

AS "APF Holdings"

ANNUAL REPORT

for the 12 months period ended 31 December 2021

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ANNUAL REPORT
for the 12 months period ended 31 December 2021

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INFORMATION ON THE COMPANY

Name of the company	APF Holdings
Legal status of the company	Joint stock company (AS) up to 22.01.2021 - Limited liability company (SIA)
Number, place and date of registration	Commercial register No 50203047991 Riga, 3 February 2017
Address	Kārļa Ulmaņa gatve 119 Marupe Municipality, Marupe, LV - 2167 Latvia
Type of operations	Operation of holding companies
Members of the Board	From: 03.02.2021: Jurijs Adamovičs - Chairman of the Board Hermanis Dovgijis - Member of the Board Mihails Keziks - Member of the Board Till 03.02.2021: Jurijs Adamovičs - Member of the Board
Members of the Council	From 29.12.2021: Aleksandrs Adamovičs - Chairman of the Council Dmitrijs Adamovičs - Deputy Chairman of Council Olga Adamoviča - Member of the Council From 03.02.2021 till 29.12.2021: Aleksandrs Adamovičs - Chairman of the Council Jūlija Adamoviča - Deputy Chairman of Council Olga Adamoviča - Member of the Council From 22.01.2021 till 03.02.2021: Aleksandrs Adamovičs - Chairman of the Council Jūlija Adamoviča - Deputy Chairman of Council Stanislav Savchenko - Member of the Council
Financial year	1 January - 31 December, 2021
Auditor's name and address:	Baker Tilly Baltics AS License No. 80 Kronvalda boulevard 10 Riga, LV-1010 Latvia Certified auditor in charge Ēriks Bahirs Certificate No.136

REPORT OF THE MANAGEMENT

Type of operations

The type of principal activity of the joint stock company APF Holdings (hereinafter – the Company) (the previous name – Limited liability company APF Holdings) is operation of holding companies, management of poultry and hen egg production companies.

Performance of the Company during the financial year

Purpose of principal activity of the Company is to manage investments in the subsidiaries of the holding, engaged in production and wholesale of hen eggs, ensuring the increase of value of investments.

During the reporting year the Company successfully managed the assets owned by APF group. The most important event of 2021 is completion and putting into operation of the construction of the third hen house. Production of eggs was commenced in the new hen house, using currently the most modern and more beneficial hen laying method – “Barn eggs – No.2”. After commencement of activity of the third hen house, the group of companies mostly produces “Barn eggs – No.2”. When reaching the cumulative production capacity above 120 million eggs per year, APF group has managed to turn to the development of such new areas of activity as egg processing and production of egg products, poulet breeding, as well as manure processing.

The Company continued to develop visibility of produce of the group by both, participation in the international advertisement events as well as promoting the image of the group on mass media, therefore the produce produced by the group is successfully sold to the Latvian customers, as well as export customers in Estonia, Finland, Great Britain, France, Belgium, Germany, and other member states of the European Union.

Financial risk management

The policy of financial risk management of the Company is described in the financial report's Notes 25

Subsequent events

In February 2022, the Russian military invasion of Ukraine began. In this context, many European Union and other countries have imposed sanctions on Russia, the scope of which is constantly changing. The Company considers this situation as a non-adjusting event after the reporting date. The company is closely monitoring the situation. Since the beginning of the invasion, the subsidiary company Alūksnes putnu ferma SIA faced a sharp rise in the prices of feed ingredients and changes in their supply chains, in addition, some suppliers have reduced trade credit limits. On the other hand, cooperating with retail chains, the subsidiary together with other market participants was able to reach an common understanding on the faster revision of egg prices in accordance with the increase in costs. Due to the uncertain and rapidly changing situation, the Company does not consider as necessary to carry out a quantitative assessment of the possible impact of the war on the Company and its financial indicators.

In October 2021 the Company has established a new subsidiary SIA “APF Energy”, which will engage in development of biomethane and granular mineral fertilizer production projects in the real estate territory owned by the group.

Future prospects

In the next reporting period, the Company plans to continue the work on promotion of development of subsidiaries, to support increase of their production capacities and acquisition of new areas of activity. The work on production of egg products, poulet breeding and by-product processing and further development of the group will be continued.

Jurijs Adamovičs
Chairman of the Board

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INCOME STATEMENT

	Notes	2021	2020
		EUR	EUR
Revenue	(2)	369 010	490 763
Gross profit or losses		369 010	490 763
Distribution expenses	(3)	(14 656)	(35 464)
Administrative expenses	(4)	(379 739)	(275 344)
Other operating income	(5)	224 496	2 953 231
Other operating expenses	(6)	(12 258)	(2 918 923)
Interest and similar income incl.	(7)	33 907	17 046
<i>a) from group companies</i>		33 907	17 046
Interest and similar expenses incl.	(8)	(176 192)	(139 512)
<i>a) from group companies</i>		(6 201)	(32 121)
<i>b) for other parties</i>		(169 991)	(107 391)
Profit or losses before corporate income tax		44 568	91 797
Corporate income tax for the financial year		(688)	(3 213)
Profit or losses for the financial year		43 880	88 584

Notes on pages 8 to 18 are an integral part of these financial statements.

Jurijs Adamovičs
Chairman of the Board

Mihails Keziks
responsible for preparing the
annual report

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BALANCE SHEET

	Notes	31.12.2021. EUR	31.12.2020. EUR
<u>ASSETS</u>			
Non-current assets			
Intangible assets			
Concessions, patents, licenses, trademarks and similar rights	(9)	280	5
Other intangible assets	(9)	434	1 403
Intangible assets under development	(9)	1 190	-
Total intangible assets:		1 904	1 408
Fixed assets:			
Other fixed assets	(9)	118 329	79 639
Total fixed assets:		118 329	79 639
Non-current financial investments:			
Investments in group companies	(10)	5 311 200	5 105 600
Receivables from group companies	(11)	1 632 489	147 495
Total non-current financial investments:		6 943 689	5 253 095
Total non-current assets:		7 063 922	5 334 142
Current assets			
Inventories:			
Raw materials and consumables		1 948	1 243
Total inventories:		1 948	1 243
Account receivable:			
Trade receivables		25	25
Receivables from group companies	(11)	385 978	107 087
Other receivables	(12)	15 862	5 321
Deferred expenses	(13)	2 108	1 527
Accrued income		120	-
Total receivables:		404 093	113 960
Cash and bank:	(14)	3 137	15 732
Total current assets:		409 178	130 935
<u>Total assets</u>		<u>7 473 100</u>	<u>5 465 077</u>

Notes on pages 8 to 18 are an integral part of these financial statements.

AS "APF Holdings"
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BALANCE SHEET

	Notes	31.12.2021. EUR	31.12.2020. EUR
<u>EQUITY, PROVISIONS AND LIABILITIES</u>			
Equity			
Share capital	(15)	1 700 000	1 000 000
Retained earnings or uncovered losses brought forward from previous years		343 292	254 708
Current year profit or losses		43 880	88 584
Total equity:		<u>2 087 172</u>	<u>1 343 292</u>
Liabilities:			
Non-current liabilities:			
Other borrowings	(16)	5 072 381	3 760 200
Total non-current liabilities:		<u>5 072 381</u>	<u>3 760 200</u>
Current liabilities:			
Other borrowings	(16)	121 995	8 934
Trade payables		58 932	67 159
Payables to group companies	(17)	392	236 671
Taxes and state social insurance payments	(18)	6 541	9 824
Other creditors	(19)	31 263	9 308
Accrued liabilities	(20)	94 424	29 689
Total current liabilities:		<u>313 547</u>	<u>361 585</u>
Total liabilities:		<u>5 385 928</u>	<u>4 121 785</u>
<u>Total equity, provisions and liabilities</u>		<u><u>7 473 100</u></u>	<u><u>5 465 077</u></u>

Notes on pages 8 to 18 are an integral part of these financial statements.

Jurijs Adamovičs

Chairman of the Board

Mihails Keziks
responsible for preparing the
annual report

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NOTES TO THE FINANCIAL STATEMENTS

(1) Summary of accounting policies

General principles

Financial statements are prepared in accordance with the Laws of the Republic of Latvia "On Accounting" and "On the Annual Report and Consolidated Annual Report" (the Law).

According to the last two years, the corporation is classified as a small entity. Financial statements shall show all the information specified in the Law, as well as the additional information necessary for obtaining a true and clear picture.

The financial statements have been prepared according to the historical cost accounting principle. The income statement is prepared in accordance with the function of expense.

General accounting principles

Financial statement items are valued according to the following accounting principles:

- a) it is assumed that the Company will continue its activities;
- b) unless specified separately, the same valuation methods are used as in the previous year;
- c) valuation is made with sufficient care, including:
 - profit is recognized only if earned before the end of financial year;
 - all known and foreseeable liabilities and losses occurred before the end of the financial year shall be considered, including when they were revealed during the period between the end of the financial year and the day of preparation of the financial statement;
 - all asset impairment losses and depreciation are considered, regardless of whether the financial year is closed with profit or loss.
- d) unless specified separately, revenues and expenses are recognized according to accruals method, that is, considering the moment of occurrence regardless of the day of payment and day of invoice issue or receipt. Expenses are reconciled with the revenues in the financial year.
- e) The sections of the items of Assets and Equity, Provisions and Liabilities are measured and classified separately. Income and expenses are classified and disclosed separately except the gains or losses from sale of non-current assets and from similar transactions (e.g., the result of currency exchange rate fluctuation or the result of sale or purchase of foreign currency), which are offsetted.
- f) Transactions are reflected with account of their economic intention and matter and not with account of their legal form.

Foreign currency conversion in euro

This financial statement is prepared in euro (EUR), which is the functional currency of the Company and the official currency of the Republic of Latvia.

All transactions denominated in foreign currencies are converted into euro at the exchange rate set by the European Central Bank on the day of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into euro in accordance with the official exchange rate set by European Central Bank for the last day of the financial year. The profit or loss resulting from the exchange rate fluctuations of the foreign currency are recognized in the income statements in the respective period on net amount.

Income recognition and revenue

Revenue contains the total value of goods and services sold during the year excluding discounts and value added tax.

Income is recognized according to the following principles:

- Sales of goods - after significant ownership risk and rewards have been passed to the buyer;
- Rendering of services - under the percentage of completion method;
- Income from fines and penalties - at the moment of receiving the payments;
- Interest income - on an accrual basis.

Intangible investments and fixed assets

Intangible investments and fixed assets are initially recognized at the purchase cost. Purchase cost includes costs, directly related to the acquisition of intangible and fixed assets. In financial statements the intangible and fixed assets are recognized at purchase cost less depreciation.

Depreciation is calculated on a straight-line basis applying the following rates of depreciation set by the management, based on the estimated useful life of the fixed assets:

	Depreciation per annum
Intangible assets	5-10
Other machinery and equipment, transport vehicles	3-10

The Company capitalizes its fixed assets valued over EUR 100 with useful life exceeding 1 year. Depreciation for improvements and other low costs items with the value less than EUR 100 is recognized by 100 % after commissioning.

If sufficient evidence is acquired that the future economic benefit associated with subsequent repair or reconstruction costs will flow to the Company, which exceeds the return set previously, costs are capitalized as additional costs to the fixed asset. Capitalizing the cost of replaced parts, the carrying amount of the part replaced is derecognized and charged to the income statement. All other repair and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Net gains or losses from disposal of fixed assets is calculated as the difference between the carrying amount of the fixed asset, write-off of related assets revaluation reserve (if any) and proceeds from sale, and recognized in the income statements during the period when disposal are incurred.

If it is possible to conclude due to any kind of occurrence or circumstances that residual value of fixed or intangible assets could exceed its recoverable value, appropriate value of fixed or intangible asset is to be decreased until recoverable value. Recoverable value is calculated as the highest of fair value less costs to sell or value in use.

Investments in subsidiaries, associates and other entities

Investments in subsidiaries and associates of the group, as well as in the capital of other companies, are accounted for at acquisition value less impairment losses. Subscribed but unpaid shares of a subsidiary shall not be recognised until payment of such shares is made.

Inventories

Inventories are recognized at the lower of purchase or production cost and net realizable value. Purchase costs consists of purchase value and overheads, which have been acquired, by delivering inventories at their current position and value. The costs of materials and other expenses that are directly connected with the production of the appropriate item are included in the production cost of inventories. Selling expenses are not included in cost. The balance value of the inventories is calculated by using the FIFO method. When the net realizable value of inventories is lower than its costs, the difference is recognized as provisions for the decrease of value.

Account receivable

Trade receivables are recognized at invoiced amounts. After the initial recognition account receivables are measured at net amount less provisions for doubtful debts. Provisions for doubtful receivables are recognized when the management of the Company considers that it is probable that the total amount of receivables will not be collected in full.

Borrowings

Borrowings are recognized at the proceeds, net of transaction costs incurred.

Accrued liabilities for unused annual leave

Amount of accumulated unused annual leave is determined by multiplying the average day rate of employees for the last six months of the financial year by the amount of accrued but unused annual leave at the end of the reporting year.

Corporate income tax

Based on the new Corporate income tax law the tax regime has been significantly changed. Starting from the year 2018 there are no payable income tax on earned profit. Income tax is payable only on dividends distributed and deemed profit distribution. The tax rate is 20% on gross amount or 20/80 of the net amount paid. The new tax law include some transitional provisions:

- retained earnings as at 31 December 2017 will not be taxed in additional by 20% tax when dividends will be distributed (with some additional limitations);
- accrued tax losses could be utilized within 5 years period but with the annual limit of 50% on income tax calculated for dividends distributed.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash, the balances of the current bank account and other current liquid financial assets with maturities up to 90 days.

Group companies

Subsidiaries of the group or the parent company of the group, or other subsidiaries of the group, or subsidiaries of the subsidiaries of the group are regarded as the group companies.

Related parties

Related parties are considered Group companies, Board and Council members, their close family members and entities, in which the previously mentioned persons or companies have significant influence or control.

(2) Revenue	2021	2020
	EUR	EUR
a) By operating activities		
Income from use of the trademark in Latvia	-	223 773
Revenue from the provision of professional services	369 010	266 990
	<u>369 010</u>	<u>490 763</u>
(3) Distribution expenses	2021	2020
	EUR	EUR
Advertising expenses	9 330	5 043
Membership of associations	1 238	-
Other selling costs	4 088	30 421
	<u>14 656</u>	<u>35 464</u>
(4) Administrative expenses	2021	2020
	EUR	EUR
Payroll expenses	115 203	73 423
Cost of professional services	77 641	84 473
Rent expenses	40 322	24 322
Cost of transport	26 570	23 087
State mandatory social insurance contributions	25 646	15 973
Depreciation of fixed assets and intangible assets	13 025	10 989
Office maintenance costs	11 440	8 425
Unused annual leave reserve	8 856	6 330
Communication services	3 185	1 811
Bank charges	1 303	1 781
Other administrative expenses	56 548	24 730
	<u>379 739</u>	<u>275 344</u>

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(5) Other operating income		2021	2020			
		EUR	EUR			
<i>Income from disposal of intangible assets (Note 23)</i>		-	2 900 000			
<i>Net carrying value of intangible assets at the moment of disposal</i>		-	(740)			
Net gain from disposal of intangible assets		-	2 899 260			
Net income from changes in the value of investments in a subsidiary (see Note 10)		200 000	-			
Income from the sublease of premises		24 496	24 429			
Other income		-	29 542			
		224 496	2 953 231			
(6) Other operating expenses		2021	2020			
		EUR	EUR			
Net loss on impairment of investments in the subsidiary (see Note 10)		-	2 900 000			
Business valuation		6 500	14 349			
Other costs		5 758	4 574			
		12 258	2 918 923			
(7) Interest and similar income						
a) from group companies		2021	2020			
		EUR	EUR			
a) from group companies						
Other interest income		33 907	17 046			
Total interest and similar income		33 907	17 046			
(8) Interest and similar expenses						
a) from group companies		2021	2020			
		EUR	EUR			
a) from group companies						
Interest charge		6 201	32 121			
		6 201	32 121			
b) from other parties						
Interest charge		169 991	107 391			
		169 991	107 391			
Total interest and similar expenses		176 192	139 512			
(9) Fixed assets						
	Concessions, patents, licenses, trademarks, etc. Rights	Other intangible investments	Intangible assets under development	Total intangible investments	Other fixed assets and inventories	Total fixed assets
	EUR	EUR	EUR	EUR	EUR	EUR
Initial value						
31.12.2020.	10	1 922	-	1 932	100 051	100 051
Purchase	333	-	1 190	1 523	51 715	51 715
31.12.2021.	343	1 922	1 190	3 455	151 766	151 766
Depreciation						
31.12.2020.	(5)	(519)	-	(524)	(20 412)	(20 412)
Calculated	(58)	(969)	-	(1 027)	(13 025)	(13 025)
31.12.2021.	(63)	(1 488)	-	(1 551)	(33 437)	(33 437)
Net carrying amount						
31.12.2020.	5	1 403	-	1 408	79 639	79 639
Net carrying amount						
31.12.2021.	280	434	1 190	1 904	118 329	118 329

(10) Participation in the capital

a) movement of participation

	Participation in the capital of group companies EUR	Total EUR
Initial value		
31.12.2020.	8 005 600	8 005 600
Purchase	5 600	5 600
31.12.2021.	8 011 200	8 011 200
Changes of value of investments		
31.12.2020.	(2 900 000)	(2 900 000)
Revaluation	200 000	200 000
31.12.2021.	(2 700 000)	(2 700 000)
Net carrying amount 31.12.2020.	5 105 600	5 105 600
Net carrying amount 31.12.2021.	5 311 200	5 311 200

b) participation in the equity of subsidiaries

Name	Address	Participating interest		Equity		Profit	
		31.12.2021. %	31.12.2020. %	31.12.2021. EUR	31.12.2020. EUR	2021 EUR	2020 EUR
SIA Alūksnes putnu ferma	"Putni", Ziemeņa municipality, Alūksnes district, LV-4301	100	100	3 014 831	2 930 542	84 283	(1 231 272)
SIA APF Trading	Marupes Municipality., Marupe, Avenue Kārļa Ulmaņa 119	100	100	338 297	277 305	60 992	138 146
SIA Oluksne	Marupes Municipality., Marupe, Avenue Kārļa Ulmaņa 119	100	100	59 943	33 876	26 067	15 909
Name	Address	31.12.2021. %	31.12.2020. %	31.12.2021. EUR	31.12.2020. EUR	2021 EUR	2020 EUR
Preiļu putni, SIA	Marupes Municipality., Marupe, Avenue Kārļa Ulmaņa 119	100	(Established in 2021)	(4 174)	-	(6 974)	-
APF Energy, SIA	Kalēju street 51, Jūrmala, LV-2008	100	(Established in 2021)	2 542	-	(258)	-

SIA Alūksnes putnu ferma main activity is poultry farming. As of December 31, 2021, the Company owns 8,000 shares of SIA Alūksnes putnu ferma, which constitutes 100% of the subscribed share capital of SIA Alūksnes putnu ferma. In December 2020, the share capital of SIA Alūksnes putnu ferma was reduced by EUR 5 000 000. According to the decision taken by the shareholder, the share capital reduction was carried out with the aim of covering the accumulated losses of SIA Alūksnes putnu ferma.

The main activity of SIA APF Trading is the wholesale of milk, milk products and eggs and edible fats and oils. As of December 31, 2021, the Company owns 28 capital shares of SIA APF Trading, which make up 100% of the subscribed and paid-up share capital of SIA APF Trading.

The main activity of SIA Oluksne is poultry farming. As of December 31, 2021, the Company owns 28 capital shares of SIA Oluksne, which make up 100% of the subscribed and paid-up share capital of SIA Oluksne.

The main activity of SIA Preiļu putni is poultry farming. As of December 31, 2021, the Company owns 2800 capital shares of SIA Preiļu putni, which make up 100% of the subscribed and paid-up share capital of SIA Preiļu putni.

The main activity of SIA APF Energy is the production of gas. As of December 31, 2021, the Company owns 2800 capital shares of SIA APF Energy, which make up 100% of the subscribed and paid-up share capital of SIA APF Energy.

c) Impairment testing of investments

Taking into account the negative results of the reporting years of the subsidiary company SIA Alūksnes Putnu Ferma, the Company has carried out an impairment test for investments in the capital of SIA Alūksnes Putnu Ferma.

The recoverable amount of the participation was determined based on the value in use method, discounting the future cash flow of the subsidiary. The future cash flow was discounted with the discount rate calculated for the Company's valuation needs and the Company's Enterprise Value was obtained. Loans and other interest bearing liabilities are subtracted from the Enterprise Value, thus obtaining the Company's Equity Value. According to the calculations, the value of the subsidiary's equity is higher than its carrying amount by 383 thousand. EUR, as a result the Company has recognized a reversal of an impairment loss of the participation by 2.9 million EUR, which was created on 31.12.2020. for 200 thousand EUR.

Significant assumptions in calculating the value of use are: evolution of quantities and prices of eggs sold, changes in feed prices, EBITDA/turnover ratio and discount rate. Management based its assumptions on historical experience, available industry data and now anticipated market developments. The main assumptions in the impairment calculation are as follows:

	Budgeted 2022	Budgeted 2023	Projected 2024	Projected 2025	Projected 2026-2047
Egg price dynamics	43,6%	13,3%	1,8%	2,7%	2,1%
Dynamics of the amount of eggs produced	99,1%	-4,2%	-1,5%	13,7%	0,0%
Changes in feed prices	35,2%	6,5%	1,9%	2,1%	2,1%
EBITDA/turnover indicator	20,0%	24,1%	19,4%	25,0%	18,6%
Discount rate			8,3%		

Dynamics of the quantity of eggs produced

The launch of the new 3rd chicken house nearly doubled the number of eggs produced in 2022 compared to 2021, which is the result of an unadjusted production cyclogram and a partial occupancy of 1st chicken house in 2021. Fluctuations in egg quantities in the coming years are mainly due to changing periods for laying hens.

c) Impairment testing of investments - continuation

Egg and feed prices dynamics

Following the Russian attack on Ukraine, egg prices have increased by about 50% not only in Latvia, but also in Europe as a whole, which has reduced price pressure on the Latvian market from imported eggs (similarly, feed ingredient prices have increased by 50%). The increase in feed ingredient prices has started already at the end of 2021 and increased rapidly in February 2022, but following long-term egg price coordination procedures with supermarket networks, the increase in egg price has not fully occurred until the second quarter of 2022, with the result that the fluctuations in feed and egg prices within calendar years result in differences. According to the public administration, the current level of egg and feed prices reflects the new reality and can be taken as a basis for forecasting. With the introduction of the new barn into service since 2020, the public started producing No 2 standard eggs but introduced into service at the end of 2021. In 3rd chicken house, it will increase the proportion of No 2 standard eggs above 60%, which will additionally increase the expected average sale price of eggs. The increase in the price of eggs from 2025 onwards has been estimated in the volume of changes in the average consumer price index.

EBITDA / Revenue ratio

The actual ratio in 2021 was (18%). The value of the producer depends on the price of sold eggs and the mix of sold eggs (the proportion of eggs laid in the barn in the amount of eggs produced), and the cost of eggs, mainly feed costs, as well as changes in the proportion of fixed costs depending on the cyclogram of laying hens. In the following years, the Company expects a significant improvement in the ratio, because in 2021, the Company changed all herds in 3 chicken houses in one year, which happened due to not achieving a correct production cyclogram (with a balanced cyclogram, there would be 2 chicken houses changes in a calendar year), which in turn happened due to the introduction of COVID-19 due to restrictions. In the following years, the Company will gradually adjust the cyclogram to the optimal level. In addition, increasing the number of eggs produced reduces the cost of eggs at the expense of the proportion of fixed costs. By increasing the amount of sold eggs on supermarket shelves over time, the proportion of eggs sold for processing in other European countries at a 50% lower price decreases, which correspondingly increases the average price of eggs and reduces transport costs.

Discount rate

The discount rate reflects the average cost of financing based on actual borrowing costs from banks and the estimated cost of capital of 12.9% per annum.

Impairment sensitivity analysis

	Influencing factors	31.12.2021 Effect of increase EUR	31.12.2021 Effect of decrease EUR
Dynamics of the amount of eggs produced	changes by 1%	1 078 900	(1 079 000)
Changes in the price of eggs	changes by 1%	1 614 200	(1 614 200)
Changes in feed prices	changes by 1%	(835 000)	834 900
Changes in EBITDA/Revenue ratio	changes by 1%	2 162 400	(3 533 000)
Egg price dynamics	changes by 1%	5 016 200	(4 416 600)

(11) Receivables from group companies	31.12.2021. EUR	31.12.2020. EUR
Non-current		
SIA Alūksnes putnu ferma long-term debt	-	147 495
SIA Alūksnes putnu ferma - loan and interest	1 632 489	-
	<u>1 632 489</u>	<u>147 495</u>
Current		
Debts of subsidiaries for use of the trademark and other settlements	385 978	107 087
	<u>385 978</u>	<u>107 087</u>

At the end of 2020, the Company has concluded a Loan Agreement with the group company SIA Alūksnes putnu ferma for granting a loan, but the loan funds were issued already in the reporting year. The loan repayment term is set until 2025.

(12) Other receivables	31.12.2021. EUR	31.12.2020. EUR
Guarantee deposit	5 689	1 689
Corporate income tax overpaid	146	-
Other debtors	5 268	3 632
Supplier overpayments	4 759	-
	<u>15 862</u>	<u>5 321</u>

(13) Deferred expenses	31.12.2021. EUR	31.12.2020. EUR
Insurance payments	1 962	1 389
Other expenses	146	138
	<u>2 108</u>	<u>1 527</u>

(14) Cash and bank	31.12.2021. EUR	31.12.2020. EUR
Cash at bank on current accounts	3 137	15 732
	<u>3 137</u>	<u>15 732</u>

(15) Share capital

On 31 December 2021, registered and fully paid-up share capital amounts to EUR 1 700 000, consisting of 17 000 ordinary shares with a nominal value of EUR 100 each.

In the reporting year, a part of the received loans was capitalized and the Company's share capital was increased by EUR 700 000.

In 2020, the legal form of the Company's has been changed from the limited liability company to the public liability company. Reorganization completed in 2021.

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(16) Other borrowings	31.12.2021.	31.12.2020.
	EUR	EUR
Non-current		
Loans from individuals ¹	843 176	760 200
Loans from legal entities ²	4 229 205	3 000 000
	<u>5 072 381</u>	<u>3 760 200</u>
Current		
Loans from individuals	-	8 934
Loans from legal entities ²	21 995	-
Loans from legal entities of the European Union ³	100 000	-
	<u>121 995</u>	<u>8 934</u>
<p>¹ In the reporting year, the previously received loan from the previous shareholder of the Company was capitalized. As of 31.12.2021 an unpaid loan from the beneficial owner of the Company in the amount of 843 176 EUR remained, this loan is not secured, and no interest rate has been applied to it.</p>		
<p>² In the reporting year, the Company received a loan from an unrelated legal entity in the amount of EUR 1 251 200 with a repayment term of 2025 and an interest rate of 5%. In addition, the repayment term for the loan received in 2020 from another unrelated legal entity in the amount of EUR 3 000 000 was extended until 2024 (interest rate 4% per year), this loan is secured by a commercial pledge of 30% of the Company's shares.</p>		
<p>³ Also, in the reporting year, the Company received several loans from an unrelated legal entity registered in the European Union and partially repaid them, but as of 31.12.2021 the outstanding principal amount has amounted to 100 000 EUR, the loan interest rate was 3%. These loans were paid in full as of the date of preparation of the annual report.</p>		
(17) Payables to group companies	31.12.2021.	31.12.2020.
	EUR	EUR
Current		
Loan and accrued interest Alūksnes putnu ferma, SIA	-	236 671
Debt for services Alūksnes putnu Ferma, SIA	392	-
	<u>392</u>	<u>236 671</u>
(18) Taxes and social insurance payments	31.12.2021.	31.12.2020.
	EUR	EUR
Current		
State mandatory social insurance contributions	4 133	4 983
Personal income tax	1 860	2 041
Corporate income tax	262	2 713
Other taxes and fees	286	87
	<u>6 541</u>	<u>9 824</u>
(19) Other creditors	31.12.2021.	31.12.2020.
	EUR	EUR
Salaries	31 090	9 241
Other liabilities	173	67
	<u>31 263</u>	<u>9 308</u>
(20) Accrued liabilities	31.12.2021.	31.12.2020.
	EUR	EUR
Accrued trade payables	68 947	13 070
Accrued unused annual leave expenses	25 477	16 619
	<u>94 424</u>	<u>29 689</u>

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(21) Average number of employees	2021	2020
Average number of employees during the financial year	<u>8</u>	<u>5</u>

(22) Remuneration to the management	2021	2020
	EUR	EUR
Board member remuneration	44 492	44 672
	<u>44 492</u>	<u>44 672</u>

In 2020 and until February 2021, remuneration was calculated for the Board member for his work on the board. From February 2021, remuneration for the work on the board is calculated for the Chairman of the Board, but no remuneration is calculated for Members of the Board.

(23) Transactions with related parties

During the reporting year, the Company had business transactions with subsidiaries - SIA APF Trading, SIA Alūksnes putnu ferma and SIA Oluksne. The Company has also engaged in transactions with its members / shareholders and their related company SIA J.A.Investment Holdings.

The remuneration of the Board member and Chairman of the Board for his work in the Company in the reporting year is presented in Note 22.

a) claims and liabilities

	Notes	31.12.2021.		31.12.2020.	
		Receivables EUR	Payables EUR	Receivables EUR	Payables EUR
Group companies					
SIA Alūksnes putnu ferma	1)	1 925 529	392	147 495	236 671
SIA APF Trading	2)	76 753	-	87 275	-
SIA Oluksne	3)	16 184	-	19 812	-
Preiļu putni, SIA	4)	90	-	-	-
APF Energy, SIA	5)	30	-	-	-
		<u>2 018 586</u>	<u>392</u>	<u>254 582</u>	<u>236 671</u>
Other related parties					
Shareholders	7)	-	883 860	-	795 418
		<u>-</u>	<u>883 860</u>	<u>-</u>	<u>795 418</u>
		<u>2 018 586</u>	<u>884 252</u>	<u>254 582</u>	<u>1 032 089</u>

b) transactions

	Notes	Sales to related parties		Purchases from related parties	
		2021 EUR	2020 EUR	2021 EUR	2020 EUR
Group companies					
Royalties and sale of a trademark	1)	-	2 903 075	-	-
Consultancy, sub-rental of offices	1)	354 465	263 160	-	-
Interest, other	1)	33 907	46 588	1 378	32 121
Royalties	2)	-	220 698	-	-
Consultancy, sub-rental of offices	2)	26 648	17 548	-	-
Consultancy, sub-rental of offices	3)	12 272	10 711	-	-
Consultancy	4)	90	-	-	-
Consultancy	5)	30	-	-	-
		<u>427 412</u>	<u>3 461 780</u>	<u>1 378</u>	<u>32 121</u>
Other related parties					
Interest on loan	6)	-	-	5215	96
Interest	7)	-	-	6 685	8 934
Car rental	7)	-	-	14 400	14 400
		<u>-</u>	<u>-</u>	<u>26 300</u>	<u>23 430</u>
		<u>427 412</u>	<u>3 461 780</u>	<u>27 678</u>	<u>55 551</u>

Transactions with related parties - continuation

1) The Company has provided consultancy and other services to SIA Alūksnes putnu ferma, as well as issued and received loans during the reporting year.

In December 2020, the Company has sold to subsidiary SIA Alūksnes putnu ferma the trademarks that are used in the distribution of the subsidiary's products. The value of the transaction is 2.9 million. EUR is determined based on an independent expert's valuation of the fair value of the trademarks. The sale of the trademark terminates the agreements on the use of the trademarks.

2) the Company has provided SIA APF Trading with consulting and other services, as well as leased office space. In the reporting year, a mutual settlement of the deductible input tax was made with SIA APF Trading within the VAT Group.

3) The Company has provided consulting services to its subsidiary SIA Oluksne and has rented office space.

4) The Company has provided consulting services to its subsidiary SIA Preiļu putni.

5) The Company has provided consulting services to its subsidiary SIA APF Energy.

6) In the reporting year, SIA J.A.Investment Holdings has issued a loan to the Company and interest was paid for it.

7) As indicated in Note 16, in the previous and reporting year, shareholders of the Company have issued loans to the Company and interest was paid for them, and the Company rented a car from the shareholder

(24) Guaranties issued

As of December 31, 2021, the guarantees issued by the Company to the Joint Stock Company "Attīstības finanšu institūcija Altum", which served as collateral for the loans of the subsidiary SIA Alūksnes putnu ferma, amounted to EUR 1.8 million. The expiration dates of the loan agreements are 2023 and 2025. The guarantees were valid until the full fulfilment of the obligations of SIA Alūksnes putnu ferma.

(25) Financial risk management

Financial risks related to the financial instruments of the Company are mainly the liquidity risk and the credit risk. The Management of the Company seeks to minimize potential adverse effects of the financial risks on the Company's financial position. The Company does not use derivative financial instruments to hedge certain risk exposures.

Credit risk

The company is exposed to credit risk related to the debts of its buyers and principals, the debts of its affiliates, as well as money and cash equivalents. The company controls its credit risk by constantly assessing the history of repayment of customer debts and setting credit conditions for each customer separately. In addition, the corporation continuously monitors the balances of receivables in order to reduce the possibility of irrecoverable debts arising.

The largest concentration of credit risk arises from the debts of related companies. Given the financial situation of these related companies and the Group, the management of the Company assesses the credit risk for transactions with related companies as negligible.

Liquidity risk

The Company manages its liquidity risk, maintaining the appropriate amount of cash and cash equivalents. See also Note 26 in respect of the use of going concern assumption.

(26) Subsequent events

In February 2022, a military conflict between Russia and Ukraine began. In this context, many European Union and other countries have imposed sanctions on Russia, the scope of which is constantly changing. The Company considers this situation as a non-adjusting event after the reporting date. The Company is closely monitoring the situation. Since the beginning of the conflict, the subsidiary Alūksnes putnu ferma SIA has faced a rapid rise in the price of feed ingredients and changes in their supply chain, in addition to that, some suppliers have reduced trade credit limits. On the other hand, by cooperating with store chains, the subsidiary and other market participants managed to reach an agreement on the fastest revision of egg prices in line with cost increases. Due to the uncertain and rapidly changing situation, the Company does not consider it useful to carry out a quantitative assessment of the possible impact of the military conflict on the Company and its financial indicators.

in October 2021, the Company incorporated a new subsidiary, SIA APF Energy, which will operate in gas production.

Jurijs Adamovičs

Chairman of the Board

Mihails Keziks
responsible for preparing the
annual report

Rīga, this document is signed with a safe electronic signature and contains a time stamp.

INDEPENDENT AUDITORS' REPORT**to the Shareholders of APF Holdings SIA****Our Qualified Opinion on the Financial Statements**

We have audited the accompanying financial statements of APF Holdings SIA (the Company) set out on pages 5 to 18 of the accompanying annual report, which comprise:

- the balance sheet as at 31 December 2021,
- the profit and loss statement for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance for the year then ended in accordance with the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia (the Law On the Annual Reports and Consolidated Annual Reports).

Basis for Qualified Opinion

The Company has an investment in the capital of subsidiary SIA Alūksnes putnu ferma with a carrying value of 8 million EUR less impairment losses of 2,9 million EUR recognized in the previous year. Using revised forecasts for the cash flow of the subsidiary, in the reporting year the Company recognized income of 0.2 million EUR, partially reversing the impairment of previous periods. Notes 10 to the financial statements provide information on the financial position of the subsidiary and significant assumptions of the impairment test. According to initial management forecasts for the cash flow of the subsidiary, the estimated additional impairment losses of the investment could be 0,44 million EUR. In our opinion, the change in management estimates in the revised cash flow projections is not sufficiently justified and the impairment testing shall be made based on the initial management forecast.

Our report of 10 September 2021 on the Company's financial statements for 2020 contained a modified opinion on a possible impairment of the investment in the capital of subsidiary SIA Alūksnes putnu ferma. The management of the Company carried out an impairment test of the investment in the subsidiary's capital using the value-of-use method and recognized a decrease in the value of the investment of 2.9 million EUR. Using alternative forecasts prepared by management for the cash flow of the subsidiary, the estimated additional impairment could be 2.4 million EUR. In our view, additional impairment loss of investment shall be recognized, but we could not accurately estimate the amount of impairment due to insufficient historical data and the short period following changes in product structure to verify whether management estimates are adequate and reliable. Taking into account that this uncertainty remains partly unresolved, we were unable to assess the impact of the impairment losses on the financial results of the reporting year and comparatives for the year 2020 and financial position at the end of 2020.

In accordance with the Law on Audit Services of the Republic of Latvia (the Law on Audit Services) 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 are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants, including International Independence Standards (IESBA Code) and independence requirements included in the Law on Audit Services 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 IESBA Code, including International Independence Standards, and Law on Audit Services.

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

Reporting on Other Information

The Company management is responsible for the other information. The other information is the Management Report, as set out on page 4 of the accompanying Annual Report and Information about the Company, as set out on page 3 of the Annual Report.

Our opinion on the financial statements does not cover the other information included in the Annual Report, 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. Except for the effects of the matter described in the *Basis for Qualified Opinion* section we have nothing to report in this regard.

Other reporting responsibilities in accordance with the legislation of the Republic of Latvia

In addition, in accordance with the Law on Audit Services 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.

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.

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 the Law On the Annual Reports and Consolidated Annual Reports 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 Responsibilities 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.

Baker Tilly Baltics AS
Licence No. 80

Ēriks Bahirs
Certified Auditor
Certificate No.136
Member of the Board

Riga,

The report is signed with a secure electronic signature and contains a timestamp.

Translated from Latvian origin