



RAPORT T1 2022



Agroland Business System S.A.

Companie listată la Bursa de Valori București

Simbol: acțiuni **AG** / obligațiuni **AGR25**

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Disclaimer: The financial figures presented in the descriptive part of the report, expressed in millions of lei, are rounded to the nearest whole number and can lead to small differences in regularization.

ISSUER INFORMATION

INFORMATION ABOUT THIS FINANCIAL REPORT

Type of report	Quarterly Report for Q1 2022
For financial period	01.01.2022 - 31.03.2022
Report publishing date	27.05.2022
According to	Annex 13 to the FSA Regulation 5/2018

ISSUER INFORMATION

Issuer's name	Agroland Business System SA
Fiscal code	RO 25165241
Trade registry number	J35 / 405/2009
Registered office	Timisoara, 14 Garii street, Timis County, Romania

INFORMATION ABOUT FINANCIAL INSTRUMENTS

Subscribed and paid-up share capital	RON 5,179,059.60
Market on which the securities are traded	SMT- AeRO Premium
Total number of shares	51,790,596 shares
Symbol	AG shares; AGR25 bonds

CONTACT DETAILS FOR INVESTORS

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The interim consolidated financial statements as of March 31, 2022, presented in the following pages, are **unaudited**.

MESSAGE FROM THE CEO

Dear shareholders,

Welcome to the Agroland Business System report for the first quarter of 2022.

The results generated by our group during this period are positive, which pleases us, especially since the first three months of 2022 were under a less favorable context, influenced by the geopolitical conflict, high inflation, rising energy prices, but also the complementary agri-food crisis. In Q1 2022, we maintained the growth rate in terms of revenues, as they increased by 21% compared to Q1 2021, in line with the dynamics recorded in 2021 (+ 22% 2021 vs. 2020), reaching 66.8 million lei.



At the same time, in terms of profitability, it increased in Q1 2022 by 31% compared to Q1 2021, thus significantly exceeding the evolution recorded in 2021, when net profit was declining compared to 2020. Despite the galloping prices, we are glad that in Q1 2022, expenditures increased by 1% below revenues. From a financial point of view, we ended Q1 2022 with a net result of 1.6 million lei, compared to 1.2 million lei in Q1 2021. So far, we have managed to transfer all price increases to final customers, an operation that many retailers have failed to accomplish. Therefore, as the financial results show, the net margins of our products did not suffer. It is also clear that the maturity of some of our MEGA stores is significantly contributing to this positive trend, so we expect the net result to continue to grow with the development of the MEGA network.

In this sense, in the first three months of 2022 we continued the investments to expand Agroland Business System - we are glad that we opened three new MEGA stores, in Pascani, Husi and Timisoara, in our home market, increasing the total number of stores to 19 locations. For 2022, our goal is to reach a total of 25 MEGA stores, which we estimate will reach maturity by 2024. Since the beginning of the year, we have opened 4 traditional stores - in Costesti, Dorohoi, Valu lui Traian and Reaş. We are glad that we have reached an important stage regarding the launch of a new website, www.agroland.ro, which we believe will become an important sales vector in the coming years.

The expansion of the MEGA network is beginning to have a significant impact on our results, and in this context, I would like to point out that in Q1 2022, we received over 187,000 customers in our stores, and from all sales channels (traditional, MEGA, online and through franchisees), MEGA stores had the largest contribution, of over 93,000 customers, surpassing the performance of traditional stores for the second consecutive quarter. These results are the best proof that our business model works and that MEGA stores will be the main source of traffic as well as revenue, as our networks continue to grow, aiming to become the favorite retailer of Romanians for gardening, hobby farming and pet products.

The performance in Q1 2022, as well as the food crisis in which we find ourselves today, contributes to the growth of the business during 2022. Avicola Mihailesti is perfectly positioned to serve the local market and increase its share. Our concept of circular economy and non-genetically modified eggs has a huge potential for growth in the local market and, given the quality of commercial eggs, I encourage all our shareholders to try them. In this context, we are glad that, in addition to Lidl, the eggs produced by us will soon be available in another important international supermarket chain, with a presence throughout the country.

We strongly believe in the future of domestic food production and the circular economy. Therefore, we are in the process of investing in increasing production capacity, and from our calculations, we will position ourselves in the top 3-5 producers of consumer eggs in Romania. This year, we will make an investment of approximately 800,000 euros in capacity increase, from 150,000 laying

hens to 200,000 laying hens, supported by our own funds. For 2022, we aim for revenues of 12.5 million lei from the sale of commercial eggs, an increase of 30% compared to 2021 and an increase of 60% of the sales of day-old chicks produced on the Mihailesti platform, which is estimated that will reach 10 million lei this year.

In respect to the circular economy, ensuring local production is crucial not only for the environment, but also for reducing the carbon footprint and helping economies to become independent of cross-border supply and mitigate the risks of disruption or natural disasters, this approach to local production (food, energy, etc.) having an important critical potential. Also, shorter supply chains are part of the climate adaptation strategy and, unfortunately, Romania is far from improving this situation, as currently more than 50% of the food sold in our country is imported. Thus, at the beginning of this week we convened the General Meeting of Shareholders, which will take place in Timisoara on June 27, with the main purpose of acquiring the Combined Feed Factory, together with the related assets, located in Caransebes, Caras-Severin County, with a purchase price of 950,000 euros without VAT. The compound feed factory is fundamental for our activity because it will ensure the delivery of feed for the chickens from the Avicola Mihailesti farm. Also on the agenda of the GMS is the approval of obtaining two credit facilities with a total value of 9.2 million lei, including for financing the current activity of Avicola Mihailesti and the purchase of new harvest cereals for the Caransebes factory.

Since the beginning of this year, I have been very vocal about the food crisis we are already going through, a situation caused by the grain crisis and the energy crisis, both accelerated and amplified by the conflict in Ukraine. In our country, the food crisis is already manifested by the continuous increase in prices, which will most likely not end until the end of 2023. It is also possible that in Romania, there will be disruptions in terms of supply of imported products, all European countries facing production problems.

One of the main challenges for the market in the near future will be the widening of the global grain shortage, primarily due to a lack of fertilizers for agriculture (65% come from Russia and Belarus, which are under sanctions). The intensification of the energy crisis will lead, in addition to major increases in food prices, to the closure of some producers who will not cope with the impact, which will cause the lack of certain products on store shelves. From this point of view, we are ready to benefit from this context through Agroland Agribusiness. As many of you have already seen in the report we published earlier this week, which contains the AAB results for Q1 2022, Agroland Agribusiness 's performance has seen a three-digit increase since the beginning of the year and we expect it to be a year very good for our Agribusiness division as well.

Returning to Agroland Business System, the company is in full development, and I am glad that in the General Meeting of Shareholders in April of this year you approved the appointment of the Board of Directors, which will include Leonard Leca, Gyorgy Ovari, as well as myself. On behalf of the newly established Board of Directors, I would like to thank you all for your trust and I look forward to working together to make Agroland one of the largest retailers in the local market. Regarding our journey in the capital market, we constantly receive questions about our transfer to the Main Market. We are currently in the process of transposing our financial statements to IFRS and selecting the auditor who will support us in our work on the Main Market. As soon as we have updates, we will inform shareholders about the details of the process. We are also looking forward to discussing any issues with you, in Timisoara, at the GMS, which will take place on June 27th!

We invite you to read more about Agroland's performance in Q1 2022, on the following pages. In case of any questions related to our activity since the beginning of the year, whether it is about business or the capital market, please do not hesitate to contact us at investors@agroland.ro.

Horia Cardos

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 for gardening segment, but also a category manager with experience in pet care, 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 gardening and pet care segment.

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 very much interested in phytopharmaceutical products. Thus, the Company decided to develop the phytopharmaceutical segment. On December 31st, 2021, the Agroland group had 20 phytopharmacies.

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 over time, reaching 249 on March 31, 2022.

Starting with 2020, Agroland 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 five 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 management decided to transform the divisions into independent companies to ensure more efficient control over them and to be able to focus on the 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 inputs operations 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 floated on BVB's AeRO market under the symbol AAB on June 15th, 2021. The company also listed a corporate bond issue on the AeRO market of the Bucharest Stock Exchange on September 9th, 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.
- **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 Q1 2022 AND AFTER CLOSING OF THE REPORTING PERIOD

OPEN NEW AGROLAND MEGA STORES

In Q1 2022, Agroland Business System opened a new MEGA store in Pașcani. Two more stores were opened after the end of the reporting period.

Store	Opening date	Variety of products	Estimated sales	Investment	Jobs created
Mega Pașcani -Pașcani, 17 bis Moldovei street, Iasi county, 17th MEGA store opened	31.03.2022	variety of over 3,000 products	sales estimated at over 800,000 euros for 2023	150,000 euros, an amount that does not include stocks of goods	8
Mega Huși , Zone 1 Huși, Vaslui County, 18th MEGA store opened	05.05.2022	variety of over 3,000 products	sales estimated at over 800,000 euros for 2023	100,000 euros, an amount that does not include stocks of goods	6
Mega Timișoara , Calea Buziașului -Timișoara, str. Chimistilor no. 2 and 5-9, Timiș County, Timiș County, Funshop Park Timișoara Shopping Center, 19th MEGA store opened	12.05.2022	variety of over 3,000 products	sales estimated at over 1,000,000 euros for 2023	200,000 euros, an amount that does not include stocks of goods.	8

In addition, the Company opened 4 other traditional stores - in Costesti, Dorohoi, Valu lui Traian and Recas.

SUCCESSFUL COMPLETION OF THE SHARE CAPITAL INCREASE OPERATION

Between **November 2021 and January 2022**, the Company carried out an operation to increase the share capital in which 4,708,236 new ordinary shares were issued with a nominal value of 0.1 lei / share. During the operation, the company raised 14.7 million lei from investors.

LAUNCH OF A NEW WEBSITE

On **January 12**, Agroland launched the new website, www.agroland.ro which unites the former corporate website, www.agroland.ro and the e-commerce platform shop-agroland.ro. The new site has a user-friendly format, with an upgrade of the interface and practical information.

PUBLICATION OF REVENUE AND EXPENSE BUDGET FOR 2022

On **February 10**, the Company informed the market of the availability of the Revenue and Expense Budget for fiscal year 2022. The budget was prepared by the Company's management and approved by the shareholders at the annual Ordinary General Meeting of Shareholders, which took place on April 29, 2022. The company aims for sales of 241.2 million lei, EBITDA of 20.7 million and net profit of 13.1 million lei in 2022. The full BVC is available [HERE](#).

CONTRACT WITH BRK FINANCIAL GROUP FOR MARKET MAKING SERVICES

On **14 February**, the Company informed the market concerning the signing of a contract with BRK Financial Group ("BRK") for the provision of market making services, starting with 15

February 2022. For market making services, the minimum cumulative volume corresponding to the firm bid-ask quotes provided by BRK represents the equivalent of 20,000 euros, the maximum difference between bid and ask being 2.5%. BRK provides market making services during at least 90% of a trading session.

PAYMENT OF COUPON NO. 4 RELATED TO AGR25 BONDS

On **March 10**, Agroland Business System paid coupon no. 4 in the amount of 4.4630 lei gross per bond, related to the bonds issued on March 10, 2020, having as trading symbol AGR25. The payment was made through the Central Depository to the bondholders registered in the Register of Bondholders on the reference date February 24, 2022.

The bonds issued by Agroland Business System SA are traded within the Multilateral Trading System administered by the Bucharest Stock Exchange, starting June 16, 2020, under the symbol AGR25.

AGEA AND AGOA FROM 29.04.2022

The Extraordinary and Ordinary General Meetings of the Company's Shareholders were held **on April 29**. The legal and statutory quorum for the meeting was established at the first convocation.

The key points approved at the two meetings were:

- (i) Extension of the mandate of the financial auditor EXPERT IGNEA NICOLAE SRL until 30.04.2023;
- (ii) Appointment of a Board of Directors consisting of Horia-Dan Cardos (Chairman of the Board), Leonard Leca and Gyorgy Ovari;
- (iii) The increase of the share capital with the amount of 3,625,341.8 lei from the undistributed profit for the year 2020. The distribution of the newly issued shares will be made in proportion of 7 free shares to 10 shares held.
- (iv) Approval of the admission to trading of the Company's shares on the regulated market administered by the Bucharest Stock Exchange;
- (v) Issuance of bonds with a maximum total nominal value of 20 million lei, with a maximum interest of 12% and with a maturity of at least 3 years and maximum 7 years, in one or more issues / tranches, as well as their sale by private placement and the admission to trading of the issued bonds within the multilateral trading system of the Bucharest Stock Exchange;
- (vi) Approval of the buy-back by the Company of its own shares in the market where the shares are listed or by conducting public takeover bids, in order to implement the plan to reward key persons in the Company - SOP approved by EGMS Decision no. 25 / 04.11.2020, the buy-back conditions being established within the EGMS decision;
- (vii) Approval of actions to increase the Company's shareholding up to a maximum of 60% of the share capital of Agroland Agribusiness SA, by any means deemed appropriate by the Board of Directors, which is granted discretionary powers regarding the choice of price and time of acquisition.

ANALYSIS OF FINANCIAL RESULTS

AGROLAND STORE PERFORMANCE

As of March 31, 2022, the Agroland Group operated 249 stores, with 17 more net stores than at the end of Q1 2021. The number of MEGA stores at the end of Q1 2022 was 17 units in Romania. On March 31, 2022, the total area of the 17 MEGA stores reached 8,255 sqm, compared to the area of 17,500 sqm for traditional stores.

The concept of MEGA stores is different from the traditional one, where the product range is tripled and the target customer is different - it comes from urban areas or from the vicinity of large urban areas and focuses on gardening, pet care and hobby farming. Therefore, MEGA stores are less susceptible to significant fluctuations than those applicable to traditional stores. In 2022, Agroland expects to reach 25 MEGA stores throughout Romania.

shops	31.03.2021	31.03.2022	Δ%
Traditional	223	232	4%
MEGA	9	17	89%
Total stores	232	249	7%

Performance of own stores (*all stores, including the performance of MEGA stores*) increased significantly in Q1 2022, reaching 12.2 million lei, plus 42% compared to Q1 2021. The number of customers increased 54%, reaching over 187K customers who visited Agroland Traditional stores and MEGA in the first quarter of the year - a natural result due to the growth and diversification of the customer portfolio through the geographical expansion achieved by the company as well as targeting other categories of customers, especially customers for the pet segment. The average value of the receipt decreased by 7%, reaching 65 lei.

OWN STORE PERFORMANCE (including MEGA store performance)

	Net sales			Customers			Average value of the receipt		
	2021	2022	Δ%	2021	2022	Δ%	2021	2022	Δ%
Q1	8,601,807	12,222,109	42%	122,025	187,356	54%	70	65	-7%

The performance of comparable stores (*same stores, excluding the performance of MEGA stores*) decreased by 10% in Q1 2022 vs Q1 2021, net sales reached 6.9 million lei, the number of customers decreased by 6% (almost 84.5K customers for Agroland Traditional stores in Q1 2022) and the average value of the bill value decreased by 4%, reaching 82 lei. As traditional stores closed and MEGA stores opened in the same locations in 2021 and 2022, the overall performance of traditional stores is declining, while the share of lost sales has been recovered by increasing sales in MEGA stores.

COMPARABLE STORE PERFORMANCE (excluding MEGA store performance)

	Net sales			Customers			Average value of the receipt		
	2021	2022	Δ%	2021	2022	Δ%	2021	2022	Δ%
Q1	7,702,919	6,914,213	-10%	90,028	84,416	-6%	86	82	-4%

Some of the revenues that in 2020 and 2021 were delivered by the traditional Agroland stores were taken over by the MEGA stores. The performance of MEGA stores in Q1 2022 increased significantly, by 173%, to 5.4 million lei. A very important aspect is that in Q1 2022, 17 MEGA stores welcomed more customers than all traditional stores - 93.5K customers in Q1 2022, an increase of 148% compared to Q1 2021. The average value of the receipt grew, reaching 58 lei for Q1 2022. However, it is important to note that not all MEGA stores have yet reached full maturity - 7 stores were opened between Q2 2021 and Q1 2022, so 1 year has not yet passed since the opening of the stores.

MEGA STORE PERFORMANCE

	Net sales			Customers			Average value of the receipt		
	2021	2022	Δ%	2021	2022	Δ%	2021	2022	Δ%
Q1	1,993,305	5,442,671	173%	37,708	93,354	148%	53	58	10%

Online sales registered a minor decrease of 2%, reaching 1.2 million lei in Q1 2022, the number of customers decreased by 11%, up to 7K customers, while the average value of the receipt increased by 11 %, up to 179 lei. The minor decline in online sales is due to the fact that the online department has reorganized and moved to a new location with a new high-performance IT system, with the reorganization and relocation taking place over a three-week period in which no revenue was generated.

ONLINE SALES

	Sales			Customers			Average value of the receipt		
	2021	2022	Δ%	2021	2022	Δ%	2021	2022	Δ%
Q1	1,257,617	1,237,960	-2%	7,784	6,906	-11%	162	179	11%

Franchisee sales also registered a minor decrease, of 2% compared to Q1 2021, with total net sales of 30.2 million lei in Q1 2021. The decrease in franchisee sales was caused by the unfavorable weather in March, with recorded temperatures much lower than usual for this period, the season being postponed by one month.

FRANCHISE NET SALES

	2021	2020	Δ%
Q1	30,846,512	30,230,043	-2%

COMBINED TURNOVER BY PRODUCT DIVISION

The combined turnover, broken down by product type sold in Q1 2022 compared to performance in Q1 2021, is shown below. Please note that the figures below show total, **combined, unconsolidated sales**.

Category	31.03.2021	31.03.2022	Δ%
Feed & concentrates	19,454,651	18,382,672	-6%
Input (AAB)	12,912,283	18,289,586	42%
Chicks	14,871,397	12,153,117	-18%
Pet products	4,262,814	6,565,774	54%
Agriculture	3,630,780	3,985,451	10%
Food	2,235,424	3,364,394	51%

Farms	1,464,446	3,059,379	109%
Equipment	2,525,017	2,266,720	-10%
Additives	2,075,742	1,837,473	-11%
Other	644,093	1,023,750	59%
<i>Discounts</i>	5,526,876	4,586,556	-17%
Total Turnover	58,549,770	66,341,760	13%

In Q1 2022, the largest increase in absolute value was recorded in terms of inputs (representing the turnover generated by Agroland Agribusiness), which increased by 42%, reaching 18.3 million lei (for more details on the results AAB, please read the AAB T1 2022 Report available [HERE](#)). Pet-food products registered an increase of 54%, reaching 6.6 million lei, while sales of farm products doubled, reaching 3.1 million lei, and sales of food products, which represent the sale of consumer eggs increased by 51%, reaching 3.4 million lei.

The feed and concentrates category, with the largest contribution to the combined turnover, registered a decrease of 6% to 18.4 million lei. The sales of one-day-old chicks registered a decrease of 18%, up to 12.2 million lei. Feed, chicks, equipment and additives are the product categories most affected by the offset of the season due to the unfavorable weather in March, with much lower temperatures than usual for this period of the season.

P&L ANALYSIS

In Q1 2022, operating income increased by 21% compared to Q1 2021, in line with the dynamics recorded during 2021 (+22% 2021 vs. 2020), reaching 66.8 million lei. The increase was due to a 15% increase in turnover, as well as a significant increase of 480% in other operating income. Other operating income of 3.2 million lei comes from sale of the hall in Giarmata locality, Timis county, the difference representing: closing partner balances, rounding balances, various adjustments.

When analyzing the turnover, the sold production, which represents production income sold by Avicola Mihăilești - eggs for consumption and day-old chicks, registered an increase of 145%, bringing total revenues of 7.5 million lei. Revenues from the sale of goods increased by 5% and amounted to 59.1 million lei. Trade discounts fell by 13% despite revenue increases. In the current context of rising inflation, which has led to rising costs for raw materials, energy and utilities, prices have risen, and customer rebates have fallen in line with the market. In addition, in the case of Agroland Agribusiness, trade discounts have decreased because by the end of Q1 2022 the company has not started the pesticide sales season due to drought and supply lag from suppliers and therefore these discounts will be seen in Q2 2022. In addition, cash flow sales were lower due to the lack of liquidity of farmers, who bought products in Q1 2022 mainly with financing. The revenues from subsidies in the total amount of 356K lei, represent the amounts received from the Agency for Payments and Intervention for Agriculture, for the Mihailesti Platform, this being annual, with a total value of 1.37 million lei.

Operating expenses increased in line with sales, by 20%, in Q1 2022 compared to Q1 2021, reaching the figure of 64 million lei. Price increases caused by rising energy prices, cereals, inflation and supply chain disruptions did not adversely affect margins on Agroland products, as, during Q1 2022, the Company transferred these increases to final customers. As inflation soars, the intention is to continue this policy of gradual price increases.

The largest contribution to the expenditures was made by the expenditures on goods, which amounted to 44.6 million lei, an increase of 11%, in line with inflation. Expenditures on raw materials and materials increased significantly, by 91%, reaching 4.9 million lei, an increase mainly determined by the integration of the Avicola Mihailesti business. The 80% increase in energy and water expenditures, which reached 1.3 million lei in 2022, was determined by the opening of new stores during the 12-month period, as well as by the integration of Avicola Mihailesti.

Personnel expenses increased by 34%, reaching 6.2 million lei, as the number of full-time employees increased from 309 employees on March 31, 2021, to 386 employees on March 31, 2022. The increase is determined by the expansion of the MEGA chain.

Expenditures on depreciation and value adjustments increased by 125% to 1 million lei, the increase being determined by the opening of new stores after the closure of the first quarter of 2021.

The operating result increased by 51%, reaching 2.9 million lei, due to the maturity of MEGA stores opened in early 2021, the solid performance of Avicola Mihăilești and the fact that Agroland Business System continued the process of geographical expansion and inaugurated 8 new MEGA stores after March 31, 2021. Financial expenses increased in Q1 2022 by 103%, up to 1 million lei due to the costs related to capital increases Agroland Business System, an operation that ended in Q1 2022, as well as interest rates on credit and payment of the coupon in Q1 2022, related to the corporate bonds AAB26 and AGR25.

With a negative financial result, the loss being 1 million lei, the gross result increased by 32% compared to Q1 2021, reaching 1.8 million lei. Taxes amounted to 279K lei, an increase of 37%, resulting in a net profit of 1.6 million lei for Q1 2022, an increase of 31% compared to Q1 2021.

PROFIT AND LOSS ACCOUNT INDICATORS (LEI)	Q1 2021	Q1 2022	Δ%
Operating revenue	55,175,477	66,840,108	21%
Operating expenses	53,275,035	63,978,165	20%
Operating result	1,900,442	2,861,943	51%
Financial result	(500,546)	(1,012,414)	-102%
Gross result	1,399,896	1,849,529	32%
Net result	1,195,330	1,570,117	31%

BALANCE SHEET ANALYSIS

Total assets increased by 41% since the beginning of the year, determined primarily by the 60% increase in current assets to 121.9 million lei and the cash position by 115% to 10.3 million lei.

Fixed assets increased by 17%, up to 71 million lei, mainly due to the 19% appreciation of tangible assets, up to 62.9 million lei, determined by the opening of new MEGA stores throughout the country. Tangible assets have a degree of wear and tear specific to the activity carried out, mainly office, store, and warehouse. Financial fixed assets remained at the same level since the beginning of the year, and intangible fixed assets increased by 21% to 925K lei.

Current assets appreciated due to the 48% increase in inventories, which reached 49.1 million lei, determined by the larger size of the business, the opening of new stores in the analyzed period, the decision to continue to increase the supply of products available in stores, as well as increasing stocks of all products. Receivables increased by 63%, reaching 62.5 million lei, due to the larger size of the business. The cash position reached the amount of 10.3 million lei because of the increase in sales and collection of bank loans. The company has more liquidities due to the middle of the season.

The total debt increased by 40%, from 98.8 million lei at the end of 2021, to 138.4 million lei and is determined by the significant investments made, by increasing by 48% the current debts, up to 82.8 million lei, and by 30%, up to 55.7 million lei of long-term debts. Long-term debts include bank debts (increase of 50%, up to 33.2 million lei), corporate bonds (18.1 million lei, unchanged value) as well as leasing (increase of 59%, up to 4.4 million lei).

Current liabilities increased by 48% to 82.8 million lei. The largest contribution to this category was represented by debts to suppliers, which increased by 154%, up to 56.8 million lei, due to the company's focus on increasing stocks. Bank debts decreased by 30%, reaching 13.2 million lei and represent the company's financing lines. Other short-term debts decreased by 13%, to 8.6 million lei - these are other receivables. Salaries and payroll taxes decreased by 2%, to 3.3 million lei. The long-term debt increased by 30%, to 55.7 million lei, determined by the 50% increase of the bank debt, which amounted to 33.2 million lei. Corporate bonds have remained at the same level since the beginning of the year.

Equity increased by 42%, from 38.3 to 54.5 million lei, this increase being mainly determined by an increase by 102%, up to 28 million lei, of the issue premiums related to the operation of increase of capital with cash contribution of Agroland Business System, and share capital by 10%, up to 5.2 million lei.

BALANCE SHEET (LEI)	31/12/2021	31/03/2022	Δ%
Fixed assets	60,738,291	70,999,761	17%
Current assets	76,377,299	121,925,816	60%
Cash & cash equivalents	4,788,945	10,282,094	115%
Prepayments	-	26,687	-
TOTAL ACTIVE	137,115,591	192,952,264	41%
Current liabilities	55,800,569	78,218,653	40%
Long-term liabilities	42,992,631	55,679,320	30%
Income in advance	0	4,542,524	-
Equity	38,322,391	54,511,766	42%
TOTAL EQUITY & DEBT	137,115,591	192,952,264	41%

FINANCIAL STATEMENT

PROFIT AND LOSS STATEMENT (LEI)	31/03/2021	31/03/2022	Δ%
Operating revenue, of which:	55,175,477	66,840,108	21%
Turnover, of which:	54,094,864	62,020,852	15%
Production sold	3,042,257	7,453,382	145%
Revenue from sale of goods	56,266,827	59,092,295	5%
<i>Discounts granted</i>	<i>5,214,220</i>	<i>4,524,825</i>	<i>-13%</i>
Revenue from production in progress	517,272	1,197,365	131%
Revenue from grants	-	356,288	-
Other operating revenues	563,341	3,265,603	480%
Operating expenses, of which:	53,275,035	63,978,165	20%
Expenses on raw materials and materials	2,556,870	4,877,916	91%
Other material expenses	471,824	710,877	51%
Energy and water costs	715,791	1,291,327	80%
Expenses on goods	40,238,346	44,619,323	11%
<i>Discounts received</i>	<i>1,976,398</i>	<i>1,708,005</i>	<i>-14%</i>
Personnel expenses	4,613,278	6,196,964	34%
Depreciation expenses and value adjustments	464,261	1,043,108	125%
Other operating expenses	6,191,062	6,946,653	12%
Operational result	1,900,442	2,861,943	51%
Financial revenues	11,238	28,235	151%
Financial expenses	511,785	1,040,649	103%
Financial result	(500,546)	(1,012,414)	-102%
Total revenues	55,186,716	66,868,343	21%
Total expenses	53,786,820	65,018,814	21%
Gross result	1,399,896	1,849,529	32%
Income tax / other taxes	204,566	279,412	37%
Net result	1,195,330	1,570,117	31%

BALANCE SHEET

BALANCE SHEET (LEI)	31/12/2021	31/03/2022	Δ%
Fixed assets, of which:	60,738,291	70,999,761	17%
Intangible assets	766,617	924,885	21%
Tangible assets	52,790,209	62,898,250	19%
Financial assets	7,181,466	7,176,627	0%
Current assets, of which:	76,377,299	121,925,816	60%
Inventories	33,267,974	49,130,077	48%
Receivables	38,320,380	62,513,646	63%
Cash and cash equivalents	4,788,945	10,282,094	115%
Prepayments	-	26,687	-
TOTAL ASSETS	137,115,591	192,952,264	41%
Current liabilities, of which:	55,800,569	82,761,177	48%
Bank debts	18,948,211	13,201,883	-30%
Taxes due	1,369,773	925,281	-32%
Third party suppliers	22,337,763	56,798,877	154%
Salaries and payroll taxes	3,332,038	3,272,582	-2%
Other short-term liabilities	9,812,784	8,562,554	-13%
Non-current liabilities, of which:	42,992,631	55,679,320	30%
Bank debts	22,133,165	33,173,003	50%
Corporate bonds	18,080,300	18,080,300	0%
Leasing	2,779,166	4,426,018	59%
Deferred income	0	4,542,524	-
Total liabilities	98,793,201	138,440,497	40%
Equity, of which:	38,322,391	54,511,766	42%
Subscribed and paid-up share capital	4,757,936	5,228,760	10%
Share premium	13,821,096	27,969,531	102%
Legal reserves	615,053	615,053	0%
Profit or loss reported	10,812,806	19,124,456	77%
Profit or loss for the period	8,694,741	1,580,025	-82%
Distribution of profit	379,241	6,058	-98%
TOTAL EQUITY AND DEBT	137,115,591	192,952,264	41%

MAIN FINANCIAL INDICATORS

Consolidated indicators of Agroland Business System as of March 31, 2022, are presented below:

Current ratio on 31.03.2022

Current assets	121,925,816	
Current liabilities	78,218,653	= 1.56

Debt to equity ratio on 31.03.2022

Interest bearing debt	55,679,320	
Equity	54,511,766	= 102%

Interest bearing debt	55,679,320	
Capital employed	110,191,086	= 51%

Interest bearing debt = Loans over 1 year

Capital employed = Interest bearing debt + Equity

Fixed asset turnover on 31.03.2022

Turnover	62,020,852	
Net fixed assets	70,999,761	= 0.87

DECLARATION FROM THE MANAGEMENT

Timisoara, May 27, 2022

I confirm, to the best of my knowledge, that the consolidated financial results for the period between 01.01.2022 and 31.03.2022 give a true and fair view of the assets, liabilities, financial position and profit and loss of Agroland Business System S.A. and that the management report provides a true and fair view of the important events that took place in the first three months of the financial year and their impact on the company's financial statements.

Horia Cardos

Agroland Business System S.A.