

**SIA “AGROCREDIT LATVIA”**  
**UNAUDITED ANNUAL ACCOUNTS**  
**FOR SIX MONTHS ENDED JUNE 30,2020**

Prepared in accordance with the  
International Financial Reporting Standard 34. p.19  
as adopted by EU

Translation from Latvian

**SIA „AGROCREDIT LATVIA”**  
**ANNUAL ACCOUNTS FOR SIX MONTHS ENDED 30 JUNE 2020**  
**(TRANSLATION FROM LATVIAN)**

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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. More than half of the credit portfolio consists of short-term financing to crop farmers for the purchase of raw materials, which is repaid after the harvest sales. Also, secured long-term loans are offered to the farmers as well as agri-machinery leasing services.

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 the 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 (equity and related parties loans) as well as attracts from external sources of financing- listed bonds and other private investors.

### **The Company's performance during the reporting year**

The first half of the year 2020 was a period of successful growth for the Company. As COVID-19 issues had a negative impact on financial and banking sector, the availability for credits decreased for Latvian entrepreneurs. The demand for AgroCredit services increased from the farmers side. The customers used actively not only AgroCredit traditional product – seasonal financing but also long-term collateralized loans and machinery leasing.

As a result, the total assets of the Company grew by 33% in comparison to 1<sup>st</sup> half of year 2019. Also, total interest income increased by 40% and net profit – by 27%. The Company listed additional 200 bonds in Nasdaq Baltics for the total value of 1 mEUR to finance the increase of the credit portfolio. Also, Mintos peer-to-peer platform was used more widely as well as attracted additional funds from other private investors.

The grain season is expected as successful this year. The warm winter and favourable weather conditions in Spring/Summer allow to expect high yields. The grain price remains on quite high levels in stock exchange. The rape-seed price has dropped a bit due to the global decrease of fuel consumption.

COVID-19 crises had no significant impact on the activities of the Company. The agriculture sector was not influenced by self-isolation restrictions due to its production specifics. Also, the demand for agriculture production did not decrease as they are the products of first need.

Although the COVID-19 crises had significant impact on the financial markets and the trust level of investors went down, the Company managed to attract the additional financial funds to ensure the growth as it is operating in low risk segment and that matched the investor strategy to move their investments to lower risk profile projects.

### **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 Company achieved all-times-high credit portfolio exceeding 12 mEUR in the 2<sup>nd</sup> part of the year. As it makes up 60% of seasonal financing contracts, which are repaid in Autumn after the harvest, the portfolio has significant seasonality fluctuations. It achieves its maximum in July and decreases in Autumn. As the repayments of previous season agreements take place the new financing is disbursed to customers to finance the winter crop seeding.

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Ģirts Vinters  
Chairman of the Board

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Jānis Kārklīņš  
Member of the Board

Riga, 28 August 2020

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**Statement of management`s responsibility**

The management of SIA AgroCredit Latvia is responsible for the preparation of the financial statements for the first half of the year 2020.

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 in accordance with International Financial Reporting Standards as adopted by the European Union, based on a going concern basis, and present a true and fair view of the Company's assets, liabilities and financial position as at 30 June 2020 and its profit and cash flows for the first half of year 2020.

The Company's management confirms that appropriate and consistent accounting policies and prudent and reasonable management estimates have been applied.

The management of the Company confirms that it 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.

**Corporate governance statement**

The Corporate governance report of SIA AgroCredit Latvia for the first half of year 2020 has been prepared in accordance with Section 56.2 Paragraph 3 of the Financial Instrument Market Law.

The report is submitted to AS Nasdaq Riga (hereinafter – the Stock Exchange) concurrently with the unaudited financial statements SIA AgroCredit Latvia for the first half of year 2020 for publishing on the website of the Stock Exchange: <http://www.nasdaqbaltic.com/> and the website of SIA AgroCredit Latvia <http://www.agrocredit.lv>.

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Ģirts Vinters  
Chairman of the Board

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Jānis Kārklīšs  
Member of the Board

Riga, 28 August 2020

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**Statement of comprehensive income for the period of six months ended 30 June 2020**

	Notes	30.06.2020 EUR	30.06.2019 EUR
Interest income	1	588 733	420 987
<i>out of this, income at effective interest rate</i>		<i>588 733</i>	<i>420 987</i>
Interest expense	2	(276 140)	(187 561)
Impairment	3	(15 000)	-
Administrative expense	4	(117 689)	(94 678)
Other operating expense	5	(27 826)	(19 204)
<b>Profit before corporate income tax</b>		<b>152 078</b>	<b>119 544</b>
Corporative income tax		-	-
<b>Current year's profit</b>		<b>152 078</b>	<b>119 544</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>152 078</b>	<b>119 544</b>

Notes on pages from 9 to 12 are integral part of these financial statements.

\_\_\_\_\_  
 Ģirts Vinters  
 Chairman of the Board

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 Jānis Kārklīņš  
 Member of the Board

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 Evija Šverna  
 Accountant

Riga, 28 August 2020

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**Statement of financial position as at 30 June 2020**

	Notes	30.06.2020. EUR	31.12.2019. EUR
<b><u>Assets</u></b>			
<b>Long term investments</b>			
Property, plant and equipment		4 504	4 837
Right-of-use assets		39 900	45 517
Loans		1 804 350	741 174
<b>Total long-term investments:</b>		<b>1 848 754</b>	<b>791 528</b>
<b>Current assets</b>			
Loans		9 165 041	6 880 031
Other debtors		46 455	14 234
Cash and bank		37 521	103 515
<b>Total current assets:</b>		<b>9 249 017</b>	<b>6 997 780</b>
<b><u>Total assets</u></b>		<b><u>11 097 771</u></b>	<b><u>7 789 308</u></b>
<b><u>Liabilities and shareholder's funds</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		374 567	212 600
- current year's profit		152 078	161 967
<b>Total shareholders' funds:</b>		<b>2 026 670</b>	<b>1 874 592</b>
<b>Liabilities:</b>			
<b>Long-term liabilities:</b>			
Borrowings		4 930 000	4 860 000
Lease liabilities		69 190	74 782
<b>Total long-term liabilities:</b>		<b>4 999 190</b>	<b>4 934 782</b>
<b>Short-term liabilities:</b>			
Borrowings		3 791 598	912 459
Lease liabilities		33 635	56 237
Trade creditors and other liabilities		246 678	11 238
<b>Total short-term creditors:</b>		<b>4 071 911</b>	<b>979 934</b>
<b><u>Total liabilities and shareholders' funds</u></b>		<b><u>11 097 771</u></b>	<b><u>7 789 308</u></b>

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Ģirts Vinters  
Chairman of the Board

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Member of the Board

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Evija Šverna  
Accountant

Riga, 28 August 2020

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**Statement of changes in equity for the period of six months ended 30 June 2020**

	Share capital	Other reserves	Retained earnings	Total
	EUR	EUR	EUR	EUR
<b>As at 31 December 2018</b>	<b>1 500 000</b>	<b>25</b>	<b>331 965</b>	<b>1 831 990</b>
Profit for the year	-	-	119 544	<b>119 544</b>
<b>As at 30 June 2019</b>	<b>1 500 000</b>	<b>25</b>	<b>451 509</b>	<b>1 951 534</b>
Profit for the year	-	-	42 423	<b>42 423</b>
Dividends	-	-	(119 365)	<b>(119 365)</b>
<b>As at 31 December 2019</b>	<b>1 500 000</b>	<b>25</b>	<b>374 567</b>	<b>1 874 592</b>
Profit for the year	-	-	152 078	<b>152 078</b>
<b>As at 30 June 2020</b>	<b>1 500 000</b>	<b>25</b>	<b>526 645</b>	<b>2 026 670</b>

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**Statement of cash flows for the period of six months ended 30 June 2020**

	Notes	30.06.2020. EUR	30.06.2019. EUR
<b><u>Cash flow from operating activities</u></b>			
<b>Profit before corporate income tax</b>		<b>152 078</b>	<b>119 544</b>
Depreciation of plant, property and equipment		886	1 242
Depreciation of right-of-use assets		5 617	-
Interest and similar income		(588 733)	(420 987)
Interest and similar expense		270 895	181 583
Change in allowance for loan impairment		15 000	-
<b>Decrease of cash and cash equivalents from operating activities before changes in assets and liabilities</b>		<b>(144 257)</b>	<b>(118 618)</b>
Increase of loans issued		(3 326 953)	(2 579 227)
(Increase) / decrease in trade and other debtors		(2 725)	3 773
Trade creditors' (decrease)		4 376	(4 789)
<b>Gross cash flow from operating activities</b>		<b>(3 469 559)</b>	<b>(2 698 861)</b>
Interest paid		(39 823)	(135 886)
Interest income		552 500	278 764
Corporate income tax surplus reimbursed		-	15 022
<b>Net cash flow from operating activities</b>		<b>(2 956 882)</b>	<b>(2 540 961)</b>
<b><u>Cash flow from investing activities</u></b>			
Acquisition of fixed assets and intangibles		(553)	-
<b>Net cash flow from investing activities</b>		<b>(553)</b>	<b>-</b>
<b><u>Cash flow from financing activities</u></b>			
Loans received		5 456 864	4 494 992
Repaid loans and finance lease		(2 559 806)	(2 215 057)
Lease payments for right-of-use assets		(5 617)	-
<b>Net cash flow from financing activities</b>		<b>2 891 441</b>	<b>2 279 935</b>
<b>Net cash flow of the reporting year</b>		<b>(65 994)</b>	<b>(261 026)</b>
<b>Cash and cash equivalents at the beginning of the reporting year</b>		<b>103 515</b>	<b>373 500</b>
<b>Cash and cash equivalents at the end of reporting year</b>		<b>37 521</b>	<b>112 474</b>

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**Notes to the financial statements**

**General information about the Company**

Name of 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
Type of operations	The Company specializes in providing financial services and offering credit services to farmers. Basically, the Company issues short-term financing to crop-farmers for the purchase of raw materials, which is repaid after the harvest sales. 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, Latvia
Shareholders	AgroCredit Finance SIA (since 13.08.2019) 100% Reg. No. 42403046209 K.Ulmaņa gatve 119, Mārupe, Mārupe municipality, LV-2167, Latvia  AgroCredit Estonia OU (till 13.8.2019) 100% Reg. No. 1000241097 Sirbi 9-2, Tallinn 11713, Estonia
Beneficial owners	Ģirts Vinters and Jānis Kārklīšs, each owning 50% of shares of the Parent Company.
The Board	Ģirts Vinters – Chairman of the Board  Jānis Kārklīšs – Member of the Board
The Council	Lauris Buls – Member of the Council  Silva Jeromanova- Maura – Member of the Council  Edmunds Demiters – Member of the Council
Person responsible for accounting	Evija Šverna - accountant

## **Approval of the Financial statements**

### **Financial risk management**

#### *Fair value hierarchy of assets and liabilities*

In order to estimate the financial assets and liabilities fair value, the three-level fair value hierarchy is used.

- Level 1: active market published price quotations;
- Level 2: other methods that use data, all of which are directly or indirectly observable and have a significant impact on the recognized fair value;
- Level 3: other techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

No financial assets or liabilities of the Company are attributed to Level 1. Included in Level 2 are cash and cash equivalents and debt securities (bonds). Level 3 includes issued loans and other debts, other financial assets, payables and other liabilities.

The Company's management has determined that the carrying amounts of the Company's financial assets and liabilities carried at amortized cost as at 31 December 2019 and 2018 approximate their fair values, as explained below:

- the amortized cost of loans granted, net of provisions for the ECL, approximates their fair value, taking into account the short-term nature of these assets and the fact that their interest rate is similar to the average market interest rate for similar financial assets;
- the carrying amount of the issued bonds approximates their fair value, given that the rate of return quoted on the securities market is similar to the coupon rate of these bonds;
- the fair value of variable interest rate leases is similar to their carrying amount, as their actual variable interest rates approximate the market price of similar financial instruments available to the Company, i.e. the variable interest rate corresponds to the market price, while the added part of the interest rate corresponds to the risk premium charged by lenders in the financial and capital markets to companies with a similar credit rating level;
- the rate applied to loans received at fixed interest rates does not differ significantly from the comparable variable rate that the Company could receive from market lenders.

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**Notes to the financial statements** (continued)

**(1) Interest income**

	<b>30.06.2020.</b>	<b>30.06.2019.</b>
	<b>EUR</b>	<b>EUR</b>
Interest income from issued loans	568 755	394 298
Other interest income	19 978	26 689
	<u><b>588 733</b></u>	<u><b>420 987</b></u>

All interest income is recognized at the effective interest rate and includes amortized commissions (2020: EUR 59 964 and 2019: EUR 26 397). All of the Company's revenues are generated in Latvia.

**(2) Interest expense**

LCD bonds' coupon expense	171 558	117 584
Interest on other loans received	24 955	47 005
Interest on loans received – Mintos Marketplace AS	72 534	-
Leverage expenditure	5 245	5 979
Interest on loans received from related companies	-	16 760
Interest on loans received – Luminor LIZings SIA	1 848	233
	<u><b>276 140</b></u>	<u><b>187 561</b></u>

**(3) Impairment**

Change of impairment allowance for issued loans (see Note 8)	15 000	-
	<u><b>15 000</b></u>	<u><b>-</b></u>

**(4) Administrative expense**

Staff costs	35 993	26 434
Legal services, including debt collection costs	31 783	24 151
IT costs	8 665	11 982
Accounting services and professional fees	6 427	3 815
Social insurance	8 671	6 368
Transportation expenses	6 678	8 277
Office rent	4 941	4 654
Depreciation of right-of-use assets	5 617	-
Office expenses	3 788	2 797
Communication expenses	1 641	1 801
Decrease of fixed assets value	886	1 242
Insurance	2 129	633
Bank commission	232	272
Risk duty	8	7
Other administrative expenses	230	2 245
	<u><b>117 689</b></u>	<u><b>94 678</b></u>

**(5) Other operating expenses**

Debt recovery costs	13 742	12 372
Marketing and advertising costs	9 371	2 086
Sales promotion costs	3 586	2 245
Membership fees	105	2 501
Other operating expenses	1 022	-
	<u><b>27 826</b></u>	<u><b>19 204</b></u>

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**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 30 June 2020.

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Ģirts Vinters  
Chairman of the Board

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Jānis Kārklīšs  
Member of the Board

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Evija Šverna  
Accountant

Riga, 28 August 2020