

SIA “AGROCREDIT LATVIA”

**UNAUDITED ANNUAL ACCOUNTS FOR TWELVE MONTHS ENDED
31 DECEMBER 2017**

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

SIA "AGROCREDIT LATVIA"
ANNUAL ACCOUNTS FOR TWELVE MONTHS ENDED 31 DECEMBER 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 street 8-7, Riga LV-1048, Latvia
Names and positions of Board members	Ģirts Vinters – Chairman of the Board Jānis Kārklīšs – Member of the Board
Financial year	1 January 2017 – 31 December 2017

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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.

2017 was a year of a further growth of the Company. The total credit portfolio exceeded 7 mEUR by the end of the season (July) which was all-times highest result. The credit amounts were not so high in the Autumn time due to unfavourable weather conditions for the winter-seeding and accordingly lower demand for raw materials. Therefor the spring-seeding is expected to be more active than usually, which would increase the demand for the current asset financing as well.

The total revenue of the company grew by 14% in comparison to year 2016 and also the net profit increased significantly. The company managed to attract significant amount of credit resources from emitting extra bonds, which was one of the factors for higher return and which will ensure lower costs for credit resources for the coming years as well.

Although the weather conditions were very poor for grain growers in several regions (Latgale, Vidzeme), the quality of credit portfolio was not influenced significantly. Majority of the seasonal loans were returned. There were separate customers with whom the loans were structured for the next season.

According to the policy of making accruals for possible credit losses, an extra 50 tEUR accruals were made in 2017 so that the total accrual amounts are now matching the demands of the policy.

The dividends were paid in November 2017 as there were expected to be the changes in the taxation applied to dividend pay-out. The shareholder granted 200 tEUR subordinated loan to the Company so that the available financial resources do not decrease.

The company will continue a stable growth in 2018. It will attract extra credit amounts from bank credit line and bond holders. The Spring season is expected to be very active in agriculture financing sector, which will allow the Company to achieve new financing volumes this year.

Ģirts Vinters
Chairman of the Board

Jānis Kārklīņš
Member of the Board

Riga, 28.02.2018

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Statement of management's responsibility

Management of SIA AgroCredit Latvia is responsible for preparation of financial statements for twelve months ended 31 December 2017.

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 December 31, 2017 and its profit and cash flows for twelve months ended December 31, 2017.

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 Kārklīņš
Member of the Board

Rīga, 28.02.2018

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Comprehensive income statement for the period of twelve months ended 31 December 2017

	Notes	31.12.2017 EUR	31.12.2016 EUR
Interest and similar income	1	705 829	619 923
Interest expense	2	(298 954)	(288 622)
Impairment	3	(50 000)	(70 000)
Administrative expense	4	(186 723)	(166 709)
Other operating income	5	-	57
Other operating expense	6	(35 341)	(28 844)
Other financial expense	7	-	(139)
Profit before taxes		134 811	65 666
Corporative income tax for the period	8	(25 191)	(25 533)
Deferred tax		-	10 631
Profit for the period		109 620	50 764
Other income			
Total comprehensive income for the period		109 620	50 764

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

 Ģirts Vinters
 Chairman of the Board

 Jānis Kārklīņš
 Member of the Board

Riga, 28.02.2018

SIA "AGROCREDIT LATVIA"
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Statement of financial position as at 31 December 2017

	Notes	31.12.2017 EUR	31.12.2016 EUR
<u>Assets</u>			
Long term investments			
Fixed assets		2 688	2 729
Loans and receivables		248 938	206 219
Deferred tax asset		-	10 347
Total long-term investments:		251 626	219 295
Current assets			
Loans and receivables		4 730 855	4 841 576
Other debtors		10 383	7 492
Cash and bank		2 911	77 761
Total current assets:		4 744 149	4 926 829
<u>Total assets</u>		4 995 775	5 146 124
 <u>Liabilities</u>			
Shareholders' funds:			
Share capital		1 500 000	1 500 000
Other reserves		25	25
Retained earnings:			
- prior year's retained earnings		1 297	190 533
- current year's profit		109 620	50 764
Total shareholders' funds:		1 610 942	1 741 322
Creditors:			
Long-term creditors:			
Borrowings- SIA Nordea Finance Latvia		24 805	135 399
Bonds issued		2 750 000	1 665 000
Total long-term creditors:		2 774 805	1 800 399
Short-term creditors:			
Borrowings- SIA Citadele banka		268 837	1 098 071
Borrowings- SIA Nordea Finance Latvia		110 594	110 594
Other borrowings		200 000	380 000
Trade creditors and accrued liabilities		30 597	15 738
Total short-term creditors:		610 028	1 604 403
<u>Total liabilities and shareholders' funds</u>		4 995 775	5 146 124

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 Ģirts Vinters
 Chairman of the Board

 Jānis Kārklīšs
 Member of the Board

Riga, 28.02.2018

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Statement of changes in equity for the period of twelve months ended 31 December 2017

	Share capital	Other reserves	Retained earnings	Total
	EUR	EUR	EUR	EUR
As at 31 December 2015	1 000 020	25	190 533	1 190 578
Profit for the year			50 764	50 764
Capital increase	499 980			499 980
As at 31 December 2016	1 500 000	25	241 297	1 741 322
Dividends			(240 000)	(240 000)
Profit for the period			109 620	109 620
As at 31 December 2017	1 500 000	25	110 917	1 610 942

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Statement of cash flows for the period of twelve months ended 31 December 2017

	Note	31.12.2017 EUR	31.12.2016 EUR
<u>Cash flow from operating activities</u>			
Profit before extraordinary items and taxes		134 811	65 666
Adjustments for:			
- fixed assets depreciation		1 840	3 512
- loss from fixed assets sales		-	759
- interest and similar income		(705 829)	(619 923)
- interest and similar expense		285 698	252 575
- change in provisions		50 000	70 000
Loss before adjustments of working capital and short-term liabilities		(233 480)	(227 411)
Adjustments for:			
- trade debtors' increase/ (decrease)		1 622	1 239
- trade creditors' (decrease)/ increase		19 536	4 989
Gross cash flow from operating activities		(212 322)	(221 183)
Interest paid		(290 378)	(265 467)
Interest payments received		675 491	568 740
Corporate income tax paid		(29 701)	(28 341)
Net cash flow from operating activities		143 090	53 749
<u>Cash flow from investing activities</u>			
Acquisition of fixed assets and intangibles		(1 799)	(2 895)
Income from fixed assets sales		-	2 893
Loans issued		(5 866 360)	(5 641 909)
Received loans repayment		5 901 047	4 687 447
Cash flow from investing activities		32 888	(954 464)
<u>Cash flow from financing activities</u>			
Proceeds from increase of share capital		-	499 980
Dividends paid		(216 000)	-
Loans received		5 334 629	5 829 523
Loans repaid		(5 369 457)	(5 376 230)
Net cash flow from financing activities		(250 828)	953 273
Net cash flow of the reporting year		(74 850)	52 558
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		2 911	77 761

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Notes to the financial statements

(1) Interest and similar income

	31.12.2017	31.12.2016
	EUR	EUR
Commission fee income	60 084	66 702
Interest income on loans issued	613 588	548 361
Other interest income	32 157	4 860
	<u>705 829</u>	<u>619 923</u>

(2) Interest expense

Interest on loans received – SIA Citadele Banka	67 960	69 717
Interest on loans received – SIA Nordea Finance Latvia	7 151	11 298
Interest on loans received – other borrowings	26 389	77 823
Interest on loans received from affiliated companies	505	15 378
LCD Bonds' coupon expense	183 693	18 895
Bonds' coupon expense	-	59 464
Leverage expense	13 256	36 047
	<u>298 954</u>	<u>288 622</u>

(3) Impairment	<u>(50 000)</u>	<u>(70 000)</u>
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(4) Administrative expense

Staff costs	54 201	51 363
Social insurance	12 786	12 116
Risk duty	13	9
Office goods	5 123	5 761
Communication expenses	1 984	2 789
Accounting Services	14 203	14 769
legal services	55 897	44 367
IT costs	13 425	6 411
Bank commission	578	638
Transportation costs	11 776	12 005
Depreciation of fixed assets	1 840	3 512
Office rent	9 338	8 167
Insurance payments	2 123	564
Other management costs	3 436	4 238
	<u>186 723</u>	<u>166 709</u>

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Notes to the financial statements (continued)

(5) Other operating income

	31.12.2017	31.12.2016
	EUR	EUR
Other income	-	57
	<u>-</u>	<u>57</u>

(6) Other operating expense

Donations	6 500	6 500
Debt recovery costs	7 319	3 516
Membership fees	105	3 351
Marketing and advertising costs	9 651	11 556
Promotion costs	4 940	3 784
Penalties	-	137
Received compensation of expenses	(3 521)	-
Deferred tax changes	10 347	-
	<u>35 341</u>	<u>28 844</u>

(7) Other financial expense

Interest paid – SIA Nordea Finance Latvia	-	139
	<u>-</u>	<u>139</u>

(8) Corporate income tax for the period

Corporate income tax charge for the reporting period	25 191	25 533
Deferred tax charge	-	(10 631)
	<u>25 191</u>	<u>14 902</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 31 December 2017.