

SIA “AGROCREDIT LATVIA”

**UNAUDITED ANNUAL ACCOUNTS
FOR SIX MONTHS ENDED JUNE 30, 2017**

**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, 2017
(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 (90%) Reg.No. 1000241097 Sirbi 9-2, Tallinn 11713, Estonia K Investments SIA (10%) Reg.No. 40103978402 Puķu 8-7, Riga, LV-1048, Latvia |
| 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, 2017 – June 30, 2017 |

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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 growing continuously in 2017 and exceeded the loan portfolio of 7 mEUR in the end of the grain season. The additional resources of financing were injected through emitting of bonds (totally bonds in a value of 3mEUR listed in stock exchange). It resulted into lower financing costs for the company as bonds are effective way of attracting the financing and gainful tax wise.

The total interest income grew by 15% and net profit by 25% in comparison to 1H2016. The total assets have grown by 33% during the last 12 months.

This season is forecasted was comparatively successful in grain growing business. The harvesting in Zemgale and Kurzeme is moving towards the end and the grain yields exceeds the average numbers. In Latgale and Vidzeme the harvesting is delayed due to wet weather and the results will be seen during the next weeks. Still the yields are forecasted lower than in other regions. The grain prices have not changed significantly in a comparison to last season. The overall expectations are that the borrowers will be able to fulfil their liabilities towards the Company.

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

The repayment of this season's financing will take during the coming months. In parallel the new seasonal financing agreements will be concluded. There are no plans to change the principles of the activities of the Company and credit policy.

Ģirts Vinters
Chairman of the Board

Jānis Kārklīņš
Member of the Board

Rīga, August 28, 2017

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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 2017 and its profit and cash flows for 1H of year 2017.

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

Riga, August 28, 2017

Jānis Kārklīņš
Member of the Board

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Comprehensive income statement for the period of six months ended June 30, 2017

| | Notes | 30.06.2017 EUR | 30.06.2016 EUR |
|--|-------|-------------------|-------------------|
| Interest and similar income | 1 | 348 577 | 295 806 |
| Interest expense | 2 | (149 374) | (132 417) |
| Administrative expense | 3 | (87 235) | (70 541) |
| Other operating expense | 4 | (7 262) | (9 130) |
| Other financial expense | 5 | - | (72) |
| Profit before taxes | | 104 706 | 83 646 |
| Corporative income tax for the period | 6 | (15 833) | (12 590) |
| Profit for the period | | 88 873 | 71 056 |
| Other income | | - | - |
| Total comprehensive income for the period | | 88 873 | 71 056 |

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, 2017

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Statement of financial position as at June 30, 2017

| | Notes | 30.06.2017. EUR | 31.12.2016. EUR |
|---|-------|-------------------------|-------------------------|
| <u>Assets</u> | | | |
| Long term investments | | | |
| Fixed assets | | 2 622 | 2 729 |
| Loans and receivables | | 206 219 | 206 219 |
| Deferred tax asset | | 10 347 | 10 347 |
| Total long-term investments: | | 219 188 | 219 295 |
| Current assets | | | |
| Loans and receivables | | 6 617 831 | 4 841 576 |
| Other debtors | | - | 7 492 |
| Cash and bank | | 13 225 | 77 761 |
| Total current assets: | | 6 631 056 | 4 926 829 |
| <u>Total assets</u> | | <u>6 850 244</u> | <u>5 146 124</u> |
| <u>Liabilities</u> | | | |
| Shareholders' funds: | | | |
| Share capital | | 1 500 000 | 1 500 000 |
| Other reserves | | 25 | 25 |
| Retained earnings: | | | |
| - prior year's retained earnings | | 241 297 | 190 533 |
| - current year's profit | | 88 873 | 50 764 |
| Total shareholders' funds: | | 1 830 195 | 1 741 322 |
| Creditors: | | | |
| Long-term creditors: | | | |
| Borrowings | | 3 005 399 | 1 800 399 |
| Total long-term creditors: | | 3 005 399 | 1 800 399 |
| Short-term creditors: | | | |
| Borrowings | | 1 898 968 | 1 588 665 |
| Trade creditors and accrued liabilities | | 115 682 | 15 738 |
| Total short-term creditors: | | 2 014 650 | 1 604 403 |
| <u>Total liabilities and shareholders' funds</u> | | <u>6 850 244</u> | <u>5 146 124</u> |

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Ģirts Vinters
Chairman of the Board

Jānis Kārklīš
Member of the Board

Evija Šverna
Accountant

Riga, August 28, 2017

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Statement of changes in equity for the period of six months ended June 30, 2017

| | Share capital | Other reserves | Retained earnings | Total |
|--------------------------------|------------------|----------------|-------------------|------------------|
| | EUR | EUR | EUR | EUR |
| As at January 01, 2016 | 1 000 020 | 25 | 190 533 | 1 190 578 |
| Capital increase | 499 980 | - | - | 499 980 |
| Profit for the period | - | - | 50 764 | 50 764 |
| As at December 31, 2016 | 1 500 000 | 25 | 241 297 | 1 741 322 |
| Profit for the period | - | - | 88 873 | 88 873 |
| As at June 30, 2017 | 1 500 000 | 25 | 330 170 | 1 830 195 |

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

SIA "AGROCREDIT LATVIA"
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Statement of cash flows for the period of six months ended June 30, 2017

| | Note | 30.06.2017 EUR | 30.06.2016 EUR |
|---|------|--------------------|--------------------|
| <u>Cash flow from operating activities</u> | | | |
| Profit before extraordinary items and taxes | | 104 706 | 83 646 |
| Adjustments for: | | | |
| - fixed assets depreciatio | | 827 | 2 128 |
| - interest and similar income | | (321 296) | (273 478) |
| - interest and similar expense | | 145 163 | 120 598 |
| Loss before adjustments of working capital and shortterm liabilities | | (70 600) | (67 106) |
| Adjustments for: | | | |
| - trade debtors' increase/ (decrease) | | 42 216 | (797 505) |
| - trade creditors' (decrease)/ increas | | (1 073) | 1 457 258 |
| Gross cash flow from operating activities | | (29 457) | 592 647 |
| Interest paid | | (61 822) | (73 330) |
| Interest payments received | | 225 350 | 176 686 |
| Corporate income tax paid | | (13 129) | (9 316) |
| Net cash flow from operating activities | | 50 342 | 619 581 |
| <u>Cash flow from investing activities</u> | | | |
| Acquisition of fixed assets and intangibles | | (719) | (409) |
| Loans issued | | (2 403 001) | (1 931 614) |
| Received loans repayment | | 773 539 | 418 326 |
| Cash flow from investing activities | | (1 630 181) | (1 513 697) |
| <u>Cash flow from financing activities</u> | | | |
| Proceeds from increase of share capital | | - | 499 980 |
| Loans received | | 3 330 600 | 1 010 000 |
| Loans repaid | | (1 815 297) | (540 000) |
| Net cash flow from financing activities | | 1 515 303 | 969 980 |
| Net cash flow of the reporting year | | (64 536) | 75 864 |
| Cash and cash equivalents at the beginning of the reporting year | | 77 761 | 25 203 |
| Cash and cash equivalents at the end of reporting year | | 13 225 | 101 067 |

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Notes to the financial statements

(1) Interest and similar income

| | 30.06.2017 | 30.06.2016 |
|---------------------------------|-----------------------|-----------------------|
| | EUR | EUR |
| Interest income on loans issued | 326 620 | 275 181 |
| Commission fee income | 21 957 | 20 625 |
| Other interest income | - | - |
| | <u>348 577</u> | <u>295 806</u> |

All of the Company's revenues generated Latvia.

(2) Interest expense

| | | |
|--|-----------------------|-----------------------|
| Interest on loans received – SIA Citadele Banka | 38 623 | 41 815 |
| Bonds' coupon expense | - | 31 555 |
| Leverage expense | 4 211 | 11 819 |
| LCD bonds' coupon expense | 83 341 | 1 350 |
| Interest on loans received from affiliated companies | - | 13 191 |
| Interest on loans received – SIA Nordea Finance Latvia | 4094 | 6 168 |
| Interest on loans received – other borrowings | 19 105 | 26 519 |
| | <u>149 374</u> | <u>132 417</u> |

(3) Administrative expense

| | | |
|------------------------------|----------------------|----------------------|
| Staff costs | 26 460 | 25 450 |
| Legal services | 25 890 | 15 597 |
| Accounting Services | 3 588 | 5 367 |
| Social insurance | 6 242 | 6 004 |
| Transportation costs | 5 445 | 2 947 |
| Office rent | 4 675 | 3 523 |
| IT costs | 9 735 | 2 717 |
| Office goods | 1 918 | 2 753 |
| Depreciation of fixed assets | 827 | 2 128 |
| Communication expenses | 1 050 | 1 349 |
| Bank commission | 358 | 298 |
| Insurance payments | - | 138 |
| Household goods | - | 352 |
| Risk duty | 7 | 4 |
| Other management costs | 1 040 | 1 914 |
| | <u>87 235</u> | <u>70 541</u> |

(4) Other operating expense

| | | |
|---------------------------------|---------------------|---------------------|
| Marketing and advertising costs | 1 976 | 5 302 |
| Promotion costs | 1 703 | 477 |
| Debt recovery costs | 3 478 | - |
| Membership fees | 105 | 3 351 |
| | <u>7 262</u> | <u>9 130</u> |

(5) Other financial expense

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

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(6) Corporate income tax for the period

| | | |
|--|----------------------|----------------------|
| Corporate income tax charge for the reporting period | <u>15 833</u> | <u>12 590</u> |
| | <u>15 833</u> | <u>12 590</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 June 30, 2017.

Ģirts Vinters
Chairman of the Board

Jānis Kārklīšs
Member of the Board

Evija Šverna
Accountant

Riga, August 28, 2017