



# VEF

The emerging market fintech investor

Interim report  
First nine months  
of 2020

Photo: unsplash.com



Highlights during the quarter

- **Portfolio NAV reached a new all-time high driven by continued strong performance across the portfolio.**
- **VEF position in portfolio northstar, Creditas, increased 26% QoQ to USD 102 mln. Creditas now accounts for 38% of total NAV.**
- **In a first press release to the market, Creditas stated it reached BRL 1 bln loan portfolio and revenues of BRL 260 mln in the year to 1H20, growing 100%+ YoY, despite the COVID-19 headwinds.**
- **Pipeline work intensified through 3Q20 with a number of very interesting names in the investment funnel.**

Net asset value

- NAV of VEF’s portfolio increased by 20% during 3Q20 to USD 268.2 mln or USD 0.40 per share.
- In local currency, NAV increased by 16% to SEK 2,409 mln or SEK 3.63 per share.
- Cash position, including liquidity investments, at the end of 3Q20 was USD 20.2 mln.

Financial result

- Net result for 3Q20 was USD 44.4 mln (3Q19: USD 10.7 mln). Earnings per share were USD0.07 (3Q19: USD 0.02).
- Net result for 9M20 was USD 19.0 mln (9M19: USD 47.8 mln). Earnings per share were USD 0.03 (9M19: USD 0.07).

	Sep 30, 2019	Jun 30, 2020	Sep 30, 2020
Net asset value (USD mln)	248.9	223.2	268.2
Net asset value (SEK mln)	2,441	2,086	2,409
Net asset value per share (SEK)	3.78	3.15	3.63
VEMF SDB share price (SEK)	2.76	2.14	2.57

Events after the end of the period

- At the Special General Meeting (SGM) at October 22, Vostok Emerging Finance resolved to change the Company’s name to VEF. At the same SGM it was approved to amend the Company’s long-term incentive program for 2020.

The Company will hold a telephone conference with an interactive presentation at 15:00 CET (09:00 a.m. ET) Wednesday, November 4, 2020. For call-in details, see separate press release issued on October 28, 2020 at [www.vef.vc](http://www.vef.vc).

Visit VEF’s IR page for our financial reports and other information: [www.vef.vc/investor-relations/](http://www.vef.vc/investor-relations/)



268.2  
Net asset value  
(USD mln)

3.63  
Net asset value  
per share (SEK)

20%  
Net asset value  
growth QoQ (USD)

VEF – Investors in one of the strongest secular growth trends across some of the world’s fastest-growing markets

São Paulo, Brazil, home of portfolio companies Creditas, FinanZero, Guiabolso, Magnetis and Xerpa (Photo: unsplash.com)



# Management report

Dear fellow shareholder,

**Two words – ‘focus’ and ‘compounding’. While ‘focus’ almost defines us as an investment company, ‘compounders’ are what we live for.**

Focus has always been at the forefront of the investments we make. Indeed, a lack of focus has put us off many opportunities. We love backing super strong local teams that focus on winning a single scale segment/country – our portfolio is packed with such companies (past and present); mobile payments in India – Juspay, accounting SaaS in Brazil – Nibo, online payments in Turkey – iyzico. It is the living and breathing of a focus scale opportunity everyday, over a period of years, that delivers real success and can compound value beautifully over their life cycle with us. This compounding of value starts to become even more powerful the longer a successful journey goes and the asset compounds off an increasingly larger base – at VEF we love these super compounders, something that Tinkoff delivered in the past, a path that iyzico was comfortably on pre our 2019 exit and most exciting of all, one that Creditas is very much on today.

## 3Q20 NAV – New high and positive momentum

NAV continued to grow across the portfolio through the third quarter. NAV saw a 20% USD uplift QoQ, following on from the 20% QoQ NAV growth delivered in 2Q20. With a 3Q20 NAV mark of USD 268.2 mln, it has now recovered/grown to levels above our previous highs of YE19. In local currency, SEK, 3Q20 NAV/share grew 16% QoQ to SEK 3.63, given moderate SEK weakness over the quarter.

The principal drivers of NAV through 3Q20 were the more prominent names in our portfolio, Creditas and Konfio. Our position in Creditas saw an increase of 26% QoQ to USD 102 mln, principally driven by our confidence in their renewed growth trajectory post April/May self-disciplined COVID-19 slowdown. Konfio delivered a 43% percentage value increase QoQ, as we moved away from conservative forecasting and a short-term valuation approach, in line with clear recovery trends in the company’s financials. We currently value both on a model basis, which have been driven higher as we got more comfortable in the impressive recovery in key data points on both through 3Q20.

At end of 3Q20, Creditas was our largest holding, at 38% of NAV, our top two holdings were 53% and top four 67%. As stated, many times before, we are very comfortable with

our portfolio concentration and given the quality, diversity and strong trends driving these top four assets, we are very optimistic about the ability of the portfolio to continue to generate a lot of value from here.

While the majority of company-level data points across the portfolio feeds our confidence in NAV outlook into 4Q20 and beyond, this COVID-19 window reminded us of the many top-down factors that can throw our markets and companies off course at any moment, something I like to think we are always readied for.

## New company name and increasing portfolio transparency

At a recent SGM, we formally changed our name from Vostok Emerging Finance to VEF. Partly driven by a much smaller portfolio bias towards Russia (4% as of today) versus our history, we felt it was the right time to formally move to the acronym that many know us by already, while still maintaining the proud link to our investment past.

As a listed company, focused on private fintech investing, we are constantly balancing our natural instinct for transparency, with the desire of our still young private portfolio companies to keep information confidential as they compete in their respective markets. Over recent months we have focused on addressing this issue and the information gap. We are very encouraged by the results – an increased and constant flow of information on our portfolio, as well as the welcomed market reaction to it. Our goal is always to allow investors to gain better insight into what we are building at VEF and duly be as excited as we are about what we offer – exposure to a portfolio of some of the best private fintech companies across emerging markets. Specifically, over the quarter we saw fresh research coverage on VEF by DNB Markets and expect coverage from Edison Research in the near future, to add to our current broker coverage by Pareto and Nau Securities.

For the first time, Creditas published a press release sharing details of the company’s financial and general performance over the past 12 months – a sign of a maturing company. Of note, for the year to 1H20, Creditas delivered BRL 1 bln loan portfolio and revenues of BRL 260 mln. Portfolio growth was north of 2x, despite taking the foot off the gas in 2Q20 through the initial COVID-19 window. Creditas expanded its operations to Mexico and continues fresh product launches. We expect more of the same as we look into 2021 and Creditas is the most obvious IPO candidate within our portfolio as we look out over the coming years.

## Investment pipeline building out nicely

Through 2Q20, we shifted our energies and investment focus to supporting current portfolio companies. Since the beginning of summer, we have been back on the front foot and are increasingly excited about the new opportunities coming down the pipes. Our priority scale markets remain Brazil, Mexico and India and within these, we are deep in opportunities which include banking as a service, secured lending and the employee benefits space. India is a market we have growing appetite for following our recent successful first investment and early journey there with Juspay – the scale of the opportunity on all fronts is a different scale to what we have invested in elsewhere.

On the frontiers side, we have focused our time and efforts on Pakistan and Egypt, as future markets for fintech value creation, where we can place early bets on the right teams coming through in a number of different segments. In both countries the new economy ecosystems have really started to take off and fintech models, as they normally do, are part of a clear second wave that are being created in support. Check sizes are generally small, but we are positioned to place the right bets for long term value creation.

We see plenty of runway and opportunities in the EM fintech theme and trade that we have dedicated our investment company too. Our cash position, including liquidity investments ended 3Q20 at USD 20.2 mln and we continue to explore all avenues for fresh investible capital inclusive of debt, equity and portfolio exits to fund any future investment needs.

## Gradually then suddenly

When asked how he went bankrupt, Hemmingway said “gradually, then suddenly”. Gradually, then suddenly is how we feel the fintech storyline took off in the quarter after many years of gradual build up. Key events in the quarter highlighted how, more value than ever, is being created in the space and how it is redefining banking as we know it, with some of the biggest stories continuing to come out of the emerging world:

Ant Group planned IPO – We are simply in awe of Ant and the role it has played in driving financial innovation and change in the largest of all markets. 700 mln consumers and over 80 mln merchants is hard to fathom and many of these are daily active users, something most

western fintech solutions have always struggled to deliver. The economic transformation it has helped enable China deliver over the last decade, whether it is laying cheap ubiquitous payments rails with QR codes or enabling all to access credit via its big and social data scoring tools, in a country previously without real bureau data, has been immense. Most of all, we love the USD 250 bln + of value creation that the Ant Group has created that simply did not exist 10 years ago in the EM fintech space.

Tinkoff and Yandex – In 3Q20, Tinkoff (Russian digital bank and former VEF portfolio company) announced a planned merger with Yandex (internet search group) in Russia. Although it has since been shelved, to put this potential deal into perspective, it is like Google and Revolut or Chime coming together – the potential is endless. All the best tech talent, customer flow and retention and a vast and growing new economy (including finance) product suite – the future of finance is clearly in that kind of ecosystem and not in your local bank branch.

Kaspi IPO and Paystack exit to Stripe – We can’t overlook these two landmark events, putting Kazakh and Nigerian fintech firmly on the map, highlighting how the trend is literally everywhere. We have a lot of respect for the founding teams of both these institutions.

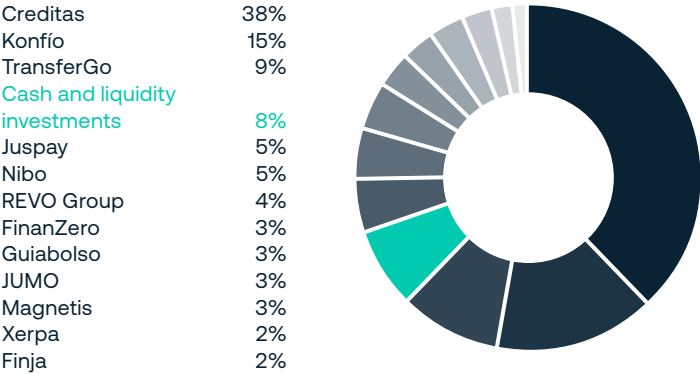
## Concluding remarks

Despite operating through one of the most volatile periods since our inception, on a macro level, VEF and our companies have clearly benefitted from the step-change growth in digital adoption by all. On a micro level, we have been impressed with how our portfolio of companies survived and then thrived through this period, something which has been clearly played in 2020 through our quarterly NAV performance. At VEF, we invest in fintech across the emerging world, and are riding one of the strongest multi-year secular growth trends in some of the world’s fastest-growing markets. Pockets of volatility and headwinds are part of the journey, and we have enjoyed seeing our companies operate in the face of adversity and come out on the other side on the front foot.

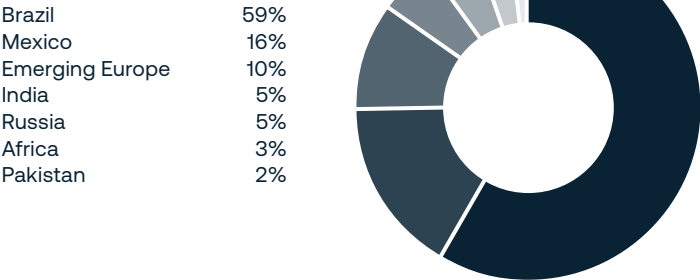
November 2020,  
Dave Nangle

# VEF in charts — 3Q 2020

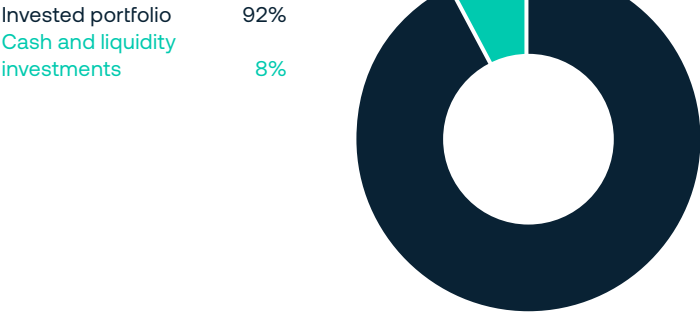
## Portfolio composition



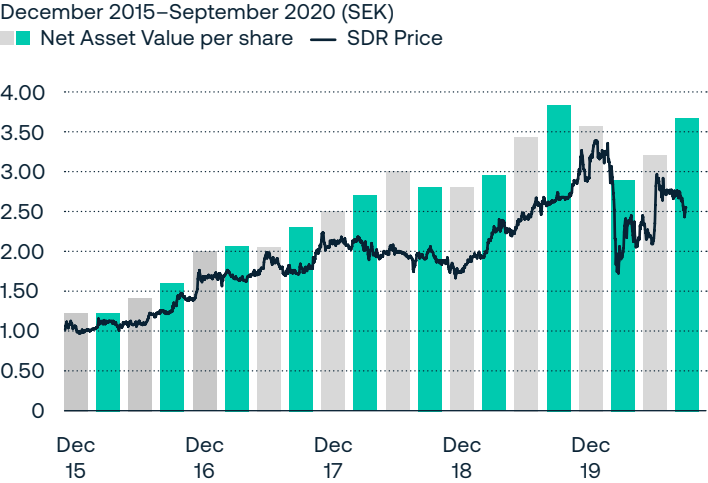
## Geographic distribution, ex. cash



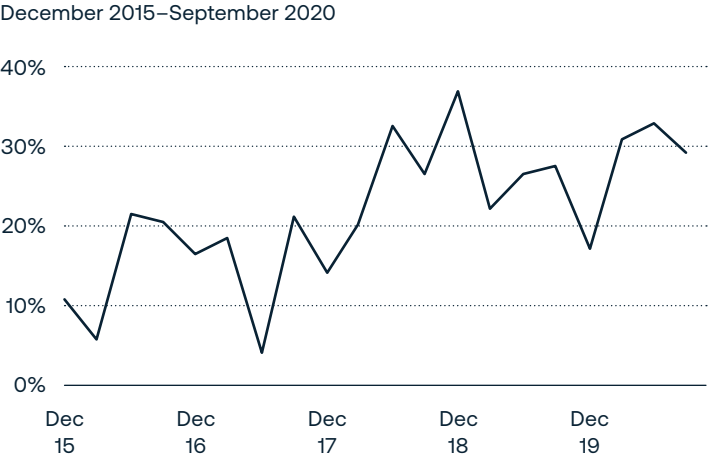
## Invested portfolio and cash



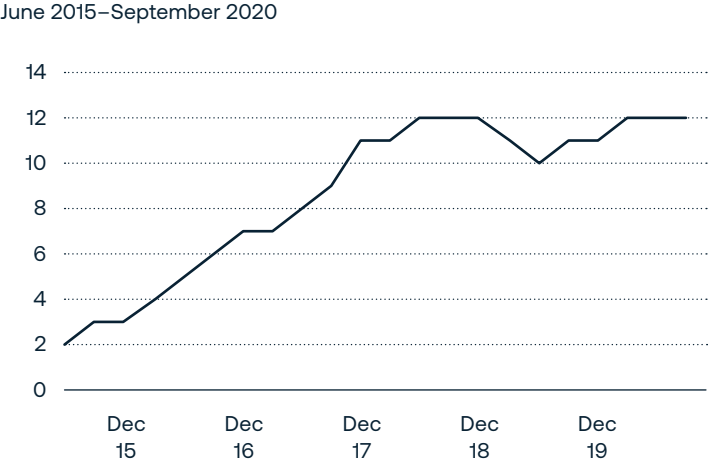
## VEF share and net asset value development



## Discount to net asset value



## Number of companies in portfolio



# Investment portfolio

## Portfolio development

VEF's net asset value per share increased by 19.8% in USD over 3Q20, while VEF's share price in SEK increased by 20.1%. During the same period, the MSCI Emerging Markets index\* increased by 8.7% in USD terms.

## Liquidity investments

The Company has investments in money market funds and bonds as part of its liquidity management operations. As at Sep 30, 2020, the liquidity investments are valued at USD 18.0 mln, based on the latest NAV of each respective liquidity asset.

## Net asset value

Company	Fair value Sep 30, 2020 (TUSD)	Net invested amount (TUSD)	Investment/ divestments 2020	Change in fair value 3Q 2020 (TUSD)	Change in fair value YTD 2020 (TUSD)	Fair value Dec 31, 2019 (TUSD)	Valuation method
Creditas	102,078	48,500	—	21,365	28,832	73,246	Mark-to-model <sup>1</sup>
Konfio	40,279	27,500	—	12,198	-1,300	41,579	Mark-to-model <sup>1</sup>
TransferGo	25,167	11,037	2,111	3,739	10,501	12,555	Mark-to-model <sup>1,2</sup>
Nibo	13,066	6,500	1,200	1,776	1,247	10,619	Mark-to-model <sup>1</sup>
Juspay	13,000	13,000	13,000	—	—	—	Latest transaction <sup>1</sup>
REVO Group	11,585	8,789	—	1,363	-4,659	16,244	Mark-to-model <sup>1</sup>
FinanZero	8,956	2,671	—	1,380	1,228	7,728	Mark-to-model <sup>1,2</sup>
Guiabolso	8,747	30,000	—	-854	-2,798	11,545	Mark-to-model <sup>1</sup>
JUMO	8,551	14,614	—	1,054	-8,324	16,875	Mark-to-model <sup>1</sup>
Magnetis	7,695	5,668	—	1,079	-413	8,108	Mark-to-model <sup>1</sup>
Xerpa	4,931	8,500	—	387	-3,569	8,500	Mark-to-model <sup>1</sup>
Finja	4,181	2,425	425	1,724	367	3,389	Mark-to-model <sup>1</sup>
Liquidity investments	18,033	16,965	-16,500	-15	12	34,521	
<b>Investment Portfolio</b>	<b>266,269</b>	<b>196,169</b>	<b>236</b>	<b>45,196</b>	<b>21,124</b>	<b>244,908</b>	
Cash and cash equivalents	2,141					5,562	
<b>Total Investment Portfolio</b>	<b>268,410</b>					<b>250,470</b>	
Other net liabilities	-236					-1,031	
<b>Total Net Asset Value</b>	<b>268,174</b>					<b>249,439</b>	


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.




# Latin America

 credits


creditas.com

 Region:


**BRAZIL**

 Invested amount (USD):


**48.5 mln**

 Ownership share:

**9.7%**

 Fair value (USD):

**102.1 mln**

 Share of VEF's portfolio:

**38.0%**

Creditas is the leading secured lending platform in Brazil, which leverages borrower collateral to offer loans to consumers at more affordable rates.


Brazil consumers pay some of the highest interest rates in the world, where unsecured consumer loans have an average APR of 230%. 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.

Creditas' mission is to reduce the Brazilian consumer debt burden and democratize access to cheaper lending by leveraging consumers' assets to offer secured consumer loans at more reasonable rates, common in markets like the US. Offering four main products: home equity and auto equity secured loans, and payroll-backed loans and vehicle financing, customers of Creditas obtain larger, longer-term, lower-APR loans through an efficient, tech-driven application system.


As of August 2020, Creditas' loan portfolio has reached over BRL 1 bln, with revenues of BRL 260 mln in the preceding 12 months despite lower growth in Q2 due to COVID-19. While secured lending is driving dynamic growth, in the past 12 months, Creditas has also launched a strategy focused on creating an ecosystem of products and solutions that follows the customer journey across their needs and life stages. Creditas continues to be one of the cornerstone holdings of the VEF portfolio, and we remain as confident as ever in the company's ability to create meaningful value and be a significant driver of our NAV in the months and years ahead.

 konfio


konfio.mx

 Region:


**MEXICO**

 Invested amount (USD):


**27.5 mln**

 Ownership share:

**11.4%**

 Fair value (USD):

**40.3 mln**

 Share of VEF's portfolio:

**15.0%**

Konfio builds digital banking and software tools to boost SME growth and productivity in Mexico.

SMEs are key to development in emerging markets, yet with approximately 7 mln of these businesses in the country today, the sector has shown significant lags in Mexico. This is largely because SMEs have historically been underserved by traditional banks and thus have poor access to financial services, with only three out of ten businesses having formal credit.

Leveraging traditional and non-traditional data sources, with the use of advanced data capture, storage and processing technologies, Konfio measures risks without requesting financial statements, generating credit offers automatically and with dynamic terms in a 100% digital process. In addition to this, Konfio's KTS product offers their core technology platform as a SaaS product to provide lending as a service to other lenders and corporations in the SME supply chain. For SMEs, Konfio also offers Kompás, a cloud-based tool that uses data and artificial intelligence to help companies understand their financial and credit history to make better decisions and grow their business.

As with most companies globally, 2Q20 was one of the most testing quarters Konfio has gone through to date. At its core, a SME lender, Konfio has worked closely with its customer base and moved quickly in this window to provide relief to borrowers. Konfio have emerged from the other side of this crisis as a stronger company, with asset quality performing exceptionally well and funding lines remaining open to the company through this cycle.

Photo: Creditas










# Latin America

nibo

nibo.com.br





	Region: <b>BRAZIL</b>		Invested amount (USD): <b>6.5 mln</b>
	Ownership share: <b>20.1%</b>		Fair value (USD): <b>13.1 mln</b>
	Share of VEF's portfolio: <b>4.9%</b>		

Nibo is the leading accounting SaaS provider in Brazil, transforming the way accountants and SMEs interact in one of the most complex and regulated accounting and tax environments in the world.

The Nibo platform uses technology to offer a suite of financial management tools to accountants and SMEs, including accounts and bank reconciliation, payment of bills, cash flow projection tools and issuance of invoices and boletos, empowering accountants to better and more profitably serve their customers and cross-sell additional value-added services.

magnetis

magnetis.com.br

	Region: <b>BRAZIL</b>		Invested amount (USD): <b>5.7 mln</b>
	Ownership share: <b>17.5%</b>		Fair value (USD): <b>7.7 mln</b>
	Share of VEF's portfolio: <b>2.9%</b>		






Magnetis is a Brazilian digital investment advisor which democratises access to affordable and easy-to-use investment management, offering customers a simple, digital tool to manage their wealth.

Using 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.

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 for digital wealth management globally.

FinanZero

finanzero.com.br

	Region: <b>BRAZIL</b>		Invested amount (USD): <b>2.7 mln</b>
	Ownership share: <b>18.0%</b>		Fair value (USD): <b>9.0 mln</b>
	Share of VEF's portfolio: <b>3.3%</b>		

FinanZero is a pioneering 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 the platform.

The company is focused on three sizeable loan broker segments: unsecured consumer loans, secured car finance loans and secured home equity loans.

XERPA

xerpa.com.br




	Region: <b>BRAZIL</b>		Invested amount (USD): <b>8.5 mln</b>
	Ownership share: <b>16.0%</b>		Fair value (USD): <b>4.9 mln</b>
	Share of VEF's portfolio: <b>1.8%</b>		

Xerpa is a HR software provider for corporates in Brazil, offering tools for recruitment, onboarding and offboarding, performance evaluation and payroll management and lending.

Xerpa's flagship salary-on-demand product, Xerpay, allows employees to access their already-earned wages instantly and at any time. Through Xerpay, employees gain instant financial security and thus can avoid the cumulative spiral of debt, defaults and penalties caused by overdraft and credit card revolvers commonly used when workers cannot access their earnings between pay cycles.

Guiabolso

guiabolso.com.br


	Region: <b>BRAZIL</b>		Invested amount (USD): <b>30.0 mln</b>
	Ownership share: <b>10.9%</b>		Fair value (USD): <b>8.7 mln</b>
	Share of VEF's portfolio: <b>3.3%</b>		

Guiabolso is a personal finance management platform with the mission of transforming the financial wellbeing of consumers in Brazil.

By leveraging its proprietary bank data aggregation technology to automatically aggregate people's financial information, Guiabolso simplifies their customer's financial profiles, allowing users to better understand their finances and keep track of their budgets.

Through their platform, Guiabolso offers the clearest financial profile available in the market to their large customer base and offers their users a wide range of products spanning from credit reports through to investment products and credit cards via their financial services marketplace.

# Emerging Europe and Africa



transfergo.com



Region:  
**EASTERN EUROPE**



Invested amount (USD):  
**11.0 mln**



Ownership share:  
**15.4%**



Share of VEF's portfolio:  
**9.4%**



Fair value (USD):  
**25.2 mln**

TransferGo is a rapidly growing, low-cost, digital money transfer business offering real-time service to customers across the globe.

Global remittance volumes total USD 670 bln+ annually, with the share of digital money transfers growing rapidly. Initially focused on the corridors of broader Europe, today TransferGo operates in 66 countries across the world, with a customer base over 2 mln people. TransferGo's segment of focus is blue-collar migrant workers, who are some of the most consistent and regular remittance customers in the world, while also offering remittances services for SMEs.



revo.ru



Region:  
**RUSSIA, POLAND**



Invested amount (USD):  
**8.8 mln**



Ownership share:  
**25.0%**



Share of VEF's portfolio:  
**4.3%**



Fair value (USD):  
**11.6 mln**

REVO provides buy now pay later financing solutions for customers in Russia and CEE.

REVO works with leading merchants in the online and offline space to provide point-of-sale financing options to their customers, allowing them to buy now and pay later. REVO's numerous scale merchant partners in categories such as apparel, sporting goods, travel, and electronics benefit from increased conversion and basket size using their solution. The company also provides targeted marketing services for merchants to drive repeat purchases and loyalty.



jumo.world



Region:  
**AFRICA**



Invested amount (USD):  
**14.6 mln**



Ownership share:  
**6.8%**



Share of VEF's portfolio:  
**3.2%**



Fair value (USD):  
**8.6 mln**

JUMO provides inclusive financial services to unbanked consumers and SMEs across several emerging and developing markets.

JUMO partners with banks and MNOs through their tech-enabled platform to give customers access to savings, loan and insurance accounts via their mobile phone, in markets such as Ghana, Zambia, Tanzania, Kenya, Uganda, and Pakistan, where millions of adults are excluded from or underserved by traditional financial services. Since its launch in 2014, more than 16.7 mln people have saved or borrowed on the JUMO platform, with over USD 2 bln in funds disbursed to customers.

# South Asia



juspay.in



Region:  
**INDIA**



Invested amount (USD):  
**13.0 mln**



Ownership share:  
**9.9%**



Share of VEF's portfolio:  
**4.8%**



Fair value (USD):  
**13.0 mln**

The most recent addition to the VEF portfolio, Juspay is one of India's leading payment companies.

India has one of the most advanced and complex electronic payment infrastructures globally and was an early mover on mandatory two factor authentication. This has resulted in friction and challenges unique to India which Juspay has been solving for some of India's largest merchants and banks. Juspay has created a unifying layer of products and value-added services that improves conversion rates for merchants and other stakeholders in the payment value chain. Juspay has had more than 200 mln downloads of its SDK and facilitates more than USD 10 bln of annualised payment volume for some of India's largest merchants including Amazon, Flipkart, Uber, Swiggy, Ola and Cred.



finja.pk



Region:  
**PAKISTAN**



Invested amount (USD):  
**2.4 mln**



Ownership share:  
**20.4%**



Share of VEF's portfolio:  
**1.6%**



Fair value (USD):  
**4.2 mln**

Finja is a digital lending platform with an integrated payments ecosystem focused on the financial wellness of businesses and their employees in Pakistan.

Through the SimSim brand, Finja offers working capital and supply chain loans to small businesses, and personal and payroll-backed loans to salaried professionals. In addition to the lending side of the business, Finja operates an integrated zero-cost payments ecosystem and mobile wallet, offering bill payments, an ecommerce marketplace and a suite of other financial services. Operating through various partnerships and data sources, Finja aims to promote the financial wellness of both businesses and consumers and gradually transition Pakistan to a cashless society.

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# Financial information

## Investments

During 9M20, gross investments in financial assets were USD 16.7 mln (9M19: 48.85), of which:

### During Q1

- USD 13.0 mln relates to investments in the new portfolio company Juspay;
- USD 0.4 mln relates to investments in Finja

### During Q2

- USD 2.1 mln relates to investments in TransferGo;
- USD 1.2 mln relates to investments in Nibo

## Divestments

Gross divestments in financial assets were USD 16.5 mln (9M19: 47.91), of which:

### During Q1

- USD 13.0 mln relates to divestments of liquidity investments

### During Q2

- USD 3.5 mln relates to divestments of liquidity investments

## SDR info

In August 2020 VEF issued an additional 1,905,000 shares by exercising outstanding options. At the end of 3Q20, the number of outstanding shares (SDRs) was 663,400,995. Including the 26,040,000 redeemable common shares under the long-term incentive program (LTIP) 2019 and 2020, the total number of outstanding shares amounts to 689,440,995. The company currently does not hold any repurchased SDRs. As of November 3, 2020 the SDRs of VEF are traded on First North Sweden with the new ticker VEFL SDB.

## Group – results for 9M20 and net asset value

During 9M20, the result from financial assets at fair value through profit or loss amounted to USD 21.12 mln (9M19: 51.47).

- Dividend and coupon income were USD 0.29 mln (9M19: 0.46).
- Net operating expenses amounted to USD -2.75 mln (9M19: -4.22).
- Net financial items were 0.27 mln (9M19: 0.14).
- Net result was USD 18.98 mln (9M19: 47.76).
- Total shareholders' equity amounted to USD 268.17 mln (Dec 31, 2019: 249.44).

## Group – results for 3Q20

During 3Q20, the result from financial assets at fair value through profit or loss amounted to USD 45.20 mln (3Q19: 11.69).

- Dividend and coupon income were USD 0.10 mln (3Q19: 0.21).
- Net operating expenses amounted to USD -0.86 mln (3Q19: -1.33).
- Net financial items were 0.00 mln (3Q19: -0.03).
- Net result was USD 44.43 mln (3Q19: 10.69).

## Liquid assets

The liquid assets of the Group, defined as cash and bank deposits, amounted to USD 2.14 mln on Sep 30, 2020 (Dec 31, 2019: 5.56). The Company also has investments in money market funds and bonds, as part of its liquidity management operations. As at Sep 30, 2020, the liquidity investments are valued at USD 18.03 mln (Dec 31, 2019: 34.52), based on the latest NAV of each respective liquidity asset.

## Parent company

The parent company is the holding company of the Group. The net result for 9M20 was USD 4.60 mln (9M19: 9.97). The net result for 3Q20 was USD 1.53 mln (3Q19: 1.14 mln).

## Financial and operating risks

For a detailed account of risks associated with investing in VEF and VEF's business, please see Note 4 in the Company's annual report 2019.



# Income statement — Group

Expressed in USD thousands	Note	9M 2020	9M 2019	3Q 2020	3Q 2019
Result from financial assets at fair value through profit or loss <sup>1</sup>	3	21,124	51,471	45,196	11,689
Dividend and coupon income		294	461	97	210
Other income		72	–	12	–
<b>Total operating profit</b>		<b>21,490</b>	<b>51,932</b>	<b>45,305</b>	<b>11,899</b>
Operating expenses	4	-2,748	-4,224	-862	-1,329
<b>Total operating expenses</b>		<b>-2,748</b>	<b>-4,224</b>	<b>-862</b>	<b>-1,329</b>
<b>Operating result</b>		<b>18,742</b>	<b>47,708</b>	<b>44,443</b>	<b>10,570</b>
<b>Financial income and expenses</b>					
Interest income/expense, net		-5	–	-2	–
Currency exchange gains/losses, net		269	138	3	-32
<b>Net financial items</b>		<b>264</b>	<b>138</b>	<b>1</b>	<b>-32</b>
<b>Result before tax</b>		<b>19,006</b>	<b>47,846</b>	<b>44,445</b>	<b>10,538</b>
Taxation		-23	-89	-16	156
<b>Net result for the period</b>		<b>18,983</b>	<b>47,757</b>	<b>44,429</b>	<b>10,694</b>
Earnings per share (in USD) <sup>2</sup>		0.03	0.07	0.07	0.02
Diluted earnings per share (in USD) <sup>3</sup>		0.03	0.07	0.07	0.02

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.
2. Earnings/share is defined as result for the period divided by average weighted number of shares for the period.
3. 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.

## Statement of other comprehensive income

Expressed in USD thousands	9M 2020	9M 2019	3Q 2020	3Q 2019
<b>Net result for the period</b>	<b>18,983</b>	<b>47,757</b>	<b>44,429</b>	<b>10,694</b>
<b>Other comprehensive income for the period:</b>				
Items that may be classified subsequently to profit or loss:				
Currency translation differences	3	–	5	–
<b>Total other comprehensive income for the period</b>	<b>3</b>	<b>–</b>	<b>5</b>	<b>–</b>
<b>Total comprehensive income for the period</b>	<b>18,986</b>	<b>47,757</b>	<b>44,434</b>	<b>10,694</b>

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

# Balance sheet — Group

Expressed in USD thousands	Note	Sep 30, 2020	Dec 21, 2019
<b>NON-CURRENT ASSETS</b>			
Tangible non-current assets			
Property, plant and equipment		217	275
<b>Total tangible non-current assets</b>		<b>217</b>	<b>275</b>
Financial non-current assets			
Financial assets at fair value through profit or loss	3		
Equity financial assets		248,236	210,387
Liquid financial assets		18,033	34,521
Other financial assets		10	11
<b>Total financial non-current assets</b>		<b>266,279</b>	<b>244,919</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		2,141	5,562
Tax receivables		43	53
Other current receivables		75	135
<b>Total current assets</b>		<b>2,259</b>	<b>5,750</b>
<b>TOTAL ASSETS</b>		<b>268,755</b>	<b>250,944</b>
<b>SHAREHOLDERS' EQUITY (including net result for the financial period)</b>		<b>268,174</b>	<b>249,439</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing liabilities			
Long-term (lease) liabilities		76	118
<b>Total non-current liabilities</b>		<b>76</b>	<b>118</b>
<b>CURRENT LIABILITIES</b>			
Non-interest-bearing current liabilities			
Other current liabilities		132	211
Tax expenses		59	53
Accrued expenses		314	1,123
<b>Total current liabilities</b>		<b>505</b>	<b>1,387</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>268,755</b>	<b>250,944</b>



# Statement of changes in equity — Group

Expressed in USD thousands	Share Capital	Additional paid in capital	Other reserves	Retained earnings	Total
<b>Balance at Jan 1, 2019</b>	<b>6,502</b>	<b>88,608</b>	<b>–</b>	<b>106,307</b>	<b>201,417</b>
Net result 9M 2019	–	–	–	47,757	47,757
<b>Other comprehensive income for the period</b>					
Currency translation difference	–	–	–	–	–
<b>Total comprehensive income for the period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>47,757</b>	<b>47,757</b>
Value of employee services:					
- Employee share option scheme	–	19	–	–	19
- Share based long-term incentive program	–	818	–	–	818
Buy-back of own shares	-42	-1,022	–	–	-1,064
Currency translation difference	–	–	–	-7	-7
<b>Balance at Sep 30, 2019</b>	<b>6,461</b>	<b>88,423</b>	<b>–</b>	<b>154,061</b>	<b>248,945</b>
<b>Balance at Jan 1, 2020</b>	<b>6,678</b>	<b>87,923</b>	<b>–</b>	<b>154,837</b>	<b>249,439</b>
Net result 9M 2020	–	–	–	18,983	18,983
<b>Other comprehensive income for the period</b>					
Currency translation difference	–	–	–	3	3
<b>Total comprehensive income for the period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>18,986</b>	<b>18,986</b>
Value of employee services:					
- Employee share option scheme (Note 5)	19	291	–	–	310
- Share based long-term incentive program	217	-137	–	–	80
Buy-back of own shares	-19	-622	–	–	-641
<b>Balance at Sep 30, 2020</b>	<b>6,895</b>	<b>87,455</b>	<b>–</b>	<b>173,823</b>	<b>268,174</b>

# Statement of cash flows — Group

Expressed in USD thousands	9M 2020	9M 2019	3Q 2020	3Q 2019
<b>OPERATING ACTIVITES</b>				
Result before tax	19,006	47,846	44,445	10,538
<i>Adjustment for non-cash items:</i>				
Interest income and expense, net	-5	–	-2	–
Currency exchange gains/-losses, net	-269	-138	-3	32
Depreciations	23	–	12	–
Result from financial assets at fair value through profit or loss	-21,124	-51,471	-45,196	-11,689
Dividend and coupon income	-294	–	-97	–
Other non-cash items affecting profit or loss	92	309	203	-495
Change in current receivables	60	-12	268	158
Change in current liabilities	-618	160	-418	143
<b>Net cash used in operating activities</b>	<b>-3,129</b>	<b>-3,306</b>	<b>-788</b>	<b>-1,313</b>
Investments in financial assets	-16,736	-44,351	–	-12,000
Sales of financial assets	16,500	47,908	–	6,700
Dividend and coupon income	294	404	97	153
Tax paid	-23	-60	-17	185
Interest paid	-5	–	-2	–
<b>Net cash flow from in operating activities</b>	<b>-3,089</b>	<b>595</b>	<b>-702</b>	<b>-6,275</b>
<b>INVESTMENT ACTIVITIES</b>				
Investments in office equipment	–	43	–	19
<b>Net cash flow from investment activities</b>	<b>–</b>	<b>43</b>	<b>–</b>	<b>19</b>
<b>FINANCING ACTIVITIES</b>				
Repayment of lease liabilities	-50	–	-20	–
Buy-back of own shares	-641	-939	–	-656
Proceeds from new share issue through employee options	298	–	298	–
<b>Net cash flow used in financing activities</b>	<b>-393</b>	<b>-939</b>	<b>278</b>	<b>-656</b>
<b>Change in cash and cash equivalents</b>	<b>-3,482</b>	<b>-301</b>	<b>-424</b>	<b>-6,912</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>5,562</b>	<b>5,479</b>	<b>2,545</b>	<b>12,091</b>
Exchange gains/losses on cash and cash equiva-lents	61	1	20	–
<b>Cash and cash equivalents at end of the period</b>	<b>2,141</b>	<b>5,179</b>	<b>2,141</b>	<b>5,179</b>



# Alternative performance measures

Alternative Performance Measures (APMs) are financial measures other than financial measures defined or specified by International Financial Reporting Standards (IFRS) and have been issued by ESMA (the European Securities and Markets Authority).

VEF 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.

	9M 2020	9M 2019
Net asset value, USD <sup>1</sup>	268,173,524	248,945,394
Exchange rate at balance sheet date, SEK/USD	8.98	9.80
Net asset value/share, USD <sup>2</sup>	0.40	0.39
Net asset value/share, SEK <sup>3</sup>	3.63	3.78
Net asset value, SEK <sup>4</sup>	2,409,465,628	2,440,834,902
Weighted average number of shares for the financial period <sup>5</sup>	658,674,109	646,503,413
Weighted average number of shares for the financial period, fully diluted <sup>5</sup>	660,715,160	659,725,562
Number of shares at balance sheet date <sup>5,6</sup>	663,400,995	646,142,987
Number of shares at balance sheet date, fully diluted <sup>5,6</sup>	665,442,046	659,365,136

- 1. Net value of all assets on the balance sheet, equal to the shareholders' equity
- 2. Net asset value/share is defined as shareholders' equity divided by total number of outstanding shares.
- 3. 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.
- 4. Net asset value in USD multiplied with the SEK/USD exchange rate at balance sheet date.
- 5. Number of shares is not adjusted for 26,040,000 redeemable common shares issued under the 2019 and 2020 long-term incentive program.
- 6. In August 2020, VEF issued an additional 1,905,000 common shares.

### Reconciliation tables

	9M 2020	9M 2019
Net asset value, USD	268,173,524	248,945,394
<b>Net asset value, SEK</b>		
Net asset value/share, USD	268,173,524	248,945,394
SEK/USD	8.98	9.80
Net asset value, SEK	2,409,465,628	2,440,834,902
<b>Net asset value/share, USD</b>		
Net asset value, USD	268,173,524	248,945,394
Number of outstanding shares	663,400,995	646,142,987
Net asset value/share, USD	0.40	0.39
<b>Net asset value/share, SEK</b>		
Net asset value, USD	268,173,524	248,945,394
SEK/USD	8.98	9.80
Net asset value, SEK	2,409,465,628	2,440,834,902
Number of outstanding shares	663,400,995	646,142,987
Net asset value/share, SEK	3.63	3.78

# Income statement — Parent company

Expressed in USD thousands	9M 2020	9M 2019	3Q 2020	3Q 2019
Result from financial assets at fair value through profit or loss	12	8,618	-15	100
Dividend and coupon income	294	404	97	153
Other income	72	–	12	–
<b>Total operating profit</b>	<b>378</b>	<b>9,022</b>	<b>94</b>	<b>253</b>
Operating expenses	-2,780	-4,718	-878	-1,300
<b>Total operating expenses</b>	<b>-2,780</b>	<b>-4,718</b>	<b>-878</b>	<b>-1,300</b>
<b>Operating result</b>	<b>-2,402</b>	<b>4,304</b>	<b>-784</b>	<b>-1,047</b>
<b>Financial income and expenses</b>				
Interest income/expense, net	6,745	5,529	2,320	2,178
Currency exchange gains/losses, net	255	138	-3	11
<b>Net financial items</b>	<b>7,000</b>	<b>5,667</b>	<b>2,317</b>	<b>2,189</b>
<b>Result before tax</b>	<b>4,598</b>	<b>9,971</b>	<b>1,533</b>	<b>1,142</b>
Taxation	–	–	–	–
<b>Net result for the period</b>	<b>4,598</b>	<b>9,971</b>	<b>1,533</b>	<b>1,142</b>

Expressed in USD thousands	9M 2020	9M 2019	3Q 2020	3Q 2019
<b>Net result for the period</b>	<b>4,598</b>	<b>9,971</b>	<b>1,533</b>	<b>1,142</b>
<b>Total other comprehensive income for the period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total comprehensive income for the period</b>	<b>4,598</b>	<b>9,971</b>	<b>1,533</b>	<b>1,142</b>



# Balance sheet

## — Parent company

Expressed in USD thousands	Sep 30, 2020	Dec 31, 2019
<b>NON-CURRENT ASSETS</b>		
<b>Financial non-current assets</b>		
Shares in subsidiaries	16	15
Financial assets at fair value through profit or loss		
Equity financial assets	13,000	0
Liquid financial assets	18,033	34,521
Receivables from Group companies	145,852	135,434
Other financial assets	10	11
<b>Total financial non-current assets</b>	<b>176,911</b>	<b>169,981</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	1,519	5,058
Other current receivables	72	95
<b>Total current assets</b>	<b>1,591</b>	<b>5,153</b>
<b>TOTAL ASSETS</b>	<b>178,502</b>	<b>175,134</b>
<b>SHAREHOLDERS' EQUITY (including net result for the financial period)</b>	<b>178,154</b>	<b>173,807</b>
<b>CURRENT LIABILITIES</b>		
<b>Non-interest-bearing current liabilities</b>		
Other current liabilities	52	252
Accrued expenses	296	1,075
<b>Total current liabilities</b>	<b>348</b>	<b>1,327</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>178,502</b>	<b>175,134</b>

# Statement of changes in equity

## — Parent company

Expressed in USD thousands	Share Capital	Additional paid in capital	Other reserves	Retained earnings	Total
<b>Balance at Jan 1, 2019</b>	<b>6,502</b>	<b>88,608</b>	<b>–</b>	<b>67,519</b>	<b>162,629</b>
Net result 9M 2020	–	–	–	9,971	9,971
<b>Other comprehensive income for the period</b>					
Currency translation difference	–	–	–	–	–
<b>Total comprehensive income for the period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>9,971</b>	<b>9,971</b>
Value of employee services:					
- Employee share option scheme	–	19	–	–	19
- Share based long-term incentive program	–	818	–	–	818
Buy-back of own shares	-41	-1,022	–	–	-1,063
<b>Balance at Sep 30, 2019</b>	<b>6,461</b>	<b>88,423</b>	<b>–</b>	<b>77,490</b>	<b>172,374</b>
<b>Balance at Jan 1, 2020</b>	<b>6,678</b>	<b>87,923</b>	<b>–</b>	<b>79,206</b>	<b>173,807</b>
Net result 9M 2020	–	–	–	4,598	4,598
<b>Other comprehensive income for the period</b>					
Currency translation difference	–	–	–	–	–
<b>Total comprehensive income for the period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>4,598</b>	<b>4,598</b>
Value of employee services:					
- Employee share option scheme <a href="#">(Note 5)</a>	19	291	–	–	310
- Share based long-term incentive program	217	-137	–	–	80
Buy-back of own shares	-19	-622	–	–	-641
<b>Balance at Sep 30, 2020</b>	<b>6,895</b>	<b>87,455</b>	<b>–</b>	<b>83,804</b>	<b>178,154</b>



# 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 2019. The Company’s 2019 annual report is available at the Company’s website: [www.vef.vc/investor-relations/](http://www.vef.vc/investor-relations/)

## Note 2 — Related party transactions

During the period VEF has recognized the following related party transactions:

	Operating expenses		Current liabilities	
	9M 2020	9M 2019	9M 2020	9M 2019
Key management and Board of Directors <sup>1</sup>	1,252	1,966	–	54

1. Compensation paid or payable includes salary, bonus, and share based remuneration to the management and remuneration to the Board members.

The result impact in the period for the long-term incentive programs (LTIP 2018, LTIP 2019 and LTIP 2020) for the management amounted to USD -0.21 mln, USD 0.09 mln and USD 0.01 mln, respectively, excluding social taxes. See further details of LTIP 2018, LTIP 2019 and LTIP 2020 in Note 4.

## 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 2019.

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).

### Assets measured at fair value at Sep 30, 2020

	Level 1	Level 2	Level 3	Total balance
Financial assets at fair value through profit or loss	18,033	13,000	235,236	266,269
Total assets	18,033	13,000	235,236	266,269

### Assets measured at fair value at Dec 31, 2019

	Level 1	Level 2	Level 3	Total balance
Financial assets at fair value through profit or loss	34,522	151,716	58,671	244,908
Total assets	34,522	151,716	58,671	244,908

### Changes of financial assets in level 3

	2020	2019
Opening balance Jan 1	58,671	40,664
Transfers from level 2 to level 3	155,452	3,364
Transfers from level 3 to level 2	–	-5,806
Change in fair value	21,113	3,182
Closing balance Sep 30	235,236	41,404

As per Sep 30, 2020, VEF has a liquidity management portfolio of listed corporate bonds and money market funds that are classified as level 1 investments.

The most recent investment in Juspay which closed during 1Q20 is classified as a Level 2 investment. The remaining portfolio companies are classified as Level 3 investments.

Holdings classified as Level 2 investments are valued based on the latest transaction in the company. 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.

Following the COVID-19 outbreak, global financial markets experienced a high degree of volatility and suffered historical declines in the short term. The investments in VEF’s portfolio were affected in the first quarter of 2020, when the respective valuations were adjusted using a calibration methodology or other valuation models. Following the recovery in 2Q20 and 3Q20, the entire portfolio, with the exception of the latest investment in Juspay, is valued on a mark to model basis. All convertibles are valued at nominal value plus accrued interest which is considered to be fair value.

### Mark to model-based valuations

At the end of 3Q20, eleven out of twelve portfolio companies have been valued on the basis of a model, for most parts using a peer group revenue multiple. Inputs used for each valuation include COVID-19 risk adjusted revenue forecasts, local currency moves and a combination of private and listed peer group revenue multiples as at September 30, 2020.

The difference in fair value change between the portfolio companies depends on the relative impact of the COVID-19 and the resulting adjusted revenue forecast in each company as well as moves in the relevant peer group for each company. The valuation change in Creditas during the period was mainly driven by strong revenue growth and outlook in the company. TransferGo’s positive valuation change during the nine-month period was driven by the strong revenue growth in the company while the negative change in fair value in REVO was a function of a weakening USD/RUB and revised COVID-19 adjusted revenue forecast. Both Jumo’s and Xerpa’s change in fair value were driven by COVID-19 adjusted revenue forecasts and a weakened USD/BRL in the case of Xerpa had a further strong negative impact.



Below table summarizes the sensitivity of the assets value to changes in the underlying multiple used for the valuation.

Sensitivity analysis of valuations

Company	Valuation method	-15%	-10%	-5%	0%	+5%	+10%	+15%
Creditas	Mark-to-model	87,408	92,298	97,188	102,078	106,968	111,859	116,749
Konfio	Mark-to-model	35,441	37,054	38,666	40,279	41,892	43,504	45,117
TransferGo	Mark-to-model	21,351	22,504	23,657	25,167	25,964	27,117	28,270
Nibo	Mark-to-model	11,277	11,873	12,470	13,066	13,662	14,259	14,855
REVO Group	Mark-to-model	10,075	10,578	11,082	11,585	12,089	12,592	13,096
FinanZero	Mark-to-model	7,673	8,101	8,529	8,956	9,385	9,813	10,241
Guiabolso	Mark-to-model	7,563	7,958	8,352	8,747	9,141	9,535	9,930
Jumo	Mark-to-model	6,853	7,419	7,985	8,551	9,117	9,683	10,249
Magnetis	Mark-to-model	6,674	7,014	7,354	7,695	8,035	8,375	8,716
Xerpa	Mark-to-model	4,329	4,529	4,730	4,931	5,131	5,332	5,532
Finja	Mark-to-model	3,675	3,844	4,012	4,181	4,350	4,519	4,688

Change in financial assets at fair value through profit or loss

Company	Jan 1, 2020	Investments/ (divestments), net	Fair value change	Sep 30, 2020	Percentage of portfolio
Creditas	73,246	–	28,832	102,078	38.0%
Konfio	41,579	–	-1,300	40,279	15.0%
TransferGo	12,555	2,111	10,501	25,167	9.4%
Nibo	10,619	1,200	1,247	13,066	4.9%
Juspay	–	13,000	—	13,000	4.8%
REVO Group	16,244	–	-4,659	11,585	4.3%
FinanZero	7,728	–	1,228	8,956	3.3%
Guiabolso	11,545	–	-2,798	8,747	3.3%
JUMO	16,875	–	-8,324	8,551	3.2%
Magnetis	8,108	–	-413	7,695	2.9%
Xerpa	8,500	–	-3,569	4,931	1.8%
Finja	3,389	425	367	4,181	1.6%
Liquidity investments	34,521	-16,500	12	18,033	6.7%
Total	244,908	236	21,124	266,269	99%

Note 4 Share-based incentive program (LTIP)

There are three running long-term share-based incentive programs for management and key personnel in the VEF Group. Program 2018 is linked to the long-term performance of the Company’s Net Asset Value and program 2019 and 2020 is linked to the long-term performance of both the Company’s Net Asset Value and of the VEF share price. For more information on the LTIP, please see the company’s annual report 2019 note 10.

	LTIP 2018	LTIP 2019	LTIP 2020
Performance measurement period	Jan 2018–Dec 2020	Jan 2019–Dec 2021	Jan 2020–Dec 2022
Vesting period	May 2018–Dec 2020	May 2019–Dec 2021	Jun 2019–Dec 2021
Maximum no of SDRs	7,451,850	12,400,000	13,640,000
Maximum dilution	1.13%	1.87%	2.06%
Share price on grant date, SEK	1.95	2.40	2.11
Share price on grant date, USD	0.22	0.26	0.23
Plan share price on grant date, SEK	–	0.32	0.14
Plan share price on grant date, USD	–	0.03	0.02
Total employee benefit expense excl. bonuses paid and social taxes (USD mln)	LTIP 2018	LTIP 2019	LTIP 2020
2020 <sup>2</sup>	-0.22 <sup>1</sup>	0.09	0.01
2019 <sup>2</sup>	0.32	0.08	—
2018	0.20	—	—
Total accumulated	0.30	0.17	0.01

1. Adjusted for new estimated program outcome
2. The total employee benefit expense does not include subsidy for acquisition and taxes arisen.

New program 2020

The Board has approved a long-term share incentive plan (“LTIP 2020”) for six key employees in the Company. LTIP 2020 is a three-year performance-based incentive program which is based on the same structure, retains the same economic characteristics for the participants, and the same criteria for measuring performance as the depository receipt based incentive programs as the 2019 program. The objective of LTIP 2020 is to encourage the employees to financially commit to the long-term value growth of VEF, and thereby align their interests with those of the shareholders. 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 0.37 mln. The IFRS2 cost for the LTIP 2020 amounts to USD 0.01 mln by the end of Q3.

At the Company’s SGM at October 22, it was approved to amend the Company’s long-term incentive program for 2020. The amended program will run over five years and is resolved to issue no more than 19,610,000 plan shares to the participants in the program.



Note 5 Option plan

On August 28, VEF announced that David Nangle, CEO of VEF, has increased his stake in the Company by way of exercising 1,905,000 outstanding options. The strike price of the five-year options was SEK 1.46. Following the exercise of the options, VEF has issued an additional 1,905,000 common shares. The total outstanding number of shares in the Company, excluding reclassifiable incentive shares under the Company’s long-term incentive programs is 663,400,995.

Per September 2020 a total of 3,000,000 options are outstanding. None to the Managing Director and 3,000,000 to other employees.

Option grant date	Jun 7, 2016	Aug 25, 2016	Nov 29, 2017	May 16, 2018	Dec 17, 2019
Maturity date	Jul 31, 2021	Nov 24, 2021	Feb 28, 2023	Aug 16, 2023	Dec 17, 2024
Option price at grant date SEK	0.26	0.14	0.54	0.41	0.34
Share price at grant date SEK	1.13	1.22	2.25	1.97	2.95
Exercise price SEK	1.33	1.46	2.54	2.35	3.69
Volatility	33.00%	20.90%	32.10%	29.90%	22.80%
Risk free interest rate	-0.27%	-0.53%	-0.25%	-0.13%	-0.29%
No of options granted	1,000,000	500,000	500,000	500,000	500,000

For more information on the option plan, please see the company’s annual report 2019, note 10.

Note 6 Events after the reporting period

At the SGM at October 22, Vostok Emerging Finance resolved to change the Company’s name to VEF. At the same SGM it was approved to amend the Company’s long-term incentive program for 2020.

Background

Vostok Emerging Finance Ltd. (pending change of name to VEF Ltd) (VEF) was incorporated and registered with the Bermuda Registrar of Companies on May 28, 2015 with registered number 50298. The SDRs of VEF are traded on First North Sweden, with the ticker VEMF SDB (pending change to VEFL SDB). As of Sep 30, 2020, the VEF Group consists of the Bermudian parent company Vostok Emerging Finance Ltd; one wholly owned Cypriot subsidiary, VEF Cyprus Limited (formerly Vostok Emerging Finance (Cyprus) Limited); and one wholly owned Swedish subsidiary, Vostok Emerging Finance AB (pending change of name to VEF AB). The financial year of the Group is January 1– December 31.

Parent company

The parent company is the holding company of the Group. The net result for 9M20 was USD 4.60 mln (9M19: 9.97).

Upcoming reporting dates

VEF’s financial report for the period January 1, 2020–December 31, 2020 will be published on February 10, 2021.

November 4, 2020  
David Nangle

For further information contact CEO David Nangle or CFO Henrik Stenlund: tel: +46 8 545 015 50.

Report on review of interim financial information

Introduction

We have reviewed the condensed interim financial information (interim report) of Vostok Emerging Finance Ltd. as of September 30, 2020 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34.

Gothenburg, November 4, 2020  
PricewaterhouseCoopers AB

Ulrika Ramsvik  
Authorized Public Accountant  
Auditor in charge