

SIA “AGROCREDIT LATVIA”
UNAUDITED ANNUAL ACCOUNTS
FOR SIX MONTHS ENDED JUNE 30,2024

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

Translation from Latvian

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ANNUAL ACCOUNTS FOR SIX MONTHS ENDED 30 JUNE 2024
(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. Significant part 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, European Investment Fund and other private investors.

The Company's performance during the reporting year

Last season was challenging for agriculture. Expensive raw materials at the beginning of the season and falling grain prices during the harvest, not very good weather conditions and storm damage, increased borrowing rates – all these factors led to the financial results achieved by farmers last autumn at an unusually low level. With the start of the new season, the need for financial resources was higher than usual, which also led to a significantly higher demand for the Company's services.

On a positive note, with the start of the new season and the procurement of raw materials, their prices had dropped significantly and approached their usual level. The weather was also thankful and winter sowing was generally successful. Cereals also hibernate generally successfully and only selected crops in certain regions were a problem. Spring and summer of this season were also generally suitable for growing cereals, so harvests in the fall are expected at a relatively good level. Grain prices on the stock exchange were volatile, but during the summer period they sometimes reached a high level – accordingly, grain growers had the opportunity to fix generally good prices.

Interest rates remained high in financial markets. It also had an impact on the cost price of the resources raised by the Company. On a positive note, most of the Company's resource is at a fixed rate and was not affected by euribor fluctuations. But the newly available resource has become more expensive and more difficult to access.

In these circumstances, the Company has managed to significantly increase the volume of loans issued and the total revenue. Turnover in the first half of 2024 exceeded 1.2 mEUR, which was 43% more than in the corresponding period last year, while net profit increased by 42% and amounted to more than 136 tEUR. Total assets exceeded 22 mEUR and was 34% more than a year earlier.

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.

Ģirts Vinters
Chairman of the Board

Jānis Kārklīņš
Member of the Board

Rīga, 28 August 2024

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 2024.

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 2024 and its profit and cash flows for the first half of year 2024.

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 2024 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 2024 for publishing on the website of the Stock Exchange: <http://www.nasdaqbaltic.com/> and the website of SIA AgroCredit Latvia <http://www.agrocredit.lv>.

Ģirts Vinters
Chairman of the Board

Jānis Kārklīšs
Member of the Board

Riga, 28 August 2024

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Statement of comprehensive income for the period of six months ended 30 June 2024

	Notes	30.06.2024. EUR	30.06.2023. EUR
Interest income	1	1 251 734	873 592
<i>out of this, income at effective interest rate</i>		<i>1 251 734</i>	<i>873 592</i>
Interest expense	2	(675 149)	(427 921)
Impairment	3	(40 882)	(50 000)
Administrative expense	4	(219 629)	(161 765)
Other operating expense	5	(79 763)	(67 564)
Profit before corporate income tax		236 311	166 342
Corporative income tax		-	-
Current year's profit		236 311	166 342
Other comprehensive income		-	-
Total comprehensive income		236 311	166 342

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

 Ģirts Vinters
 Chairman of the Board

 Jānis Kārkliņš
 Member of the Board

 Evija Suija
 Accountant

Riga, 28 August 2024

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Statement of financial position as at 30 June 2024

	Notes	30.06.2024. EUR	31.12.2023. EUR
<u>Assets</u>			
Long term investments			
Property, plant and equipment		13 226	17 623
Right-of-use assets		66 349	80 929
Loans		5 216 008	5 553 123
Total long-term investments:		5 295 583	5 651 675
Current assets			
Loans		16 815 140	12 642 413
Other debtors		20 457	14 288
Cash and bank		48 483	86 983
Total current assets:		16 884 080	12 743 684
<u>Total assets</u>		<u>22 179 663</u>	<u>18 395 359</u>
<u>Liabilities and shareholder's funds</u>			
Shareholders' funds:			
Share capital		1 500 000	1 500 000
Other reserves		25	25
Retained earnings:			
- prior year's retained earnings		1 115 099	731 800
- current year's profit		236 311	383 299
Total shareholders' funds:		2 851 435	2 615 124
Liabilities:			
Long-term liabilities:			
Borrowings		11 905 000	9 440 000
Lease liabilities		42 614	42 614
Total long-term liabilities:		11 947 614	9 482 614
Short-term liabilities:			
Borrowings		6 862 859	6 230 347
Lease liabilities		16 461	29744
Trade creditors and other liabilities		501 294	37 530
Total short-term creditors:		7 380 614	6 297 621
<u>Total liabilities and shareholders' funds</u>		<u>22 179 663</u>	<u>18 395 359</u>

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 Chairman of the Board

 Jānis Kārklīš
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Riga, 28 August 2024

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Statement of changes in equity for the period of six months ended 30 June 2024

	Share capital	Other reserves	Retained earnings	Total
	EUR	EUR	EUR	EUR
As at 31 December 2022	1 500 000	25	831 800	2 331 825
Profit for the ½ year	-	-	166 342	166 342
As at 30 June 2023	1 500 000	25	998 142	2 498 167
Profit for the ½ year	-	-	216 957	216 957
Dividends	-	-	(100 000)	(100 000)
As at 31 December 2023	1 500 000	25	1 115 099	2 615 124
Profit for the ½ year	-	-	236 311	236 311
As at 30 June 2024	1 500 000	25	1 351 410	2 851 435

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Statement of cash flows for the period of six months ended 30 June 2024

	Notes	30.06.2024. EUR	30.06.2023. EUR
<u>Cash flow from operating activities</u>			
Profit before corporate income tax		236 311	166 342
Depreciation of plant, property and equipment		4 980	1 112
Depreciation of right-of-use assets		1 296	1 494
Interest and similar income		631 522	405 401
Interest and similar expense		(1 251 734)	(873 592)
Change in allowance for loan impairment		40 882	50 000
Decrease of cash and cash equivalents from operating activities before changes in assets and liabilities		(336 743)	(249 243)
Increase of loans issued		(3 835 612)	(5 054 679)
(Increase) / decrease in trade and other debtors		(6 169)	5 169
Trade creditors' (decrease)		28 362	(4 842)
Gross cash flow from operating activities		(4 150 162)	(5 303 595)
Interest paid		(204 534)	(42 129)
Interest income		1 071 153	677 466
Net cash flow from operating activities		(3 283 543)	(4 668 258)
<u>Cash flow from investing activities</u>			
Acquisition of fixed assets and intangibles		(583)	(17 099)
Net cash flow from investing activities		(583)	(17 099)
<u>Cash flow from financing activities</u>			
Loans received		8 045 000	6 387 957
Repaid loans and finance lease		(4 786 091)	(1 902 444)
Lease payments for right-of-use assets		(13 283)	(8 495)
Net cash flow from financing activities		3 245 626	4 477 018
Net cash flow of the reporting year		(38 500)	(208 339)
Cash and cash equivalents at the beginning of the reporting year		86 983	275 443
Cash and cash equivalents at the end of reporting year		48 483	67 104

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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
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 Suija - accountant

Approval of the Financial statements

Financial risk management

Fair value hierarchy of assets and liabilities

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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 2023 and 30 June 2024 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

	30.06.2024.	30.06.2022.
	EUR	EUR
Interest income from issued loans	1 219 094	854 763
Other interest income	32 640	18 829
	<u>1 251 734</u>	<u>873 592</u>

All interest income is recognized at the effective interest rate and includes amortized commissions (2023: EUR 66 280 and 2024: EUR 58 100). All of the Company's revenues are generated in Latvia.

(2) Interest expense

LCD bonds' coupon expense	292 521	275 400
Interest on other loans received	128 479	75 808
Interest on loans received – EIF	168 490	54 193
Leverage expenditure	42 032	-
Interest on loans received – Citadele Bank AS	43 627	22 520
	<u>675 149</u>	<u>427 921</u>

(3) Impairment

Change of impairment allowance for issued loans	40 882	50 000
	<u>40 882</u>	<u>50 000</u>

(4) Administrative expense

Staff costs	108 751	64 321
Legal services, including debt collection costs	14 566	21 021
IT costs	10 429	10 693
Accounting services and professional fees	16 708	20 684
Social insurance	6 858	7 536
Transportation expenses	25 595	15 173
Office rent	10 561	10 534
Depreciation of right-of-use assets	1 296	1 494
Office expenses	16 175	6 039
Communication expenses	1 483	1 280
Decrease of fixed assets value	4 980	1 112
Insurance	1722	1 062
Bank commission	423	459
Risk duty	15	13
Other administrative expenses	67	344
	<u>219 629</u>	<u>161 765</u>

(5) Other operating expenses

Debt recovery costs	35 796	5 241
Marketing and advertising costs	33 256	56 123
Sales promotion costs	5 029	3 134
Membership fees	1 517	725
Other operating expenses	4 231	4 480
Reimbursement of expenses	(66)	(2 139)
	<u>79 763</u>	<u>67 564</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 2024.

Ģirts Vinters
Chairman of the Board

Jānis Kārklīšs
Member of the Board

Evija Suija
Accountant

Rīga, 28 August 2024