

Independent Auditors' Report

To the shareholders of SIA AgroCredit Latvia

POTAPOVIČA
ANDERSONE

Report on the audit of financial statements

Our Opinion on the Financial Statements

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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

Expected credit losses on loans issued

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

How our audit addressed the key audit matter

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;

SIA „AGROCREDIT LATVIA”
ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2023
(TRANSLATION FROM LATVIAN)

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.

How our audit addressed the key audit matter

- 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.

SIA „AGROCREDIT LATVIA”
ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2023
(TRANSLATION FROM LATVIAN)

- 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.