

SIA “ExpressCredit”

**UNAUDITED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD 01.01.2019.-30.06.2019.**

**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 Miglane - Deputy Chairperson of the Council Anete Zilite - Member of the Council
Responsible person for accounting	Inta Pudane - Chief accountant
Financial period	1 January - 30 June 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 June 2019 and its profit and cash flows for the 1st half 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
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Riga, 05 August 2019

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Management report

In the first half of 2019, the company's turnover amounted to EUR 10.2 million, an increase of 10.9% compared to the corresponding period in 2018, while the net profit for the period was EUR 2.045 million.

During the first half of 2019, in order to prepare for the changes in Consumer Rights Protection Law that came into force on July 1st, 2019, the Group invested in strengthening its management team and adjusting products so that the Group can continue offering the most demanded products by the consumers. The Group's results of July 2019 confirm that product adjustments are well demanded and it is expected that the Group will maintain its current profitability in the future. Despite that the company has aligned its operations to the changes in legislation, the company has submitted an application to the Constitutional Court on the interest rate cap in conformity to the Constitution.

One of SIA ExpressCredit's competitive advantages is its affiliate network of 87 branches. Two branches have been moved to close but more advantageous locations. At the same time, investments are being made in the material and technical support of the affiliate network, promoting product availability and customer convenience.

SIA ExpressCredit will celebrate its 10th anniversary this year. In line with the company's vision of achieving the highest level of assessment, the company continuously invests in strengthening the expertise of its team by focusing on data analysis, product compliance and sales. The net portfolio of the Group has grown accordingly. The Group continues to support AML compliance this year and has taken the steps required by the supervising authority and set by regulation.

Since 2016, Mintos platform is a stable financial partner of the Group. At the end of 2018, Mintos introduced a Loan Originator Rating according to which Banknote and VIZIA loans received and continue to hold an A- rating, one of the highest ratings on the platform. Only three companies from Latvia have A level rating. A precondition to achieve a higher rating for Banknote and VIZIA is to extend the geographical coverage of lending activities.

By implementing business strategy and all planned activities the following financial results of the Group were achieved in the 1st half of 2019:

Position	EUR, million	Change*, %
Net loan portfolio	26.61	+ 32.1
Assets	30.52	+ 14.4
Profit before tax	2.39	+ 4.2

* comparison to the amounts as at 31.12.2018, except for profit before tax that is compared to the respective period of the year 2018.

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 June 2019.

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Profit or loss account for the period 01.01.2019.-30.06.2019.

	01.01.2019.- 30.06.2019. EUR	01.01.2018.- 30.06.2018. EUR
Net sales	2 423 464	1 980 398
Cost of sales	(1 612 497)	(1 271 229)
Interest income and similar income	7 754 791	7 237 943
Interest expenses and similar expenses	(1 820 118)	(1 358 646)
a) <i>Interest expenses</i>	(1 200 456)	(1 148 751)
b) <i>losses from cession</i>	(619 662)	(209 895)
Gross profit	6 745 640	6 588 466
Selling expenses	(2 795 325)	(3 025 627)
Administrative expenses	(1 570 645)	(1 253 266)
Other operating income	57 152	60 489
Other operating expenses	(52 234)	(82 291)
Profit before taxes	2 384 588	2 287 771
Corporate income tax for the reporting year	(339 731)	(14 639)
Current period's profit	2 044 857	2 273 132
Earnings per share	1.43	1.52
Diluted earnings per share	1.43	1.52
Comprehensive income statement		
	01.01.2019.- 30.06.2019. EUR	01.01.2018.- 30.06.2018. EUR
Current period's profit	2 044 857	2 273 132
Other comprehensive income	-	-
Total comprehensive income	2 044 857	2 273 132

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Balance sheet as at 30 June 2019

	30.06.2019.	31.12.2018.
	EUR	EUR
<u>Assets</u>		
Long term investments		
Fixed assets and intangible assets, goodwill	621 529	602 940
Loans and receivables	5 364 441	3 491 915
Loans to shareholders and management	1 084 490	1 072 274
Total long-term investments:	7 070 460	4 404 273
Current assets		
Goods for sale	1 173 395	848 111
Loans and receivables	21 244 754	16 658 940
Receivables from affiliated companies	304 827	204 335
Other debtors	214 850	230 989
Deferred expenses	40 516	66 945
Cash and bank	468 952	3 489 176
Total current assets:	23 447 294	21 498 496
<u>Total assets</u>	<u>30 517 754</u>	<u>26 665 625</u>
<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	2 044 857	4 056 322
Total shareholders' funds:	6 499 013	5 954 156
Creditors:		
Long-term creditors:		
Bonds issued	5 908 599	6 192 631
Other borrowings	2 992 493	996 544
Total long-term creditors:	8 901 092	7 189 175
Short-term creditors:		
Bonds issued	1 718 283	1 722 136
Other borrowings	12 213 457	10 643 864
Trade payables	687 664	400 778
Accounts payable to affiliated companies	-	416
Taxes and social insurance	194 916	199 137
Accrued liabilities	303 329	555 963
Total short-term creditors:	15 117 649	13 522 294
<u>Total liabilities and shareholders' funds</u>	<u>30 517 754</u>	<u>26 665 625</u>

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Statement of changes in equity of the Group for the half year ended 30 June 2019

	Share capital	Prior years' retained earnings	Current year's profit	Total
	EUR	EUR	EUR	EUR
As at 31 December 2017	1 500 000	232 708	1 956 770	3 689 478
Dividends paid	-	(1 739 714)	(490 000)	(2 229 714)
Prior years' retained earnings of subsidiary sold	-	-	(3 343)	(3 343)
Profit transfer	-	1 953 427	(1 953 427)	-
Decrease in retained earnings	-	(48 587)	-	(48 587)
Profit for the year	-	-	4 546 322	4 546 322
As at 31 December 2018	1 500 000	397 834	4 056 322	5 954 156
Dividends paid	-	(1 500 000)	-	(1 500 000)
Prior years' retained earnings of subsidiary sold	-	-	-	-
Profit transfer	-	4 056 322	(4 056 322)	-
Profit for the period	-	-	2 044 857	2 044 857
As at 30 June 2019	1 500 000	2 954 156	2 044 857	6 499 013

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Cash flow statement for the half year ended 30 June 2019

	01.01.2019.- 30.06.2019. EUR	01.01.2018.- 30.06.2018. EUR
<u>Cash flow from operating activities</u>		
Profit before extraordinary items and taxes	2 384 588	2 287 771
<u>Adjustments for:</u>		
a) fixed assets and intangible assets depreciation	114 031	124 597
b) accruals and provisions (except for bad debts)	190 586	306 213
c) write-off of provisions	-	12 706
d) cessation results	619 662	209 895
e) interest income	(7 754 791)	(7 237 943)
f) interest and similar expense	1 200 456	1 148 751
g) impairment of non-current and current financial assets	(19 153)	(3 280)
h) other adjustments	-	(3 343)
Loss before adjustments of working capital and short-term liabilities	(3 264 621)	(3 154 633)
<u>Adjustments for:</u>		
a) increase in consumer loans issued (core business) and other debtors	(7 234 980)	(2 211 703)
b) stock (increase)/ decrease	(325 284)	(420 770)
c) trade creditors increase	(296 686)	168 212
Gross cash flow from operating activities	(11 121 571)	(5 618 894)
Corporate income tax payments	64 045	(161 746)
Interest income	7 763 751	7 153 526
Interest paid	(1 185 498)	(1 149 286)
Net cash flow from operating activities	(4 479 273)	223 600
<u>Cash flow from investing activities</u>		
Earnings from the disposal of shares in subsidiaries	-	560 076
Acquisition of fixed assets and intangibles	(159 349)	(119 627)
Proceeds from sales of fixed assets and intangibles	45 882	7 534
Loans issued/repaid (other than core business of the Company) (net)	(112 708)	(127 852)
Acquisition of assets for sale	-	-
Net cash flow from investing activities	(226 175)	320 131
<u>Cash flow from financing activities</u>		
Loans received and bonds issued (net)	5 819 276	4 948 917
Redemption/purchase of bonds	(875 000)	(1 106 000)
Loans repaid	(1 681 993)	(2 882 060)
Finance lease payments	(77 059)	(30 972)
Dividends paid	(1 500 000)	(1 739 714)
Net cash flow from financing activities	1 685 224	(809 829)
Net cash flow of the reporting period	(3 020 224)	(266 098)
Cash and cash equivalents at the beginning of the reporting period	3 489 176	2 219 747
Cash and cash equivalents at the end of reporting period	468 952	1 953 649

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Age analysis of claims against debtors for loans issued:

	30.06.2019.	31.12.2018.
	EUR	EUR
Receivables not yet due	24 548 879	18 304 695
Outstanding 1-30 days	1 693 771	1 277 681
Outstanding 31-90 days	675 730	666 441
Outstanding 91-180 days	493 819	456 618
Outstanding for 181-360 days	465 434	515 720
Outstanding for more than 360 days	629 965	637 518
Total gross claims against debtors for loans issued	28 507 598	21 858 673
Provisions for bad and doubtful trade debtors	(1 898 403)	(1 707 818)
Total net claims against debtors for loans issued	26 609 195	20 150 855

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