SIA “AGROCREDIT LATVIA”

Annual Accounts for 2023

Prepared in accordance with the
IFRS Accounting standards as adopted by EU

Translation from Latvian

Translation note: This version of the Annual Accounts is a translation from the original, which was prepared in Latvian and digitally signed by the Board of the Company and the person in charge of preparation of the annual accounts on 30 April 2024. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of Annual Accounts takes precedence over this translation.

TABLE OF CONTENTS

Management report

Type of operations

SIA AgroCredit Latvia (hereinafter – the Company) is a specialized financial services provider, offering credit services to farmers. Approximately 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, long-term loans secured by mortgage and commercial pledges are offered to the farmers as well as leasing of farming machinery.

Credit policy applied by 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 experience of the potential client in agriculture, prior year's financial results, the cropped area, cultural and regional aspects, as well as recommendations from other companies of the industry. The amount of financing usually covers no more than half of the average expected sales volume of harvest, which allows customers to pay for their obligations in lower harvest years.

The funds for lending are provided by the Company's equity and related party loans as well as funds attracted from external sources of financing - listed bonds, bank's credit line and other private investors.

Operating environment during the reporting year

Year 2023 was a challenging year for agriculture. Industry leaders have even called it the most unsuccessful since the early 90s. At the beginning of the 2022/23 grain farming season, the prices of raw materials (mainly mineral fertilizers) were still at record highs and exceeded their usual level several times – accordingly, the cost price of this season's production was very high. In mid-2023, global markets for mineral fertilizers and grains returned to normal, and prices gradually began to return to the levels that existed before the start of the war in Ukraine. As a result, grain prices (returning to normal glue) were unsymmetrically low comparing to the high cost price of production, so farmers' profitability indicators this season were mostly at very low (often negative) levels. The high level of production costs contributed to an increase in farmers' obligations to suppliers and other creditors and to settle them in full at this season's financial results was very difficult for many. High EURIBOR rates made the situation worse, making the cost of servicing these loans significantly more expensive. In terms of yield, the season was average – in Zemgale and part of Kurzeme the harvest was at a normal level, but in other regions – below average. Additional losses were also caused by the ravages of large-grain hail in the summer.

The Company's performance during the reporting year

The above-mentioned factors in various ways influenced the Company's activities and the results achieved in 2023. During this time, the demand for the services offered by the Company increased significantly. The need for more working capital, which was facilitated by an increase in production costs, stimulated the demand for financing. In turn, the ECB's monetary policy slowed down and made the supply of financing more expensive in the market. The Company, taking advantage of the fact that the cost price of its financial resources for a large part of the sources has a fixed price, had ability to offer customers interest rates at a similar or only slightly higher level than before. Therefore, a good competitive advantage in the market was obtained, and it was also possible to attract a lot of new customers who had previously used the relatively cheaper bank loans or financing from suppliers of raw materials and decreased during 2023. As a result, by the end of the year, the portfolio of issued loans had increased significantly and the Company's assets exceeded previous year volumes by 58%. Total interest revenue grew by 24% and net profit also increased by 16%. In the Autumn season, some customers, taking into account the specifics of the season, also had to amend the repayment schedules of financing, but on the positive side, the financial situation did not become so difficult for any client that it would threaten the further operation of the farm. The Company conservatively created an additional 120 thousand EUR provisions for possible losses from receivables, which was 41% more than a year earlier. At the same time, the Company's management believes that its loan portfolio is of good quality and well-secured with various types of collateral, the realizable value of which exceeds the carrying amount of the issued loans.

The Company's exposure to risks

A Company's underlying risks relate to the ability of its clients to settle their loans and accordingly – the Company's ability to settle with its creditors, who have largely provided funds for issuing loans to the Company's clients. In risk management, the quality of the credit decisions made and the assessment of the solvency of customers are essential.

The ability of borrowers to repay loans is largely influenced by external factors – productivity and the price of grain on the stock exchange. Therefore, when making credit decisions, it is important to foresee the client's ability to repay the loan in conditions of lower productivity and an unfavorable grain market.

Statement on internal control procedures

The Management Board certifies that the internal control procedures are effective and that risk management and internal control have been carried out in accordance with those control procedures throughout the year.

Management report (continued)

Future prospects

In 2024, the Company plans a time of more moderate growth. Given the tighter cash flow of customers, farming of grain farmers is expected to be more conservative this season – with lower commodity usage and no large-scale long-term investments. On a positive note, at the beginning of the season, the prices of raw materials had already practically returned to their previous level and the cost price of production for this season will be significantly lower than the previous one. Winter was also generally favorable for cereals, except for the freezing of rapeseed in certain regions of Latgale and Vidzeme, which will need to be re-sown, and a good foundation has been laid for the new season.

Taking into account the amount of financing and the increase in demand, the Company will look for opportunities to attract additional financial resources to ensure further growth of the portfolio. Emphasis will also be placed on further development of IT processes in order to provide efficient internal processes and convenient services for customers and cooperation partners.

Distribution of profits recommended by the Board of Governors

The proposal of the Company's Board of Directors to the members is to leave the profit of EUR 383 299 for the financial year undistributed.

The Board of the Company has prepared this annual report of SIA AgroCredit Latvia, which includes a management report, a statement on management responsibility, a statement on the corporate governance report and financial statements for 2023, and approved it for submission to the shareholder.

Ģirts Vinters	Jānis Kārkliņš
Chairman of the Board	Member of the Board

THE DOCUMENT IS SIGNED WITH SECURE ELECTRONIC SIGNATURES AND CONTAINS A TIME STAMP

Statement of management`s responsibility

The management of SIA AgroCredit Latvia is responsible for the preparation of the financial statements for 2023.

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 IFRS 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 31 December 2023 and its profit and cash flows for 2023.

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.

Information about Statement on Corporate governance

The Statement on Corporate governance of SIA AgroCredit Latvia for 2023 has been prepared as a separate document in accordance with Section $56.^{2}$ Paragraph 3 of the Financial Instruments Market Law.

The Statement is submitted to AS Nasdaq Riga (hereinafter – the Stock Exchange) concurrently with the audited financial statements SIA AgroCredit Latvia for 2023 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 Kārkliņš Member of the Board

THE DOCUMENT IS SIGNED WITH SECURE ELECTRONIC SIGNATURES AND CONTAINS A TIME STAMP

Statement of comprehensive income for the year ended 31 December 2023

	Notes	2023 EUR	2022 EUR
Interest income	1	2 008 185	1 618 041
out of this, income at effective interest rate		*2 008 185*	*1 618 041*
Interest expense	2	(972 536)	(723 853)
Impairment	3	(120 000)	(85 000)
Administrative expense	4	(372 708)	(304 333)
Other operating expense	5	(134 642)	(148 915)
Profit before corporate income tax		**408 299**	**355 940**
Corporate income tax	6	(25 000)	(25 000)
Current year's profit		**383 299**	**330 940**
Other comprehensive income		-	-
Total comprehensive income for the current year		**383 299**	**330 940**

Notes on pages from 10 to 27 are integral part of these financial statements.

Ģirts Vinters Chairman of the Board	Jānis Kārkliņš Member of the Board	Evija Suija Accountant

THE DOCUMENT IS SIGNED WITH SECURE ELECTRONIC SIGNATURES AND CONTAINS A TIME STAMP

Statement of financial position as at 31 December 2023

	Notes	31.12.2023. EUR	31.12.2022. EUR
Assets			
Long term investments			
Property, plant and equipment	7	17 623	1 637
Right-of-use assets	8	80 929	50 640
Loans	9	5 553 123	3 104 934
Total long-term investments:		**5 651 675**	**3 157 211**
Current assets			
Loans	9	12 642 413	8 181 628
Other debtors	10	14 288	7 257
Cash and bank	11	86 983	275 443
Total current assets:		**12 743 684**	**8 464 328**
Total assets		**18 395 359**	**11 621 539**
Liabilities and shareholder's' funds			
Shareholders' funds:			
Share capital	12	1 500 000	1 500 000
Other reserves		25	25
Retained earnings:			
- prior year's retained earnings		731 800	500 860
- current year's profit		383 299	330 940
Total shareholders' funds:		**2 615 124**	**2 331 825**
Liabilities:			
Long-term liabilities:			
Borrowings	13	9 440 000	7 500 000
Lease liabilities	8	42 614	29 608
Total long-term liabilities:		**9 482 614**	**7 529 608**
Short-term liabilities:			
Borrowings	13	6 230 347	1 733 764
Lease liabilities	8	29 744	12 872
Corporate income tax		25 000	-
Trade creditors and other liabilities	14	12 530	13 470
Total short-term liabilities:		**6 297 621**	**1 760 106**
Total liabilities:		**15 780 235**	**9 289 714**
Total liabilities and shareholders' funds		**18 395 359**	**11 621 539**

Notes on pages from 10 to 27 are integral part of these financial statements.

Ģirts Vinters Chairman of the Board	Jānis Kārkliņš Member of the Board	Evija Suija Accountant

THE DOCUMENT IS SIGNED WITH SECURE ELECTRONIC SIGNATURES AND CONTAINS A TIME STAMP

Statement of changes in equity for the year ended 31 December 2023

	Share capital EUR	Other reserves EUR	Retained earnings EUR	Total EUR
As at 31 December 2021	**1 500 000**	**25**	**600 860**	**2 100 885**
Comprehensive income				
Profit for the year	-	-	330 940	**330 940**
Transactions with shareholders				
Dividends	-	-	(100 000)	**(100 000)**
As at 31 December 2022	**1 500 000**	**25**	**831 800**	**2 331 825**
Comprehensive income				
Profit for the year	**-**	**-**	383 299	**383 299**
Transactions with shareholders				
Dividends	**-**	**-**	(100 000)	**(100 000)**
As at 31 December 2023	**1 500 000**	**25**	**1 115 099**	**2 615 124**

Notes on pages from 10 to 27 are integral part of these financial statements.

Statement of cash flows for the year ended 31 December 2023

	Notes	2023 EUR	2022 EUR
Cash flow from operating activities			
Profit before corporate income tax		**408 299**	**355 940**
Depreciation of plant, property and equipment	7	1 112	1 534
Depreciation of right-of-use assets	8	31 728	18 017
Interest income	1	(2 008 185)	(1 618 041)
Interest expense	2	944 242	712 685
Impairment loss on loans	3, 9	120 000	85 000
Decrease of cash and cash equivalents from operating activities before changes in assets and liabilities		**(502 804)**	**(444 865)**
Increase of loans issued	9	(6 722 527)	(1 864 731)
Increase in trade and other debtors		(7 031)	(5 542)
Trade creditors' increase		17 305	13 099
Decrease of cash and cash equivalents from operating activities before corporate income tax		**(7 215 057)**	**(2 302 039)**
Interest paid	13d	(914 083)	(717 061)
Interest received		1 683 494	1 490 153
Corporate income tax paid	6	-	(25 000)
Net decrease of cash and cash equivalents from operating activities		**(6 445 646)**	**(1 553 947)**
Cash flow from investing activities			
Acquisition of fixed assets and intangibles	7	(17 098)	(421)
Net decrease of cash and cash equivalents from investing activities		**(17 098)**	**(421)**
Cash flow from financing activities			
Dividends paid	12	(100 000)	(100 000)
Loans received	13d	15 764 411	9 729 100
Repaid loans	13d	(9 357 987)	(8 005 687)
Lease payments for right-of-use assets	8	(32 140)	(15 599)
Net increase of cash and cash equivalents from financing activities		**6 274 284**	**1 607 814**
Net increase/(decrease) of cash and cash equivalents in the reporting year		**(188 460)**	**53 446**
Cash and cash equivalents at the beginning of the reporting year		**275 443**	**221 997**
Cash and cash equivalents at the end of reporting year	11	**86 983**	**275 443**

Notes on pages from 10 to 27 are integral part of these financial statements.

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	Ziedleju street 6, Mārupe, Mārupe municipality, LV-2167, Latvia
Shareholder	AgroCredit Finance SIA (100%) Reg. No. 42403046209 Ziedleju street 6, Mārupe, Mārupe municipality, LV-2167, Latvia
Beneficial owners	Ģirts Vinters and Jānis Kārkliņš, each owning 50% of shares of the Parent Company.
The Board	Ģirts Vinters – Chairman of the Board Jānis Kārkliņš – Member of the Board
The Council	Silva Jeromanova- Maura – Member of the Council Edmunds Demiters – Member of the Council Rūta Dimanta - Member of the Council
Person responsible for accounting	Evija Suija - accountant
The Auditor	SIA Potapoviča un Andersone Certified Auditors’ Company Licence No. 99 Ūdens Street 12-45, Riga, LV-1007 Latvia Responsible Certified Auditor: Lolita Čapkeviča Certificate No. 120

Approval of the Financial statements

These financial statements have been approved by the Board signing with electronic signatures on 30 April 2024. The Financial statements are subject to approval by the shareholder**.**

Notes to the financial statements
Accounting policies

(a) Basis of preparation

These financial statements for the year ended 31 December 2023 have been prepared in accordance with the IFRS Accounting standards (IFRS) as adopted by the European Union (EU). The accounting policies of the Company have not changed in comparison to previous reporting period.

The financial statements cover the period from 1 January 2023 until 31 December 2023.

The financial statements are prepared on historical cost basis.

(b) Significant accounting judgements, estimates and assumptions

The Company's financial statements and its financial results are influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparation of the financial statements. The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the current and next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgments are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and management's judgements for certain items are especially critical for the Company's results and financial situation due to their materiality. Any effect of changes in estimates is reflected in the financial statements at the time of their determination. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ.

The most significant judgments and estimates that affect the Company's financial statements are related to the determination of expected credit losses (ECL) for issued loans and are described in Note 9.

(c) Summary of significant accounting policies

Functional and reporting currency
Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). Items included in the financial statements are presented in the official currency of the Republic of Latvia, the euro (EUR), which is the Company's reporting currency.

Foreign currency translation
All foreign currency transactions are translated into euros using the exchange rates published at the morning of the dates of the transactions by the European Central Bank. Monetary assets and liabilities denominated in foreign currencies on the last day of the reporting year are translated into euros at the foreign exchange rate published by the European Central Bank ruling at the end of the reporting year.

Gains or losses arising from foreign exchange rate fluctuations are recognized in the profit or loss in the period in which they arise.

Recognition of revenue and expenses

Interest income and expense

The Company provides lending services, and interest income is the main type of income of the Company. Interest income and expense are recognized in the statement of profit or loss on an accrual basis using the effective interest method. Interest income and expense are recognized in profit or loss for all interest-bearing instruments on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options), but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Interest income is recognized over time.

Notes to the financial statements (continued)

Accounting policies (continued)

(c) Summary of significant accounting policies (continued)

Recognition of revenue and expenses (continued)

Other income
Other income is recognized on an accrual basis when it has been earned or when there is no doubt that it will be received in due time.

Other expenses
Expenses are recognised on an accrual basis in the period in which they are incurred, regardless of when the invoice is received or paid.

Intangible assets and property, plant and equipment
All intangibles and property, plant and equipment are recorded at cost net of depreciation or amortisation. Depreciation or amortisation is calculated on a straight-line basis to write down each asset to its estimated residual value over its estimated useful life as follows:

	% per annum
Intangibles	20
Other fixed assets	20

Corporate income tax
Corporate income tax for the reporting period is included in the financial statements based on the calculations prepared in accordance with tax legislation of the Republic of Latvia effective at the end of reporting year. Corporate income tax is calculated on the basis of distributed profit which is subject to the tax rate of 20 % of their gross amount, or 20/80 of net amount. Corporate tax on distributed profit is recognized when the shareholders of the Company make a decision about profit distribution. Corporate income tax calculated on transactions other than profit distribution is included in the statement of profit or loss within other operating expenses. The regulation on CIT surcharge for credit institutions and consumer credit service providers does not apply to the Company.

Cash and cash equivalents
Cash and cash equivalents consist of cash on hand, current account balances and short-term deposits with original maturities of less than 90 days and short-term highly liquid investments that are readily convertible to known amounts of cash and which are not subject to significant changes in value.

Financial instruments

Classification

The Company's financial instruments consist of financial assets (financial assets at amortized cost and financial assets at fair value through profit or loss (FVTPL) and financial liabilities (financial liabilities at amortized cost).

The classification of debt instruments depends on the business model implemented by the Company's financial asset management, as well as on whether the contractual cash flow characteristics consist of solely payments of principal and interest (SPPI). Debt instruments are carried at amortized cost if both of the following criteria are met:

- the business model objective is to hold assets to collect contractual cash flows; and

- the contractual cash flow characteristics consist of solely payments of principal and interest.

The gross carrying amount of these assets is measured using the effective interest method and adjusted for expected credit losses. Debt instruments that meet the requirements of the SPPI and are nevertheless held in a portfolio to both hold contractual cash flows and sell, such assets may be classified as FVTPL. Financial assets whose cash flows do not meet the requirements of the SPPI should be valued at FVTPL (eg financial derivatives). Embedded derivatives are not separated from financial assets, but when included in financial assets, the requirements of SPPI are assessed.

Recognition and derecognition
Financial assets are recognized when the Company has become a party to the contractual provisions of the instrument, i.e., on the trading date.

Financial assets are derecognised when the Company's contractual obligations to receive cash flows from the financial asset expire or when the Company transfers the financial asset to another party or transfers the significant risks and rewards of ownership of the asset. Purchases and sales of financial assets in the ordinary course of business are accounted for on the trading date, i.e., the date on which the Company decides to buy or sell the asset.

A financial liability is derecognised when the obligation under the liability is withdrawn, cancelled or expires.

Notes to the financial statements (continued)

Accounting policies (continued)

(c) Summary of significant accounting policies (continued)

Financial instruments (continued)

Measurement

At initial recognition, the Company measures a financial asset at its fair value. For financial assets and financial liabilities at amortized cost on initial recognition, fair value is adjusted for transaction costs that are directly attributable to the financial instrument.

Financial assets at amortized cost

Financial assets at amortized cost are debt instruments with fixed or determinable payments that are not held for trading and whose future cash flows consist solely of principal and interest payments. Financial assets at amortized cost include loans, trade receivables and other receivables, and cash and cash equivalents. Financial assets at amortized cost are classified as current assets if their maturity is one year or less. If the maturity is longer than one year, they are presented as non-current assets. Short-term receivables are not discounted.

Financial assets at amortized cost are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

Impairment of financial assets at amortised cost

Expected credit losses

Measurement

Impairment is measured using the expected credit loss (ECL) model. It involves monitoring the deterioration or improvement of the credit quality of financial instruments. The ECL model is applicable to all financial assets that are measured at amortized cost The ECLs on financial assets measured at amortised cost are presented as allowances, i.e., the allowance reduces the gross carrying amount. An allowance for expected credit losses due to changes in ECL is recognized in the statement of profit or loss under “Impairment”. The assessment of credit risk, and the estimation of ECL, shall be unbiased and probability-weighted, and shall incorporate all available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. The ECL model has a three-stage approach based on changes in the credit risk. A 12-month ECL (Stage 1) applies to all items, unless there is a significant increase in credit risk since initial recognition. For items where there is a significant increase in credit risk (Stage 2) or in default (Stage 3), lifetime ECL applies.

When calculating impairment losses on assets due to default on principal or interest payments or other loss-making events, collateral, including real estate and commercial pledges, is taken into account, valued at market value. The value of collateral is based on independent expert valuations or the Company's assessments.

Significant increase in credit risk

At the end of each reporting period the Company performs an assessment of whether credit risk has increased significantly since initial recognition. The assessment of whether there has been a significant change in credit risk is based on quantitative and qualitative indicators. Both historic and forward-looking information shall be used in the assessment. For the loans reported in the balance sheet, the primary indicator is changes in lifetime probability of default (PD) by comparing the scenario-weighted annualized lifetime PD at the reporting date with the scenario-weighted annualized lifetime PD at initial recognition.

Regardless of the quantitative indicator, a significant increase in credit risk is triggered if the following back-stop indicators occur if:

- payments are past due over 30 days but less than 90 days; or
- financial assets are forborne (where due to the customer’s financial difficulties the contractual terms of the loans have been revised and concessions given).

Back-stop indicators normally overlap with the quantitative indicator of significant increase in credit risk.

In case there has been a significant increase in credit risk since initial recognition, an allowance for lifetime ECL shall be recognised and the financial instrument is transferred to Stage 2. In subsequent reporting periods, if the credit quality of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the financial assets move back to Stage 1. If credit quality of financial instrument deteriorates further, the financial instrument is transferred to Stage 3.

Notes to the financial statements (continued)

Accounting policies (continued)

(c) Summary of significant accounting policies (continued)

Financial instruments (continued)

Significant increase in credit risk (continued)

Transfer to Stage 3 is triggered if the following indications occur:
- Payments are past due more than 90 days and the value of security/collateral is lower than the amount of debt;
- Financial instrument is in default (PD = 100%).

Definition of default

Default and credit-impaired are triggered when an exposure (principal or interest payment) is more than 90 days past due, it becomes probable that the borrower will enter bankruptcy proceedings or will undergo or has undergone some other type of financial or legal reorganization, the borrower has been declared bankrupt or is equivalent to bankruptcy, the transaction has been restructured for economic or legal reasons related to the borrower's financial difficulties, or an assessment has been made indicating that the borrower is unlikely to be able to meet its obligations as expected.

When assessing whether a borrower is unlikely to pay its obligations, the Company takes into account both qualitative and quantitative factors including, but not limited to the overdue status or non-payment on other obligations of the same borrower, expected bankruptcy and breaches of financial covenants. An instrument is no longer considered to be in default or credit impaired when all overdue amounts are repaid, there is sufficient evidence to demonstrate that there is a significant reduction in the risk of non-payment of future cash flows and there are no other indicators of credit-impairment.

Credit loss allowances on assessed financial assets are presented in the Company's statement of financial position as a reduction in the gross carrying amount of the assets. An impairment loss is recognized in a separate allowance account and the loss is recognized in the statement of profit and loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (for example, an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss.

Modifications

The Company may renegotiate loans and modify contractual terms. In a situation where a renegotiation is determined by the counterparty's financial difficulties and inability to make the originally agreed payments, the Company compares the initial and revised estimated cash flows with the assets and determines whether the risks and rewards of the asset have changed significantly as a result of the modified contract. If the risks and rewards do not change, the modified asset does not differ significantly from the original asset and no de-recognition occurs due to the modification. The Company recalculates the gross carrying amount by discounting the changed contractual cash flows at the original effective interest rate and recognizes modification gain or loss in in the statement of profit or loss.

If the amended terms differ materially, the right to cash flows expires and the Company derecognises the original financial asset and recognizes a new financial asset at its fair value. The revision date is the original date used for the subsequent calculation of the impairment of the asset, including an assessment of whether the credit risk has increased significantly. The Company also assesses whether the new loan or debt instrument meets the criteria for solely principal and interest payments (SPPI). Any difference between the carrying amount of the derecognised original asset and the fair value of the newly recognized substantially revised asset is recognized in the statement of profit or loss, unless the nature of the change is attributable to equity transactions with owners.

In cases where the restructuring is due to financial difficulties of the counterparties resulting in non-compliance with the originally agreed payment schedule, the Company compares the initially planned and renewed cash flows to assess whether the risks and rewards of the modified terms have not changed significantly. If the risks and rewards do not change, the modified asset is not materially different from the original asset and derecognition is not required as a result of the modification. The Company recalculates the gross carrying amount by discounting the modified contractual cash flows using the original effective interest rate and recognizes the gain or loss arising on the modification in the statement of profit or loss for the period.

Financial liabilities at amortized cost

The amortized cost of financial liabilities includes borrowings, including debt securities, lease liabilities, as well as payables to suppliers and contractors and other creditors. Financial liabilities at amortized cost are initially recognized at fair value. In subsequent periods, financial liabilities at amortized cost are carried at amortized cost using the effective interest method. Financial liabilities at amortized cost are classified as current liabilities if the payment term is one year or less. If the payment term is longer than one year, they are presented as long-term liabilities.

Notes to the financial statements (continued)

Accounting policies (continued)

(c) Summary of significant accounting policies (continued)

Financial instruments (continued)

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legal right to offset transactions and an intention to settle net or realise the asset and settle the liability simultaneously.

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortized cost using the effective interest method. The difference between the proceeds, net of borrowing costs, and the redemption value is recognized in the income statement using the effective interest method. This difference is recognized in finance costs.

Borrowings are classified as current liabilities unless the Company has an irrevocable right to defer settlement of the liability for at least 12 months after the balance sheet date.

Issued debt securities

The Company recognises issued debt securities at the date when the respective funds are received. After initial recognition when these financial liabilities are initially recognised at fair value including direct transaction costs, those are subsequently carried at amortised cost using the effective interest method. When issued debt securities are sold at a discount or premium, the difference is amortised applying the effective interest method until the debt matures and charged to the statement of comprehensive income as interest expense.

Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

Subsequent events

The financial statements reflect events after the balance sheet date that provide additional information about the Company's financial position at the balance sheet date (adjusting events). If the events after the end of the reporting year are not adjusting, they are reflected in the notes to the financial statements only if they are significant.

Leases

Classification

At the time of concluding the agreement, the Company assesses whether the contract is a lease or contains a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether the contract is a lease or contains a lease, the Company assesses whether:

- the contract provides for the use of an identified asset: the asset may be designated, directly or indirectly, and must be physically separable or represent practically full capacity of the asset from the physically separable asset. If the supplier has a significant right to replace the asset, the asset is not identifiable;
- the Company has the right to obtain all economic benefits from the use of the identifiable asset over its useful life;
- the Company has the right to determine the use of the identifiable asset. The Company has the right to determine the manner in which the asset will be used, when it can decide how and for what purpose the asset will be used. Where the relevant decisions about how and for what purpose an asset is used are predetermined, the Company should assess whether it uses the asset, or the Company has developed an asset in a manner that predetermines how and for what purpose the asset will be used.

In the case of an initial measurement or reassessment of a contract that includes a lease component or multiple lease components, the Company attributes the relative separate price to each lease component.

Notes to the financial statements (continued)

Accounting policies (continued)

(c) Summary of significant accounting policies (continued)

The Company is a lessee
Leases are recognised as right–of–use assets and the corresponding lease liabilities at the date when leased assets are available for use of the Company. The cost of the right–of–use an asset consists of:
- the amount of the initial measurement of the lease liability;
- any lease payments made before the commencement date less any lease incentives received;
- replacement costs associated with the dismantling and restoration of property, plant and equipment;
- any initial direct costs.

The right–of–use asset is amortised on a straight–line basis from the commencement date to the end of the useful life of the underlying asset or from the commencement date of the lease to the end of the lease term, unless an asset is scheduled to be redeemed. The right–of–use asset is periodically reduced for impairment losses, if any, and adjusted for any revaluation of the lease liabilities.

Assets and liabilities arising from leases at commencement date are measured at the amount equal to the present value of the remaining lease payments, discounted by the Company's incremental interest rate. Lease liabilities include the present value of the following lease payments:
- fixed lease payments (including in–substance fixed lease payments), less any lease incentives receivable;
- variable leases payments that are based on an index or a rate;
- amounts expected to be payable by the Company under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease liabilities are subsequently measured when there is a change in future lease payments due to changes of an index or a rate, when the Company's estimate of expected payments changes, or when the Company changes its estimate of the purchase option, lease term modification due to extension or termination. When a lease liability is subsequently measured, the corresponding adjustment is made to the carrying amount of the right–of–use asset or recognised in the statement of comprehensive income if the carrying amount of the right–of–use asset decreases to zero.

Each lease payment is divided between the lease liability and the interest expense on the lease. Interest expense on lease is recognised in the statement of comprehensive income over the lease term to form a constant periodic interest rate for the remaining lease liability for each period.

Short-term leases and leases for low-value assets
Lease payments related to short–term leases and lease for low-value assets are recognised as an expense in the statement of profit or loss on a straight–line basis. Short–term leases are leases with a lease term of 12 months or less at the commencement date.

The Company is a lessor - financial lease
Receivables from finance leases are recognized at the net present value of the minimum lease payments, less any principal payments received and plus any unguaranteed residual value at the end of the lease term.

The lease payments received are allocated between the repayment of principal and the finance income. Finance income is recognized over the lease term to reflect a constant periodic rate of return on the lessor's net investment in the lease. Initial service charges levied at the commencement of a lease are taken into account in calculating the effective interest rate and the lessor 's net investment. The lessor's direct costs associated with the contract are included in the effective interest rate and are reported as a reduction of lease income over the term of the lease.

Lease payments receivable from customers are recognized in the statement of financial position when the related assets that are the subject of the contract with the customer are transferred to the customer.

Notes to the financial statements (continued)
Accounting policies (continued)
(c) Summary of significant accounting policies (continued)

Financial risk management

The activities of the Company are exposed to different financial risks: credit risk, liquidity risk, market risk, cash flow and interest rate risk, operational risk and foreign currency risk. The Board is responsible for risk management. The Board identifies, assesses and seeks to find solutions to avoid financial risks.

Credit risk
The credit risk is a risk that a borrower of the Company is unable or unwilling to meet its liabilities towards the Company in full and within the established term as a part of the Company's main activity – lending. Credit risk also includes concentration risk in transactions groups of customers or cooperation partners.

The Company's policies are developed in order to ensure maximum control procedures in the process of loan issuance, timely identification of bad and doubtful debts and adequate provisioning for expected credit losses. The Company has no concentration of credit risk related to the loan issued to any one borrower.

The Company specializes in the financing of one sector of the economy - agriculture - which increases the risks associated with the market situation of the particular sector. However, agriculture has several sub-sectors – namely, cereals, dairy farming, livestock agriculture, vegetable growing, etc., whose market situations develop in an unrelated way. The Company also ensures geographical diversification by financing customers from various regions of Latvia.

The core principle of the Company's credit risk management is the ability of borrowers to meet their obligations to the Company, which is ensured by evaluating business partners before the start of the transaction, as well as through further continuous monitoring and evaluation. In order to make high-quality and balanced credit decisions, the Company monitors local and global trends in agricultural markets, as well as the impact of each season's weather on the expected local harvest. It also gets to know each specific borrower, analyzes his financial data and ability to repay the loan.

In order to maintain a sufficiently diversified loan portfolio with a low risk profile and to find a favourable balance between risk and return, the Company constantly strives to understand customers and their market conditions. When reviewing a loan application, the Company thoroughly analyses the cooperation partner's ability and willingness to repay the new as well as previous loans.

The cash flow and solvency of the business partner are the main variables when deciding on a loan, and the Company seeks to obtain sufficient collateral. The Company issues secured loans and unsecured loans. Most unsecured loans are seasonal financing for farmers secured by grain contracts.

Company's exposure to credit risk (excluding available collateral or other security):

	31.12.2023 EUR	**%**	**31.12.2022 EUR**	**%**
Loans with collateral	11 110 321	59,5	6 240 980	53
Loans without collateral	3 983 579	21	2 421 755	21
Financial lease receivables	3 476 636	19	2 878 827	24
Cash in bank	86 983	0,5	275 443	2
Maximum credit risk	**18 657 519**	**100**	**11 817 005**	**100**

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet the legally substantiated claims from securities holders and other creditors or for contingent liabilities on time and in full, or will not be able to provide pre-planned asset growth with funding sources in a timely and appropriate and reasonable manner. The purpose of liquidity risk management is to maintain a sufficient amount and appropriate quality of liquid assets, as well as to attract financing with an appropriate term structure, which allows to ensure timely fulfilment of liabilities, as well as pre-planned growth of assets.

The Company complies with the prudence principle in the management of its liquidity risk and maintains sufficient funds. The management of the Company has an oversight responsibility of the liquidity reserves and it makes current forecasts based on anticipated cash flows. Most of the Company's assets are short-term, while most of the liabilities are repayable in the long term. The management believes that the Company will be able to ensure a sufficient level of liquidity with its core business activities. Amounts are formed from undiscounted cash flows in accordance with concluded contracts. Borrowing cash flows are determined taking into account the effective interest rates at the end of the reporting period.

Notes to the financial statements (continued)

Accounting policies (continued)

(c) Summary of significant accounting policies (continued)

Financial risk management (continued)

Liquidity risk (continued)

The total liabilities of the Company by term is reflected in the following table. The amounts disclosed in the table are contractual undiscounted cash flows.

31 December 2022, EUR

	Less than 3 months	3 months to 1 year	From 1 to 5 years	More than 5 years	TOTAL	Net book value
Borrowings	11 505	2 225 793	9 075 000	-	**11 312 298**	9 233 764
Lease liabilities	4 129	11 319	35 429	-	**50 877**	42 480
Other liabilities	13 469	-	-	-	**13 469**	13 469
Total	29 103	2 237 112	9 110 429	-	**11 376 644**	9 289 713

31 December 2023, EUR

	Less than 3 months	3 months to 1 year	From 1 to 5 years	More than 5 years	TOTAL	Net book value
Borrowings	1 097 875	6 024 453	10 863 100	-	**17 985 428**	**15 670 347**
Lease liabilities	12 179	36 537	66 941		**115 657**	**72 358**
Other liabilities	37 530	-	-	-	**37 530**	**37 530**
Total	1 147 584	6 060 990	10 930 041		**18 138 615**	**15 780 235**

Market risk

The Company is exposed to market risks, mostly related to the fluctuations of interest rates between the loans granted and funding received, as well as demand for the Company’s services fluctuations. The Company attempts to limit market risks, adequately planning the expected cash flows, diversifying the product range and fixing funding resource interest rates.

Cash flow and interest rate risk

Interest rate risk is related to the possible impact of general changes in market interest rates on the Company's interest income and expenses. Loans issued by the Company are with a fixed interest rate, similarly as LCD Bonds and other short-term loans received, except for a loan from a bank, which is subject to the 3-month Euribor plus base rate. At the end of the reporting year, interest rate risk applies to the loan from bank and finance lease liabilities with interest rates applied consisting of base rate and variable rate (6M Euribor, 3M Euribor), however, the balance of these liabilities is less than a third compared to other liabilities, so changes in interest rates will most likely not have a significant impact on the Company's financial position. In addition, no increase in interest rates is not forecasted in 2024, and a slight decrease in rates is expected. Management of the Company monitors fluctuations of interest rates on regular basis and, if necessary, takes measures in order to minimize negative impact of interest rate fluctuations on Company’s operations.

Operational risk

Operational risk is a loss risk due to external factors namely (natural disasters, pandemic, crimes, etc) or internal ones (IT system crash, fraud, violation of laws or internal regulations, insufficient internal control). Operation of the Company carries a certain operational risk which can be managed using several methods including methods to identify, analyse, report and reduce the operational risk.

Management of the capital structure

The Company's objectives in capital risk management are to ensure its sustainable operation while maximizing the income of its stakeholders and to avoid violating the restrictive conditions set out in the loan agreements and related to the capital structure. Capital management is performed by optimizing the balance of creditors and equity (with the aim that the debt-to-equity ratio does not exceed 4) and by ensuring that the total amount of equity and subordinated loan (see Note 13 (b)) is not less than 20% of total assets. The Company's capital structure consists of borrowings from related persons, third party loans and loans from credit institutions and finance lease liabilities, cash and equity, comprising issued share capital, other reserves and retained earnings.

At year-end the ratios were as follows:

	31.12.2023 EUR	31.12.2022 EUR
Liabilities, gross (see above)	15 780 235	9 289 713
Cash and bank	86 983	275 443
Net debts	**15 693 252**	**9 014 270**
Equity	2 615 124	2 331 825
Liabilities / equity ratio	**6.03**	**3.98**
Net liabilities / equity ratio	**6.00**	**3.87**

Notes to the financial statements (continued)

Accounting policies (continued)

(c) Summary of significant accounting policies (continued)

Financial risk management (continued)

Foreign exchange risk

The Company's financial assets and liabilities are not exposed to foreign currency risk. All transactions are concluded in euros.

Fair value considerations for assets and liabilities

Financial instruments by category

The Company's principal financial instruments are issued loans, cash and cash equivalents, issued bonds and other borrowings, payables to suppliers and other creditors. These financial instruments ensure day-to-day operations of the Company.

Assets carried at amortized cost	**31.12.2023 EUR**	**31.12.2022 EUR**
Issued loans and other receivables (excluding prepaid expenses and advances)	18 195 536	11 286 562
Cash and cash equivalents	86 983	275 443
Total	**18 282 519**	**11 562 005**
Liabilities at amortized cost		
Issued debt securities (bonds)	7 990 000	7 500 000
Other borrowings	7 680 347	1 733 764
Lease liabilities, trade creditors and other payables	109 888	55 950
Total	**15 780 235**	**9 289 714**

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 2022 and 2023 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, ie 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.

New standards and interpretations

Standards or interpretations effective for the first time for the annual periods beginning 1 January 2023

In the reporting year, the Company has applied the following new and amended standards and interpretations:

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies, Amendments to IAS 8: Definition of Accounting Estimates, Amendments to IAS 12 Income taxes: International Tax Reform - Pillar Two Model Rules (effective for annual periods beginning on or after 1 January 2023).

IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is

Notes to the financial statements (continued)

Accounting policies (continued)

(c) Summary of significant accounting policies (continued)
New standards and interpretations (continued)

likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2 "Making Materiality Judgements" was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.

In May 2023 the International Accounting Standards Board IASB issued narrow-scope amendments to IAS 12 "Income Taxes". This amendment was introduced in response to the imminent implementation of the Pillar Two model rules released by the Organisation for Economic Co-operation and Development's (OECD) as a result of international tax reform. The amendments provide a temporary exception from the requirement to recognise and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two model rules. In accordance with IASB effective date, the companies may apply the exception immediately, but disclosure requirements are required for annual periods commencing on or after 1 January 2023.

New and amended IFRS and their interpretations which have been adopted during 2023 have had no or immaterial impacts on the Company's financial position, operations, cash flows and disclosures in the financial statements.

Standards issued but not yet approved

The International Accounting Standards Board (IASB) and IFRS Interpretations Committee (IFRIC) have issued the following standards, amendments to standards and interpretations that apply in or after 2023. The IASB permits earlier application. For Company to apply them also requires that they have been approved by the EU if the amendments are not consistent with previous IFRS rules. Consequently, the Company has not applied the following amendments in the financial statements for 2023.

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024).

The amendments relate to the sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to subsequently measure liabilities arising from the transaction and in a way that it does not recognise any gain or loss related to the right of use that it retained. This means deferral of such a gain even if the obligation is to make variable payments that do not depend on an index or a rate.

Classification of liabilities as current or non-current – Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2024).

These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. The October 2022 amendment established that loan covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. "Settlement" is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (effective for annual periods beginning on or after 1 January 2024, not yet endorsed by the EU).

In response to concerns of the users of financial statements about inadequate or misleading disclosure of financing arrangements, in May 2023 the IASB issued amendments to IAS 7 and IFRS 7 to require disclosure about entity's supplier finance arrangements (SFAs). These amendments require the disclosures of the entity's supplier finance arrangements that would enable the users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. The purpose of the additional disclosure requirements is to enhance the transparency of the supplier finance arrangements. The amendments do not affect recognition or measurement principles but only disclosure requirements. The new disclosure requirements will be effective for the annual reporting periods beginning on or after 1 January 2024.

The Company is currently assessing the impact of the amendments listed above on its financial statements, however it is not expected that they would significant impact the Company's financial position, results, cash flows or disclosures.

Notes to the financial statements (continued)

(1) Interest income

	2023 EUR	2022 EUR
Interest income from issued loans	1 938 876	1 582 411
Other interest income	69 309	35 630
	2 008 185	**1 618 041**

All interest income is recognized at the effective interest rate and includes amortized commissions (2023: EUR 190 647 and 2022: EUR 156 322). All of the Company's revenues are generated in Latvia.

(2) Interest expense

LCD bonds' coupon expense	555 219	440 106
Interest on other borrowings	181 559	149 491
Interest on borrowings from Citadele Banka AS	207 464	123 088
Borrowing fees	22 314	10 002
Interest on lease liabilities	5 980	1 166
	972 536	**723 853**

(3) Impairment

Loss on impairment allowance for issued loans (see Note 9)	120 000	85 000
	120 000	**85 000**

(4) Administrative expense

Staff costs	163 448	108 705
Legal services	38 752	45 141
Social insurance	38 557	25 643
Depreciation of right-of-use assets	34 781	18 017
Accounting services and professional fees	26 649	26 143
Office expenses	21 199	11 719
IT costs	19 311	16 208
Transportation expenses	11 321	11 987
Office rent	8 187	10 086
Insurance	2 278	1 985
Communication expenses	2 170	5 929
Depreciation of property, plant and equipment	1 112	1 534
Bank commission	1 011	959
Business trip expenses	300	17 740
Risk duty	26	21
Other administrative expenses	3 606	2 516
	372 708	**304 333**

* The item Accounting and professional services costs includes audit fee to Potapoviča un Andersone SIA in the amount of EUR 8,228 (incl. VAT) and fee for non-audit services (agreed-upon-procedures) in the amount of EUR 2,420 (incl. VAT).

(5) Other operating expenses

Marketing and advertising costs	71 680	83 961
Trademark royalties	39 000	39 000
Debt recovery costs	11 129	14 839
Sales promotion costs	8 579	8 647
Membership fees	1 919	823
Reimbursement of expenses	(2 139)	(5 022)
Other operating expenses	4 474	6 667
	134 642	**148 915**

Notes to the financial statements (continued)

(6) Corporate income tax for the reporting year

	2023 EUR	2022 EUR
Calculated and paid corporate income tax on distributed profit (see Note 12)	25 000	25 000
	25 000	**25 000**

As at 31 December 2023, the Company's retained earnings are EUR 1 115 099, all of which have arisen after 1 January 2018. If the highest possible dividend payment were approved, the Company would incur a corporate income tax liability in the amount of EUR 278 775.

(7) Property, plant and equipment

	Other fixed assets EUR	Total EUR
Cost:		
31.12.2021.	12 971	12 971
Additions during 2022	17 098	17 098
31.12.2023.	30 069	30 069
Depreciation:		
31.12.2021.	11 334	11 334
Charge for 2023	1 112	1 112
31.12.2023.	12 446	12 446
Net book value 31.12.2022.	1 637	1 637
Net book value 31.12.2023.	**17 623**	**17 623**

(8) Leases

Company as a lessee:

	2023 EUR	2022 EUR
Right-of-use assets (rental of cars and premises):		
1 January:		
Initial recognition amount	87 412	87 412
Depreciation accrued	(36 772)	(18 755)
Net book value 1 January:	**50 640**	**68 657**
New contracts concluded during the reporting year	62 017	-
Book value of contracts terminated during the reporting year	(12 891)	-
Accumulated depreciation of contracts terminated during the reporting year	12 891	-
Charge for the year	(31 728)	(18 017)
Net book value 31 December:	**80 929**	**50 640**

Lease liabilities:		
Net book value 1 January:	**42 480**	**58 079**
Incl. long-term	*29 608*	*42 480*
short-term	*12 872*	*15 599*
New contracts concluded during the reporting year	58 557	-
Residual value of contracts terminated during the reporting year	-	-
Interest expenses on lease liabilities	5 980	1 166
Interest paid on lease liabilities	(5 980)	(1 166)
Decrease of lease liabilities	(28 679)	(15 599)
Net book value 31 December:	**72 358**	**42 480**
Incl. long-term	*42 614*	*29 608*
short-term	*29 744*	*12 872*

Notes to the financial statements (continued)

(8) Leases (continued)

Company as a lessor (financial lease)

Undiscounted lease payments expected after reporting date and within:	**31.12.2023 EUR**	**31.12.2022 EUR**
1 year	2 294 627	1 044 805
2-5 years	2 345 218	1 589 960
Total undiscounted lease payments receivable	4 639 845	2 634 765
Discounted unguaranteed residual value	-	-
Unearned finance income	(1 213 704)	(545 068)
Net investment in lease	**3 426 141**	**2 089 697**
Interest income on the net investment	310 939	287 743

The lessor's portfolio mainly includes agricultural machinery and equipment. Residual value risk is not significant as there is a secondary market for rental objects.

(9) Loans

Loans – long-term portion, net	5 553 123	3 104 934
Loans – short-term portion, net	12 642 413	8 181 628
Total	**18 195 536**	**11 286 562**
Including:		
Loans - long-term portion, gross	5 618 123	3 134 934
Loans - short-term portion, gross	12 952 413	8 406 628
Total loans, gross	***18 570 536***	**11 541 562**
Allowance for expected credit losses	(375 000)	(255 000)
Total loans, net	**18 195 536**	**11 286 562**

Loans – movement during the year	**2023 EUR**	**2022 EUR**
Net book value as at 1 January	11 286 562	9 392 223
Loans issued	16 417 669	13 321 443
Loans repaid	(9 695 141)	(11 455 065)
Interest charge	2 008 184	1 618 041
Interest payments received	(1 683 494)	(1 490 153)
Mutual offset	(18 244)	(13 281)
Written off loans	-	(56 647)
Increase in impairment allowance	(120 000)	(30 000)
Carrying amount as at 31 December	**18 195 536**	**11 286 562**

As at 31 December 2023 the Company has no credit risk concentration for loans issued to one major customer or group of partners.

Company’s maximum exposure to credit risk on finance leases and loans issued against the pledge is the loan/ finance lease amount decreased by the value of the pledge. Loans are usually issued in amount of 70-80% of the pledge value.

Company’s maximum exposure to credit risk on unsecured loans is the remaining amount of the loans issued. The risk is compensated by the concluded grain contracts.

Loan (gross) age analysis:

	31.12.2023 EUR	**31.12.2022 EUR**
Not overdue	17 351 764	11 012 241
Overdue for 1 - 30 days	3 088	2 731
Overdue for 31 - 90 days	829 454	265 664
Overdue for 91 - 180 days	150 610	137 611
Overdue for more than 180 days	235 620	123 315
	18 570 536	**11 541 562**

Notes to the financial statements (continued)

(9) Loans issued (continued)

Movement of impairment allowance:

	2023	2022
	EUR	EUR
Allowance at the beginning of the year	255 000	225 000
Additional allowance	120 000	105 000
Recovered debts	-	(20 000)
Bad debts written off	-	(55 000)
Allowance at the end of the year	**375 000**	**255 000**

Breakdown of loans issued according to their qualitative assessment

31.12.2022	**Stage 1 (12 month ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (impaired/ life-time ECL)**	**Total**
	EUR	EUR	EUR	**EUR**
Gross carrying amounts	10 380 705	999 441	161 416	**11 541 562**
ECL allowances	(102 508)	(22 863)	(129 629)	**(255 000)**
Net carrying amounts	10 278 197	976 578	31 787	**11 286 562**
ECL coverage ratio	0,01	0,02	0,80	**0,02**
31.12.2023				
Gross carrying amounts	16 259 597	2 151 476	159 463	**18 570 536**
ECL allowances	(157 601)	(75 854)	(141 545)	**(375 000)**
Net carrying amounts	16 101 996	2 075 622	17 918	**18 195 536**
ECL coverage ratio	0,01	0,04	0,89	**0,02**

The dynamics of the ratio of provisions for expected credit losses to the total amount of the credit portfolio reflects management's assumptions and judgments that, despite the complex geopolitical situation and the uncertainty caused by it, a certain growth of the Latvian economy is predicted. In March 2024, the Bank of Latvia revised its forecasts for GDP dynamics, forecasting GDP growth in Latvia to 1.8% in 2024 (from 2.0% in the December 2023 forecast). GDP growth forecasts for the following years are unchanged compared to the December forecasts – 3.6% in 2025 and 3.8% in 2026, respectively, and it is expected that more growth capacity will be given by the increase in exports as the economic environment abroad improves. In 2024, farms will still feel the impact of the unfavorable year 2023 for Latvian grain farmers, but favorable harvest forecasts for 2024 and normalized prices of raw materials allow us to hope for a general stabilization of the situation.

Gross carrying amounts and ECL allowances for credit-impaired loans allocated to stage 3 and the fair value of collaterals for these assets

Stage 3 (impaired/ life-time ECL)	**Gross carrying amounts**	**ECL allowances**	**Net carrying amounts**	**Fair value of collateral held**
	EUR	**EUR**	**EUR**	**EUR**
31.12.2022	161 416	(129 629)	**31 787**	20 000
31.12.2023	159 463	(141 546)	**17 918**	-

(10) Other debtors

	31.12.2023	31.12.2022
	EUR	EUR
Advance payments	-	3 400
Security deposit paid	1 936	1 936
Prepaid expenses	12 352	1 921
	14 288	**7 257**

(11) Cash and bank

Cash at bank	**86 983**	**275 443**

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, since cash is held in Baa2 and Aa3 rated banks (Moody’s rating), the identified impairment loss is immaterial and allowance was not recognised.

Notes to the financial statements (continued)

(12) Share capital and dividends

As at 31 December 2023 and 31 December 2022 the subscribed and fully paid share capital the Company is EUR 1 500 000 that consists of 50 000 ordinary shares with a nominal value of EUR 30 each.

On 19 December 2023, the shareholders of the Company made a decision on the distribution of profit by distributing accumulated prior year profit in dividends in the total amount of EUR 100 000 or EUR 2 per share.

(13) Borrowings

	Note	31.12.2023 EUR	31.12.2022 EUR
Bonds issued	(13a)	7 990 000	7 500 000
Other borrowings	(13b)	1 450 000	-
Long-term part of borrowings		**9 440 000**	**7 500 000**
Bank borrowings	(13c)	4 499 744	133 764
Other borrowings	(13b)	1 730 603	1 600 000
Short-term part of borrowings		**6 230 347**	**1 733 764**
Total borrowings		**15 670 347**	**9 233 764**

(13a) Bonds issued

LCD Bonds, long-term	7 990 000	7 500 000
	7 990 000	**7 500 000**

The Company has issued bonds (ISIN LV0000802106, registered in Latvian Central Depository, listed in AS Nasdaq Riga). As at the end of reporting year total amount of bonds listed in AS Nasdaq Riga is 1600 bonds, 5 000 EUR nominal value each (total nominal value 8 000 000 EUR) (31.12.2022: 1 500 bonds, 5 000 EUR nominal value each). As at 31 December 2023 2 bonds are held by the Company itself (31.12.2022: no bonds). The coupon rate is 7% and it is paid once a year – on December 31. The nominal value of the bonds will be redeemed in one payment on the redemption date of the bonds. The expiry date of the bonds is 31 December 2026. Most of the holders (excluding bonds for amount of EUR 3 605 000) have an option to sell-back the bonds in the end of each calendar year, with a prior 1-month notice. During the year 2023 no such requests have been received.

(13b) Other borrowings

Long-term part (payable after more than 1 year and less than five years):		
SIA KEY INVESTMENT	1 450 000	-
Long-term part of other borrowings	1 450 000	-
Short-term part:		
SIA KEY INVESTMENT	-	1 100 000
Andris Bišmeistars (including accrued interest)	100 603	-
SIA "Jāņa Kārkliņa zvērinātu advokātu birojs"	1 630 000	500 000
Short-term part of other borrowings	**1 730 603**	**1 600 000**
Total other borrowings	**3 180 603**	**1 600 000**

As at 31 December 2023 the Company has the following borrowings:

- unsecured loan from SIA KEY INVESTMENT according to the loan agreement from 8 December 2020 in total amount of EUR 1 070 000 with the annual interest rate of 7% and repayment date 31 December 2023. In 2023, two agreements were signed on increasing the loan amount to EUR 1 600 000 and extending the repayment period until 31 December 2027. This loan in the amount of EUR 1 000 000 is subordinated to the loan from Citadele Banka AS.
- unsecured loan from SIA "Jāņa Kārkliņa zvērinātu advokātu birojs" according to the loan agreement from 1 November 2021 in total amount of EUR 500 000 with the annual interest rate of 7%. In 2023, several agreements were signed on increasing the borrowing limit to EUR 600 000 and extending the repayment term until 31 March 2024. After the end of the reporting year, the loan was partially repaid and partially extended until 31 October 2024.

Notes to the financial statements (continued)

(13) Borrowings (continued)
(13b) Other borrowings (continued)

- unsecured loan from Andris Bišmeistars according to the loan agreement from 30 November 2023 in total amount of EUR 100 000 with the annual interest rate of 7% and repayment date 31 March 2024. After the end of the reporting year, the loan was repaid.

(13c) Bank borrowings

	31.12.2023 EUR	31.12.2022 EUR
Citadele Banka AS – principal amount	4 494 184	157 760
Capitalised commission	(20 833)	(25 455)
Accrued interest	26 393	1 459
Total bank borrowings	**4 499 744**	**133 764**

On 26 October 2023 the Company concluded credit facility agreement with AS Citadele Banka. According to the agreement, total limit of the credit facility is EUR 4 800 000. Annual interest rate consists of variable rate 3M Euribor and fixed base rate. The repayment date is 31 October 2024.

The collateral of the contract is pledge on the Company’s shares, as well as the Company's assets as a whole at the date of pledge as well as their future components.

According to the concluded loan agreement, the maximum amount of the credit line granted to the Company depends on the structure of its loan portfolio, as well as other requirements specified in the loan agreement must be met.

(13d) Borrowings – movement during the year

	2023 EUR	2022 EUR
Net book value as at 1 January	9 233 764	7 514 728
Borrowings received	15 764 411	9 729 100
Borrowings repaid	(9 357 987)	(8 005 687)
Interest charge	944 242	712 684
Interest paid	(914 083)	(717 061)
Carrying amount as at 31 December	**15 670 347**	**9 233 764**

(14) Trade creditors and other liabilities

	31.12.2023 EUR	31.12.2022 EUR
Payable to suppliers and contractors	2 456	4 744
Accrued liabilities	9 628	7 463
Other liabilities	446	1 263
	12 530	**13 470**

(15) Related party transactions

	Type of transaction	Transaction value 2023 EUR	Outstanding liabilities 2023 EUR	Transaction value 2022 EUR	Outstanding liabilities 2022 EUR
Loans from Supervisory Council members	Loan received	320 000	-	400 000	-
	Loan repaid	(320 000)	-	(400 000)	-
	Interest charge	9 644	-	12 911	-
	Outstanding balance as at 31 December			-	-

Notes to the financial statements (continued)

(15) Related party transactions (continued)

	Type of transaction	Transaction value 2023 EUR	Outstanding liabilities 2023 EUR	Transaction value 2022 EUR	Outstanding liabilities 2022 EUR
Loan from other related companies	Loan received	2 945 410	-	1 243 000	-
	Loan repaid	(1 465 410)	-	(1 279 000)	-
	Interest charge	171 094	-	144 370	-
	Outstanding balance as at 31 December	-	3 080 000	-	1 600 000
Bonds held by key management personnel	Sold bonds	-	-	-	-
	Repurchased bonds	-	-	-	-
	Calculated coupon	94 500	-	94 500	-
	Outstanding balance as at 31 December	-	1 350 000	-	1 350 000
Bonds held by other related parties	Sold bonds	-	-	40 000	-
	Repurchased bonds	-	-	-	-
	Calculated coupon	63 700	-	63 700	-
	Outstanding balance as at 31 December	-	910 000	-	910 000

Except for the above transactions, the Company has not performed any other related party transactions during the reporting year.

(16) Average number of the Company's employees

	2023	2022
Average number of employees during the reporting year:	**6**	**5**

(17) Personnel costs

	2023 EUR	2022 EUR
Salary expenses	163 448	83 505
Social insurance	38 557	19 698
	202 005	**103 203**
incl. management remuneration:		
Salary expenses	31 200	25 200
Social insurance	7 360	5 945
	38 560	**31 145**

(18) 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 31 December 2023.

(19) Distribution of the profit proposed by the Board

The proposal of the Company's Board of Directors to the members is to leave the profit of EUR 383 299 for the reporting year undistributed.

Ģirts Vinters	Jānis Kārkliņš	Evija Suija
Chairman of the Board	Member of the Board	Accountant

THE DOCUMENT IS SIGNED WITH SECURE ELECTRONIC SIGNATURES AND CONTAINS A TIME STAMP.

ELECTRONIC SIGNATURES OF THE BOARD MEMBERS RELATE TO THE ANNUAL ACCOUNTS AS A SINGLE DOCUMENT FROM PAGE 1 TO 27.

ELECTRONIC SIGNATURE OF THE PERSON RESPONSIBLE FOR ACCOUNTING RELATES TO FINANCIAL STATEMENTS ON PAGES 6 TO 27.

Independent Auditors' Report

To the shareholders of SIA AgroCredit Latvia

POTAPOVIČA
ANDERSONE

Ūdens iela 12-45, Rīga, LV-1007, Latvija
T. +371 67607902, www.p-a.lv

Report on the audit of financial statements

Our Opinion on the Financial Statements

We have audited the accompanying financial statements of SIA AgroCredit Latvia ("the Company") set out on pages 6 to 27 of the accompanying annual accounts, which comprise:

- the statement of comprehensive income for the year ended 31 December 2023,
- the statement of financial position as at 31 December, 2023,
- the statement of changes in equity for the year ended 31 December 2023,
- statement of cash flows for the year ended 31 December 2023, and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of SIA AgroCredit Latvia as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting standards as adopted by the European Union (IFRS).

Our opinion is consistent with our additional report to the Council (body equivalent to the Audit Committee) dated 30 April 2024.

Basis for Opinion

In accordance with the Law on Audit Services of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) and independence requirements included in the Law on Audit Services of the Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) and Law on Audit Services of the Republic of Latvia.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	*How our audit addressed the key audit matter*
<u>*Expected credit losses on loans issued*</u> Refer to Section "Impairment of financial assets at amortised cost. Expected credit losses" on pages 13 and 14 of the financial statements and Note 9 "Loans" on pages 23 and 24 respectively. We focused on this area because loans issued represent a significant part of the Company's assets and application of IFRS 9 "Financial instruments" expected credit loss (ECL) model for loans impairment losses requires subjective judgements over both timing of recognition of impairment and the size of any such impairment. As disclosed in Note 9 to the Financial statements, the net balance sheet value of loans issued as at 31 December 2023 amount to EUR 18 570 536. As at 31 December 2023 expected credit losses for loans issued amounted to EUR 375 000 and net loss for 2023 from the impairment allowance amounted to EUR 120 000. ECL rate is affected by the carrying value of defaulted asset, the probability of default and other risk factors known, as well as expected cash flows from loan repayment or pledge realisation, as well as modifications of ECL model in the result of	Our audit procedures, amidst others, included the following: • discussion with the management of the Company regarding the specifics of the current market situation, including the impact of geopolitical situation on the agriculture industry, expected profit levels and ratios of return on assets; • updating our understanding of general principles applied to loan issuance and the adequacy of control procedures applied for the monitoring of borrowers; • assessing whether the Company's accounting policies in relation to the ECL of issued loans are in compliance with IFRS 9 by assessing each significant model component; • performing detailed audit procedures on the reliability of loan data, checking the dates of agreements, loan amounts issued and repaid, on sample basis. • review of adequacy of ageing analysis of loans issued on a sample basis, as ageing analysis is one of the ECL components; • in accordance with the ECL model developed by the Company, as well as our test results, identified accounts receivable with the highest risk level and substantively tested ECL recognition;

Key audit matter	*How our audit addressed the key audit matter*
microeconomic scenarios. For determination of components for ECL calculation, the management of the Company applies a number of significant assessments and judgements.	• evaluating the adequacy and sufficiency of provisions made in prior periods with the actual repayment data for the loans provided for; • analytical tests of consistency and adequacy of ECL model application; • evaluating the loan repayment dynamics after the balance sheet date; • we have reviewed the disclosures to the financial statements.

Reporting on Other Information

Management is responsible for the other information. The other information comprises:

- the Management report, as set out on pages 3 to 4 of the accompanying annual accounts,
- the Statement of Management's Responsibility and Information about Statement on Corporate Governance, as set out on page 5 of the accompanying annual accounts,
- the Statement on Corporate Governance, set out in separate statement prepared by the Company's management and at the date of this auditor's report available on the Company's website http://www.agrocredit.lv/.

Our opinion on the financial statements does not cover the other information included in the Annual Accounts, and we do not express any form of assurance conclusion thereon, except as described in the *Other reporting responsibilities in accordance with the legislation of the Republic of Latvia* section of our report.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the entity and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and objectivity, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other reporting responsibilities in accordance with the legislation of the Republic of Latvia and other legal and regulatory requirements

In addition, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Based solely on the work required to be undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Management Report has been prepared in accordance with the requirements of the 'Law on the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

In accordance with the Law on Audit Services of the Republic of Latvia with respect to the Statement on Corporate Governance, our responsibility is to consider whether the Statement on Corporate Governance includes the information required in Article $56.^{2}$ section 3 of the Financial Instruments Market Law.

In our opinion, the Statement on Corporate Governance available on the Company's website http://www.agrocredit.lv/ at the date of this auditors' report includes the information required in Article $56.^{2}$ section 3 of the Financial Instruments Market Law.

To the best of our knowledge and belief, we declare that we have not provided to the Company any non-audit services prohibited in accordance with Article $37.^{6}$ of the Law on Audit Services of the Republic of Latvia.

Report on the compliance of the presentation of financial statements with the requirements of the European Single Electronic Format ("ESEF")

The electronic reporting format of the financial statements has been applied by the management of the Company to comply with the requirements of art. 3 of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation"). Based on these requirements the financial statements have to be presented in XHTML format. We confirm that the electronic reporting format of the financial statements for the year ended 31 December 2023 complies with the ESEF Regulation in this respect.

Appointment

We were first appointed as auditors for the Company's financial statements for the year ended 31 December 2014. This is the tenth consecutive year of our appointment as auditors. Our appointment as auditors of the Company's financial statements for the year ended 31 December 2023 was approved by shareholder's decision dated 15 July 2023.

The responsible certified auditor on the audit resulting in this independent auditor's report is Lolita Čapkeviča.

On behalf of
SIA Potapoviča un Andersone,
Ūdens street 12-45, Riga, LV-1007
Certified Auditors Company licence No. 99

Lolita Čapkeviča
Responsible Certified Auditor
Certificate No. 120
Member of the Board

ELECTRONIC SIGNATURE OF THE AUDITOR RELATES TO THE INDEPENDENT AUDITOR'S REPORT ENCLOSED WITH THE ANNUAL REPORT ON PAGES 28 TO 30.

THE DOCUMENT IS SIGNED WITH SECURE ELECTRONIC SIGNATURES AND CONTAINS A TIME STAMP.

Translation note: This version of our report is a translation from the original, which was prepared in Latvian and digitally signed on 30 April 2024. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.
This independent auditor's report (translation of the Latvian original) should only be used with the original document submitted to the Riga Stock Exchange in machine-readable .xhtml format (https://nasdaqbaltic.com).