



Norofert S.A.
Financial Report for H1 2021

15.09.2021

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| SEMI-ANNUAL REPORT IN ACCORDANCE WITH | ANNEX 14 FROM ASF REGULATION NR. 5/2018 |
| FOR FINANCIAL PERIOD | 01.01.2021 - 30.06.2021 |
| REPORT DATE | 15 SEPTEMBER 2021 |
| ISSUER'S NAME | NOROFERT S.A. |
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| FISCAL CODE | 12972762 |
| TRADE REGISTRY NUMBER | J40/4222/2000 |
| MARKET ON WHICH THE SECURITIES ARE TRADED | SMT SEGMENT OF THE BUCHAREST STOCK EXCHANGE |
| SUBSCRIBED AND PAID-UP SHARE CAPITAL | 3,429,576 RON |
| KEY CHARACTERISTICS OF THE SECURITIES ISSUED BY THE COMPANY | 8,573,940 SHARES WITH A NOMINAL VALUE OF 0.4 RON PER SHARE |
| SYMBOL | SHARES: NRF BONDS: NRF25 |

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Letter from the CEO

Dear Shareholders,

Today we put at your disposal Norofert Group's financial results for the first six months of 2021, a period that was good for Romanian agriculture as well as for our company. More importantly, this is the first report we publish since the publishing of our annual report and the issues we have encountered related to the audit. Therefore, I am aware that many of you have been waiting for these results and I thank all of you for your patience as well as for your investment in Norofert.

I am very happy to announce that not only our turnover grew by 34%, net profit by 17% compared to the first half of last year. Good performance across all business lines lead to an increase in the net margin, up to 25,5%. But above all, I am pleased to announce that the results we present to you today namely the interim individual financial statements as at 30 June 2021 (including opening balances) have been audited by Deloitte and are without reserves. I would like to mention that the decision was not to audit on June 30 the other companies in the group because they represent an insignificant percentage within the Group and the activity is focused entirely on Norofert SA, as shown by the declining activity for the 2 subsidiaries.



Carrying out an audit with a reputable audit firm, one of Big 4s, has been one of the promises I have made to all of you, our shareholders in March 2021, following the negative results of an audit which we carried out with Company's auditor. The second promise made, and I am happy to also deliver upon, was strengthening of Norofert's executive team as well as our accounting department in order to make sure that situations like the one from March 2021, will not happen again. In this context, we have strengthened our team and welcomed Claudiu Dobos on the position of the CFO, Marcel Caruz as the newly appointed COO, Daniel Tabacu joined us as Product Strategist as well as two new professionals in the accounting team – chief accountant and a junior accountant.

Some of these professionals were already involved in the preparation of this report we present to you today and I would like to thank them, as well as the whole Norofert team, for their tireless work and involvement. I am confident with Norofert's both management and executive teams and continue our dedication to delivering the best results and growing Norofert's position locally and for the benefit of all our shareholders.

Now back to our results and the performance of Norofert Group in the first six months of this year. Unlike 2020, the agricultural year 2021 was more favorable and stable since it brought a normal rainfall regime. We still observed the slight aspects of the drought towards the end of the harvesting period. This has moderately affected the South and South-East regions, particularly the corn crops. Nonetheless, even with this slight negative impact, we are happy to have a solid agricultural year, with good production environment for both organic and conventional crops.

In terms of prices there was a very small difference between the price of conventional and organic wheat, which made it difficult to sell organic crops, farmers preferring to exempt the bureaucratic chain of traceability, selling organic wheat directly to conventional, for an insignificant difference of the price. However, oilseed crops, such as the sunflower, rapeseed and flax, were in high demand this year and prices have risen significantly towards the harvest period. For example, we have an average price of 625 euro / ton FOB Constanta for organic sunflower, the price for the same conventional crop being 500-510 euro / ton FOB Constanta.

Nonetheless, even if this year there was a small difference in pricing of conventional and organic wheat, we still saw a clear increase in the demand for the organic products and the number of new customers that Norofert gained so far in 2021 on this niche. Consequently, in the Organics segment, we recorded a 20% increase for the

range of foliar fertilizers and a 40% increase for the range of special products such as soil treatments and seed treatments. This is a very good result especially considering that it is compared with the last year's result, where the effect of the share capital increase and the investments carried out after our initial private placement resulted in accelerated, triple digit growth year-on-year. We expect this upward trend to continue at the similar pace to the one registered in the first half of this year in the coming years, driven by the Green Deal as well as future Common Agricultural Policy (CAP).

An important development we have registered in the first half of this year is the 140% increase in sales for the organic soil fertilizer range. As many of you remember, one of the reasons behind the share capital increase was to develop the production line for the soil fertilizers and we are happy that with the increase registered so far in the first half of the year, we have a very solid business case behind making our production line functional this fall. The prospects are very good for 2022, we expect an increase to 8000-9000 tons of soil fertilizers produced and distributed to organic farmers. Because soil fertilizers are the basic fertilizer, impossible to replace for the good of a crop, we believe that the new line of business will be a main vector of growth for the coming years.

Our sales team has also penetrated a new region, Moldova, registering new clients in the ecological system which we expect will continue to develop in the coming period. We have also established a new Cereals Trading department, a new business line that is in the process of contracting organic sunflower and wheat, estimated for completion in Q3 2021. Finally, we are thrilled about establishing a new function in the Group, of a Product Strategist. In our field of activity, both organic and conventional farming, there is a constant need to innovate, to test and introduce new productions to remain a brand of a choice for our clients. Therefore, for this position, we have recruited one of the most experienced agribusiness technicians in Romania, a person who will always stay at the forefront of latest trends.

I would like to close this letter by providing you with an update on two important projects – the USA expansion as well as the Zimnicea farm acquisition. In terms of the US expansion, the new range of Hobby Gardening products to be commercialized by Norofert USA LLC was approved in the first half of this year and we will soon launch a dedicated website for sales of these products in the United States. Throughout the first six months, we continued to introduce new demonstration lots, along with a launch of testimonial campaigns with farmers who already used our products for the fall 2020 campaign. One of such videos you can access [HERE](#). In parallel, we have ongoing negotiations with zonal distributors, to have a better coverage of the Midwest areas in the US. As we progress and close these partnerships, we will be announcing them to the market.

The process of acquiring the farm in Zimnicea is in full swing. In March 2021, we paid an advance of 300,000 euros and we expect that the acquisition will be completed by the end of this year. We already estimate to have the harvesting of the first culture this fall, approximately 350 ha of wheat currently undergoing ecological conversion, year 2. The rest of the land is being currently prepared for planting the spring crops.

All in all, it was a busy first half of the year for Norofert teams from financial, operational, and of course business side. We are pleased with the results recorded in the first half of 2021 and we have expectations for a good agricultural year. Consequently, as you will see on the further pages of this report, we maintain the budget predictions we have made for this year.

I invite you now to read in detail about the first half of the year for Norofert Group on the following pages. In case of any questions, do not hesitate to reach us at investitori@norofert.ro or you can also call us at the phone number **+40 31 860 21 01**.

Vlad Popescu

CEO & President of the Board

H1 2021 Financial Results

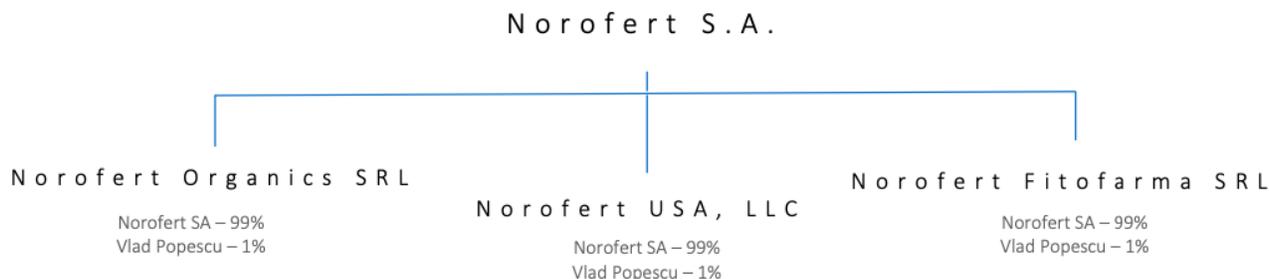
1.1 About the Issuer

Norofert Group is a leading Romanian producer of organic agricultural products and an experienced player on the Romanian farming market. Established in 2000 as a family business, the company was initially the importer of high-quality fertilizers from Western markets to Romania. In 2015, with Vlad Popescu taking up the reins, Norofert started producing bio-fertilizers, organic phytosanitary products such as insecticides and fungicides as well as seed and foliar treatments using its original recipes. Between 2017 and 2019, the company has undergone rapid growth after developing a proprietary technology Bio Chain and launching a premiere in the agricultural sector, an effervescent tablet.

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

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.

The activity of the companies is split onto 4 entities, with Norofert SA being the mother company. Norofert Organics and Norofert Fitofarma are Romanian Limited Liability Companies (SRL), with Norofert SA holding 99% and Vlad Popescu, CEO and President of the Board having 1%. Norofert USA, LLC is an Ohio Limited Liability company, established in April 2020 as part of Norofert’s strategy of expansion to the USA.



Norofert SA is governed by the Board of Directors which consists of three members selected by the Ordinary General Shareholder’s Meeting. The following members currently sit on the Board of Norofert SA:

| Name | Date of Appointment | Mandate Expiry Date |
|------------------------------------|---------------------|---------------------|
| Vlad Andrei Popescu, President | 29.06.2021 | 29.06.2025 |
| Marius Marian Alexe, Member | 29.06.2021 | 29.06.2025 |
| Alexandru-Victor Cristescu, Member | 29.06.2021 | 29.06.2025 |

1.2 Significant Events in H1 2021

2021 capital increase operation

During EGSM from 24.11.2020 Norofert shareholders approved the capital increase operation with cash contribution. According to EGSM decision, the Company issued in the capital increase operation 550,000 new shares with a nominal value of RON 0.4/share. The operation started in February 2021 and closed in June 2021, according to the timeline presented in the Capital Increase Prospectus.

During stage 1, which lasted between 12.03.2021 and 11.04.2021, investors subscribed to newly issued shares based on NRF01 preference rights. In stage 1, investors have subscribed a total of 531,389 shares, out of 550,000 shares available, which represents 96.6% of the total issue. The shares with nominal value of 0.4 lei were offered at a price of 13.1161 lei/share.

During Stage 2, 18,611 shares that remained unsubscribed during Stage 1 were offered to investors during a private placement. 17 investors have participated and subscribed the remaining shares. Consequently, in Stage 2, the company has raised 244,289.85 lei.

Signing of a binding agreement for an acquisition of Agroprod Cev SRL

On March 5th, 2021, the Company informed the market about signing of a binding agreement to acquire a limited liability company, Agroprod Cev SRL, that operates 1,000 hectares of leased agricultural land in Zimnicea, Teleorman county. The price agreed with the sellers for 100% stake in the LLC is 1,880,000 euro.

The farm is located within a 5 km distance from the Zimnicea Port on the Danube. The Danube is the cheapest logistics route to Central Europe. In Zimnicea Port, Norofert plans to develop loading barges capacity for its trading organic cereals business. This loading capacity presents an excellent logistic hub for Norofert's main business. Any bio crops, either produced or received in exchange for the organic inputs, can be sold for export by the Danube. Part of the farm will also be used as a testing facility for Norofert's products.

Apart from the business synergies, the acquisition of the LLC is expected to bring significant financial benefits. The management expects that the farm will start to produce economic effects beginning from 2022. Based on the initial forecasts, management expects the total revenues from wheat and sunflower crops as well as subsidies to reach 7.5 million lei in 2022. The annual expenses, including the costs of land lease, leasing costs for the machinery, salaries, fertilizer costs, and costs of financing, are forecasted at 4 million lei. Consequently, the gross profit is estimated at 3.5 million lei per year.

Resignations from the positions of Member of the Board of Directors & appointment of two interim Board Members

On March 19th 2021, Mrs. Zuzanna Anna Kurek and respectively on March 21st Mrs. Iuliana Mușat resigned from the position of Members of the Board of Directors, effective immediately. As a consequence, respecting all legal requirements, it was only possible at the April 26th 2021 Annual General Meeting for Mr. Alexandru Victor Cristescu and Mr. Marian Marius Alexe to receive an interim appointment to the Board. At the June 23rd 2021 AGM the shareholders appointed, for a 4 year term, Mr. Vlad Andrei Popescu (Chairman), Mr. Alexandru-Victor Cristescu and Mr. Marian Marius Alexe (non executive directors).

Appointment of the CFO

On April 12, 2021, the company appointed Mr Claudiu Doboș as the Chief Financial Officer of the Company starting with 11.06.2021. The contract was signed for an undetermined period of time. Mr. Claudiu Doboș graduated from the Bucharest Academy of Economic Studies, Economics Faculty and has experience of over 15 years in audit, financial reporting, risk management, strategic planning and budget management. Throughout his career, he has also worked with companies listed on the Main Market of the Bucharest Stock Exchange.

Signing of a significant contract

On April 19th, the Company informed the shareholders about signing of a significant contract for sale of organic wheat crop. The value of the contract was of 1.35 million euro.

Ordinary and Extraordinary General Meeting of the Shareholders

On April 26th, 2021, the Ordinary and Extraordinary General Shareholders Meeting of Norofert SA was held. The most important items on the agenda approved by the shareholders were:

- Revocation, following resignation, of the mandate of administrator and member of the Board of Directors of the Company of Mrs. Kurek Zuzanna Anna and and Mrs. Muşat Iuliana and their discharge for the period in which she held the position of administrator.
- Election and appointment, as a result of the vacancy of two positions within the Board of Directors, of 2 (two) new directors and members of the Board of Directors and establishing the terms of office for the interim mandate of the 2 (two) new directors - Marian Marius Alexe și Alexandru Victor Cristescu.
- Approval of the remuneration policy of the Board of Directors of the Company.

Full text of the resolutions can be found at [this link](#). The rest of the resolutions were rejected by the shareholders and consequently, a new Ordinary and Extraordinary General Shareholders Meeting was convened for June 23rd, 2021 when the shareholders have approved the remaining points on the agenda, including the 2020 financial results, share capital increase and appointment of the new Members of the Board of Directors, for a mandate of 4 years.

Signing of significant contracts

On May 5th, the Company informed the shareholders about signing signing of two significant contracts - one for sale of organic rapeseed and another one for sale of organic sunflower seeds Lin Oleic (LO) with the same client. The value of the contracts was of 1.8 million euro.

Extraordinary and Ordinary General Meetings of the Shareholders

On June 23rd, 2021, the Ordinary and Extraordinary General Shareholders Meeting of Norofert SA was held. The most important items on the agenda voted by the shareholders were:

- Approval of the share capital increase of the Company with the maximum amount of 3.429.576 RON, from the profit of the year 2020 to be distributed, by issuing 8,573,940 new free shares, each with a nominal value of RON 0.4, for the benefit of all shareholders registered in the Registry held by Central Depository S.A. at the registration date. The distribution of the newly issued shares will be made according to the formula: one newly issued share for each share already held.
- Approval of the purchase of a number of shares representing 100% of the share capital of AGROPROD CEV S.R.L., headquartered in Zimnicea, 21 Zorilor Street, Teleorman County, having sole registration code 18469094, registered in the Trade Registry under no. J34/155/2006, according to the bilateral shares assignment agreement certified by lawyer Bianca Banu under no. 28/05.03.2021, at the price of EUR 1,880,000.
- Approval of the winding up, liquidation and deregistration of the company NOROFERT ORGANICS S.R.L., headquartered in Bucharest, 2 Crinul de Pădure Street, ground floor, room 3, office 4, block F2, entrance A, apt. 2, 6th District, having sole registration code 38131402, registered in the Trade Registry under no. J40/14744/2017, company in which NOROFERT S.A. holds a 99% participation.

Full text of the resolutions can be found at [this link](#).

Receiving the CIIF from ASF

On June 25th 2021, Norofert received from the Romanian Financial Supervisory Authority (ASF), the Certificate of the Registration of Financial Instruments (CIIF) no. AC 4959-3/25.06.2021. The CIVM certifies the registration of share capital increase with 550,000 new shares that were issued as a result of Resolution of the Extraordinary General Meeting of the Shareholders of Norofert S.A. from 24.11.2020. Pursuant to the share capital increase, Norofert S.A.'s share capital of 3,429,576 lei is divided into 8,573,940 nominative shares with a nominal value of 0.4 lei per share.

1.3 Significant Events After the Closing of the Reporting Period

Registration of Share Capital Increase operation with Trade Registry

On July 23rd 2021, the share capital increase through capitalization of 2020 profits, as approved by the Extraordinary General Meeting of Shareholders from June 23rd, 2021 was registered with the Romanian Trade Registry (ONRC). Following the registration with the ONRC, the new subscribed and paid share capital of the Company is 6,859,152 lei, divided into 17,147,880 common shares with a nominal value of 0.4 lei each.

Update: According to the schedule communicated by Central Depository, the shares will be loaded in shareholders accounts on September 17th, 2021. More details in Current report no.51/2021 available [here](#).

Conclusion of a partnership with Agrocosm Consult SRL

On August 20th 2021, the Company announced the conclusion of a partnership with the Agrocosm Consult SRL, Romanian horticultural seeds producer. Within this partnership, the Company will provide to Agrocosm fertilizers and biological protection products that will be used for the *Micul Fermier* organic seed line.

Norofert Investor Day

On August 23rd 2021, the Company organized Norofert Investor Day, an event that took place at the Company's factory in Filipeștii de Pădure. During the event, the Company's management presented to participants the sales and product strategy, provided detailed presentation about the opportunities offered by the local agri sector, showcased the production facility as well as answered questions from the audience.

A summary of the event can be watched [here](#).

1.4 Sales & Product Development Activity in H1 2021

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

- **Spring Campaign** – takes place between February and May, with peak activity in the months of March and April, is the season for seeding sunflower, corn, peas and soya and applying treatments for already planted wheat, barley and rapeseed that have gone out of winter (meaning, they have grown and survived the winter season). Harvesting of these crops takes place in the same year, around September and October and the payments from farmers are cashed-in between October and November.
- **Autumn Campaign** – takes place between August and October, with peak activity from mid-September until the end of October, is the season for seeding wheat, barley and rapeseed. Harvesting of these crops takes place the following year, in the month of July and generally the payments from farmers are cashed-in between August and September.

The increase in sales of Norofert products in the Organics line was due to the conversion to organic farming, which Norofert fully supported, of a large number of farmers. Thus, we make sure that we have accelerated growth from one season to another and the customer base is constantly growing.

The encouraging growth in soil fertilizer sales came in support of the new business line that we will inaugurate in Q4, with the commissioning of the production line. Soil fertilizers are an important growth vector and are the basis of any crop, being an indispensable element of nutrition in any farm. The range of products that Norofert develops for you is mainly addressed to organic farming but there are plans for the development of products for conventional agriculture in the coming years.

Development of the Hobby Gardening product line by adding the Ready-to-Door Line, 500 ml bottles with direct spray on the plant, addressing household consumers who have decorative plants and no longer need additional dilution for application. As opposed to 2020, the weather so far in 2021 has been favorable to the agricultural sector and there was no drought.

1.5 Analysis of the H1 2021 Financial Results

Below we present to you the analysis of the individual financial results of Norofert SA.

FINANCIAL PERFORMANCE

| Profit & Loss Account Indicators (RON) – Individual Level | 30/06/2020 | 30/06/2021 | Evolution (%) |
|--|-------------------|-------------------|----------------------|
| Operating Revenue, out of which: | 15.785.236 | 16.878.056 | 6.92 |
| Turnover | 14.890.035 | 19.867.258 | 33.43 |
| Change in Inventories | 555.209 | (3.330.444) | |
| Other operating Revenues | 339.992 | 341.242 | 0.37 |
| Operating Expenses, out of which: | 10.368.060 | 10.057.148 | (3.00) |
| Cost of Materials | 5.344.446 | 4.485.097 | (16.08) |
| Personnel Expenses | 1.846.859 | 2.024.838 | 9.64 |
| Depreciation expenses and value adjustments | 127.670 | 650.636 | 409.62 |
| Other operating expenses | 3.049.085 | 2.896.577 | (5) |
| Operating Result | 5.417.176 | 6.820.908 | 25.91 |
| Financial Income | 146.256 | 558 | (99.62) |
| Financial Expenses | 457.766 | 589.538 | 28.7 |
| Financial Result | 311.510 | 588.980 | 89.07 |
| Total Revenues | 15.931.492 | 16.878.614 | 5.94 |
| Total Expenses | 10.825.826 | 10.646.686 | (1.65) |
| Gross Result | 5.105.666 | 6.231.928 | 22.06 |
| Profit tax / other tax | 746.843 | 1.142.750 | 53.01 |
| Net Result | 4.358.823 | 5.089.176 | 16.76 |

FINANCIAL POSITION

| Balance Sheet (RON) – Individual level | 30/06/2020 | 31/12/2021 | Evolution (%) Y/Y |
|---|-------------------|-------------------|------------------------------|
| Fixed Assets | 1.729.772 | 3.363.833 | 94.47 |
| Current Assets, out of which: | 31.962.592 | 41.310.557 | 29.25 |
| <i>Inventories</i> | 8.183.962 | 7.472.890 | (8.69) |
| <i>Receivables</i> | 23.655.106 | 32.563.666 | 37.66 |
| <i>Cash and cash equivalents</i> | 123.524 | 1.274.001 | 931.38 |
| Pre-paid expenses | 18.607 | 30.038 | 61.43 |
| Total Assets | 33.710.971 | 44.704.428 | 32.61 |

| Balance Sheet (RON) – individual level | 30/06/2020 | 31/12/2021 | Evolution (%) |
|---|-------------------|-------------------|---------------|
| Current liabilities | 8.939.441 | 14.714.029 | 62.11 |
| Non-current liabilities | 11.712.509 | 11.692.637 | (0.17) |
| Income in Advance | 36.156 | 59.578 | 64.78 |
| Total Liabilities | 20.688.106 | 26.466.244 | 27.93 |
| Equity | 13.022.865 | 18.238.184 | 40.05 |
| Total equity and debt | 33.710.971 | 44.704.428 | 32.61 |

1.6 Intra-Group Transactions in H1 2021

In the reported period, between 01.01.2021 and 30.06.2021, Norofert SA has carried out the following intra-group transactions, with daughter companies Norofert Fitofarma SRL, Norofert Organics SRL and Norofert USA, LLC as a part of normal course of business.

| | 31.12.2020 | 30.06.2021 |
|--|--------------|--------------|
| Balances and transactions with Norofert Organics | | |
| Receivables | 1.231.241,22 | 0 |
| Loans | 1.140.206,75 | 0 |
| Income | 75.236,00 | 82.007,24 |
| Costs | 411.631,94 | 1.342.084,30 |
| Balances and transactions with Norofert Fitofarma | | |
| Liabilities | 1.547.278,66 | 1.035.948,86 |
| Receivables | 550.886,83 | 70.286,83 |
| Loans | 155.823,95 | 150.500,16 |
| Income | 480.040,52 | 0 |
| Costs | 1.409.634,48 | 106.220,20 |
| Balances and transactions with Norofert USA | | |
| Liabilities | 0 | 206.295,00 |
| Income | 0 | 328,960.00 |
| Total | | |
| Liabilities | 1.547.278,66 | 1.035.948,86 |
| Receivables | 1.782.128,05 | 70.286,83 |
| Loans | 1.296.030,70 | 356.795,16 |
| Income | 555.276,52 | 410.967,24 |
| Costs | 1.821.266,42 | 1.448.304,50 |

1.7 Changes affecting issuer's capital and management in H1 2021

There were no changes in the rights of the securities' holders in H1 2021.

There were no cases when the issuer was unable to meet its financial obligations in H1 2021.

Risks & Expectations regarding H2 2021

3.1. Risks

COVID-19 AND POTENTIAL RISK OF A LOCKDOWN: The outbreak of COVID-19 pandemic and the subsequent introduction of the State of Emergency in Romania, followed by regional lockdowns and restrictions had a minimal impact on the business activity of Norofert in 2020. Norofert's financial performance was not significantly affected, as sales in the agricultural sector continued as usual. 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 during the State of Emergency, maintaining a recommended social distance and disinfecting measures for all the factory personnel, as well as constant monitoring of the situation to ensure the health and safety of all stakeholders.

Nonetheless, considering the low level of vaccinations in Romania, there is a risk for a new wave of infections in the second half of 2021, resulting in lockdowns. There exists a risk that some members of the team can contact the COVID-19 virus, and as a result, part of the staff might be forced into quarantine or isolation. Introduction of lockdown might have an impact on the production, sales and delivery activity for the autumn campaign. Thus, the management acknowledges that it is essential to mention the risk related to the impact of the COVID-19 (coronavirus) outbreak on the financial results recorded by Norofert during H2 2021 especially if for any reason the production and sales activity will have to be halted for a specified period.

RISKS RELATED TO DROUGHT: In 2020, severe drought has hit Romanian agricultural sector. The drought impacts Norofert indirectly because in the case when the farmers to whom Norofert has sold products lose their crops, there is a possibility that they will not be able to meet their contractual obligations and pay the receivables due. 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. 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. As a result of this assessment, the creditworthy customers receive a credit limit, with which they can purchase products from the Norofert portfolio. This activity is carried out by Norofert's Risk Department, which was established in July 2019.

The Risk Department within the company makes a thorough evaluation of each client sent for approval by the field sales team. Its role is to minimize the risk of financing through risk policies adapted to business lines Karisma and Organics. 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 based on 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 that intervened in the activity of the client to whom the 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 specific periods that allow both amicable collection and enforcement of guarantees, where appropriate. All these activities included in the risk procedure 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 all the financing provided to the client.

Nonetheless, even with the careful assessment carried out by Risk Department, a risk of a financial loss as a result of the breach of contractual obligations by a client who purchased Norofert products exists and needs to be acknowledged, especially in the context of a difficult year such as 2020.

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. 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.

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.

Investors should consider that the risks presented above are the most significant risks for the H2 2021 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 preparing this report 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. Moreover, investors should undertake pre-requisite checks to prepare their own investment opportunity assessment. The management also recommends to investors to read the exhaustive list of risks that Norofert is subject to, that was included in the 2020 Annual Report, available at: <https://norofert.ro/investors/financial-results/>.

3.2 Expectations for H2 2021

The second half of 2021 will have two distinctive sales period and the following notable events:

- Autumn 2021 Sales Campaign between 1.08.2021 and 15.10.2021, during which agricultural inputs for cultivating wheat and rapeseed will be sold;
- Spring 2022 Pre-Sales Campaign between 15.10.2021 and 30.11.2021, during which packages containing seeds and Norofert products for cultivating corn and sunflower will be sold.
- Also, the commissioning of the soil fertilizer production line at the factory in Filipeştii de Pădure is estimated for Q4 2021 and the production will start in time for the preparation of the spring 2022 campaign.
- Autumn 2021 also marks the first season of vegetable production on the farm in Zimnicea, by setting up approximately 400 ha of wheat in ecological conversion year 2, the rest of the surface being prepared for the flower and corn campaign in the spring of 2022.

Considering the evolution of the Romanian agricultural sector thus far, the management maintains its budget predictions for 2021, as approved by the shareholders in the OGSM from June 2021 and published on the Company's website, available [HERE](#).

Declaration of the Management

The undersigned **Popescu Vlad Andrei**, as the President of the Board of Directors of Norofert SA, a company headquartered in Bucharest Str. Lt. Av. Șerban Petrescu Nr. 20, Ground Floor, Room 1 and 2, District 1 unique registration code 12972762, serial number at the Trade Register Office J40 / 4222/2000, confirms to the best of his knowledge that the interim condensed financial statements for the six-month period ended 30 June 2021 give a true and fair view of Norofert's assets, liabilities, financial position and profit and loss, and that the Directors' Report gives a true and fair view of important events that have occurred during the first six months of the 2021 financial year and their impact on the financial statements of the company.

Bucharest, September 15th, 2021

President of the Board of Directors
Vlad Andrei Popescu