



Financial Report as of 30th September, 2020

Holde Agri Invest S.A.

A company quoted on the SMT-AeRO market
of the Bucharest Stock Exchange.



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Disclaimer: The financial figures presented in the descriptive part of the report that are expressed in million lei (RON) are rounded off to the nearest integer and may result in small reconciliation differences.

ISSUER INFORMATION

Information about this financial report

Type of report	Quarterly report as of September 30 th
For financial period	01.01.2020 – 30.09.2020
Legal basis for report	ASF Regulation no. 5/2018, Annex 13
Report publishing date	27.11.2020

Issuer information

Issuer's name	Holde Agri Invest S.A.
Fiscal code	39549730
Trade registry number	J40/9208/2018
Registered office	Splaiul Unirii nr. 16, 1st floor, Room 103, Office 3, Bucharest, Romania

Information about the securities

Subscribed and paid-up share capital	43,069,796 lei
Market on which the securities are traded	MTS AeRO Premium
Key characteristics of the securities issued by the company	43,069,796 shares, of which: 37,242,621 ordinary class "A" shares and 5,827,175 preference class "B" shares
Symbol	HAI

Contact details

Phone number	+40 31 22 533 73
E-mail	investors@holde.eu
Website	www.holde.eu

The interim condensed consolidated financial statements as of September 30th, 2020 presented on the following pages are **unaudited**.

LETTER FROM HOLDE'S CEO

Dear Shareholders,

On the following pages, we are presenting to you Holde's first financial report since we floated the company on the AeRO market on **October 1st, 2020**. Regardless if you joined us at the very beginning of our journey, back in 2017 when Holde was still at a stage of an idea, during our subsequent capital rounds or most recently, following our debut on the **Bucharest Stock Exchange**, I would like to thank you for your trust and for investing in our vision for Romanian agriculture.

2020 was a year full of challenges arising in the context of a global pandemic that, in our case, collided with a particularly **severe drought** that compromised the crops across Central and Eastern Europe, including Romania. Despite this difficult context, Holde's results for the agricultural year 2019/2020 are better than we expected following the onset of the drought and in line with the budget established for the financial year 2020, proving that **investment in modern agriculture can be profitable** even in a challenging year.

We are thus pleased to report that in the first nine months of 2020 Holde Agri Invest S.A. registered **consolidated revenues of 26.2 million lei**, out of which 19.1 million lei from the sale of agricultural products, 5.7 million lei from subsidies and compensations, and 0.95 million lei from equipment redundancies. We closed the nine-month period with **1.7 million lei operating profit** and **1.5 million lei in net profit**.

The results were obtained following the exploitation of a **total area of 7,827 hectares**, spread over our three locations (farms): Rosiori, Frumusani, and Videle. The positive evolution of our results in the first nine months is in large due to our strategy of land diversification, thus validating our business model. Thanks to having farms located in different, yet close, areas, we are able to hedge against unfavorable weather conditions and maximize our results. The performance at nine months also validated our decision from April this year to expand and diversify the areas exploited by acquiring the **Agromixt farm**.

I want to use this opportunity to thank the whole Holde team, which today counts over 80 persons, without whom we would not have been able to deliver such good results. As you will see on the following pages, in the section dedicated to the corporate structure of Holde Agri Invest SA, our activity spans today onto **11 companies**. Majority of these companies were integrated into our structure this year, within a very short time. In January 2020, Bigmed and Capriciu farms were incorporated into our business, followed by Agromixt in April and Videle farm at the end of June.

Typically, this type of **M&A activities**, carried out at such a large scale, especially in the agri-sector, take time and they are not expected to be profitable on a short-term since they require a complete restructuring of the business model. In our case, acquisition of every single farm requires intervention from the central office and includes, amongst others: reorganization of people, machinery, work contracts, investments as it is a massive operational challenge. The fact that we not only successfully integrated new farms, but also managed to generate profit amidst drought and the global pandemic was the result of the correct decisions taken at the management level.

I want to mention that so far, we did not encounter any significant issues in the process of acquiring farms, meaning that our process of building **investment pipeline** is a correct one. The teams "on the ground", working on the farms that join our portfolio have always been happy and excited to work with us. It is an important accomplishment because in our case, the biggest risk upon the takeover is qualified staff leaving the company. We are glad this has not been the case for Holde.

Coming back to our performance in the first nine months of 2020, I would like to underline that the results obtained so far this year are also a direct consequence of the **investments made** in the last year in the modernization of the technological fleet, of the storage capacities and the qualification



of the employed personnel. We plan to continue to deploy capital onto these strategic vectors as we consider they will continue to be the key drivers of our profitability.

In the first nine months of 2020, Holde carried out an **investment program of 43.9 million lei**, capital that was raised during two subsequent private investments totaling 22 million lei carried out in December 2019 and respectively June 2020, supplemented with bank loans and financial leasing contracts. The investment program included:

- Acquisition of Agromixt farm – 31.92 million lei
- Acquisition of Agrocom farm (advance) – 2.88 million lei
- Investment in AgroCity Technologies SRL – 0.27 million lei
- Acquisitions of land – 1.97 million lei
- Acquisitions of technological equipment (machines, equipment) – 6.10 million lei
- Acquisitions of means of transport – 0.40 million lei
- Arrangements for silo storage and other capacities – 0.36 million lei

We would like to reaffirm our commitment to continue the extensive development of the business model through the **acquisition of new farms** or agricultural areas, **increasing storage capacity** as well as the implementation of **irrigation projects**. In this context, we are happy to announce that we are currently preparing to start, in 2021, a pilot investment for irrigation. In the first phase, we will begin with a plot of 100 hectares.

We are also carrying out discussions to expand our storage facility since in the first nine months of this year, having a 10,000 tones storage capacity helped us boost our results. The silo allowed us to **maximize the return on the crops**, by bringing, on average between 5-10% higher return on our inputs than if we sold them upon harvesting. As an example, in spring 2020, a ton of sunflower sold at 1,350 lei yet by waiting for two months after harvest, we have managed to sell it at close to 1,700 lei per ton, thus delivering a 26% higher return to our investors.

In terms of land expansion, we are currently in the process of negotiating the acquisition of new farms, ranging in size from 400ha up to 6,000ha. All the farms that are currently in our pipeline are **“bolt-on” acquisitions**, meaning farms located within 200km radius from Bucharest that will complement the current model of our business. We plan to finance these new transactions the same structure as it was in the case of Agromixt deal, namely with a mix of equity and debt.

Consequently, we are planning to carry out a **capital increase** to access fresh capital that will help us financing these new acquisitions. Since Holde is now a listed entity, the process of raising capital will be a bit more complex and lasting longer than it was the case for our previous private placement. The detailed timeline of this operation will be put forward to the shareholders subject to the vote at the nearest General Meeting of the Shareholders.

In terms of financing, we are currently in discussions with our banks to restructure our financing model. More specifically, we are working on an **inter-creditor agreement** that will consolidate all the guarantees provided by Holde across different companies from our holding. This financing structure will allow us to access bank financing faster and on better terms, significantly improving the speed of execution of new investments.

To recap, we close nine months of 2020 with satisfying results, achieved in truly complex and challenging conditions. We are still **expecting increases to both revenues as well as profit by yearend** as we expect to end of the year in line with the revenue and expense budget that was approved by our shareholders at the beginning of this year. We remain committed to deploying further capital into the Romanian agriculture sector to grow our farming capacity as well as the scale of our business.

Once again, I would like to thank you all on behalf of the Holde Agri Invest team for your trust and for becoming part of our story. Should you have any questions related to this financial report, do not hesitate to contact us at investors@holde.eu – we will be happy to address all your questions!

ABOUT HOLDE AGRI INVEST

Brief history

The idea of Holde Agri Invest project was conceived in 2016, by four Romanian entrepreneurs, Liviu Zagan, Robert Maxim, Matei Georgescu and Alexandru Covrig. In 2017, the founders joined forces with the team of the local asset management company, Certinvest, and in 2018, they formally established Holde Agri Invest SA. Soon, the company attracted an external investment from Vertical Seven Group founded by entrepreneurs Iulian Circiumaru and Andrei Cretu.

In July 2018, the company made its first acquisition, a farm of approximately 2,800 hectares in Rosiori de Vede area of Teleorman county, and it took over five companies and the existing mechanization center that serves the total cultivated area. In April 2020, Holde Agri Invest acquired Agromixt Buciumeni, a company founded in 1991 with Romanian capital, which exploits agricultural land in Calarasi county, reaching over 7,000 hectares of operated land. In the course of 2020, Holde Agri Invest continued to expand, and it currently operates 9,250 hectares of land out of which 7.827 hectares were harvested between 2019/2020, contributing to the 2020 financial result.

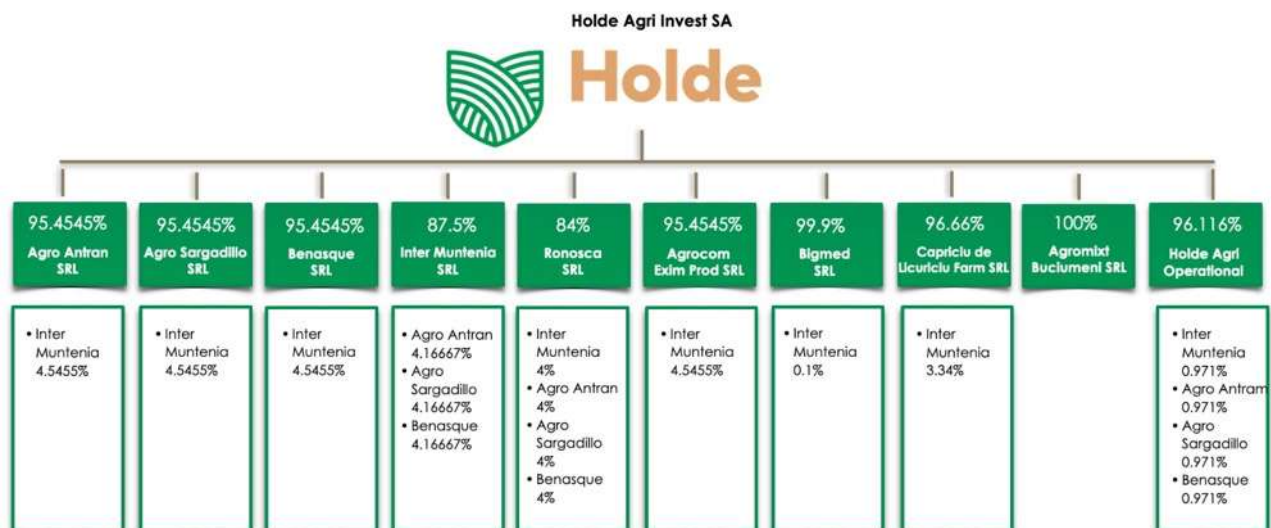
On October 1st, 2020, class A shares of Holde Agri Invest debuted on the AeRO market of the Bucharest Stock Exchange, after two successful private placements – the first one that took place in December 2019, and the second one from June 2020.

Business structure

On September 30th, 2020, Holde Agri Invest, the holding company, included ten entities comprising of nine technical crops farms located in Teleorman county (Rosiorii de Vede region - Agro Antran, Agro Sargadillo, Benasque, Bigmed, Capriciu, Inter Muntenia, Ronosca, and Videle - Agrocom) and Călărași (Buciumeni region - Agromixt) and one entity providing operational services, Holde Agri Operational. The mother company, Holde Agri Invest SA, acted as the shared services center, covering also administrative and governance aspects. As of September 30th, 2020, Holde and its subsidiaries had a total of 85 employees.

As of September 30th, 2020, Holde operated, at the consolidated level, a total area of 9.250 ha, out of which 538ha owned and 8,712ha leased. In the first nine months of 2020, farms from Holde's portfolio cultivated conventional wheat, rapeseed, sunflower, corn, dried peas, soybeans, as well as organic wheat, sunflower, and dried peas. Apart from land, Holde also boasts a storage capacity of 10,000 tones in the Calinesti silo, complemented by the "silo bag" technology that can be used in any of Holde farms.

Holde Agri Invest S.A. also holds a minority stake of 10% in an agrotech start-up AgroCity Technologies SRL, which is not included in the consolidated results.



Sector of activity

The Romanian agricultural cycle is divided into two main seasons:

- **Spring campaign:** when seeding for corn, sunflower, spring peas, soybeans taking place in March-April, harvesting in September-October and sales of inputs in the following months.
- **Autumn campaign:** with seeding for wheat, rapeseed and barley between August and October, harvesting the following year in July and sales of inputs in the following months.

The cycle indicates that most of the revenue from the sale of crops takes place in the second half of the year, both for the spring and autumn seasons, unless the company decides to store the inputs in the silos to sell them later. Consequently, most agricultural companies in the first half of the year (H1) generate mainly costs, and the second half of the year (H2), generate the revenue, along with the increase of the expenses because of seeding and preparing the agricultural campaign for next year.

The current strategy of Holde is to maintain part of all the inputs following the harvest and sell them opportunistically, when the price is higher, once the demand increases and the supply decreases. Through the first nine months of 2020, this strategy has brought significant returns to the company. In this context, one of the strategic development directions for Holde in the future will be increasing the storage capacity.

KEY EVENTS

Events in the first nine months of 2020

In **April 2020**, changes were made to the Board of Holde as Leonard Leca and Iulian Circiumaru have joined the Board, with the latter taking over the position of the President of the Board at Holde. Consequently, the Board of Holde Agri Invest counted six members: Iulian Circiumaru, Alex Covrig, Leonard Leca, Cosmin Mizof, Eugen Voicu and Liviu Zagan.

On **April 23rd, 2020**, Holde announced that signed an agreement to acquire 100% stake in Agromixt Buciumeni, a Romanian agribusiness company established in 1991. Being a mature and profitable company, Agromixt brought a new nucleus to Holde, namely the Frumusani farm. The farm distinguishes itself with a compact size and high-quality soil. Additionally, rapeseed and soybean that were cultivated on the Agromixt farm each year complemented Holde's crops portfolio. The acquisition was financed partially with capital raised during the private placement for Holde shares that took place in December 2019, and partly with debt financing.

On **June 15th, 2020**, Holde announced that it successfully closed a private placement offer for its shares, having raised 12 million lei from Bucharest Stock Exchange investors. The second private placement was structured in two stages. In the first stage, shares worth approximately 2 million lei were sold to existing shareholders. In the second stage, the company has placed 9,102,322 new ordinary shares, which were sold for 1.1135 lei per share. The offer started on June 11th and closed on June 12th and attracted significant interest from local investors as the subscription rate for the offer reached 120%. A total of 80 new investors participated in the placement.

On **June 29th, 2020** the surface of operated land by Holde formally expanded with 800 ha as a result of the acquisition of Agrocom Exim Prod SRL. The results at nine months include the performance of the sunflower and corn crops that were cultivated on this land since Holde started working the land already since the beginning of this year. Currently, Holde is finalizing the second and final stage of formal acquisition of the Videle farm which will increase the land operated by Holde by another 1,425 ha, reaching a total of 9,250 ha of land. The transaction is expected to close in December this year or January 2021. Nonetheless, in line with the agreement with the seller, Holde has already been working the land since the beginning of the 2020 autumn campaign.

On **August 6th, 2020**, Holde announced a strategic partnership with a local agro-tech start-up, AgroCity Technologies SRL. AgroCity develops software that helps farmers manage activities efficiently on a farm with the help of technology, contributing to increased control, productivity, and overall profitability. AgroCity solution digitalizes all the farm operations, including production, data prediction and analysis, as well as management of leased land. The software provides a detailed analysis of how expenses and incomes are distributed on a farm as well as it improves workflows. The collaboration between the two companies entails Holde investing in the start-up, as well as becoming the first customer to use AgroCity's solution. Following the investment, Holde has a minority, 10% stake in the start-up.

At the end of **Q3 2020**, Holde expanded its management team with three new senior directors: investment director who will oversee all the investments of the group (in storage, irrigation, compost facilities, agricultural machinery etc.), information manager to support the operations of the finance department, as well as the commercial director who will handle the procurement as well as sales activity of Holde at consolidated level. The three new managers have altogether 20+ years of experience in their respective fields and will help further professionalize Holde's operations. The new directors joined the shared services team.

Events after closing the reporting period

On **October 1st, 2020**, Holde's shares debuted on the AeRO market of the Bucharest Stock Exchange. During its first day, the value of trades with HAI shares reached 2.4 million lei. Since the debut until the date of publishing this report, investors have carried out 2,437 trades with 3.7 million HAI shares, in the total value of over 5 million lei.

Throughout **Q4 2020**, Holde managed to further capitalize on the harvests related to the agricultural year 2019-2020, both conventional crops and organic crops, at prices with a positive deviation of 5-9% from the budget.

Expectations for the remaining of the year

The specifics of the business model of Holde offer the possibility that at the time of reporting the financial results of Q3 to be known the results of harvesting campaigns related to the financial year, which offers increased visibility to operating income to be obtained during the financial year. Consequently, the management of Holde Agri Invest can offer, in the conditions of all the information at its disposal, a relevant projection regarding the unaudited financial results to be recorded as of 31.12.2020.

Given the above, the forecast for unaudited financial results as of 31.12.2020 is as follows:

Operating revenue	40 – 45 million lei
Recurring operating result	4 – 6 million lei
Recurring operating margin	10% – 13.5%
Recurring operating result / ha	515 – 750 lei / ha

ANALYSIS OF THE FINANCIAL RESULTS

In the first nine months of 2020 Holde Agri Invest S.A. registered consolidated revenues from the main activity of 26.2 million lei, out of which 19.1 million lei from the sale of agricultural products, 5.7 million lei from subsidies and compensations, and 0.95 million lei from equipment redundancies. The results were obtained following the exploitation of a total area of 7.827 hectares, spread over locations: Rosiori, Frumușani, and Videle. 2.320 of hectares of the land were cultivated in that period organically.

The agricultural year 2019/2020 generated total harvests of 24,003 tons, out of which 3,400 tons of organic crops (sunflower, wheat, corn, peas) and the rest of conventional crops (rapeseed, wheat, corn, sunflower, peas, soybeans). Compared to the agricultural year 2018-2019, the yields obtained increased by 68% (like-for-like comparison for existing area in both periods, but particular crop mix for each agricultural year).

The estimated value of the obtained crops is 2.9% lower than the budgetary forecasts (-13% of the harvested quantities and +11.6% of the capitalization of the crops), registering positive deviations to the crops of conventional rapeseed and organic peas and, negative deviations for conventional wheat and corn. As of September 30th, 2020, revenues related to sales through spot and forward contracts were registered for 74% of the harvest of the agricultural year 2019-2020 (mainly conventional products), with the rest being stored in the company's silos.

The company recorded other material operating income from APIA subsidy receipts related to the agricultural year 2017-2018 (2.76 million lei) and from drought compensation and insurance (1.96 million lei) to cover damages caused by meteorological factors. Also, revenues were recorded from the sale of equipment (0.95 million lei) resulting from technical fleet optimization. No income related to subsidies for the agricultural year 2019-2020 was registered as of September 30th, 2020.

The main categories of operational expenses were those related to the inputs necessary to form the crops of the agricultural year already capitalized - seeds, diesel, fertilizers, treatments (15.6 million lei), rental expenses related to the areas exploited in this regime (5.26 million lei) and personnel costs (3.60 million lei). The commercial margin registered at nine months of 2020 pertaining to the harvests of the agricultural year 2019-2020 (calculated as the average of the obtained crops) was approximately 7.3 million lei, respectively 40%.

The assets depreciation and amortization expenses of 1.51 million lei were related to the technical fleet and the storage capacities held. The main elements included in other operating expenses (5.20 million lei) are the costs of maintenance of the fleet (1.7 million lei), the shared services center (1.8 million lei) and the costs of legal advice (0.7 million lei).

The total operating result, after including the non-recurring income elements, at nine months was 1.65 million lei, resulting in 211 lei/ha, in line with the budget for the current year. The financial result of -0.12 million lei includes interest expenses related to bank loans contracted for the acquisition of farms and land and financial leasing contracts (total value of 0.65 million lei) and discounts obtained from suppliers of crop inputs (0.50 million lei). The net result of 1.49 million lei, i.e., 191 lei/ha, is above the forecasts from the 2020 budget and represents a significant improvement compared to the loss of 4.50 million lei recorded for the full year 2019.

Analyzing the balance sheet structure, the stocks held by the Company represent mainly the crops of the agricultural year not yet sold as well as crops which will be used as inputs for the agricultural year 2020/2021. Trade receivables mainly refer to VAT receivable (pending claims or balances to be reimbursed) and advances for machinery or equipment, without receivables from customers. Short-term debts to suppliers refer to the inputs related to the agricultural years 2019/2020 and 2020/2021, due in September/October 2020 for the agricultural year 2019-2020, respectively in July/October 2021 for the following agricultural year. Other short-term debts include payment amounting to 1.53 million lei for the transaction for the acquisition of farms in the Rosiori location, staggered according to the contract.

The company records accumulated interest-bearing liabilities of 34.53 million lei in bank loans and financial leases, 7.80 million lei in APIA discounts. Considering the cash and cash equivalents position

of 2.92 million lei, the resulting net debt equals 39.41 million lei. The capital structure of the Company registers an indicator of current liquidity (Current assets/Current liabilities) of 0.90 and a degree of indebtedness (Borrowed capital/Committed capital) of 47.2%.

CONSOLIDATED FINANCIAL STATEMENTS

Please note that exceptionally, Holde will not provide in this financial report the financial data from the same period of last year nor the comparison of the year-on-year evolution.

Consolidated Profit & Loss Account Indicators ('000 lei)	30/09/2020
Operating Revenue. out of which:	26,256.1
Sales of own products	19,121.1
Sales of 3rd party products	158.0
Revenue from disposals	954.0
Revenue from inventory variation	235.4
Other operating revenue	5,787.7
<i>Crop subsidies</i>	0.0
<i>Other subsidies</i>	432.9
<i>Proceeds from insurance policies</i>	1,964.0
<i>Other non-recurring revenue</i>	3,390.8
Operating Expenses. out of which:	24,604.8
Material Expenses. out of which:	9,034.0
<i>Costs of Raw Materials</i>	7,720.7
<i>Costs of 3rd party products</i>	136.1
<i>Other material-related expenses</i>	1,177.2
Rent paid to owners	5,263.3
Personnel Expenses	3,589.4
Depreciation and amortization	1,510.7
Other operating expenses	5,207.5
Operating Result	1,651.3
Financial Income	627.1
Financial Expenses. of which:	749.6
<i>Long-term loan interest</i>	539.6
<i>Short-term loan interest</i>	107.0
<i>Other financial expenses</i>	103.0
Financial Result	122.5
Total Revenues	26,883.2
Total Expenses	25,354.4
Gross Result	1,528.8
Income tax	41.0
Net Result	1,487.9

CONSOLIDATED BALANCE SHEET

Consolidated Balance Sheet ('000 lei)	30/09/2020
Fixed Assets, out of which:	38,189.1
Intangible assets	14.3
Tangible assets	37,236.4
Financial assets	336.3
Assets under investment	602.1
Current Assets, out of which:	27,870.3
Inventories	15,043.4
<i>Materials and consumables</i>	5,150.5
<i>Small Inventory</i>	1.0
<i>Finished Goods – own production</i>	7,111.5
<i>Finished Goods – 3rd party production</i>	426.1
<i>Packaging materials</i>	93.7
<i>Work in progress</i>	2,087.5
<i>Pre-paid trade goods</i>	173.2
Receivables	9,907.1
<i>Trade Receivables</i>	3,905.8
<i>Other receivables</i>	6,001.3
Cost of investments	43,232.8
Short-term investments	1.2
Cash and cash equivalents	2,918.6
Pre-paid expenses	737.4
Total Assets	110,029.7
Current liabilities, out of which:	31,063.7
Payables to suppliers	10,662.4
Payables to affiliates	500.3
Debt payable <1 year	6,705.1
Debt granted with APIA receivables	7,860.7
Financial leasing due <1 year	2,051.6
Other short-term debt, interest free	3,283.5
Non-current liabilities, out of which:	25,772.9
Bank loans >1 year	19,622.9
Financial leasing >1 year	6,149.9
Income in Advance	188.5
Total Liabilities	56,836.5
Equity, out of which	53,004.7
Subscribed and paid-up capital: common shares	37,242.6
Subscribed and paid-up capital: preferred shares	5,827.2
<i>Share premium</i>	2,242.9
Legal reserves	693.4
Other reserves	2,646.7
Retained earnings	2,864.1
Profit/(loss) for the financial year	1,487.9
Total equity and debt	110,029.7

DECLARATION OF THE MANAGEMENT

Bucharest, November 27th, 2020

We confirm to the best of our knowledge that the unaudited interim condensed consolidated financial statements for the nine months period ended 30 September 2020 give a true and fair view of Holde Agri Invest S.A. assets, liabilities, financial position and profit and loss, as required by the applicable accounting standards, and that the Directors' Report gives a true and fair view of important events that have occurred during the first nine months of the 2020 financial year and their impact on the interim condensed consolidated financial statements.

Eugen Gheorghe Voicu

Legal Representative of Holde Agri Management SRL

Sole Administrator of Holde Agri Invest S.A.