



# Financial Report as of June 30<sup>th</sup>, 2022

## **Holde Agri Invest S.A.**

Company listed on the SMT-AeRO market  
of the Bucharest Stock Exchange.



**Holde**

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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	Half-year report as of June 30 <sup>th</sup> , 2022
For financial period	01.01.2022 – 30.06.2022
Legal basis for report	Annex 14 to ASF Regulation 5/2018
Report publishing date	09.09.2022

## Issuer information

Issuer's name	Holde Agri Invest S.A.
Fiscal code	39549730
Trade registry number	J40/9208/2018
Registered office	1 Intrarea Nestorei, Building B, 10 <sup>th</sup> Floor, District 4, Bucharest, Romania

## Information about financial instruments

Subscribed and paid-up share capital	72,078,520 RON
Market on which the securities are traded	MTS AeRO Premium
Key characteristics of the securities issued by the company	72,078,520 shares, of which: 66,251,345 ordinary "A" class shares and 5,827,175 preference class "B" shares
Symbol	HAI

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The interim financial statements as of June 30<sup>th</sup>, 2022, presented on the following pages, are **not audited**.

# LETTER FROM HOLDE CEO

Dear shareholders,

Since the establishment of Holde, four years ago, we have rapidly passed through various successive stages of development, many of which have taken place this year. Thus, now we can say that, starting with 2022, Holde is a solid company, which has the necessary resources to overcome the obstacles which are specific to the field in which we operate, as well as to implement the most difficult projects. As for the challenges, they will continue to exist, but what is important is that we have a team which has all the necessary skills to handle them.

In 2022, drought was once again one of the main challenges for local agriculture, with some of Holde's lands being affected by it. However, our strategy, which is based on a structure of farms divided over several geographical areas, proved its benefits, and tipped the balance in our favor, because the drought was not present in all regions of the country.

Therefore, following the exploitation of a total area of 12,300 ha, out of which 2,005 ha in ecological regime, the autumn crops - wheat and rapeseed recorded a satisfactory production - 28,752 tons, an increase of 54% compared to the same period last year, out of which 1,453 tons represented the production of organic crops. Combined with market prices, total income from these crops was slightly above expectations. On the other hand, the sunflower and especially corn crops have suffered due to the drought and there is a possibility that they will not be as satisfactory. Compared to the yields per hectare obtained in the previous agricultural year, the Roșiori, Frumușani and Videle cores obtained marginally lower results, while the Conțești nucleus, operated for the first time this year, delivered productions above expectations. However, on a general level, we are confident that we will achieve the targeted net profit for this year, of 8.8 million RON, regardless of the challenges we face.

In addition to operational activity, in the first half of the year we continued to expand our cultivated areas and invest in the modernization of farms. In the first half of the year, we operated a total area of approximately 12,000 ha within the four Holde cores - Roșiori, Videle, Frumușani and Conțești. At the moment of drafting this report we are in the process of acquiring a new farm, which will increase the total area operated up to 13,500 ha. We are also negotiating to purchase a new Holde core, which will be the fifth one.

In terms of investments, this year we continued the purchase of state-of-the-art equipment, we completed the expansion of the irrigation system at the Frumușani farm, from 125 to 275 ha, as well as the increase of the storage capacity at Călinești, from 10,000 to 15,000 tons. In August, we started working on our second silo of 10,000 tons in the Frumușani farm. In addition, we are also active around sustainability, organic cultivation being one of our differentiators. Within the Roșiori farm, an important area of it, approximately 2,000 hectares, is ecologically certified, and the obtained harvest is almost entirely exported to Western Europe.

In the first half of 2022, we organically grew canola, wheat, pea, and sunflower, all of which performed almost in line with the expected level, except for the pea crop which did not perform optimally this year. However, a pleasant surprise is the ecological sunflower harvest, which is at the highest level so far, with an average of 1.3 tons/ha.

In terms of sustainability, this year we started partnerships with animal farms, to collect and compost manure. One of these partnerships is the one with Toneli Holding, announced at the end of June, which aims to ensure a circular agriculture that includes both grain production and



poultry farms for eggs. Under this partnership, Holde Agri Invest will supply grain to Toneli Holding, while the consumer egg producer will supply manure, which we will then use for crops on our farms. For this year we expect to use approximately 15K tones of manure, on an area of approximately 2,000 ha. Our main objective in this direction is that through the application of amendments and the addition of organic matter, we will increase the fertility of the soil in the following years.

Regarding the activity in the agri-tech area, this year, the Agrocit solution continued to support us in managing our operations in optimal conditions, especially due to new functionalities that brought more precision in the conduct of activities. Modules have also been developed for the production chain as well as the timing of the fertilization plan.

At the level of the other agri-tech company in which we are partners, Enten Systems, in 2022 we started to develop solutions for large crops as well, and we are in the process of placing specific equipment also on plots of Holde farms. This month, we signed a loan agreement with this company, worth 250,000 euros. The borrowed capital will be used by Enten for the production and development of the weather stations and to support the performance in optimal conditions of its current activity and business.

Agriculture is a field where investments are constantly needed to be able to achieve productions in generous and healthy volumes. Therefore, in the first half of the year we also worked intensively on the preparation of a new round of share capital increase. The operation was carried out in two stages, between June and August and, as a result, approximately 21 million RON were attracted from investors, whom we thank for the trust that they have put in our business expansion plans. We want to assure them in this manner that we will make the most of the raised funds, which will be handled by a motivated team with top experience in every aspect of the management activity.

Approximately 65% of the raised funds will be directed towards the expansion of cultivated areas, through the purchase of farms in the counties where we are already present, but also in other neighboring counties, or even in other regions of the country. The remaining 35% will be used for investments in the modernization of existing farms, to significantly increase the profitability of the company. The modernization of our farms includes investments in modern agricultural machinery, storage spaces and irrigation, which can maximize production, but also in agri-tech projects with which we can have very good synergies. For the purchase of land, we intend to combine bank loans with the funds raised from the share capital increase.

Regarding the bank loans, we expect that by the end of the year we will benefit from a syndicated financing of approximately 164 million RON, which will also contribute to the development of Holde and give us flexibility in the development of investment projects and more.

At the same time, we are still targeting the transfer of Holde to the Main Market of the Bucharest Stock Exchange, which represents a natural step in our evolution. During this period, we are in full process of preparing the company for this transfer in 2023.

In the end of this letter, we assure you that we will continue to keep you informed regarding the company's progress and development plans, and we invite you to read the following pages of this report. On behalf of Holde Agri Invest, I would like to thank you for your trust and for being with us in this development process. If you have any questions about this financial report, please contact us at [investors@holde.eu](mailto:investors@holde.eu) and we will answer you with pleasure.

**Liviu Zăgan**

# ABOUT HOLDE AGRI INVEST

## 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 during summer 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 only costs, while in the second half of the year (H2), generate revenue, along with the increase in expenses because of seeding and preparing the agricultural campaign for next year.

## 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 the entrepreneurs Iulian Circiumaru and Andrei Cretu.

In July 2018, the company made its first acquisition, a farm of approximately 2,800 hectares in Rosiorii 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. Next, the company acquired Agrocom Exim Prod SRL and took over what is known as the Videle farm, the third nucleus of Holde Agri Invest. The integration of Videle farm took place in several steps. In 2019, Holde started to farm 850 ha of the land, in 2020 the land farmed by the Company increased to 1.600 ha, and as of summer 2021, Holde farms the total surface of 2.400 ha. In 2021, on Videle land were farmed conventional crops such as wheat, rapeseed, corn, and sunflower.

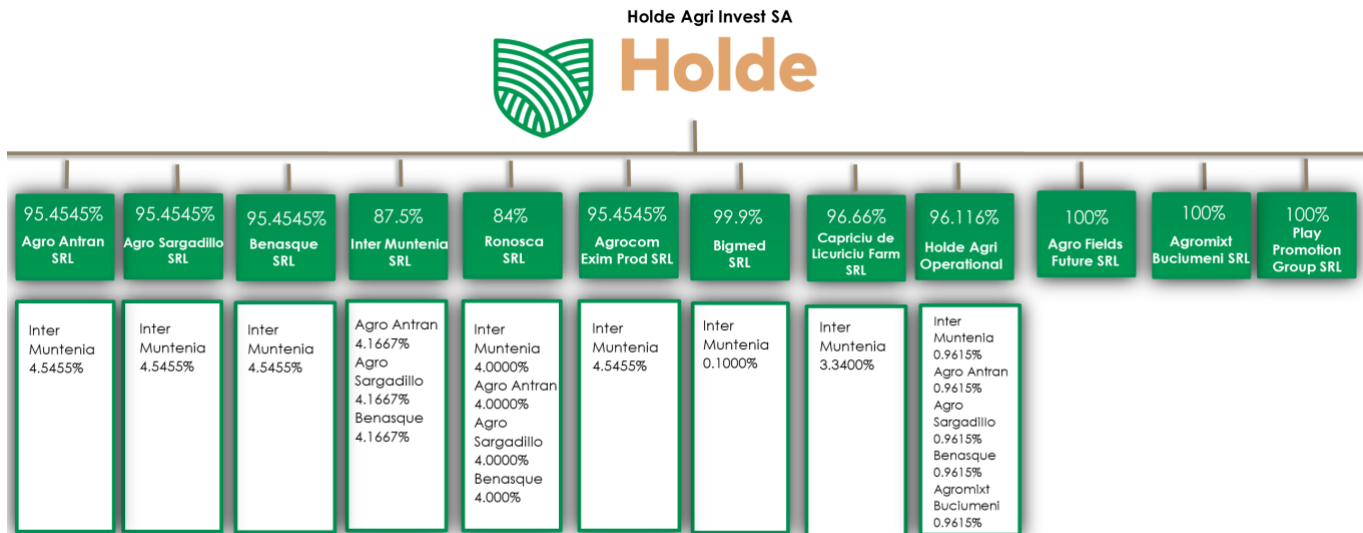
On October 1<sup>st</sup>, 2020, class A shares of Holde Agri Invest debuted on the AeRO market of the Bucharest Stock Exchange, after two successful private placements –in December 2019, and June 2020. Following the completion of a share capital increase operation in 2021, Holde Agri Invest closed a new share capital increase operation in August 2022, which will contribute to Holde's further development.

## Business structure

As of June 30<sup>th</sup>, 2022, Holde Agri Invest, the holding company, included 14 entities – ten technical crops farms located in Teleorman county (Rosiori nucleus - Agro Antran, Agro Sargadillo, Benasque, Bigmed, Capriciu, Inter Muntenia, Ronosca, Interprest Agrotex and Videle nucleus - Agrocom), in Calarasi county (Frumusani – Agromixt și Agro Fields Future) and in Dambovita county – Play Promotion Group and one entity providing operational services, Holde Agri Operational. The mother company, Holde Agri Invest SA, acts as the shared services center, covering also administrative and governance aspects. As of June 30<sup>th</sup>, 2022, Holde and its subsidiaries had a total of 125 employees.

As of June 30<sup>th</sup>, 2022, Holde operated a total area of approximately 12,300 hectares, out of which 700 ha owned and 11,600 ha leased. In the first months of 2022, the farms from Holde's portfolio cultivated conventional wheat, rapeseed, sunflower, corn, soybeans, as well as organic wheat, sunflower, and peas. Apart from land, Holde also boasts a storage capacity of 10,000 tonnes in the Calinesti silo, complemented by the "silo bag" technology that can be used in any of Holde's farms.

Holde Agri Invest S.A. also holds a minority stake in the agrotech start-ups: AgroCity și Enten Systems. These are not included in the consolidated results.



# KEY EVENTS IN H1 AND AFTER CLOSING OF THE REPORTING PERIOD

On **January 10<sup>th</sup>, 2022**, informed the market about the closing of a transaction for the acquisition of a new farm of approximately 440 ha, which will increase the surface that the Company operates to a total of approximately 12,040 ha. The total value of the transaction for the farm located in Teleorman county is of approximately EUR 278,000. For the agricultural year 2021-2022, the Company plans to produce several crops in the new farm, such as wheat (86 ha), corn (118 ha) and sunflower (236 ha).

On **January 10<sup>th</sup>, 2022**, informed the market about entering an agreement with BRK Financial Group ("BRK") for the provision of market making services, starting with January 11<sup>th</sup>, 2022.

On **March 7<sup>th</sup>, 2022**, the sole director of the company approved the increase of the Company's share capital by issuing up to 32,034,898 new nominative, dematerialized, Class A shares, with a nominal value of RON 1 per share and a total nominal value of RON 32,034,898. The purpose of the capital increase was to finance the Company's development plans, such as the extension by acquiring new farms, the implementation of the current investment plan and the financing of an agrotech start-up.

On **April 11<sup>th</sup>, 2022**, the Company announced the completion of the acquisition of Contesti farm, with a total area of 2,100 ha, becoming the fourth nucleus farm of Holde, after Rosiori, Videle, and Frumusani. The value of the transaction was RON 10,250,000, of which Holde effectively pay RON 250,000. The remaining 10,000,000 lei represent liabilities that Holde will take over, the objective being that they will be significantly reduced in the next four years, based on a turnaround program planned by the group.

On **April 27<sup>th</sup>, 2022**, the OGMS and EGMS of the Company took place, at which there were approved, among other items, the individual and consolidated financial statements for 2021, the Income and Expenditures budget for 2022, the implementation of a share buy-back program for class B shares (to be carried out from own sources or through the conversion of certain liquid and exigible receivables resulting from the sale-purchase agreements concluded between the Company and the holders of class B shares), the issuance of non-convertible corporate bonds with a total value of EUR 5 million, the granting of free shares and others. The resolutions of the OGMS and EGMS are available [HERE](#).

On **June 8<sup>th</sup>, 2022**, the Romanian Financial Supervising Authority approved the Prospectus for the share capital increase operation with cash contributions. The share capital increase operation took place between June and August 2022 and was organized in two stages. In stage 1, carried out between **June 24, 2022, and July 24, 2022**, the investors subscribed for the newly issued shares based on HAIRO3 preference rights. In stage 1, investors subscribed a total of 10,288,970 shares out of the 32,034,898 available class A shares, representing 32% of the total issue. The shares with a nominal value of RON 1 were offered at a price of RON 1.65 / share, with the company raising RON 17 million.

On **August 10<sup>th</sup>, 2022**, the stage 2 of the share capital increase operation was closed. During this stage, 13,247,779 new shares, which were not subscribed during the first phase of the share capital increase, were issued following the conversion of receivables in the total amount of RON 21,858,847, out of which RON 20,406,300 represents conversion of certain, liquid and due receivables resulting from the sale-purchase agreements concluded between the Company and the holders of Class B shares within the buy-back programme approved by EGMS Resolution dated April 27<sup>th</sup>, 2022, and RON 1,452,547 represents the certain, liquid and due receivable held by the Sole Director against the Company. The fractions of shares which resulted following the above conversion, representing the equivalent of RON 11.65, were rounded down. After



establishing the total number of shares necessary for the conversion of receivables described above, an additional 8,498,141 class A shares that remained unsubscribed during stage 1 were offered to investors during the private placement, the investors subscribing a number of 2,362,320 shares, the Company thus raising RON 3,897,828 during this stage.

### **Significant contracts**

Year to date, Holde Agri Invest has reported multiple significant contracts, both for sales of agricultural inputs, as well as purchases, loans, and investments. All these contracts were reported in accordance with capital markets rules in force and they can be consulted by investors at the following links:

- [Current report 12/2022](#)
- [Current report 18/2022](#)
- [Current report 20/2022](#)
- [Current report 24/2022](#)
- [Current report 27/2022](#)
- [Current report 28/2022](#)
- [Current report 30/2022](#)
- [Current report 33/2022](#)
- [Current report 37/2022](#)
- [Current report 38/2022](#)
- [Current report 41/2022](#)
- [Current report 45/2022](#)
- [Current report 46/2022](#)
- [Current report 47/2022](#)

# ANALYSIS OF THE FINANCIAL RESULTS

During the first six months of the 2022 financial year, Holde Agri Invest S.A. recorded the following consolidated unaudited preliminary results:

- Operated land: 12,300 hectares
- Production: 28,752 tons
- Revenues: 38.2 million RON
- Net loss: 9.2 million RON \*
- CAPEX: 19.8 million RON
- Acquisitions: 0.3 million RON

Note: The calculation of the EBITDA and EBIT indicators is provided by the Company's management and is performed according to the known calculation formulas, including in the operating costs the interest related to the financing of the working capital.

*\*the management team considers that the seasonality of the Company's business model makes inapplicable the calculations of the financial performance indicators of the activity as of 30.06.2022.*

For the first half of 2022, Holde group obtained consolidated revenues of 38.2 million RON (2021: 14.9 million RON) from the main activity, out of which 3.6 million RON from the sale of agricultural production related to the current year, 1 million RON from the capitalization of inventories of agricultural products from the 2021 harvest (2021: 3.2 million RON, +45%), and 24.1 million RON representing ongoing production related to the 2021-22 agricultural year (2021: 9.5 million RON, +154%).

Total operating revenues include 6.3 million RON from subsidies for agricultural crops (2021: 0.7 million RON, +865%) due to the change in the accounting policy for recording these revenues, as well as 1 million RON from disposals of fixed assets (2021: 1.2 million RON, -12%), downward evolution as a result of the continuous process of renewal of the operated equipment park. The increase of 157% in consolidated revenues compared to the first semester of the previous year was mainly determined by the increase of the area under exploitation, the increase in quotations of agricultural products on international markets, the change in the policy of recording subsidy revenues, as well as the generalized increase of the prices of the inputs related to the production in progress.

**The executive management emphasizes the fact that Holde's activity is seasonal. Therefore, from an accounting point of view, the expenses associated with the establishment of the agricultural year's crops and the financing of the current activity are recorded mainly in the first half of the year, while most of the income is recorded in the second half of the year, either as a result of the sale on the spot market of the resulting crops, or upon delivery of the quantities of crops sold in advance, through forward contracts.**

**The executive management considers that the preliminary financial results as of 30.06.2022 should not be considered by investors a pro-rata picture of the financial results of the Company's activity during the entire financial year 2022.**

The results from the first six months of 2022 were obtained following the farming of a total area of 12,300 hectares (2021: 8,496 hectares, +44.7%) (of which 2,005 hectares in organic regime, 2021: 1,984 hectares) in the 4 cores: Roșiori, Frumușani, Videle and Conțești. The autumn crop campaign of the agricultural year 2021-22 generated total harvests of 28,752 tons (2021: 18,675 tons, +53.9%), out of which 1,453 tons from organic crops (2021: 1,675 tons, -13.0%).

Compared to the yields per hectare obtained in the previous agricultural year, the Roșiori, Frumușani and Videle cores obtained marginally lower results, while the Conțești core, operated for the first time this year, provided production above expectations. The productions obtained were negatively influenced by the lower weather conditions (lack of precipitation), an impact partially mitigated by the modernization of the equipment park and the quality of the agricultural works performed. The achieved production recorded a quantitative deviation of -9% from the budget projection, caused mainly by the production below expectations in conventional wheat (-10%), conventional canola (-6%) and in organic crops, while the production of achieved barley was above the budget projection (+21%).

The expenses related to the inputs necessary for the formation of the harvests of the 2021-22 agricultural year increased by 165%, up to 24.5 million RON (2021: 9.3 million RON), determined by the expansion of the exploited areas, but also by the increase in unit prices as a result of the evolution of oil and natural gas prices on international markets. The lease expenses registered an 89% increase, up to 1.9 million RON (2021: 1 million RON), the difference being generated both by the expansion of the leased areas and by the increase in the unit price of the agricultural products according to international quotations, in which the lease is expressed. Personnel expenses amounted to 5.1 million RON (2021: 3.4 million RON, +51%) due to the increase in the number of employees following the acquisition of new farms, as well as the increase in employee remuneration. Depreciation and amortization expenses increased by 77%, up to 5.1 million RON (2021: 2.8 million RON) compared to the corresponding period of the previous year, being mainly influenced by the increase in the depreciation of the equipment park, as a result of the investments made in the last period. Other operating expenses recorded a value of 7.3 million RON (2021: 4.7 million RON, +56%), including mainly equipment repair expenses, expenses with sold assets, legal and financial consulting, as well as banking and leasing commissions, while those with the management contract allowance amounted to 0.42 million RON (2021: 0.35 million RON, +22%), due to the expansion of the operated area. In total, operating expenses increased by 86% compared to the first semester of 2021, reaching 46.1 million RON (2021: 24.8 million RON).

The EBITDA indicator recorded a loss of 2.8 million RON (2021: -7.1 million RON), a decrease of 60% compared to the corresponding period of 2021, the determining positive impact being generated by the change in the accounting treatment of subsidy income. Excluding this impact, the level of operating loss before depreciation and amortization expenses would have increased by 20% compared to the first semester of 2021. The evolution of this indicator becomes positive when it is adjusted with the operated area, registering a loss of 689 RON/ha in 2022, compared to 833 RON/ha in the first semester of the previous year.

The financial result of -1.1 million RON (2021: -0.6 million RON, +67%) includes interest expenses related to bank loans for purchases and working capital (0.9 million RON, 2021: 0.55 million RON, +63%), interest related to financial leasing contracts (0.2 million RON, 2021: 0.14 million RON, +43%) and exchange rate differences and other commissions related to the financing activity (0.03 million RON, 2021: 0.11 million RON, -70%). The increase in the financial loss compared to the corresponding period of 2021 is due to the increase in the balance of bank financing and financial leasing attracted by Holde in terms of the acquisition of new farms and the renewal of the equipment park, as well as the significant increase in financing costs since the beginning of the year.

The net loss of 9.2 million RON (2021: -10.6 million RON) represents an improvement of 13% compared to the same period last year, confirming the increase in operational efficiency with the addition of the fourth geographical core, which validates Holde's business model.

Total assets have increased by 37% since the beginning of 2022, reaching 235.4 million RON. The increase in fixed assets by 15%, up to 144.9 million RON was determined both by the increase in commercial fixed assets (recognition in the goodwill of the lease contracts concluded by Holde, according to local accounting standards) as a result of the conclusion of the acquisition of the Contesti farm, but also by the increase by 12% in tangible fixed assets resulting from investments in the equipment park, as well as the expansion by 5,000 tons of the ensiling capacity of the Roșiori core, an investment to be completed in the third quarter of the current year. Current assets increased by 101% compared to the beginning of the year, reaching 87.1 million RON. Inventories increased to 60.6 million RON, mainly representing ongoing production for the current agricultural year (36.8 million RON) and stocks of inputs: seeds, diesel, fertilization, treatments (12 million RON, compared to 11 million RON at the end year 2021), as well as fertilizers for the establishment of autumn crops of the 2022-23 agricultural year (7.5

million RON). The group's receivables reached a level of 23.3 million RON, commercial receivables including the sales related to the harvest of the current agricultural year, while the increase in other current assets being due to the change in the accounting policy for recording agricultural subsidies, as well as a VAT receivable (6.7 million RON). At the end of the first semester of 2022, cash and cash equivalents amounted to 3.1 million RON. The amount includes 1 million RON related to the Holde capital increase operation carried out between May and July 2022, the remaining 19.9 million RON to be recorded in the third quarter of the current year.

Equity decreased by 11% in the first half of the year, reaching 74.5 million RON. The decrease was mainly due to the loss of the current financial year.

The group's debts increased by 82% since the beginning of the year, reaching a level of 160.6 million RON, an evolution determined mainly by the increase in commercial debts. Current liabilities to suppliers increased by 43.8 million RON due to the increase in the exploited area, representing inputs related to the 2021-22 agricultural year whose payment term is July/October 2022. Short-term bank liabilities increased by 127% in the first half of the year to 37.2 million RON, and include working capital financing lines (21.1 million RON) to be closed by the end of the year, loans derived from the discount of APIA subsidies (9.6 million RON) that will be closed when the subsidies are collected, loans for the purchase of Agromixt and Videle farms and loans for investments (6.5 million RON). Long-term debts recorded a lower dynamic, increasing by only 1.1 million RON since the beginning of the year, an evolution determined in particular by the increase in leasing contracts to finance the renewal of the equipment fleet.

The group registers cumulative interest-bearing liabilities of 97.0 million RON (of which 61.6 million RON bank loans, 25.8 million RON financial leases and 9.6 million RON APIA discounts) and cash and cash equivalents of 3.1 million RON. Compared to 31.12.2021, the increase in bank debt of 19.5 million RON was determined by the increase in working capital financing associated with the scaling of the operated areas. Thus, the Net Debt of Holde Agri Invest amounts to 93.9 million RON at the reference date. The capital structure of Holde group records a current liquidity ratio (Current Assets/Current Liabilities) of 0.80 and a Debt Ratio (Borrowed Capital/Employed Capital) of 55.8%. The executive management considers that this last indicator should be analyzed by investors considering the share capital increase underway at the reference date of this report, the result of which will influence the value of the indicator at the end of the third quarter of 2022.

In the first half of 2022, Holde Agri Invest carried out investments worth 19.8 million RON financed from own sources and borrowed capital. The main funded objectives included:

- Completion of the purchase of Conțești farm – 0.3 million RON
- Land acquisitions – 0.4 million RON
- Land irrigation project – 0.1 million RON
- Silage capacity expansion project – 3.3 million RON
- Purchases of technological equipment (machines and equipment) – 14.2 million RON
- Investments Mechanization base (halls, platforms, roads) – 1.5 million RON

The consolidated financial statements of the Holde group for the first half of 2022 included the companies Holde Agri Invest SA, Agro Antran SRL, Agro Sargadillo SRL, Benasque SRL, Inter Muntenia SRL, Ronosca SRL, Agrocom Exim Prop SRL, Bigmed SRL, Capriciu de Licuriciu SRL, Agromixt Buciumeni SRL, Agro Fields Future SRL, Interpret Agrotex SRL, Play Promotion Group SRL and Holde Agri Operational SRL.

# CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Profit & Loss Statement (RON)	30/06/2021	30/06/2022	Evolution %
<b>Operating revenues, of which:</b>	<b>14,879,861</b>	<b>38,224,995</b>	<b>157%</b>
Sales of own agricultural products	3,219,381	4,681,249	45%
Sales of goods	0	1,836,344	-
Revenue from operating grants	655,130	6,318,952	865%
Stock change	9,485,539	24,117,913	154%
Other operating revenues, of which	1,519,811	1,270,537	-16%
<i>Other grants</i>	151,147	207,897	38%
<i>Active sales</i>	1,210,489	1,062,640	-12%
<i>Other operating revenues</i>	158,175	0	-100%
<b>Operating expenses, of which:</b>	<b>24,821,918</b>	<b>46,111,917</b>	<b>86%</b>
Material expenses	12,520,791	26,262,069	110%
<i>Costs of raw materials and materials</i>	9,253,880	24,488,877	165%
<i>Costs of goods</i>	3,163,546	1,534,903	-51%
<i>Other material expenses</i>	103,366	238,289	131%
Lease	1,016,623	1,920,584	89%
Personnel expenses	3,383,146	5,113,357	51%
Amortization expenses, of which	2,860,735	5,068,825	77%
<i>Depreciation and amortization expenses</i>	1,622,839	3,511,054	116%
<i>Expenses with the amortization of right-of-use</i>	475,733	542,066	14%
<i>Goodwill amortization expenses</i>	762,162	1,015,705	33%
Other operating expenses	4,690,623	7,319,552	56%
Contract management expenses	350,000	427,530	22%
<b>Operating result</b>	<b>(9,942,057)</b>	<b>(7,886,922)</b>	<b>21%</b>
Financial income	151,902	79,098	-48%
Financial expenses, of which:	805,081	1,169,368	45%
<i>Loans interest &amp; leasing</i>	693,350	1,136,060	64%
<i>Other financial expenses</i>	111,732	33,308	-70%
<b>Financial result</b>	<b>(653,180)</b>	<b>(1,090,270)</b>	<b>-67%</b>
<b>Total income</b>	<b>15,031,762</b>	<b>38,304,093</b>	<b>155%</b>
<b>Total expenses</b>	<b>25,626,999</b>	<b>47,281,285</b>	<b>84%</b>
<b>Gross result</b>	<b>(10,595,237)</b>	<b>(8,977,192)</b>	<b>15%</b>
Income tax	34,940	224,675	543%
<b>Net result</b>	<b>(10,630,177)</b>	<b>(9,201,867)</b>	<b>13%</b>

# CONSOLIDATED BALANCE SHEET

Consolidated balance sheet (RON)	31/12/2021	30/06/2022	Evolution %
<b>Fixed assets, of which:</b>	<b>125,994,401</b>	<b>144,945,235</b>	<b>15%</b>
<b>Intangible assets, of which:</b>	<b>42,536,257</b>	<b>53,088,004</b>	<b>25%</b>
Licenses	182,214	236,367	30%
Intangible assets – right-of-use	25,090,698	30,265,802	21%
Goodwill	17,263,345	22,585,835	31%
<b>Tangible assets, of which:</b>	<b>81,001,958</b>	<b>90,350,425</b>	<b>12%</b>
Land	18,852,428	18,871,018	0%
Buildings	4,142,400	4,025,257	-3%
Equipment & vehicles	48,787,798	53,150,580	9%
Other equipment, machinery, and furniture	206,918	23,638	-89%
Prepayment and fixed assets under investment	9,012,414	14,279,932	58%
<b>Financial assets</b>	<b>2,456,186</b>	<b>1,506,806</b>	<b>-39%</b>
<b>Current assets, of which:</b>	<b>43,330,349</b>	<b>87,103,204</b>	<b>101%</b>
<b>Stocks, of which:</b>	<b>23,758,643</b>	<b>60,629,451</b>	<b>155%</b>
Raw materials and consumables	5,341,637	5,471,450	2%
Inventory items	8,304	12,554	51%
Finished products	547,096	4,036,049	638%
Commodities	5,564,493	14,082,060	153%
Packaging	942	942	0%
Production in progress	12,066,460	36,798,255	205%
Stocks prepayments	229,711	228,142	-1%
<b>Receivables, of which:</b>	<b>17,589,404</b>	<b>23,359,807</b>	<b>33%</b>
Trade receivables	7,572,906	8,255,530	9%
Other assets	10,016,499	15,104,277	51%
<b>Short-term investments</b>	<b>1,240</b>	<b>1,240</b>	<b>0%</b>
<b>Cash &amp; cash equivalents</b>	<b>1,981,062</b>	<b>3,112,706</b>	<b>57%</b>
<b>Prepaid expenses</b>	<b>2,939,625</b>	<b>3,445,080</b>	<b>17%</b>
<b>TOTAL ASSETS</b>	<b>172,264,375</b>	<b>235,493,519</b>	<b>37%</b>
<b>Current liabilities, of which:</b>	<b>37,234,690</b>	<b>108,487,203</b>	<b>191%</b>
Third-party suppliers	10,567,554	54,418,886	415%
Affiliates payables	849,293	741,641	-13%
Bank debt <1 year	16,399,804	37,283,532	127%
Financial leasing <1 year	5,351,281	7,536,340	41%
Other short-term debt	4,066,758	8,506,804	109%
<b>Non-current liabilities, of which:</b>	<b>50,991,067</b>	<b>52,178,946</b>	<b>2%</b>
Bank debt	35,245,941	33,885,194	-4%
Financial leasing	15,745,126	18,293,752	16%
<b>Provisions</b>	<b>327,525</b>	<b>318,144</b>	<b>-3%</b>
<b>Total liabilities</b>	<b>88,225,757</b>	<b>160,666,149</b>	<b>82%</b>
<b>Equity, of which:</b>	<b>83,711,093</b>	<b>74,509,226</b>	<b>-11%</b>
Subscribed and paid-up share capital – common shares	58,242,621	66,251,375	14%

Preference shares	5,827,175	5,827,175	0%
Share premium	10,616,184	2,607,430	-75%
Other reserves	968,772	968,772	0%
Impairment on equity instruments	337,232	337,232	0%
Profit or loss carried forwards	1,720,481	8,393,573	388%
Profit or loss for the period	6,673,092	(9,201,867)	-238%
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>172,264,375</b>	<b>235,493,519</b>	<b>37%</b>

# INDIVIDUAL FINANCIAL STATEMENTS

Individual Profit & Loss Statement (RON)	30/06/2021	30/06/2022	Evolution %
<b>Operating revenues, of which:</b>	<b>52,984</b>	<b>53,418</b>	<b>1%</b>
Other operating revenues	52,984	53,418	1%
<b>Operating expenses, of which:</b>	<b>2,182,867</b>	<b>3,144,897</b>	<b>44%</b>
Material expenses	250	3,812	1425%
<i>Costs of raw materials and materials</i>	147	0	-100%
<i>Other material expenses</i>	103	3,812	3601%
Personnel expenses	330,001	561,759	70%
Amortization expenses, of which:	4,297	8,780	104%
<i>Depreciation and amortization expenses</i>	4,297	8,780	104%
Other operating expenses	1,498,319	2,143,017	43%
Contract management expenses	350,000	427,530	22%
<b>Operating result</b>	<b>(2,129,883)</b>	<b>(3,091,480)</b>	<b>-45%</b>
Financial income	100,448	1,745,944	1638%
Financial expenses, of which:	385,408	531,092	38%
<i>Loans interest &amp; leasing</i>	385,408	531,092	38%
<b>Financial result</b>	<b>(284,960)</b>	<b>1,214,852</b>	<b>526%</b>
<b>Total income</b>	<b>153,432</b>	<b>1,799,361</b>	<b>1073%</b>
<b>Total expenses</b>	<b>2,568,275</b>	<b>3,675,989</b>	<b>43%</b>
<b>Gross result</b>	<b>(2,414,843)</b>	<b>(1,876,628)</b>	<b>22%</b>
<b>Net result</b>	<b>(2,414,843)</b>	<b>(1,876,628)</b>	<b>22%</b>



# INDIVIDUAL BALANCE SHEET

Individual Balance Sheet (RON)	31/12/2021	30/06/2022	Evolution %
<b>Fixed assets, of which:</b>	<b>55,827,695</b>	<b>57,429,716</b>	<b>3%</b>
<i>Intangible assets</i>	<i>173,566</i>	<i>172,972</i>	<i>0%</i>
<i>Tangible assets</i>	<i>9,704</i>	<i>21,915</i>	<i>126%</i>
<i>Financial assets</i>	<i>55,644,425</i>	<i>57,234,828</i>	<i>3%</i>
<b>Current assets</b>	<b>42,943,015</b>	<b>46,893,382</b>	<b>9%</b>
<i>Receivables, of which:</i>	<i>42,936,941</i>	<i>46,529,177</i>	<i>8%</i>
Trade receivables	578,746	642,311	11%
Other assets	42,358,195	45,886,866	8%
<i>Short-term investments</i>	<i>1,240</i>	<i>1,240</i>	<i>0%</i>
<i>Cash &amp; cash equivalents</i>	<i>4,834</i>	<i>362,965</i>	<i>7409%</i>
Prepaid expenses	374,502	394,915	5%
<b>TOTAL ASSETS</b>	<b>99,145,212</b>	<b>104,718,013</b>	<b>6%</b>
<b>Current liabilities, of which:</b>	<b>5,008,218</b>	<b>6,061,660</b>	<b>21%</b>
Third-party suppliers	62,598	632,194	910%
Affiliates payables	849,293	1,250,402	47%
Bank debt <1 year	2,356,143	2,356,143	0%
Other short-term debt	1,740,184	1,822,922	5%
<b>Non-current liabilities, of which:</b>	<b>21,503,289</b>	<b>19,890,523</b>	<b>-8%</b>
Bank debt	21,503,289	19,890,523	-8%
<b>Total liabilities</b>	<b>26,511,507</b>	<b>25,952,183</b>	<b>-2%</b>
<b>Equity, of which:</b>	<b>72,633,705</b>	<b>78,765,830</b>	<b>8%</b>
Subscribed and paid-up share capital – common shares	58,242,621	66,251,375	14%
Preference shares	5,827,175	5,827,175	0%
Share premium	10,616,184	10,616,184	0%
Impairment on equity instruments	337,232	337,232	0%
Profit or loss carried forwards	(3,965,609)	(1,715,043)	57%
Profit or loss for the period	(2,250,566)	(1,876,628)	183%
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>99,145,212</b>	<b>104,718,013</b>	<b>6%</b>

## OUTLOOK FOR 2022

Regarding the expectations related to the financial results to be recorded during 2022, the executive team considers that the operating results of the autumn harvest campaign are material for the annual revenues, their estimation at the time of reporting cannot be performed with a high degree of accuracy. A clearer picture of the financial results of the activity of the year can be provided to investors during the preliminary financial results as of 30.09.2022, which will be published on 22.11.2022.

Taking these into account, the current estimates of the management team regarding the financial results for 2022 are as follows:

R&E Budget 2022 (RON)	2022 approved budget	2022 current forecast
Total revenues	93,343,175	101,888,231
Total expenses	71,335,514	79,604,021
EBITDA	22,007,661	22,284,210
EBIT	13,931,030	14,207,578
<b>Net profit IFRS</b>	<b>8,825,365</b>	<b>9,334,185</b>

*\*the above financial projection does not include the calculation of the Annual Performance Bonus of the management team*

## KEY RISKS FOR H2 2022

The most significant risks related to Holde Agri Invest's activity for the second half of the year are presented below. However, the risks presented in this section do not include all those risks associated with the issuer's business. Overall, there may be other risk factors and uncertainties that the company is unaware of at the time of writing, and which may change the issuer's actual results, financial conditions, performance, and achievements in the future and may lead to a decrease in the company's share price. Investors should also carry out the necessary prior checks to draw up their own investment opportunity assessment.

**Price risk** - Price risk affects the company to the extent that prices to suppliers of raw materials, materials and utilities increase without the company being able to profitably incorporate negative changes in its final price while maintaining turnover, respectively, without being able to minimize adverse effects by cost management. The company addresses this risk through rigorous cost control, but also through an increasing internalization of the production of raw materials and materials. These measures allow the sizing of profit margins so that, once the price risk materializes, its negative impact can be absorbed at the price of the final product. For the grain trading business line, which is scheduled to launch in the coming years, the price risk will be significant as the volatility of grain prices on specialized exchanges is high and the predictability is low. At that time, the company's management will use the instruments to cover this risk through futures, forward commodity and / or currency contracts.

**Credit risk** - Credit risk is considered the main vulnerability for activities in the agricultural sector, where, in general, the speed of debt collection is slow, respectively higher than 365 days. We note that this risk is significantly more pronounced in the case of agricultural inputs (eg. seeds, fuel, fertilizers, treatments, etc.) than in the case of the sale of finished products (cereals).

**Liquidity risk** - Liquidity risk is the probability that the company will not be able to meet its current obligations by capitalizing on available assets. Debt collection difficulties are a potentially important source of arrears in meeting the company's payment obligations. By monitoring liquidity forecasts, the company's management seeks to ensure that there is sufficient funds available to meet operational requirements so that the company can meet its current obligations to its creditors. In terms of liquidity indicators that estimate the extent to which the company can cover its current liabilities on current assets, the company does not face liquidity problems.

**Cash flow risk** - This represents the risk that the company will not be able to meet its payment obligations at maturity. A prudent cash flow risk management policy involves maintaining a sufficient level of cash, cash equivalents, and financial availability through properly contracted credit facilities.

**Risks related to the quantities that can be traded** - Farmers have no real way of knowing how many other farmers are planting a particular crop or what average yields they may have each year. Often, a good price for a particular crop in one year motivates many farmers to plant that crop the following year. This change increases production in the face of constant demand, reducing the price and making the harvest much less attractive next year. There is also a risk of declining sales and prices due to increased numbers of competing farmers or changing consumer preferences.

**Risk of reduction or elimination of APIA subsidies** - Refers to the scenario of changing the legal framework at European level for granting subsidies and aid to EU farmers. The probability of such a scenario materializing cannot be accurately determined. However, the management team is ready to make every effort to reduce the impact of this risk on the company. Beyond these efforts, in our opinion, such a measure would have a systemic impact on the market for agricultural products and their price.

**The risk associated with the business development plan** - the company aims for a sustainable growth by acquiring new farms and by continuing investments in modernizing the

existing farms in its portfolio. However, it is possible that the pace at which the company expands its operating area may not be in line with expectations and estimates, and in this case could have negative effects on the company's financial situation. Especially regarding the expansion of the exploited land, the management is prudent and selective and considers only farms that are aligned synergistically with existing farms. For years when management does not identify good enough opportunities to expand exploited land, there is a plan for other investments - in storage, machinery, irrigation, farm modernization - that can maximize production - and, finally, in agri-tech projects with which Holde can have very good synergies. Currently, with a significant size of almost 10,000 ha of land, the company has more opportunities than before, both to increase capital and to invest it in profitable Holde projects.

**The risk associated with making financial forecasts** - financial forecasts start from the premise of fulfilling the business development plan. The company aims to periodically issue forecasts on the evolution of the main economic and financial indicators to provide potential investors and the capital market with a true and complete picture of the current situation and future plans envisaged by the company, as well as current reports detailing the comparative elements between the forecast data and the actual results obtained. Forecasts will be part of the annual reports and the forecast policy is published on the company's website at this link. Forecasts will be made in a prudent manner, but there is a risk of failure to meet them, therefore, the data to be reported by the company may be significantly different from those forecasted or estimated as a result of factors not previously predicted or whose negative impact could not be counteracted or anticipated.

**Political and military instability in the region** - Political and military instability in the region, such as the invasion of Ukraine by the Russian Federation and the subsequent war in Ukraine, can lead to deeply unfavorable economic conditions, social unrest, or at worst, a military confrontation in the region. The effects are largely unpredictable but may include a decrease in investments, significant currency fluctuations, increases in interest rates, reduce availability of credit, trade, and capital flows, and increases in energy prices. These and other unforeseen adverse effects of the regional crises could have a material adverse effect on the Issuer's business, prospects, results of operations, and financial position.

# DECLARATION OF THE MANAGEMENT

Bucharest, September 9<sup>th</sup>, 2022

According to the best available information, we confirm that the unaudited interim condensed consolidated and individual financial statements prepared for the six months period ended June 30<sup>th</sup>, 2022, provide a fair and accurate view of the assets, liabilities, financial position and profit and loss, as required by the applicable accounting standards, and that the Director's Report provides a fair and accurate view of the important events that took place during the first six months of the 2022 financial year and their impact on the interim condensed consolidated and individual financial statements

## **Iulian-Florentin Cîrciumaru**

Legal representative of Holde Agri Management SRL

Sole Director of Holde Agri Invest S.A.