



NOROFERT S.A.

REPORT OF THE BOARD OF DIRECTORS

FOR YEAR 2019

I. Analysis of the Issuer's Activity

1.1 Date of the Establishment of the Issuer

Norofert SRL was established in 2000 in Bucharest by Florin Popescu, as a first importer and distributor of advanced technology fertilizers, in Romania. The company initially specialized in the distribution of foliar fertilizers originating from Norway, the Netherlands, Germany and the USA, being the sole distributor for producers such as Yara, Kali und Salz and Rio Tinto. In 2009, Norofert approached the Romanian organic farming sector, which was at an embryonic stage at the time, and became the key promoter in the market of fertilizers and phytosanitary products for large organic crops. In 2010, Norofert Eco SRL was established, a company that became the first distributor in Romania of ecological inputs from Spain, Germany and the United States. Between 2010 and 2015, distribution activities continued to further grow. In 2015, Florin Popescu was forced to withdraw from the business, and Vlad Popescu, his son, took over the management of the company. In the same year, Mugur Ionel joined Vlad Popescu, having a vision to transform Norofert from the distributor into a producer of organic fertilizers and bio inputs.

In 2016, Norofert officially became the first Romanian supplier and producer of fertilizers and complex treatments needed in organic farming. With the support and collaboration of national research institutes, Norofert has developed a line of four products corresponding to the imported products until 2015, but with improved formulas and adapted to the specific conditions of the Romanian agriculture. In the same year, Norofert opened its first factory of fungicides, insecticides and organic fertilizers in Romania, serving the needs for of the Romanian ecological farmers. The factory located in Filiași, Dolj county, operated with 12 workers serving two separate production lines - one for solid fertilizers and the other, for liquid fertilizers and pesticides. The production capacity of the factory for organic inputs fertilizers and pesticides served crops of 150,000 ha per year. Currently the Filiași factory produces only the Norofert Fito line.

Between 2016 and 2018, the company experienced a period of accelerated growth as a result of the development of its own innovative technology called "BioChain", which involves the exclusive and synergistic use of raw plant materials, animals, bacteria and microorganisms in the production process. In 2017, along with the bio-fertilizers, Norofert offered a full line of environmentally friendly plant protection products such as insecticides, fungicides, seed treatments and foliage treatments. The results exceeded of the farmers who have used Norofert products in the course of 2017 have exceeded the expectations for wheat, maize, sunflower, rape and soybean crops, which has in turn increased the reputation and visibility of Norofert brand. Norofert then continued to develop the product line, with the number of developed products reaching 12. The change of position and strategy was also reflected in the evolution of the main performance indicators, the volume of turnover reaching, in 2018, a level 7 times higher than the one reported at the end of 2015, while the net profit margin increased from 9.58% in 2015, to 41.02% in 2018.

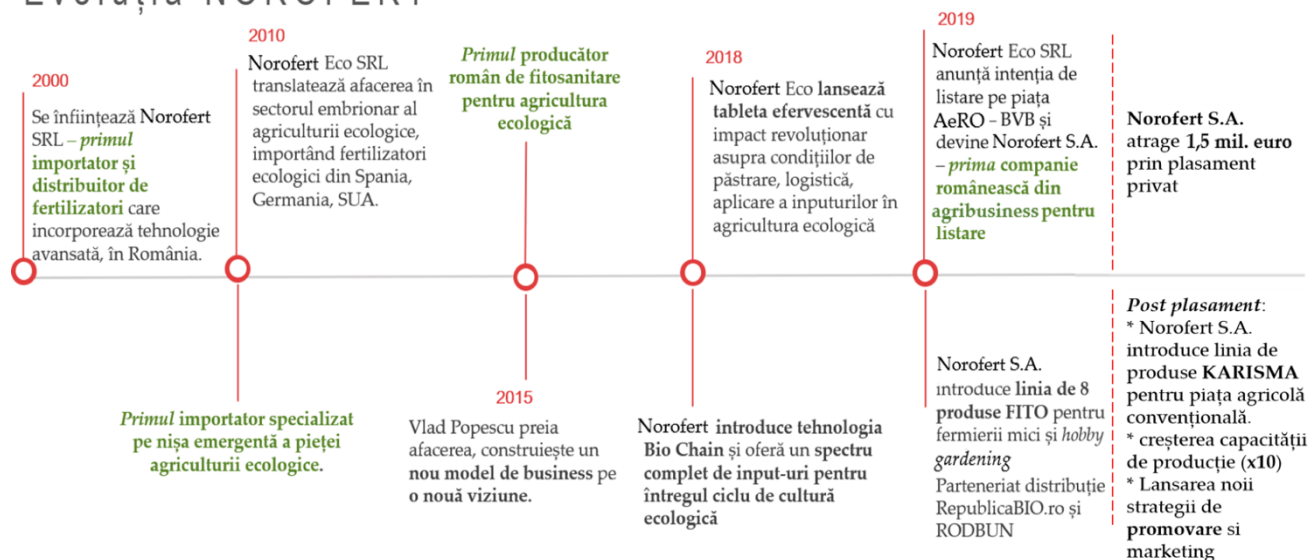
With special resonance in the profile press and on the targeted market, 2018 marked the launch of all Norofert products in the form of an effervescent tablet. By replacing the classic granular or liquid format, the effervescent tablet eliminates the risk of high temperature alteration, extends the shelf life up to 10 years and reduces the storage and transport requirements – with all these benefits having a revolutionary impact on the Romanian organic farming sector. Beginning with 2018, the company started penetrating foreign markets, targeting countries such as Bulgaria, Croatia, Hungary, Republic of Moldova and the USA.

In the 18th year of its presence on the market, Norofert went through a process of rebranding, a vehicle for the new revolutionary product lines and became an exclusive producer of inputs for organic farming.

In May 2019, Norofert announced the launch of a line of 8 new FITO products, for small farmers and hobby gardening activities. For the purpose of promoting and distributing the Fito line, the company has signed partnership agreements with RepublicaBIO.ro for online sales and RODBUN and Agrii, for its distribution in phytopharmaceutical networks with national coverage.

Same year, in 2019 Norofert made the decision to increase the company's share capital followed by the listing on the Bucharest Stock Exchange on the multilateral trading system - SMT. During the private placement of shares that took place in July 2019 the company attracted capital of 7.125 million lei, while the offer enjoyed a high interest from the investors, closing after only 8 hours. Following the private placement, in August 2019, Norofert introduced a new product line for conventional agriculture, called Karisma, which consists of fertilizers and an insectofungicide, produced both in liquid form and in the form of effervescent tablets. With the Karisma line, Norofert entered the conventional agricultural market, which has a current size of 9 million hectares of arable land in Romania.

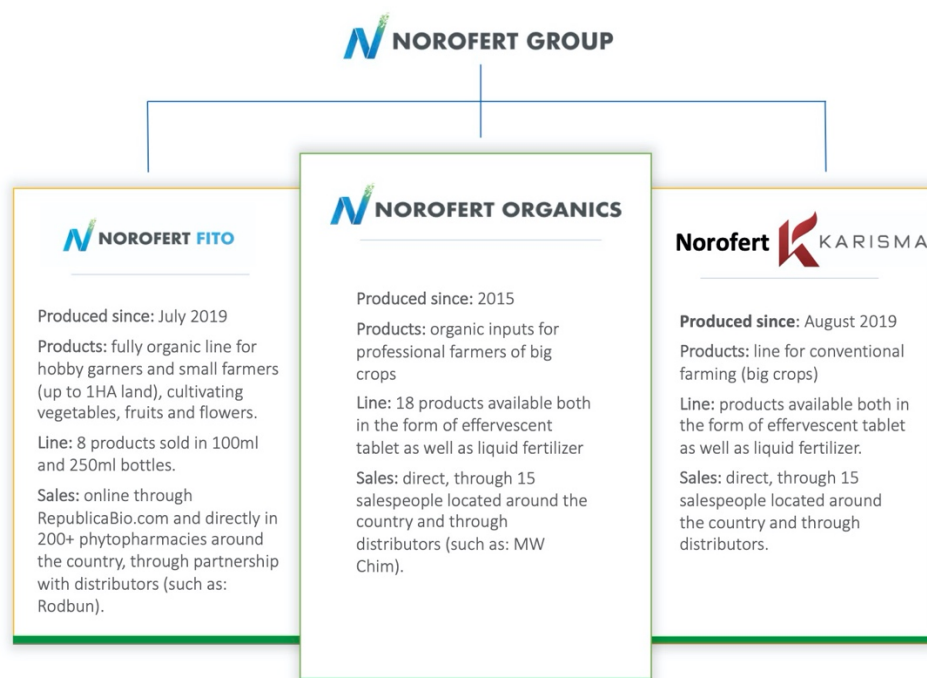
Evoluția NOROFERT



1.2 Description of the Basic Activity of the Issuer

With an agro-tech profile, Norofert develops and produces its own inputs for organic and (from August 2019) conventional agriculture. In addition to the range of 60 different products, grouped into 3 main lines, the company designs customized formulas and optimization schemes that allow the adaptation of organic inputs to the specific needs of the crop depending on the soil, atmospheric conditions and the particularities of each crop.

Currently, Norofert produces fertilizers and agricultural inputs that are available on the market under 3 different brands: Norofert Organics – inputs for organic farming (large crops), Karisma – inputs for conventional agriculture (large crops) and Norofert Fito – fertilizers and phytosanitary products for home gardening and small farmers. Below are the details of each line:



Norofert products, which are authorized in accordance with EU Regulation 889/2008 implementing EU Regulation 834/2007 and hold additional certificates for quality and compliance from ECOCERT France, are complex mixtures of at least 6 active substances each. These active substances act synergistically, enhance and complement each other, gaining a unique and competitive character between similar products on the profile market.

NOROFERT ORGANICS – INPUTS FOR ECOLOGICAL AGRICULTURE (LARGE CROPS)

Norofert presents a complete catalog of products developed in its own laboratories, which comply with all European standards for organic farming and can cover all the needs of organic crops, such as seed treatments (insecto-fungicides), foliar fertilizers, fungicides, insecticides, biostimulators and soil fertilizers, as well as limiting the absorption of heavy metals in vulnerable plants. The company produces a wide range of the following types of products:

- fertilizers - substances applied to the soil or to the tissue of the plant to supply the one or more nutrients essential for optimal plant development: foliar fertilizers dedicated to crop categories, solid fertilizers granulated for application to the soil, but also germination biostimulators for seeds;
- insecticides - substances that play a role in pest control - insects: insect-fungicidal treatments for seeds, insecticides specifically dedicated to pest categories;
- fungicides - organisms processed with role in exterminating parasitic fungi and their spores, preventing crop degradation: specifically, dedicated fungicides, by disease categories;
- seed insecto-fungicide treatment - antimicrobial or fungicidal solution in which the seeds are treated prior to planting to combat seed-borne diseases. This process reduces the amount of pesticides subsequently needed, with a positive impact on the environment;
- foliar treatments - the method of feeding the plant by applying a fertilizer directly on its leaf, allowing the absorption of the essential nutrients;
- other products for specific needs, such as adjuvant for rapid synthesis, straw decomposition products, water acidity level adjustment or heavy metal removal products, etc.



The catalogue with all the products from Norofert Organics line can be [here](#).

Apart from standardized organic formulations, Norofert is also specialized in the area of production and research of organic inputs. Norofert's experts help farmers maximize their production with the help of their customized formulas that take into consideration the specificities of the individual crops as well as the soil components, atmospheric conditions and other factors, including rodents or pests that are endangering the harvest in the given time period and area.

The process of preparing customized fertilizers consists of the following steps and is based on specific requests:

- Soil analysis, collected by Norofert experts and inspected at the company's laboratories;
- Detailed analysis of what the specific plant / crop needs in order to grow and develop;
- Analysis of the atmospheric conditions as well as the local environment;
- Preparation of the unique formulation and its production either in the tablet or liquid form;
- Delivery of the ready to use products to the client, together with application instructions.

NOROFERT FITO – HOBBY GARDENING LINE

In July 2019, Norofert launched Norofert FITO – a line designed especially for small farmers and hobby gardeners who cultivate vegetables, fruits and flowers in small, non-commercial quantities (up to 1 hectare of land per crop), a convenient market segment because of more favourable payment terms and more frequent seasonal cycles.

Norofert's management has identified a significant demand for this niche, which is sold through phytopharmaceutical chains as well as online. The FITO line currently consists of 8 organic products and includes bio fertilizers, insecticides as well as well fungicides that can be followed thorough the whole plant cycle, in order to ensure its full health. FITO is Norofert's first line of products that is available for purchasing to the general public, in quantities ranging between 100-250 ml per product. For the promotion and distribution of this line, Norofert HAS signed partnership agreements with www.RepublicaBIO.ro for online sales and, respectively, with RODBUN and Agrii, some of the largest players in the agribusiness market, for the distribution in their own phytopharmaceutical networks with national coverage.

All the Norofert Fito line products can be purchased from [here](#).



NOROFERT KARISMA – INPUTS FOR CONVENTIONAL AGRICULTURE (LARGE CROPS)

In August 2019, Norofert introduced a new product line for conventional agriculture, called Karisma, which consists of fertilizers and an insecto-fungicide, produced both in liquid form and in the form of effervescent tablets. With the Karisma line, Norofert has entered the conventional agricultural market, which has a current size of 9 million hectares of arable land in Romania. The launch of the Karisma line was a strategic move for Norofert, as it helps the company build relationships with important farmers who are currently growing conventional but who, in the medium term, can convert to organic farming and become customers for the Norofert Organics line.



Following the very good results obtained by farmers in conventional agriculture with Norofert's organic products, the company has decided to create a hybrid technology that combines the organic element with the chemical one, thus materialized in a new line of products, which was based on classic formulas currently found in the market. Therefore:

- simple nitrogen fertilizers have been transformed into complex fertilizers that combine nitrogen, organic amino acids, fulvic and humic acids - Karisma N;
- simple boron fertilizers have been transposed into complex fertilizers with boron, amino acids, auxins and cytokines, plant enzymes, etc. - Karisma Bor;
- The KARISMA line covers the entire spectrum of nutrition and prevention against pests and diseases that can occur in large crops of wheat, corn, sunflower, rape, flax, soybean, etc.

In addition to the portfolio of 5 foliar fertilizers, Norofert also launched, in the second half of 2019, KARISMA IF, an insecto-fungicide, a product destined for large crops under conventional system, with a new and different mode of action compared to the conventional pesticides on market. Also, considering the formulation of the KARISMA IF product, large volumes of sales are expected for this product because it is not part of the neonicotinoid class, meaning it can be sold even during the flowering period of the crops, when most chemical insecticides are prohibited. Another important aspect of Karisma IF is that it does not affect bees.

The direction of development towards conventional agriculture using raw materials of natural origin is a trend just at the beginning, but with very good results due to the different mode of action versus the classic pesticides, to which diseases and pests have developed resistance over the years.

The catalogue with all the products from Karisma line can be found [here](#).

1.3 Description of any significant merger or reorganization of the issuer, its subsidiaries or companies

In order to prepare Norofert for listing on the AeRO market, the company underwent some changes in 2019. Norofert Eco SRL changed its name and form of organization and became Norofert SA. Norofert SA established affiliate relationships with Norofert Fitofarma SRL and Norofert Organics SRL, both established in 2017, in which it currently holds 99% of share capital, respectively 1,980 shares with nominal value of 10 lei each, of a total share capital of 20,000 lei. Norofert SA has as principle field of activity the production of biostimulators and phytosanitary products for organic farming, while Norofert Fitofarma SRL has as main field of activity production of micro-packaged products intended for households and hobby activities while Norofert Organics SRL stores and markets Norofert SA's products.



**Remaining 1% is held by Vlad Popescu.*

1.4 Description of acquisitions and/or alienation of assets

In 2019, Norofert SA has acquired:

- 99% stake in Norofert Organics SRL (CUI:38132351);

- 99% stake in Norofert Fitofarma SRL (CUI: 38131402).

Following the success of private placement in July 2019, the company has also invested capital in fixed assets, necessary for the carrying out of production activity. The following items were acquired in the course of 2019 for the factory in Filipești de Pădure:

- 15 stainless steel tanks of 1500 l, with system of bubbling and automatic dosing of raw materials;
- 6 stainless steel tanks of 2500 l each, with controlled temperature system, bubbling system and mixing pump to the packaging line;
- Packaging line for cans of 20, 10 and 5 l;
- Labelling line for cans of 20, 10 and 5 l;
- Press for large effervescent pills, with adjustable pressing force, located in a room with controlled temperature and humidity;
- 2.5t forklift truck, 1.5t electric lorry and 700 kg manual leases;
- Laboratory for evaluation of samples for product batches, soil analysis and analysis of the physico-chemical properties of own products.

The following fixed assets were purchased in 2019 for the production facility in Filiași:

- 3 steel feed tanks of 1500 l capacity each;
- 3 steel feed tanks of 200 l capacity each;
- Air compressors and electric energy generators;
- 1 Toyota forklift.

The total value of fixed goods acquired in the course of 2019 for the purpose of carrying out the production activities in Filipeștii de Pădure and Filiași, as mentioned above, was 718.862,21 lei net.

In 2019, the company has bought in leasing the following cars, in a total value of 336.149 euro (including the advance) out of which 113.535 euro were already paid in the course of 2019. The company has bought the following cars in order to allow the sales team to carry out its activities, which include trips to difficult to reach areas, the agricultural fields of the farmers, the clients of the Group, located across Romania:

- 14 Jeep Renegade;
- 1 Dacia Duster;
- 1 Mercedes G-Class (2nd hand).

These 16 cars are under a 5-year leasing contract with OTP Leasing, with payments being co-related with the evolution of the agricultural seasons. Namely, the company makes the first payment in August (after harvesting of wheat) and second in October (after harvesting of corn and sunflower).

No assets were alienated in the course of 2019.

1.5 Description of the main results of the issuer's activity

ELEMENTS OF FINANCIAL PERFORMANCE

Turnover: At group level, in 2019, Norofert recorded a consolidated turnover of 14.86 million lei, an increase of 64% compared to the same period of the previous year. At the end of 2019, the total operating revenues were approximately 14.8 million lei, an increase of 59% that also takes into consideration the adjustment of the inventories held by the company in the course of 2019. The increase was primarily thanks to the growth of the product portfolio, from 24 to 60 products in the course of S2 2019, the launch of two new product lines – Norofert Karisma for conventional agriculture farmers and Norofert Fito for small farmers and hobby gardening, and the significant expansion of the sales team which by the end of 2019, covered the whole territory of Romania.

Operating expenses: At the end of 2019, operating expenses reached 9.51 million lei, so the operating result was 5.29 million lei, a 13% increase compared to the results of 2018. As the increase of the revenues was directly

related to the investments made, the latter led to a foreseeable increase of the consolidated expenses by 106%, from 4.6 million lei in 2018, to 9.51 million lei in 2019. The increase of the costs was anticipated by the company and was communicated previously with the occasion of the private placement and the publication of the financial report as of 31.10.2019, the increase being mainly supported by the extensive investments made in the following directions:

- Expanding the sales team with 15 new members;
- Expanding the back-office team with 18 new members (including support, credit risk analysis, logistics, compliance, export, marketing and accounting);
- Renting and equipping a new factory in Filipești de Padure, with a production area of 2,400sqm and 800sqm storage space (currently the largest unit of organic fertilizer production in Romania) with 4 production lines, for organic liquid fertilizers, conventional liquid fertilizers, effervescent tablets and granular soil fertilizers;
- Development of a product analysis laboratory;
- Development of the multiplication line of bacteria and microorganisms;
- Leasing of 16 cars, with GPS tracking, for the sales team;
- Purchase of a CRM system (under implementation);
- Complete automation of the Norofert FITO production line;
- Purchase of raw materials for the production cycle 2019-2020;
- Purchase of wheat seeds, nitrogen fertilizers (third party products) and herbicides (third party products) needed to market the Karisma line to conventional farmers.

Expenditure on goods: In order to promote the recently launched Karisma line among conventional farmers, Norofert has developed special packages, which are sold directly to farmers, through the sales team. The package contains wheat grains, Karisma fertilizers (5 products), as well as a third-party produced herbicide and nitrogen fertilizer. Norofert does not produce herbicides nor nitrogen fertilizers, but they are essential in conventional farming, so they had to be included for the special package for it to be successful. The evolution of the costs of goods, from 827,830 lei in 2018 to 4,606,531 lei in 2019, is thus represented primarily by the acquisition of wheat seeds, herbicides and nitrogen fertilizers from third-party producers, which Norofert purchased in order to promote the Karisma line. It is important to underline that the selling of the special packages, which were invented in order to promote Karisma line, results in a lower profit margin than selling, for example, products from the Organics line. This is caused by the fact that the Karisma products are sold in packages which include 3rd party products which are sold with minimal margin. This means that while the revenue of the company has increased because of promoting and selling Karisma line, the profit margin (expressed as %) is lower.

Personnel costs: The significant increase in personnel expenses, from 695,254 lei in 2018 to 1,964,869 lei in 2019, was determined by the fact that, following the private placement in July 2019, the Norofert team increased with 32 new members, and at the group level the number of employees reached 45 people as of the end of 2019.

Operating result: the increase of the expenses, more precisely the costs of goods and personnel expenses, represents the modification of the business model of the company that occurred after the implementation of the development plan for which Norofert raised the capital through the private placement from July 2019.

The financial result was a net loss of 75.9K lei, an increase compared to 30.6K lei recorded in 2018. The increase of the loss was caused by the increase in external financing, primarily by contracting leasing of the cars with OTP Leasing as well as the credit line from Alpha Bank.

Net profit recorded in 2019 was 4.62 million lei, an increase of 3% from 4.47 million lei recorded in 2018. The net profit margin decreased mainly due to the investments made starting with August 2019. Also, as mentioned above, the second half of the year represents for Norofert a season in which mainly products with a low profit margin are sold, compared to the first half of the year when products with a high profit margin are sold. It is

important to note here that, given that the private placement was in July 2019, the company did not yet have a chance to register a first half of the year with the additional "push" it has received from the freshly raised capital.

Net result: following the change in the business structure, as well as the increase of sales at group and individual level, the taxes paid by the company increased significantly (+ 245%, from 170,447 lei in 2018 to 588,672 lei in 2019), thus reducing the net result recorded at consolidated level. Specifically, Norofert Organics and Norofert Fitofarma increased revenues above the threshold allowed to companies that benefit from 1% income tax and migrated to the category of companies that pay 16% of corporate income tax.

Distribution of profit: Taking into account the net profit registered by Norofert SA in 2019, within the General Shareholders' Meeting, which will be held on April 28, 2020, the management would like to propose to the shareholders the capitalization of the sum of 2,407,182 lei from the 2019 profit. Therefore, on the agenda of the GMS the shareholders can will find, among others, the approval of the increase of the share capital of the company with the amount of 2,407,182 lei, by issuing a number of 6,017,955 new shares with a nominal value of 0.4 lei / share. The distribution of newly issued shares will be made following the formula of three newly issued shares for each share held.

FINANCIAL POSITION

Current assets: Current assets, which represented, at the end of 2019, 92% of total assets, were 24.66 million lei. As a structure, inventories accounted for 18% of current assets, and receivables for 71%. At the end of 2019, at group level, inventories were 4.83 million lei, an increase of 199% compared to 2018, while the value of the receivables was 18.98 million lei (+ 175%). The increase in inventory was mainly determined by the sales strategy adopted by Norofert for the Karisma line, which includes the sale of products made by third parties. In addition, in 2019 the inventory also included some goods that have already been sold but have not yet been sent to customers and based on the custody contract, they are still in the Norofert stock instead of being with the customer. This is since some of the clients request such an operation if they do not have sufficient storage capacity at the moment of purchasing the product.

Receivables: the standard payment term in the agricultural sector is between 280 and 360 days and this is the payment term that applies to all products sold from the Organics and Karisma lines, an aspect that explains the high volume of trade receivables. The only exception are the products from the FITO line, which have an average payment period of 90 days. Thus, the receivables growth is directly related to revenue growth registered in 2019. In addition, a limited number of outstanding claims from non-performing clients from 2018, when the company has not yet had established a Risk Department, are also included in 2019. To reduce the risk of non-performing customers in the future, in the course of 2019 Norofert has significantly dispersed its customer base so as not to depend on individual customers, increasing from 39 customers as of July 2019, to 402 customers on December 31st, 2019. In addition, the company has hired a risk manager who analyzes the payment capacity of potential customers before establishing business relationships with them.

The value of the fixed assets: having a value of 8% of the total assets, fixed assets were 2.08 million lei at the end of 2019. The highest proportion are Property, plant and equipment, amounting to 1.7 million lei, with a share of 82%, while the assets under investment represent 15% of total fixed assets. Compared with 2018, the value of fixed assets has grown by 228%, primarily because of the investments carried out in tangible assets which grew by 334% on a year-by-year basis.

Fixed assets: as a result of the private placement, as it was already mentioned to the investors, the company invested capital in the development of the Filipești de Pădure factory, as well as in the automation of the production plant in Filiași for the Fito line, which is why the fixed assets increased significantly compared to 2018. The management has decided to maintain for the moment the production of the Fito line in Filiași because should the production have been moved in 2019 to Filipești de Pădure, some of the contracts with large distributors (that were concluded in H2 2019) could have been lost because of the inability to ensure continuous production of the line. Additionally, since the production flux for Fito products that are micro-packed is different than the production flux for large quantity products such as those from Karisma or Organics line, there was no direct

benefit from moving the production immediately to Filipești and the financial burden of temporarily keeping the production in Filiasi was not that significant. The management however has in the plan to move the full production line also to Filipești de Pădure in the course of 2020 in order to have all the lines produced in one place and thus fully optimize the costs as well as the oversight.

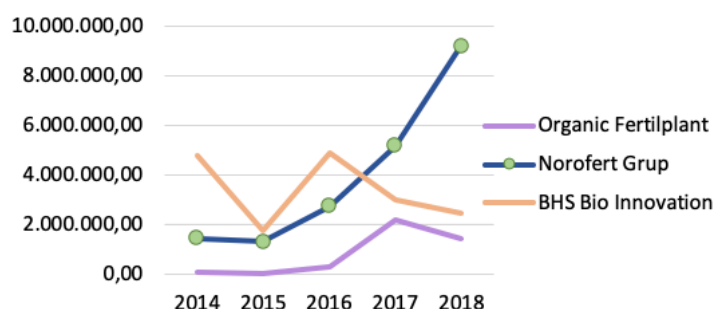
Debt: At the end of 2019, at group level, the group's total liabilities were 10.96 million lei. In this context, in 2019, short-term debt, which represents 91% of total debt, was 9.93 million lei, an increase of 138% compared to the consolidated situation in 2018. Sales growth, especially of wheat packages from the fall, led to short-term debt growth because wheat seeds and herbicides in the offered in Karisma packages were purchased from 3rd party suppliers. Non-current liabilities of 1.01 million lei are maintained at a relatively low level compared to the current ones, and amount to 9% of total debts. They have however grown by 415% compared to 2018 because of the financial leasing that the company has contracted in the course of 2019 for the acquisition of 16 cars that were needed for the sales team.

MARKET SHARE

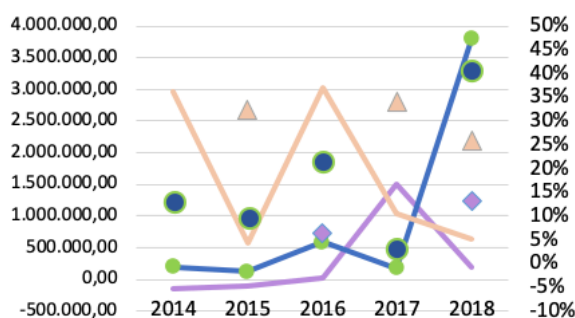
In a market of organic fertilizers valued at 10-12 million euros, Norofert has an approximate market share of 30%, estimated by reporting the number of hectares of organic crop for which the need for phytosanitary / organic fertilizer was covered by Norofert sales to the total number of hectares of agricultural crop to which organic inputs are applied. According to the expectations of Norofert's management, the increase of production capacity and the sale of organic soil fertilizers will mean the consolidation and amplification of the competitive position.

In Romania, there are three important local producers of inputs for organic farming, BHS Bio Innovation S.R.L., Organic Fertilplant S.R.L. and Norofert S.A., of which, Norofert stands out as a leader by the confirmed innovative profile as well as by the economic-financial results, calculated on the basis of the financial data history for the years 2014-2018:

a) Turnover, 2014-2018



b) Net income / net margin profit (2014-2018)



Norofert's target market is, however, approached to a large extent by foreign producers through importers and local distributors of both organic and conventional inputs, such as Naturevo SRL, Biochem SRL, Elliser Agro SRL or exclusive distributors of organic plant protection products such as Sirio Organic SRL.

Although Norofert is a leader in the organic fertilizer market in Romania, it has little recognition on the conventional agricultural market, where its Karisma line must compete with both local and international companies, including important players, such as Lebosol or Intermag Poland.

Norofert's competitive advantages on the profile market are:

- Fair prices, aligned with the conventional market;
- Long-term credit (180 - 280 days);
- Full range of products;
- Innovative products;
- National coverage through partner distributors;

- Immediate availability of products;
- Delivery in 24-48 hours through specialized services;
- Possibility of purchasing from the customers a part of the production in compensation with the debt;
- Integrated pre / post sale services;
- Specialized consultancy, both in the agricultural technical field and in the matter of legislation;
- Affiliation to professional associations in the field;
- Brand and product awareness.

EXPORT

Norofert S.A. aims to expand and increase awareness in the organic farming sector in Europe and worldwide. Norofert is already present with its products in the Republic of Moldova and Greece, however, their share in the turnover for the year 2019 was relatively low, approximately 3%. The management intends to expand further, with the first steps towards penetrating US markets already underway.

The medium-term objective of Norofert (3-5 years) is that 50% of the consolidated revenues of the company will come from markets outside Romania. Following the private placement in July 2019, new opportunities for developing Norofert's presence internationally appeared, especially through the entry into the US market, but the management and sales team were also approached by farmers and distributors from other countries such as Jordan, Morocco, Kazakhstan and South Korea. The company received a very positive feedback and a special interest for its key innovation, the effervescent tablet which supports the expansion of the area of activity in the external markets.

Achieving this goal, to have 50% of the revenues from external markets, will require a significant investment from the company because entering a new market is accompanied by costs for the homologation of each formula. However, Norofert's ambition is to become a regional player and make its innovative products available to farmers all around the world.

1.6 Evaluation of the technical level of the issuer

The main market for sale of Norofert products in 2019 was Romania, with different distribution channels being used for each of the three business lines. Organics line reaches large organic farmers through sales agents. Karisma line is also sold through the sales team, but which in turn acts as sales support for local distributors with whom Norofert has contracts. Therefore, the negotiation and presentation of the products is done by Norofert sales agents, but the invoicing is done through local distributors. Fito line is distributed through phytopharmaceutical chains, through approximately 400 locations of Agrii and RodBun, as well as through an online retailer, RepublicaBIO.ro. For 2020, the management is planning to get into the DYI chains, into the gardening section.

As two of the three lines of the company (FITO and Karisma) were only launched in second half of 2019, their individual weight in the total turnover can only be predicted for 2020. The management expects it to be as follows: Organics – 40% of turnover, Karisma 55% of turnover and Fito 5% of turnover, with a growth trend to be registered by Karisma and Fito lines in the next 2 years.

The production of agricultural inputs during 2019 evolved as follows:

<i>Production Volumes (in liters)</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>
FERTILIZERS	73,000 l	74,400 l	120,000 l
INSECTICIDES	25,417 l	35,075 l	30,000 l
FUNGICIDES	12,762 l	35,400 l	29,000 l

Regarding sales by product categories, they present as follows:

<i>Sales per Product Category (% of total sales)</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>
FERTILIZERS	47%	30%	40%
INSECTICIDES	25%	30%	20%
FUNGICIDES	21%	25%	20%
SEED TREATMENT	3%	5%	9%
SPECIAL PRODUCTS	n/a	3%	1%
GRANULATED SOIL FERTILIZERS	4%	7%	10%

Karisma and Fito lines will receive in the course of 2020 financing in order to continue growing their position in the market. Karisma is in a very crowded market of products for conventional agriculture and a considerable effort is needed in order to distance it from the competition through packaging, formulation and pricing policy. Competition "In Tandem cu Norofert" through which a Mercedes X-Class car will be awarded to the winner, is specially designed for marketing the Karisma line. It brings an additional revenue to Norofert in the spring season and is conditioned on participating in the pre-paid sale raffle, which is hard to achieve in this period of the year, without encouraging farmers in this regard.

The Fito line, intended for gardeners, greenhouses and solariums, produced on a special line of micro-packaging (100ml, 250ml and 500g) will enter even more phytopharmaceuticals in 2020. A "spin off" of the hobby line is also planned for 2020 which will include products for dilution in water and packaging as sprays, targeting a wide range of household customers (specifically for ornamental flowers and apartment plants).

1.7 Evaluation of the technical-material supply activity (indigenous sources, import sources)

The raw material used by Norofert for all product ranges has a 70/30 ratio in favor of local supplies. Apart from the materials that are impossible to manufacture or extract in Romania (such as: vegetable amino acids from soy, phosphate rock or potassium sulphate), the rest of the raw materials are produced by Norofert, though a multiplication of 12 types of microorganisms.

Price fluctuations for the main imported raw materials are not significant, as they are not considered as commodities. There is an average fluctuation of +/- 5% in the last 5 years for amino acids or phosphate rock.

The raw materials are purchased 3 months before the beginning of the agricultural season to allow a comfortable production time. According to forecasts, the production flow is adapted and products covering 70% of the forecast are introduced into production. During the campaign, depending on the pedo-climatic conditions and / or attacks of pests or diseases, spot orders are made, mainly of phytosanitaries.

The main suppliers of conventional seeds and pesticides, used for the sale of the technological packages with foliar fertilizers are local importers and distributors, the main 5 suppliers invoicing together, at most 16.3% of the total value of the orders. Norofert has not developed a relationship of dependence with a single supplier, and the

classification below varies from year to year. The company chooses its suppliers primarily based on the quality of the products, but also on the competitive price-quality ratio, which ensures the integrity of the Norofert formulas.

The first 5 most important suppliers, based on the weight in the total value of orders in 2019, are:

<i>Nr.</i>	<i>Suppliers name</i>	<i>Weight (%) in the total value of orders in 2019</i>
1.	AGRO EST MUNTENIA SRL	8.15%
2.	KWS SEMINTE SRL	4.99%
3.	ALPHA PARTNERS SRL	1.44%
4.	ALCEDO SRL	1%
5.	CHEMARK SRL	0.75%

1.8 Evaluation of the sales activity

Norofert products are distributed through direct channels to large farmers through the Norofert sales team, respectively through a network of local distributors in the most important nodes of the country in the agricultural sector. For 2019, 65% of Norofert's sales came from distributors, 23% from large farmers and about 12% were sales to small farmers.

Agricultural campaigns are composed of two phases from the point of view of the process of selling inputs. The first phase includes the early sales campaign, which takes place 3-4 months before the beginning of the planting season. During this period, larger discounts for advance payment and technological packages consisting of fertilizers, pesticides and herbicides are granted. In general, farmers with better capitalization benefit from this campaign. Early sales account for about 25-30% of sales for that season. The second phase includes the sales campaign from the beginning of the seeding season, which is also the busiest. During this period, the delivery time, the availability of the products and the agility of the sales team prevail in the face of the price policy because the failure of the optimal window of application of the inputs often translates into losses in the crop.

For the Organics line, Norofert enjoys the status of sole producer of a complete line of fertilizers and phytosanitary for organic farming in Romania. Therefore, the company can offer complete solutions, from seed treatment to post-harvest treatments to the main agricultural crops of cereals, oilseeds, fruit trees, vegetables. The competition is represented by importing and distributing companies, which import on the local market mainly from countries such as Spain, Italy, Germany or France. There is a small growth of competing companies in this niche.

The Karisma line is among the most competitive branches of agribusiness, of biostimulators and specialized products. The influx of imported and domestic products makes this market a place where the price prevails, and quality is second. In terms of increasing market share, risk dispersion is one of Norofert's main priorities, in a market where crediting until harvesting, somewhere at 270-300 days, is a standard. In order to reduce the exposure to the risk of non-payment of receivables specific to this sector, Norofert implemented a policy of careful selection of customers, excluding small farmers without a history of good payment, and focused on large farmers in organic and conventional agriculture. Through the Risk Department, created in August 2019, the triage and eligibility for financing clients has become much more rigorous, reducing but not completely, eliminating, the risk of non-payment.

For the Fito product line, Norofert signed distribution and sales contracts with the online shop RepublicaBio.ro, with Agrii and RodBun, the latter being an owner of a chain of 70 phytopharmaceuticals covering the whole country and collaborating with about 100 other phytopharmaceuticals. Most of the sales generated in 2019 to

small farmers were generated by sales of products from the Karisma line. The Fito line was aimed, through phytopharmaceuticals, to domestic consumers.

<i>Structure of Client Portfolio (% of total sales)</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>
DISTRIBUTORS	40%	60%	65%
LARGE FARMERS	40%	30%	23%
SMALL FARMERS	20%	10%	12%

The sales efforts were supported in two ways – firstly through the sales team which has joined the company in August 2019 and has been primarily responsible for reaching out to new customers and informing them about the products of Norofert Group, benefits of organic farming as well as about using products manufactured by the issuer. The full list of the sales team, together with their division on the territory of Romania can be found on [Norofert's website](#). Secondly, the efforts of the team have been supported by two promotional campaigns carried out in the course of 2019, which have costed a total of approximately €70,000 and have included: promo campaigns of Karisma and Organics lines, 6 meetings with farmers as well as costs of establishing, maintaining and tracking of demo plots harvested with Karisma and Organics products.

	<i>2017</i>	<i>2018</i>	<i>2019</i>
PROMOTION CAMPAIGNS OR SPECIAL OFFERS	0	1 (€50,000)	2 (€70,000)
NUMBER OF SALES AGENTS	4	3	14

Additionally, in the course of 2019, Norofert has organized 6 meetings with conventional agriculture farmers, during which Norofert teams have presented advantages of conversion towards organic agriculture using Norofert products. We consider these meetings of fundamental importance as they give us unique opportunities to build relationship with conventional farmers who can first use Karisma products and then, as a second step, convert to organic farming by following Norofert Organics line.

Finally, in the course of 2019, the company has increased its presence in the Romanian as well as international press and media, including also TV coverage. The media appearances have focused both on business publications (DIGI24, Ziarul Financiar, Wall-Street, Profit, Forbes, NewMoney, etc.) but also specialized outlets targeting the farmers, such as AgroTV.

When it comes to dependency from clients, in 2019, the following 5 companies have represented the largest clients for Norofert Group:

<i>Nr.</i>	<i>Name of Client</i>	<i>Weight (%) in Turnover</i>
1.	BIOAGRIFERT SRL	22%
2.	BIO CONSULTING CENTER DELTA SRL	8%

3.	CEREALBIO SRL	5%
4.	AGRO IULIA SRL	2,7%
5.	EMILIANA WEST ROM SRL	1%

During 2019, Norofert has significantly dispersed its customer base in order not to depend on individual customers (39 customers on July 1, 2019 vs. 300 customers on December 31, 2019). In addition, the company has hired a risk manager who analyzes the payment capacity of potential clients before establishing business relationships with them. The largest dependency in the portfolio is placed at the distributor Bioagrifert SRL, with a percentage of 22%. This distributor operates, supported by 3 Norofert sales representatives, in Constanța and Tulcea areas, which is distinguished by 80% concentration on organic farming. The company Bioagrifert SRL is owned and managed by Mișu Constantin, former Norofert sales agent and has in its portfolio exclusively products manufactured by the issuer.

1.9 Evaluation of the Issuer's staff

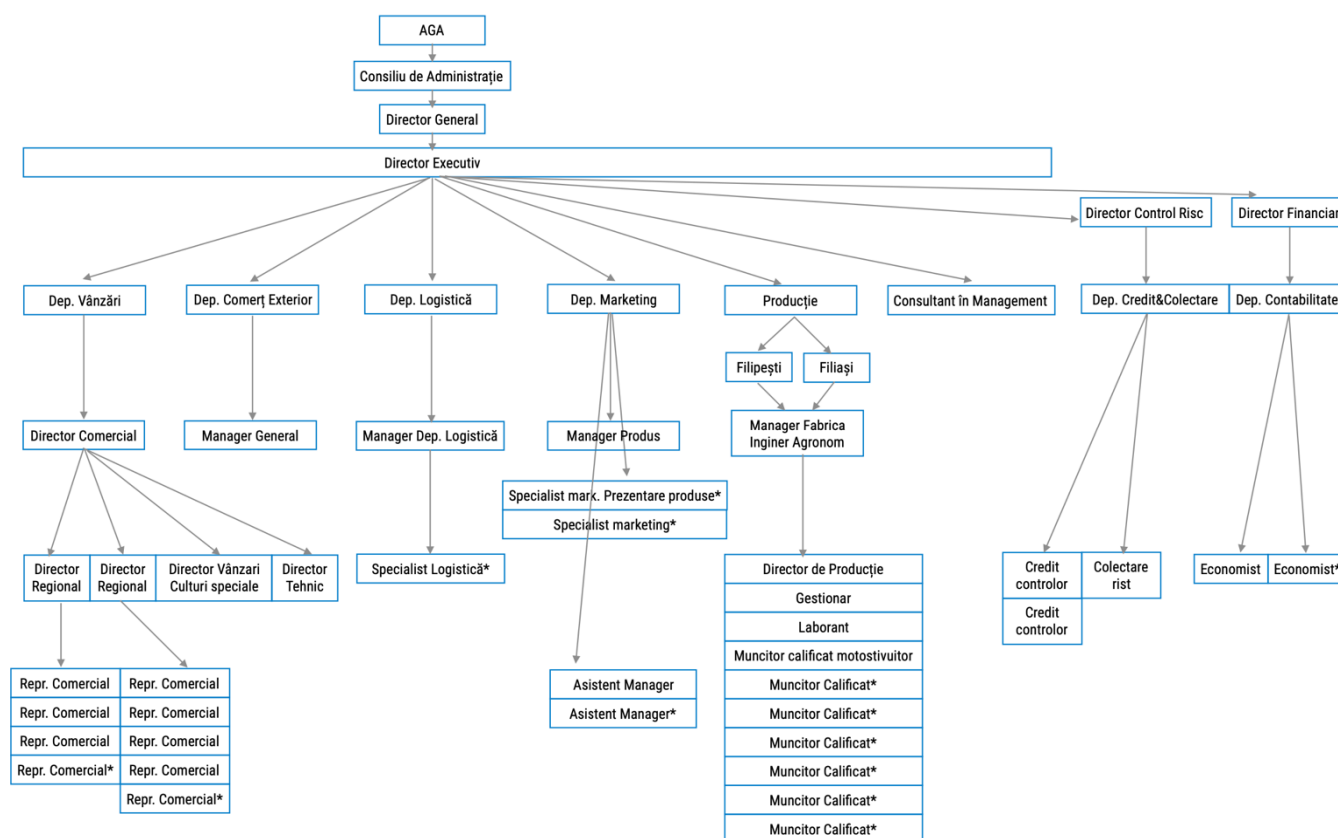
Norofert Group team has reached in 2019 an average number of 33 of employees. As of December 31st, 2019 the company had 45 employees. 27 employees had a contract with Norofert SA, 3 with Norofert Organics SRL and 15 with Norofert Fitofarma SRL. The personnel distribution at the level of Group is as follows:

<i>Departament</i>	<i>Employees</i>
SALES DEPART.	13
ADMINISTRATIVE / ACCOUNTING DEPART.	12
LOGISTICS DEPT.	3
PRODUCTION MANAGEMENT	6
COMPLIANCE DEPT.	1
EXPORT DEPT.	1
LAB	1
PRODUCTION UNITS	8
TOTAL	45

Please note that there has also been a fluctuation of some personnel, with some of the team members leaving the company in the course of 2019 - for example at the end of 2019, the company had 13 sales representatives, even though in the course of the year, 15 new sales colleagues has joined the firm. Having very strict sales targets, some sales representatives were let go before the yearend.

From Norofert's staff, 11,1% are persons who are between 20-29 years old and 88,9% are over 29 years old. Out of the employees of the Group, 48,9% are persons with higher education and 51,1% are persons with secondary education.

The organizational relationships and the hierarchical-functional structure can be analyzed on the following organizational chart (in Romanian):



1.10 Evaluation of the issues related to the issuer's impact on the environment

Norofert SA holds a complete environmental permit for all production activities, issued by the National Agency for Environmental Protection in Prahova. Production facilities of the company and the equipment held are new or have been upgraded, and they all comply with the requirements regarding environmental protection and occupational health and safety.

Organic farming is an integrated farming system that pursues sustainability, increasing soil fertility and biological diversity, while prohibiting, with rare exceptions, the use of synthetic pesticides, antibiotics, synthetic fertilizers, genetically modified organisms and growth hormones. For all its production lines, including Karisma for conventional farming, Norofert uses only natural ingredients, raw materials of plant and animal origin, which do not have a negative impact on the environment.

There are no existing lawsuits related to the environmental protection.

1.11 Evaluation of the R&D activity

In the course of 2019, Norofert was active in the research and development activities, which for the issuer means developing as well as improving the formulations of its agricultural inputs. In the below table is presented the evolution of the company's R&D efforts. In 2019, Norofert has developed 25 new products, which include a full FITO line for hobby gardening and small farmers (launched in May 2019), full Karisma line (launched in August 2019) as well as new additions to the Organics line, including products for a sub-line Organics for Horticulture.

The number of new formulas has significantly increased, primarily due to the fact that Norofert has developed a private label line of 50 products (considered „new formulas”) for Agrii. In parallel, all the formulations previously

developed by Norofert have been improved in the course of 2019 in order to ensure that they have the maximum effect on the crops.

<i>Indicator</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>
NUMBER OF NEW FORMULAS	12	19	50
NUMBER OF IMPROVED FORMULAS	5	12	50
NUMBER OF NEW PRODUCTS	7	7	25

1.12 Evaluation of the issuer's activity related to risk management

1.12.1 RISKS CONCERNING THE ISSUER AND ITS ACTIVITY

PRICE RISK – this represents the risk that the market price of the products sold by the company will fluctuate to an extent that makes existing contracts unprofitable. With the company being the producer of agricultural inputs, the company has the advantage of stabilizing itself the price of the products it sells, of course in line with the prices of other producers active on the market. In the agricultural sector, the habit is that the producers of agricultural inputs establish a relatively high price list (which allows a significant profitability margin), and then provide discounts on an individual client basis, based on payment term as well as quantity of product bought. Having a high price list allows the company to have flexible pricing policy and manage risks related to pricing as well as it lets the company adapt to changing market prices from day to day, from one client to another. Even with significant discounts, the company still manages to maintain a healthy production to sales cost ratio, which also includes indirect costs. When it comes to the prices of raw materials used for the production of the fertilizers, it is important to underline that it generally does not have high price fluctuations, and these are relatively low considering the price of products sold. Therefore, as the issuer does not engage in the activity of a distributor, which carries a significant price risk, its exposure to price risk is significantly lower. The only exception where the company is exposed to price risk is when it purchases seeds or 3rd party products, as it was done for the purpose of marketing the Karisma line. However, these products bought from the third parties are never sold alone, but only in specially designed packages which include issuers own products, which helps mitigate the risk. Being included in package, eventual losses in margin from 3rd party products are covered by high margin from other products in the package, which are own products.

LIQUIDITY RISK – liquidity risk is associated with holding fixed or financial assets and converting them into liquid assets. The company does not hold financial assets other than shares in two daughter companies (Norofert Fito and Norofert Organics), however it does hold fixed assets, which is in majority the equipment necessary for the carrying out of daily activities at the two production facilities of the company.

CREDIT RISK – the risk that the Group will incur a financial loss as a result of the breach of contractual obligations by a client, which mainly results from the trade receivables or the possible breach of the obligations under some financial instruments. The company is exposed to the credit risk, given that the specific nature of the activity and the business model involves the credit of customers on terms of over 180 - 360 days. In order to reduce the exposure to the risk of non-payment of sector-specific receivables, Norofert implemented a careful customer selection policy excluding small farmers without a good payment track record and focused on large farmers in organic and conventional agriculture. The Risk Department within the company makes a thorough evaluation of each client sent for approval by the field sales team. As a result of this assessment, the creditworthy customers receive a credit limit, with which they can purchase products from the Norofert portfolio.

The Risk Management Department was established following the private placement in July 2019. The role of this department is to minimize the risk of financing through risk policies adapted to business lines (Norofert Karisma, Organics and Fito). The risk policy is based on the definition of a set of evaluation criteria, criteria that take into

account a correct evaluation of the client's solvency from a commercial point of view (partner type, culture type, work surface, history), legal (litigation) and financial (turnover, number of employees, CRC incidents, stocks, etc.). The financing or granting of a credit limit is carried out on the basis of the above-mentioned criteria, each credit limit being secured by guarantee instruments or additional guarantees requested after the client's analysis. The process of monitoring clients helps to identify possible situations or changes from the legal and financial point of view intervened in the activity of the client to whom credit line was granted. These situations may lead to the modification of the financing decision. The monitoring process is carried out from the moment of granting the credit line until the time of collection of the debts. The debt collection procedure is structured on exact periods that allow both amicable collection and enforcement of guarantees, where appropriate. All these activities included in the risk procedure must allow for the most accurate assessment of the client's solvency at the time of requesting the financing and its future payment capacity, so that the financing decision is taken in conditions of zero risk of non-term recovery and in all the financing provided to the client.

EXCHANGE RATE RISK - the possibility of recording losses from international commercial contracts or other economic relationships, due to the modifications in the exchange rate of the currency in the period between the conclusion of the contract and its maturity. As the company plans to expand to other international markets, from Europe or the US, it will be exposed to this type of risk however at the current moment, is not the case.

CASH-FLOW RISK – this represents the risk that his company will not be able to meet its due payment obligations. The periods of the year in which the company is exposed to the risk of cash flow are the months before harvest (June for rapeseed, July for wheat and October for sunflower and maize). A prudent cash-flow risk management policy involves maintaining a sufficient level of cash, cash equivalents and availability of financing through appropriately contracted credit facilities. The company monitors the level of cash inflows expected from the collection of trade receivables, as well as the level of cash outflows expected for the payment of commercial debts and other debts. The cash flow risk is limited by factoring operations on eligible customers and marketing campaigns that encourage the payment in advance of some products in exchange for larger discounts.

RISK ASSOCIATED WITH INTEREST RATES AND FINANCING SOURCES - in case of deterioration of the economic environment in which the issuer operates, it may be unable to contract a new loan under the conditions it previously benefited, which could lead to increased financing costs that would adversely affect the financial situation of the company.

RISK RELATED TO THE ASSETS OF THE COMPANY AND THE DEPRECIATION OF THE STOCK - As of December 31st, 2019, the current assets of Norofert SA include inventory of goods of a total value of 4.33 million lei. These goods are wheat seeds as well as soil fertilizers produced by a 3rd party, which were purchased by Norofert to include them in the special packages promoting Karisma line. The packages are an integral part of Norofert's marketing strategy of promoting the Karisma line among the conventional farmers. While these products are sold with a negligible profit margin, there exists a risk that the fertilizers suffer from devaluation and they might not be resold by Norofert before the end of the year or not at all. There is also the risk that the wheat seeds might deteriorate for several reasons (weather, atmospheric or storage conditions just to mention a few) and will not be fit to be re-sold. Should these risks realize, they would have a direct, negative effect on the company's financial result. Nonetheless, stored in optimal conditions, the wheat seeds can be re-analyzed next year by the authorized institutions and can be put back on the market in order to include them in the new packages, sold by Norofert starting from September 2020. The wheat seeds remaining in stock represent estimated 25% of the total value of the goods mentioned above, the while rest of the products have a shelf life of at least 2 years from the date of manufacturing (September 2021), thus meaning that the company should have sufficient time, respectively 4 agricultural campaigns, to use them. The company will however do everything in its power for the risks related to the goods held by the company do not to realize however the management considers it crucial to inform the shareholders about the current situation.

RISK ASSOCIATED WITH KEY PERSONNEL - the company, active in a niche industry of organic farming, in an expanding market, carries out an activity that requires high knowledge and specialization. The company depends on the recruitment and retention of the management personnel and the qualified employees. The medium and

long-term profitability of the company depends, to a large extent, on the performance of the qualified employees, the personnel and the executive management, especially important for the future development of the Norofert Group. Therefore, there is a possibility that, in the future, the company may not retain its executive directors or key personnel involved in the company's activities or may not attract other qualified members to the management team or key persons, which would affect the market position as well as its future development. Thus, both the loss of the members of the management and of the key employees could have a significant negative effect on the activity, financial position and operational results of the company.

RISK DUE TO THE SPECIFIC OF THE ACTIVITY – the company operates in the field of agriculture on niche products intended especially for organic farming. As a result of the strategy at the level of the European Union and Romania, the farmers benefit every year from subsidies that significantly support the activity of the farmers. Although no information is known in this regard, if in the future this strategy undergoes adjustments or modifications in the direction of the reduction of subsidies, it can also negatively affect the clients of the company, with potential impact on the receivables and / or new product orders side Norofert.

RISK OF WITHHOLDING OF THE ISSUER'S ACCOUNTS - withholding the accounts is an enforceable measure that can be applied to a company. Thus, the issuer's accounts may be blocked as a result of the forfeiture, if the issuer's creditors request this measure to recover their debts. The issuance of the issuer's accounts entails the blocking of the amounts from the receivable accounts and may lead to the difficulty or inability of the company to fulfill its subsequent obligations, in the agreed terms.

OPERATIONAL RISK - The Romanian agricultural cycle is divided into two main seasons, each having a different influence on the financial performance of the company:

- February-May, with peak activity in the months of March-April, is the season for seeding sunflower, corn and applying treatments for already planted wheat and rapeseed that have gone out of winter (meaning, they have grown and survived the winter season). For cultivating and treating these crops, Norofert sells its proprietary products which have the highest profitability margin. Thus, in the first half of each year, the Company generates most of its profit.
- August-October, with peak activity from mid-September to the end of October, is the season for seeding wheat and rapeseed. During this campaign, Norofert sells primarily specially designed packages that contain seeds, herbicides, and fertilizers. These packages, alongside products from Karisma line, include 3rd party products (wheat seeds, an herbicide and a nitrogen fertilizer, which are not produced by Norofert) and have thus a lower profitability margin. Because of that, in the second half of the year, Norofert generally registers high revenues and a smaller profit compared to the first half of the year.

Depending on the weather conditions, the cycles can be extended for the period specified above, thus affecting the sales of the company, especially the sales of products from the Norofert Organics and Norofert Karisma lines. The line for small farmers and hobby gardening, Norofert FITO, is the only one that is not significantly influenced by the agricultural seasons. Thus, the FITO product line operates throughout the year and is expected to ensure a constant cash flow to the Group, as the payment term for the FITO line is more favorable, 90 days compared to 280-360 days for the other two lines.

RISK OF LOSS OF REPUTATION - it is a risk inherent in the activity of the issuer, the reputation being particularly important in the business environment, especially if the company wants to expand its activity in other markets. The ability to expand its portfolio, in order to develop the activity, is due to the recognition of the issuer's brand and the enforcing of the products on the target markets.

RISK ASSOCIATED WITH THE REALIZATION OF THE BUSINESS DEVELOPMENT PLAN - the company aims at a sustainable growth, as strategic directions for the development of the main activity, Norofert aims to increase the market share and the volume of sales in Romania amid the background of intensifying the market absorption for ecologically certified inputs and the reorientation to sales predominantly through large distributors. However, it is not excluded the possibility that the line of development chosen by the issuer in order to extend the activity

is not at the level of expectations and estimates, in this case it could have negative effects on the financial situation of the company.

RISK ASSOCIATED WITH THE REALIZATION OF THE FINANCIAL FORECASTS - financial forecasts start from the premise of fulfilling the business development plan. The company aims to periodically issue forecasts regarding the evolution of the main economic-financial indicators to give potential investors and the capital market a true and complete picture of the current situation and plans envisaged by the company, as well as current reports detailing the comparative elements between the forecast data and the actual results obtained. The forecasts will be part of the annual and half-yearly reports, and the forecast policy will be published on the company's website. Forecasts will be made in a prudent manner, but there is a risk of non-compliance, therefore, the data to be reported by the company may be significantly different from those estimated, as a result of factors not previously predicted, or whose negative impact could not be managed or anticipated.

RISK RELATED TO THE PROTECTION OF PERSONAL DATA – in the course of its activity, the company collects, stores and uses data that are protected by laws regarding the protection of personal data. The company takes this risk into account and takes precautionary measures in order to protect the clients' data, in accordance with the legal requirements in force. The issuer takes all precautionary measures imposed in this area, but there is the possibility that, given that they have commercial relations with various partners, they might not fully comply with the relevant contract terms and all obligations regarding the protection of the data imposed on them.

COUNTERPARTY RISK – this is the risk that a third natural or legal person will not fulfill his obligations under a financial instrument or according to a client contract, thus leading to a financial loss. The company's exposure to counterparty risk is limited because the company does not sell products it does not have in its stock. For the purpose of cost optimization, any type of third-party products such, for example wheat seeds that the company includes in its packages to promote Karisma line, are bought in advanced, at the beginning of the season, in order to ensure enough stock. While this limits the company's counterparty risk, it increases the risk related to the assets owned by the company, which is explained in more detail above.

RISK ASSOCIATED WITH OTHER TYPES OF LITIGATION – in the context of its activity, the issuer is subject to litigation risk, among others, as a result of changes and development of legislation. The issuer may be affected by other contractual claims, complaints and disputes, including from counterparties with whom it has contractual relationships, clients, competitors or regulatory authorities, as well as any negative publicity that such an event entail.

1.12.2 GENERAL RISKS WITH A SYSTEMIC CHARACTER

GENERAL ECONOMIC RISKS - the issuer's activities are sensitive to economic cycles and general economic conditions. Both international financial crises and unstable economic environment can have significant negative effects on the issuer's activity, operational results and financial position. Socio-political turmoil can also impact the company's activity. The international financial markets have felt the effects of the global financial crisis that started in 2008. These effects were also felt on the Romanian financial market in the form of the low liquidity of the capital market, as well as by an increase in the interest rates on medium-term financing, because of the global liquidity crisis. In the future, such a scenario could be repeated, and the eventual significant losses suffered by the international financial market, with major implications on the Romanian market, could affect the Issuer's ability to obtain new loans or financing, under sustainable conditions.

RISK RELATED TO COVID19 PANDEMIC - At the time of publishing this report, Romania is facing the outbreak of COVID-19 (coronavirus) across the country, with several companies being forced to interrupt their daily operations. at this point, Norofert SA financial performance has not yet been impacted as the sales in agricultural sector are continuing as usual, however that there exists the risk that in case the current situation prolongs and the government takes more restrictive measures, the production, sales and delivery activity of the issuer might be impacted, in the worst cases stopped, which will have a direct negative effect on the company's financial result. at the time of publishing of this report, the company has taken all the necessary measures in order to protect its employees and clients and ensure business continuity, which include remote working for

administrative staff, social distancing and the disinfecting measures for the essential personnel in the factories as well as constant monitoring of the situation in order to ensure the health and safety of all the stakeholders. as the current situation is still evolving, the company is managing all the risk related to this situation on a daily basis and should there be any measures that impact the company's performance as well as forecasts for the current year, the management will inform the shareholders through a current report.

FISCAL AND LEGAL RISK - the issuer is governed by the Romanian legislation and even if the Romanian legislation has been largely harmonized with the EU legislation, further changes may occur, respectively new laws and regulations may be introduced, which may have effects on the company's activity. Romanian legislation is often unclear, subject to different interpretations and implementations and frequent changes. Both the modification of the fiscal and legal legislation, as well as possible events generated by their application, can result in possible fines or lawsuits filed against the company, which can impact the activity of the issuer.

RISKS RELATED TO INVESTMENTS IN ROMANIA, IN ECONOMIC AND POLITICAL CONTEXT - Romania's economy is vulnerable under conditions of regional or international recession, financial and economic problems at a general level can be felt more acutely in certain markets or sectors. Also, political and social changes can be an unpredictable factor. Romania does not have all the business, legal and regulatory infrastructure that would exist in a developed economy. The legislation is subject to varying interpretations and is frequently amended.

OTHER RISKS - Investors should consider that the risks presented above are the most significant risks that the company is aware of at the time of redacting this report. However, the risks presented in this section do not necessarily include all the risks associated with the issuer's activity, and the company cannot guarantee that it includes all the relevant risks. There may be other risk factors and uncertainties of which the company is not aware at the time of writing the document and which may in future modify the actual results, financial conditions, performances and achievements of the issuer and may lead to a decrease in the price of the company's shares. Also, investors should undertake pre-requisite checks to prepare their own investment opportunity assessment.

1.13 Perspective elements regarding the Issuer's activity

Currently, Norofert's vision for the future includes new development directions related to the main activity, such as:

INPUTS FOR ECOLOGICAL AGRICULTURE - LARGE CROPS - Norofert's activity is, first and foremost, the production and marketing of inputs for organic farming. As strategic directions for the development of the main activity, Norofert aims to increase the market share and the volume of sales in Romania amid the background of intensifying the market absorption for ecologically certified inputs and the re-orientation to sales predominantly through large distributors. Contracts signed with distributors such as Bioagrifert SRL, AGF Cereal Rumena SRL, Emiliana West Rom SRL or Golden Grain Organic SRL allow for a more accurate forecast of sales and receipts, but also orders placed early, significant advantages compared to direct sales to farmers, characterized by uncertainty and spontaneity.

The expansion of Norofert's main activity will also be achieved by continuing the penetration of foreign markets, not only in Europe, but also in the USA. Among the first external markets in which the organic inputs Norofert reached farmers through large distributors in these markets are the Republic of Moldova - through the distributor WE Trade SRL insured through Coface, which covers the segment of ecologically certified farms from all over the country covering about 20,000 ha and in Greece. The next markets will be Bulgaria and Croatia, where the authorization process is almost completed. The company has also set up an export department to access markets in Western Europe and the USA.

INPUTS FOR CONVENTIONAL AGRICULTURE - Conventional agriculture, a market of 9 million hectares, presents an important development opportunity for Norofert, with the most significant potential impact on the economic-financial indicators of the company. The penetration and expansion in this market are associated with specific challenges, such as the intensity of competition that has the advantage of a head start of at least 10-15 years with certain similar products and, respectively, the level of sale prices by 20-30% lower than in organic farming.

At the same time, the opportunity to approach this market derives from the increase and standardization of the requirements and conditions of acceptance of agricultural products to the big distributors in terms of pesticide residues and the quality of the products. The growth vector on the conventional segment is bivalent: on the one hand, the Norofert Aminotop biostimulator fertilizer range (5 products) for which sales of 40,000 liters are estimated in 2020, with a subsequent growth forecast of 20,000 - 30,000 liters annually. On the other hand, for conventional agriculture, Norofert will provide a conventional insectofungicide which, although not marketed as organic, is produced from organic inputs. It has been developed amid the background of the recent increase in the demand of farmers in conventional agriculture for products which, in contrast to the established conventional insecticides, also has a low content of neonicotinoids in order not to affect the bees and their higher efficiency, respectively. These qualities have been tested and demonstrated by Norofert's research team on conventional wheat, rape and soybean crops. In August 2019, Norofert introduced a new line of products for conventional agriculture, called Karisma, which consisted of fertilizers, as well as an insectofungicide, produced in both liquid and effervescent pills. With the Karisma line, Norofert has entered the conventional agricultural market, which has a current size of 9 million hectares of arable land in Romania. The launch of the Karisma line was a crucial strategic move for Norofert, as it helps the company build relationships with important farmers who are currently growing conventional but who, in the medium-term, can convert to organic farming and become customers for the Norofert Organics line. Since Norofert recently launched the Karisma line, the company has made significant financial and sales efforts to promote it to local farmers. It is important to emphasize that although Norofert is a leader in the organic fertilizer market in Romania, it has little recognition on the conventional agricultural market, where it must compete with both local and international companies, including important players, such as Lebosol or Intermag Poland. Thus, in order to have an advantage in front of these players and to offer added value to the competition, Norofert has developed the following 2 marketing activities:

- Developed special packages, which are sold directly to farmers, through the sales team, which consist of wheat grains, Karisma fertilizers (5 products), as well as herbicide and a nitrogen fertilizer produced by a third party. Norofert does not produce herbicides or nitrogen fertilizer, but they are essential in conventional farming thus they had to be included in the package for it to be successful. To sell these packages, Norofert purchased RON 3,5 million worth of wheat seeds, herbicides and nitrogen fertilizers, which it then resells. These 3rd party products are sold with a small profit margin and the effective profit is only made on the value of Karisma products included in the package. Despite lowering the overall profitability margin of the company (as a percentage of sales), the management considers the approach successful as between August and October 2019, the company has gained 120 new clients for the Karisma line, with each of the clients having on average 500 hectares of land cultivated with Karisma products.
- Invested in the demo lots – demo lots are small plots of land, up to 10 hectares, which the producer fertilizes for the farmer for free, to showcase the efficiency of its products. Providing farmers demo lots free of charge is an integral part of introducing new products and lines in the agricultural sector as it allows the farmer to see directly the results that the specific products have on the crops. This exercise implies some operational costs and no profit for Norofert. Each demo lot of fertilized and treated free of charge by the Norofert, for a period of 280 days, after which the farmer must provide the producer with results and decides if to purchase the products for the next agricultural season. At the current moment, Norofert has 180 demo lots which are being fertilized with Karisma line (one demo lot is 10 hectares).

The management considers that the investment in the Karisma line is essential for increasing the company's market share and building the recognition of the Norofert brand among the farmers who currently cultivate the land in conventional fashion.

The direction of development towards conventional agriculture using raw materials of natural origin is a trend only at the beginning, but with very good results due to the different mode of action versus the classic pesticides, to which the diseases and pests have developed resistance over the years.

NOROFERT ORGANICS LINE FOR HORTICULTURE - At the end of February 2020, Norofert produced the first fertilizers from the new line, Norofert Organics for Horticulture. The management expects to launch this new line in the first semester of 2020, which will consist of 12 specially developed products for growing trees. The potential of the line is significant, as it is primarily dedicated to growing EU-funded orchards and vegetable and fruit farms, and management expects it will generate attractive profits for the group in the coming years.

PRIVATE RESEARCH INSTITUTE FOR ECOLOGICAL AGRICULTURE – Research, development and innovation are the pillars of the competitive advantage and sustainability of the Norofert business that has initiated a new pioneering in this field: the first private research institute for organic farming in Central and Eastern Europe. Considered and addressed first and foremost not as a business line but as an important supporting asset for the continuous improvement of its products in order to maintain the competitive advantage in the internal and external markets, this initiative will lead to strategic partnerships with foreign research institutes and, especially, with universities and the business environment. This will bring new research contracts and significant new sources of revenue. The triangle of private research - universities - the business environment, is considered in the specialized literature and in the political practice regarding research and innovation, as being the essential element for capitalizing on the results of research and for incorporating technological progress. For this reason, Norofert has identified funding opportunities with European funds of the research institute, the process of accessing them is already underway.

The management acknowledges that it is important to mention also the potential impact of the COVID-19 (coronavirus) outbreak on the financial results recorded by Norofert during 2020. At the time of writing this report, Norofert's financial performance has not yet been affected, as sales in the agricultural sector continue as usual. However, there is a risk that if the current situation is prolonged and the government adopts more restrictive measures, the issuer's production, sales and delivery activities will be impacted, in the most serious cases stopped, which will have a negative effect directly on the financial results of the company.

At the time of publishing this report, the company has taken all necessary measures to protect its employees and customers and to ensure the continuity of activities, including working from home for administrative staff, maintaining a recommended social distance and disinfecting measures for all the factory personnel, as well. and constant monitoring of the situation to ensure the health and safety of all stakeholders.

Depending on how the situation evolves, the financial performance of the company may be affected, as well as the planned development vectors. While operations continue in conditions as close to normal as possible, the management pays special attention to the administration of financial resources, as well as the expansion plans have been revised temporarily. Although the plans for expansion in the United States were not halt for the time being, management will carefully observe how the situation will unfold in the coming months in order to mitigate any possible risk that may arise.

II. Issuer's Tangible Assets

2.1 Information about the location and characteristics of the main production capacities owned by the issuer

The company is carrying out production activities at two factories – the main one in Filipeștii de Pădure (Prahova county) which was established in August 2019, where the production line for Norofert Organics and Norofert Karisma are located, and the second one located in Filași (Dolj county), which was established in 2015, where the production of the Norofert FITO takes place.

FILIPESȚII DE PĂDURE

The factory in Filipeștii de Padure has o area of 1700 sqm for production and is equipped with 2.5t rolling bridge and storage shelves, 5000 sqm concrete platform, 150 sqm office spaces and 600 sqm storage spaces. The machines available at this production facility are:

- 15 stainless steel tanks of 1500 l, with system of bubbling and automatic dosing of raw materials;
- 6 stainless steel tanks of 2500 l each, with controlled temperature system, bubbling system and mixing pump to the packaging line;
- Packaging line for cans of 20, 10 and 5 l;
- Labelling line for cans of 20, 10 and 5 l;
- Press for large effervescent pills, with adjustable pressing force, located in a room with controlled temperature and humidity;
- 2.5t forklift truck, 1.5t electric lorry and 700 kg manual leases;
- Laboratory for evaluation of samples for product batches, soil analysis and analysis of the physico-chemical properties of own products.

The transport of materials and goods is facilitated by 2 means of transport of capacity of 3.5 t and 700 kg, respectively.

FILAȘI

The Filași factory includes a production / storage area and a laboratory with a surface of 600 sqm, and benefits from the following fixed assets needed for assuring the production:

- 1 Straw Hay Baler;
- 3 pellet pressers (2 of medium capacity, 1 of large capacity);
- 1 crusher mill;
- 1 vertical steel storage tank with 2500 l capacity, with an air valve;
- 3 steel feed tanks of 1500 l capacity each;
- 3 steel feed tanks of 200 l capacity each;
- Air compressors and electric energy generators;
- 1 forklift.

BUCHAREST OFFICES

For the purpose of carrying out the daily activities, Norofert also has items such as laptops, computers, mobile phones, multifunctional printers, as well as furniture. All these items are at the company's working point at Str. Radu Voda 17 in Bucharest.

Additionally, given the specifics of the activity of the company as well as a large sales force, which travels around the country in order to sell Norofert products to farmers, the company has currently 20 cars.

2.2 Information about the degree of wear and tear of the issuer's properties

The degree of wear of the properties owned by the company does not raise significant problems to carrying out the business activity. The IT equipment owned by the company has a degree of physical wear specific to the office activity, which is small.

2.3 Information about the potential issues related to the property rights over the issuer's tangible assets

There are no issues regarding the ownership rights over the tangible assets owned by the company in the two factories in Filipeștii de Pădure and Filași and from the headquarters in Bucharest, as the assets are wholly owned by the company, they are not rented.

The company has a leasing contract with OTP Leasing, based on which the company has purchased the following 16 cars in 2019:

- 14 Jeep Renegade;
- 1 Dacia Duster;
- 1 Mercedes G-Class (purchased 2nd hand).

These 16 cars are under a 5-year leasing contract with OTP Leasing, with payments being co-related with the evolution of the agricultural seasons. Namely, the company makes the first payment in August (after harvesting of wheat) and second in October (after harvesting of corn and sunflower).

III. Market of the issuers' securities

3.1. Specification of the markets in Romania and abroad where the securities are issued

Norofert shares were admitted to trading on the SMT segment of the Bucharest Stock Exchange on March 3rd, 2020. This means that there was no trading activity for the financial instruments issued by the company in the course of 2019.

3.2. Description of the issuers dividend policy

The Board of Directors of Norofert S.A. ("The Company") declares that the Company undertakes to comply with the Principles of Corporate Governance applicable to issuers whose securities are traded on the multilateral trading system administered by the Bucharest Stock Exchange S.A., the system operator.

In accordance with the principles set out above, the Company undertakes to adopt a dividend policy, as a set of directions regarding the distribution of the net profit, which the Company declares will comply with. Accordingly, the Board of Directors of the Company sets out the following relevant principles regarding the dividend policy:

- 1) The Company recognizes the rights of the shareholders to be rewarded in the form of dividends, as a form of participation in the net profits accumulated from the operation and as an expression of the reward for the capital invested in the Company.
- 2) Norofert S.A. is a growth company with large development potential, if the access to capital for necessary investments is ensured. In line with the information provided in the offering document provided to investors by the company before the private placement for shares which took place in July 2019 as well as in the memorandum for listing published on the company's and BVB's website, the Board proposes to reward the investors through providing free shares, as a result of capitalization of the part of net profits accumulated by the company. In this way, the capital will remain with the company and will be invested in activities and costs which will have impact on growing the value of the business, while the investors will be rewarded, for their contribution, with free shares.
- 3) The proposal regarding the distribution of dividends in the form of shares for free, will be made by the Board of Directors of the Company, and the decision regarding the approval of the distribution of dividends belongs to the General Meeting of Shareholders, adopted according to the applicable law.
- 4) Any changes in the company's dividend policy will be communicated to investors in due time.

This policy will be reviewed by the Board of Directors of the Company, whenever relevant additional information regarding the distribution of dividends appears.

3.3. Description of any activities of the issuer related to purchasing own shares

Not the case – the issuer did not carry out such activities in the past 3 years.

3.4. Information about the subsidiaries of the issuer

Norofert S.A. holds 99% stake in Norofert Fitofarma SRL (CUI:38132351) and Norofert Organics SRL (CUI: 38131402), affiliated companies which, together with Norofert SA, make up a group of companies. None of these companies holds shares or bonds issued by Norofert SA.

3.5. Information about the bonds and/or other debt securities of the issuer

On January 21st, 2020 Norofert SA successfully closed its first private placement for corporate bonds and has raised 11,5 million lei from the Bucharest Stock Exchange investors. In the private placement have participated 102 investors, with the medium subscription being over 100,000 lei. In the course of the offer, were put for sale 115,000 of corporate bonds with a nominal value of 100 lei and a maturity of 5 years. The annual interest rate,

which is paid on a half-yearly basis, was stabilized at 8,5%. Corporate bonds of the company will be traded on the AeRO-Bonds market of the Bucharest Stock Exchange, under NRF25 symbol, the exact date of debut depending on the procedures on the admission to trading, which will be handled by the brokerage house Tradeville (Authorized Advisor).

The first coupon is due on 27.07.2020 and the company does not foresee any issues with its payment.

IV. Issuer's Management

4.1. Presentation of the issuer's administrators

Norofert SA is governed by the Board of Directors which consists of 3 (three) members selected by the Ordinary General Shareholder's Meeting. The members of the Board can be Romanian or foreign citizens, natural persons or legal persons, with no limits, in line with the applicable laws. The remuneration of the Board Members is established by the Ordinary General Shareholder's Meeting. The Board of Directors is chaired by the President, elected from the Board's members.

The mandate of the Members of the Board of Directors has a duration of 4 (four) years, with the exception of cases when the General Shareholder's Meeting decides otherwise or if any member resigns before the end of the mandate.

The management of Norofert SA is ensured by the following members, who serve a mandate of 2 (two) years:

VLAD ANDREI POPESCU

PRESIDENT OF THE BOARD AND CEO OF NOROFERT SA

Vlad Popescu was the main strategist behind the repositioning of Norofert's business, first as an importer of ecological inputs, then as a first Romanian producer of fertilizers and phytosanitary for organic farming. Under his leadership, Norofert launched revolutionary products in the form of effervescent tablets on the European market and in 2018, the group's sales exceeded 9 million lei, with a profit margin of 41%.



Education:

- 2010 Bachelor's Degree in Political Sciences from Școala Națională de Studii Politice și Administrative of Bucharest

Professional Experience:

- 2015 – present: Norofert SA, CEO
- 2008 – 2015: Norofert SA, Sales Representative

Stake held: Vlad Popescu holds 38.69% of shares in Norofert S.A.

Additional information, according to legal requirements:

- Currently Vlad is actively involved in the following companies: Norofert Organics SRL, Norofert Fitofarma SRL, Norofert Agri SRL, Bio Danubius Inputs SRL, Greenwich Technologies SRL.
- In the past 5 years Vlad has not been forbidden by the court to fulfil the position of a Member of a Board of Directors or Supervisory Board.
- In past 5 years, there were no cases of insolvency, liquidation, bankruptcy or special administration of companies where Vlad sat on the Board of Directors or Supervisory Board.
- Vlad carries no professional activity which would compete with that of the issuer.

IVYLON MANAGEMENT SRL, PRIN REPREZENTANT PERMANENT CRISTIAN-ION LOGOFATU
INDEPENDENT BOARD MEMBER OF NOROFERT SA

Cristian Logofătu is the co-founder and Member of the Board at Bittnet Systems SA, the first IT company listed on the Bucharest Stock Exchange. As an issuer listed on the AeRO market, Bittnet has raised through different financing mechanisms over 10 million euro of capital and has received numerous distinctions and awards which confirm both the high level of investor relations standards as well as the ingenuity and the dynamism of the company on the local capital market.



Education:

- 2006 Master's Degree in Computer Sciences, Bucharest University
- 2003 Bachelor's Degree in Finance, Academia de Studii Economice from Bucharest

Professional Experience:

- 2020 – present: Bittnet Systems SA, Member of the Board of Directors
- 2007 – 2020: Bittnet Systems SA, CFO & Co-founder
- 2003 – 2007: Bucharest University, ID Department, Economist
- 1999 – 2002: Bucharest University, ID Department, Web Designer

Stake held: Cristian Logofătu holds 0.19% of shares in Norofert S.A.

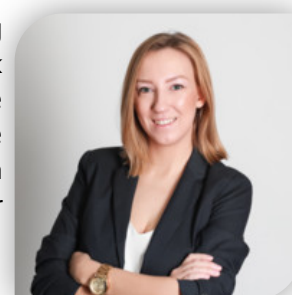
Additional information, according to legal requirements:

- Cristian serves as Executive Director of NGO "Academia Credis".
- Currently Cristian is actively involved in company Bittnet Systems SA.
- In the past 5 years Cristian has not been forbidden by the court to fulfil the position of a Member of a Board of Directors or Supervisory Board.
- In past 5 years, there were no cases of insolvency, liquidation, bankruptcy or special administration of companies where Cristian sat on the Board of Directors or Supervisory Board.
- Cristian carries no professional activity which would compete with that of the issuer.

ZUZANNA ANNA KUREK

BOARD MEMBER OF NOROFERT SA

Zuzanna Kurek has over 6 years of experience in the Romanian capital market, having served as the Business Development and Marketing Director at the Bucharest Stock Exchange between 2016 and 2018, being in charge of projects intended to promote Romanian capital markets to entrepreneurs as well as improving corporate governance and IR standards within listed companies. She currently runs her own consultancy firm and is advising entrepreneurial companies in the area of communications and investor relations.



Education:

- 2013 Master's Degree (LLM) in European Law from Maastricht University, the Netherlands
- 2013 Master's Degree (MA) in Media Studies from Maastricht University, the Netherlands
- 2012 Bachelor's Degree (LLB) in European Law from Maastricht University, the Netherlands

Professional Experience:

- 2018 – present: Cornerstone Communications, CEO & Founder
- 2016 – 2018: Bucharest Stock Exchange, Director Business Development & Marketing Department
- 2014 – 2016: Bucharest Stock Exchange, Investor Relations & Public Relations Specialist
- 2013 – 2014: IBM, Marketing Specialist
- 2010 – 2013: Maastricht University, Marketing Specialist

Stake held: at the time of preparation of this report, Zuzanna Kurek does not hold shares in Norofert S.A.

Additional information, according to legal requirements:

- Currently Zuzanna is actively involved in company Cornerstone Communications SRL.
- In the past 5 years Zuzanna has not been forbidden by the court to fulfil the position of a Member of a Board of Directors or Supervisory Board.
- In past 5 years, there were no cases of insolvency, liquidation, bankruptcy or special administration of companies where Zuzanna sat on the Board of Directors or Supervisory Board.
- Zuzanna carries no professional activity which would compete with that of the issuer.

4.2. Presentation of the issuer's executive management team

The executive management of the company is ensured by:

VLAD ANDREI POPESCU

PRESIDENT OF THE BOARD AND CEO OF NOROFERT SA

CV above.

IULIA GRĂDINARU

EXECUTIVE DIRECTOR, NOROFERT SA

Iulia Grădinaru has 8 years' experience in the agribusiness sector. She graduated from USAMV Bucharest, holds a master's degree in Economics and Management and is a doctoral student at the same university. She currently holds the position of Executive Director at Norofert SA, having previous experience in companies also active in the markets for fertilizers and seeds.



Education:

- 2016 – present – PhD USAMV
- 2011 – 2012 – Direct Marketing Academy Course, Budapest, Hungary
- 2006 – 2008 – Master's Degree, USAMV
- 2001 – 2006 – Bachelor's Degree, Faculty of Management and Economical Engineering, USAMV

Professional Experience:

- 2019 – present: Executive Director, Norofert SA
- 2019 – 2019: Sales Director, Norofert SA
- 2017 – 2019: Development Director, CLC Bioinnovaton SRL
- 2013 – 2017: Marketing Director, Caussade Semences Est Europa SRL
- 2008 – 2013: Print Manager, Studio Moderna SRL
- 2006 – 2008: Sales Analyst, Standard Snacks SRL

Stake held: at the time of preparation of this report, Iulia Grădinaru does not hold shares in Norofert S.A.

Additional information, according to legal requirements:

- Iulia is not involved in any activity other than that of the issuer.
- For the past 3 years, Iulia has not been a member of the board of directors or supervision of any company.
- In the past 5 years Iulia has not been forbidden by the court to fulfil the position of a Member of a Board of Directors or Supervisory Board.
- In past 5 years, there were no cases of insolvency, liquidation, bankruptcy or special administration of companies where Iulia sat on the Board of Directors or Supervisory Board.
- Iulia carries no professional activity which would compete with that of the issuer.

V. Financial Situation

5.1. Balance Sheet

CONSOLIDATED FINANCIAL POSITION OF NOROFERT GROUP

BALANCE SHEET (LEI) – CONSOLIDATED AT THE GROUP LEVEL	31/12/2019	31/12/2018	EVOLUTION (%)
Fixed Assets, out of which:	2,123,192 lei	635,251 lei	234%
Intangible assets	221 lei	461 lei	-52%
Property, plant and equipment	1,703,519 lei	383,557 lei	344%
Financial Assets	98,201 lei	9,002 lei	991%
Assets under investment	321,251 lei	242,231 lei	33%
Current Assets, out of which:	29,955,335 lei	9,351,787 lei	220%
Inventories	4,830,478 lei	1,612,969 lei	199%
Raw materials and consumables	394,590 lei	537,781 lei	-27%
Inventory Items	- lei	- lei	
Finished Products	37,142 lei	143,797 lei	-74%
Goods	4,333,892 lei	817,981 lei	430%
Packaging	29,410 lei	71,141 lei	-59%
Biological assets of stock nature	- lei	- lei	
Advances for the stock acquisitions	35,444 lei	42,269 lei	-16%
Receivables	24,278,865 lei	7,651,723 lei	217%
Trade Receivables	17,475,963 lei	6,064,350 lei	188%
Receivables from Affiliated Companies	5,297,002 lei	756,606 lei	600%
Due from Shareholder	- lei	- lei	
Other	1,505,900 lei	830,767 lei	81%
Short-term investments	- lei	- lei	
Cash and cash equivalents	845,992 lei	87,095 lei	871%
Pre-paid expenses	59,218 lei	3,505 lei	1590%
Total Assets	32,137,745 lei	9,990,543 lei	222%

<i>Current liabilities, out of which:</i>	15,222,236 lei	4,929,430 lei	209%
Third-party providers	8,147,010 lei	2,935,889 lei	177%
Debts with affiliated companies	5,297,002 lei	756,606 lei	600%
Bank debt	203,967 lei	866,774 lei	-76%
Debt to shareholders	25,600 lei	26,500 lei	-3%
Financial leasing	- lei	- lei	
Other short-term debts	1,548,657 lei	343,661 lei	351%
<i>Non-current liabilities, out of which:</i>	1,011,265 lei	196,498 lei	415%
Bank debt	- lei	- lei	
Financial leasing	1,011,265 lei	196,498 lei	415%
<i>Provisions</i>	- lei	387,167 lei	-100%
<i>Income in Advance</i>	21,322 lei	- lei	
<i>Total Liabilities</i>	16,254,823 lei	5,513,095 lei	195%
<i>Equity, out of which</i>	15,882,922 lei	4,477,448 lei	255%
Subscribed and paid-up capital	842,394 lei	3,800 lei	22068%
Share premium	6,458,456 lei	- lei	
Legal reserves	150,399 lei	760 lei	19689%
Other reserves	8,240 lei	8,240 lei	0%
Retained profit or losses	3,950,655 lei	- 6,269 lei	-63119%
Profit or loss for the financial year	4,622,417 lei	4,470,997 lei	3%
Profit distribution	- 149,639 lei	- 80 lei	186949%
<i>Total equity and debt</i>	32,137,745 lei	9,990,543 lei	222%

INDIVIDUAL STATEMENT OF FINANCIAL POSITION OF NOROFERT SA

BALANCE SHEET (LEI) – NOROFERT SA	31/12/2019	31/12/2018	EVOLUTION (%)
<i>Fixed Assets, out of which:</i>	908,433 lei	635,251 lei	43%
Intangible assets	- lei	461 lei	-100%

Property, plant and equipment	488,981 lei	383,557 lei	27%
Financial Assets	98,201 lei	9,002 lei	991%
Assets under investment	321,251 lei	242,231 lei	33%
Current Assets, out of which:	19,838,674 lei	4,499,232 lei	341%
Inventories	2,646,034 lei	914,714 lei	189%
Raw materials and consumables	213,213 lei	520,973 lei	-59%
Inventory Items	- lei	- lei	
Finished Products	36,415 lei	143,797 lei	-75%
Goods	2,332,336 lei	136,534 lei	1608%
Packaging	28,626 lei	71,141 lei	-60%
Biological assets of stock nature	- lei	- lei	
Advances for the stock acquisitions	35,444 lei	42,269 lei	-16%
Receivables	17,066,493 lei	3,530,494 lei	383%
Trade Receivables	12,526,852 lei	2,049,397 lei	511%
Receivables from Affiliated Companies	3,250,856 lei	697,522 lei	366%
Due from Shareholder	- lei	- lei	
Other	1,288,785 lei	783,575 lei	64%
Short-term investments	- lei	- lei	
Cash and cash equivalents	126,147 lei	54,024 lei	134%
Pre-paid expenses	48,309 lei	3,505 lei	1278%
Total Assets	20,795,416 lei	5,137,988 lei	305%
Current liabilities, out of which:	10,443,659 lei	4,028,009 lei	159%

Third-party providers	7,343,495 lei	2,927,428 lei	151%
Debts with affiliated companies	1,713,692 lei	59,084 lei	2800%
Bank debt	203,967 lei	866,774 lei	-76%
Debt to shareholders	- lei	- lei	
Financial leasing	- lei	- lei	
Other short-term debts	1,182,505 lei	174,723 lei	577%
Non-current liabilities, out of which:	133,484 lei	196,498 lei	-32%
Bank debt	- lei	- lei	
Financial leasing	133,484 lei	196,498 lei	-32%
Provisions	- lei	387,167 lei	-100%
Income in Advance	21,322 lei	- lei	
Total Liabilities	10,598,465 lei	4,611,674 lei	130%
Equity, out of which	10,196,951 lei	526,314 lei	1837%
Subscribed and paid-up capital	802,394 lei	3,400 lei	23500%
Share premium	6,458,456 lei	- lei	
Legal reserves	146,359 lei	680 lei	21423%
Other reserves	8,240 lei	8,240 lei	0%
Retained profit or losses	- lei	- lei	
Profit or loss for the financial year	2,927,181 lei	513,994 lei	469%
Profit distribution	- 145,679 lei	- lei	
Total equity and debt	20,795,416 lei	5,137,988 lei	305%

INDIVIDUAL STATEMENT OF FINANCIAL POSITION OF NOROFERT SA FROM PAST 3 YEARS

BALANCE SHEET (LEI) – NOROFERT SA	2016	2017	2018
<i>Fixed Assets, out of which:</i>	283.547	586.393	635.251
Intangible assets	-	189	461
Property, plant and equipment	278.374	577.202	625.788
Financial Assets	5.173	9.002	9.002
<i>Current Assets, out of which:</i>	1.741.334	3.639.657	4.437.966
Inventories	444.128	470.056	914.714
Receivables	1.544.582	2.670.283	3.469.228
Cash and cash equivalents	-247.376	499.318	54.024
Pre-paid expenses	1.92	3.577	3.505
Total Assets	2.026.801	4.229.627	5.076.722
Current Liabilities	1.217.368	3.458.867	3.599.582
Non-current Liabilities	217.686	190.24	563.659
Provisions	-	-	387.167
Total Liabilities	1.435.054	3.649.107	4.550.408
Equity, out of which	591.747	580.52	526.314
Subscribed and paid-up capital	3.400	3.400	3.400
Reserves	680	8.920	8.920
Retained profit or losses	-	406	-
Profit or loss for the financial year	587.667	170.403	513.994
Profit distribution	-	8.240	-
Total Equity and Debt	2.026.801	4.229.627	5.076.722

5.2. Profit & Loss Account

CONSOLIDATED FINANCIAL RESULTS FOR NOROFERT GROUP

PROFIT & LOSS ACCOUNT INDICATORS (LEI) – CONSOLIDATED AT THE GROUP LEVEL	31/12/2019	31/12/2018	EVOLUTION (%)
Operating Income, out of which:	19,826,037 lei	10,160,790 lei	95%
Turnover	19,887,482 lei	9,920,740 lei	100%
Change in Inventories	- 106,655 lei	201,448 lei	-153%
Other operating Revenues	45,210 lei	38,602 lei	17%
Operating Expenses, out of which:	14,539,038 lei	5,488,774 lei	165%
Cost of Materials, out of which:	10,131,141 lei	2,052,208 lei	394%
Costs of Raw Materials	2,300,872 lei	1,055,707 lei	118%
Costs of Goods	7,800,633 lei	880,368 lei	786%
Other materials-related expenses	29,636 lei	116,133 lei	-74%
Personnel Expenses	1,964,869 lei	695,254 lei	183%
Depreciation expenses and value adjustments	- 124,006 lei	518,853 lei	-124%
Other operating expenses	2,567,034 lei	2,222,459 lei	16%
Operating Result	5,286,999 lei	4,672,016 lei	13%
Financial Income	34,489 lei	39,340 lei	-12%
Financial Expenses	110,399 lei	69,912 lei	58%
Financial Result	- 75,910 lei	- 30,572 lei	148%
Total Revenues	19,860,526 lei	10,200,130 lei	95%

Total Expenses	14,649,437 lei	5,558,686 lei	164%
Gross Result	5,211,089 lei	4,641,444 lei	12%
Profit tax / other tax	588,672 lei	170,447 lei	245%
Net Result	4,622,417 lei	4,470,997 lei	3%

INDIVIDUAL FINANCIAL RESULTS OF NOROFERT SA

PROFIT & LOSS ACCOUNT (LEI) – NOROFERT SA	31/12/2019	31/12/2018	EVOLUTION (%)
Operating Income, out of which:	14,608,427 lei	5,921,009 lei	147%
Turnover	14,670,599 lei	5,680,959 lei	158%
Change in Inventories	- 107,382 lei	201,448 lei	-153%
Other operating revenues	45,210 lei	38,602 lei	17%
Operating Expenses, out of which:	11,082,711 lei	5,248,394 lei	111%
Cost of Materials, out of which:	7,864,981 lei	1,907,030 lei	312%
Costs of Raw Materials	996,342 lei	1,047,242 lei	-5%
Costs of Goods	6,839,003 lei	743,655 lei	820%
Other materials-related expenses	29,636 lei	116,133 lei	-74%
Personnel Expenses	1,459,853 lei	653,414 lei	123%
Depreciation expenses and value adjustments	- 252,110 lei	518,853 lei	-149%
Other operating expenses	2,009,987 lei	2,169,097 lei	-7%
Operating Result	3,525,716 lei	672,615 lei	424%
Financial Income	34,488 lei	39,340 lei	-12%

<i>Financial Expenses</i>	89,452 lei	69,912 lei	28%
<i>Financial Result</i>	- 54,964 lei	- 30,572 lei	80%
Total Revenues	14,642,915 lei	5,960,349 lei	146%
Total Expenses	11,172,163 lei	5,318,306 lei	110%
<i>Gross Result</i>	3,470,752 lei	642,043 lei	441%
Profit tax / other tax	543,571 lei	128,049 lei	325%
<i>Net Result</i>	2,927,181 lei	513,994 lei	469%

INDIVIDUAL FINANCIAL RESULTS OF NOROFERT SA FROM PAST 3 YEARS

PROFIT & LOSS ACCOUNT (LEI) – NOROFERT SA	2016	2017	2018
<i>Operating Income, out of which:</i>	<i>2,773,567</i>	<i>5,253,807</i>	<i>5,921,009</i>
Turnover	2,756,438	5,186,641	5,680,959
Change in Inventories	-	-	201,448
Other operating revenues	17,129	67,166	38,602
<i>Operating Expenses, out of which:</i>	<i>2,001,813</i>	<i>4,980,463</i>	<i>5,248,394</i>
Costs of Raw Materials	86,200	421,298	1,151,078
Costs of Materials	1,199,809	2,824,148	743,655
Personnel Expenses	166,639	470,886	653,414
Depreciation expenses and value adjustments	17,814	85,498	518,853
Other operating expenses	531,351	1,178,633	2,181,394
<i>Operating Result</i>	<i>771,754</i>	<i>273,344</i>	<i>672,615</i>
<i>Financial Income</i>	<i>3,874</i>	<i>49,596</i>	<i>39,340</i>
<i>Financial Expenses</i>	<i>79,893</i>	<i>71,230</i>	<i>69,912</i>
<i>Financial Result</i>	<i>-76,019</i>	<i>-21,634</i>	<i>-30,572</i>
Total Revenues	2,777,441	5,303,403	5,960,349
Total Expenses	2,081,706	5,051,693	5,318,306
<i>Gross Result</i>	<i>695,735</i>	<i>251,710</i>	<i>642,043</i>
Profit tax / other tax	108,068	81,307	128,049
<i>Net Result</i>	<i>587,667</i>	<i>170,403</i>	<i>513,994</i>

5.3. Cash-flow

CASH FLOW STATEMENT FOR NOROFERT SA

DESCRIPTION	RD.	31/12/2016	31/12/2017	31/12/2018	31/12/2019
+ Profit or Loss	1	587.667 lei	170.403 lei	513.994 lei	2.927.181 lei
+ Amortization & Provisions	2	17.814 lei	85.498 lei	518.853 lei	- 252.110 lei
- Change in Inventories (-/+)	3	417.842 lei	45.785 lei	424.800 lei	1.731.320 lei
- Change in Receivables (-/+)	4	1.216.150 lei	1.090.978 lei	894.932 lei	13.535.999 lei
+ Change in Trade Payables (-/+)	5	896.841 lei	1.510.873 lei	487.260 lei	6.070.675 lei
+ Change in other debts (-/+)	6	139.939 lei	- 84.091 lei	29.821 lei	1.007.782 lei
+= Cash flow from Operations	7	8.269 lei	545.920 lei	230.196 lei	- 5.513.791 lei
- Investments made – total, of which:	8	163.736 lei	388.343 lei	180.545 lei	408.239 lei
+= Cash Flow from Investing	9	- 163.736 lei	- 388.343 lei	- 180.545 lei	- 408.239 lei
+ Changes in amounts due to credit institutions (=) total, from:	10	27.827 lei	772.404 lei	73.182 lei	- 725.821 lei
+ Short-term debt (below 1 year)	11	- 85.944 lei	713.859 lei	66.924 lei	- 662.807 lei
+ Medium- and Long-term debt	12	113.771 lei	58.545 lei	6.258 lei	- 63.014 lei
+= Cash Flow from Financing	13	27.827 lei	772.404 lei	73.182 lei	- 725.821 lei
- Variation of other assets (-/+)	14	- 2.235 lei	1.657 lei	- 72 lei	44.804 lei
+ Variation of other liabilities (-/+)	15	- 122.450 lei	- 181.630 lei	- 568.200 lei	6.764.778 lei
+= Cash Flow from other activities	16	- 120.215 lei	- 183.287 lei	- 568.128 lei	6.719.974 lei

+ Cash at beginning of period	17	479 lei	- 247.376 lei	499.318 lei	54.023 lei
+= Net cash flow	18	- 247.855 lei	746.694 lei	- 445.295 lei	72.123 lei
+ Cash at end of period	19	- 247.376 lei	499.318 lei	54.023 lei	126.146 lei

VI. Signatures

This report was drafted on March 27, 2020, and it is signed by the President of the Board of Directors of Norofert SA.

CEO & President of the Board of Directors

Vlad Andrei Popescu