

**SIA “AGROCREDIT LATVIA”  
UNAUDITED ANNUAL ACCOUNTS  
FOR SIX MONTHS ENDED JUNE 30, 2018**

**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, 2018**  
**(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, 2018 – June 30, 2018

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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 finished the 1H of 2018 in the same level as the year before. The total interest income and return figures matched the key ratios of the last year. Additional general provisions were made due to the increase of the portfolio to meet the requirements of provision making policy.

The investments in grain growing were conservative this season due to unfavourable weather conditions during the winter crop seeding, which was followed by hot and dry spring and summer months. That was a significant factor, which limited the growth of the financing amounts of AgroCredit Latvia.

**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 grain will be delivered to the cooperation partners of the company during the 2nd half of the year and the liabilities towards the Company will be fulfilled. In parallel the seasonal financing of the new season will be provided to finance the current asset needs for winter crop seeding. There are planned no general changes in the operation model of the Company.

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Girts Vinters  
Chairman of the Board

Rīga, August 30, 2018

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Jānis Kārklīšs  
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 2018 and its profit and cash flows for 1H of year 2018.

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.

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Ģirts Vinters  
Chairman of the Board

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Jānis Kārklīšs  
Member of the Board

Riga, August 30, 2018

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**Comprehensive income statement for the period of six months ended June 30, 2018**

	Pielikums	30.06.2018 EUR	30.06.2017 EUR
Interest and similar income	1	355 024	348 577
Interest expense	2	(155 558)	(149 374)
Administrative expense	3	(108 261)	(87 235)
Other operating expense	4	(7 646)	(7 262)
Other financial expense	5	-	(72)
<b>Profit before taxes</b>		<b>83 559</b>	<b>104 706</b>
Corporative income tax for the period	6	-	(15 833)
<b>Profit for the period</b>		<b>83 559</b>	<b>88 873</b>
Other income		-	-
<b>Total comprehensive income for the period</b>		<b>83 559</b>	<b>88 873</b>

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

\_\_\_\_\_  
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 Evija Šverna  
 Accountant

Riga, August 30, 2018

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**Statement of financial position as at June 30, 2018**

	Pielikums	30.06.2018. EUR	31.12.2017. EUR
<b><u>Assets</u></b>			
<b>Long term investments</b>			
Fixed assets		2 688	2 688
Loans and receivables		213 272	248 938
<b>Total long-term investments:</b>		<b>215 960</b>	<b>251 626</b>
<b>Current assets</b>			
Loans and receivables		6 419 722	4 740 855
Other debtors		23 078	8 831
Cash and bank		11 238	2 911
<b>Total current assets:</b>		<b>6 454 038</b>	<b>4 752 597</b>
<b>Total assets</b>		<b>6 669 998</b>	<b>5 004 223</b>
<b><u>Liabilities</u></b>			
<b>Shareholders' funds:</b>			
Share capital		1 500 000	1 500 000
Other reserves		25	25
Retained earnings:			
- prior year's retained earnings		119 365	1 297
- current year's profit		83 559	118 068
<b>Total shareholders' funds:</b>		<b>1 702 949</b>	<b>1 619 390</b>
<b>Creditors:</b>			
<b>Long-term creditors:</b>			
Borrowings		3 074 805	2 774 805
<b>Total long-term creditors:</b>		<b>3 074 805</b>	<b>2 774 805</b>
<b>Short-term creditors:</b>			
Borrowings		1 774 890	579 431
Trade creditors and accrued liabilities		117 354	30 597
<b>Total short-term creditors:</b>		<b>1 892 244</b>	<b>610 028</b>
<b>Total liabilities and shareholders' funds</b>		<b>6 669 998</b>	<b>5 004 223</b>

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Riga, August 30, 2018

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**Statement of changes in equity for the period of six months ended June 30, 2018**

	Share capital	Other reserves	Retained earnings	Total
	EUR	EUR	EUR	EUR
<b>As at January 01, 2017</b>	<b>1 500 000</b>	<b>25</b>	<b>241 297</b>	<b>1 741 322</b>
Dividends paid			(240 000)	<b>(240 000)</b>
Profit for the period	-	-	118 068	<b>118 068</b>
<b>As at December 31, 2017</b>	<b>1 500 000</b>	<b>25</b>	<b>119 365</b>	<b>1 619 390</b>
Profit for the period	-	-	83 559	<b>83 559</b>
<b>As at June 30, 2018</b>	<b>1 500 000</b>	<b>25</b>	<b>202 924</b>	<b>1 702 949</b>

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**Statement of cash flows for the period of six months ended June 30, 2018**

	<b>30.06.2018</b>	<b>30.06.2017</b>
	<b>EUR</b>	<b>EUR</b>
<b><u>Cash flow from operating activities</u></b>		
<b>Profit before extraordinary items and taxes</b>	<b>83 559</b>	<b>104 706</b>
<b><u>Adjustments for:</u></b>		
- fixed assets depreciatio	-	827
- interest and similar income	(355 024)	(321 296)
- interest and similar expense	135 842	145 163
- izmaiņas uzkrājumos	15 000	-
<b>Loss before adjustments of working capital and shortterm liabilities</b>	<b>(120 623)</b>	<b>(70 600)</b>
<b><u>Adjustments for:</u></b>		
- trade debtors' increase/ (decrease)	(14 250)	42 216
- trade creditors' (decrease)/ increas	21 182	(1 073)
<b>Gross cash flow from operating activities</b>	<b>(113 691)</b>	<b>(29 457)</b>
Interest paid	(48 913)	(61 822)
Interest payments received	260 089	225 350
Corporate income tax paid	(11 211)	(13 129)
<b>Net cash flow from operating activities</b>	<b>86 274</b>	<b>50 342</b>
<b><u>Cash flow from investing activities</u></b>		
Acquisition of fixed assets and intangibles	-	(719)
Loans issued	(2 422 233)	(2 403 001)
Received loans repayment	1 076 877	773 539
<b>Cash flow from investing activities</b>	<b>(1 345 356)</b>	<b>(1 630 181)</b>
<b><u>Cash flow from financing activities</u></b>		
Loans received	2 427 500	3 330 600
Loans repaid	(1 176 745)	(1 815 297)
<b>Net cash flow from financing activities</b>	<b>1 250 755</b>	<b>1 515 303</b>
<b>Net cash flow of the reporting year</b>	<b>8 327</b>	<b>(64 536)</b>
<b>Cash and cash equivalents at the beginning of the reporting year</b>	<b>2 911</b>	<b>77 761</b>
<b>Cash and cash equivalents at the end of reporting year</b>	<b>11 238</b>	<b>13 225</b>

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**Notes to the financial statements**

**(1) Interest and similar income**

	<b>30.06.2018</b>	<b>30.06.2017</b>
	<b>EUR</b>	<b>EUR</b>
Interest income on loans issued	332 555	326 620
Commission fee income	22 469	21 957
	<u><b>355 024</b></u>	<u><b>348 577</b></u>

All of the Company's revenues generated Latvia.

**(2) Interest expense**

Interest on loans received – SIA Citadele Banka	31 032	38 623
Leverage expense	4 716	4 211
LCD bonds' coupon expense	96 250	83 341
Interest on loans received – SIA Nordea Finance Latvia	2 020	4094
Interest on loans received – other borrowings	6 540	19 105
	<u><b>140 558</b></u>	<u><b>149 374</b></u>

**(3) Impairment**

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

**(4) Administrative expense**

Staff costs	26 436	26 460
Legal services	32 890	25 890
Accounting Services	4 345	3 588
Social insurance	6 368	6 242
Transportation costs	10 461	5 445
Office rent	4 670	4 675
IT costs	14 307	9 735
Office goods	3 465	1 918
Depreciation of fixed assets	-	827
Communication expenses	1 585	1 050
Bank commission	219	358
Insurance payments	2 593	-
Risk duty	7	7
Other management costs	915	1 040
	<u><b>108 261</b></u>	<u><b>87 235</b></u>

**(5) Other operating expense**

Marketing and advertising costs	1 633	1 976
Promotion costs	1 660	1 703
Debt recovery costs	2 554	3 478
Membership fees	1 799	105
	<u><b>7 646</b></u>	<u><b>7262</b></u>

**(6) Corporate income tax for the period**

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Corporate income tax charge for the reporting period	-	15 833
	<u>-</u>	<u>15 833</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, 2018.

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Riga, August 30, 2018