

**SIA “AGROCREDIT LATVIA”**  
**UNAUDITED ANNUAL ACCOUNTS**  
**FOR SIX MONTHS ENDED JUNE 30,2023**

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

Translation from Latvian

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## **Management report**

### **Type of operations**

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

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

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

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

The last year in agriculture is characterized by sharp fluctuations in prices in both the raw materials and production markets. Prices of mineral fertilizers have decreased after the experienced multiple price increases in 2022, but still their level doubles the price level of previous years. A similar trend is observed on the grain and rapeseed exchanges – according to the records experienced in the spring and summer of 2022, they have returned to a lower level, however, they are still higher than before the start of hostilities in Ukraine.

A year in grain farming is expected to be average. In many parts of Latvia, after a prolonged period of drought in the spring and summer months, yields, especially for summer crops, are expected to be at a not very high level. Thunderstorms have also devastated fields in certain areas. Therefore, agronomists predict that harvest volumes in Latvia this year will be at a lower level than the average in recent years.

In financial markets, interest rates have experienced record highs over the past decade. This has significantly increased the cost of loans subject to variable interest rates and reduced banks' incentives to provide new loans.

The company in this situation has managed to increase the total amount of loans issued. Against the backdrop of increased commodity prices and limited availability of credit resources, the demand for loans offered by the Company increased. Competitiveness is also increased by the possibility of offering customers a constant fixed rate, which is more profitable when compared to the offer of other market participants.

At the end of the half-year, the total loan portfolio exceeded EUR 16 million, which was 10% more than in 2022. Total interest revenue grew by 16%. The Company's administrative and sales costs increased significantly for 2 reasons: (1) additional emphasis was placed on customer acquisition and marketing activities; (2) A programmer was hired, whose task is to create a modern IT system that will allow to administer loans in a modern way and provide convenient remote services to cooperation partners and customers.

### **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**

In the second half of the year, significant depreciation of the portfolio is planned in the autumn, when seasonal financing contracts will be repaid after grain deliveries. In parallel, funding will be issued for the sowing of winter crops for the new season. Next season, the Company plans a total volume increase of 15%. It is also planned to continue investing in the improvement of the IT system.

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Ģirts Vinters  
Chairman of the Board

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Jānis Kārklīšs  
Member of the Board

Rīga, 28 August 2023

### **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 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 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 2023 and its profit and cash flows for the first half of year 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.

### **Corporate governance statement**

The Corporate governance report of SIA AgroCredit Latvia for the first half of year 2023 has been prepared in accordance with Section 56.2 Paragraph 3 of the Financial Instrument Market Law.

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

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Ģirts Vinters  
Chairman of the  
Board

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Jānis Kārklīšs  
Member of the Board

Riga, 28 August 2023

**SIA „AGROCREDIT LATVIA”**  
**ANNUAL ACCOUNTS FOR SIX MONTHS ENDED 30 JUNE 2023**  
*(TRANSLATION FROM LATVIAN)*

**Statement of comprehensive income for the period of six months ended 30 June 2023**

	Notes	30.06.2023. EUR	30.06.2022. EUR
Interest income	1	873 592	754 794
<i>out of this, income at effective interest rate</i>		873 592	754 794
Interest expense	2	(427 921)	(334 304)
Impairment	3	(50 000)	(50 000)
Administrative expense	4	(161 765)	(138 209)
Other operating expense	5	(67 564)	(64 110)
<b>Profit before corporate income tax</b>		<b>166 342</b>	<b>168 171</b>
Corporative income tax		-	-
<b>Current year's profit</b>		<b>166 342</b>	<b>168 171</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>166 342</b>	<b>168 171</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, 28 August 2023

**SIA „AGROCREDIT LATVIA”**  
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**Statement of financial position as at 30 June 2023**

	Notes	30.06.2023. EUR	31.12.2022. EUR
<b><u>Assets</u></b>			
<b>Long term investments</b>			
Property, plant and equipment		17 623	1 637
Right-of-use assets		66 568	50 640
Loans		4 452 815	3 104 934
<b>Total long-term investments:</b>		<b>4 537 006</b>	<b>3 157 211</b>
<b>Current assets</b>			
Loans		11 888 426	8 181 628
Other debtors		12 426	7 257
Cash and bank		67 104	275 443
<b>Total current assets:</b>		<b>11 967 956</b>	<b>8 464 328</b>
<b><u>Total assets</u></b>		<b><u>16 504 962</u></b>	<b><u>11 621 539</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		831 800	500 860
- current year's profit		166 342	330 940
<b>Total shareholders' funds:</b>		<b>2 498 167</b>	<b>2 331 825</b>
<b>Liabilities:</b>			
<b>Long-term liabilities:</b>			
Borrowings		9 245 000	7 500 000
Lease liabilities		36 519	29 608
<b>Total long-term liabilities:</b>		<b>9 281 519</b>	<b>7 529 608</b>
<b>Short-term liabilities:</b>			
Borrowings		4 327 395	1 733 764
Lease liabilities		19 923	12 872
Trade creditors and other liabilities		377 958	13 470
<b>Total short-term creditors:</b>		<b>4 725 276</b>	<b>1 760 106</b>
<b><u>Total liabilities and shareholders' funds</u></b>		<b><u>16 504 962</u></b>	<b><u>11 621 539</u></b>

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 Ģirts Vinters  
 Chairman of the Board

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 Member of the Board

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 Evija Šverna  
 Accountant

Riga, 28 August 2023

**SIA „AGROCREDIT LATVIA”**  
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**Statement of changes in equity for the period of six months ended 30 June 2023**

	Share capital	Other reserves	Retained earnings	Total
	EUR	EUR	EUR	EUR
<b>As at 31 December 2021</b>	<b>1 500 000</b>	<b>25</b>	<b>600 860</b>	<b>2 100 885</b>
Profit for the ½ year	-	-	168 171	<b>168 171</b>
<b>As at 30 June 2022</b>	<b>1 500 000</b>	<b>25</b>	<b>769 031</b>	<b>2 269 056</b>
Profit for the ½ year	-	-	162 769	<b>162 769</b>
Dividends	-	-	(100 000)	<b>(100 000)</b>
<b>As at 31 December 2022</b>	<b>1 500 000</b>	<b>25</b>	<b>831 800</b>	<b>2 331 825</b>
Profit for the ½ year	-	-	166 342	<b>166 342</b>
<b>As at 30 June 2023</b>	<b>1 500 000</b>	<b>25</b>	<b>998 142</b>	<b>2 498 167</b>

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

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**Statement of cash flows for the period of six months ended 30 June 2023**

	Notes	30.06.2023. EUR	30.06.2022. EUR
<b><u>Cash flow from operating activities</u></b>			
<b>Profit before corporate income tax</b>		<b>166 342</b>	<b>168 171</b>
Depreciation of plant, property and equipment		1 112	651
Depreciation of right-of-use assets		<b>1 494</b>	<b>1 008</b>
Interest and similar income		405 401	314 333
Interest and similar expense		(873 592)	(754 794)
Change in allowance for loan impairment		50 000	50 000
<b>Decrease of cash and cash equivalents from operating activities before changes in assets and liabilities</b>		<b>(249 243)</b>	<b>(220 631)</b>
Increase of loans issued		<b>(5 054 679)</b>	<b>(5 311 951)</b>
(Increase) / decrease in trade and other debtors		5 169	(7 869)
Trade creditors' (decrease)		(4 842)	1 976
<b>Gross cash flow from operating activities</b>		<b>(5 303 595)</b>	<b>(5 538 475)</b>
Interest paid		(42 129)	(52 594)
Interest income		677 466	611 313
<b>Net cash flow from operating activities</b>		<b>(4 668 258)</b>	<b>(4 979 756)</b>
<b><u>Cash flow from investing activities</u></b>			
Acquisition of fixed assets and intangibles		(17 099)	(421)
<b>Net cash flow from investing activities</b>		<b>(17 099)</b>	<b>(421)</b>
<b><u>Cash flow from financing activities</u></b>			
Loans received		6 387 957	6 469 600
Repaid loans and finance lease		(1 902 444)	(1 684 500)
Lease payments for right-of-use assets		(8 495)	(6 500)
<b>Net cash flow from financing activities</b>		<b>4 477 018</b>	<b>4 778 600</b>
<b>Net cash flow of the reporting year</b>		<b>(208 339)</b>	<b>(201 577)</b>
<b>Cash and cash equivalents at the beginning of the reporting year</b>		<b>275 443</b>	<b>221 997</b>
<b>Cash and cash equivalents at the end of reporting year</b>		<b>67 104</b>	<b>20 420</b>

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



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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	Ziedleju iela 6, Mārupe, Mārupe municipality, LV-2167, Latvia
Shareholders	AgroCredit Finance SIA (since 13.08.2019) 100% Reg. No. 42403046209 Ziedleju iela 6, Mārupe, Mārupe municipality, LV-2167, Latvia  AgroCredit Estonia OU (till 13.8.2019) 100% Reg. No. 1000241097 Sirbi 9-2, Tallinn 11713, Estonia
Beneficial owners	Ģirts Vinters and Jānis Kārklīšs, each owning 50% of shares of the Parent Company.
The Board	Ģirts Vinters – Chairman of the Board  Jānis Kārklīšs – Member of the Board
The Council	Rūta Dimanta – Member of the Council  Silva Jeromanova- Maura – Member of the Council  Edmunds Demiters – Member of the Council
Person responsible for accounting	Evija Šverna - accountant

## **Approval of the Financial statements**

### **Financial risk management**

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

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

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

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

The Company's management has determined that the carrying amounts of the Company's financial assets and liabilities carried at amortized cost as at 31 December 2022 and 30 June 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, 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.

**SIA „AGROCREDIT LATVIA”**  
**ANNUAL ACCOUNTS FOR THE SIX MONTHS ENDED 30 JUNE 2023**  
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**Notes to the financial statements** (continued)

**(1) Interest income**

	<b>30.06.2023.</b>	<b>30.06.2022.</b>
	<b>EUR</b>	<b>EUR</b>
Interest income from issued loans	854 763	743 286
Other interest income	18 829	11 508
	<u><b>873 592</b></u>	<u><b>754 794</b></u>

All interest income is recognized at the effective interest rate and includes amortized commissions (2022: EUR 72 118 and 2023: EUR 66 280). All of the Company's revenues are generated in Latvia.

**(2) Interest expense**

LCD bonds' coupon expense	275 400	181 086
Interest on other loans received	75 808	70 727
Interest on loans received – Mintos Marketplace AS	54 193	62 520
Leverage expenditure	-	-
Interest on loans received – Citadele Bank AS	22 520	19 971
Interest on loans received – Luminor LIZINGS SIA	-	-
	<u><b>427 921</b></u>	<u><b>334 304</b></u>

**(3) Impairment**

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

**(4) Administrative expense**

Staff costs	64 321	54 560
Legal services, including debt collection costs	21 021	22 394
IT costs	10 693	7 704
Accounting services and professional fees	20 684	15 387
Social insurance	7 536	7 715
Transportation expenses	15 173	12 871
Office rent	10 534	5 012
Depreciation of right-of-use assets	1 494	1 008
Office expenses	6 039	5 319
Communication expenses	1 280	2 839
Decrease of fixed assets value	1 112	651
Insurance	1 062	980
Bank commission	459	566
Risk duty	13	11
Other administrative expenses	344	1 192
	<u><b>161 765</b></u>	<u><b>138 209</b></u>

**(5) Other operating expenses**

Debt recovery costs	5 241	4 297
Marketing and advertising costs	56 123	56 177
Sales promotion costs	3 134	2 496
Membership fees	725	823
Other operating expenses	4 480	317
Reimbursement of expenses	(2 139)	-
	<u><b>67 564</b></u>	<u><b>64 110</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 2023.

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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

Rīga, 28 August 2023