

SIA “AGROCREDIT LATVIA”
UNAUDITED ANNUAL ACCOUNTS
FOR SIX MONTHS ENDED JUNE 30,2022

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

Translation from Latvian

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Management report

Type of operations

SIA AgroCredit Latvia (hereinafter – the Company) is a specialized financial services provider, offering credit services to farmers. More than half of the credit portfolio consists of short-term financing to crop farmers for the purchase of raw materials, which is repaid after the harvest sales. Also, secured long-term loans are offered to the farmers as well as agri-machinery leasing services.

Credit policy of the Company is classified as a relatively conservative using basic principles characteristic to banking practice. Taking decisions on financing, the Company considers such aspects as the experience of the potential client in agriculture, financial results the previous year, the cropped area, cultural and regional aspects, as well as recommendations from other companies of the industry. The amount of financing is usually no more than half of the average expected sales volume of yield, which allows customers to pay for their obligations in poor yield years.

The Company provides the necessary resources for crediting from its own funds (equity and related parties loans) as well as attracts from external sources of financing- listed bonds, bank loan and other private investors.

The Company's performance during the reporting year

The first half of the year 2022 in agriculture was influenced by factors caused by the war in Ukraine. The self-cost of the production has increased significantly – the prices of fertilizers, crop protection products, diesel fuel grew. The availability of several raw materials are unclear as the logistic and supply chains are changing. On the other hand the prices of grain and rape-seed has increased as well, thus the overall returns of the farming business has not declined. But there is a need of additional working capital to finance the production process.

The new market situation sets opportunities for the Company. The increasing demand for the financing let the Company to achieve the all time highest credit portfolio close to 16 mEUR. The total interest income grew by 19% and net profit by 7.5% in comparison to 1st half of 2021. The total assets of the company grew as well by 28.8% in comparison to relative period of 2021.

The grain season is expected to be quite successful this year. The weather conditions were favourable during the Winter time for Winter crops and during Spring/Summer time as well. Some storms during July has made some damage to fields in Zemgale, but it is not expected to have significant impact on overall volumes. The harvest time is dry and sunny as well, so the drying costs will be low. Although the grain/rape-seed prices has dropped a bit during the last months, they are still significantly higher than last years.

The Company's exposure to risks

The Company's main risks are related to its customers' ability to pay for the loans. Quality of credit granting decisions and customer solvency assessment is essential in risk management.

Borrowers' ability to repay loans influenced by external factors - yield and grain prices on the stock exchange. Therefore, the deciding on credits, it is important to provide the customer's ability to repay the loan in poor yield years and unfavourable market conditions.

Statement on internal control procedures

The Board confirms that the internal control procedures are efficient and the risk management and internal control during the whole year has been carried out in accordance with the mentioned control procedures.

Future prospects

The portfolio is expected to decrease in Autumn time as the grain will be delivered and seasonal financing agreements repaid. At the same time the financing for the seeding needs of new Winter crops will be disbursed. It is expected that the demand for the financing will grow as the prices of raw materials has increased. The Company will also develop further IT solutions to increase the efficiency and provide better service to customers and cooperation partners.

Ģirts Vinters
Chairman of the Board

Jānis Kārklīšs
Member of the Board

Riga, 30 August 2022

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Statement of management`s responsibility

The management of SIA AgroCredit Latvia is responsible for the preparation of the financial statements for the first half of the year 2022.

Based on the information available to the Board of the Company, the financial statements are prepared on the basis of the relevant primary documents and in accordance with International Financial Reporting Standards as adopted by the European Union, based on a going concern basis, and present a true and fair view of the Company's assets, liabilities and financial position as at 30 June 2022 and its profit and cash flows for the first half of year 2022.

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

The management of the Company confirms that it is responsible for maintaining proper accounting records and for monitoring, controlling and safeguarding the Company's assets. The management of the Company is responsible for detecting and preventing errors, irregularities and/or deliberate data manipulation. The management of the Company is responsible for ensuring that the Company operates in compliance with the laws of the Republic of Latvia.

The management report presents fairly the Company's business development and operational performance.

Corporate governance statement

The Corporate governance report of SIA AgroCredit Latvia for the first half of year 2022 has been prepared in accordance with Section 56.2 Paragraph 3 of the Financial Instrument Market Law.

The report is submitted to AS Nasdaq Riga (hereinafter – the Stock Exchange) concurrently with the unaudited financial statements SIA AgroCredit Latvia for the first half of year 2022 for publishing on the website of the Stock Exchange: <http://www.nasdaqbaltic.com/> and the website of SIA AgroCredit Latvia <http://www.agrocredit.lv>.

Ģirts Vinters
Chairman of the
Board

Jānis Kārklīšs
Member of the Board

Riga, 30 August 2022

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Statement of comprehensive income for the period of six months ended 30 June 2022

	Notes	30.06.2022. EUR	30.06.2021. EUR
Interest income	1	754 794	633 795
<i>out of this, income at effective interest rate</i>		<i>754 794</i>	<i>633 795</i>
Interest expense	2	(334 304)	(285 316)
Impairment	3	(50 000)	(30 000)
Administrative expense	4	(138 209)	(126 038)
Other operating expense	5	(64 110)	(30 388)
Profit before corporate income tax		168 171	162 053
Corporative income tax		-	5 750
Current year's profit		168 171	156 303
Other comprehensive income		-	-
Total comprehensive income		168 171	156 303

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

 Ģirts Vinters
 Chairman of the Board

 Jānis Kārklīņš
 Member of the Board

 Evija Šverna
 Accountant

Riga, 30 August 2022

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ANNUAL ACCOUNTS FOR SIX MONTHS ENDED 30 JUNE 2022
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Statement of financial position as at 30 June 2022

	Notes	30.06.2022. EUR	31.12.2021. EUR
<u>Assets</u>			
Long term investments			
Property, plant and equipment		2 519	2 750
Right-of-use assets		61 150	68 657
Loans		3 339 857	1 962 774
Total long-term investments:		3 403 526	2 034 181
Current assets			
Loans		11 527 297	7 429 449
Other debtors		9 584	1 715
Cash and bank		20 420	221 997
Total current assets:		11 557 301	7 653 161
<u>Total assets</u>		<u>14 960 827</u>	<u>9 687 342</u>
<u>Liabilities and shareholder's funds</u>			
Shareholders' funds:			
Share capital		1 500 000	1 500 000
Other reserves		25	25
Retained earnings:			
- prior year's retained earnings		600 860	292 919
- current year's profit		168 171	307 941
Total shareholders' funds:		2 269 056	2 100 885
Liabilities:			
Long-term liabilities:			
Borrowings		7 100 000	6 020 000
Lease liabilities		43 781	42 480
Total long-term liabilities:		7 143 781	6 062 480
Short-term liabilities:			
Borrowings		5 219 447	1 494 728
Lease liabilities		7 799	15 599
Trade creditors and other liabilities		320 744	13 650
Total short-term creditors:		5 547 990	1 523 977
<u>Total liabilities and shareholders' funds</u>		<u>14 960 827</u>	<u>9 687 342</u>

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Ģirts Vinters
Chairman of the Board

Jānis Kārklīšs
Member of the Board

Evija Šverna
Accountant

Riga, 30 August 2022

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Statement of changes in equity for the period of six months ended 30 June 2022

	Share capital	Other reserves	Retained earnings	Total
	EUR	EUR	EUR	EUR
As at 31 December 2020	1 500 000	25	445 919	1 945 944
Profit for the ½ year	-	-	156 303	156 303
Dividends	-	-	(23 000)	(23 000)
As at 30 June 2021	1 500 000	25	579 222	2 079 247
Profit for the ½ year	-	-	151 638	151 638
Dividends	-	-	(130 000)	(130 000)
As at 31 December 2021	1 500 000	25	600 860	2 100 885
Profit for the ½ year	-	-	168 171	168 171
As at 30 June 2021	1 500 000	25	769 031	2 269 056

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Statement of cash flows for the period of six months ended 30 June 2022

	Notes	30.06.2022. EUR	30.06.2021. EUR
<u>Cash flow from operating activities</u>			
Profit before corporate income tax		168 171	162 053
Depreciation of plant, property and equipment		651	743
Depreciation of right-of-use assets		1 008	7 079
Interest and similar income		314 333	(633 795)
Interest and similar expense		(754 794)	266 989
Change in allowance for loan impairment		50 000	30 000
Decrease of cash and cash equivalents from operating activities before changes in assets and liabilities		(220 631)	(166 931)
Increase of loans issued		(5 311 951)	(3 401 588)
(Increase) / decrease in trade and other debtors		(7 869)	71 302
Trade creditors' (decrease)		1 976	739
Gross cash flow from operating activities		(5 538 475)	(3 496 478)
Interest paid		(52 594)	(32 514)
Interest income		611 313	423 381
Net cash flow from operating activities		(4 979 756)	(3 105 611)
<u>Cash flow from investing activities</u>			
Acquisition of fixed assets and intangibles		(421)	(977)
Net cash flow from investing activities		(421)	(977)
<u>Cash flow from financing activities</u>			
Loans received		6 469 600	4 728 285
Repaid loans and finance lease		(1 684 500)	(1 906 702)
Lease payments for right-of-use assets		(6 500)	(6 102)
Net cash flow from financing activities		4 778 600	2 815 481
Net cash flow of the reporting year		(201 577)	(291 107)
Cash and cash equivalents at the beginning of the reporting year		221 997	309 482
Cash and cash equivalents at the end of reporting year		20 420	18 375

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Notes to the financial statements

General information about the Company

Name of the Company	SIA AGROCREDIT LATVIA
Legal status of the Company	Limited liability company
Number, place and date of registration	40103479757 Commercial Registry, Riga, 11 November 2011
Type of operations	The Company specializes in providing financial services and offering credit services to farmers. Basically, the Company issues short-term financing to crop-farmers for the purchase of raw materials, which is repaid after the harvest sales. As classified by NACE classification code system: 64.91 – Financial leasing 64.92 – Other credit granting
Address	K.Ulmaņa gatve 119, Mārupe, Mārupe municipality, LV-2167, Latvia
Shareholders	AgroCredit Finance SIA (since 13.08.2019) 100% Reg. No. 42403046209 K.Ulmaņa gatve 119, Mārupe, Mārupe municipality, LV-2167, Latvia AgroCredit Estonia OU (till 13.8.2019) 100% Reg. No. 1000241097 Sirbi 9-2, Tallinn 11713, Estonia
Beneficial owners	Ģirts Vinters and Jānis Kārklīšs, each owning 50% of shares of the Parent Company.
The Board	Ģirts Vinters – Chairman of the Board Jānis Kārklīšs – Member of the Board
The Council	Rūta Dimanta – Member of the Council Silva Jeromanova- Maura – Member of the Council Edmunds Demiters – Member of the Council
Person responsible for accounting	Evija Šverna - accountant

Approval of the Financial statements

Financial risk management

Fair value hierarchy of assets and liabilities

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

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

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

The Company's management has determined that the carrying amounts of the Company's financial assets and liabilities carried at amortized cost as at 31 December 2021 and 30 June 2022 approximate their fair values, as explained below:

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

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Notes to the financial statements (continued)

(1) Interest income

	30.06.2022.	30.06.2021.
	EUR	EUR
Interest income from issued loans	743 286	623 617
Other interest income	11 508	10 178
	<u>754 794</u>	<u>633 795</u>

All interest income is recognized at the effective interest rate and includes amortized commissions (2021: EUR 48 183 and 2022: EUR 72 118). All of the Company's revenues are generated in Latvia.

(2) Interest expense

LCD bonds' coupon expense	181 086	168 093
Interest on other loans received	70 727	59 152
Interest on loans received – Mintos Marketplace AS	62 520	2 310
Leverage expenditure	-	18 327
Interest on loans received – Citadele Bank AS	19 971	36 711
Interest on loans received – Luminor LIZings SIA	-	723
	<u>334 304</u>	<u>285 316</u>

(3) Impairment

Change of impairment allowance for issued loans	50 000	30 000
	<u>50 000</u>	<u>30 000</u>

(4) Administrative expense

Staff costs	54 560	38982
Legal services, including debt collection costs	22 394	22 517
IT costs	7 704	9 801
Accounting services and professional fees	15 387	7 673
Social insurance	7 715	9 196
Transportation expenses	12 871	17 049
Office rent	5 012	4 892
Depreciation of right-of-use assets	1 008	7 079
Office expenses	5 319	3 189
Communication expenses	2 839	2 326
Decrease of fixed assets value	651	743
Insurance	980	1 924
Bank commission	566	384
Risk duty	11	8
Other administrative expenses	1 192	275
	<u>138 209</u>	<u>126 038</u>

(5) Other operating expenses

Debt recovery costs	4 297	7 829
Marketing and advertising costs	56 177	38 532
Sales promotion costs	2 496	1 650
Membership fees	823	105
Other operating expenses	317	37
Reimbursement of expenses	-	(17 765)
	<u>64 110</u>	<u>30 388</u>

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Subsequent events

There are no subsequent events since the last date of the reporting year, which would have a significant effect on the financial position of the Company as at 30 June 2022.

Ģirts Vinters
Chairman of the Board

Jānis Kārklīšs
Member of the Board

Evija Šverna
Accountant

Riga, 30 August 2022