was EUR 2.3 million.

In the first half of 2018, SIA ExpressCredit Group company ViziaFinance successfully launched its operations under VIZIA brand name. VIZIA operates in online consumer loan segment. The creation of a new brand corresponds to the company's strategy to increase its market share in the distance lending market in Latvia.

SIA ExpressCredit delivers continues improvements in determining the solvency and creditworthiness of clients to provide only loans that are tailored to the client and comply with the legal requirements for solvency assessment. The company has successfully adapted several technological solutions that allow successful management of the company's risks with respect to creditworthiness assessment. Accordingly, in the 2nd quarter of 2018, only 13% of new customer loan applications were approved, while for repeat customers - 78%.

In the 2nd quarter of 2018, the company actively participated in the non-profit organization Alternative Financial Services Association of Latvia, which carried out educational and informational work related to sectoral legislative initiatives. The company advocates for principle of legal certainty and well-considered regulation of the industry. The company supports industry development initiative for promoting a wider exchange of information among market participants, which would provide the company with more information in assessing customer solvency.

Compared to the first half of 2017, profitability indicators have improved over the period of 2018. In addition, the positive impact on financial indicators was related to changes in tax regulations regarding the non-taxation of corporate income tax on reinvested earnings.

By implementing business strategy and all planned activities the following financial results of the Group were achieved in 1st half of 2018:

Position	EUR, million	Change* %
Net loan portfolio	17.59	+11.02
Assets	22.81	+7.02
Net profit	2.27	+57.51

* - comparison to the amounts as at 31.12.2017, except for net profit that is compared to respective period of the year 2017

Branches

During the period from 1 January 2018 to 30 June, work on the branch network efficiency was continued. As at 30 June 2018 the Group had 86 branches in 39 cities in Latvia (31.12.2017. - 92 branches in 39 cities).

Post balance sheet events

There are no subsequent events since the last date of the reporting period, which would have a significant effect on the financial position of the Company as at 30 June 2018.

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Profit or loss account for the half year ended 30 June 2018

	01.01.2018.- 30.06.2018. EUR	01.01.2017.- 30.06.2017. EUR
Net sales	1 980 398	1 991 345
Cost of sales	(1 271 229)	(1 328 174)
Interest income and similar income	7 237 943	6 727 333
Interest expenses and similar expenses	(1 148 751)	(817 644)
Gross profit	6 798 361	6 572 860
Selling expenses	(3 025 627)	(2 892 499)
Administrative expenses	(1 253 266)	(1 065 613)
Other operating income	60 489	34 326
Other operating expenses	(292 186)	(902 144)
Profit before taxes	2 287 771	1 746 930
Corporate income tax for the reporting year	(14 639)	(303 765)
Current year's profit	2 273 132	1 443 165
Earnings per share	1.52	0.93
Diluted earnings per share	1.52	0.93
Comprehensive income statement the half year ended 30 June 2018		
	01.01.2018.- 30.06.2018. EUR	01.01.2017.- 30.06.2017. EUR
Current year's profit	2 273 132	1 443 165
Other comprehensive income	-	-
Total comprehensive income	2 273 132	1 443 165

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Balance sheet as at 30 June 2018

Assets	30.06.2018.	31.12.2017.
	EUR	EUR
Long term investments		
Fixed assets and intangible assets, goodwill	607 277	600 794
Loans and receivables	2 697 275	1 912 896
Loans to shareholders and management	828 920	746 619
Loans to affiliated companies	489 151	551 594
Total long-term investments:	4 622 623	3 811 903
Current assets		
Goods for sale	1 091 059	682 995
Loans and receivables	14 893 617	13 930 776
Receivables from affiliated companies	13 777	4 377
Other debtors	198 242	600 093
Deferred expenses	40 700	67 538
Cash and bank	1 953 649	2 219 747
Total current assets:	18 191 044	17 505 526
Total assets	22 813 667	21 317 429
Liabilities		
Shareholders' funds:		
Share capital	1 500 000	1 500 000
Prior years' retained earnings	446 421	232 708
Current year's profit	2 273 132	1 956 770
Total shareholders' funds:	4 219 553	3 689 478
Creditors:		
Long-term creditors:		
Bonds issued	6 126 368	7 052 187
Other borrowings	1 657 712	1 444 391
Total long-term creditors:	7 784 080	8 496 578
Short-term creditors:		
Bonds issued	1 763 435	1 014 743
Other borrowings	7 810 182	6 834 774
Accounts payable to affiliated companies	-	51 280
Trade creditors and accrued liabilities	972 590	827 612
Taxes and social insurance	263 827	402 964
Total short-term creditors:	10 810 034	9 131 373
Total liabilities and shareholders' funds	22 813 667	21 317 429

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Statement of changes in equity of the Group for the half year ended 30 June 2018

	Share capital	Prior years' retained earnings	Current year's profit	Total
	EUR	EUR	EUR	EUR
As at 31 December 2016	1 500 000	345 348	960 717	2 806 065
Dividends paid	-	(1 073 474)	(996 526)	(2 070 000)
Prior years' retained earnings of subsidiary sold	-	-	117	117
Profit transfer	-	960 834	(960 834)	-
Profit for the year	-	-	2 953 296	2 953 296
As at 31 December 2017	1 500 000	232 708	1 956 770	3 689 478
Dividends paid	-	(1 739 714)	-	(1 739 714)
Prior years' retained earnings of subsidiary sold	-	(3 343)	-	(3 343)
Profit transfer	-	1 956 770	(1 956 770)	-
Profit for the year	-	-	2 273 132	2 273 132
As at 30 June 2018	1 500 000	446 421	2 273 132	4 219 553

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Cash flow statement for the half year ended 30 June 2018

	01.01.2018.- 30.06.2018. EUR	01.01.2017.- 30.06.2017. EUR
<u>Cash flow from operating activities</u>		
Profit before extraordinary items and taxes	2 287 771	1 746 930
<u>Adjustments for:</u>		
a) fixed assets and intangible assets depreciation	124 597	103 779
b) accruals and provisions (except for provisions for bad debts)	306 213	12 187
c) write-off of provisions	12 706	31 528
d) cessation results	209 895	867 892
e) interest income	(7 237 943)	(6 727 333)
f) interest and similar expense	1 148 751	817 644
g) (profit)/ loss on fixed assets disposal	(3 280)	(7 615)
h) other adjustments	(3 343)	30 218
Loss before adjustments of working capital and short-term liabilities	(3 154 633)	(3 124 770)
<u>Adjustments for:</u>		
a) (increase)/ decrease in consumer loans issued (core business) and other debtors	(2 211 703)	(5 028 562)
b) stock increase	(420 770)	(17 293)
c) trade creditors' (decrease)/ increase	168 212	30 289
Gross cash flow from operating activities	(5 618 894)	(8 140 336)
Corporate income tax payments	(161 746)	(91 918)
Interest income	7 153 526	6 700 126
Interest paid	(1 149 286)	(835 351)
Net cash flow from operating activities	223 600	(2 367 479)
<u>Cash flow from investing activities</u>		
Earnings from the disposal of shares in subsidiaries	560 076	-
Acquisition of fixed assets and intangibles	(119 627)	(94 986)
Proceeds from sales of fixed assets and intangibles	7 534	28 459
Loans issued/repaid (other than core business of the Company) (net)	(127 852)	669 171
Acquisition of assets for sale	-	(5 000)
Net cash flow from investing activities	320 131	597 644
<u>Cash flow from financing activities</u>		
Loans received and bonds issued (net)	4 948 917	4 574 720
Redemption/purchase of bonds	(1 106 000)	(1 368 000)
Loans repaid	(2 882 060)	(1 831 763)
Finance lease payments	(30 972)	(42 161)
Dividends paid	(1 739 714)	-
Net cash flow from financing activities	(809 829)	1 332 796
Net cash flow of the reporting year	(266 098)	(437 039)
Cash and cash equivalents at the beginning of the reporting year	2 219 747	1 279 410
Cash and cash equivalents at the end of reporting year	1 953 649	842 371

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Age analysis of claims against debtors for loans issued:

	30.06.2018.	31.12.2017.
	EUR	EUR
Receivables not yet due	16 421 844	14 549 165
Outstanding 1-30 days	1 126 079	878 658
Outstanding 31-90 days	648 871	564 932
Outstanding 91-180 days	481 001	412 055
Outstanding for 181-360 days	439 954	383 567
Outstanding for more than 360 days	136 707	412 912
Total gross claims against debtors for loans issued	19 254 456	17 201 289
Provisions for bad and doubtful trade debtors	(1 663 564)	(1 357 617)
Total net claims against debtors for loans issued	17 590 892	15 843 672

 Agris Evertovskis
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