



Q3 2021 FINANCIAL REPORT

as of 30.09.2021



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ISSUER INFORMATION

INFORMATION ABOUT THIS FINANCIAL REPORT

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For financial period	9M: 01.01.2021 – 30.09.2021 Q3: 01.07.2021 – 30.09.2021
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According to	Annex 13 of ASF Regulation 5/2018

ISSUER INFORMATION

Issuer's name	Agroland Business System S.A.
Fiscal code	RO 25165241
Trade registry number	J35/405/2009
Registered office	Timișoara, str. Gării nr. 14, jud. Timiș, Romania

INFORMATION ABOUT FINANCIAL INSTRUMENTS

Subscribed and paid-up share capital	4,708,236 RON
Market on which the securities are traded	MTS AeRO Premium
Total number of shares	47,082,360 shares
Symbol	AG Shares AGR25 Bonds

CONTACT DETAILS FOR INVESTORS

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The interim financial results as of September 30th, 2021 presented on the following pages are **not audited**.

LETTER FROM THE CEO

Dear Shareholders,

We are presenting to you today the nine months results for Agroland Business System. Already last week, on November 11th, we have shared with you the excellent results that one of the companies from our Group, Agroland Agribusiness, listed on the AeRO market under the AAB symbol, has registered (full report [here](#)). Today we continue reporting on the positive trend that our Group has registered in Q3 2021.

As you surely remember from the past reports, historically, most revenues and profit were generated in our line of business in the first half of the year. We have been working intensely on rebalancing this structure, intending to reach the 70%-30% ratio between H1 and H2 this year. This rebalancing is driven by the focus on opening MEGA stores, which are less susceptible to seasonability and the increase in the production of table eggs. As of 2022, we expect further rebalancing sales between the semesters due to sales of non-GMO poultry meat.

Coming back to the results, in the first nine months of 2021, Agroland Business System reported a consolidated operating income of RON 193.4 million. The Group's turnover grew 12%, up to RON 189.4 million, driven by an impressive increase of 1446% of poultry production sold – table eggs and one-day-old chick, which had an excellent performance in Q3 2021. We remain dedicated to further developing and growing this business line, supported by further investments in the Avicola Mihailesti platform.

Our goal is to become the largest local producer of non-GMO certified table eggs and poultry meat. So far, in 2021, we have started an investment program of over RON 12.5 million in expanding the production capacity of table eggs and one-day-old chicks and the modernization of the farms included in this platform.

The investment in Avicola Mihailesti was a great decision since, in the context of the food crisis of 2022, we are ready to take advantage of the opportunities that arise both in terms of the price of table eggs and the one-day-old chick. For 2022 we are already in the top five nationally in terms of table eggs production. We are also in the top five without considering integrated poultry incubations in the one-day-old chick.

Looking at our "traditional" business line, the retail one, I am glad that the first nine months of 2021 showed that the Agroland MEGA format is very well accepted by the market and profitable. We have reached 13 MEGA stores by the end of September 2021, with ten more stores than we had at the end of Q3 2020. The good performance thus far registered by these new locations proves that our strategy to develop the network of stores in the vicinity of large urban agglomerations is correct. In terms of the activity of the traditional stores, even if they suffered in Q2 and partially in Q3, we expect them to be an essential driver in terms of revenue and profits for 2022.

The rebalancing of our business model as explained above has, as expected, a temporary impact on our bottom line. The significant investments, co-financed by equity and corporate bonds and bank loans, require some time to start generating revenues at the intended scale. Therefore, despite a temporary decline in the net profit, which reached RON 7.7 million, and the profit margin, we remain committed to our development plan because we are confident that it will generate excellent results for all our shareholders in the medium-term.

I want to conclude this letter by providing a bit of guidance regarding what you can expect in the last quarter of this year. The sales in Agroland stores (both traditional and MEGA stores) in the first six



weeks of Q4 were very positive, with all store performance growing 25%. However, the introduction of the obligatory "Green certificate" to enter any indoor spaces, including stores, has slightly tempered our enthusiasm for Q4 2021 in terms of in-store sales. Therefore, we estimate all store sales to increase at a more moderate pace, around 10% in Q4 compared to Q4 2020.

At the same time, we foresee a recovery on our other business lines – we expect table eggs sales to grow more than 80% in Q4 2021 compared to Q4 2020, due to the increased capacity of our farms in 2021 and the continuous price increase for the food in general. Consequently, we are maintaining the budget targets as approved in the April 2021 General Meeting of Shareholders, including operating income of RON 203.3 million, turnover of RON 200.7 million, and a net profit of RON 9.8 million.

We feel that the current business model, which includes the retail component and agriculture and food, is correct as it helps us balance our business. More importantly, it helps us absorb the temporary shocks that can occur, whether economic, health or operational.

We invite you to read in more detail about Agroland's performance in Q3 2021 on the following pages. In case of any questions related to our activity since the beginning of the year, be it business or on capital markets, please do not hesitate to reach out to us at investors@agroland.ro.

Horia Cardos
CEO

ABOUT AGROLAND BUSINESS SYSTEM

Agroland Business System S.A. was founded in 2009 in Timișoara by the entrepreneur Horia Cardoș as a limited liability company, having as object of activity the retail trade in specialized stores with products for the garden, farm, and pets. The Agroland company started its activity by selling products for small farmers, from fodder, equipment, and one-day-old chick, becoming today the largest supplier for the hobby farming area.

As the regular customer lives in rural areas or the vicinity of cities, the natural decision of the Company was to sell garden products (rose cuttings, shrubs, and fruit trees, vegetable seeds and flower bulbs, fertilizers, equipment, and tools) and pets (food, supplements, toys, and accessories for dogs, cats, animals, and exotic birds). The result was both an expansion of the range of products in stores and the expansion of customers to families who were not passionate about farming as a hobby.

Taking advantage of the entry on the "Petcare" and "Garden" segments and their massive development potential, the Company recruited an experienced senior buyer including on "gardening," but also a category manager with experience in "petcare," aiming at a substantial extension of these categories. Benefiting from the competitive advantage given by the number of stores and the proximity to customers, by the experience assimilated by recruiting specialized personnel, the Agroland group has reached the position of successfully competing with better-known stores in the fields of "gardening" and "pet care."

Another line of business developed by the Company is that of phytopharmaceuticals. Consequently, in 2018, starting from a survey conducted at the level of existing customers, between 25% and 40% were intensely interested in phytopharmaceutical products. Thus, the Company decided to develop the phytopharmaceutical segment. On September 30, 2021, the Agroland group reached a number of 20 phytopharmaceuticals.

Initially, the Agroland company had as a strategy the opening of its stores but, taking advantage of the notoriety gained, and it decided to develop new stores in a franchise system. Following this strategic decision, the number of stores owned by the Issuer grew at an accelerated pace. Thus, in 2011, Agroland already owned 100 stores and in 2014 inaugurated the number 200 store. From this moment, the Issuer focused its resources on improving the quality of franchised partners and increasing sales in each existing store. The total number of Agroland stores has constantly evolved, reaching 246 on September 30, 2021.

Starting with 2020, the Issuer upgraded the business model, opting to increase the areas of stores operated by the Company, supported by the expansion of the range of products sold. In this context, the visibility and attractiveness of Agroland stores have constantly increased.

The expansion of Agroland, which has the largest network of agricultural stores in Romania, also aimed to expand the area of commercial units. In the new Agroland stores, the sales areas have already increased or will expand up to 5 times, and the product range is tripled. The opening of the new Agroland MEGA stores also aimed at accessing a new category of customers - from the urban environment or from the vicinity of large urban agglomerations - which significantly increased the target audience and changed to a large extent the structure of the marketed products. In this way, the new target audience is offered a wide range of products in gardening, pet care, and hobby farming to meet their needs related to gardening, pet breeding, or hobby agriculture.

As for the companies in the Agroland group, because they deal with different activities, the Agroland company decided to transform the divisions into independent companies to ensure more efficient control over them and to be able to focus on the left business lines. Thus, in 2017, the Company decided to transform the divisions operating within Agroland Business System S.R.L. into independent companies, such as Agroland Agribusiness S.A., Agroland Professional Farm S.R.L., and Agroland Megastore S.R.L..

Thus, the consolidated results of Agroland Business System S.A. include the consolidated results generated by the mother company as well as the following daughter companies:

- **Agroland Professional Farm S.R.L.** deals with direct sales to large and medium farmers who cannot be served in Agroland stores because they have other needs regarding prices or quantities. This type of client also receives advisory services from the company..
- **Agroland Agribusiness S.A.** was set up due to the transformation of the input division within A.B.S. This division was founded in 2016, taking advantage of the closure of Cargill's operations regarding inputs in Romania. The company managed to take advantage of this situation and recruited the regional director and several agents from the Oltenia area, one of the most developed areas in Romanian agriculture. The company's shares have been floating on B.V.B.'s AeRO market under the symbol A.A.B. since June 15, 2021. The company also listed a corporate bond issue on the AeRO market of the Bucharest Stock Exchange on September 9, 2021, under the symbol AAB26.
- **Agroland Megastore S.R.L.** was established in 2019 to build large stores for A.B.S. This practice is practiced by almost all large retailers that own a separate company, through which they carry out real estate activities. There are currently two ongoing projects on this newly established company.
- **Micul Fermier S.R.L.** is a subsidiary company acquired in 2019 in a proportion of 100% by Agroland. The company, established in 2011, operates 22 own stores in the South-West area, having as object of activity the sale of all products from the Agroland portfolio.

KEY EVENTS IN Q3 2021 AND AFTER CLOSING REPORTING PERIOD

Business updates

OPENING AGROLAND MEGA LUGOJ

On July 15, 2021, the Company opened Agroland Mega Lugoj, located in Lugoj, 62 Timisorii Street. The investment allocated for the opening of this store was approximately 100,000 euros, without stocks of goods. The investment was financed with amounts raised from the capital increase and own sources.

FINANCING OF 10,000 EUROS FOR THREE ROMANIAN TECH START-UPS

On July 9th, 2021, the Company announced the offer of a financing of 10,000 euros for Planty AI, Tailpath and Hardwired, three of the 5 tech startups in Romania, with direct applications in the agricultural area, which were declared finalists in within the AgTech TM business incubator, organized by Agroland in partnership with X by Ascendis.

Planty AI is a mobile application that uses artificial intelligence to help phytopharmacists and farmers detect plant diseases and provide customers with the right treatment, saving time and money. The algorithm is trained in the first stage for the cultivation of cereals, tomatoes, fruit trees and provides the farmer with a map of phytopharmaceuticals in the country.

TailPath solves the problems of verifying counterfeit products and food safety from the manufacturer to the final consumer, by implementing a traceability system, using QR codes and blockchain technology. Thus, it contributes to food safety, combating counterfeit products and creating a secure link between producers, distributors, retailers and consumers.

During 12 weeks, the 26 teams registered in the AgTech TM by Agroland incubator benefited from online trainings, as well as from the guidance of numerous mentors from important companies belonging to fields such as: technology, agriculture, marketing, finance, etc. AgTech TM by Agroland is the first complete startup incubation program in Romania, which stimulates and supports innovation in agriculture, at national level.

TAKING OVER THE ACTIVITY OF THE COMBINED FODDER FACTORY FROM CARANSEBES

On July 21st, 2021, the Company announced the takeover of the activity of the compound feed factory in Caransebeş, from Lipoplast SRL. The total investment amounts to 1,300,000 euros and includes the actual acquisition, as well as the restart of production processes. Agroland representatives plan to obtain non-GMO (non-genetically modified organisms) certification for feed, the Caransebeş factory thus becoming the first unit in Romania, with this certification.

The takeover of the factory is part of Agroland's strategy to become the largest local producer of non-GMO certified eggs and poultry. In October 2020, Agroland entered the consumer eggs market by taking over the Avicola Mihăileşti platform, a producer of consumer eggs and day-old chicks, which includes six farms.

OPENING AGROLAND MEGA NAVODARI

On September 15th, 2021, the Company announced the opening of Agroland Mega Năvodari, located in Năvodari, Constantei Street no. 40A, Constanta county and occupies an area of approximately 500 sqm. The investment allocated for the opening of this store was approximately 100,000 euros, without stocks of goods. The investment was financed with amounts raised from the capital increase and own sources.

OPENING AGROLAND MEGA SIBIU

On October 7th, 2021, the Company announced the opening of Agroland Mega Sibiu, located in Sibiu, Calea Surii Mari no. 39B on 07.10.2021, as a result of investments of approximately 200,000 euros, which do not include stocks of goods. Agroland Mega Sibiu is the tenth unit of this type opened by the company in 2021, nationwide. With this inauguration, the Agroland MEGA store network has reached 15 units.

EXTENSION OF THE OBJECT OF ACTIVITY OF THE COMPANY

On October 22nd, 2021, the Company informed the market about the extension of its object of activity by entering the NACE codes 6619 – activities ancillary to financial intermediation, excluding insurance and pension funding activities and 6629 - other activities auxiliary to insurance and pension funding. Following this change, the Company is currently in the process of preparing the authorization file as a credit broker.

After obtaining the authorization, the Company will be able to offer credit services in its Agroland MEGA stores, similar to other DIY stores network, thus being able to finance clients who intend to purchase equipment or machinery for gardens, orchards or farms.

The Company estimates that for full year 2022, the payment in installments system will have an impact of approximately RON 4 million out of a total of RON 7 million estimated sales of equipment and machinery, in the 18 Agroland MEGA stores that the Company will open by the end of 2021.

CONCLUSION OF A SALE-PURCHASE BILATERAL PROMISE

On November 3rd, 2021, the Company informed the market about concluding a bilateral sale-purchase promise, in order to alienate the land located in Loc. Giarmata, Calea Lipovei, no. KM1, Timis county, having an area of 1,987 sqm and the hall built on this land, having the destination of industrial constructions, with a total built area of 2,096 sqm corresponding to the two floors of the building. The assets which are going to be sold represent the former location where the Company was headquartered.

In case all conditions established in the promise are met, Company and the buyer undertake to conclude the sale-purchase agreement, by 03.02.2022, the latest. The price set for the promise to sell the property is EUR 630,000, with reverse charge VAT. The funds obtained from the sale will be used to reimburse part of the loans contracted by the Company.

Capital market updates

ALLOCATION OF FREE SHARES

On August 2nd, 2021, Agroland announced to investors about the issuance by the Financial Supervisory Authority of certificate no. AC-5220-2 / 26.07.2021 by which the new number of shares resulting from the application of the share capital increase report according to point 3 of the EGMS Decision no. 32 of April 28, 2021. Thus, the new number of shares following the increase was 47,082,360. The 35,311,770 new shares with which the share capital is increased according to the decision of the aforementioned shareholders were distributed to all shareholders from the date of registration August 5, 2021 in proportion to their holdings and in a ratio of 3 free shares to 1 held on 06 August 2021.

INCLUSION IN THE BET-AERO INDEX DEVELOPED BY THE BUCHAREST STOCK EXCHANGE

On October 11, 2021, the Company was included in the BET-AeRO index, the first index for the AeRO market, developed by the Bucharest Stock Exchange, which includes in its composition companies selected based on the company's liquidity and free-float capitalization. The companies included in the BET AeRO index at the time of launch represent approximately 40% of the capitalization of Romanian companies on the AeRO market and have generated over the last year over 85% of the liquidity on the secondary market of this segment.

SHARE CAPITAL INCREASE - ESTABLISHMENT OF THE PRICE PER SHARE

On November 5th, 2021, the Company informed the market about the establishment of the subscription price for newly shares issued within the share capital increase operation, approved by the Extraordinary General Meeting of Shareholders ("EGMS") no. 32/28.04.2021.

The price per share on which the holders of the preference rights will be able to subscribe ("Stage 1") has been established at 3.07 lei/share. The price per share includes the share nominal value (0.1 lei) and the issue premium (2.97 lei). The price was calculated by adding the nominal value of 0.1 lei to the result of dividing the average trading price in the last 30 days by the adjustment factor set by the EGMS.

The newly issued shares are offered for subscription by exercising pre-emption right by the shareholders registered on registration date of 20.05.2021, or by investors who acquire pre-emption rights during their trading period. To subscribe a new share, 2.5 preference rights are required, with rounding off to the nearest inferior natural number. Prior to the subscription period, the preference rights will be traded on the SMT market of the Bucharest Stock Exchange starting with the third business day from the publication of the prospectus for a 10-business day period. The period for exercising the right of preference will be 30 days from the date set in the prospectus approved by ASF.

ANALYSIS OF THE FINANCIAL RESULTS

AGROLAND STORE PERFORMANCE

In the first nine months of 2021, Agroland Business Systems operated 246 stores, with 6 net stores more than in the comparative period of last year. In the 12-month period, Agroland has closed 5 traditional stores (in Afumati, Bolintin Vale, Bucuersti 2 – Mogosoia, Targu Frumos, Slobozia) where instead, the company opened new stores – either in the Mega format, or bigger stores. The number of Mega stores increased with 10 new locations opened in the last 12 months.

STORES	30.09.2020	30.09.2021	Δ %
Traditional	237	233	-2%
Mega	3	13	333%
Total stores	240	246	3%

The all store performance (excluding MEGA stores performance) has seen a positive evolution in the third quarter of 2021, registering a 37% increase in net sales, a 35% increase in the number of clients served and a 2% increase in the average sales ticket. This has contributed to the result for the first nine months of 2021, as the net sales reached RON 60.8 million lei, a 17% increase while the number of clients served grew 31%, up to 831,084. In parallel, the value of the average ticket decreased by 11% - a natural result of growing and diversifying the pool of clients through geographical expansion. In the first nine months of 2021, the total sales in MEGA stores amounted to RON 17,2 million.

ALL STORE PERFORMANCE (excluding MEGA stores performance)

	Net Sales			Clients			Average ticket		
	2020	2021	Δ%	2020	2021	Δ%	2020	2021	Δ%
T1	10.338.417	13.879.191	34%	123.274	184.952	50%	83,9	75,0	-11%
T2	30.968.108	32.264.278	4%	341.940	417.310	22%	90,6	77,3	-15%
T3	10.649.265	14.642.104	37%	169.856	228.822	35%	62,7	64,0	2%
9L	51.955.790	60.785.573	17%	635.070	831.084	31%	81,8	73,1	-11%

The same store performance (excluding MEGA stores performance) increased 21% in Q3 2021, as the net sales reached RON 11.1 million lei, driven by a 28% increase in the number of clients served and offset by the decrease in the average ticket size of 6%. Consequently, for the 9 month period, the same store sales increased 6%, while the number of clients increased by 28%.

SAME STORE PERFORMANCE (excluding MEGA stores performance)

	Net Sales			Clients			Average ticket		
	2020	2021	Δ%	2020	2021	Δ%	2020	2021	Δ%
T1	9.205.930	11.505.926	25%	72.586	112.816	55%	126,8	102,0	-20%
T2	27.822.059	26.519.900	-5%	214.009	254.851	19%	130,0	104,1	-20%
T3	9.244.612	11.145.295	21%	112.588	143.718	28%	82,1	77,5	-6%
9L	46.272.602	49.171.120	6%	399.183	511.385	28%	115,9	96,2	-17%

In the last 12 months, the company has undergone aggressive expansion plan, opening 10 new MEGA stores in the analyzed period. It is therefore important to underline that for the stores to reach the full potential, time must pass. This can be best seen in the example of Agroland MEGA Mosnita. For Agroland MEGA Mosnita we have the situation compared to the first 6 weeks since the opening in August 2020. Comparable sales increased by 43%, number of customers by 32% and average ticket by 8%. According to company's data, the other MEGA stores follow the same trajectory. At the end of 2021, Agroland will have 16 MEGA stores open, and at the end of 2022 there will be 30 stores open in this format that will generate at least 89 million lei in sales.

MEGA MOSNITA STORE PERFORMANCE									
	Net Sales			Clients			Average ticket		
	2020	2021	Δ%	2020	2021	Δ%	2020	2021	Δ%
August	182.857	241.022	32%	3.974	4.797	21%	46,0	50,2	9%
September	222.404	337.789	52%	4.562	6.444	41%	48,8	52,4	8%
Total	405.261	578.811	43%	8.536	11.241	32%	47,5	51,5	8%

In parallel, the online sales have exploded in 2021 compared to the same period of 2020, registering a 129% increase in Q3 2021 amid an 11% increase in the number of clients. The average ticket for online sales increased 107% compared Q3 2020 and almost doubled quarter or quarter, being over 6 times higher than the value of the average ticket in the same period for in-store sales. Overall, for the nine months period, the online sales reached RON 5.3 million, a 105% increase as the number of clients increased by 36%. The results for online sales present a good development opportunity for Agroland, on which the company will continue to focus on in the future.

ONLINE SALES									
	Sales			Clients			Average ticket		
	2020	2021	Δ%	2020	2021	Δ%	2020	2021	Δ%
T1	546.902	1.407.010	157%	3.425	7.768	127%	159,7	181,1	13%
T2	1.105.054	1.735.770	57%	7.607	8.501	12%	145,3	204,2	41%
T3	953.101	2.187.042	129%	4.975	5.504	11%	191,6	397,4	107%
9L	2.605.057	5.329.822	105%	16.007	21.773	36%	162,7	244,8	50%

The net sales registered by Agroland's franchisors registered a 23% decline in Q3 2021 compared to the same period of last year mainly due to the ban on trade of one-day-old chicks in stores during 7-21.05.2021, as well as the subsequent ban on the sale of one-day-old chicks from intra-Community trade. The ban had an influence not only in T2 but also continued in T3. Overall, in the first nine months of 2021, franchisors generated total sales of RON 72.5 million, a 16% decline compared to the same period of 2020, driven by weaker sales from Q2 and Q3 2021.

FRANCHISOR NET SALES			
	2020	2021	Δ%
T1	21.998.860	26.110.839	19%
T2	46.399.828	32.670.691	-30%
T3	17.867.427	13.758.875	-23%
9L	86.266.115	72.540.405	-16%

COMBINED TURNOVER AGROLAND BUSINESS SYSTEM SPLIT PER PRODUCT CATEGORY

The **combined** turnover, split per type of product sold, for the first nine months of 2021 compared with performance from comparable period of 2020 is presented below. Please note that the numbers below present the total, combined, **not consolidated** sales in the period.

Turnover	30.09.2020	30.09.2021	Δ %
Fodder and concentrates	90,139,778,57	81,446,329,97	-10%
Chickens	52,646,674,97	50,721,240,79	-4%
Input (AAB)	14,484,549,57	22,214,700,19	53%
Pet food products	9,362,586,33	15,244,356,11	63%
Agriculture	5,265,372,94	11,331,160,34	115%
Additives	8,386,352,78	7,177,585,79	-14%
Equipment	5,545,412,70	6,652,917,19	20%
Food	0	6,618,404,40	100%
Farms	1,608,133,50	2,718,553,64	69%
Other	1,731,568,73	479,801	-72%
Total turnover	189,170,430,09	204,605,049,15	8%

As mentioned in half year report, due to the bird flu occurred in Mureş County in May 2021, the authorities decided to ban the trade of one-day old chicks coming from intra-community trade. This affected the company's short-term activity, being unable to meet the increased demand and thus losing sales including in the categories of fodder, equipment, and additives. The management estimates that this event had a negative impact of approx. RON 6-7 million in turnover and approximately RON 1.5 million gross margin. Important to mention: due to the measures taken by the authorities, companies that were not in the area of sanitary-veterinary restrictions were affected, and thus a draft law on granting compensation for damages caused by the bird flu outbreak was submitted to the Romanian Parliament.

P&L ANALYSIS

The operating income in 9M 2021 grew 14%, reaching RON 193.4 million, driven by a 12% increase in the turnover, new line of revenues from operating subsidies (received by AAB). Other operating income comes from the liquidation of businesses and non-strategic assets such as importing and selling mobile phones or selling unused office buildings, warehouses, or farms according to the AG management's decision to focus exclusively on retail and agri-food production.

Income from sale of goods remained at a constant level as in the comparable period of 2020, however a significant increase, of 144% has been registered for the sold production. This line represents production revenues sold by Avicola Mihailesti – table eggs and one-day old chicks.

The commercial discounts provided dropped slightly in the first nine months of 2021, by 11% to RON 7.9 million due to the sales to franchisors as well as the issue from May 2021 related to bird flu.

Operating expenses grew slightly faster than the sales, increasing 16% in the first 9 months of 2021, reaching RON 182.2 million. Material and other material expenses increased significantly, by 752% reaching RON 14 million, mainly due to the integration of the Avicola Mihailesti line. A 319% increase in costs with energy and water, which reached RON 1.6 million in the first nine months of 2021 was due to the opening of new stores in the 12-month period as well the integration of the Avicola Mihailesti business line.

The personnel expenses increased 45%, reaching RON 15.4 million, as the number of full-time employees has almost doubled, from 218 employees as of September 30th, 2021, up to 408

employees as of September 30th, 2020. The increase is driven by the expansion of the MEGA chain as well as the personnel necessary to operate the Mihailesti platform.

The depreciation and amortization increased 51% up to RON 2.1 million, due to the acquisition of Avicola Mihailesti and the opening of the new stores in 12 months period prior.

Driven by the significant uptake in the opening of new stores, primarily larger-scale MEGA stores, as well as the takeover of the Avicola Mihailesti and the related costs, the operational result decreased 10%, down to 11.1 million lei. The financial expenses grew in the analyzed period 156%, up to 2.7 million because of listing costs for AG and AAB shares as well as AAB26 bonds, paired with credit and corporate bond interest rates.

With a negative financial result, the gross result decreased to RON 9 million, resulting in the net result of RON 7.7 million.

PROFIT & LOSS STATEMENT (LEI)	30/09/2020	30/09/2021	Δ %
Operating income	169,392,263	193,364,804	14%
Operating expenses	157,136,504	189,377,454	12%
Operating result	12,255,759	11,081,762	-10%
Financial result	(814,699)	(2,098,206)	158%
Gross result	11,441,060	8,983,555	-21%
Net result	9,828,018	7,670,966	-22%

BALANCE SHEET ANALYSIS

Total assets increased 97% between September 30th, 2020 and September 30th, 2021, driven by a 104% increase in fixed assets (amounting to RON 51.9 million as of 30.09.2021), 91% increase in current assets (RON 75.4 million), 458% increase in short-term investments (RON 1.2 million) and 44% increase in cash and cash equivalents (RON 11.6 million).

Fixed assets increased primarily due to 154% appreciation in tangible assets, up to RON 43.8 million driven by the opening of the new MEGA stores across Romania. Current assets appreciated due to 136% increase in stocks, which reached RON 34.5 million, driven by the larger scale of business and the opening of the new stores in the analysed period as well as the decision to continue increasing the product offer available in the stores. Receivables increased 70% and reached RON 28.1 million, due to the larger scale of business. Other assets reached RON 1.2 million as of the end of Q3 2021. Cash and cash equivalents reached RON 11.6 million, due to capital inflows from the AG and AAB share offerings as well as AAB26 bond issuances.

The total liabilities increased 80%, from RON 49.8 million to RON 90 million as of September 30th, 2021 due to significant investments carried out by the company in expanding the network of the MEGA stores, acquisition and modernization of Avicola Mihailesti platform (approx. RON 20 million), as well as acquisition and modernization of combined fodder factory from Caransebes (approx. RON 6.5 million).

Current liabilities increased 28%, up to RON 45.7 million. In this category, liabilities due to suppliers increased 22%, up to RON 25.2 million, the short-term bank debt increased 12%, up to 11.8 million, other debts by 53%, up to RON 3.5 million while payroll and payroll taxed went up by 235%, to RON 2.9 million. Income taxes amounted to RON 950K, a 298%. Non-current liabilities increased 217%, to RON 44 million, driven by 415% increase in bank debt which amounted to RON 22.7 million, and a 124% increase in corporate bonds, which grew RON 10 million due to corporate bonds issuance of Agroland Agrusiness. Leasing grew 130%, to RON 3.2 million.

Equity increased 150% from RON 14.9 to RON 37.3 million, driven primarily by an increase of 13.8 million in share premiums due from the AG and AAB share offerings, and a 373% increase of subscribed and paid-up share capital, up to RON 4.7 million. Legal reserves increased slightly, reaching RON 236K.

BALANCE SHEET (LEI)	30/09/2020	30/09/2021	Δ %
Fixed assets	25,371,915	51,885,503	104%
Current assets	39,360,343	75,350,721	91%
Other assets	213,531	1,190,651	458%
Cash and cash equivalents	8,035,773	11,574,046	44%
TOTAL ASSETS	64,732,258	127,236,224	97%
Current liabilities	35,809,515	45,724,578	28%
Non-current liabilities	13,893,777	44,023,681	217%
Income in advance	141,643	216,349	53%
Total liabilities	49,844,936	89,964,607	80%
Equity	14,887,321	37,271,616	150%
TOTAL EQUITY AND LIABILITIES	64,732,257	127,236,224	97%

FINANCIAL STATEMENTS

PROFIT & LOSS STATEMENT (LEI)	30/09/2020	30/09/2021	Δ %
Operating revenue, of which:	169,392,263	193,364,804	14%
Turnover, of which	169,341,252	189,377,454	12%
<i>Sold production</i>	1,116,745	17,259,900	1446%
<i>Gains from production under development</i>	0	2,026,140	100%
<i>Income from sale of goods</i>	177,071,390	177,258,719	0%
<i>Commercial discounts</i>	8,846,883	7,907,933	-11%
<i>Inocome from subventions</i>	0	740,629	100%
Other operating revenue	51,011	3,987,350	7717%
Operating expenses, of which:	157,136,504	182,238,377	16%
Material expenses	1,641,577	13,984,023	752%
Costs of water and energy	387,922	1,623,584	319%
Cost of goods	127,951,560	129,938,022	2%
<i>Received commercial discounts</i>	2,015,980	2,600,828	29%
Personnel expenses	10,686,022	15,442,593	45%
Depreciation and amortization	1,399,575	2,115,764	51%
Other operating expenses	15,198,745	21,735,219	43%
Provision expenses	1,887,082	44,665	-98%
Operating result	12,255,759	11,081,762	-10%
Financial income	71,440	171,491	140%
Financial expenses	886,139	2,269,697	156%
Financial result	(814,699)	(2,098,206)	158%
Total income	169,463,703	208,719,062	23%
Total expenses	158,022,643	199,735,507	26%
Gross result	11,441,060	8,983,555	-21%
Income tax	1,613,042	1,312,589	-19%
Net result	9,828,018	7,670,966	-22%

BALANCE SHEET

BALANCE SHEET (LEI)	30/09/2020	30/09/2021	Δ %
Fixed Assets, of which:	25,371,915	51,885,503	104%
Intangible assets	660,056	857,602	30%
Tangible assets	17,259,679	43,826,538	154%
Financial assets	7,452,179	7,201,363	-3%
Current Assets, of which	39,360,343	75,350,721	91%
Inventories	14,618,765	34,503,100	136%
Receivables	16,492,274	28,082,925	70%
Other assets	213,531	1,190,651	458%
Cash and cash equivalents	8,035,773	11,574,046	44%
TOTAL ASSETS	64,732,258	127,236,224	97%
Current liabilities, of which:	35,809,515	45,724,578	28%
Bank debt	11,752,222	13,155,096	12%
Tax	238,995	950,172	298%
Payables to suppliers	20,676,435	25,245,401	22%
Payroll and payroll taxes	857,445	2,873,904	235%
Other short-term debt	2,284,418	3,500,005	53%
Non-current liabilities, of which:	13,893,777	44,023,681	217%
Bank debt	4,404,577	22,700,102	415%
Corporate bonds	8,080,300	18,080,300	124%
Leasing	1,408,900	3,243,279	130%
Income in advance, of which:	141,643	216,349	53%
Total liabilities	49,844,936	89,964,607	80%
Equity, of which:	14,887,321	37,271,616	150%
Subscribed and paid-up share capital	1,001,140	4,730,936	373%
Share premium	0	13,821,096	100%
Legal reserves	200,500	235,812	18%
Retained earnings	3,857,663	10,812,806	180%
Profit/loss for the period	9,828,018	7,670,966	-22%
TOTAL EQUITY AND DEBT	64,732,258	127,236,224	97%

KEY FINANCIAL RATIOS

The key **consolidated** financial ratios of Agroland Business System as of September 30th, 2021, are presented below.

Liquidity ratio as of 30.09.2021

$$\frac{\text{Current assets}}{\text{Current liabilities}} = \frac{75,350,721}{45,724,578} = 1.65$$

Gearing ratio as of 30.09.2021

$$\frac{\text{Interest-bearing debt (long term)}}{\text{Equity}} \times 100 = \frac{40,780,402}{37,271,616} \times 100 = 109\%$$

$$\frac{\text{Borrowed capital}}{\text{Capital employed}} \times 100 = \frac{40,780,402}{78,052,018} \times 100 = 52\%$$

Borrowed capital = Credits over 1 year

Capital employed = Borrowed capital + Equity

Fixed assets turnover as of 30.09.2021

$$\frac{\text{Turnover}}{\text{Net fixed assets}} = \frac{189,377,454}{51,885,503} = 3.65$$

DECLARATION OF THE MANAGEMENT

Bucharest, November 15, 2021

I confirm to the best of my knowledge that the unaudited financial statements for the period of nine months between 01.01.2021 and 30.09.2021 give a true and fair view of Agroland Business System S.A. assets, liabilities, financial position and profit and loss, as required by the applicable accounting standards, and that the Director's Report gives a true and fair view of important events during the Q3 of 2021 and their impact on the preliminary financial statements.

Horia Cardos

Agroland Business System S.A.