

SIA “ExpressCredit”

**UNAUDITED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD 01.01.2019.-30.09.2019.**

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

Translation from Latvian

**EXPRESSCREDIT SIA
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Information on the Company

Name of the Company	ExpressCredit
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 64.9.1 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 (from 30.10.2013)	Lombards24.lv, SIA 65.99% till 07.12.2018., 65.18% from 07.12.2018.), Raunas street 44k-1, Riga, Latvia AE Consulting, SIA (10%) Posma street 2, Riga, Latvia EC finance, SIA (21.51% till 07.12.2018., 21.32% from 07.12.2018.), Raunas street 44k-1, Riga, Latvia Private individuals (3.5%)
Ultimate parent company	EA investments, AS Reg. 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	Uldis Judinskis – Chairman of the Council Ramona Miglāne - Deputy Chairperson of the Council Anete Ozoliņa - Member of the Council
Responsible person for accounting	Inta Pudane - Chief accountant
Financial period	1 January - 30 September 2019

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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
Operations as classified by NACE classification code system of the subsidiary	64.92 Other financing services
Subsidiary	SIA REFIN (parent company interest in subsidiary – 100%)
Date of acquisition of the subsidiary	03.10.2018.
Number, place and date of registration of the subsidiary	40203172517, Riga, 03 October 2018
Address of the subsidiary	Raunas Street 44 k-1, Riga, LV 1039, Latvia
Operations as classified by NACE classification code system of the subsidiary	73.20 Market and public opinion research

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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 September 2019 and its profit and cash flows for 3 quarters of 2019.

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
Board Member

Ivars Lamberts
Board Member

Riga, 06 November 2019

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Management report

The Group's turnover during 9 months of the year 2019 in comparison with the corresponding period of the previous year has increased by 14%, while the company's EBITDA during this period has increased by 9%.

The 3rd quarter of 2019 is an important milestone in the company's operations as the changes in the Consumer Rights Protection Law have come into force on 1 July 2019. The company's team has invested a significant amount of work in improving and transforming its product portfolio in line with the new market conditions, where price as a competitive element has lost its leading role.

The company's investments in the management team and in adapting its products to the new market conditions have proved to be successful and justified. Over the past period, the strategy of the group's leading brand Banknote has been redefined and work continued to improve efficiency, including the quality of the loan portfolio. There is a clear vision for major projects that, if successfully implemented, will not only increase operational efficiency, but also improve customer experience through the company's affiliate network and self-service portal.

The online lending segment has seen a 56% increase since the beginning of the year (compared to the first and third quarters of this year), due to the successful implementation of the sales strategy, helping to reach consumer segment average liabilities per customer in amount of 633 euros.

The third quarter of 2019 is marked by several strategically significant investments, which will have a positive effect next year.

In September, the company completed the new cash register system implementation project, which began in November 2018. The new cash register systems have been implemented in all branches of the company, which will help significantly automate offline customer service processes.

In October, the company successfully completed its annual ISO certification audit in accordance with ISO 9001: 2015 and ISO 50001: 2012 standards to maintain orderly internal processes and ensure high quality of process management. Similarly, AML policy was reviewed and further developed in line with regulatory requirements and continued cooperation with government institutions.

By implementing business strategy and all planned activities the following financial results of the Group were achieved in the 3rd quarter of 2019:

Position	EUR, million	Change*, %
Net loan portfolio	29.5	+46.3
Assets	34.5	+29.2
Profit before tax	3.7	+ 6.8

*- Comparison to the amounts as at 31.12.2018. Profit before tax is compared to respective period of the year 2018.

During Q3 2019, the company continued to work with AS BlueOrange Bank on a new notes issue in amount of 5 million euros with a 14% coupon rate. The new notes issue will be registered in November and will be included in the common structure of ExpressCredit group's secured creditors. According to this structure, all claims by note holders of the existing and new notes issues, as well as by SIA Mintos Finance will be secured with all property and receivables owned by ExpressCredit group as a commercial pledge. The new structure of secured liabilities was approved by note holder voting, results of which were published on Nasdaq web page on October 28, 2019. The commercial pledges are intended to be established by the end of 2019, and ZAB Eversheds Sutherland Bītāns will act as the collateral agent as set by the new structure of secured liabilities.

As to compliance with the amendments of the Issue Terms of notes issue ISIN LV0000802213 and ISIN LV0000802213, in force from 28 October 2019 according to the note holder voting results, financial covenant computation are as follows:

Covenant	Value as of 30.09.2019.	Compliance
<i>dividend amount including any interim dividends shall not exceed 40% of the last audited net profit</i>	33%	yes
<i>to maintain Net Debt/Net Equity indicator not exceeding 4 to 1</i>	3.7	yes
<i>total consolidated loan amount to shareholders, management and other Related Persons shall not exceed EUR 1,400,000</i>	1 397 033 EUR	yes

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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 September 2019.

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Riga, 06 November 2019

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Profit or loss account for the period 01.01.2019.-30.09.2019.

	01.01.2019.- 30.09.2019. EUR	01.01.2018.- 30.09.2018. EUR
Net sales	3 945 280	3 058 974
Cost of sales	(2 621 745)	(1 934 137)
Interest income and similar income	12 081 996	11 039 072
Interest expenses and similar expenses	(2 977 965)	(2 053 262)
<i>a) Interest expenses</i>	(1 939 455)	(1 699 945)
<i>b) losses from cession</i>	(1 038 510)	(353 317)
Gross profit	10 427 566	10 110 647
Selling expenses	(4 239 510)	(4 611 399)
Administrative expenses	(2 446 271)	(1 959 746)
Other operating income	73 288	72 470
Other operating expenses	(107 666)	(138 739)
Profit before taxes	3 707 407	3 473 233
Corporate income tax for the reporting year	(342 737)	(14 882)
Current period's profit	3 364 670	3 458 351
Earnings per share	2.24	2.31
Diluted earnings per share	2.24	2.31
Comprehensive income statement		
	01.01.2019.- 30.09.2019. EUR	01.01.2018.- 30.09.2018. EUR
Current period's profit	3 364 670	3 458 351
Other comprehensive income	-	-
Total comprehensive income	3 364 670	3 458 351

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Balance sheet as at 30 September 2019

	30.09.2019.	31.12.2018.
	EUR	EUR
<u>Assets</u>		
Long term investments		
Fixed assets and intangible assets, goodwill	774 366	602 940
Loans and receivables	7 185 833	3 491 915
Loans to shareholders and management	1 216 232	1 072 274
Total long-term investments:	9 176 431	4 404 273
Current assets		
Goods for sale	1 231 169	848 111
Loans and receivables	22 287 766	16 658 940
Receivables from affiliated companies	180 801	204 335
Other debtors	194 762	230 989
Deferred expenses	36 304	66 945
Cash and bank	1 295 787	3 489 176
Total current assets:	25 226 589	21 498 496
Total assets	34 403 020	26 665 625
<u>Liabilities</u>		
Shareholders' funds:		
Share capital	1 500 000	1 500 000
Prior years' retained earnings	2 954 156	397 834
Current period's profit	3 364 670	4 056 322
Total shareholders' funds:	7 818 826	5 954 156
Creditors:		
Long-term creditors:		
Bonds issued	5 427 595	6 192 631
Other borrowings	6 100 381	996 544
Total long-term creditors:	11 527 976	7 189 175
Short-term creditors:		
Bonds issued	1 762 880	1 722 136
Other borrowings	12 020 382	10 643 864
Trade payables	576 162	400 778
Accounts payable to affiliated companies	181	416
Taxes and social insurance	207 799	199 137
Accrued liabilities	488 814	555 963
Total short-term creditors:	15 056 218	13 522 294
Total liabilities and shareholders' funds	34 403 020	26 665 625

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Age analysis of claims against debtors for loans issued:

	30.09.2019.	31.12.2018.
	EUR	EUR
Receivables not yet due	27 550 420	18 304 695
Outstanding 1-30 days	1 898 101	1 277 681
Outstanding 31-90 days	774 721	666 441
Outstanding 91-180 days	394 603	456 618
Outstanding for 181-360 days	503 231	515 720
Outstanding for more than 360 days	660 217	637 518
Total gross claims against debtors for loans issued	31 781 293	21 858 673
Provisions for bad and doubtful trade debtors	(2 307 694)	(1 707 818)
Total net claims against debtors for loans issued	29 473 599	20 150 855

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