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>EF Vostok Emerging Finance

FINANCIAL REPORT FOR
THE SECOND QUARTER AND
SIX MONTHS PERIOD 2019

>EF Vostok Emerging Finance



Vostok Emerging Finance Ltd (“VEF” or the “Company”) is an investment company listed in Sweden, that invests in growth stage private fintech companies. We take minority stakes and are active investors with board representation in each of our 11 portfolio companies, always looking to back the best entrepreneurs in the markets we are in. We focus on scale emerging markets and invest across all areas of financial services inclusive of payments, credit, mobile money and wealth advisors.

FINANCIAL REPORT FOR THE SECOND QUARTER AND SIX MONTHS PERIOD 2019

Highlights during the quarter

- > VEF announced that it has agreed to sell its stake in iyzico, Turkey's leading payments provider, at a value of USD 33.9 mln, resulting in an expected IRR of 63% and CoC return of 3.1x at the time of closing. The exit is part of a broader sale agreement with iyzico's venture investors, with the full purchase valuation set at USD 165 mln.
- > VEF invested an additional USD 23.5 mln into Creditas, a Brazilian secured lending platform, as part of a USD 231 mln Series D investment round led by SoftBank.
- > VEF made a follow-on investment in FinanZero, a Brazilian online consumer loan marketplace, who closed a Series B investment round of SEK 100 mln (USD 10.5 mln).
- > Repurchased 953,000 Swedish Depository Receipts (SDRs) in the Company.

Net asset value

- > NAV of VEF's portfolio increased by 17% during the quarter to USD 238.7 mln or USD 0.37 per share.
- > In local currency, NAV was SEK 2,212 mln and SEK 3.41 per share.
- > Cash position at the end of 2Q19 was USD 25.2 mln pre-iyzico fund flows.

Financial result

- > Net result for 2Q19 was USD 35.5 mln (2Q18: USD 7.93 mln). Earnings per share were USD 0.05 (2Q18: USD 0.01).
- > Net result for the six-months period was USD 37.06 mln (1H18: 20.93 mln). Earnings per share were USD 0.06 (1H18: 0.03).

	June 30, 2018	Dec 31, 2018	June 30, 2019
Net asset value (USD mln)	220.16	201.42	238.67
Net asset value (SEK mln)	1,973	1,806	2,212
Net asset value per share (SEK)	2.98	2.78	3.41
VEMF SDB share price (SEK)	2.01	1.75	2.50

The Company will hold a telephone conference with an interactive presentation at 15:00 CEST (09:00 a.m. EDT) Wednesday, August 14, 2019. For call-in details, see separate press release issued Wednesday, August 7, 2019 at www.vostokemergingfinance.com.

Management report

Dear fellow shareholder,

Exits were the over-riding theme of the first six months of 2019 for life at VEF, as we put down some impressive markers on the power of value creation within EM fintech. We said goodbye to both Tinkoff Bank and iyzico with stellar returns locked in for both. Our NAV and share price continued to rise, supported by these exits and more recently the Creditas mega-raise, while we continue to be on the bid for our own shares at the right discount and are as excited as ever by some of the opportunities at the later stage of our investment funnel.

Performance review and highlights

Through 2Q19, total USD NAV of VEF grew 17% QoQ to USD 238.7 mln and +18.5% YTD. NAV per share in local currency grew 22.7% QoQ to SEK 3.41. The major drivers were the uplift in exit value for iyzico and the SoftBank-led Creditas fundraising event (details below).

Capital flowed both ways through the period, as our cash position benefitted from aforementioned exits, while we continued to deploy fresh capital into favoured portfolio names Creditas (USD 23.5 mln), Konfio (USD 10 mln) and Nibo (USD 2 mln) to name but three. We ended the period with USD 25.2 mln of investable capital, pre-iyzico fund flows, which are expected by 3Q19.

iyzico, second portfolio exit of 2019

In 2Q19, the sale of iyzico to Naspers Group for USD 165 mln was announced, our second exit of 2019.

From a total VEF investment of USD 11 mln, the exit resulted in gross proceeds of USD 33.9 mln to VEF, an investment IRR of 63% and a CoC return of 3.1x at the time of closing. This followed on from the 1Q19 exit of Tinkoff, which itself delivered an IRR of 65% and 6x CoC returns. iyzico, Turkey's leading online payments player, has always represented a benchmark investment, and now exit, for VEF.

Since our initial investment, iyzico has been one of our cornerstone holdings, a strong driver of our NAV growth and a company that set the investment bar against which we measure all potential investments. Once again, we would like to thank Barbaros, Tashin and all the team at iyzico for welcoming us into their cap table back in 2017 and allowing us to be a small part of their hugely successful story to date. We wish them all the best in their continued ventures as part of the Naspers Group.

Creditas, SoftBank backs them in benchmark fundraising

Within the existing portfolio the biggest recent event was the USD 231 mln Series D funding round for Creditas, led by SoftBank. As we mentioned in our previous letter, SoftBank recently arrived on the continent with USD 5 bln of dedicated capital looking to back Latin America's new economy champions. We were not surprised that Creditas was one of their first ports of call, as the scale of the opportunity in the secured consumer lending space in Brazil, combined with the quality of the team at Creditas, is a clear LatAm fintech champion in the making.

We also took our part in the investment round, writing our third-largest cheque to date of USD 23.5 mln, and have now invested a total of USD 48.5 mln in Creditas, a sign of the confidence we have in this company and team. It is now our largest holding and accounts for 30.1% of our NAV.

Buybacks and pipeline

From a capital allocation perspective, of late, we have been especially active in putting more capital to work in current portfolio companies. Quite simply, if something in our portfolio is working, we look to back it harder and deploy more capital. At the same time, we continue to nibble at our own shares as and when we feel the discount is at inappropriate levels versus the current NAV, and our predicted view of

where that NAV goes next. While pipeline building is a never-ending process, we are at a point where we feel that much of the work over the previous 12 months could lead to conversions and new companies entering the portfolio in the near future. Brazil, for all the positive reasons we have cited many times in the past, and India, are the destinations where we are busiest on that front.

Concluding remarks

In 1H19 we experienced significant portfolio exits, benchmark fund raises, and our companies continuing to grow at a very healthy clip, all driving our NAV per share and share price to fresh highs. We re-iterate that delivering shareholder value through a focused approach to increasing our NAV per share and reducing traded discount to market value remains our core focus, and the events of the 1H19 period show real traction on this front. We take a long-term view on our company, investments and indeed life, which is necessary when investing in the space that we do.



August 2019,
David Nangle

Investment portfolio

Portfolio development

VEF's net asset value per share increased by 17% in USD over the second quarter 2019. During the same period, the MSCI Emerging Markets index* decreased by 1.5% in USD terms.

Liquidity management

The Company has investments in a money market fund and bonds as part of its liquidity management operations. As per June 30, 2019, the liquidity management investments are valued at USD 13.08 mln, based on the latest NAV.

The investment portfolio stated at market value as at June 30, 2019 is shown below.

Company	Fair value June 30, 2019 (TUSD)	Net invested amount (TUSD)	Investment/ divestments 2019	Change in fair value 2019 (TUSD)	Fair value Dec 31, 2018 (TUSD)	Valuation change per share, 2019	Valuation method
Creditas	73,246	48,500	23,500	24,746	25,000	+99%	Latest transaction
iyzico	33,948	11,000	250	7,837	25,861	+31%	Latest transaction ¹
Konfio	25,006	25,000	10,000	6	15,000	—	Latest transaction ¹
REVO Technology/Sorsdata	18,443	8,789	0	3,807	14,636	+26%	Model-based valuation ¹
JUMO	16,408	14,614	0	0	16,408	—	Latest transaction ¹
TransferGo	12,768	8,925	0	-74	12,842	-1%	Latest transaction ^{1,2}
Guiabolso	10,886	30,000	0	-4,379	15,265	-29%	Model-based valuation ¹
Nibo	9,958	5,300	2,000	3,001	4,957	+61%	Model-based valuation ¹
FinanZero	7,766	2,671	101	2,635	5,030	+35%	Latest transaction ^{1,2}
Magnetis	6,477	3,700	0	671	5,806	+12%	Model-based valuation ¹
Finja	3,339	2,000	0	50	3,289	+2%	Latest transaction ¹
TCS Group Holding PLC (Tinkoff Bank)	—		-8,706	798	7,908		¹
Liquidity management	13,077		-32,500	681	44,896		
Cash and cash equivalents	12,090			6,611	5,479		
Total investment portfolio	243,412	126,899	-5,355	46,390	202,377		
Other net liabilities	-4,743				-955		
Total Net Asset Value	238,669				201,422		

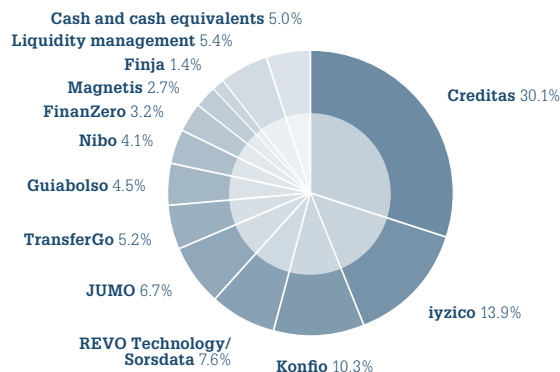
1. This investment is shown in the balance sheet as financial asset at fair value through profit or loss.

2. Attributable to currency exchange differences.

* The MSCI Emerging Markets Index is a free float weighted equity index that consists of indices in 26 emerging economies.

VEF in Charts – 2019

Portfolio composition



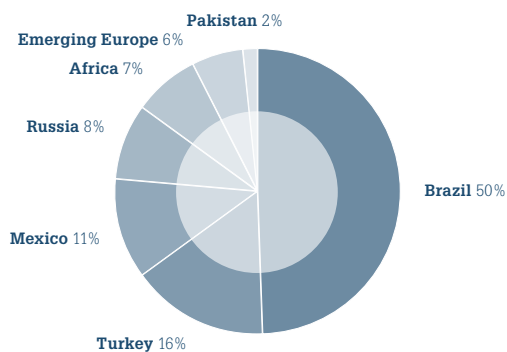
VEF share and net asset value development

December 2015–June 2019 (SEK/SDR)

Net Asset Value per share SDR Price



Geographic distribution, ex. cash

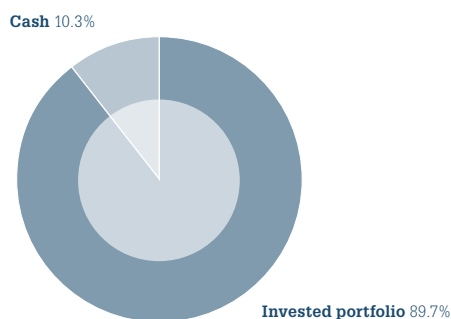


Discount to net asset value

December 2015–June 2019

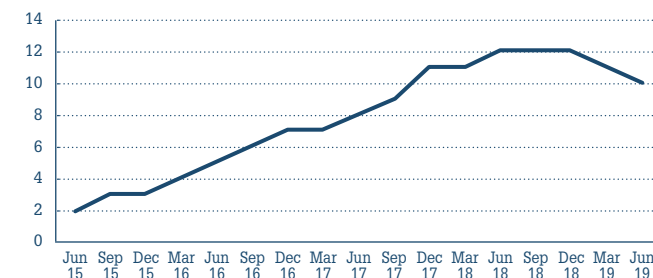


Invested portfolio and cash



Number of companies in portfolio

June 2015–June 2019



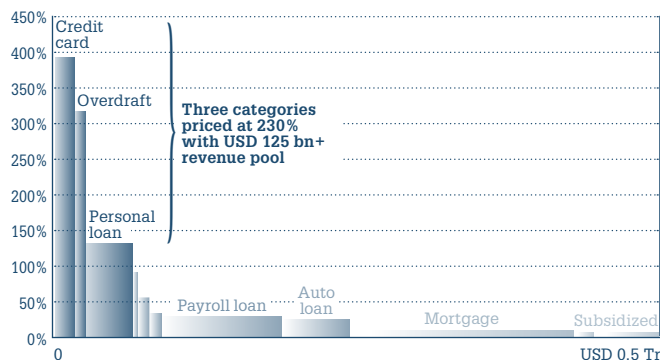


Creditas is a leading digital-first secured lending platform in Brazil, which leverages borrower collateral to offer loans to consumers at more affordable rates.
Website: creditas.com.br

Market opportunity: Brazilian consumers pay some of the highest interest rates in the world. Over USD 500 bln of outstanding household debt is priced at an average of 44% per year, with USD 55 bln of this made up of high-priced unsecured loans with 230% average APR, representing a USD 123 bln annual revenue pool for the industry. The oligopolistic market structure of the banking sector in Brazil, with the top 5 banks holding over 80% of total loans in the system, allows the banks to set these high rates.

Secured lending remains massively underpenetrated in Brazil where approximately 70% of all homes and cars are owned debt-free, with these assets representing a total value of USD 3 tln. Disrupting the consumer lending space to offer collateral-backed loans is a massive opportunity for fintech in a country of over 200 mln people.

Brazil: Household debt market, APR %
Source: Creditas



Creditas' offering: Creditas' mission is to reduce the Brazilian consumer debt burden and democratize access to cheaper lending by leveraging consumers' assets to offer home equity and auto-secured loans at more reasonable rates, which is common in markets like the US. Consumers can obtain larger, longer-term, lower-APR loans through an efficient, tech-driven application system. The company is currently focused on addressing the core, largest opportunity set in terms of products, but is well-positioned to explore and offer other niche products such as solar panel and medical equipment financing leveraging similar principles and processes.

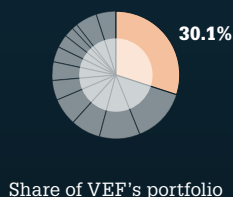
In January 2019, Creditas was granted a financial institution license by the Central Bank of Brazil, which allows them to issue credit products through their own funding vehicle without the need for intermediaries, which will increase margins and reduce dependency on individual investors.

Creditas has shown exceptional growth throughout 2018 and into 2019, slowly shifting focus from top-line growth to contribution margins and higher-quality revenues. Revenues grew in excess of 5x last year, while origination increased by around 100%.

During the quarter: During the second quarter of 2019, VEF invested an additional USD 23.5 mln into Creditas as part of a USD 231 mln Series D investment round led by SoftBank. Following the transaction VEF holds a 9.7% stake in the company and is valued at USD 73.2 mln on the basis of this transaction. VEF has invested a total of USD 48.5 mln into Creditas.

Key data:
Creditas

Brazil
Primary region



2012
Company founded

2017
VEF's first investment

48.5 mln
VEF's net invested amount as at June 30, 2019 (USD)

73.2 mln
VEF's total value as at June 30, 2019 (USD)

9.7%
VEF's ownership share

+99%
2019 value development per share (USD)



Founded in 2013, Iyzico is the leading payment solution provider for Turkey's fast growth online merchant ecosystem.

Website: iyzico.com

Market opportunity: Sitting at the crossroads of Europe and Asia, Turkey is one of the world's most populous emerging market economies, with over 80 mln people. Consumer debit/credit card market dynamics make Turkey one of the most exciting payments markets in the world, with the highest number of debit and credit cards (over 170 mln) in Europe, standing in eighth position globally. However, in a country where ecommerce has grown by an average of 33% over the past 5 years, Turkey still remains under-penetrated in online payments, with 5.3% of total retail taking place online, versus an average of 11.1% in developed countries.

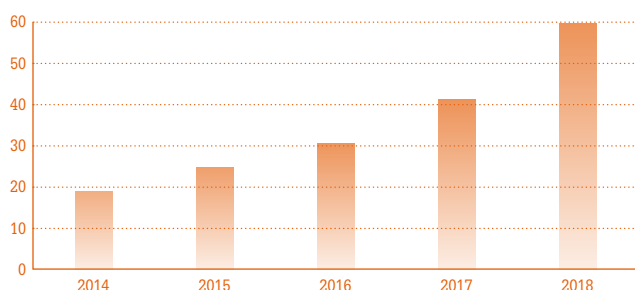
Furthermore, given the country's fragmented card system, merchants require solutions like Iyzico's in order to accept ecommerce card payments from across the large number of card families in the market.

Iyzico's offering: Iyzico is the fastest-growing fintech company in Turkey, providing online payment solutions for local businesses in Turkey as well as international retailers such as Amazon, Nike, H&M and Zara. Iyzico currently services over 300 online marketplaces (with over 400,000 personal sellers of different sizes) in addition to 30,000 online merchants.

Iyzico processed close to 25 mln transactions last year, with strong merchant growth and flagship names driving revenue growth north of 100% YoY. New business lines are also very promising, as Iyzico continues to extend their payments reach to include the under-banked population and also recently acquired a European Payments License to allow for processing of payments beyond the borders of Turkey. Similar business models include global fintech names like Stripe, Adyen and Klarna.

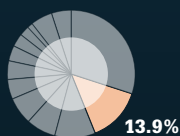
During the quarter: During the second quarter of 2019, VEF announced that it has agreed to sell its holding in Iyzico to PayU Global B.V., the fintech arm of Naspers, for approximately USD 33.9 mln. VEF is exiting as part of a broader sale agreement with Iyzico's venture investors. The sale remains subject to Turkish regulatory and competition authority approvals and closing is expected to occur in the coming months. As per June 30, 2019, VEF values its stake in Iyzico on the basis of this transaction.

Turkey: Ecommerce market size 2014–2018 (TRY bln)



Key data:
Iyzico

Turkey
Primary region



Share of VEF's portfolio

2013
Company founded

2017
VEF's first investment

11.0 mln
VEF's net invested amount as at June 30, 2019 (USD)

33.9 mln
VEF's total value as at June 30, 2019 (USD)

21.1%
VEF's ownership share

+31%
2019 value development per share (USD)



Konfio is a digital-first unsecured lending platform, with a mission to support the growth of Mexico's vast and underserved small business community.

Website: konfio.mx

Market opportunity: Mexico is Latin America's second-largest scale market after Brazil, with a population of 127 mln, the tenth-largest globally. There are approximately 7 mln SMEs in the market, and for every 20 companies in Mexico, 19 are considered 'very small' with annual sales of up to USD 700 k. However, though the massive scale of these companies represents a huge opportunity for SME lending in Mexico, historically, this segment has been massively underserved by traditional banks, where only 3 out of 10 businesses have formal credit.

Konfio's offering: With its online and digital-first approach, Konfio leverages technology and big data analytics to offer loans to creditworthy SMEs across Mexico. Konfio has taken advantage of recent Mexican fiscal control regulation by using a combination of electronic SME invoice data and non-correlated credit bureau data in its credit scoring process, complemented by more traditional financial analysis.

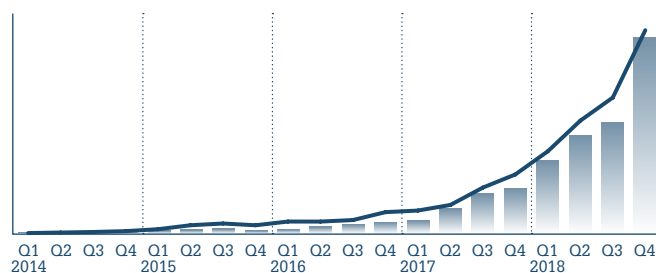
Konfio streamlines the loan application process, providing convenience and affordability to its customers in the top-end of the small business segment where Konfio is currently focused – a segment which is seen as a USD 45 bln opportunity.

Konfio had a successful first half of 2019, leading in from a strong 2018, and in February 2019 announced a partnership with PayPal. The partnership will allow small businesses in Mexico who use PayPal to apply for working capital using the Konfio platform, a market estimated to be worth over USD 162 bln. Traction in the product has proved to be strong so far, with Konfio planning on implementing further similar initiatives over the course of 2019.

During the quarter: During Q2 2019, VEF invested an additional USD 10 mln into Konfio by way of a 1-year convertible loan note. VEF's 11.7% stake in Konfio is valued at USD 25.0 mln on the basis of the last transaction.

Konfio: Quarterly Origination (bars) and Quarterly Total Income (line), 2014–2018

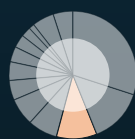
Source: Company data



Key data:
Konfio

Mexico

Primary region



10.3%

Share of VEF's portfolio

2014

Company founded

2018

VEF's first investment

25.0 mln

VEF's net invested amount as at June 30, 2019 (USD)

25.0 mln

VEF's total value as at June 30, 2019 (USD)

11.7%

VEF's ownership share

0%

2019 value development per share (USD)



REVO works with leading merchants in Russia and the CEE to provide financing options to their customers, allowing them to buy now and pay later.
Website: revo.ru

Market opportunity: Point-of-sale financing options are numerous in markets like Europe and the US, which allow consumers to 'buy now and pay later', often in instalments. This allows consumers to make purchases when necessary upfront and spread the cost over time, effectively 'smoothing' their consumption habits. Merchants in such markets also benefit from point-of-sale lending, as average basket size are larger and customers become more loyal. Though these platforms are widely available in developed economies, they are only now becoming the norm in emerging markets like Russia.

REVO's offering: REVO works with online and offline merchants in Russia and the CEE to provide financing options to their customers at the point of sale, allowing them to buy now and pay later. Revo has built partnerships with

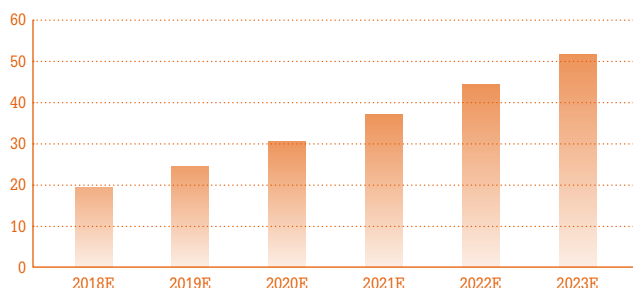
merchants in categories such as apparel, toys, sporting goods, travel, electronics and others, who benefit from increased conversion and basket size using Revo's solution.

Operating in Russia and Poland, REVO partners with leading merchants to deliver instant omni-channel financing solutions for consumers online and offline, similar to Klarna in Western Europe and Affirm in the US. REVO's sister company, Sorsdata, focuses on customer data analytics, largely gathered through the REVO platform, and provides targeted marketing services for merchants to drive repeat purchases and loyalty. The two companies effectively operate as one.

REVO has had a successful first half of 2019, with strong traction with new scale partners MVideo and Ozon, two of Russia's largest retailers in both the offline and online space. Adding partners is a key driver for growing volumes and revenues, and the company continues to add international and domestic partners to its platform. In addition, in the fall of 2018, REVO launched operations in Poland, partnering with a number of leading retailers in household goods and fashion.

Russia: Projected size of ecommerce market 2018E–2023E (USD bln)

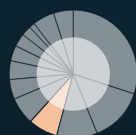
Source: Morgan Stanley



During the quarter: During the second quarter of 2018, VEF invested an additional USD 2.1 mln into REVO in the form of a two-year convertible loan note, alongside existing investor Baring Vostok. As per June 30, 2019 VEF owns 25% in REVO group and had invested a total of USD 8.8 mln. The 25% stake in the group is valued at USD 18.4 mln. The valuation is derived from valuation models focused on multiples of NII (net interest income) and revenues, coupled with the intrinsic value of the convertible loan note.

Key data:
REVO Group
(REVO Technology and Sorsdata)

Russia, CEE
Regions



7.6%
Share of VEF's portfolio

2013
Company founded

2015
VEF's first investment

8.8 mln
VEF's net invested amount as at June 30, 2019 (USD)

18.4 mln
VEF's total value as at June 30, 2019 (USD)

25%
VEF's ownership share

+26%
2019 value development per share (USD)



JUMO is the largest and fastest-growing technology platform operating inclusive mobile financial services marketplaces in emerging markets.

Website: jumo.world

Market opportunity: 1.7 billion adults across the globe are excluded or underserved by traditional financial services. Reliance on cash makes it extremely difficult for individuals to save for needs such as education and healthcare, prepare for financial emergencies, and invest in their businesses. Fintech represents a massive opportunity for financial inclusion, with the World Bank asserting that fintech applications can especially help to drive development in emerging markets.

JUMO's offering: JUMO provides inclusive financial services to the unbanked population across several emerging and developing markets. Using their tech-enabled platform, customers can access savings and loan accounts via their mobile phone. JUMO's partnerships with leading banks and mobile network operators creates a marketplace where consumers can access financial services, banks can access a new pool of mobile money customers in cost-effective and scalable

manner, and MNOs can provide additional services to their customers to increase customer loyalty. Today, JUMO operates across numerous African markets including Tanzania, Ghana, Zambia, Kenya, Uganda, and most recently in Pakistan, with plans to expand further across the sub-continent.

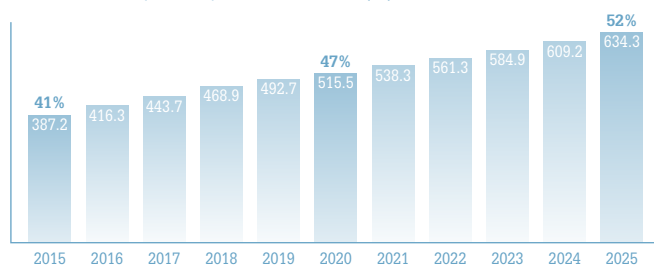
Since its launch in 2014, more than 13 mln people have saved or borrowed on the JUMO platform, with over USD 1 bln in fund disbursed to customers. Nearly 70% of JUMO's customers are micro and small business owners who are better equipped to save money to invest in their businesses and thus improve their financial wellbeing.

JUMO continues to develop new financial products, and recently partnered with Uber to launch JUMO Drive, a vehicle financing product which will ease barriers to car ownership for existing Uber drivers in Sub-Saharan Africa. The partnership will reduce drivers' need to lease vehicles and thus over time improve their earning potential. The team has also opened offices in Singapore, Bangladesh and India in addition to new offices in San Francisco and London.

Sub-Saharan Africa: Unique mobile subscribers and penetration

Source: GSMA Intelligence

■ Subscribers (million) ■ Penetration (%)

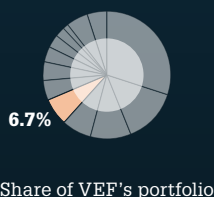


During the quarter: During the fourth quarter of 2018, JUMO successfully finalized the second close of a large capital raise which took the full round to near USD 65 mln. The round attracted a new investor base and was led by Goldman Sachs, who alongside existing investors were joined by Proparco (the private sector financing arm of the French Development Agency – AFD) and Finnfund. VEF took up its rights and invested USD 3.1 mln in the round. VEF's 6.8% stake in JUMO is valued at USD 16.4 mln on the basis of this transaction.

Key data:
JUMO

**Pan-Africa,
Asia**

Regions



2014

Company
founded

2015

VEF's first
investment

14.6 mln

VEF's net invested amount
as at June 30, 2019 (USD)

16.4 mln

VEF's total value as at
June 30, 2019 (USD)

6.8%

VEF's ownership share

0%

2019 value development
per share (USD)



TransferGo is a rapidly-growing, low-cost, cross-border digital remittance provider operating in 47 countries internationally.

Website: transfergo.com

Market opportunity: Remittances is an attractive market within global financial services, and one that has been ripe for disruption for some time. Totalling over USD 690 bln of annual peer-to-peer flows globally, pricing remains too high, and speed too slow. Remittances is a business that is won on the balance and interaction between trust, speed and price, and the majority of the industry has been failing customers for years on these metrics.

TransferGo's offering: TransferGo is a digital money transfer business offering real-time service to customers across Europe. Geographically, TransferGo initially focused on the key corridors of broader Europe, with principal flows channeling from West to East, while its segment of focus is blue-collar workers, who are some of the most consistent and regular remittance customers in the world. Today the company operates

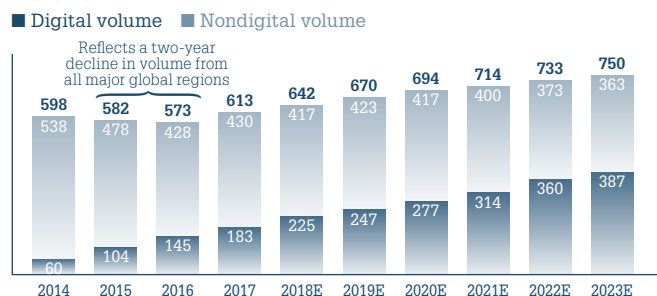
in 47 countries across the world, allowing users to send money to markets as far as India, Australia, Mexico and the Philippines.

TransferGo has built proprietary technology and infrastructure to enable 30-minute transfers at very low cost for customers using the TransferGo Now product, while also offering free international transfers for customers using TransferGo Free. TransferGo's low-cost remittances service is contributing towards the United Nations Sustainable Development Goal of reducing to less than 3% the transaction costs of migrant remittances by 2030.

2018 was a successful year for TransferGo, having shown systematic and steady growth across essentially all KPIs with transaction volumes and revenues growing around 65% and 60% respectively, creating a strong tailwind into 2019, reaching over 1 mln customers. TransferGo is well-focused, positioned and financially equipped to invest in acquiring new customers, opening new markets, including Germany as well as Turkey as new send markets, and further ramping up the already strong traction in the business.

Forecast: Global remittance volume, 2014–2023E (USD bln)

Source: Business Insider Intelligence estimates, Juniper Research, World Bank

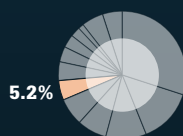


During the quarter: In 2018, TransferGo successfully closed a new funding round of around USD 16 mln. VEF lead the round alongside existing and new investors including Revo Capital, a Turkish VC fund, and Ripple. In the process, VEF exercised the outstanding USD 2.8 mln (EUR 2.5 mln) convertible loan note plus accrued interest and invested an additional USD 2.7 mln (EUR 2.3 mln) in TransferGo, taking VEF's ownership stake to 16.2% in the company. VEF's stake is valued at USD 12.8 mln on the basis of the latest transaction in the company.

Key data:
TransferGo

Europe

Primary region



Share of VEF's portfolio

2012

Company founded

8.9 mln

VEF's net invested amount as at June 30, 2019 (USD)

16.2%

VEF's ownership share

2016

VEF's first investment

12.8 mln

VEF's total value as at June 30, 2019 (USD)

-1%

2019 value development per share (USD)



Guiabolso is the leading personal finance management platform in Brazil, with the mission of transforming the financial wellbeing of its customers.

Website: guiabolso.com.br

Market opportunity: In Brazil, consumers typically have a very complicated financial profile with numerous credit products making it difficult for them to get an accurate, complete view of their personal finances from their bank, who provide a poor user experience for their customers. At the same time, Brazilians pay some of the highest interest rates in the world, which compounds the problem of effectively managing their personal finances.

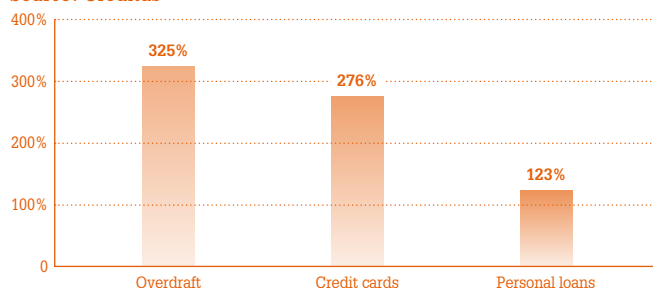
Guiabolso's offering: Guiabolso simplifies customers' financial profile by leveraging its proprietary bank data aggregation technology to automatically aggregate people's financial information, allowing users to better understand their finances and keep track of their budgets. Through their personal finance management platform, Guiabolso can offer the best financial profile available in the market to their large and fast-growing customer base.

With a complete view and unique insight into the typically complex financial profile of the Brazilian, Guiabolso is also able to offer their customers a wide range of products, spanning from credit reports and financial education tools through to investment offerings as well as third-party credit products. The company's ability to match its users to better-suited and more competitively priced financial products sets it apart in a country with one of the world's highest interest rates.

Guiabolso's credit origination is done through bank partners, and the company is focused on growing the asset-light credit marketplace, the active user base and introducing multiple new products and revenue lines throughout 2019 and 2020. Guiabolso has a goal of becoming the financial hub for Brazilian consumers. The business model is similar to the likes of Mint and Credit Karma in the US. Founded in 2012, Guiabolso is based in São Paulo, Brazil.

Brazil: APR % on lending products

Source: Creditas

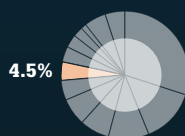


During the quarter: As at June 30, 2019, VEF has invested a total of USD 30 mln in Guiabolso, and values its 10.9% stake at USD 10.9 mln on the basis of an EV/revenue peer multiples valuation model. The valuation represents a 1% decrease in valuation in the second quarter of 2019, and reflects the derating of valuation multiples in the peer group.

Key data:
Guiabolso

Brazil

Primary region



Share of VEF's portfolio

2012

Company founded

2017

VEF's first investment

30.0 mln

VEF's net invested amount as at June 30, 2019 (USD)

10.9 mln

VEF's total value as at June 30, 2019 (USD)

10.9%

VEF's ownership share

-29%

2019 value development per share (USD)



Nibo is a leading Brazilian accounting SaaS (software as a service) provider, transforming the way accountants and SMEs interact. The company was founded in 2012 by Gabriel Gaspar and is based in Rio de Janeiro, Brazil.
Website: nibo.com.br

Market opportunity: The Brazilian accounting and tax environment is one of the most complex and regulated of such systems in the world. Brazil has over 80,000 accounting firms servicing a market of some 10 mln SMEs, all of whom are legally required to have an accountant. 80% of SMEs do not use a financial management solution, with physical delivery of documents and receipts to accountants being necessary. Accountants themselves rely on manual processes to manage this data, which is both time-consuming and prone to human error.

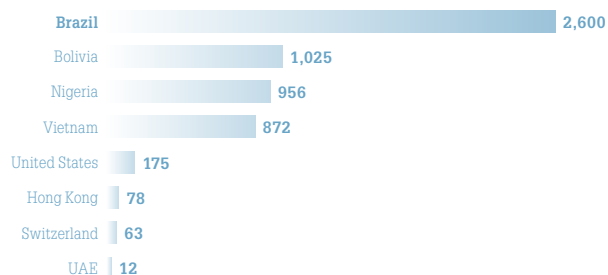
Nibo's offering: Nibo empowers accountants with innovative technology solutions to better and more profitably serve their customers with fast, accurate and end-user friendly data as well as improving productivity. Further, Nibo's technology allows accountants to cross-sell additional value-added services, further strengthening the end customer relationship and diversifying their revenue streams. The Nibo platform offers a suite of products including accounts and bank reconciliation,

payment of bills, cash flow projection tools and issuance of invoices and boletos, a specific Brazilian payment method. In this capacity, Nibo is accumulating and manages a unique pool of SME data which has the potential to serve as a base for offering a variety of additional financial services to Brazil's underserved SMEs as a natural extension of the core products. Nibo's business model, in its core, is similar to the likes of Xero and Quickbooks.

Nibo has been successful in up-selling existing accountants to bring more of their SME clients onto the platform and utilize more of the product suite. During 2Q19, the number of paying companies grew over 5.5x YoY. Growth in the SME base has been strong following the successful acquisition and integration of a smaller fintech company, Masterdoc, which significantly facilitates tax filings through software on the clients' and accountants' computers. This new product, even though in early days, has proven to add substantial growth in revenues for Nibo.

Time business owners spend on taxes per year (# in hours)

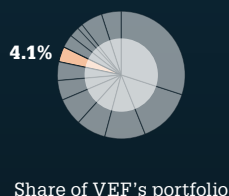
Source: PwC



During the quarter: During the first and second quarter of 2019, Nibo raised an additional USD 3.4 mln from the current investor base. VEF lead the round and invested an additional USD 2.0 mln. As per June 30, 2019, VEF has invested a total of USD 5.3 mln into Nibo, and values its stake at USD 10.0 mln on the basis of an EV/revenue peer multiples valuation model. The valuation represents a 15.7% increase in valuation compared to VEF's valuation as per March 31, 2019. Vostok Emerging Finance owns a 20.1% stake in Nibo following the latest transaction.

Key data:
Nibo

Brazil
Primary region



2012
Company founded

2017
VEF's first investment

5.3 mln
VEF's net invested amount as at June 30, 2019 (USD)

10.0 mln
VEF's total value as at June 30, 2019 (USD)

20.1%
VEF's ownership share

+61%
2019 value development per share (USD)



FinanZero is a pioneering marketplace for consumer loans in Brazil. Through the online platform, borrowers are offered the best interest rates from several banks at once.
Website: finanzero.com.br

Market opportunity: Brazil's banking market is highly concentrated, with the top five banks holding in excess of 80% of total loans in the system, while fees and interest rates are some of the highest anywhere in the world. These high rates make it an imperative for Brazilian consumers to find the best loans available to them, with the lowest rates and terms. At the same time, consumer loan volumes and tech adoption in the country are increasing, creating a strong opportunity for a digital solution for consumer loans.

FinanZero's offering: FinanZero offers a digital marketplace for consumer loans in Brazil. Acting as an independent broker, FinanZero negotiates the customer's loan with several banks and credit institutions at once to find the loan with the best interest rate and terms for the consumer. FinanZero

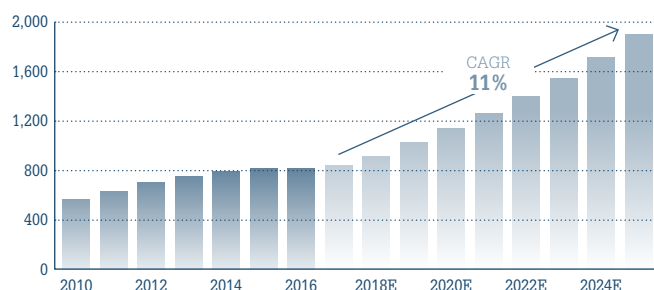
handles the lending process from start to finish, with the customer and the bank integrated into FinanZero's platform. For consumers, this means that all the relevant credit providers are reached through one single application, and from the credit providers' perspective, FinanZero adds value through more effective distribution, lower customer acquisition cost, better segmentation and lowered administration costs. FinanZero currently focuses on four sizeable loan broker segments, unsecured consumer loans, unsecured SME/payroll loans, secured car finance loans and secured home equity loans.

FinanZero's business model combines aspects of comparison, lead generation and consumer loan brokerage, similar to the Lendo business model in Scandinavia. FinanZero continues API integrations with key partners and in 2Q19 reached a total of 35 banking partners, resulting in improved operational efficiency and significant volume growth which will attract additional attention from other banks to integrate in a similar manner.

Brazilian consumers increasingly willing to borrow, 2010–2025E (BRL bln)

Source: HSBC

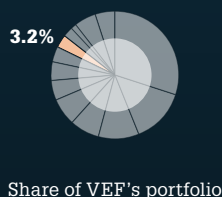
■ Consumer loans (actual) ■ Consumer loans (HSBC estimates)



During the quarter: The second quarter of 2019 was a particularly exciting time for FinanZero, as they announced a Series B investment round of SEK 100 mln (USD 10.5 mln) whereby VEF made a follow-on investment of USD 101 k alongside new investors Dunross & Co. and Atlant Fonder, among others. Following the round VEF owns an 18% stake of the company and is valued at USD 7.8 mln (SEK 72.1 mln) on the basis of this transaction.

Key data:
FinanZero

Brazil
Primary region



2016
Company founded

2016
VEF's first investment

3.5 mln
VEF's net invested amount as at June 30, 2019 (USD)

7.8 mln
VEF's total value as at June 30, 2019 (USD)

18.0%
VEF's ownership share

+35%
2019 value development per share (USD)



Magnetis is a leading digital investment advisor in Brazil, offering customers a simple, digital tool to manage their wealth.

Website: magnetis.com.br

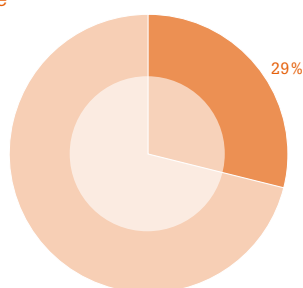
Market opportunity: Brazil has 77 million individuals holding USD 720 bln of investments across savings accounts, money market funds, retirement plans and other similar products. Their wealth is highly concentrated across the 5 largest Brazilian banks and generates revenues of some USD 13 bln annually. However, their wealth is corroded by high cost, low return products in a traditionally high inflation, low competition market. Given the deep pool of wealth, high levels of consumer technology adoption, large existing revenue pool and lack of financial market literacy Brazil represents one of the largest addressable markets globally, for digital wealth management.

Magnetis' offering: Magnetis democratizes access to affordable and easy-to-use investment management through their digital investment advisor. Using client-focused, state-of-the-art technology, the product takes the individual's risk preferences into account, then builds and manages a tailored

portfolio of money market, insured fixed income, hedge funds and equity ETFs at the click of a button. Magnetis' business model shares the same characteristics as the likes of Betterment and Wealthfront in the US.

Founded in early 2015, Magnetis is based in São Paulo. During 2018, the company consistently showed very strong development across the board with a customer base growing around 150% YoY, while loyalty remains strong with high levels of monthly recurring revenues, growing close to 70% and AUM demonstrating an 80% increase during 2018. At the same time, new products, initiatives and partnerships are in the making, further improving customer experience, unit economics and long-term profitability in 2019. In March 2019, Magnetis announced a strategic partnership with GPS Investimentos, one of Brazil's largest and most reputable wealth managers, and a subsidiary of the Julius Baer Group. The partnership allows Magnetis to leverage invaluable expertise and scale, in the combined mission to build the best digital wealth management platform in the region.

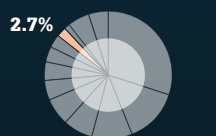
Brazil: Fintech adoption rate within the Savings and Investments space
Source: EY



During the quarter: During Q3 2018 Magnetis successfully closed a bridge financing round where VEF invested an additional USD 700 thousand in the form of a two-year convertible loan note, to add to its initial USD 3.0 mln investment, alongside existing investor Monashees and GPS (a Julius Baer company). VEF values its stake in Magnetis on the basis of an EV/AUM % peer multiple, and as at June 30, 2019, VEF's 16.9% ownership in the company is valued at USD 6.5 mln including the convertible loan note.

Key data:
Magnetis

Brazil
Primary region



Share of VEF's portfolio

2015
Company founded

2017
VEF's first investment

3.7 mln
VEF's net invested amount as at June 30, 2019 (USD)

6.5 mln
VEF's total value as at June 30, 2019 (USD)

16.9%
VEF's ownership share

+12%
2019 value development per share (USD)



Finja offers innovative financial services to Pakistan's rapidly-growing, digitally literate population by displacing cash.

Website: finja.pk

Market opportunity: Pakistan is a scale market, with the world's 6th largest population of over 190 mln people, and a fast-growing middle class. However, in terms of financial services, Pakistan is massively underpenetrated, with only 21% of the adult population owning a bank account, and as little as 2% of adults and 7% of SMEs receive formal credit from financial institutions. At the same time, smart phone penetration in the country is rapidly increasing, with an estimated 60 mln devices in the market, giving fintech companies a large opportunity to introduce financial services to the increasingly digitally-savvy population.

Finja's offering: Finja has developed and operates one of the leading digital wallets in Pakistan, SimSim, with more than 360,000 customers signed up to date, and a mission to make

payments free, frictionless and real-time. The platform offers a suite of financial services, including mobile top-up, merchant and P2P payments and QR-code payments. On top of the free payments core, Finja operates an e-commerce marketplace and credit marketplace for users which serve as value added services for customers and drive revenues. Finja currently operates in collaboration with Finca Microfinance Bank.

Payroll is a current focus for the company, offering a zero-cost cloud-based payroll solution and payment automation system supported through mobile wallet fund disbursements, and Finja has been adding corporates and SMEs to the platform for this product. Finja had a strong 2018, with double-digit growth of the Finja mobile wallet and growing traction with the payroll product.

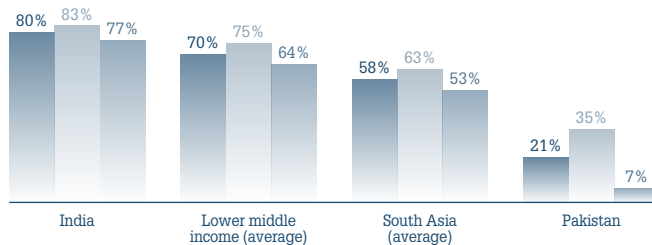
Finja was founded by tech and banking industry veterans Qasif Shahid, Monis Rahman and Umer Munawar and is headquartered in Lahore.

Pakistan: Account ownership in relation to its peers

(As of 2017, among adults of age 15+)

Source: Findex, World Bank

■ Accounts overall ■ Male accounts ■ Female accounts



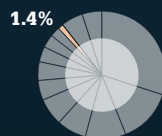
During the quarter: During 2018, Finja successfully closed a new funding round in which the company raised USD 3 mln. The round attracted new investor Beenext, an Asia-focused VC fund, and Quona Capital, an EM Fintech VC fund. VEF invested USD 1 mln in the round which was structured as a bridge financing in the form of a two-year convertible loan note. As per June 30, 2019, Vostok Emerging Finance has invested a total of USD 2 mln into Finja, and holds a 20.4% stake in the company. VEF's stake in the company is valued at USD 3.3 mln, including the convertible loan note, on the basis of the latest transaction in the company.

Key data:

Finja

Pakistan

Primary region



Share of VEF's portfolio

2016

Company founded

2016

VEF's first investment

2.0 mln

VEF's net invested amount as at June 30, 2019 (USD)

3.3 mln

VEF's total value as at June 30, 2019 (USD)

20.4%

VEF's ownership share

+2%

2019 value development per share (USD)

Financial information

Investments

During the six-months period 2019, gross investments in financial assets were USD 35.85 mln (1H18: 36.53), of which

During 1Q

- > USD 2.0 mln relates to investments in Nibo
- > USD 0.25 mln investments in izyico

During 2Q

- > USD 23.5 mln investments in Creditas
- > USD 10 mln investments in Konfio
- > USD 0.1 mln investments in FinanZero

Moreover, VEF repurchased during the period 1,583,000 SDRs, whereof 953,000 SDRs during 2Q19 in the Company for the purpose of delivery of SDRs in connection with the Company's long-term incentive programs.

Group – results for the period and net asset value

During the six-months period 2019, the result from financial assets at fair value through profit or loss amounted to USD 39.93 mln (1H18: 21.98).

Dividend and coupon income was USD 0.25 mln (1H18: 1.89).

Net operating expenses amounted to USD -3.05 mln (1H18: -2.84).

Net financial items were 0.17 mln (1H18: -0.08).

Net result for 1H19 was USD 37.06 mln (1H18: 20.93).

Total shareholders' equity amounted to USD 238.67 mln (December 31, 2018: 201.42).

Group – results for the quarter

During the quarter, the result from financial assets at fair value through profit or loss amounted to USD 37.84 mln (2Q18: 7.78).

Dividend and coupon income was USD 0.97 mln (2Q18: 1.78).

Net operating expenses amounted to USD -2.31 mln (2Q18: -1.52).

Net financial items were 0.12 mln (2Q18: -0.08).

Net result for the quarter was USD 35.50 mln (2Q18: 7.93).

Liquid assets

The liquid assets of the Group, defined as cash and bank deposits, amounted to USD 12.09 mln on June 30, 2019 (December 31, 2018: 5.48). The Company also has investments in money market fund and bonds, as part of its liquidity management operations. As per June 30, 2019, the liquidity management investments are valued at USD 13.08 mln (December 31, 2018: 44.90), based on the latest NAV.

Financial and operating risks

The Company's risks and risk management are described in detail in Note 4 of the Company's Annual Report 2018.

Parent company

The parent company finances the Cypriot subsidiary's operations on market terms. The net result for the six-months period was USD 8.83 mln (1H18: 9.85). The net result for the quarter was USD 7.28 mln (2Q18: 9.06).

Financial and Operating risks

The Company's risks and risk management are described in detail in Note 4 of the Company's Annual Report 2018.

Income statement – Group

Expressed in USD thousands	Jan 1, 2019– Jun 30, 2019	Jan 1, 2018– Jun 30, 2018	Apr 1, 2019– Jun 30, 2019	Apr 1, 2018– Jun 30, 2018
Result from financial assets at fair value through profit or loss ¹	39,934	21,976	37,836	7,771
Dividend and coupon income	251	1,887	97	1,780
Total operating profit	40,185	23,863	37,933	9,551
Operating expenses				
General administrative expenses	-1,946	-1,935	-1,446	-877
Employee incentive programs	-1,101	-909	-861	-647
Total operating expenses	-3,047	-2,844	-2,307	-1,524
Operating result	37,138	21,019	35,626	8,027
Financial income and expenses				
Currency exchange gains/losses, net	170	-76	115	-83
Net financial items	170	-76	115	-83
Result before tax	37,308	20,943	35,741	7,944
Taxation	-245	-10	-240	-10
Net result for the period	37,063	20,933	35,501	7,934
Earnings per share (in USD)	0.06	0.03	0.05	0.01
Diluted earnings per share (in USD)	0.06	0.03	0.05	0.01

1. Financial assets at fair value through profit or loss are carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category is presented in the income statement within 'Result from financial assets at fair value through profit or loss' in the year in which they arise.

Statement of other comprehensive income

Expressed in USD thousands	Jan 1, 2019– Jun 30, 2019	Jan 1, 2018– Jun 30, 2018	Apr 1, 2019– Jun 30, 2019	Apr 1, 2018– Jun 30, 2018
Net result for the period	37,063	20,933	35,501	7,934
Other comprehensive income for the period:				
Items that may be classified subsequently to profit or loss:				
Currency translation differences	–	–	–	–
Total other comprehensive income for the period	–	–	–	–
Total comprehensive income for the period	37,063	20,933	35,501	7,934

Total comprehensive income for the periods above is entirely attributable to the equity holders of the Company.

Balance sheet – Group

Expressed in USD thousands	Jun 30, 2019	Dec 31, 2018
NON-CURRENT ASSETS		
Tangible non-current assets		
Property, plant and equipment	124	146
Total tangible non-current assets	124	146
Financial non-current assets		
Financial assets at fair value through profit or loss		
Equity financial assets	218,248	152,002
Liquid financial assets	13,077	44,896
Other financial assets	16	18
Total financial non-current assets	231,341	196,916
CURRENT ASSETS		
Cash and cash equivalents	12,091	5,479
Tax receivables	46	23
Other current receivables	271	101
Total current assets	12,408	5,603
TOTAL ASSETS	243,873	202,665
SHAREHOLDERS' EQUITY (including net result for the financial period)	238,670	201,422
CURRENT LIABILITIES		
Non-interest bearing current liabilities		
Other current liabilities	4,868	163
Tax expenses	–	–
Accrued expenses	335	1,080
Total current liabilities	5,203	1,243
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	243,873	202,665

Statement of changes in equity – Group

Expressed in USD thousands	Share Capital	Additional paid in capital	Other reserves	Retained earnings	Total
Balance at January 1, 2018	6,615	89,079	1	102,862	198,557
Net result for the period January 1, 2018 to June 30, 2018	–	–	–	20,931	20,931
Other comprehensive income for the period					
Currency translation difference	–	–	-1	-2	-3
Total comprehensive income for the period January 1, 2018 to June 30, 2018	–	–	-1	20,928	20,927
Value of employee services:					
- Employee share option scheme	–	10	–	–	10
- Share based long-term incentive program	–	889	–	–	889
Buy-back of own shares	-10	-214	–	–	-224
Balance at June 30, 2018	6,605	89,764	–	123,790	220,159
Balance at January 1, 2019	6,502	88,608	–	106,307	201,417
Net result for the period January 1, 2019 to June 30, 2019	–	–	–	37,063	37,063
Other comprehensive income for the period					
Currency translation difference	–	–	–	–	–
Total comprehensive income for the period January 1, 2019 to June 30, 2019	–	–	–	37,063	37,063
Value of employee services:					
- Employee share option scheme	–	13			13
- Share based long-term incentive program	–	460			460
Buy-back of own shares (Note 6)	101	-384			-283
Balance at June 30, 2019	6,602	88,698	–	143,370	238,670

Statement of cash flows

– Group

Expressed in USD thousands	Jan 1, 2019– Jun 30, 2019	Jan 1, 2018– Jun 30, 2018	Apr 1, 2019– Jun 30, 2019	Apr 1, 2018– Jun 30, 2018
OPERATING ACTIVITIES				
Result before tax	37,063	20,943	35,501	7,944
Adjustment for non-cash items:				
Interest income and expense, net	–	–	–	–
Currency exchange gains/-losses	-171	76	-87	83
Result from financial assets at fair value through profit or loss	-39,934	-21,976	-37,838	-7,771
Other non-cash items affecting profit or loss	805	-1,212	848	-1,361
Change in current receivables	-170	-133	-204	3
Change in current liabilities	169	28	524	-44
Net cash from/used in operating activities	-1,993	-2,274	-1,256	-1,146
Investments in financial assets	-32,351	-36,528	-30,101	-17,664
Sales of financial assets	41,208	35,694	32,500	18,975
Dividend and coupon income	251	1,887	97	1,780
Tax paid	-245	5	-245	5
Net cash flow from/used in operating activities	6,870	-1,216	995	1,950
INVESTMENT ACTIVITIES				
Investments in office equipment	24	-3	14	–
Net cash flow from/used in investment activities	24	-3	14	–
FINANCING ACTIVITIES				
Buy-back of own shares	-283	–	-142	–
Net cash flow from/used in financing activities	-283	–	-142	–
Change in cash and cash equivalents	6,611	-1,219	868	1,950
Cash and cash equivalents at beginning of the period	5,479	9,804	11,222	6,610
Exchange gains/losses on cash and cash equivalents	1	-48	1	-23
Cash and cash equivalents at end of the period	12,091	8,537	12,091	8,537

Alternative performance measures

As of July 3, 2016, new guidelines on APMs (Alternative Performance Measures) have been issued by ESMA (the European Securities and Markets Authority). APMs are financial measures other than financial measures defined or specified by International Financial Reporting Standards (IFRS).

Vostok Emerging Finance regularly uses alternative performance measures to enhance comparability from period to period and to give deeper information and provide meaningful supplemental information to analysts, investors and other parties.

It is important to know that not all companies calculate alternative performance measures identically, therefore these measurements have limitations and should not be used as a substitute for measures of performance in accordance with IFRS.

Below you find our presentation of the APMs and how we calculate these measures.

	Jan 1, 2019– Jun 30, 2019	Jan 1, 2018– Jun 30, 2018
Net asset value, USD	238,669,913	220,158,742
Exchange rate at balance sheet date, SEK/USD	9.3	9.0
Earnings/share, USD ¹	0.06	0.03
Diluted earnings/share, USD ²	0.06	0.03
Net asset value/share, USD ³	0.37	0.33
Net asset value/share, SEK ⁴	3.41	2.98
Net asset value, SEK ⁵	2,211,954,708	1,972,748,584
Weighted average number of shares for the financial period ⁶	646,146,045	661,495,995
Weighted average number of shares for the financial period, fully diluted ⁶	659,368,194	674,034,667
Number of shares at balance sheet date ⁶	648,597,134	661,495,995
Number of shares at balance sheet date, fully diluted ⁶	661,819,283	674,034,667

1. Earnings/share is defined as result for the period divided by average weighted number of shares for the period.
2. Diluted earnings/share is defined as result for the period divided by average weighted number of shares for the period calculated on a fully diluted basis.
3. Net asset value/share is defined as shareholders' equity divided by total number of outstanding shares.
4. Net asset value/share is defined as shareholders' equity divided by total number of outstanding shares multiplied with the SEK/USD exchange rate at balance sheet date.
5. Net asset value in USD multiplied with the SEK/USD exchange rate at balance sheet date.
6. Number of shares at balance sheet date as per June 30, 2019, excludes 12,898,861 repurchased SDRs.

Income statement

– Parent company

Expressed in USD thousands	Jan 1, 2019– Jun 30, 2019	Jan 1, 2018– Jun 30, 2018	Apr 1, 2019– Jun 30, 2019	Apr 1, 2018– Jun 30, 2018
Result from financial assets at fair value through profit or loss	8,519	8,598	8,005	8,597
Dividend and coupon income	251	158	97	51
Total operating profit	8,770	8,756	8,102	8,648
Operating expenses				
General administrative expenses	-2,545	-1,965	-2,031	-888
Employee incentive programs	-873	-909	-633	-647
Total operating expenses	-3,418	-2,874	-2,664	-1,535
Operating result	5,352	5,882	5,438	7,113
Financial income and expenses				
Interest income	3,350	3,729	1,798	1,953
Currency exchange gains/losses, net	127	244	41	-8
Net financial items	3,477	3,973	1,839	1,945
Result before tax	8,829	9,854	7,277	9,058
Taxation	–	–	–	–
Net result for the period	8,829	9,854	7,277	9,058

Statement of other comprehensive income

Expressed in USD thousands	Jan 1, 2019– Jun 30, 2019	Jan 1, 2018– Jun 30, 2018	Apr 1, 2019– Jun 30, 2019	Apr 1, 2018– Jun 30, 2018
Net result for the period	8,829	9,854	7,277	9,058
Total other comprehensive income for the period	–	–	–	–
Total comprehensive income for the period	8,829	9,854	7,277	9,058

Balance sheet

– Parent company

Expressed in USD thousands	Jun 30, 2019	Dec 31, 2018
NON-CURRENT ASSETS		
Financial non-current assets		
Shares in subsidiaries	16	16
Financial assets at fair value through profit or loss		
Equity financial assets	33,946	25,861
Liquid financial assets	13,077	44,896
Receivables from Group companies	121,404	89,185
Other financial assets	18	18
Total financial non-current assets	168,461	159,976
CURRENT ASSETS		
Cash and cash equivalents	4,833	3,728
Other current receivables	82	61
Total current assets	4,915	3,789
TOTAL ASSETS	173,376	163,765
SHAREHOLDERS' EQUITY (including net result for the financial period)	171,648	162,629
CURRENT LIABILITIES		
Non-interest bearing current liabilities		
Other current liabilities	1,211	79
Accrued expenses	517	1,057
Total current liabilities	1,728	1,136
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	173,376	163,765

Statement of changes in equity – Parent company

Expressed in USD thousands	Share Capital	Additional paid in capital	Other reserves	Retained earnings	Total
Balance at January 1, 2018	6,615	89,079	–	50,502	146,196
Net result for the period January 1, 2018 to June 30, 2018	–	–	–	9,854	9,854
Other comprehensive income for the period					
Currency translation difference	–	–	–	–	–
Total comprehensive income for the period January 1, 2018 to June 30, 2018	–	–	–	9,854	9,854
Value of employee services:					
- Employee share option scheme	–	10	–	–	10
- Share based long-term incentive program	–	889	–	–	889
Buy-back of own shares	-10	-214	–	–	-224
Balance at June 30, 2018	6,605	89,764	–	60,356	156,725
Balance at January 1, 2019	6,502	88,608	–	67,519	162,629
Net result for the period January 1, 2019 to June 30, 2019	–	–	–	8,828	8,828
Other comprehensive income for the period					
Currency translation difference	–	–	–	–	–
Total comprehensive income for the period January 1, 2019 to June 30, 2019	–	–	–	8,828	8,828
Value of employee services:					
- Employee share option scheme	–	13	–	–	13
- Share based long-term incentive program	–	460	–	–	460
Buy-back of own shares (Note 6)	101	-384	–	–	-283
Balance at June 30, 2019	6,603	88,697	–	76,348	171,648

Notes

(Expressed in USD thousand unless indicated otherwise)

Note 1 Accounting principles

This consolidated interim report is prepared in accordance with IAS 34 Interim Financial Reporting. The same accounting principles and methods of calculations have been applied for the Group as for the preparations of the accounts for the Company 2018, except for IFRS 16, which is described below. The Company's 2018 annual report is available at the Company's website: https://www.vostokemergingfinance.com/investor-relations/#financial_reports

IFRS 16, *Leasing*, is effective from January 1, 2019. The new standard did not have any significant impact on the Group's financial statements. As at the reporting date, the group has non-cancellable operating lease commitments of USD 0.25 mln which have increased non-current assets and interest-bearing liabilities in the opening balance of 2019. Currently the only type of leasing the Company is exposed to is rental of office space. The Group has applied the standard from its mandatory adoption date of January 1, 2019. The group has applied the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Note 2 Related party transactions

During the period Vostok Emerging Finance has recognized the following related party transactions:

	Operating expenses		Current liabilities	
	1H 2019	1H 2018	1H 2019	1H 2018
Key management and Board of Directors ¹	1,397	1,279	–	–

1. Compensation paid or payable includes salary, bonuses and consulting fees to the management and remuneration to the Board members.

The costs in the period for the long-term incentive programs (LTIP 2017, LTIP 2018 and LTIP 2019) for the management amounted to USD 0.24 mln, USD 0.13 mln and USD 0.46 mln, respectively, excluding social taxes. See details of LTIP 2017, LTIP 2018 and LTIP 2019 in Note 5.

Note 3 Fair value estimation

The numbers below are based on the same accounting and valuation policies as used in the Company's most recent Annual Report. For more information regarding financial instruments in level 2 and 3 see note 5 in the Company's Annual Report 2018.

The fair value of financial instruments is measured by level of the following fair value measurement hierarchy:

- > Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- > Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- > Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets that are measured at fair value at June 30, 2019.

	Level 1	Level 2	Level 3	Total balance
Financial assets at fair value through profit or loss	13,077	172,481	45,764	231,322
Total assets	13,077	172,481	45,764	231,322

The following table presents the Group's assets that are measured at fair value at December 31, 2018.

	Level 1	Level 2	Level 3	Total balance
Financial assets at fair value through profit or loss	52,804	103,430	40,664	196,898
Total assets	52,804	103,430	40,664	196,898

The following table presents the Group's changes of financial assets in level 3.

	2019	2018
Opening balance January 1	40,664	6,808
Transfers from level 2 to level 3	–	23,151
Transfers from level 3 to level 2	–	–
Change in fair value and other	5,100	8,478
Closing balance June 30	45,764	31,629

As per June 30, 2019, Vostok Emerging Finance has a liquidity management portfolio of listed corporate bonds that are classified as level 1 investments. The investments in iyzico, FinanZero, Finja, TransferGo, JUMO, Creditas and Konfio are all valued as level 2 investments on the basis of the valuations of their respective latest transaction which closed throughout 2018 and 2019.

The validity of valuations based on a transaction is inevitably eroded over time, since the price at which the investment was made reflects the conditions that existed on the transaction date. At each reporting date, possible changes or events subsequent to the relevant transaction are assessed and if this assessment implies a change in the investment's fair value, the valuation is adjusted accordingly. The transaction-based valuations are frequently assessed using multiples of comparable traded companies for each unlisted investment or other valuation models. When transaction-based valuations of unlisted holdings are used, no material event is deemed to have occurred in the specific portfolio company that would suggest that the transaction-based value is no longer valid.

Creditas

During Q2 2019, Creditas raised a USD 231 mln round whereby VEF invested an additional 23.5 mln alongside existing investors Santander Innoventures and Amadeus Capital, with new investor SoftBank leading the round. As per June 30, 2019, VEF has an ownership of 9.7% of the company valued at USD 73.2 mln on the basis of the latest transaction in the company.

Creditas is categorized as a level 2 investment.

iyzico

During Q4 2018, iyzico raised a USD 4 mln round whereby VEF invested an additional USD 1.7 mln alongside existing investors Amadeus and the IFC. In Q1 2019 VEF invested a further USD 0.25 mln by way of secondary shares in the company. During Q2 2019, VEF announced that it has agreed to sell its holding in iyzico to PayU Global B.V., the fintech arm of Naspers Group, for approximately USD 33.9 mln. VEF is exiting as part of a broader sale agreement with iyzico's venture investors with the full purchase valuation set at USD 165 mln and payable in cash upon closing of the transaction. The sale remains subject to Turkish regulatory and competition authority approvals and closing is expected to occur in the coming months.

As per June 30, 2019, VEF has invested a total of USD 11.0 mln into iyzico, and values its stake at USD 33.9 mln on the basis of this transaction. Vostok Emerging Finance owns a 21.1% stake in the company.

iyzico is categorized as a level 2 investment.

Konfio

During Q2 2019, VEF invested an additional USD 10 mln into Konfio by way of a 1-year convertible loan note. Following the transaction VEF owns 11.7% of the company.

VEF's ownership at June 30, 2019 is valued at USD 25.0 mln on the basis of this transaction.

Konfio is categorized as a level 2 investment.

REVO/Sorsdata

As per June 30, 2019 VEF owns 25% in REVO group and had invested a total of USD 8.8 mln. The 25% stake in the group is valued at USD 18.4 mln. The valuation is derived from valuation models focused on multiples of NII (net interest income) and revenues, coupled with the intrinsic value of the convertible loan note.

REVO/Sorsdata is categorized as a level 3 investment.

Sensitivity analysis EV/revenue multiple, USD						
-15%	-10%	-5%	0%	+5%	+10%	+15%
15,676	16,599	17,521	18,443	19,365	20,287	21,209

Sensitivity USD/RUB						
+15%	+10%	+5%	63.1	-5%	-10%	-15%
16,355	16,988	17,681	18,443	19,285	20,221	21,267

JUMO

During the fourth quarter of 2018, JUMO successfully finalized the second close of a big capital raise which took the full round to near USD 65 mln. The round attracted a new investor base and was led by Goldman Sachs, who alongside existing investors were joined by Proparco (the private sector financing arm of the French Development Agency – AFD) and Finnfund. VEF took up its rights and invested USD 3.1 mln in the round.

As per June 30, 2019, VEF's 6.8% ownership share in Jumo is valued at USD 16.4 mln on the basis of this transaction. Vostok Emerging Finance has invested a total of USD 14.6 mln in the company.

JUMO is categorized as a level 2 investment.

TransferGo

In 2018, TransferGo successfully closed a new funding round of around USD 16 mln. VEF lead the round alongside existing and new investors including Revo Capital, a Turkish VC fund, and Ripple. In the process, VEF exercised the outstanding USD 2.8 mln (EUR 2.5 mln) convertible loan note plus accrued interest and invested an additional USD 2.7 mln (EUR 2.3 mln) in TransferGo, taking VEF's ownership stake to 16.2% in the company.

As per June 30, 2019, VEF's stake in TransferGo is valued at USD 12.8 mln on the basis of the aforementioned transaction.

TransferGo is categorized as a level 2 investment.

Guiabolso

As at June 30, 2019, VEF has invested a total of USD 30 mln in Guiabolso, and values its 10.9% stake at USD 10.9 mln on the basis of an EV/revenue peer multiples valuation model. The valuation represents a 1% decrease in valuation in the second quarter of 2019, and is derived from and reflects Guiabolso's new strategic long-term focus impacting the short-term revenue growth, depreciating BRL, and derating valuation multiples in the peer group.

Guiabolso is categorized as a level 3 investment.

Sensitivity analysis EV/revenue multiple, USD						
-15%	-10%	-5%	0%	+5%	+10%	+15%
9,253	9,797	10,342	10,886	11,430	11,975	12,519

Sensitivity analysis USD/BRL						
+15%	+10%	+5%	3.8	-5%	-10%	-15%
9,466	9,896	10,368	10,886	11,459	12,096	12,807

Nibo

During the first and second quarter of 2019, Nibo raised an additional USD 3.4 mln from the current investor base. VEF lead the round and invested an additional USD 2.0 mln. As per June 30, 2019, VEF has invested a total of USD 5.3 mln into Nibo, and values its stake at USD 10.0 mln on the basis of an EV/revenue peer multiples valuation model. The valuation represents a 15.7% increase in valuation compared to VEF's valuation as per March 31, 2019. Vostok Emerging Finance owns a 20.1% stake in Nibo following the latest transaction.

Nibo is categorized as a level 3 investment.

Sensitivity analysis EV/revenue multiple, USD						
-15%	-10%	-5%	0%	+5%	+10%	+15%
8,464	8,962	9,460	9,958	10,456	10,953	11,451

Sensitivity analysis USD/BRL						
+15%	+10%	+5%	3.8	-5%	-10%	-15%
8,659	9,052	9,483	9,958	10,482	11,064	11,715

FinanZero

During the second quarter of 2019, FinanZero raised a Series B investment round of SEK 100 mln (USD 10.5 mln) whereby VEF made a follow-on investment of USD 101 k alongside new investors Dunross & Co. and Atlant Fonder, among others. Following the round VEF owns an 18.0% stake of the company. As per June 30, 2019, VEF's ownership in FinanZero is valued at USD 7.8 mln (SEK 72.1 mln) on the basis of the latest transaction.

The holding in FinanZero is categorized as a level 2 investment.

Magnetis

During Q3 2018 Magnetis successfully closed a bridge financing round where VEF invested an additional USD 700 thousand in the form of a two-year convertible loan note, to add to its initial USD 3.0 mln investment, alongside existing investor Monashees. VEF values its stake in Magnetis on the basis of an EV/AUM % peer multiple, and as at June 30, 2019, VEF's 16.9% ownership in the company is valued at USD 6.5 mln including the convertible loan note.

Magnetis is categorized as a level 3 investment.

Sensitivity analysis EV/AUM multiple, USD						
-15%	-10%	-5%	0%	+5%	+10%	+15%
5,505	5,829	6,153	6,477	6,801	7,125	7,448

Sensitivity analysis USD/BRL						
+15%	+10%	+5%	3.82	-5%	-10%	-15%
5,727	5,954	6,203	6,477	6,779	7,116	7,491

Finja

As per June 30, 2019, Vostok Emerging Finance has invested a total of USD 2 mln into Finja, and holds a 20.4% stake in the company.

VEF's stake in the company is valued at USD 3.3 mln, including the convertible loan note, on the basis of the latest transaction in the company.

The holding in Finja is categorized as a level 2 investment.

Liquidity investments

As per June 30, 2019, the liquidity management investments are valued at USD 13.08 mln, based on the closing price and/or latest NAV of each fund. All liquidity investments are categorized as level 1 investments.

Change in financial assets at fair value through profit or loss

Company	Opening balance Jan 1, 2019	Investments/ (divestments), net	Fair value change	Closing balance Jun 30, 2019	Percentage of portfolio
Creditas	25,000	23,500	24,746	73,246	30.1%
iyzico	25,861	250	7,837	33,948	13.9%
Konfio	15,000	10,000	6	25,006	10.3%
REVO Technology/Sorsdata	14,636	–	3,807	18,443	7.6%
JUMO	16,408	–	–	16,408	6.7%
TransferGo	12,842	–	-74	12,768	5.2%
Guiabolso	15,265	–	-4,379	10,886	4.5%
Nibo	4,957	2,000	3,001	9,958	4.1%
FinanZero	5,030	101	2,635	7,766	3.2%
Magnetis	5,806	–	671	6,477	2.7%
Finja	3,289	–	50	3,339	1.4%
TCS Group Holding PLC (Tinkoff Bank)	7,908	-8,706	798	–	–
Liquidity management	44,896	-32,500	681	13,077	5.4%
Total	196,898	-5,355	39,779	231,322	95.0%

Note 4 Employee share-option program

Option plan

The Company has an option plan, adopted in 2015, that entitles present and future employees to be allocated call options to acquire shares represented by SDRs in the Company ("Options").

Options outstanding

	2019
Beginning of the period	4,405,000
Outstanding at the end of the period	4,405,000

Per June 30, 2019, a total of 4,405,000 options were outstanding, of which 1,905,000 to the Managing Director and 2,500,000 to other employees.

Options granted

Option grant date	Dec 31, 2015	Jun 7, 2016	Aug 25, 2016	Nov 29, 2017	May 16, 2018
Maturity date	Sep 8, 2020	Jul 31, 2021	Nov 24, 2021	Feb 28, 2023	Aug 16, 2023
Option price at grant date SEK	0.67	0.26	0.14	0.54	0.41
Share price at grant date SEK	1.08	1.13	1.22	2.25	1.97
Exercise price SEK	1.46	1.33	1.46	2.54	2.35
Volatility	39.90%	33.00%	20.90%	32.10%	29.90%
Risk free interest rate	0.30%	-0.27%	-0.53%	-0.25%	-0.13%
No of options granted	1,905,000	1,000,000	500,000	500,000	500,000

Market value of the options at the grant date is calculated with the help of the Black & Scholes options valuation model and assuming that no dividends will be paid during the period.

See note 10 in Annual Report 2018 for more details.

Note 5 Share-based incentive program (LTIP)

The share-based long-term incentive program for management and key personnel in Vostok Emerging Finance is a program where participants purchase SDRs in the Company, and for each purchased SDR is entitled to receive a number of additional SDRs, so-called performance SDRs, free of charge, subject to fulfilment of a performance condition set by the Board of Directors on the basis of the Company's NAV. Pursuant to IFRS 2, the costs for the program will be reported over the profit and loss statement during the program's vesting period.

The rights to receive depository receipts automatically convert into SDRs at the end of the program at an exercise price of nil. The participants do not receive any dividends and are not entitled to vote in relation to the rights to receive SDRs during the vesting period. If a participant ceases to be employed by the Group within this period, the rights will be forfeited, except in limited circumstances that are approved by the Board on a case-by-case basis.

The fair value of the rights at grant date was estimated by taking the market price of the Company's shares on that date per share without adjustment for any dividends that will not be received by the participants on their rights during the vesting period.

The Board has approved a long-term share incentive plan ("LTIP 2019") for five key employees in the Company in accordance with the below. LTIP 2019 is a three-year performance-based incentive program which is based on the same structure and retains the same economic characteristics for the participants and the same criteria for measuring performance as the depository receipt based incentive programs from 2016–2018.

The objective of LTIP 2019 is to encourage the employees to financially commit to the long-term value growth of Vostok Emerging Finance, and thereby align their interests with those of the shareholders. LTIP 2019 will be an important tool for Vostok Emerging Finance to retain the best talent for the Company, which is vital for the ability to provide long-term value growth for its shareholders.

The total cost for LTIP 2019, including social security costs, is estimated to amount to approximately SEK 10.5 mln. VEF has compensated the participants with a cash subsidy for the subscription price and the tax effects arising due to the subsidy of the subscription price and benefit of a total cost, excluding social charges, of USD 0.62 mln for the LTIP 2019. The long term IFRS2 cost for the LTIP 2019 amounts to USD 0 mln by the end of Q2.

	LTIP 2017	LTIP 2018	LTIP 2019
Performance measurement period	Jan 2017–Dec 2019	Jan 2018–Dec 2020	Jan 2019–Dec 2021
Vesting period	May 2017–Dec 2019	May 2018–Dec 2020	May 2019–Dec 2021
Maximum no of SDRs	8,035,700	7,451,850	12,400,000
Maximum dilution	1.21%	1.13%	1.87%
Share price on grant date, SEK	1.74	1.95	2.40
Share price on grant date, USD	0.20	0.22	0.26

Total employee benefit expense excl. social taxes (USD mln)	LTIP 2017	LTIP 2018	LTIP 2019
2019	0.30	0.16	–
2018	0.80	0.20	–
2017	0.19	–	–
Total accumulated	1.29	0.36	–

Note 6 Depository receipt buy-back

During the second quarter, 953,000 SDRs have been repurchased. The company currently holds 12,898,861 repurchased SDRs.

Note 7 Events after the reporting period

Between July 1 until August 14, 2019, 1,560,147 SDRs have been repurchased.

Information

Background

Vostok Emerging Finance Ltd (VEF) was incorporated and registered with the Bermuda Registrar of Companies on May 28, 2015 with registered number 50298, as a fully owned subsidiary of Vostok New Ventures (VNV).

On July 16, 2015 the shares in VEF, which held VNV's stake in Tinkoff Bank, were distributed to VNV's shareholders by way of a mandatory redemption program and traded on Nasdaq First North Sweden. At the time of the listing, there were in total 73,499,555 SDRs in VEF. On November 9, 2015, VEF resolved to issue an additional 587,996,440 SDRs.

From July 16, 2015, the Swedish Depository Receipts of VEF are traded on First North Sweden, with the ticker VEMF SDB.

The first financial year comprised the period May 28, 2015–December 31, 2015. Thereafter the financial year is January 1–December 31.

In October 2016, two subsidiaries to Vostok Emerging Finance Ltd. were established. One Cypriot subsidiary, Vostok Emerging Finance (Cyprus) Limited, for managing the investment portfolio and one Swedish subsidiary, Vostok Emerging Finance AB, which provides business support services to the parent company.

As of June 30, 2019, the Vostok Emerging Finance Ltd Group consists of the Bermudian parent company Vostok Emerging Finance Ltd; one wholly-owned Cypriot subsidiary, Vostok Emerging Finance (Cyprus) Limited; and one wholly-owned Swedish subsidiary, Vostok Emerging Finance AB.

Parent company

The parent company finances the Cypriot subsidiary's operations on market terms. The net result for the six-months period was USD 8.83 mln (1H18: 9.85). The net result for the quarter was USD 7.28 mln (2Q18: 9.06).

Upcoming reporting dates

Vostok Emerging Finance's financial report for the period January 1, 2019–September 30, 2019 will be published on November 13, 2019.

The Board of Directors and the CEO certify that the half-year financial report gives a fair view of the performance of the business, position and profit or loss of the Company and the Group and that it describes the principal risks and uncertainties that the Company and the companies in the Group face.

Bermuda, August 14, 2019

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This report has not been subject to review by the Company's auditors.



VEF
Vostok Emerging Finance

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