

ARGUS S.A.

Q3 2023 FINANCIAL REPORT

Drawn up according to ASF Regulation no. 5/ 2018





ISSUER INFORMATION

- Name: **Argus S.A.**
- Headquarters: **1 Industrialia Street, Constanta – Romania**
- Unique tax registration code: **RO1872644**
- Order number in the Trade Register: **J13/550/1991**
- Object of activity: **Manufacture of oils and fats (CAEN 1041)**
- Legal Entity Identifier Code: **315700M31ZOTBZMMBE46**

SECURITIES INFORMATION

- Subscribed and paid-up share capital: **53,670,699 lei**
- Regulated market on which the issued securities are traded: **AeRO**
- Trading symbol: **UARG**

CONTACT DETAILS FOR INVESTORS

- Telephone/ fax number: **+40 241 67 68 40; +40 241 63 43 67**
- Email address: **secretariat@argus-oil.ro**
- Website: **www.argus-oil.ro**



ABOUT ARGUS

Argus S.A. carries out its activity in the field of vegetable oils and fats production, having as its main object of activity the manufacture and sale of crude and refined sunflower oils, sunflower meal and fatty acids.

The company started its activity in 1948, being one of the most important producers of vegetable oils in Romania. In 1990, the Company was reorganized as a joint stock company under the name of S.C. Argus S.A. according to Law 15/1990 based on the Government Decision 1353/1990 and on August 31, 1994 the Company became a 100% private joint stock company, according to Law 58/1991.

Argus S.A. is an entirely Romanian successful business model, which has stood the test of time, grown, evolved, cultivated tradition and consolidated a local brand, which can always compete with similar European products.

The processes within the Argus company are carried out according to the Integrated Quality and Environmental Management System, the company demonstrating its continuous commitment to improving environmental performance, quality and risk management in food safety, to meet the requirements and expectations of customers and all interested parties. The last ISO 9001, ISO 140001 and FSSC 22000 recertification took place in July 2022 following Lloyd's Register and LRQA audits.

The subscribed capital of the company on September 30, 2023 is RON 53,670,699, the nominal value of a share being RON 1.5.

The shareholding structure on September 30, 2023 is as follows:

- Infinity Capital Investments: 91.42%
- Other legal entities and individuals: 8.58%

The shares of Argus S.A. Constanta are traded on the AeRO market of the Bucharest Stock Exchange under the symbol UARG, starting on June 5, 2015.

ANALYSIS OF FINANCIAL RESULTS

Balance sheet

Lei	30 September 2023	31 December 2022
FIXED ASSETS, of which:	86,605,395	101,252,153
Intangible Assets	7,360	7,314
Tangible assets	71,186,839	77,312,276
Financial assets	15,411,196	23,932,563
CURRENT ASSETS, of which:	96,078,721	218,322,582
Inventories	71,162,729	178,749,588
Receivable	22,940,839	16,210,230
Short-term investments	0	0
Cash and bank accounts	1,975,153	23,362,764
EXPENSES IN ADVANCE	219,088	76,857
TOTAL ASSET	182,903,204	319,651,592
LIABILITIES, of which:	82,153,321	168,060,295
Short-term liabilities	81,112,290	166,901,622
Long-term liabilities	1,041,030	1,158,673
PROVISIONS	3,737,772	6,772,785
ADVANCE INCOME	102,676	2,835
EQUITY, of which:	96,909,435	144,815,677
Capital	53,670,699	53,670,699
Share premium	97,248	97,248
Revaluation reserves	69,829,779	69,829,779
Reserves	21,796,940	10,935,937
Losses related to equity instruments	-578,989	578,989
Profit or loss carried forward	0	19,210,998
Profit or loss for the financial year	-47,906,242	31,837,975
Profit distribution	0	1,765,974
TOTAL EQUITY AND DEBTS	182,903,204	319,651,592

The value of **current assets** as at 30/09/2023 decreased by 56% compared to the value at the beginning of the year, especially as a result of the decrease in the value of raw material stocks under the conditions of a purchase price of raw materials by approx. 40% lower than in H2 of the previous year. The stocks of semi-finished products are at a lower level by 70% due to a very good level of bottled oil sales, which also led to an increase in trade receivables by 42%.

Financial assets decreased by RON 8.5 million as a result of the sale by the company of a package of 4,330 shares held in Aliment Murfatlar SRL in June 2023.

Equity decreased by RON 47.9 million compared to 31.12.2022 due to the loss recorded in the current period, and the total equity to total assets ratio increased from 45% as of December 31, 2022 to 53% as of September 30, 2023.

As of 30.09.2023, the debts to credit institutions amount to 63 million lei, with approx. 96 million lei less than the balance at the end of the previous year, considering that September 2023 is the first month of use of the credit line intended for the purchase of raw material stocks, which corresponds to the start of the harvest campaign, and the purchase price of the seeds of sunflowers is 40% lower than last autumn.

Profit and loss account

Lei	30 September 2023	30 September 2022
OPERATING INCOME, of which:	135,897,922	277,305,680
Net turnover	183,852,355	280,313,814
Changes in stocks	(49,648,309)	(3,158,292)
Other operating income	1,693,876	150,158
OPERATING COSTS, of which:	202,379,030	235,398,621
Expenses with raw materials and consumables	162,511,076	200,607,047
Other material charges	215,820	277,547
Other external expenses	7,190,328	10,007,144
Expenditure on goods	2,860	1,575
Trade discounts received	(1,988)	(540)
Staff costs	15,318,105	10,814,133
Value adjustments regarding tangible and intangible assets	6,473,888	5,812,509
Value adjustments for current assets	1,547,452	(993,799)
Other operating charges	12,156,503	10,664,548
Adjustments to provisions	(3,035,013)	(1,791,544)
OPERATING RESULT	(66,481,108)	41,907,059
FINANCIAL INCOME	33,085,807	7,174,293
FINANCIAL EXPENDITURE	14,510,941	8,986,252
FINANCIAL RESULT	18,574,866	(1,811,959)
TOTAL REVENUE	168,983,729	284,479,972
TOTAL EXPENDITURE	216,889,971	244,384,872
GROSS RESULT	(47,906,242)	40,095,100
CORPORATE TAX	-	3,909,897
NET RESULT	(47,906,242)	36,185,203

The value of turnover for the period we refer to is 183 million lei, dramatically affected by the decrease in the selling price at global market level, but also by the change in the sales mix both on the domestic market and on the external market. The volume of bottled oil sales on the domestic market registered a significant increase starting with the second semester of the year, but against the background of the further maintenance/decrease of the oil price on domestic markets, but also the application of GEO 67 on price capping.

Operating expenses decreased by about 14% compared to the same period of the previous year, mainly due to the decrease in the purchase price of raw materials but also to a negative variation in production.

The negative operating result on 30.09.2023 reflects the impact of the steep decrease in prices in the bottled oil market in Romania.

The net financial result was a profit of RON 18.5 million in Q1-Q3/23 compared to the loss of RON 1.8 million in Q1-Q3/22, mainly as a result of transactions with related parties, receipt of dividends from Aliment Murfatlar SRL and sale of the package of 4,330 shares held in this company. Bank interest expenses amounted to RON 4.8 million on 30.09.2023 compared to RON 2.9 million on 30.09.2022 as a result of the increase in ROBOR starting with H1/22.

The resulting loss on 30.09.2023 is the result of several factors, such as:

- considerable decrease in sales prices and market demand for sunflower oil due to the presence on the Romanian market of oil imported from Ukraine at a much lower price;
- the influence of the stock of raw materials, purchased in 2022 at a high price, on the cost of production;
- imbalance between the cost of production and the selling price of sunflower oil.
- Capping the mark-up at a maximum of 20% for bottled sunflower oil at 1l.



Analysis of the company's activity

The company's activity has been substantially affected, since the beginning of this year, by the following elements of macro-economic and geopolitical nature:

1. Sunflower oil price

The price of sunflower oil at global level reached a historical low, with a decrease of almost 50% compared to last year, amid a large oil production, massive exports from Ukraine, including bottled oil to the EU and especially Romania, additional pressure in the banking system and the decrease in quotations of other oils, especially soybeans and rapeseed.

The FAO Vegetable Oil Price Index continues its downward trend after a slight increase in the previous month, mainly due to lower world prices of palm, soybean and rapeseed oil. Sunflower oil continues its downward trend compared to last month (-8%) amid low import demands, but especially amid abundant supplies from large exporters, a trend that analysts treat conservatively to pessimistic, especially if we take into account the new harvest in large sunflower producing countries, Ukraine and Russia.

2. Price of raw material (sunflower)

The price of raw material was at very high values (constantly around USD 600/to) during the peak purchase period, namely the beginning of the agricultural campaign 2022-2023. Against the background of an agricultural year strongly affected by drought and the estimated decrease in harvest in the range of 20-22%, the purchase of raw materials was concentrated in a very short period of time since its beginning – namely August – and coincided with a peak of the RON/USD exchange rate, which negatively affected the final price.

2.1 Exchange rate volatility RON -USD

During the raw material acquisition period, the RON-USD exchange rate had a negative influence on its final cost, more precisely representing an artificial increase in domestic currency in the range of 5%-7% compared to the similar reference range.

3. Proximity to Ukraine

Romania was among the top countries importing sunflower oil from Ukraine, ranking absolutely unenviable out of the total of 131 countries of destination of this type of product (according to the report published by Forbes Ukraine) with obvious negative effects reflected on the entire processing industry in our country.

Romania's proximity to the conflict zone, the volatility in transiting the Grain Corridor, the absence of any measures to protect the processing industry specific to our country (this is not the case with the other countries strongly affected by this situation, namely Bulgaria, Poland, Hungary, Slovakia) have created a major imbalance in Romania and dramatically affected the entire industry, predominantly producers with domestic capital of which we are part. This effect was even more pronounced in the case of our company if we take into account the particularity of our business model, namely the fact that we carry out our operational activities exclusively in the field of sunflower seed processing.

4. Evolution of domestic consumption

The general decrease in consumption on this category of products has been noticed since the end of last year, but with a continuity this year, fueled also by social protection measures. Oil falls into the category most affected by the decrease in consumption (-23%) in consecutive periods of the previous year, respectively this year, amid inflation, the decrease in the volume of purchases by consumers and in general the allocation of expenses allocated to the daily basket with much greater attention and to categories where price is the dominant criterion (the category of commodities products to which sunflower oil belongs).

The decrease in domestic consumption, but especially the impossibility of transmitting to the consumer, at least partially, the incremental value of the cost of raw materials purchased at record prices in the previous year's harvest campaign (specific to the industry in which we operate), imports of bottled oil sourced mainly from Ukraine (but not limited to it), the need to change the sales mix to subcategories of products with a low profitability margin, but which could generate the company's liquidity needs, were additional elements that accentuated the particularly difficult situation that ARGUS went through.

The aforementioned aspect directly generated a delay in the performance of contracts already in force, renegotiations of already agreed commercial conditions and, of course, significant decreases in both turnover and profitability. We can add to this chapter the substitution effect of sunflower oil processed and bottled in Romania in the private-label category with that in Ukraine (but we can also add neighboring countries) with clear, direct and immediate effects on the volume, turnover and profitability of our company.

5. Liquidity needs

Against the background of the purchase of raw materials at record prices in H2/22, respectively the accelerated decrease in oil prices in H1/23, the company's cash flow was significantly affected. In order to cover the liquidity deficit for carrying out the current operational activity and to reimburse at maturity the installments related to the bank loan contracted to cover the raw material needs, the company had to sell categories of products / by-products with a reduced profitability margin.

6. Price cap

The protectionist measures adopted by the Romanian government (GEO 67/2023) with the declared objective of reducing inflation by lowering the shelf price also targeted the industry we are part of by implementing the measure limiting the trade margin to 20% for the best-selling product in the category, sunflower oil 1l.

Its application for the period August-October 2023 (current form) affected value-added products and favored products with trade margin located in the low-medium range and, of course, the entire profitability of the operations carried out. The extension of this interval, but also the extrapolation to the entire category of bottled oil (very likely, given the statements of the political persons who participated in its definition, seasonality, but also the specificity of 2024) until the end of this year, practically implies a revision of the estimate of the 2023 semester, with an effect on the achievements of the entire annual budget.

Significant transactions

In June 2023, ARGUS SA sold a package of 4,330 shares, representing 86.10% of the share capital of Aliment Murfatlar SRL, the total value of the transaction being 23,676,440 lei. Following this transaction, the company became a minority shareholder with a 13.90% stake.

Management statement

The undersigned Vișan George-Gabriel, as Chairman of the Board of Directors of ARGUS SA, according to the best available information, confirms that the simplified interim financial statements for the nine-month period ended September 30, 2023 give a fair and true picture of assets, obligations, position



financial and income statement and expenses of ARGUS SA and that the management report provides a correct and true picture of the important events that occurred during this period and their impact on the company's financial statements. Please note that the financial statements prepared as of September 30, 2023 have not been audited.

**The Chairman of the Board of Directors,
George-Gabriel Vișan**

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Visan George Gabriel**