

**SIA “AGROCREDIT LATVIA”**  
**UNAUDITED ANNUAL ACCOUNTS**  
**FOR SIX MONTHS ENDED JUNE 30,2021**

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

Translation from Latvian

**SIA „AGROCREDIT LATVIA”**  
**ANNUAL ACCOUNTS FOR SIX MONTHS ENDED 30 JUNE 2021**  
**(TRANSLATION FROM LATVIAN)**

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## **Management report**

### **Type of operations**

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

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

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

### **The Company's performance during the reporting year**

The first half of the year 2021 the Company returned to normal day to day work in office, which increased efficiency of inner processes and cooperation with partners and customers. Still the period of remote working style also left positive impact on developing of different online services as well as customers are more used to employ these services.

Financially the Company continued balanced growth. The total interest income grew by nearly 8% and EBT by 6.5% in comparison to 1<sup>st</sup> half of 2020. The total assets of the company grew as well in comparison to relative period of 2020. The cooperation with Citadele banka was developed and that allowed to increase the total financing amounts and ensure the lower cost of credit resources.

The grain season is expected to be quite successful this year. The grain and rape-seed prices has risen extremely in stock exchange and a lot of the customers has fixed their grain contracts for good prices. The Winter was favourable to the crops. Still the dry period in Summer has left a negative impact on volume of the crops, which lowers the total yield and quality. So the total result of the season is expected to be positive, but there will not be record-high yields as expected some months ago.

### **The Company's exposure to risks**

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

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

### **Statement on internal control procedures**

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

### **Future prospects**

The final phase of issuing this season financing is taking place in the beginning of the 2<sup>nd</sup> half of the year. As the harvest begins, the loans are gradually repaid. The most important objectives for the 2<sup>nd</sup> half is: (1) the monitoring of repayment of seasonal financing contracts; (2) the approval of credit limits for the next season; (3) the structuring of credit resources for the next year; (4) further development of marketing activities and stressing the 10 year anniversary of the Company in PR actions.

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Ģirts Vinters  
Chairman of the Board

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Jānis Kārklīņš  
Member of the Board

Riga, 30 August 2021

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**Statement of management`s responsibility**

The management of SIA AgroCredit Latvia is responsible for the preparation of the financial statements for the first half of the year 2021.

Based on the information available to the Board of the Company, the financial statements are prepared on the basis of the relevant primary documents and in accordance with International Financial Reporting Standards as adopted by the European Union, based on a going concern basis, and present a true and fair view of the Company's assets, liabilities and financial position as at 30 June 2021 and its profit and cash flows for the first half of year 2021.

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

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

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

**Corporate governance statement**

The Corporate governance report of SIA AgroCredit Latvia for the first half of year 2021 has been prepared in accordance with Section 56.2 Paragraph 3 of the Financial Instrument Market Law.

The report is submitted to AS Nasdaq Riga (hereinafter – the Stock Exchange) concurrently with the unaudited financial statements SIA AgroCredit Latvia for the first half of year 2021 for publishing on the website of the Stock Exchange: <http://www.nasdaqbaltic.com/> and the website of SIA AgroCredit Latvia <http://www.agrocredit.lv>.

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Ģirts Vinters  
Chairman of the Board

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Jānis Kārklīšs  
Member of the Board

Riga, 30 August 2021

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**Statement of comprehensive income for the period of six months ended 30 June 2021**

	Notes	30.06.2021. EUR	30.06.2020. EUR
Interest income	1	633 795	588 733
<i>out of this, income at effective interest rate</i>		633 795	588 733
Interest expense	2	(285 316)	(276 140)
Impairment	3	(30 000)	(15 000)
Administrative expense	4	(126 038)	(117 689)
Other operating expense	5	(30 388)	(27 826)
<b>Profit before corporate income tax</b>		<b>162 053</b>	<b>152 078</b>
Corporative income tax		5 750	-
<b>Current year's profit</b>		<b>156 303</b>	<b>152 078</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>156 303</b>	<b>152 078</b>

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

\_\_\_\_\_  
 Ģirts Vinters  
 Chairman of the Board

\_\_\_\_\_  
 Jānis Kārklīšs  
 Member of the Board

\_\_\_\_\_  
 Evija Šverna  
 Accountant

Riga, 30 August 2021

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**Statement of financial position as at 30 June 2021**

	Notes	30.06.2021. EUR	31.12.2020. EUR
<b><u>Assets</u></b>			
<b>Long term investments</b>			
Property, plant and equipment		3 008	3 751
Right-of-use assets		35 266	41 369
Loans		2 112 876	1 538 694
<b>Total long-term investments:</b>		<b>2 151 150</b>	<b>1 583 814</b>
<b>Current assets</b>			
Loans		9 426 978	6 240 482
Other debtors		16 446	87 748
Cash and bank		18 375	309 482
<b>Total current assets:</b>		<b>9 461 799</b>	<b>6 637 712</b>
<b><u>Total assets</u></b>		<b><u>11 612 949</u></b>	<b><u>8 221 526</u></b>
<b><u>Liabilities and shareholder's funds</u></b>			
<b>Shareholders' funds:</b>			
Share capital		1 500 000	1 500 000
Other reserves		25	25
Retained earnings:			
- prior year's retained earnings		422 919	214 567
- current year's profit		156 303	231 352
<b>Total shareholders' funds:</b>		<b>2 079 247</b>	<b>1 945 944</b>
<b>Liabilities:</b>			
<b>Long-term liabilities:</b>			
Borrowings		5 995 000	5 745 000
Lease liabilities		30 534	29 738
<b>Total long-term liabilities:</b>		<b>6 025 534</b>	<b>5 774 738</b>
<b>Short-term liabilities:</b>			
Borrowings		3 219 280	438 254
Lease liabilities		20 852	51 448
Trade creditors and other liabilities		268 036	11 142
<b>Total short-term creditors:</b>		<b>3 508 168</b>	<b>500 844</b>
<b><u>Total liabilities and shareholders' funds</u></b>		<b><u>11 612 949</u></b>	<b><u>8 221 526</u></b>

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 Chairman of the Board

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 Evija Šverna  
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Riga, 30 August 2021

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**Statement of changes in equity for the period of six months ended 30 June 2021**

	Share capital	Other reserves	Retained earnings	Total
	EUR	EUR	EUR	EUR
<b>As at 31 December 2019</b>	<b>1 500 000</b>	<b>25</b>	<b>374 567</b>	<b>1 874 592</b>
Profit for the ½ year	-	-	152 078	<b>152 078</b>
<b>As at 30 June 2020</b>	<b>1 500 000</b>	<b>25</b>	<b>526 645</b>	<b>2 026 670</b>
Profit for the ½ year	-	-	79 274	<b>79 274</b>
Dividends	-	-	(160 000)	<b>(160 000)</b>
<b>As at 31 December 2020</b>	<b>1 500 000</b>	<b>25</b>	<b>445 919</b>	<b>1 945 944</b>
Profit for the ½ year	-	-	156 303	<b>156 303</b>
Dividends	-	-	(23 000)	<b>(23 000)</b>
<b>As at 30 June 2021</b>	<b>1 500 000</b>	<b>25</b>	<b>579 222</b>	<b>2 079 247</b>

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**Statement of cash flows for the period of six months ended 30 June 2021**

	Notes	30.06.2021. EUR	30.06.2020. EUR
<b><u>Cash flow from operating activities</u></b>			
<b>Profit before corporate income tax</b>		<b>162 053</b>	<b>152 078</b>
Depreciation of plant, property and equipment		743	886
Depreciation of right-of-use assets		7 079	5 617
Interest and similar income		(633 795)	(588 733)
Interest and similar expense		266 989	270 895
Change in allowance for loan impairment		30 000	15 000
<b>Decrease of cash and cash equivalents from operating activities before changes in assets and liabilities</b>		<b>(166 931)</b>	<b>(144 257)</b>
Increase of loans issued		(3 401 588)	(3 326 953)
(Increase) / decrease in trade and other debtors		71 302	(2 725)
Trade creditors' (decrease)		739	4 376
<b>Gross cash flow from operating activities</b>		<b>(3 496 478)</b>	<b>(3 469 559)</b>
Interest paid		(32 514)	(39 823)
Interest income		423 381	552 500
Corporate income tax surplus reimbursed		-	-
<b>Net cash flow from operating activities</b>		<b>(3 105 611)</b>	<b>(2 956 882)</b>
<b><u>Cash flow from investing activities</u></b>			
Acquisition of fixed assets and intangibles		(977)	(553)
<b>Net cash flow from investing activities</b>		<b>(977)</b>	<b>(553)</b>
<b><u>Cash flow from financing activities</u></b>			
Loans received		4 728 285	5 456 864
Repaid loans and finance lease		(1 906 702)	(2 559 806)
Lease payments for right-of-use assets		(6 102)	(5 617)
<b>Net cash flow from financing activities</b>		<b>2 815 481</b>	<b>2 891 441</b>
<b>Net cash flow of the reporting year</b>		<b>(291 107)</b>	<b>(65 994)</b>
<b>Cash and cash equivalents at the beginning of the reporting year</b>		<b>309 482</b>	<b>103 515</b>
<b>Cash and cash equivalents at the end of reporting year</b>		<b>18 375</b>	<b>37 521</b>

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**Notes to the financial statements**

**General information about the Company**

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

## **Approval of the Financial statements**

### **Financial risk management**

#### *Fair value hierarchy of assets and liabilities*

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

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

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

The Company's management has determined that the carrying amounts of the Company's financial assets and liabilities carried at amortized cost as at 31 December 2020 and 30 June 2021 approximate their fair values, as explained below:

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

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**Notes to the financial statements** (continued)

**(1) Interest income**

	<b>30.06.2021.</b>	<b>30.06.2020.</b>
	<b>EUR</b>	<b>EUR</b>
Interest income from issued loans	623 617	568 755
Other interest income	10 178	19 978
	<u><b>633 795</b></u>	<u><b>588 733</b></u>

All interest income is recognized at the effective interest rate and includes amortized commissions (2020: EUR 59 964 and 2021: EUR 48 183). All of the Company's revenues are generated in Latvia.

**(2) Interest expense**

LCD bonds' coupon expense	168 093	171 558
Interest on other loans received	59 152	24 955
Interest on loans received – Mintos Marketplace AS	2 310	72 534
Leverage expenditure	18 327	5 245
Interest on loans received – Citadele Bank AS	36 711	-
Interest on loans received – Luminor LIZings SIA	723	1 848
	<u><b>285 316</b></u>	<u><b>276 140</b></u>

**(3) Impairment**

Change of impairment allowance for issued loans	30 000	15 000
	<u><b>30 000</b></u>	<u><b>15 000</b></u>

**(4) Administrative expense**

Staff costs	38982	35 993
Legal services, including debt collection costs	22 517	31 783
IT costs	9 801	8 665
Accounting services and professional fees	7 673	6 427
Social insurance	9 196	8 671
Transportation expenses	17 049	6 678
Office rent	4 892	4 941
Depreciation of right-of-use assets	7 079	5 617
Office expenses	3 189	3 788
Communication expenses	2 326	1 641
Decrease of fixed assets value	743	886
Insurance	1 924	2 129
Bank commission	384	232
Risk duty	8	8
Other administrative expenses	275	230
	<u><b>126 038</b></u>	<u><b>117 689</b></u>

**(5) Other operating expenses**

Debt recovery costs	7 829	13 742
Marketing and advertising costs	38 532	9 371
Sales promotion costs	1 650	3 586
Membership fees	105	105
Other operating expenses	37	1 022
Reimbursement of expenses	(17 765)	-
	<u><b>30 388</b></u>	<u><b>27 826</b></u>

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**Subsequent events**

There are no subsequent events since the last date of the reporting year, which would have a significant effect on the financial position of the Company as at 30 June 2021.

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Ģirts Vinters  
Chairman of the Board

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Jānis Kārklīšs  
Member of the Board

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Evija Šverna  
Accountant

Riga, 30 August 2021