

AGRICOVER HOLDING SA

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 December 2020**

**PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL
REPORTING STANDARDS
as adopted by European Union**



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Independent Auditors' Report

(free translation¹)

To the Shareholders of Agricover Holding S.A.

2B Pipera, 6th floor, Cubic Center Office Building, Voluntari, Romania
Unique Registration Code: 36036986

Report on the Audit of the Consolidated Financial Statements

Opinion

1. We have audited the accompanying consolidated financial statements of Agricover Holding S.A. ("the Company") and of its subsidiaries („the Group”), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.
2. The consolidated financial statements as at and for the year ended 31 December 2020 are identified as follows:

• Total equity:	Lei 499,247,770
• Total comprehensive income for the period:	Lei 82,360,066
3. In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

4. We conducted our audit in accordance with International Standards on Auditing (“ISAs”), Regulation (EU) no. 537/2014 of the European Parliament and of the European Council (“the Regulation”) and Law no. 162/2017 (“the Law”). Our responsibilities under those standards and regulations are further described in the *Auditors’ Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Group in accordance with *International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants*

¹ TRANSLATOR'S EXPLANATORY NOTE: The above translation of the auditors' report is provided as a free translation from Romanian which is the official and binding version.



(including International Independence Standards) ("IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Romania, including the Regulation and the Law and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

5. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of loans and advances to customers of the Agrifinance segment

As at 31 December 2020, the consolidated financial statements include gross loans and advances to customers of RON 1,702,041,162, related impairment allowances of RON 51,399,831 and, for the year then ended, impairment losses on loans and advances to customers recognized in the consolidated statement of profit or loss of RON 20,585,213 (31 December 2019: loans and advances to customers: RON 1,541,996,703, related impairment allowances: RON 33,947,268, impairment losses on loans and advances to customers recognized in the consolidated statement of profit or loss: RON 10,620,765).

See Notes 3.8 and 3.9 *Significant accounting policies*, Note 5 *Use of judgements and estimates*, Note 7 *Financial instruments - fair value and risk management* and Note 14 *Trade and other receivables* to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
<p>Impairment allowances represent management's best estimate of the expected credit losses ("ECLs") within loans and advances to customers (collectively, "loans", "exposures") at amortized cost at the reporting date. We focused on this area as the measurement of impairment allowances requires management to make complex and subjective judgements over the amount of any such impairment.</p> <p>Pursuant to the relevant standard, IFRS 9, loans are allocated into one of three stages for the purposes of estimating the loss allowances. Impairment allowances for the performing exposures (Stage 1 and Stage 2 in the IFRS 9 hierarchy) are determined by modelling techniques relying on key parameters such as the probability of default (PD), exposure at default (EAD) and loss given default (LGD), taking into account historical experience, identification of exposures with a significant increase in credit risk ("SICR"), and forward-looking information, among other things (together "collective impairment allowance").</p>	<p>Our audit procedures in the area, performed where applicable, assisted by our own valuation and financial risk management specialists, included, among others:</p> <ul style="list-style-type: none"> • Inspecting the Group's ECL impairment provisioning methods and models, and assessing their compliance with the relevant requirements of the financial reporting standards. This included challenging management on whether the level of the methodology's sophistication is appropriate based on an assessment of portfolio-level factors; • On a sample basis, evaluating relevance and reliability of data used in the impairment allowance estimates, such as that for loan exposures, days past due, recoverable values of underlying collaterals, whether or not recovery procedures have been initiated against the debtors and restructuring status; • Evaluating the consistency of application of the SICR criteria and of the identification of objective evidence of impairment (default), and also, for a sample of exposures, independent determination of the loans' classification into the Stages; • For collective impairment allowance: <ul style="list-style-type: none"> — Evaluating the relevant forward-looking information and macroeconomic projections used in the ECL assessment by means of corroborating inquiries of the selected

For Stage 3 exposures, impairment allowances are determined on an individual basis by means of a discounted cash flows analysis. The process relies on a number of complex assumptions, in particular those in respect of the expected proceeds from the sale of the related collateral and minimum period for collateral disposal.

In the wake of the COVID-19 pandemic and the drought conditions affecting a significant number of the Agrifinance segment's customers in the current year, and also the measures applied by the government of Romania to alleviate the effects of these events, including payment holiday moratoriums, measurement of ECLs was associated with additional complexities and an increased estimation uncertainty.

In the light of the above factors, we considered the expected credit losses in relation to loans to customers to be associated with a significant risk of material misstatement in the financial statements. Therefore, the area required our increased attention in the audit and, as such, was determined to be a key audit matter.

- executive directors and inspecting publicly available information;
- Challenging the PD, EAD and LGD parameters used in the collective ECL model, by reference to the supporting documentation, debt service status, repayment schedules, restructuring operations and underlying data for collections occurring after default;
- Challenging any significant post-model adjustments, by evaluating the method applied, key underlying assumptions and tracing key data used back to its source. As part of this procedure, we assessed the reasonableness of the Group's treatment of the COVID-19 payment holidays for customers and the drought impact from a SICR perspective;
- Considering the outcome of the preceding procedures, testing the application of the ECL model through independently reperforming the Group's ECL model calculations and tracing the amounts recognized to the consolidated financial statements;
- For impairment allowances calculated individually, for a sample of loans, challenging key assumptions applied in the estimates of future cash flows used in the impairment estimate, such as discount rates, collateral values and recovery period, where relevant, and performing independent recalculations. Also recomputing the amounts of ECLs at the reporting date.
- Examining whether the loan impairment and credit risk-related disclosures in the consolidated financial statements appropriately include and describe the relevant quantitative and qualitative information required by the applicable financial reporting framework.



Impairment of trade and other receivables of the Agribusiness and Agrifood segment

As at 31 December 2020, the consolidated financial statements include gross trade receivables and other receivables of RON 462,135,238 and allowance for trade and other receivables of RON 47,862,675, and, for the year then ended, impairment losses on trade and other receivables recognized in the consolidated statement of profit or loss of RON 3,823,134 (31 December 2019: gross trade and other receivables: RON 459,376,537, allowance for trade and other receivables: RON 45,196,087, and, for the year then ended, impairment losses on trade and other receivables recognized in the consolidated statement of profit or loss: RON 2,575,934).

See Notes 3.8 and 3.9 *Significant accounting policies*, Note 7 *Financial instruments- fair value and risk management* and Note 14 *Trade and other receivables to the consolidated financial statements*.

The key audit matter	How the matter was addressed in our audit
<p>The Group carries significant trade and other receivable balances ("accounts receivable") as at year end. Given the magnitude of the balances and nature and size of the customers' operations, significant judgement is required in arriving at the estimated amount of impairment allowance in respect of the above financial assets.</p> <p>In measuring the allowance, the Group applies a collective (portfolio) assessment model for exposures with shared credit risk characteristics. Under the model, lifetime expected credit losses (ECLs) are measured on a practical expedient basis, using a provision matrix, based on historical observed default rates adjusted for forward-looking estimates.</p> <p>In the current year, given the effects of the COVID-19 pandemic and the drought conditions affecting a significant number of the Agribusiness segment customers, measurement of the allowance was associated with additional complexities and an increased estimation uncertainty.</p> <p>Due to the above factors, and also considering the magnitude of the potential impact, this area required our increased attention in the audit and, as such, was determined to be a key audit matter.</p>	<p>Our audit procedures in the area included, among others:</p> <ul style="list-style-type: none"> ● Assessing the appropriateness of the Group's method and model applied in accounting for impairment of accounts receivable, including the provision matrix approach; ● Assessing whether the definition of default used by the Group in its ECL measurement was applied in accordance with the relevant requirements of the financial reporting framework and also evaluating the appropriateness of the segmentation of accounts receivable based on shared credit risk characteristics; ● Evaluating relevance and reliability of the historical experience data used in the provision matrix model, including data for historical debtor defaults, and, on a sample basis, testing the accuracy of the accounts receivable ageing report by inspecting underlying supporting documents; ● Evaluating the relevant forward-looking information used in the ECL assessment by means of corroborating inquiries of the Management Board and inspecting publicly available information, including evaluation whether the Group appropriately considered the effects of the market disruption resulting from the COVID-19 pandemic as well as the effects of drought on the creditworthiness of the Group's customers; ● Inspecting, on a sample basis, cash receipts from debtors subsequent to the reporting date relating to accounts receivable balances as at 31 December 2020; ● Considering the outcome of the preceding procedures, testing the application of the ECL model (provision matrix) through independently reperforming the Group's ECL model calculations and tracing the amounts recognized to the financial statements; ● Examining whether the accounts receivable impairment and credit risk-related disclosures in the financial statements appropriately include and describe the relevant quantitative and qualitative information required by the applicable financial reporting framework.

Emphasis of Matter – Corresponding figures

6. We draw attention to Note 4 to the consolidated financial statements which indicates that the corresponding figures presented as at and for the year ended 31 December 2019 have been restated. Our opinion is not modified in respect of this matter

Other Matter – Corresponding figures

7. The consolidated financial statements of the Group as at and for the year ended 31 December 2019, excluding the adjustments described in Note 4 to the consolidated financial statements were audited by another auditor who expressed an unmodified opinion on those financial statements on 5 June 2020.

As part of our audit of the consolidated financial statements as at and for the year ended 31 December 2020, we audited the adjustments described in Note 4 that were applied to restate the corresponding figures presented as at and for the year ended 31 December 2019. We did not audit, review, or apply any procedures to the consolidated financial statements for the year ended 31 December 2019, other than with respect to the adjustments described in Note 4 to the consolidated financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective consolidated financial statements taken as a whole. However, in our opinion, the adjustments described in Note 4 are appropriate and have been properly applied.

Other information

8. Management is responsible for the other information. The other information comprises the information included in the Annual Report, which also contains the Board of Directors' report and the Non-financial Statement, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the other information, we are required to report that fact. We have nothing to report in this regard.

Other Reporting Responsibilities Related to Other Information

With respect to the Board of Directors' Report we read and report whether the Board of Directors' Report is prepared, in all material respects, in accordance with OMPF no. 1802/2014, articles 554 – 556 of the accounting regulations regarding annual separate financial statements and annual consolidated financial statements.

Based solely on the work required to be undertaken in the course of the audit of the consolidated financial statements, in our opinion:

- a) The information given in the Board of Directors' Report for the financial year for which the consolidated financial statements are prepared is consistent, in all material respects, with the consolidated financial statements;
- b) The Board of Directors' Report has been prepared, in all material respects, in accordance with OMPF no. 1802/2014, articles 554 – 556 of the accounting regulations regarding annual separate financial statements and annual consolidated financial statements.

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of our audit we are required to report if we have identified material misstatements in the Board of Directors' Report. We have nothing to report in this regard



Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

9. The Company's Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.
10. In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.
11. Those charged with the governance of the Company are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibility for the Audit of the Consolidated Financial Statements

12. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
13. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
 - Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
 - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
 - Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
 - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



14. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
15. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.
16. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

17. We were appointed by the General Shareholders' Meeting on 25 May 2020 to audit the consolidated financial statements of Agricover Holding SA for the year ended 31 December 2020. Agricover Holding SA became public interest entity with the issue of bonds in 2021.
18. We confirm that:
 - Our audit opinion is consistent with the additional report presented to the Audit Committee of the Company, which we issued on 27 April 2021. We also remained independent of the audited entity in conducting the audit.
 - We have not provided to the Group the prohibited non-audit services (NASs) referred to in Article 5(1) of EU Regulation (EU) No 537/2014.

The engagement partner on the audit resulting in this independent auditors' report is Aura Giurcaneanu

Refer to the original signed Romanian version

For and on behalf of KPMG Audit S.R.L.:



Giurcaneanu Aura Stefana

registered in the electronic public register of
financial auditors and audit firms under no AF1517

Bucharest, 28 April 2021

KPMG Audit SRL

registered in the electronic public register of
financial auditors and audit firms under no FA9

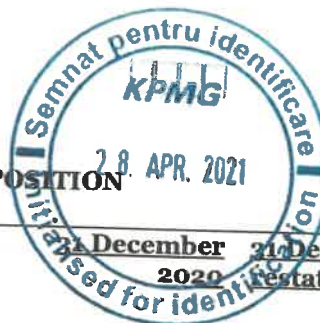
AGRICOVER HOLDING SA

CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2020

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AGRICOVER HOLDING SA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(All amounts in RON unless otherwise stated)



	Notes	December 2020	31 December 2019 restated (see note 4)
ASSETS			
Non-current assets			
Property, plant and equipment	10	73,284,835	62,802,600
Right of use assets	18	21,995,269	27,829,497
Intangible assets	11	4,971,996	1,973,132
Investments in associates	12	1,802,799	1,757,799
Long term loans granted to customers	14	500,021,262	383,185,316
Other non-current receivables	14	21,720,025	18,474,052
Deferred income tax assets	26	<u>2,742,050</u>	<u>1,747,425</u>
Total non-current assets		626,538,236	497,769,821
Current assets			
Inventories	13	63,242,140	60,761,070
Loans and advances to customers	14	1,150,620,071	1,124,863,981
Trade and other receivables	14	399,079,935	401,825,499
Cash and cash equivalents	15	<u>94,593,133</u>	<u>84,604,520</u>
Assets classified as held for sale	16	<u>1,707,535,279</u>	<u>1,672,055,070</u>
Total current assets		1,707,535,279	1,697,124,605
Total assets		<u>2,334,073,515</u>	<u>2,194,894,426</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	17	216,396,808	216,396,808
Share premium		4,350,717	4,350,717
Revaluation reserves		12,542,503	23,345,742
Other reserves		51,043,050	47,490,998
Retained earnings		<u>198,381,498</u>	<u>134,690,414</u>
Non-controlling interests		<u>482,714,576</u>	<u>426,274,677</u>
Total equity		16,533,195	15,793,167
Non-current liabilities		<u>499,247,770</u>	<u>442,067,844</u>
Borrowings	18	797,516,354	585,762,328
Deferred tax liabilities	26	<u>1,616,001</u>	<u>3,884,693</u>
Total non-current liabilities		799,132,355	589,647,021
Current liabilities			
Trade and other payables	19	332,215,972	304,957,465
Income tax liability		2,896,792	5,203,443
Provisions for other liabilities		272,942	115,482
Borrowings	18	694,965,236	843,175,571
Contract liabilities		5,342,447	7,287,427
Liabilities directly associated with the assets held for sale		-	-
Total current liabilities		1,035,693,389	2,440,172
Total liabilities		<u>1,834,825,744</u>	<u>1,163,179,561</u>
Total equity and liabilities		<u>2,334,073,515</u>	<u>2,194,894,426</u>

Approved for issue and signed on behalf of the Board of Directors on 27 April 2021

Ștefan Bucătaru
Administrator

Liviu Dobre
General Manager

AGRICOVER HOLDING SA



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the twelve months period ended 31 December 2020
(All amounts in RON unless otherwise stated)

	Notes	2020	2019 (Restated)
Trade Revenue			
Interest Income	20	1,467,476,253	1,521,129,200
Fee and commission income	20	165,886,044	148,411,568
Cost of goods sold	20	5,704,349	3,804,366
Interest and similar expenses	21	(1,393,434,753)	(1,468,685,708)
Fee and commission expenses		(66,562,846)	(65,813,489)
Impairment loss on loans and trade and other receivables		(886,700)	(802,685)
	14,7	(24,408,347)	(13,196,699)
Gross profit		<u>153,774,000</u>	<u>124,846,554</u>
Administrative expenses	22	(58,422,015)	(53,675,808)
Other operating income	23	1,589,841	868,296
Other gains	24	730,162	249,397
Other operating expenses	24	(3,603,668)	(3,777,084)
Operating profit		<u>94,068,320</u>	<u>68,511,355</u>
Finance income		862,239	236,420
Finance costs		(8,022,352)	(11,097,908)
Finance costs – net	25	(7,160,113)	(10,861,488)
Profit before tax		<u>86,908,207</u>	<u>57,649,868</u>
Income tax expense	26	(9,569,894)	(9,805,993)
Profit for the year from continuing operations		<u>77,338,313</u>	<u>47,843,875</u>
Profit for the year from discontinued operations, net of tax		<u>5,021,753</u>	<u>6,586,671</u>
Profit for the year		<u>82,360,066</u>	<u>54,430,546</u>
Other comprehensive income			
Gain on revaluation of land and buildings, net of tax		=	<u>11,925,124</u>
Total comprehensive income period		<u>82,360,066</u>	<u>66,355,670</u>
Profit for the period attributable to:			
Owners of the parent		77,962,056	51,603,038
Non-controlling interests		4,398,010	2,827,508
Profit for the year		<u>82,360,066</u>	<u>54,430,546</u>
Total Comprehensive income attributable to:			
Owners of the parent		77,962,056	63,052,715
Non-controlling interests		4,398,010	3,302,955
Total comprehensive income for the period		<u>82,360,066</u>	<u>66,355,670</u>
Earnings per share			
Basic and diluted earnings per share	17	0.036	0.024
Earnings per share from continuing operations		0.034	0.021

Approved for issue and signed on behalf of the Board of Directors on 27 April 2021

Ștefan Bucătaru
Administrator

Liviu Dobre
General Manager

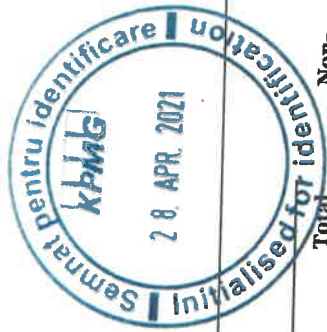
The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.
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AGRICOVER HOLDING SA

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(All amounts in RON unless otherwise stated)

	Attributable to the owners of the parent						Retained earnings	Non-controlling interests	Total	Total equity
	Share capital	Revaluation Reserves	Share premium	Other reserves	Losses related to own equity instruments (*)	Losses related to own equity instruments (*)				
Balance at 1 January 2019	216,396,808	60,051,445	4,350,717	42,147,179	(1,760,576)	1,989,260	3,845,258	333,168,833	337,014,091	
Corrections (Note 4)	-	-	-	-	-	(686,724)	-	(686,724)	(686,724)	
Balance at 1 January 2019 – restated	216,396,808	60,051,445	4,350,717	42,147,179	(1,760,576)	1,296,536	3,845,258	332,482,109	336,327,366	
Profit for the period	-	-	-	-	-	51,603,038	2,827,508	51,603,038	54,430,546	
Revaluation increase	-	-	-	-	-	-	-	-	-	
Deferred tax related to revaluation reserves	-	13,674,396	-	-	-	-	-	13,674,396	14,220,144	
Total comprehensive income for the period	-	(2,224,719)	-	-	-	-	(70,301)	(2,224,719)	(2,295,020)	
Revaluation reserves realized	-	11,449,677	-	-	-	51,603,038	3,302,955	63,952,715	66,355,670	
Revaluation reserves correction (Note 4)	-	(37,054,782)	-	-	-	37,054,782	-	-	-	
Deferred tax - Revaluation reserves correction (Note 4)	-	(9,066,951)	-	-	-	9,066,951	-	-	-	
NCI restatement Agrifood	-	-	-	-	-	(1,510,057)	-	(1,510,057)	(1,510,057)	
Transfer of RE to cover FY losses related to equity instruments	-	-	-	-	-	(153,223)	147,822	(53,402)	(5,402)	
Increase in other reserves	-	-	-	-	1,760,576	(1,760,576)	-	-	-	
Dividends distribution	-	-	-	5,770,575	-	(5,770,575)	-	-	-	
New shareholder in Agricover SA (Note 30)	-	-	-	(426,757)	-	-	(355,928)	-	(355,928)	
Total transactions with owners, recognised directly in equity	-	(2,033,648)	-	-	-	34,863,538	8,853,060	32,403,133	41,256,193	
Balance at 31 December 2019 (restated)	216,396,808	(48,155,381)	4,350,717	5,343,818	1,760,576	71,790,840	8,644,954	30,739,853	39,384,807	
		23,345,742		47,490,996		134,690,414	15,793,167	426,274,677	442,067,844	

(*) The losses related to equity instruments in amount of RON 1,760,576 represent losses from share redemption mostly generated before 2008, which during 2019 the company decided to cover these from the 2018's retained earnings.



AGRICOVER HOLDING SA

CONSOLIDATED STATEMENT OF CASH FLOWS
For the twelve months period ended 31 December
(All amounts in RON unless otherwise stated)



	<u>Notes</u>	<u>2020</u>	<u>2019 (restated)</u>
Cash flows from operating activities			
Profit for the period from continuing operations		77,338,313	47,843,875
Profit for the period from discontinued operations	16	5,021,753	6,586,671
FX differences	25	3,768,029	5,227,194
Impairment of receivables	14	3,823,134	2,575,934
Impairment of loans to customers	7	20,585,213	10,620,765
Tangible and intangible depreciation and amortization	10,11,18	16,625,319	17,563,382
Gain/loss from the sale of tangible assets	24	514,075	(7,328,038)
Write down of inventory	21	249,572	3,182,209
Provisions for liabilities		157,460	115,482
Income tax	16,26	9,896,576	11,472,384
Interest income	20,25	(166,691,971)	(160,468,314)
Interest expense	25	71,775,801	72,407,537
Increase in the value of assets held for sale at FV		(2,883,914)	(5,767,828)
Operating profit before changes in working capital		40,179,360	4,031,253
<i>Changes in working capital</i>			
Decrease/(increase) in trade and other receivables	14	(18,830,864)	(179,217,436)
(Increase) in loans to customers	14	(157,446,471)	(159,967,390)
(Increase)/decrease in the inventories	13	(2,730,642)	2,337,988
Increase in the trade and other payables	19	28,198,772	59,583,679
Cash generated from / (used in) operations		(110,629,845)	(273,231,906)
Interest paid		(72,085,172)	(69,887,952)
Interest received		160,961,193	160,391,246
Income tax paid		(15,005,116)	(15,645,793)
Net cash flows generated from / (used in) operating activities		(36,758,940)	(198,374,405)

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.
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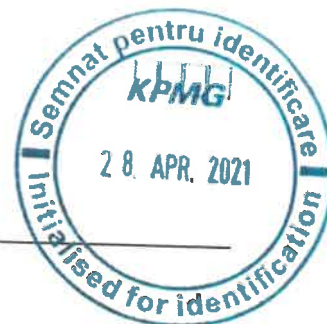
AGRICOVER HOLDING SA

CONSOLIDATED STATEMENT OF CASH FLOWS
For the twelve months period ended 31 December
(All amounts in RON unless otherwise stated)



		<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2019</u>
Investing activities			
Payments for acquisitions of land and fixed assets	10,11	(20,239,124)	(10,316,739)
Proceeds from sale of land and fixed assets*		13,705,464	38,821,180
Receipts from the loans granted to related parties		1,678,314	2,593,874
Increase of investment in subsidiary		(45,000)	
Net cash used in investing activities		(4,900,346)	31,098,316
Net cash from financing activities			
Proceeds from borrowings	18	2,942,481,036	2,159,977,214
Repayment of borrowings	18	(2,878,058,899)	(1,969,528,294)
Payments for lease liabilities	18	(10,447,949)	(9,262,077)
Proceeds from non-controlling	30		35,433,813
Dividends paid		(3,591,322)	(13,202)
Net cash (used in) / generated from financing activities		50,382,866	216,607,454
Positive exchange rate fluctuation in cash and cash equivalents		1,265,034	-
Cash and cash equivalents at the beginning of the period	<u>15</u>	<u>84,604,520</u>	<u>35,273,158</u>
Net (decrease)/ increase in cash and cash equivalents		<u>9,988,614</u>	<u>49,331,365</u>
Cash and cash equivalents at the end of the period	<u>15</u>	<u>94,593,133</u>	<u>84,604,520</u>

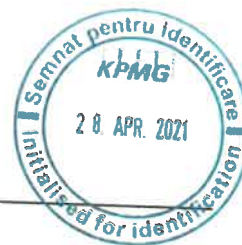
(*) The amounts contain received proceeds from sale of Property, plant and equipments and Assets held for sale disposed during previous years (twelve months period ended 31 December 2020: RON 12,829,007; twelve months period ended 31 December 2019: RON 4,301,937).

AGRICOVER HOLDING SA**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(All amounts in RON unless otherwise stated)****1 GENERAL INFORMATION**

Agricover Holding SA (“the Company”) and its subsidiaries (together referred as “the Group”) were incorporated and are domiciled in Romania. At 31 December 2020, the Company’s headquarter is located at 1B Pipera Blvd, Voluntari, Ilfov, Romania. These consolidated financial statements comprise the Company and its subsidiaries as mentioned below:

Entity	Country of incorporation	Business line	Activity	% owned 2020	% owned 2019
Agribusiness line					
Agricover SA	Romania	Agribusiness	Distributors of agriculture inputs, grains	86.62	86.62
Agrifood line					
Abatorul Peris SA	Romania	Agrifood	Pork processing	98.06	96.84
Agriland line					
Agriland Ferme SA	Romania	Agriland	Investment property held for sale	-	96.07
Agrifinance line					
Agricover Credit IFN SA	Romania	Agrifinance	Loans for agricultural business	99.99	99.99
Clubul Fermierilor Romani Broker de Asigurare SRL	Romania	Agrifinance	Activities of insurance agents and brokers	51.02	99.99

The wholly owned subsidiary established in 2020 Agricover Technology was not consolidated being considered immaterial.



1 **GENERAL INFORMATION (CONTINUED)**

Description of business

The Group's principal business activity is related to agricultural operations on Romanian market and includes three distinct business lines:

- Agribusiness: national distribution of seeds and pesticides, trading with fertilizers, diesel distribution;
- Agrifood: pork processing
- Agrifinance: provide corporate lending services (three main categories of products: capex, credit lines and factoring). These financing facilities are designed for farmers and have various tailored maturities which are usually correlated with the harvesting and sale of crops periods.

Functional and presentation currency

These consolidated financial statements are presented in Romanian New Lei ("RON"), which is the functional currency of the Group. All amounts are rounded to the nearest RON, unless stated otherwise.

2 **BASIS OF PREPARATION**

These financial statements for the twelve months ended 31 December 2020 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS" or "IFRS as adopted by the EU") under the historical cost convention, except for land and buildings, which are carried at revalued amounts, and investment property and derivative financial instruments, which are carried at fair value. The principal accounting policies applied in the preparation of these financial statements are set out below in Note 3. These policies have been consistently applied to all the periods presented, unless otherwise stated.

The preparation of financial statements in conformity with IFRS as adopted by EU requires the use of certain critical accounting estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

These financial statements as at and for the year ended 31 December 2020 represent the official translation of the Romanian binding version and have been authorized for issue by the Company's Board of Directors on 27 April 2021. Neither the Company's shareholders, nor any other stakeholders have the power to amend the financial statements after their issuance.

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.



3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis for consolidation

Subsidiaries

Subsidiaries are those investees, including structured entities, that the Group controls because the Group

- has power to direct the relevant activities of the investees that significantly affect their returns,
- has exposure, or rights, to variable returns from its involvement with the investees, and
- has the ability to use its power over the investees to affect the amount of the investor's returns.

The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have a practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than the majority of the voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee.

Protective rights of other investors, such as those that relate to fundamental changes of the investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.



3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill

The acquisition method of accounting is used to account for the acquisition of subsidiaries (other than those acquired from parties under common control). Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

Non-controlling interest is equity in a subsidiary not attributable, directly or indirectly, to a parent

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised also within equity attributable to owners.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree.

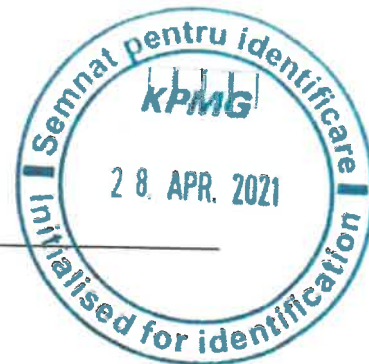
Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and the fair value of an interest in the acquiree held immediately before the acquisition date.

Any negative amount ("negative goodwill" or a "bargain purchase") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all the liabilities and contingent liabilities assumed and reviews the appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including the fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services.

Transaction costs related to the acquisition of and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed.

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.



3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Associates

Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

Other post-acquisition changes in the Group's share of net assets of an associate are recognised as follows:

- the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the year as the share of results of associates;
- the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately;
- all other changes in the Group's share of the carrying value of net assets of associates are recognised in profit or loss within the share of results of associates.

However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

If impairment is indicated, the amount is calculated by reference to IAS 36 Impairment of Assets. The entire carrying amount of the investment is tested for impairment as a single asset, that is, goodwill is not tested separately. The recoverable amount of an investment in an associate is assessed for each individual associate, unless the associate does not generate cash flows independently.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

3.2 Foreign currency translation

The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries, and the Group's presentation currency, is the national currency of the Romania, "RON".

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.



3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Transactions and balances

Monetary assets and liabilities are translated into currency at the official exchange rate of the NBR at the end of the respective reporting period. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss. Foreign exchange gains and losses are presented in the profit and loss within 'finance income or costs'.

The exchange rate for the major foreign currency was:

Currency	31 December 2020	31 December 2019
RON/USD	3,9660	4,2608
RON/EUR	4,8694	4,7793

3.3 Property, plant and equipment

Land and buildings are stated at revalued amounts, as described below.

Land and buildings are subject to revaluation with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognized in profit or loss. However, the decrease shall be recognized in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. Increases in the carrying amount arising on revaluation are credited to other comprehensive income and increase the revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognized in other comprehensive income and decrease the previously recognized revaluation surplus in equity; all other decreases are charged to profit or loss for the year. The revaluation reserve for land and buildings included in equity is transferred directly to retained earnings when the revaluation surplus is realized on the retirement or disposal of the asset.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

All other property, plant and equipment is stated at historical cost less accumulated depreciation and provision for impairment, where required. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Costs of minor repairs and day-to-day maintenance are expensed when incurred.

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.



3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

At the end of each reporting period management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year to the extent it exceeds the previous revaluation surplus in equity. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss for the year within 'Other gains/(losses) - net' in the profit and loss.

3.4 Depreciation

Land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Useful lives in years

Buildings	9 to 70 (*)
Vehicles and machinery	3 to 21
Furniture, fittings and equipments	3 to 15

(*) The average useful life of buildings' depreciation is of 35 years.

The assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

3.5 Investment property

The Group classified part of its land as investment property, because they are held for capital appreciation or for generating rental income rather than for use in the production or supply of goods or services or for administrative purposes or sale in the normal course of activity.

Investment property includes land rented by the Group to third parties.

Investment property is initially recognised at cost, including transaction costs, and subsequently remeasured at fair value updated (Net gains/(losses) from fair value adjustments) to reflect market conditions at the end of the reporting period.

Market value of the Group's investment property is determined based on reports of independent appraisers, who hold recognised and relevant professional qualifications and who have recent experience in the valuation of property in the same location and category.

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.



3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Gains and losses resulting from changes in the fair value of investment property are recorded in profit or loss for the year and presented separately. Gains or losses on disposal of investment property are calculated as proceeds less the carrying amount.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its deemed cost for accounting purposes.

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation of property, plant and equipment. Any resulting increase in the carrying amount of the property is recognised in profit or loss for the year to the extent that it reverses a previous impairment loss, with any remaining increase credited directly to other comprehensive income. Any resulting decrease in the carrying amount of the property is initially charged against any revaluation surplus previously recognised in other comprehensive income, with any remaining decrease charged to profit or loss for the year as impairment.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

3.6 Intangible assets

Trademarks and licences

Acquired trademarks and licences are shown at historical cost. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 3 to 5 years.

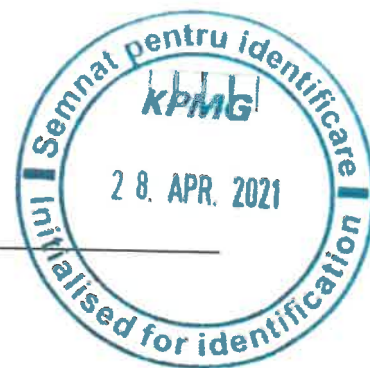
Computer software

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Computer software recognised as assets are amortised over their estimated useful lives, which does not exceed three years.

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.



3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.8 Financial instruments

Recognition and initial measurement

Trade receivables, loans from customers and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

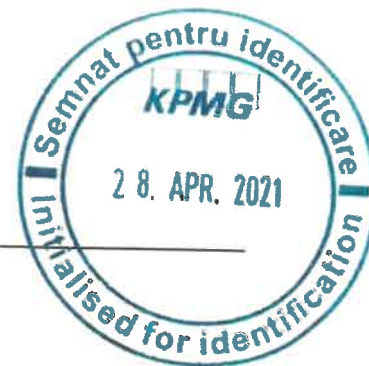
A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.



3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model. A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

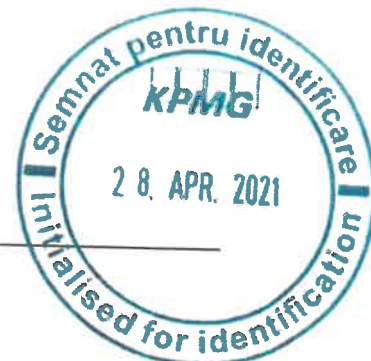
All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- how the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.



3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Subsequent measurement and gains and losses

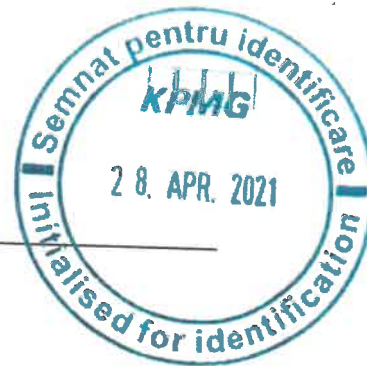
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.



3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition

Financial assets:

The Group derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
 - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
 - the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Modifications of financial assets

If the terms of a financial asset are modified, then the Group evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Group plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.



3 **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Accrual for commercial discounts to be received after year end

Commercial discounts received from the suppliers after invoicing (off-invoice discounts) are included in commercial contracts and are granted following the fulfilment of contractual conditions, such as reaching the volume target, the distribution target (number of customers), the payment term.

As in previous periods the Company has fully complied with its contractual conditions and the objectives of the contract are achievable, it is in the Company policy to consider the off-invoice discounts from the suppliers virtually received.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3.9 Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all financial instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Trade receivable and contract assets

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs.

Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.



3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

The exposures were grouped based on their segment on similar credit risk characteristics. On the initial application of IFRS 9 requirements the following homogeneous receivables segments were identified based on the business line:

- Distribution exposures – namely receivables from small farmers;
- Cereals – namely receivables from large international traders;
- Meat Processing and milk – namely receivables from large retailers (super market chains);
- Intercompany;
- Other receivables-mainly old receivables considered by the entity as losses;

Each impairment rate in the provision matrix is estimated as follows:

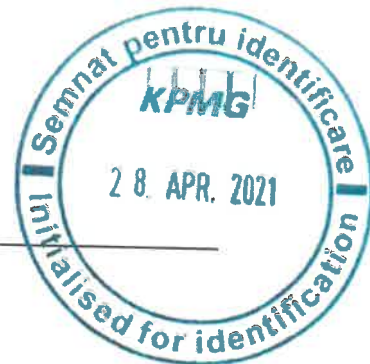
- i. Receivables overdue by more than 365 days are assumed as 100% loss (no further recoveries are expected on these). The Company still presents the trade receivables and related allowance for these receivables on a gross basis (and implicitly does not write-off these overdue receivables); if subsequently such receivables are cashed-in, the allowance is reversed
- ii. Loss rates for the other ageing buckets are computed based on migration to loss state of invoices in balance during one year;
- iii. An average loss rate was determined based on the average of the loss rates described at point ii. above;
- iv. The average loss rate was then applied to the ageing structure as at the date of the ECL calculation.

For the purpose of the determination of the provision matrix and the final ECL calculation, receivables of all defaulted clients (e.g.: client in litigation, insolvency, bankruptcy etc.) were included in the “loss” category irrespective of their overdue status. The entity has not contaminated the loss status for clients with a DPD of 365 days as management considers that the effect of contamination is compensated by not considering further recoveries from loss state.

In case of clients with overdue invoices that are also suppliers for the entity, a compensation method was used, through which the receivables balance were compensated with the suppliers balance. The compensation should be made considering the following conditions:

- the supplier invoice should have the due date after the compensated trade receivable;
- the entity has the legal right to compensate the receivable with the liability in a short time after the receivable is overdue.

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.



3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans and advances to customers, placements at banks and other financial assets

IFRS9 impairment model applies to financial assets that are not measured at FVTPL. The main assets in scope of the impairment model are:

- Loans and advances to customers
- Placements to Banks (current accounts, deposits, etc.)
- Other financial assets

Future cash flows in a group of financial assets that are collectively evaluated for impairment, are estimated on the basis of the contractual cash flows of the assets and the experience of management in respect of the extent to which amounts will not be collected in the future.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, impairment is measured using the original effective interest rate before the modification of terms. The renegotiated asset is then derecognized and a new asset is recognized at its fair value only if the risks and rewards of the asset substantially different. This is normally evidenced by a substantial difference between the present values of the original cash flows and the new expected cash flows.

Impairment losses are always recognised through an allowance account to decrease the asset's carrying amount to the present value of expected cash. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

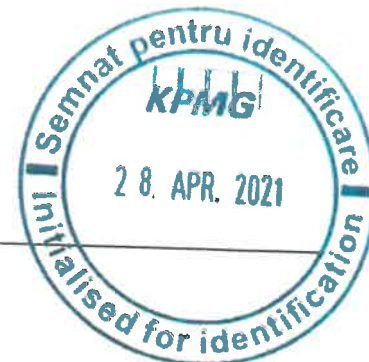
Uncollectible assets are written off against the related impairment loss allowance after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account in profit or loss for the year.

Overview of the ECL principles

The adoption of IFRS 9 resulted in a forward-looking ECL approach. From 1 January 2018, the Group has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL).

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.



3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

Based on the above process, the Group groups its loans into Stage 1, Stage 2, Stage 3 as described below:

- Stage 1: When loans are first recognised, the Group recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2 and loans for which credit risk has not increased significantly since initial recognition.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit impaired. The Group records an allowance for the LTECLs.
- POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition.

The calculation of ECLs

The Group calculates ECLs based on four probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

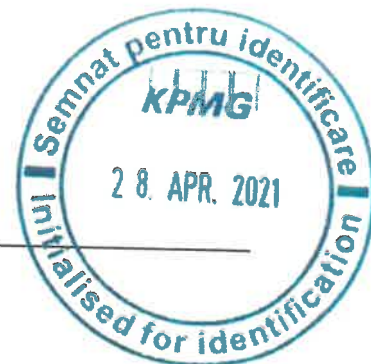
- Probability of Default (“PD”)

The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio;

- Exposure at default (“EAD”)

The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.



3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Loss given default (“LGD”)

The Loss Given Default is an estimate of the loss arising where a default occurs at a given time. The Group decided to apply in the ECL calculation the value of the collaterals allocated to the accounts, discounted as per the type of collateral.

- Forward looking adjustments of the PD

Starting 2020, the Group incorporates forward-looking information into the measurement of ECL.

Forborne and modified loans

The Group sometimes makes concessions or modifications to the original terms of loans as a response to the borrower’s financial difficulties, rather than taking possession or to otherwise enforce collection of collateral.

The Group considers a loan forborne when such concessions or modifications are provided as a result of the borrower’s present or expected financial difficulties and the Group would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Group’s policy to monitor forborne loans to ensure that future payments continue to be likely to occur.

Measurement of ECL

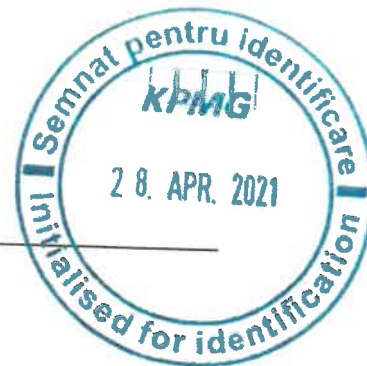
ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit impaired at reporting date: as the present value of all cash shortfalls (the difference between the cash flows due to entity in accordance with the contract and the cash flows that the Group expects to receive);
- Financial assets that are credit impaired: as the present value of the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn loan commitments: as the present value of the difference the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive.

Credit-Impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired (referred to as ‘Stage 3 financial assets’). A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.



3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by the Group/Company on terms that the Group/Company would not consider otherwise;
- Foreclosure;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market;
- Public information sources.

A financial asset that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- For financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;

For loan commitments and financial guarantee contracts: generally, as a provision;

Impairment losses on financial assets

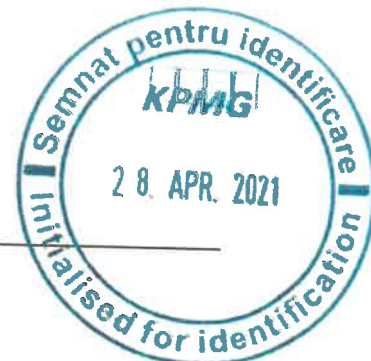
The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's credit grading model
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas

According to the IFRS 9 standard, expected credit losses are based on a lifetime expected credit losses or 12-month expected credit losses whether there has been a significant increase in credit risk since initial recognition or not. This assessment will have to be made at each reporting date.

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.



3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

At each reporting date, the Group measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.

If at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

3.10 Assets classified as held for sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense. No depreciation/amortization is incurred after reclassification.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

3.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost (WAC) method. It excludes borrowing costs.

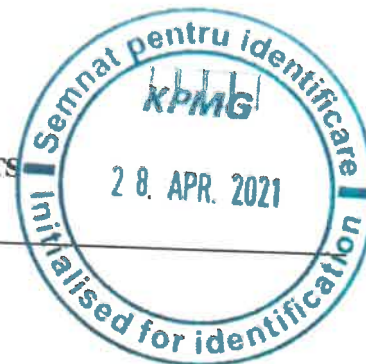
Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Discounts granted by suppliers and mentioned on the purchase invoices adjust, namely by decreasing, the inventories' purchase cost. Trade discounts received subsequent to invoicing related to merchandise that is still in stock adjust the inventories' purchase cost, while trade discounts related to merchandise sold are presented in profit and loss statement (Cost of sales).

3.12 Cash and cash equivalents

In the statement of cash flows, "cash and cash equivalents" includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities. Cash and cash equivalents are carried at amortised cost using the effective interest method.

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.



3 **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Restricted balances are excluded from cash and cash equivalents for the purposes of the cash flow statement. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date are included in "Other non-current assets".

3.13 Equity

Share Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Group's shareholders. Dividends are disclosed when they are proposed before the balance sheet date or proposed or declared after the balance sheet date but before the financial statements is authorised for issue.

3.14 Value added tax

Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of the receivables from customers or (b) delivery of the goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

3.15 Employee benefits

The Group, in the normal course of business, makes payments to the Romanian State on behalf of its employees for social security, health and pension benefits. All employees of the Group are members of the Romanian State pension plan, which is a defined contribution plan. These payments are recognised within the profit and loss together with the salary expenses.

3.16 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.



3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.



3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

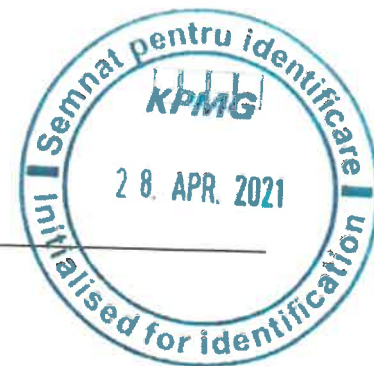
If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease

The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.



3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied or services provided, stated net of discounts, returns and value added taxes.

Revenue from sale of goods or revenue from services provided is recognised at the point in time when control of the asset is transferred to the customer, when delivery of the goods from the warehouse/at the customer's location is performed.

Revenue from goods sold are mainly from the sale of grains, inputs (pesticides, seeds, fertilizers and fuel) and also include revenue from sale of finished goods produced in the Company's slaughterhouse. Revenue from services relates mainly to warehousing from grains and other maintenance services.

Revenue is recognised when the company transfers to the buyer the control of the goods that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

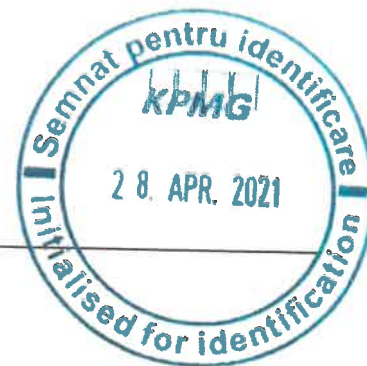
In making their judgement, the directors considered the criteria for the recognition of revenue from bill and hold arrangements set out in IFRS 15 and, in particular, whether the Company had transferred to the buyer the significant control of ownership of the goods. The directors are satisfied that the significant control has been transferred and that recognition of the revenue in the current year is appropriate.

In case of 'bill and hold' sales, in which delivery is delayed at the buyer's request but the buyer takes title and accepts billing, revenue is recognised when control is transferred to the buyer, provided:

- the reason for the bill-and-hold arrangement is substantive (for example, the customer has requested the arrangement);
- the product is identified separately as belonging to the customer;
- the product currently is ready for physical transfer to the customer; and
- the entity does not have the ability to use the product or to direct it to another customer

If delivery takes place subsequently to the issue of the invoice, a warehouse certificate, respectively a custody contract will be concluded, the stocks being therefore transferred to the buyer's legal ownership and consequently booked within an off balance sheet account. Transfer of risk and rewards for the sold cereals is set by the contract when deposit certificates are issued. Deposit certificates issued will contain the cereals sold, the quantities, the qualitative parameters and the location where these cereals are stored.

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.



3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Variable consideration

If the consideration in a contract includes a variable amount, the company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Revenue recognition requires the estimation of rebates that will be provided in respect of sales which have been made before the balance sheet date.

The Company grants to its customers the following types of commercial discounts:

- Trade discounts – on-invoice discounts, selling price is already affected by such discounts, no subsequent accounting entries are required to be made;
- Cash discounts - off-invoice discounts granted according to the commercial policy in force for the year. Such discounts are being entirely granted to the customers in case of compliance with contractual terms. Cash discounts result in the reduction of sales revenue earned during the period, and are booked at the time of sale according to an estimation.

Accrual for commercial discounts to be granted after year end

Commercial discounts to be granted to customers after invoicing (off-invoice discounts) are included in the commercial policy in force for that year and are embedded in the customer order as annex. They are granted to customers in full if the payment deadline is met. At the time of issuing the sales invoice, the off-invoice discounts that are expected to be granted to customers are accrued based on an estimate prepared by management (taking also into account estimation uncertainty and expected credit losses recognized per policy above).

The estimate is sensitive to variations, being based on future payments to be made by customers.

Interest and similar income related to loans granted to customers

Interest income and expense from Agrifinance segment is presented under Operating result of the Statement of profit and loss and other comprehensive income due to the nature of their activity. Other interest income and expense are included in the Other finance income/costs section. Interest income related to loans granted to customers for all interest-bearing financial instruments are recognised within 'Interest income' and the related interest expenses are recognised within "Interest expense" in the income statement using the effective interest method.

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.



3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Once a financial asset or a Group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Fees and commissions are generally recognised on an accrual basis when the service has been provided.

Revenue from rent

Earned rental income is recorded in profit or loss for the year within 'Revenue'. The Group recognizes revenue from rent according to rental agreements concluded with third parties.

Only some agricultural lands are rented, generating rental income. Revenues from rent are mainly from the investment property rented to third parties.

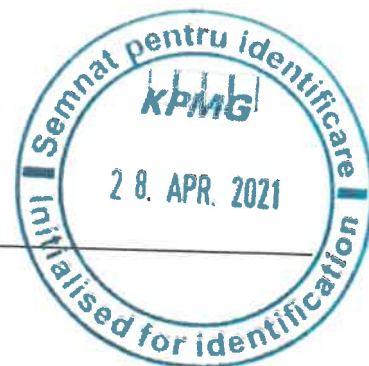
Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

3.18 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax law enacted or substantively enacted at the balance sheet date in Romania. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.



3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Deferred tax is recognized in Other comprehensive income or in Profit or loss.

3.19 Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

Site restoration

In accordance with the Group's environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land, and the related expense, is recognised when the land is contaminated.

Onerous contracts

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is

determined based on incremental costs necessary to fulfil the obligation under the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.



3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.20 Finance income and finance cost

The Group's finance income and finance costs include:

- interest income, other than from loans from customers
- interest expense, other than from loans of the agrifinance activity
- dividend income;
- dividend expense on preference shares issued classified as financial liabilities;
- the net gain or loss on the disposal of investments in debt securities measured at FVOCI;
- the net gain or loss on financial assets at FVTPL;
- the foreign currency gain or loss on financial assets and financial liabilities;
- impairment losses (and reversals) on investments in debt securities carried at amortised cost or FVOCI;
- the gain on the remeasurement to fair value of any pre-existing interest in an acquiree in a business combination;
- the fair value loss on contingent consideration classified as a financial liability;
- hedge ineffectiveness recognised in profit or loss; and
- the reclassification of net gains and losses previously recognised in OCI on cash flow hedges of interest rate risk and foreign currency risk for borrowings

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

3.21 Government grants

The Group recognises an unconditional government grant in profit or loss as other income when the grant becomes receivable. Other government grants related to assets are initially recognised as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant; they are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.



3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the periods in which the expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case, the grant is recognised when it becomes receivable.

3.22 Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to resale

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.

AGRICOVER HOLDING SA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(All amounts in RON unless otherwise stated)



4 RECLASSIFICATIONS AND RESTATEMENTS MADE ON OPENING BALANCES AT 31 DECEMBER 2019

The following reclassifications and restatements were performed on the opening balances previously reported:

Caption	Notes	31 December 2019 as reported	Restatements	Reclassifications	31 December 2019 restated
Property, plant and equipment	1,3	57,973,658	4,828,942	-	62,802,600
Investment property	1	2,340,498	(2,340,498)	-	-
Intangible assets	12	2,387,097	(418,774)	-	1,973,132
Inventories	2,3	63,608,316	(2,847,246)	-	60,761,070
Trade and other receivables	2,4,7,11	1,507,561,182	19,138,092	(1,124,863,981)	401,825,499
Loans and advances to customers	4	-	-	1,124,863,981	1,124,863,981
Assets classified as held for sale	2,5	40,954,330	(15,884,795)	-	25,069,535
Others		517,598,609	-	-	517,598,609
Total assets		2,192,418,705	2,475,721	-	2,194,894,426
Revaluation reserves	6	(32,412,692)	9,066,951	-	(23,345,742)
Retained earnings	2,3,5,6,7,8,9,10,11,12	(129,598,173)	(5,092,241)	-	(134,690,414)
Non-controlling interest	9	(16,000,845)	207,679	-	(15,793,167)
Others		(268,238,523)	-	-	(268,238,521)
Total Equity		(446,250,233)	4,182,389	-	(442,067,844)
Trade and other payables	8,10,2	(295,572,952)	(9,384,249)	-	(304,957,465)
Contract liabilities	2	(6,600,315)	(686,914)	-	(7,287,427)
Liabilities directly associated with the assets held for sale	5,6,2	(5,863,090)	3,422,913	-	(2,440,172)
Other		(1,438,141,513)	-	-	(1,438,141,518)
Total liabilities		(1,746,178,070)	(6,648,250)	-	(1,752,826,582)

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.

AGRICOVER HOLDING SA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
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4 RECLASSIFICATIONS AND RESTATEMENTS MADE ON OPENING BALANCES AT 31 DECEMBER 2019 (Continued)

The following reclassifications and restatements were performed on the opening balances previously reported regarding the Statement of Profit and Loss and Other Comprehensive Income:

Financial statement caption	Notes	2019 as reported	Restatements	Reclassifications	2019 restated
Revenue	13, 16	1,654,352,516	18,992,666	(152,215,982)	1,521,129,200
Interest income	16	-	-	148,411,568	148,411,568
Fee and commission income	16	-	-	3,804,366	3,804,366
Cost of good sold	13,7,12,3,8,11	(1,415,463,561)	(24,447,042)	(28,775,104)	(1,468,685,708)
Interest and similar expenses	11	-	-	(65,813,489)	(65,813,489)
Fee and commission expenses	11	-	-	(802,685)	(802,685)
Cost of distribution	14	(112,273,046)	-	112,273,046	-
Impairment loss on loans and trade and other receivables	10,15,14	-	(1,285,414)	(11,911,285)	(13,196,699)
Gross profit		126,615,909	(6,739,790)	4,970,435	124,846,553
Net gains/(losses) from fair value adjustments	-	-	-	-	-
Administrative expenses	10	(52,995,254)	(84,756)	(595,798)	(53,675,808)
Other income		868,296			868,296
Other gains	17	6,633,038	(8,849,492)	2,465,851	249,397
Other losses	17			(3,775,930)	(3,777,084)
Operating Profit		81,121,989	(15,674,038)	3,064,558	68,511,355
Finance income	18	15,605,538		(15,369,118)	236,420
Finance costs	18	(23,402,468)		12,304,560	(11,097,908)
Finance costs – net		(7,796,930)		(3,064,558)	(10,861,489)
Profit/(loss) before tax		73,325,059	(15,674,038)		57,649,866
Income tax expense	19	(10,505,167)	699,174		(9,805,993)
Profit from continuing operation		62,819,890	(14,974,864)		47,843,875
Profit/(Loss) from discontinued operation	17,19,5	(6,409,116)	12,995,530		6,586,671
Total profit for the year		56,410,774	(1,979,335)		54,430,546

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(All amounts in RON unless otherwise stated)



4 RECLASSIFICATIONS AND RESTATEMENTS MADE ON OPENING BALANCES AT 31 DECEMBER 2019 (Continued)

The following reclassifications and restatements were performed on the opening balances previously reported regarding the Cash Flow Statement:

	Notes	31 December 2019 - as previously reported	Restatement	31 December 2019 - restated -
Cash flows from operating activities				
Profit for the period from continuing operations	3,7,8,10,11,12,17,19	62,819,890	(14,976,016)	47,843,874
Profit for the period from discontinued operations	5,17,19	(6,409,116)	12,995,787	6,586,671
FX differences	24	6,472,743	(1,245,549)	5,227,194
Impairment of receivables	7,22,25	9,943,162	(7,367,228)	2,575,934
Impairment of loans to customers	22		10,620,765	10,620,765
Tangible and intangible depreciation and amortization	3,12	16,697,741	865,641	17,563,382
Valuation adjustment for non-current assets classified as held for sale	26	1,631,998	(1,631,998)	-
Loss on revaluation of land and buildings recognised through profit and loss	27	59,781	(59,781)	-
Gain/loss from the sale of tangible assets	26,27	(9,019,909)	1,691,871	(7,328,038)
Write down of inventory	25	6,772,310	(3,590,101)	3,182,209
Provisions for liabilities		115,482	-	115,482
Income tax	5	10,549,532	922,852	11,472,384
Interest income	22	(50,375)	(160,417,939)	(160,468,314)
Interest expense	22	6,733,577	65,673,960	72,407,537
Increase in the value of assets held for sale at FV	5		(5,767,828)	(5,767,828)
Operating profit before changes in working capital		106,316,816	(102,285,563)	4,031,253
Decrease/(increase) in trade and other receivables	11,22,25	(341,402,503)	162,185,067	(179,217,436)
(Increase) in loans to customers	22		(159,967,390)	(159,967,390)
(Increase)/decrease in the inventories		2,337,988	(0)	2,337,988
Increase in the trade and other payables	8,10,24	54,102,406	5,481,273	59,583,679
Cash generated from / (used in) operations		(178,645,293)	(94,586,613)	(273,231,906)
Interest paid	22	(5,501,163)	(64,386,789)	(69,887,952)
Interest received	22	50,375	160,340,871	160,391,246
Income tax paid		(15,645,793)	-	(15,645,793)
Net cash flows generated from / (used in) operating activities		(199,741,874)	1,367,469	(198,374,405)
Payments for acquisitions of land and fixed assets		(10,515,546)	198,807	(10,316,739)
Proceeds from sale of land and fixed assets*		39,087,084	(265,904)	38,821,180

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
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Receipts from the loans granted to related parties	23		1,361,500	1,232,374	2,593,874
Increase of investment in subsidiary			-	-	-
Net cash used in investing activities			29,933,038	1,165,278	31,098,316
Proceeds from borrowings	23		2,145,701,327	14,275,887	2,159,977,214
Repayments of borrowings	23,22		(1,952,732,862)	(16,795,432)	(1,969,528,294)
Payments for lease liabilities			(9,262,077)	-	(9,262,077)
Proceeds from non-controlling			35,433,813	-	35,433,813
Dividends paid				(13,202)	(13,202)
Net cash from financing activities			219,140,201	(2,532,747)	216,607,454





4 RECLASSIFICATIONS AND RESTATEMENTS MADE ON OPENING BALANCES AT 31 DECEMBER 2019 (CONTINUED)

- 1 Reclassification of Investment Property to Property, plant and equipment: Based on the use of the asset, assets classified as investment property amounting to RON 2,340,498 does not meet the criteria of investment property and were reclassified to Property, Plant and equipment as of 31 December 2019;
- 2 Reclassification as at 31 December 2019 from Assets held for sale: Inventories amounting of RON 205,224 and Trade and other receivables amounting to RON 20,942,136 (net of allowance for bad debt in amount of RON 505,262) were reclassified from Assets classified as held for sale to Inventories and, respectively to Trade and other receivables, as it was identified by management they had not been intended to be realized through a single sale transaction of an identified disposal group, but rather through continuing use (i.e. receivables were collected from debtors and inventories were sold in the ordinary course of business). As a result of this adjustment, retained earnings as of 31 December 2018 and 31 December 2019 has been decreased by RON 505, 262;
Trade and other payables in amount of RON 5,169,172 and Contract liabilities in amount of Ron 686,914 were reclassified from Liabilities directly associated with the assets held for sale to Trade and other payables and respectively, to Contract liabilities;
- 3 Returnable packaging: The Company identified items of inventory used as returnable packaging in the process of supplying goods to customers that is used for more than a year. Therefore management has revised the classification of this packaging from inventory to property, plant and equipment. As at 31 December 2018 the impact on the retained earning amount to RON 167,082 As at 31 December 2019 the impact of this adjustment is the decrease of inventories with RON 3,052,470, increase of property, plant and equipment with RON 2,498,322 and decrease in retained earnings of RON 554,148. The impact on the cost of goods sold for the year ended 31 December 2019 is of RON 387,066
- 4 Loans and advances to customers: starting with 1 January 2020 Management decided to change its presentation policy for long-term loans and advances to customers. Up to 31 December 2019 such amounts were presented together with Trade and Other receivables. Consequently, this led to a change of corresponding amounts: as at 31 December 2019 Loans and advances to customers amounting to RON 1,124,863,981 were presented as a separate line from Trade and other receivables.
- 5 Assets classified as held for sale: adjustment to reflect the increase of RON 5,767,827 in the fair value of agricultural lands as at 31 December 2019 classified as assets held for sale.. Deferred tax liability in amount of RON 922,852 was recognized representing the deferred tax relating to the increase in the fair value of the investment property held for sale and presented in Liabilities related to directly associated with the assets held for sale.

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.



4 RECLASSIFICATIONS AND RESTATEMENTS MADE ON OPENING BALANCES AT 31 DECEMBER 2019 (CONTINUED)

- As a result of these adjustments, retained earnings as at 31 December 2019 and profit/loss from discontinued operations for the year ended 31 December 2019 have been adjusted with the amount mentioned above;
- 6 Revaluation reserve: revaluation reserves as at 31 December 2019 incorrectly included a revaluation surplus from prior years of RON 9,066,950 related to investment property was reclassified to retained earnings and related deferred tax amounting to RON 1,510,057 was recognized and presented in the Liabilities related to directly associated with the assets held for sale as at the same date
 - 7 Trade and other receivables: addition allowance for trade receivables was calculated to correct a calculation error amounting to RON 505,262 as at 31 December 2018 and to RON 1,285,414 as at and for the year ending 31 December 2019.
 - 8 Trade and other payables: as at 31 December 2019 management has identified a trade receivable that did not met the criteria for recognition as at that date amounting to RON 2,331,047 that was netted off against trade accounts payable. Respectively cost of goods sold and trade payables have been increased by the above amount.
 - 9 Non-controlling interest impact computed based on restatements performed in amount of RON (207,679) against retained earnings.
 - 10 Trade and other payables: additional provision for untaken holidays and overtime amounting to RON 1,884,294 was calculated. As a result trade payables, cost of goods sold (RON 1,799,538) and administrative expenses (RON 84,756) have been increased with the above amount;
 - 11 Trade and other receivables - management identified some prepaid expenses that should have been charged to the profit and loss statement (cost of sales) in amount of RON 518,630 as at 31 December 2019.
 - 12 Intangible assets missing depreciation amounting to RON 413,965 as at 31 December 2019. As a result of this adjustment, retained earnings and cost of goods sold have been adjusted by the same amount;
 - 13 Revenue and Cost of sales for 2019 were both understated with the value of the vouchers granted to customers, respectively received from suppliers, in amount of RON 18,992,666, due to incorrect application of agent vs principal accounting principles;
 - 14 Cost of goods sold: starting with 1 January 2020 Management decided to change its presentation policy for cost of sales and cost of distribution. Respectively cost of distribution of RON 112,273,046 that was presented as a separate line is presented as part of cost of goods sold and comparative figures are restated as a result. In addition, "Interest and similar expenses" of RON 65,813,489 and "Fee and commission expenses" of RON 802,685 which correspond to the Agrifinance segment and included in cost of goods sold in prior period were presented separately as at 31 December 2020;

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.



4 RECLASSIFICATIONS AND RESTATEMENTS MADE ON OPENING BALANCES AT 31 DECEMBER 2019 (CONTINUED)

- 15 Impairment loss on trade and other receivables: is presented as a separate line as at 31 December 2020 whereas as at 31 December 2019 the amount corresponding to this line was previously included in line Cost of distribution; as a result RON 11,922,342 were presented as a separate line.
- 16 Revenues: starting with 1 January 2020 Management decided to change its presentation policy for revenues. "Interest and similar income" and "Fee and commission income" which correspond to the Agrifinance segment, of RON 148,411,568 and RON 3,804,366, respectively, previously presented as Revenues were presented separately as at 31 December 2020
- 17 Other expenses and Other income: were presented as one line as at 31 December 2019 ("Other gains/losses") whereas as at 31 December 2020 the amounts were separately presented in the Statement of profit and loss and other comprehensive income. At the same time, the amount of RON 8,849,492 corresponding to sale of fixed assets from discontinued activities were reclassified from continuing activities to discontinued activities;
- 18 Foreign exchange losses in amount of RON 15,354,799 were netted off from both captions "Finance income" and "Finance costs" as at 31 December 2020 and comparative figures were restated as a result;
- 19 Income tax in amount of RON 699,174 was reclassified from continuing to discontinued operations due to the fact that in the previous period no income tax was computed for the discontinued operations;
- 20 Fee and commission related to financial services amounting to RON 610,039 were reclassified from Fee and commission expenses to General and administrative expenses.
- 21 Result from derivative financial instruments amounting to RON 4,360,444 was reclassified from Cost of goods sold to Finance cost (RON 3,050,238) and Other losses (RON 1,310,206).
- 22 Presentation of loans and advances to customers, interest income and interest expense.: starting with 1 January 2020 Management decided to change its presentation policy relating to the presentation of interest income and Loans and advances to customers as separate lines in the cash flows from operating activity. As a result interest income of RON 160,417,939 and interest expense of RON 65,673,960 were presented separately, Interest received and interest paid have been restated with RON 160,340,871 and RON 64,386,789 respectively. The difference of RON 1,287,171 between interest expense and interest paid corrected the line „Repayment of borrowings”. Additionally changes in loans to customers amounting to RON 159,967,390 have been presented separately from changes in trade and other receivables. Impairment of loans to customers amounting to RON 10,620,765 have been presented separately from impairment of receivables line.
- 23 Receipts from finance lease receivable in amount of RON 1,232,374 was presented in a separate line from "Repayments of borrowings" to correct a previous misclassification; At the same time "Repayments of borrowings" were incorrectly presented under the caption "Proceeds from borrowings".

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.



4 **RECLASSIFICATIONS AND RESTATEMENTS MADE ON OPENING BALANCES AT 31 DECEMBER 2019 (CONTINUED)**

- 24 As at 31 December 2019, Net gain/(loss) from derivative financial instruments (RON 1,310,206) was presented in the Statement of cash flow in the same line with FX differences. Management decided to present the amounts in line "Increase in the trade and other payables".
- 25 At 31 December 2019 the line called "Current assets provisions" presented in the cash-flow statement included actually impairment of current assets (trade and other receivables and inventories) and did not reconcile with movements presented in the notes to the financial statements. The restatement performed includes reclassification of write-down and reversal of write-down of inventories to a separate line and reconciliation of the remaining amount for impairment of trade and other receivables against movement presented in the notes to the financial statements. Also, the line was changed into "Impairment of receivables". Accordingly, the restatements were made on the following cash flow lines: Impairment of receivables (RON: 1,968,123), Write down of inventory (RON: 3,590,101) and Decrease/(increase) in trade and other receivables (RON: 1,621,979)
- 26 "Valuation adjustment for non-current assets reclassified as held for sale" and "(Gain)/Loss from the sale of tangible assets" were both overstated by calculating depreciation of RON 1,691,871 after an asset has been classified as held for sale (incorrect application of IFRS 5);
- 27 „Loss on revaluation of land and buildings recognised through profit and loss” presented as at 31 December 2019 on a separate line, was presented now on the same line with „Gain/loss from the sale of tangible assets” amounting to RON 59,781.

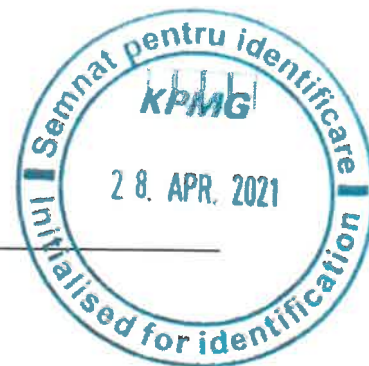
5 **USE OF JUDGEMENTS AND ESTIMATES**

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:
Note 3.3, Note 10,16 Estimation of fair values of land and buildings, investment property
Note 3.8 Accrual for discounts to be received after year end;
Note 3.18 Recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilised.
Note 3.9 and Note 7 – Measurement of ECL allowance for trade receivables and contract assets and loans and advances to customers

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.



5 USE OF JUDGEMENTS AND ESTIMATES (CONTINUED)

Measurement of fair values

A number of the Company's accounting policies require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the methods listed below. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. Further information about the assumptions made in measuring fair values is included in Note 7.

Impairment losses on loans and advances to customers

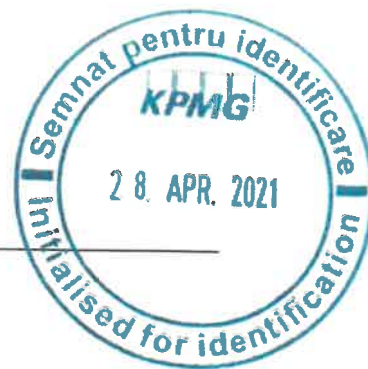
The Group recognizes loss allowances for Expected Credit Loss ("ECL") on the following financial instruments that are not measured at FVTPL:

- Loans and advances to customers
- Placements to banks (current accounts, deposits, etc.)
- Other financial assets

Future cash flows in a group of financial assets that are collectively evaluated for impairment, are estimated on the basis of the contractual cash flows of the assets and the experience of management in respect of the extent to which amounts will become overdue as a result of past loss events and the success of recovery of overdue amounts.

If the terms of an impaired financial asset held at amortized cost are renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, impairment is measured using the original effective interest rate before the modification of terms. The renegotiated asset is then derecognized and a new asset is recognized at its fair value only if the risks and rewards of the asset substantially changed. This is normally evidenced by a substantial difference between the present values of the original cash flows and the new expected cash flows.

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.



5 USE OF JUDGEMENTS AND ESTIMATES (CONTINUED)

Impairment losses are always recognized through an allowance account to decrease the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred). The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account in profit or loss for the year.

Overview of the expected credit losses ("ECL") principles

The adoption of IFRS 9 resulted in a forward-looking ECL approach. From 1 January 2018, the Group has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as "financial instruments". Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss ("12mECL")

The 12mECL is the portion of lifetime ECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both lifetime ECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

Based on the above process, the Group groups its loans into Stage 1, Stage 2, Stage 3 as described below:

- Stage 1: When loans are first recognized, the Group recognizes an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2 and loans for which credit risk has not increased significantly since initial recognition.

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.



5 USE OF JUDGEMENTS AND ESTIMATES (CONTINUED)

- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the lifetime ECLs. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit impaired. The Group records an allowance for the lifetime ECLs.
- POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition.

The calculation of ECLs

The Group calculates ECLs based on four probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

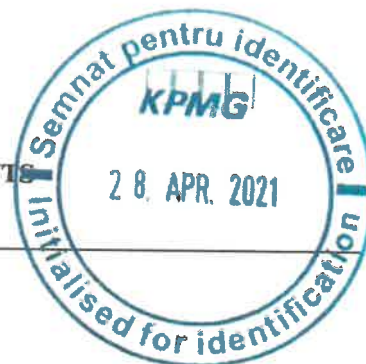
The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- **Probability of Default ("PD")**
The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio;
- **Exposure at default ("EAD")**
The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- **Loss given default ("LGD")**
The Loss Given Default is an estimate of the loss arising where a default occurs at a given time. The Group decided to apply in the ECL calculation the value of the collaterals allocated to the accounts, discounted as per the type of collateral.
- **Forward looking adjustments of the PD**
Starting 2020, the Group incorporates forward-looking information into the measurement of ECL.

Forborne and modified loans

The Group sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral.

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.



5 USE OF JUDGEMENTS AND ESTIMATES (CONTINUED)

The Group considers a loan forborene when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Group would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Group's policy to monitor forborene loans to ensure that future payments continue to be likely to occur.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit impaired at reporting date: as the present value of all cash shortfalls (the difference between the cash flows due to entity in accordance with the contract and the cash flows that the Group expects to receive);
- Financial assets that are credit impaired: as the present value of the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn loan commitments: as the present value of the difference the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive.

Credit-Impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by the Group/Company on terms that the Group/Company would not consider otherwise;
- Foreclosure;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market;
- Public information sources.

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.



5 **USE OF JUDGEMENTS AND ESTIMATES (CONTINUED)**

A financial asset that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- For financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- For loan commitments and financial guarantee contracts: generally, as a provision;

6 **STANDARDS ISSUED BUT NOT YET EFFECTIVE**

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated. The Group has determined that all contracts existing at 31 December 2020 will be completed before the amendments become effective.

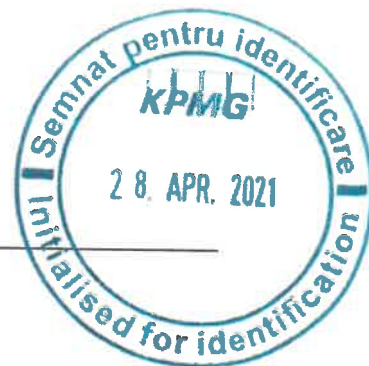
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to:

- changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities; and
- hedge accounting.

The amendments will require an entity to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability.

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.



6 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

The Group expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes because RIBID/ROBOR are considered to be consistent with requirements under the reforms and therefore not expected to be replaced.

The amendments will require the Group to disclose additional information about the entity's exposure to risks arising from interest rate benchmark reform and related risk management activities.

The Group plans to apply the amendments from 1 January 2021. Application will not impact amounts reported for 2020 or prior periods.

Other standards

The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements

- *COVID-19-Related Rent Concessions (Amendment to IFRS 16).*
- *Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).*
- *Reference to Conceptual Framework (Amendments to IFRS 3).*
- *Classification of Liabilities as Current or Non-current (Amendments to IAS 1).*
- *IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.*

7 FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT

The Group's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Group's risk management are to identify all key risks for the Group, measure these risks, manage the risk positions and determine capital allocations.

The Company's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

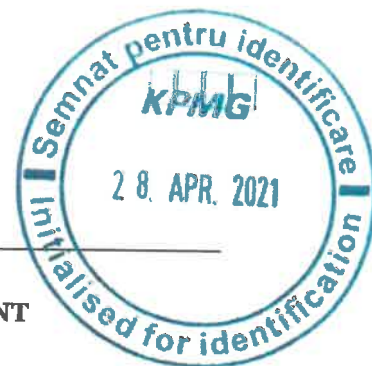
The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and with consideration of best market practice.

The Group's aim is to achieve an appropriate balance between risk and return and to minimize potential adverse effects on the Group's financial performance.

The Group defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

Risk management policies are established at the level of each subsidiary to identify and analyze the risks faced, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.



**7 FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT
(CONTINUED)**

The risks arising from financial instruments to which the Group is exposed are financial risks, which include credit risk, liquidity risk, market risk and operational risk. Market risk includes currency risk, interest rate risk and other pricing risk.

At Agricover Credit IFN level only, the Risk management is carried out by the following Group's committees:

- Credit Risk Committee;
- Management Committee;
- Assets Liabilities Committee;
- Collection Committee;
- Monthly Analysis of the Results Committee;
- Audit Committee;
- Management of Significant Risks Committee (CARS)

in collaboration with the financial department, under policies approved by the Board of Directors.

The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as credit risk. In addition, internal audit is responsible for the independent review of risk management and the control environment.

In Agricover SA, the Commercial Credit Policy is provided by Credit Risk procedures with the main purpose to set-up the exposure of the Company within commercial relations and to secure the collection of receivables.

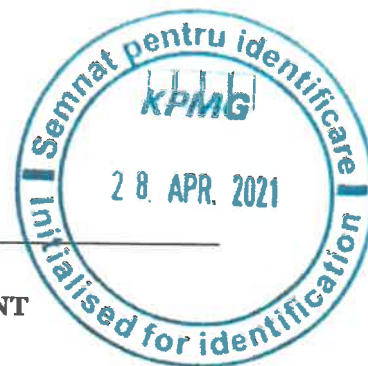
There are several levels of approvals at the Company level above which the exposure needs approval from Risk Committee at the Group level.

CREDIT RISK

Credit risk is the risk of suffering financial loss, should any of the Group's customers, clients or market counterparties fail to fulfill their contractual obligations to the Group.

Credit risk arises mainly from loans and advances and loan commitments arising from lending activities, trade receivables from agribusiness and agrifood segments and other receivables from sales of non-current assets, but can also arise from credit enhancement provided, such as financial guarantees as well as from other transactions with counterparties giving rise to financial assets. Credit risk is the single largest financial risk for the Group's business; management therefore carefully manages its exposure to credit risk.

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.



7 **FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT
(CONTINUED)**

Credit risk measurement

The Group is presenting below inputs, assumptions and techniques used for estimating expected credit losses.

Definition of default

When defining default for the purposes of determining the risk of a default occurring, the Group apply a default definition that is consistent with the definition used for internal credit risk management purposes for the relevant financial instrument and consider qualitative indicators (for example, financial covenants) when appropriate. The definition of default used for these purposes is applied consistently to all financial instruments.

An asset is considered as defaulted whenever one of the following circumstances occurs:

- The asset is more than 90 days past due for loans and advances to customers;
- Subjective default: the Group considers the borrower is unlikely to pay, considering:
 - o initiation of legal procedures against the borrower;
 - o Decisions of the Collection Committee based on public information, information available within Agricover Holding SA Group.
 - o The customer is in nonperforming forbearance

Maximum exposure to credit risk before collateral held or other credit enhancements

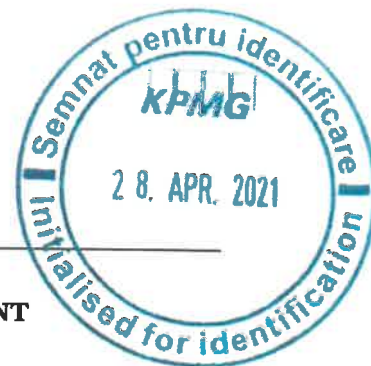
The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets on the consolidated statement of financial position is as follows:

Financial Assets	<u>31 December 2020</u>	<u>31 December 2019</u>
Cash and bank balances	94,593,133	84,604,520
Loans and advances to customers	1,650,641,333	1,508,049,297
Trade and other receivables excluding non-financial assets	414,272,563	414,180,450
Total financial assets	2,159,507,029	2,006,834,267

In addition to the on-balance sheet exposures above, the Group also has uncommitted credit lines for its customers (mainly IFN).

The credit lines contracts include clauses referring to the uncommitted nature of the facility. The exposure reflected on the financial position represents the part drawn by the clients from the credit lines.

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.



7 **FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT
(CONTINUED)**

The Group's policy is to approve any withdrawals from the credit lines formally, based on analysis of the applicant and, especially, of developments after the initial approval of the credit limit. The analysis done by the Group for withdrawal purposes is more simplified in extent and nature as compared to the initial granting moment of the credit line.

The Group converts the amount of the undrawn part of the credit limit to an EAD using the credit conversion factor, calculated as the probability of drawing the undrawn portion in the next 12 months. The credit conversion factor estimated by the Group as of 31 December 2020 is 15%.

	December 2020	December 2019
Credit lines limit granted	1,029,413,241	1,105,245,816
Outstanding balance (drawn)	837,555,406	892,100,200
Undrawn balances	191,857,835	213,145,616
Credit Conversion factor	15%	15%
Estimated undrawn balance after credit conversion factor	28,778,675	31,971,842
Provision for off balance sheet commitment	157,458	-

For financial guarantee committed to third parties, refer to Note 27.

A. Credit risk relating to loans and advances to customers

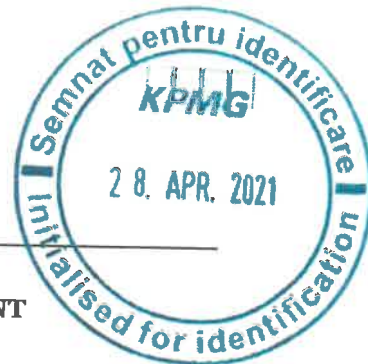
Determining whether credit risk has increased significantly

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes information and analysis done based on the Group's historical experience and expert credit assessment and including forward-looking information.

The Group uses the below criteria for determining whether there has been a significant increase in credit risk:

- Over 30 DPD at reporting date
- Different triggers signaled by the Credit Risk Committee of Agricover Credit IFN as: payment incidents, significant increase in customer debt to other financial institutions, increase of indebtedness by 50% compared to the previous monitoring.
- Significant financial degradation.
- Clients with restructured outstanding and less 30 days past due registered in probation period.

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.



7 FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT
(CONTINUED)

Segmentation

In order to assess the staging of exposures and to measure the loss allowance (ECL) on a collective basis, it is necessary to group the exposures into risk drivers based on shared credit risk characteristics. The risk drivers applied by Agricover Credit IFN, considering that the default behavior is different between them, refers to:

- Type of client (referring to: i) the surface of agriculture land worked by the client, i.e. above, respectively below 400 hectare; ii) clients that perform other agriculture activities than work of land);
- Type of product, respectively: “Exploatare”, “Imobiliare”, “Factoring”, “ST loans”
- Days Past Due

Incorporation of forward-looking information

Starting 2020, Agricover Credit IFN incorporates forward-looking information into the measurement of ECL through the PD parameter.

External information considered includes economic data and forecasts published by National Commission for Strategy and Prognosis, forecast for 2021.

Agricover Credit IFN has identified and documented key drivers of credit risk using an analysis of historical default data and macro-economic variables. The predicted relationships have been developed based on analysing historical data over the past 5 years.

For the forward-looking adjustment, the Probability of Default curve was put into correlation with the contribution of the Agriculture sector in total gross domestic product.

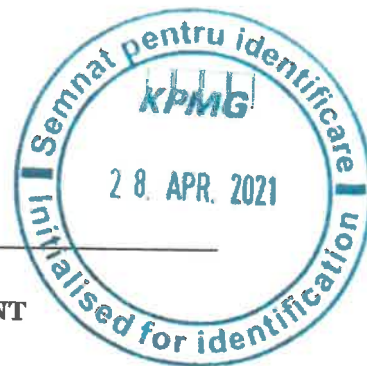
At Agricover Credit IFN, the incorporation of forward-looking information reflects the expectations of the Management and involves the creation of scenarios (base case, optimist and pessimist), including the assignment of probability weights for each scenario as presented below. Following application of the probability weight scenarios Management expectation is that the contribution of the Agriculture sector in total gross domestic product for 2021 would be of 7,3%.

Indicator / Weights of scenarios	Base	optimist	pessimist
Contribution of the Agriculture sector in total gross domestic product	14% growth	26% growth	9% decline
Weights of scenarios	54%	11%	35%

Sensitivity analysis

If the pessimist case scenario was assigned a probability of 100%, the allowance account would increase by 1.2 million RON as at 31 December 2020.

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.



7 FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT
(CONTINUED)

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

The methodology of estimating PDs is presented above, in “Segmentation” paragraph.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the estimated recoverable value of collaterals, allocated at each loan ID, calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default.

The EAD is based on the expected balance of the loan, according to the reimbursement schedule. For each loan, an exposure curve should be developed based on the reimbursement schedule and the Group’s historical experience of exposure. At each moment t , the expected exposure is the exposure at the beginning of t .

For loans without a reimbursement schedule (i.e. revolving, overdraft, etc), the EAD is considered constant up to “expected maturity”.

Subject to using a maximum of a 12-month PD for Stage 1 loan exposures, the Group measures ECL considering the risk of default over the maximum contractual period, except for loans without a reimbursement schedule (i.e. revolving, overdraft, etc) where the ECL is computed considering the Group’s historical experience of exposure over such facilities.

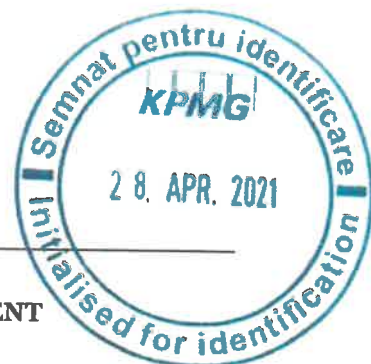
Credit risk arises mainly from loans and advances and loan commitments arising from lending activities, but can also arise from credit enhancement provided, such as financial guarantees as well as from other transactions with counterparties giving rise to financial assets.

Management carefully manages exposure to credit risk.

Impact of Covid-19 over the Loans and advances to customers

During the period covered by these financial statements the Group rescheduled the contractual payments for 21 customers, under the legal requirements of the moratoria; a breakdown of the related loans exposure is presented below. The Group classified the related loans exposures to stage 2 at 31 December 2020, the moratoria requests being assessed by the management and considered as a trigger for significant increase in credit risk.

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.



7 FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT
(CONTINUED)

Product	No of clients	Exposure to credit risk	ECL	Adjusted collateral	Stage as of Dec 2020	Stage as of December 2019
Capex	4	276,997	604	200,924	2	1
Credit lines	17	3,924,265	293,227	2,758,072	2	1
Total	21	4,201,262	293,831	2,958,996		

Impact of draught over the Loans and advances to customers.

For the 2020 draught impact on credit risk, the Group considered an increase in credit risk for the clients impacted by the draught, these clients were classified in Stage 2 at 31 December 2020. Below is presented a breakdown of the related loans exposure.

Collective:

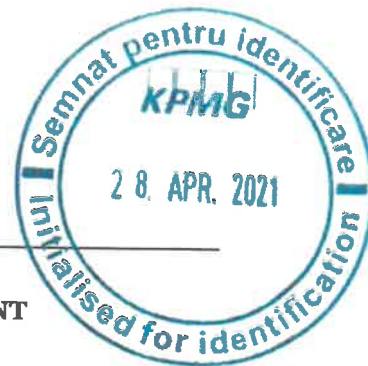
Product	No of clients	Exposure to credit risk	ECL	Adjusted collateral	Stage as of 31 December 2020	Stage as of 31 December 2019
Capex	3	8,001,701	144,611	690,735	2	1
Credit lines	39	34,308,001	322,086	31,892,034	2	1
Facility	1	148,984	68	-	2	1
Total	43	42,458,686	466,765	32,582,769		

Individual:

Product	No of clients	Exposure to credit risk	ECL	Adjusted collateral	Stage as of 31 December 2020	Stage as of 31 December 2019
Capex	3	2,318,935	559,976	2,045,080	2	1
Credit lines	28	38,096,182	4,312,632	21,348,536	2	1
Total	31	40,415,117	4,872,608	23,393,616		

The Group performed an analysis of loan exposures with potential impact from the draught, considering observable data indicating that there is a measurable decrease in the estimated future cash flows, such as: the crop status of the customer, unfavorable changes in the payment behavior of the customer or in the customer's economic circumstances. For the individual cases where an increased risk was identified the loan exposures were classified in the stage 2.

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.



7 FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT
(CONTINUED)

Credit risk exposure are monitored on a monthly basis by the Risk Director.

This process has two main components:

- 1) Standard exposure monitoring, automatic process applied to all credit risk exposures. Risk indicators to be controlled:
 - Insolvency (Insolvency Register): on the portal list of courts are monitored legal matters: commercial and bankruptcy;
 - Public information (i.e. based on Central Credit Register (“CRC”));
 - Debts to the state budget that should not exceed to Agricover Credit IFN’s exposure to the client;
- 2) Intensive monitoring process applied for clients with exposure over 2 million RON
- 3) Risk indicators controlled in addition to standard monitoring:
 - Company status at the National Trade Register Office
 - Information from the Office of Payment Incidents for Romanian Companies
 - Significant increase in client debt to other financial institutions. Sensitive threshold: greater than 50%

Risk limit control and mitigation policies

The Group manages limits and controls concentrations of credit risk wherever they are identified - in particular, to individual counterparties and groups.

The Group structures the classes of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary.

Actual exposures against limits are monitored monthly. Lending limits are reviewed in the light of changing market and economic conditions and periodic credit reviews and assessments of probability of default.

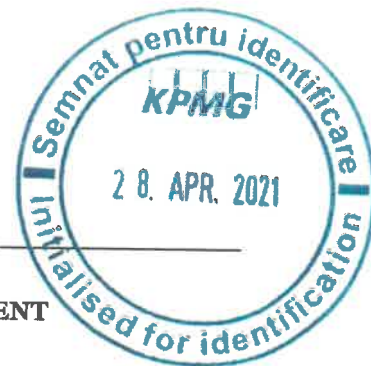
Some other specific control and mitigation measures are outlined below:

Collateral

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of collateral for loans and advances to customers, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advanced are:

- Mortgages over agricultural land (arable land);
- Other mortgages over residential and commercial, respectively agricultural properties
- Pledge over business assets such as premises, inventory and accounts receivables.

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.



7 FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT
(CONTINUED)

Collateral valuation

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as real estate, receivables, pledge on equipment, on stock, promissory notes.

The valuation of different types of collaterals is presented below:

- Mortgages: mainly mortgage on arable land or farms, based on fair value of the collateral, yearly appraised by a certified external independent appraisal;
- Pledge on equipment, based on fair value of the collateral at the origination, updated yearly with an internal depreciation rate.
- Pledge on stock, based on fair value of the collateral given and updated by the CARS Committee, and inspected monthly by a certified external independent expert
- Pledge on crops, based on fair value of the collateral given and updated by the CARS Committee;
- Assignment of receivables and other guarantees received, usually represents the value of the receivables.

For the purpose of ECL calculation the Group is adjusting the values of collateral, mentioned in valuation reports, with specific standard haircuts, considering the types of collateral, in order to reflect the management estimated recoverable value of the collateral.

Loan portfolio monitoring and Classification of exposures based on the internal grading system

A key element of the credit risk management policy is the monitoring of the customers' financial condition and the legal status of the entity. This is done by accessing public information sources like the Ministry of Justice, Trade Registry, Ministry of Finance, Payments Incidents Registry (CIP), Central Credit Registry (CRC) as well as COFACE reporting. An important alert criterion is that a customer's debt to the state budget should not exceed Agricover IFN exposure to that respective customer. Additionally, for major customers where Agricover IFN has an exposure exceeding RON 2 million or for high risk customers, intensive monitoring procedures are implemented, an increase of the debt level towards another financial institution being considered as an alert indicator.

However, from the credit risk management processes perspective, the key differentiation element factor against other non-specialized credit institutions refers to monitoring clients' financial condition through regular visits by Agricover IFN's mobile sales teams. Mobile sales team employees have clear responsibilities concerning health checks and monitoring of farmers' business, as one variable of the bonus system refers to the clients paying the instalments as agreed in the contract.

Practically, Agricover IFN's mobile sales teams visit clients at least twice a year (when financing autumn main crops, respectively spring main crops),

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.



**7 FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT
(CONTINUED)**

As a result, the early understanding of potential problems that customers may face during the farming year and the preventive intervention allow Agricover IFN, in most cases, to identify solutions together with customers to resume the potentially restructured payment schedule. At the same time, in case the farmer cannot meet his obligations, early identification of payment default risk and preventive intervention allow Agricover IFN to initiate collateral liquidation procedures with high debt recovery probability. Usually, in the case of pledged agricultural land, silos, or agricultural equipment, subject to forced execution, Agricover IFN quickly identifies potential buyers even among the existing important clients with whom the Group has long-lasting relationships. As a consequence, accessing an extended customer base enables a fast and efficient collateral liquidation process, at market conditions resulting in debt recovery close to debt nominal value.

As a result of the permanent monitoring of the loans portfolio, customers receive an internal grade for exposures classification, and based on their quality are grouped into the following categories:

1. 1. “Green” category customers, classified as stage 1 for purpose of ECL

These are customers with invoices having less than 30 days overdue to the Company. An early warning monitoring, named “standard monitoring” applies to these customers. For this category of customers, exposures are monitored through automated processes interrogating public or publicly-derived databases such as listed below:

- Insolvency Register: the client must not be listed in the register
- Legal courts’ portal: no insolvencies/defaults
- Trade registry status: active
- Central Credit Registry (CRC): debt service < 60 days
- State Budget liabilities should be below the client’s exposure
- Fiscal inactivity

For customers with exposure over 2 million RON, an “intensive monitoring” is performed, as described below for the “orange” category clients, to identify early any potential future payment problems.

2. “Orange” category customers, classified as stage 2 for purpose of ECL

These are clients with days past due having between 31 days and 90 days overdue to the Company, as well as customers with restructured loans with less than 30 days overdue detected during the testing period. “Intensive monitoring” is applied to these customers. For these customers, the results of the automated processes monitoring (mentioned above) are checked, to detect significant increases of the credit risk (for example the increase of indebtedness in the Central Credit Registry by more than 50% over the prior month, payment incidents, etc.). Received monitoring alerts will be transmitted for clarification to the commercial team and if the information received shows an increase of default risk for a customer, the data will be analyzed in a collection committee. The collection committee may decide to change the internal grading of the customers.



7 FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT
(CONTINUED)

3. “Red” category customers, classified as stage 3 for purpose of ECL

These are customers with days past due having more 90 days overdue to the Company, whose contracts have not been terminated, solutions for amiable collection having been identified, or clients whose financial situation may lead to the opening of foreclosure legal procedures. A “high risk of default” monitoring is applied to these clients. Customers are monitored from a collection perspective by the legal collection team, these accompanying the commercial team during the site visits with the objective to identify solutions for the debit collection, either amicable payment, or existing collateral execution or consolidation of existing guarantees.

4. “Legal” category customers, classified as stage 3 for purpose of ECL

These are customers for which legal proceedings for foreclosure and collateral execution have been started via a bailiff, customers with over 90 days overdue invoices, or customers in insolvency/default. A “high risk of default” monitoring is applied to these customers. They are monitored by the legal collection team.

EAD estimation

IFRS9, does not explicitly require entities to model EAD, but is important to model how exposures are expected to change over the time to obtain unbiased measurements of ECLs.

When the allowance is computed, it is essential to model expected changes in the balance account over the whole life due to the contractual amortization. The prepayment effect was considered as not significant, and will not be used in the ECL calculation.

The EAD is based on the expected on balance of the loan, according to the reimbursement schedule. For each loan, an exposure curve should be developed based on the reimbursement schedule. At each moment t, the expected exposure is the exposure at the beginning of t.

For loans without a reimbursement schedule (i.e. revolving, overdraft, etc), the EAD is considered constant up to “expected maturity”.

Information about the fair value (as presented in the valuation report) of the collateral before applying haircut at 31 December 2020 is as follows:

	Loan type			
	Capex	Credit lines	Factoring	Total
Loans collateralized by:				
- Mortgage	66,956,233	693,352,676		760,308,909
- pledge on equipment	42,840,556	26,322,127	-	69,162,683
- pledge on stock	-	60,172,163	-	60,172,163
Total collateral	<u>109,796,789</u>	<u>779,846,966</u>	-	<u>889,643,755</u>
Total gross loans and advances to customers	<u>118,187,872</u>	<u>1,527,358,639</u>	<u>56,494,651</u>	<u>1,702,041,162</u>



7 FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT
(CONTINUED)

Information about the fair value of the collateral, as presented in the valuation report, before applying haircut, at 31 December 2019 is as follows:

	Loan type			Total
	Capex	Credit lines	Factoring	
Loans collateralized by:				
- Mortgage	68,058,536	566,666,501	=	634,725,037
- pledge on equipment	18,851,852	21,684,373	=	40,536,225
- pledge on stock	=	47,852,987	=	47,852,987
Total collateral	86,910,388	636,203,861		723,114,249
Total gross loans and advances to customers	127,279,286	1,349,190,049	65,527,368	1,541,996,703

Repossessed collateral

As at 31 December 2020, the Agricover Credit IFN Group has no asset (land or other asset) obtained by taking possession of collateral held as security (31 December 2019: nil) as a result of foreclosure procedures.

Repossessed assets (generally represented by inventories – agricultural products) are sold as soon as practicable to third parties with the proceeds used to reduce the outstanding indebtedness of the borrower.

Impairment and provisioning policies

The table below shows the weight of Agricover Credit IFN Group's loans and advances and the weight of associated expected credit losses for each of the Agricover Credit IFN Group's staging categories.

Stage	31 December 2020		31 December 2019	
	Credit risk exposure (%)	Impairment allowance (%)	Credit risk exposure (%)	Impairment allowance (%)
Stage 1	88.37%	20.16%	95.49%	25.09%
Stage 2	8.37%	11.89%	3.08%	16.61%
Stage 3	3.26%	67.94%	1.43%	58.29%
Total	100%	100%	100%	100%

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.

AGRICOVER HOLDING SA

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7 FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

Gross exposure

LOANS AND ADVANCED TO CUSTOMERS

	Stage 1	Stage 2	Stage 3	Total
Gross exposure				
Gross carrying amount at 01.01.2020	1,470,981,574	47,264,189	23,750,940	1,541,996,703
New assets originated or purchased	1,490,452,203	-	-	1,490,452,203
Increase in value of existing assets	482,373,905	-	5,171,000	487,544,905
Assets derecognized or repaid (excluding write off)	(1,798,438,485)	(14,603,000)	(1,935,972)	(1,814,977,457)
Transfers from Stage 1	(142,194,818)	142,194,818	-	-
Transfers from Stage 2	-	(33,072,034)	33,072,034	-
Amounts written-off	-	-	(2,975,193)	(2,975,193)
At 31 December 2020	1,503,174,379	141,783,973	57,082,809	1,702,041,161



The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.

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7 FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

LOANS AND ADVANCED TO CUSTOMERS

	Stage 1	Stage 2	Stage 3	Total
Gross exposure				
Gross carrying amount at 01.01.2019	1,241,891,171	30,749,360	18,851,513	1,291,492,043
New assets originated or purchased	962,481,895	-	2,099,624	964,581,519
Increase in value of existing assets	288,624,628	-	-	288,624,628
Assets derecognized or repaid (excluding wo)	(985,605,991)	(13,374,985)	(3,689,314)	(1,002,670,290)
Transfers from Stage 1	(36,410,389)	36,410,389	-	-
Transfers from Stage 2	-	(6,520,575)	6,520,575	-
Transfers from Stage 3	-	-	-	-
Amounts written off	-	-	(31,197)	(31,197)
At 31 December 2019	1,470,981,314	47,264,189	23,751,201	1,541,996,703

AGRICOVER HOLDING SA

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(All amounts in RON unless otherwise stated)

7 FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

A reconciliation of changes in expected credit losses by stage is as follows:

	Stage 1	Stage 2	Stage 3	Total
Allowance for impairment as at 01.01.2020	8,518,563	5,639,495	19,789,348	33,947,406
New assets originated or purchased	7,124,144			7,124,144
Increase in value of existing assets	6,000,648	9,322,072	1,179,962	16,502,682
Assets derecognized or repaid (excluding write offs)	(1,973,209)	(399,988)	(826,012)	(3,199,209)
Transfers from stage 1	(9,305,634)	5,968,380	3,337,254	-
Transfers from stage 2	-	(14,416,784)	14,416,784	-
Transfers from stage 3	-	-	-	-
Amounts written off	-	-	(2,975,193)	(2,975,193)
At 31 December 2020	10,364,512	6,113,175	34,922,143	51,399,830
Expected credit losses as at 01.01.2019	6,323,659	3,009,099	14,025,047	23,357,805
New assets originated	7,542,291			7,542,291
Increase in value of existing assets	2,309,005	-	2,011,990	4,320,995
Assets derecognized or repaid (excluding write offs)	(4,991,637)	(359,036)	(1,123,659)	(6,474,332)
Transfers from stage 1	(2,664,893)	4,249,069	-	1,584,176
Transfers from stage 2	-	(1,259,637)	4,907,167	3,647,530
Transfers from stage 3	-	-	-	-
Amounts written off	-	-	(31,197)	(31,197)
At 31 December 2019	8,518,425	5,639,495	19,789,348	33,947,268

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
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7 FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

The exposure to credit risk for loans and advances to customers presented by type of products, as at 31 December 2020, are presented below:

	Capex Collective	Credit lines Collective	Factoring Collective	Total
Stage 1	105,629,809	1,344,048,586	55,280,908	1,504,959,303
Stage 2	7,768,998	92,850,594	749,254	101,368,846
Stage 3	1,666,552	41,517,906	464,489	43,648,947
Stage 2	2,318,935	38,096,192	-	40,415,127
Stage 3	803,578	10,845,361	-	11,648,939
Total gross amount for loans and advanced to customers	118,187,872	1,527,358,639	56,494,651	1,702,041,162

The exposure to credit risk for loans and advances to customers presented by type of products, as at 31 December 2019, are presented below:

	Capex Collective	Credit lines Collective	Factoring Collective	Total
Stage 1	120,793,840	1,282,605,594	64,752,992	1,468,152,426
Stage 2	5,551,296	31,700,086	-	37,251,382
Stage 3	443,203	11,922,422	774,376	13,140,001
Stage 1	-	4,614,074	-	4,614,074
Stage 2	204,261	9,808,546	-	10,012,807
Stage 3	286,686	8,539,331	-	8,826,017
Total gross amount for loans and advanced to customers	127,279,286	1,349,190,049	65,527,368	1,541,996,703

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.



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7

FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

The expected credit losses divided by type of products as at 31 December 2020, are presented below:

	Capex Collective	Credit lines Collective	Factoring Collective	Total
Stage 1	252,644	9,963,847	148,022	10,364,512
Stage 2	14,296	1,238,603	391	1,253,290
Stage 3	793,092	28,537,376	464,489	29,794,957
	Individual	Individual	Individual	
Stage 2	144,611	4,715,274	-	4,859,885
Stage 3	133,616	4,993,570	-	5,127,186
Total expected credit losses	1,338,260	49,448,669	612,902	51,399,831

The expected credit losses divided by type of products as at 31 December 2019, are presented below:

	Capex Collective	Credit lines Collective	Factoring Collective	Total
Stage 1	478,817	6,312,799	335,622	7,127,238
Stage 2	37,137	269,438	-	306,574
Stage 3	297,171	11,142,596	774,376	12,214,143
	Individual	Individual	Individual	
Stage 1	-	1,389,501	-	1,389,501
Stage 2	61,278	5,268,690	-	5,329,968
Stage 3	183,646	7,396,197	-	7,579,844
Total expected credit losses	1,058,049	31,779,221	1,109,998	33,947,268



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7 FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

Expected credit losses divided by type of staging as at 31 December 2020, are presented below:

	Expected credit losses stage 1	Expected credit losses stage 2	Expected credit losses stage 3	Total
Capex	252,644	158,907	926,709	1,338,260
Credit lines	9,963,847	5,953,877	33,530,946	49,448,669
Factoring	148,022	391	464,489	612,902
Total expected credit losses	10,364,512	6,113,175	34,922,144	51,399,831

Expected credit losses divided by type of staging as at 31 December 2019, are presented below:

	Expected credit losses stage 1	Expected credit losses stage 2	Expected credit losses stage 3	Total
Capex	478,817	98,415	480,817	1,058,049
Credit lines	7,702,300	5,538,128	18,538,793	31,779,221
Factoring	335,622	-	774,376	1,109,998
Total expected credit losses	8,516,739	5,636,543	19,793,986	33,947,268

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.

AGRICOVER HOLDING SA

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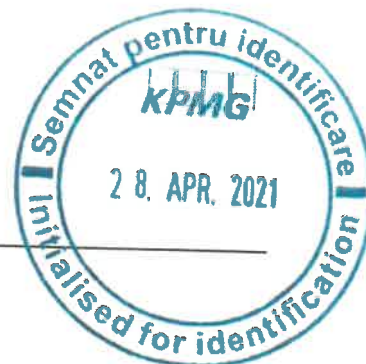
7 FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

Gross value of loans and advanced granted to customers divided by ECL stage, as at 31 December 2020, are presented below:

	Exposures stage 1	Exposures stage 2	Exposures stage 3	Total
Capex	105,629,809	10,087,933	2,470,130	118,187,872
Credit lines	1,344,048,586	130,946,786	52,363,267	1,527,358,639
Factoring	55,280,908	749,254	464,489	56,494,651
Total gross amount	1,504,959,303	141,783,973	55,297,886	1,702,041,162

Gross value of loans and advanced granted to customers divided by ECL stage, as at 31 December 2019, are presented below:

	Exposures stage 1	Exposures stage 2	Exposures stage 3	Total
Capex	120,793,840	5,755,557	729,889	127,279,286
Credit lines	1,287,219,665	41,508,632	20,461,752	1,349,190,049
Factoring	64,752,992	774,376	774,376	65,527,368
Total gross amount	1,472,766,497	47,264,189	21,966,017	1,541,996,703



7 FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

Forborne loans and advances to customers

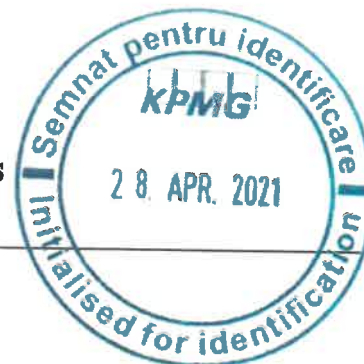
Restructuring activities include extended payment arrangements, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria that, in the judgment of local management, indicate that payment will most likely continue.

These policies are kept under continuous review. Repeated restructuring is one of the Agricover Credit IFN Group's impairment indicators.

Forborne loans and advances to customers as of 31 December 2020

Forborne loans and advanced to costumers	Loan type			Total
	Capex	Credit lines	Factoring	
Collective				
Stage 2	29,110	4,110,576	-	4,139,685
Stage 3	505,456	13,915,952	-	14,421,407
Collective expected credit losses	41,106	7,740,149	-	7,781,255
Total gross amount for collective loans and advanced to customer	534,565	18,026,527	-	18,561,093
Individual				
Stage 2	-	1,945,568	-	1,945,568
Stage 3	382,853	6,829,949	-	7,212,802
Individual expected credit losses	76,571	4,976,716	-	5,053,286
Total gross amount for individual loans and advanced to customer	382,853	8,775,517	-	9,158,370
Total expected credit losses	117,677	12,716,865	-	12,834,541
Total gross amount for loans and advanced to customer	917,418	26,802,044	-	27,719,462
Net exposure of forborne loans and advances to customer	799,741	14,085,179	-	14,884,921

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.



7 FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

Forborne loans and advances to customers as of 31 December 2019

Forborne loans and advanced to costumers	Loan type			<u>Total</u>
	<u>Capex</u>	<u>Credit lines</u>	<u>Factoring</u>	
Collective				
Stage 2	-	4,726,134	-	4,726,134
Stage 3	-	3,436,672	-	3,436,672
Collective expected credit losses	-	3,346,902	-	3,346,902
Total gross amount for collective loans and advanced to customer	-	8,162,806	-	8,162,806
Individual				
Stage 2	204,261	5,107,599	-	5,311,860
Stage 3	15,462	2,446,966	-	2,462,428
Individual expected credit losses	65,917	4,120,044	-	4,185,961
Total gross amount for individual loans and advanced to customer	219,723	7,554,565	-	7,774,288
Total expected credit losses	65,917	7,466,946	-	7,532,863
Total gross amount for loans and advanced to customer	219,723	15,717,372	=	15,937,094
Net exposure of forborne loans and advances to customers	153,806	8,250,425	=	8,404,231



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FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

B. Credit risk relating to trade and other receivables for Agribusiness and Agrifood

The Group has policies in place to ensure that sales of goods and services are made to customers with an appropriate credit history. The Group analyses the credit risk for each of its new clients before standard payment and delivery terms and conditions are offered.

With respect to trade and other receivables, the Group evaluates significant exposures individually, based on the age of the receivable balances, external evidence of the credit status of the counterparty and any disputed amounts.

The increase in allowance for impairment of trade as at 31 December 2020 compared to 31 December 2019 is due to forward looking analysis performed by management (as required by IFRS 9), which considers possible impact of covid-19 and drought conditions in certain regions. Collectability for these customers was based on management's expectation that no amounts would ultimately be recoverable from these customers based on an evaluation of their current financial situation.

The ECL rate computation for trade receivables as at 31 December 2019 included historical information from 31 December 2019 as well as prior periods 31 December 2018 and 31 December 2017; whereas as at 31 December 2020, the prior periods used in the ECL rate computation were 31 December 2019 and 31 December 2018.

31-Dec-20

	Not due	0-30 days	31-60 days	61-90 days	91-180	181 - 365	Total
Expected credit loss rate	0.18	1.69	8.50	11.31	21.77	37.30	> 365
Total trade receivables (note 14)	346,143,198	8,765,362	3,328,429	6,738,554	10,189,130	279,899	38,556,871
Expected credit loss (note 14)	608,844	148,222	283,070	762,458	2,218,153	104,412	37,767,784
							414,001,444
							41,892,943

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.

AGRICOVER HOLDING SA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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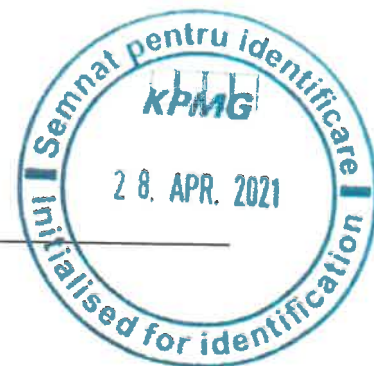
7 FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

	31-Dec-19					
	Not due	0-30 days	31-60 days	61-90 days	91-180	Total
	0.51%	1.91%	3.48%	19.25%	15.57%	
Expected credit loss rate						> 365
Total trade receivables (note 14)	354,389,271	2,430,992	3,034,903	5,934,319	5,244,354	100%
Expected credit loss (note 14)	1,795,430	46,397	105,702	1,142,283	816,633	29,911,610
						407,507,270
						39,324,000

Other financial assets

Other receivables classified as at 31 December 2020 and as at 31 December 2019 as a non-current other receivables refer mainly to receivables from fixed assets sold with payment term above one year, the maximum payment term being 2024. The amounts are discounted using market approach. The long-term receivables are guaranteed by pledges on the silos sold, and in case of default on payments Agricovert SA would regain possession of the silos.

The credit risk on cash and cash equivalents is very small, since the cash and cash equivalents are held at reputable banks and total balance at 31 December 2020 is RON 94,593,133 (2019: RON 84,604,523).



7 **FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT
(CONTINUED)**

Movement of allowance for credit risk including all trade and other receivables and loans and advances:

	31-Dec-20	31-Dec-19
Opening Balance	79,143,355	67,024,301
Amounts written off	(4,289,196)	(1,077,645)
Impairment	24,408,347	13,196,699
Closing Balance	99,262,506	79,143,355

Market risk

The Group takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market risks arise from open positions in interest rate and currency products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates.

Foreign exchange risk

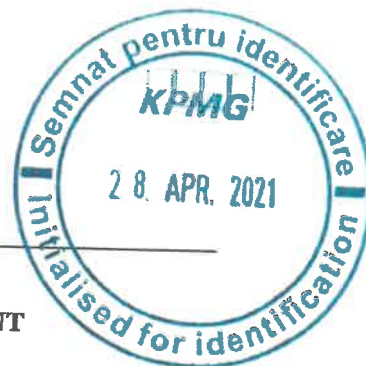
The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency, which is monitored periodically. The table below summarizes the Group's exposure to foreign currency exchange rate risk at 31 December 2020 and 31 December 2019.

Included in the table are the Group's monetary financial assets and financial liabilities, presented at their carrying amounts, categorized by currency.

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.

AGRICOVER HOLDING SA

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7 FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT
(CONTINUED)

	EUR	RON	USD	Total 2020
Assets				
Cash and bank balances	5,060,298	89,532,835	-	94,593,133
Loans and advances to customers	48,933,070	1,601,708,261	-	1,650,641,331
Trade and other receivables excluding non-commercial assets	247,565	414,024,999	-	414,272,564
Total assets	54,240,933	2,105,266,095	-	2,159,507,028
Liabilities				
Borrowings	200,347,368	1,292,134,221	-	1,492,481,589
Trade and other payables excluding non-commercial liabilities	24,827,688	279,868,270	8,018,122	312,714,080
Total Liabilities	225,175,056	1,572,002,491	8,018,122	1,805,195,669
Derivative financial instruments - notional	94,709,830	(94,709,830)		
Net financial position	(76,224,293)	438,553,774	(8,018,122)	354,311,359
	EUR	RON	USD	Total 2019
Assets				
Cash and bank balances	9,592,245	75,012,275	-	84,604,520
Loans and advances to customers	34,672,825	1,473,376,610	-	1,508,049,435
Trade and other receivables excluding non-commercial assets	2,553,908	411,626,404	-	414,180,312
Total assets	46,818,978	1,960,015,289	-	2,006,834,267
Liabilities				
Borrowings	260,591,565	1,168,346,334	-	1,428,937,899
Trade and other payables excluding non-commercial liabilities	28,621,697	242,741,118	11,240,410	282,603,225
Total Liabilities	289,213,262	1,411,087,452	11,240,410	1,711,541,124
Derivative financial instruments - notional	120,916,290	(120,916,290)	-	-
Net financial position	(121,477,994)	428,011,547	(11,240,410)	295,293,143

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.



7 FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT
(CONTINUED)

For the negative position mitigation, the Group concludes FX Forward derivative financial instruments in order to cover foreign exchange risk.

Notional value disclosed in respect of derivative financial instruments represents the contractual value, at the end of the reporting period, of the respective currency that the Group agreed to buy (positive amount) or sell (negative amount) before netting of positions and payments with the counterparty.

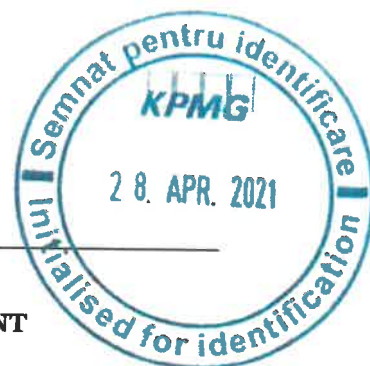
Sensitivity analysis

At 31 December 2020, if the RON had weakened/ strengthened 10% against the EUR currency with all other variables held constant, the Group's profit for the year, respectively total Equity at 31 December 2020 would have been RON (5,491,257) /RON 5,491,257 /higher (2019: RON (9,384,783) /RON 9,384,783 lower/higher).

At 31 December 2020, if the RON had weakened/ strengthened 10% against the USD currency with all other variables held constant, the Group's profit for the year, respectively total Equity at 31 December 2020 would have been RON (801,812) /RON 801,812 lower/higher (2019: RON (1,124,041) /RON 1,124,041 lower/higher).

	<u>Total sensitivity</u>	<u>Sensitivity of income statement</u>	<u>Sensitivity of Other comprehensive Income</u>
31 December 2020			
Foreign exchange (10% increase of RON against EUR currency)	5,491,275	5,491,275	-
Foreign exchange (10% increase of RON against USD currency)	801,812	801,812	
31 December 2019			
Foreign exchange (10% increase of RON against EUR currency)	9,384,783	9,384,783	-
Foreign exchange (10% increase of RON against USD currency)	1,124,041	1,124,041	

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.



7 **FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT
(CONTINUED)**

Interest rate risk

The group has the following bearing interest financial assets and financial liabilities.

	2020	2019
Fixed – rate instruments		
Loans and advances to customers	121,960,148	166,408,370
	2020	2019
Variable – rate instruments		
Loans and advances to customers	1,528,681,183	1,341,641,065
Borrowings	1,469,981,292	1,400,900,671

Agricover Credit IFN

The Group takes on exposures to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest rate margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. For keeping the interest rate risk at minimum levels, the Group grants in major part loans and advances to customers with variable interest rates.

The Group grants also loans and advances to customers with fixed interest rate but in moderate volumes: as of 31 December 2020, RON 121,96 million fixed rate interest loans (31 December 2019: RON 166,41 million). Loans and advances to customers with variable interest rates as at 31 December 2020 amounts to RON 1,521 million (31 December 2019: RON 1,369 million).

The Groups' borrowings bear variable interest rates.

The tables below summarize the Group's exposure to interest rate risks. The table presents the aggregated amounts of the Group's financial assets and liabilities at carrying amounts, categorized by the earlier of contractual maturity and interest repricing.

The negative gaps related to 1-3 months' interest risk band is explained by the fact the Group's granted loans and advances to the customers with variable interest 6M ROBOR and EURIBOR: loans at 6M ROBOR being repriced monthly and loans at 6M EURIBOR loans every six months. The borrowings for the mentioned interest risk bands are in majority 1M ROBOR and 3M ROBOR. The above indicators are in the normal course of business for the Group.

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.

AGRICOVER HOLDING SA

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7 FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

	Up to 1 month	1 -3 months	3 - 12 months	1 - 6 years	Non-interest bearing	Total
As at 31 December 2020						
Assets						
Cash and bank balances	87,236,628	-	-	-	-	87,236,628
Loans and advances to customers	1,011,239,480	-	632,030,040	-	-	1,643,269,520
Other financial assets	-	-	-	-	2,309,660	2,309,660
Total assets	1,098,476,109	-	632,030,040	-	2,309,660	1,732,815,808
Liabilities						
Borrowings	814,265,869	448,863,222	121,691,633	-	-	1,384,820,724
Other financial liabilities	-	4,271,899	-	-	10,467,496	14,739,395
Total liabilities	814,265,869	453,135,121	121,691,633	-	10,467,496	1,399,560,119
Total interest repricing GAP	284,210,239	(453,135,121)	510,338,407	-	(8,157,836)	333,255,689

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.



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7 FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

	Up to 1 month	1 -3 months	3 - 12 months	Non-interest	Total
As at 31 December 2019					
Assets					
Cash and bank balances	76,568,296	-	-	-	76,568,296
Loans and advances to customers	1,048,512,105		452,906,597	-	1,501,418,702
Other financial assets				1,621,963	1,621,963
Total assets	1,125,080,401	-	452,906,597	1,621,963	1,579,608,961
Liabilities					
Borrowings	701,700,708	423,862,983	157,730,742		1,283,294,433
Other financial liabilities		3,287,049		8,655,362	11,942,411
Total liabilities	701,700,708	427,150,032	157,730,742	8,655,362	1,295,236,844
Total interest repricing GAP	423,379,693	(427,150,032)	295,175,854	(7,033,399)	284,372,116

Sensitivity analysis

The interest rate sensitivity analysis has been determined based on the exposure to interest rate risk at the reporting date. At 31 December 2020, if interest rates on Group's assets had been higher/lower by 100 basis point on granted loans and interest rates on Group's liabilities had been higher/lower by 1 basis point on borrowings with all other variables held constant, the Group's profit for the year, respectively total Equity at 31 December 2020 would have been RON 1,522,260 higher / lower (31 December 2019: RON 517,155).



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7 FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

	<u>Total sensitivity</u>	<u>Sensitivity of income statement</u>	<u>Sensitivity of Other comprehensive Income</u>
31 December 2020			
Interest rate (+100 b.p. parallel shift)	1,522,260	1,522,260	-
31 December 2019			
Interest rate (+100 b.p. parallel shift)	517,155	517,155	-

The Group monitors interest rates for its financial instruments. The tables below summarize interest rates at the 31 December 2020 and 31 December 2019 based on reports reviewed by key management personnel.

	2020			2019		
	RON	USD	Other	RON	USD	Other
Assets						
Cash and cash equivalents	0.00%	-	0.00%	-	-	0.00%
Loans and advances to customers	9.51%	-	5.11%	-	-	5.28%
Other financial assets	-	-	-	-	-	-
Liabilities						
Borrowings	5.17%	--	2.7%	-	-	2.7%
Other financial liabilities	-	--	-	-	-	-

The Group is exposed to prepayment risk through providing fixed or variable rate loans, including mortgages, which give the borrower the right to repay the loans early. The Group's current year profit loss and equity at the end of the current reporting period would not have been significantly impacted by changes in prepayment rates because such loans are carried at amortized cost and the prepayment right is at, or close to, the amortized cost of the loans and advances to customers (no material impact).

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7 FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

C. Concentration of risks of financial assets with credit risk exposure

(a) Geographical sectors

The geographical concentrations of the Group's financial assets and liabilities at 31 December 2020 and 31 December 2019 are set out below:

31 December 2020	Portugal, Italy, Cyprus, Greece,				Total
	Romania	Russian Federation	Spain	Other OECD	
Financial assets					
Cash and bank balances	94,593,133	-	-	-	94,593,133
Loans and advances to customers	1,650,641,331	-	-	-	1,650,641,331
Trade and other receivables excluding non-commercial assets	414,272,564	-	-	-	414,272,564
Total financial assets	2,159,507,029	-	-	-	2,159,507,029
Financial liabilities					
Borrowings	921,926,735	65,111,923	50,333,605	455,109,326	1,492,481,589
Trade and other payables excluding non-commercial liabilities	312,714,080	-	-	-	312,714,080
Total financial liabilities	1,234,640,815	65,111,923	50,333,605	455,109,326	1,805,195,669
Net position in on-balance sheet financial instruments	924,866,214	(65,111,923)	(50,333,605)	(455,109,326)	354,311,360

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.

AGRICOVER HOLDING SA

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7 FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

31 December 2019	<u>Romania</u>	<u>Russian Federation</u>	<u>Portugal, Italy, Cyprus, Greece, Spain</u>	<u>Other OECD</u>	<u>Total</u>
Financial assets					
Cash and bank balances	84,604,520	-	-	-	84,604,520
Loans and advances to customers	1,508,049,435	-	-	-	1,508,049,435
Trade and other receivables excluding non-commercial assets	414,180,450	-	-	-	414,180,450
Total financial assets	2,006,834,405	-	-	-	2,006,834,405
Financial liabilities					
Borrowings	847,344,174	73,312,725	62,785,888	445,495,112	1,428,937,899
Trade and other payables excluding non-commercial liabilities	282,603,225	-	-	-	282,603,225
Total financial liabilities	1,129,947,399	73,312,725	62,785,888	445,495,112	1,711,541,124
Net position in on-balance sheet financial instruments	876,887,006	(73,312,725)	(62,785,888)	(445,495,112)	295,293,281

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.





7 FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

(b) *Industry sectors*

The only sector credited by the Group is agriculture.

(c) *Other risk concentrations*

Management monitors and discloses concentrations of credit risk by obtaining reports listing exposures to borrowers with aggregated loan balances in excess of 10% own funds of Agricover Credit IFN calculated based on regulatory rules (issued by the National Bank of Romania). The Group did not have any such significant risk concentrations at 31 December 2020 and 31 December 2019.

LIQUIDITY RISK

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due, as cash from contractual commitments are withdrawn, or other cash outflows, such as debt maturities. Such outflows would deplete available cash resources for client lending and investments. In extreme circumstances, lack of liquidity could result in reductions in the statement of financial position and sales of assets, or potentially an inability to fulfill lending commitments.

The analysis of liquidity management process is carried out at the level of each subsidiary.

Liquidity risk management process at Agricover Credit IFN

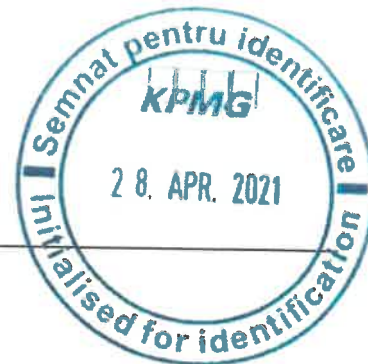
The Agricover Credit IFN Group's liquidity management process, as carried out within the Group and monitored by a separate team in the Financial department, includes:

- Funding managed by monitoring future cash flows to ensure that requirements can be met;
- Monitoring the liquidity ratios of the statement of financial position against internal and regulatory requirements, and
- Managing the concentration and profile of debt maturities.

As part of the management of the liquidity risk arising from financial liabilities, the Agricover IFN holds liquid assets comprising cash and cash equivalents which can be readily used to meet liquidity requirements, at least 5% of the current liabilities.

In addition, in order to assure available resources for client lending the Agricover Credit IFN maintains sufficient unused borrowing lines with the lenders and holds unencumbered eligible assets for use as collateral, equivalent of the next three months of loan productions.

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.



7 FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

Financial derivatives are included at the contractual amounts to be paid or received, unless the Agricovert IFN expects to close the derivative position before its maturity date in which case the derivatives are included based on the expected cash flows.

The table below shows the maturity analysis of non-derivative and derivative financial assets and liabilities based on the undiscounted cash-flow at their future payments/receipts and based on their contractual maturities and the liquidity gap of each period analyzed.

Borrowings are presented at their net book value and contain future cash flows from interest.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

The total outstanding contractual amount of financial guarantees issued, included as of balance sheet date into total potential future payments of financial obligations, does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded (as at the below end of the reporting period).

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7 FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

The maturity analysis of contractual undiscounted cash flow related to financial liabilities at 31 December 2020 and 31 December 2019 is as follows:

	<u>Less than 1 year</u>	<u>Between 1 and 2 year</u>	<u>Between 2 and 5 years</u>	<u>Later than 5 years</u>	<u>Total</u>
At 31 December 2020					
Borrowings (including lease liabilities)	694,965,238	440,592,494	313,026,193	43,897,664	1,492,481,589
Interest payable	41,681,625	44,979,236	32,643,426	2,091,244	121,395,531
Trade and other payables	312,714,080				312,714,080
Total liabilities	1,049,360,940	485,571,730	345,669,619	45,988,908	1,926,591,198
Off balance sheet items					
Derivative notional amount (inflow)	94,709,830	-	-	-	94,709,830
Derivative notional amount (outflow)	(94,709,830)	-	-	-	(94,709,830)
Financial guarantees	6,500,000				6,500,000
Total potential future payments for financial obligations	1,055,860,940	485,571,730	345,669,619	45,988,908	1,933,091,198

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7 FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

	<u>Less than 1 year</u>	<u>Between 1 and 2 year</u>	<u>Between 2 and 5 years</u>	<u>Later than 5 years</u>	<u>Total</u>
At 31 December 2019					
Borrowings (including finance lease liabilities)	843,175,571	194,658,375	348,490,779	42,613,174	1,428,937,899
Interest payable	60,215,626	19,723,919	34,193,746	1,805,110	115,938,401
Trade and other payables	280,272,178	-	-	-	280,272,178
Total	1,183,663,376	214,382,293	382,684,525	44,418,284	1,825,148,478
Off balance sheet items					
Derivative notional amount (inflow)	120,916,290	-	-	-	120,916,290
Derivative notional amount (outflow)	(120,916,290)	-	-	-	(120,916,290)
Financial guarantees	12,000,000	-	-	-	12,000,000
Total potential future payments for financial obligations	1,195,663,376	214,382,293	382,684,525	44,418,284	1,837,148,478



7 FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT
(CONTINUED)

Liquidity reserve

	Dec-20	Dec-19
Cash and balances	94,593,133	84,604,520
Undrawn borrowings	749,636,339	420,370,209
Total available resources	844,229,472	504,974,729
Unencumbered eligible assets*	428,388,900	456,692,401

(*) Unencumbered eligible assets represent available assets that can be pledged in the form of assignment of receivables for undrawn borrowings.

In addition to the amounts disclosed above, as discussed in Note 7 - Credit risk section, the Group has undrawn credit lines to customers of RON 191,857,835 as at 31 December 2020 (31 December 2019: RON 213,145,616), which are not expected to be fully drawn.

Covid 19 and drought impact in liquidity risk of the Agricover Credit IFN Group

In 2020, in order to monitor the impact of Covid-19, respectively of the drought, on the liquidity risk, the following actions were implemented by Agricover Credit IFN Group: regular liquidity meetings, with the involvement of the members of the Management Committee for the strict monitoring of the evolution of the commercial volumes, of the liquidity indicators, maintaining a sufficient stock of liquid assets to compensate the potential liquidity outflows in case of stress scenarios;

The Group has adopted measures to preserve capital:

- strict monitoring of the capital position.
- non-distribution of dividends.
- periodic simulations by testing the increase of interest rates and the probability of non-repayment.

Fair value of financial assets and liabilities:

(a) *Financial instruments measured at fair value, fair value hierarchy*

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Agricover Credit IFN Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.



7 **FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT
(CONTINUED)**

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period.

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.

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7

FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

The level in the fair value hierarchy into which the recurring fair value measurements are categorized as follows:

	31 December 2020			31 December 2019				
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial ASSETS AT FAIR VALUE								
Other financial assets:								
- Foreign exchange forward contracts	-	(1,368,452)	-	(1,368,452)	-	(980,536)	-	(980,536)
Total ASSETS								
RECURRING FAIR VALUE MEASUREMENTS	-	(1,368,452)	-	(1,368,452)	-	(980,536)	-	(980,536)

As at 31 December 2020 the Agricover Credit IFN had thirteen forward contracts outstanding RON 94,709,830 with a total negative fair value of RON 1,368,452 and seventeen forward contracts (outstanding RON 120,916,290) with a total negative fair value 980,536 RON as of 31 December 2019. The fair value was estimated based on discounted cash flows model, using observable inputs (i.e.: NBR exchange sport rate, market interest rates). As such, the fair value of the derivative is classified as Level 2 in the fair value hierarchy.

Foreign exchange derivative financial instruments entered into by the Agricover Credit IFN Group are generally traded in an over-the-counter market with professional market counterparties on standardized contractual terms and conditions. Derivatives have potentially favorable (assets) or unfavorable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

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7 FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

(b) *Financial instruments not measured at fair value but for which fair value is disclosed*

All financial assets and liabilities presented on the Group's statement of financial position (except derivative financial instruments measured at fair value) have their fair value approximately equal to the carrying amount as most of the loans and advances to customers bear variable interest rates with short re-pricing periods. Those assets and liabilities, whose carrying values reasonably approximate their fair values (e.g. cash, trade receivables and trade payables) due to their short-term nature are not disclosed.

Fair values analyzed by level in the fair value hierarchy and carrying value of assets and liabilities not measured at fair value are as follows:

	31 December 2020			31 December 2019		
	Level 1 fair value	Level 2 fair value	Level 3 fair value	Level 1 fair value	Level 2 fair value	Level 3 fair value
Financial Assets						
Loans and advances to customers:						
Capex	-	-	116,849,612	-	-	126,221,237
Credit lines	-	-	1,477,909,969	-	-	1,317,410,690
Factoring	-	-	55,881,750	-	-	64,417,371
						Carrying value
						126,221,237
						1,317,410,690
						64,417,371

AGRICOVER HOLDING SA

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7 FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

	31 December 2020			31 December 2019				
	Level 1 fair value	Level 2 fair value	Level 3 fair value	Carrying value	Level 1 fair value	Level 2 fair value	Level 3 fair value	Carrying value
Financial Liabilities								
Borrowings from local banks	-	-	921,926,736	921,926,736	-	-	847,344,176	847,344,176
Borrowings from international financial institutions	-	-	570,554,854	570,554,854	-	-	581,593,723	581,593,723

The fair value information for borrowings is a reasonable approximation of carrying amount, as the borrowings interest rates are floating rates. The Borrowings are mainly yearly renewable, usually renewed at the same price.



**7 FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT
(CONTINUED)**

Loans and advances to customers

Loans and advances are net of charges for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Given that applicable rates are most variable and most of the loans have short maturities (i.e.: less than one year), the carrying amounts approximates the fair value of loans and advances to customers (average residual maturity of outstanding loans as at 31 December 2020 is 15.96 months (10.50 months as at 31 December 2019)).

The assumptions and methodology underlying the calculation of the fair for loans to customers are as follows: loans and advances to customers, the quoted prices are not valid, since they are not traded in active markets. The fair value is estimated by discounting future cash flows for the period of time these are expected to be recovered using the interest rates that would be currently offered by the Group to customers for similar products. Loans are grouped into homogenous assets with similar characteristics, namely, products, types of borrowers and debt service, in order to increase the accuracy of the result. In estimating future cash flows, the Group assumes that reimbursements will be made according to reimbursement schedules for loans not impaired. For impaired loans the Group takes account of the estimated recoveries and the resulting loan loss allowance.

Borrowings

The fair value of borrowings is approximated by the carrying amount of such instruments given that are bear variable interest rates with re-pricing periods of up to 6 months.

8 SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its products and services and has four reportable segments, as follows:

- Agrifinance - loans for agricultural business and activities of insurance agents and brokers (Agricover Credit IFN SA and Agricover Broker de Asigurare SA)
- Agribusiness - distribution of agriculture inputs (Agricover SA)
- Agrifood – slaughterhouse (Abatorul Peris SA);

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AGRICOVER HOLDING SA

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8 SEGMENT INFORMATION (CONTINUED)

31 Dec 2020	Agrifinance	Agribusiness	Agrifood	Total Reportable Segments	Other-Holding company	Eliminations	Consolidated	Discontinued
Trade Revenue	-	1,138,714,001	329,088,430	1,467,802,431	-	(326,178)	1,467,476,253	26,870,996
Interest income	177,771,532	-	-	177,771,532	-	(11,885,488)	165,886,044	-
Fee and commission income	5,626,098	-	-	5,626,098	-	78,251	5,704,349	-
Cost of goods sold	(17,966,276)	(1,066,010,688)	(309,457,791)	(1,393,434,753)	-	-	(1,393,434,753)	(27,153,077)
Interest and similar expenses	(66,562,846)	-	-	(66,562,846)	-	-	(66,562,846)	-
Fee and commission expenses	(886,700)	-	-	(886,700)	-	-	(886,700)	-
Impairment loss	(20,585,213)	(3,771,484)	(51,650)	(24,408,347)	-	-	(24,408,347)	72,167
Gross profit	77,396,594	68,931,830	19,578,990	165,907,414	-	(12,133,414)	153,774,000	(209,913)
Administrative expenses	(24,319,624)	(20,411,361)	(13,304,204)	(58,035,189)	(1,390,177)	1,003,351	(58,422,015)	(93,314)
Other income	40,337	-	1,700,217	1,740,554	-	(150,713)	1,589,841	1,428
Other gains	-	1,478,883	81,319	1,560,202	-	(830,040)	730,162	115,549
Other losses	(2,042,352)	(856,381)	(704,929)	(3,603,662)	(6)	-	(3,603,668)	-
Net gains from fair value adjustments	-	-	-	-	-	-	-	2,883,914
Operating Profit	51,074,955	49,142,969	7,351,393	107,569,319	(1,390,183)	(12,110,816)	94,068,320	2,697,664
Net gain from sale of subsidiary	-	-	-	-	-	-	-	2,677,747
Finance costs – net	(2,501,805)	(15,073,358)	(2,236,940)	(19,812,103)	21,106,598	(8,454,608)*	(7,160,113)	(26,975)
Profit/(loss) before tax	48,573,151	34,069,611	5,114,453	87,757,216	19,716,415	(20,565,424)	86,908,207	5,348,436
Income tax expense	(6,462,950)	(4,207,210)	1,100,266	(9,569,894)	-	-	(9,569,894)	(326,683)
Profit/(loss) for the year	42,110,201	29,862,402	6,214,719	78,187,321	19,716,415	(20,565,424)	77,338,313	5,021,753

*Eliminations from Finance costs – net includes an amount of RON 21,155,927 representing dividends distributed by subsidiaries to the holding Company.

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AGRICOVER HOLDING SA

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8 SEGMENT INFORMATION (CONTINUED)

31 December 2019	Agrifinance	Agribusiness	Agrifood	Total Reportable Segments	Other-Holding Company	Eliminations	Consolidated	Discontinued
Trade Revenue	-	1,109,146,671	412,662,639	1,521,809,310	-	(680,110)	1,521,129,200	241,944,778
Interest income	160,343,410	-	-	160,343,410	-	(11,931,842)	148,411,568	-
Fee and commission income	3,804,366	-	-	3,804,366	-	-	3,804,366	-
Cost of goods sold	(18,912,067)	(1,036,166,831)	(413,606,809)	(1,468,685,707)	-	-	(1,468,685,707)	(245,780,455)
Interest and similar expenses	(65,813,489)	-	-	(65,813,489)	-	-	(65,813,489)	-
Fee and commission expenses	(802,685)	-	-	(802,685)	-	-	(802,685)	-
Impairment loss	(10,620,765)	(1,301,577)	(1,274,356)	(13,196,699)	-	-	(13,196,699)	(92,393)
Gross profit	67,998,770	71,678,262	(2,218,526)	137,458,506	-	(12,611,952)	124,846,554	(3,928,070)
Administrative expenses	(20,489,748)	(22,001,792)	(11,256,635)	(53,748,175)	(607,743)	680,110	(53,675,808)	(122,663)
Other income	156,066	-	712,230	868,296	-	-	868,296	17,812
Other gains	-	249,397	-	249,397	-	-	249,397	7,397,686
Other losses	(2,380,852)	(1,180,817)	(215,411)	(3,777,080)	(4)	-	(3,777,084)	-
Net gains from FV adjustments	-	-	-	-	-	-	-	5,767,827
Operating Profit	45,284,237	48,745,051	(12,978,343)	81,050,944	(607,747)	(11,931,842)	68,511,355	9,432,592
Finance costs - net	(2,580,813)	(18,263,213)	(2,167,763)	(23,011,789)	30,125,422	(17,975,121)	(10,861,488)	(923,895)
Profit/(loss) before tax	42,703,424	30,481,838	(15,146,106)	58,039,156	29,517,675	(29,906,963)	57,649,868	8,208,697
Income tax expense	(5,893,236)	(3,912,757)	-	(9,805,993)	-	-	(9,805,993)	(1,622,027)
Profit/(loss) for the year	36,810,188	26,569,081	(15,146,106)	48,233,163	29,517,675	(29,906,963)	47,843,875	6,586,671

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.
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8 SEGMENT INFORMATION (CONTINUED)

Depreciation and amortization for the above mentioned reportable segments was of 16,540,263 RON for 2020 (2019: 17,122,127 RON), out of which 2,168,984 RON for Agrifinance (2019: 2,054,675 RON), 6,755,899 RON for Agribusiness (2019: 9,559,975 RON) and 7,615,380 RON for Agrifood (2019: 5,507,477 RON). Interest Income for the above mentioned reportable segments was of 177,844,702 RON for 2020 (2019: 160,460,745 RON), out of which 177,771,532 RON for Agrifinance (2019: 160,343,410 RON), 56,240 RON for Agribusiness (2019: 110,766 RON) and 16,930 RON for Agrifood (2019: 6,569 RON). Agrifinance interest income include intrasegment income of 11,931,842 RON with Agribusiness segment.

Interest Expense for the above mentioned reportable segments was of 71,802,778 RON for 2020 (2019: 72,303,057 RON), out of which 66,562,846 RON for Agrifinance (2019: 65,813,489 RON), 3,079,774 RON for Agribusiness (2019: 4,836,052 RON) and 2,160,158 RON for Agrifood (2019: 1,653,516 RON). Capital expenditure for the above mentioned reportable segments was of 18,911,546 RON for 2020 (2019: 16,322,545 RON), out of which 1,854,850 RON for Agrifinance (2019: 376,284 RON), 2,921,410 RON for Agribusiness (2019: 3,236,147 RON) and 14,135,286 RON for Agrifood (2019: 12,710,114 RON).

31.12.2020	Agrifinance	Agribusiness	Agrifood	Total Reportable Segments	Agriland	Other - Holding company	Adjustments and eliminations	Consolidated
Non-current assets	509,449,802	36,156,617	76,507,168	622,113,587	-	344,597,081*	(340,172,432)	626,538,236
Total current assets	1,234,418,073	441,767,930	21,567,047	1,697,753,050	-	3,076,802	6,705,427	1,707,535,279
Total assets	1,743,867,875	477,924,547	98,074,215	2,319,866,637	-	347,673,883	(333,467,005)	2,334,073,515
Total non-current liabilities	751,266,898	20,743,985	27,178,990	799,189,873	-	-	(57,518)	799,132,355
Current liabilities	650,529,468	341,566,480	43,179,043	1,035,274,991	-	1,224,700	(806,302)	1,035,693,389
Income tax liability	710,336	2,186,456	-	2,896,792	-	-	-	2,896,792
Trade and other payables	11,835,948	286,767,129	32,272,045	330,875,122	-	1,224,700	116,150	332,215,972
Contract liabilities	-	5,342,449	-	5,342,449	-	-	-	5,342,447
Borrowings	637,825,724	47,270,446	10,791,518	695,887,688	-	-	(922,452)	694,965,236
Provisions for other liabilities and charges	157,460	-	115,482	272,942	-	-	-	272,942
Total liabilities	1,401,796,366	362,310,465	70,358,033	1,834,464,864	-	1,224,700	(863,820)	1,834,825,744

*Elimination of Non-current assets includes an amount of RON 340,114,915 that refers to elimination of investments held by the Company in its consolidated subsidiaries.

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.

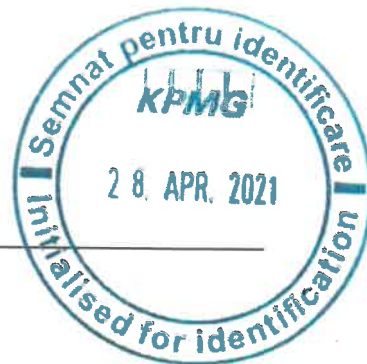
AGRICOVER HOLDING SA

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8 SEGMENT INFORMATION (CONTINUED)

	Year ended 31.12.2019 (restated)	Agrifinance	Agribusiness	Agrifood	Total Reportable Segments	Agriland	Other - Holding company	Adjustments and eliminations	Consolidated
Non-current assets		389,362,552	38,375,344	69,452,890	497,190,786	-	332,112,444	(331,533,409)	497,769,821
Total current assets		1,197,535,187	437,481,885	31,782,501	1,666,799,574	18,169,911	8,630,061	3,525,059	1,697,124,605
Assets classified as held for sale		-	6,899,624	-	6,899,624	18,169,911	-	-	25,069,535
Total assets		1,586,897,739	475,857,229	101,235,391	2,163,990,360	18,169,911	340,742,504	(328,008,349)	2,194,894,426
Total non-current liabilities		537,129,866	18,426,731	35,269,178	590,825,775	-	-	(1,178,754)	589,647,021
Current liabilities		759,950,563	347,047,031	54,454,765	1,161,452,359	7,262	2,522,419	(802,479)	1,163,179,561
Income tax liability		863,050	4,340,393	-	5,203,443	-	-	-	5,203,443
Trade and other payables		9,635,898	253,550,445	41,910,431	305,096,774	-	2,522,419	(2,661,728)	304,957,465
Contract liabilities		-	6,787,194	-	6,787,194	-	-	500,233	7,287,427
Borrowings		749,451,616	82,368,999	12,428,852	844,249,467	-	-	(1,073,896)	843,175,571
Provisions for other liabilities and charges		-	-	115,482	115,482	-	-	-	115,482
Liabilities directly associated with the assets held for sale		-	-	-	-	7,262	-	2,432,910	2,440,172
Total liabilities		1,297,080,429	365,473,762	89,723,943	1,752,278,134	7,262	2,522,419	(1,981,233)	1,752,826,582



9 CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to reduce the cost of capital and to comply with banks capital requirements through covenants. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group's subsidiaries have to maintain certain financial covenants, which are imposed by contracts concluded with financing banks. As at 31 December 2020 the subsidiaries complied with those covenants.

The covenants are calculated based on IFRS standalone financial statements of the subsidiaries, or statutory financial statements as applicable.

In 2021 the Group has issued and listed its bonds on the Bucharest Stock Exchange and starting 2021 needs to maintain the Net Debt ratio to less than 6.

In preparation for the bond issue the Group started to monitor The above covenant as at 31 December 2020. The Net Debt Ratio covenant is computed based on these consolidated financial statements and represents Total borrowings less cash available over Total equity.

Please see below computation of Net Debt Ratio covenant as at 31 December 2020:

Net Debt Ratio	2.80
Net Debt	1,397,888,457
Total Equity	499,247,771

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.

AGRICOVER HOLDING SA

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10 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Vehicles and machinery	Furniture, fittings and equipment	Returnable packages (restated)	Construction in progress	Total
Gross book value	61,676,201	34,975,254	3,643,087	3,042,596	1,500,435	104,837,573
Accumulated depreciation	(6,136,350)	(14,577,159)	(885,418)	(167,082)	(3,639)	(21,769,648)
Net book value at 1 January 2019	55,539,851	20,398,095	2,757,670	2,875,514	1,496,795	83,067,925
Transfer to ROUA	-	(3,079,973)	-	-	-	(3,079,973)
Gross book value	929,951	3,657,367	360,426	-	7,831,371	12,779,115
Additions	(31,224,593)	(10,753,209)	(284,668)	-	(1,954,367)	(44,216,837)
Disposals at cost	1,254,421	-	-	-	(1,254,421)	-
Transfers	(2,907,508)	(2,411,061)	(301,399)	(387,066)	-	(6,007,034)
Depreciation charge	5,633,236	8,526,142	283,669	-	-	14,443,047
Accumulated depreciation related to disposals	13,902,552	-	-	-	-	13,902,552
Reevaluation	(2,661,039)	-	-	-	-	(2,661,039)
Transfer to Investment property	46,467	-	-	-	-	46,467
- Gross book value	(8,424,915)	(2,374,802)	(22,977)	-	-	(10,822,694)
- Accumulated depreciation	1,253,747	1,752,911	3,915	-	-	3,010,573
Net book value at 31 December 2019	33,342,172	15,715,471	2,796,636	2,488,448	6,119,378	60,462,102
Correction of errors - Gross book value	2,386,965	-	-	-	-	2,386,965
Correction of errors - Depreciation	(46,467)	-	-	-	-	(46,467)
Gross book value - restated	37,839,543	22,424,637	3,695,868	3,042,596	6,123,018	73,125,662
Accumulated depreciation -restated	(2,156,875)	(6,709,167)	(899,233)	(554,148)	(3,639)	(10,323,062)
Net book value at 31 December 2019	35,682,668	15,715,470	2,796,636	2,488,447	6,119,379	62,802,600

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.

AGRICOVER HOLDING SA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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10

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and buildings	Vehicles and machinery	Furniture, fittings and equipment	Returnable packaging	Construction in progress	Total
Gross book value	37,839,543	22,424,637	3,695,868	3,042,596	6,123,018	73,125,662
Accumulated depreciation	(2,156,875)	(6,709,167)	(899,233)	(554,148)	(3,639)	(10,323,062)
Net book value	35,682,668	15,715,470	2,796,635	2,488,447	6,119,379	62,802,600
Additions	576,285	8,540,487	621,046	701,550	6,574,503	17,013,871
Disposals	(323,615)	(363,047)	(6,588)	-	(708,311)	(1,401,561)
Transfers	11,566,151	-	-	-	(11,566,151)	-
Depreciation charge	(1,694,043)	(2,475,765)	(572,865)	(692,205)	-	(5,434,874)
Accumulated depreciation related to disposals	94,555	226,546	-	46,763	-	367,864
Transfer to assets held for sale	-	-	-	-	-	-
- Gross book value	(63,066)	-	-	-	-	(63,066)
Net book value at 31 December 2020	45,838,936	21,643,692	2,838,229	2,544,559	419,419	73,284,835
Gross book value	49,595,298	30,602,077	4,310,327	3,744,146	423,059	88,674,906
Accumulated depreciation	(3,756,362)	(8,958,386)	(1,472,098)	(1,199,587)	(3,639)	(15,390,072)
Net book value at 31 December 2020	45,838,936	21,643,692	2,838,229	2,544,559	419,419	73,284,835

As at 31 December 2019 the Group companies (Agribusiness and Agrifood) have revalued their land and buildings based on a revaluation report performed by independent valuers. The approach and the methods of revaluation have been established considering the revalued assets nature. The fair value of the freehold land (RON 80,492) was determined based on the market comparable approach that reflects the recent transaction prices for similar properties. The fair value of the buildings (RON 37,759,051) was determined using the cost approach that reflects the replacement cost to a market participant to construct the assets of comparable utility and age, adjusted for physical and economic obsolescence. For the economic depreciation of the buildings related to the Agrifood segment the Group applied a discount factor of 9% and a growth rate of 1.3% in the terminal year of prognoses.

AGRICOVER HOLDING SA

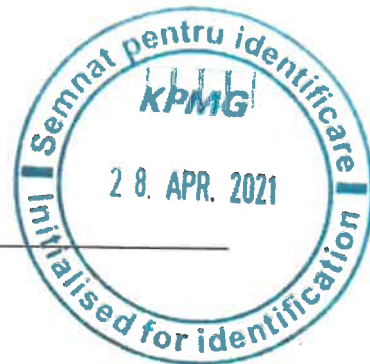
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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11 INTANGIBLE ASSETS

Trademarks and licences

Gross book amount	13,105,178
Accumulated amortization	<u>(10,869,539)</u>
Net book value at 1 January 2019	<u>2,235,640</u>
Additions	1,486,646
Amortization charge	(1,189,582)
Disposals	(2,012,147)
Accumulated depreciation of disposals	1,866,539
Net book value at 31 December 2019	<u>2,387,097</u>
Gross book amount	12,579,678
Accumulated amortization	(10,192,581)
Net book value at 31 December 2019	<u>2,387,097</u>
Correction of errors (Note 4)	
Gross book amount	-
Accumulated amortization	(413,965)
Net book value at 31 December 2019 restated	<u>1,973,132</u>
Gross book amount	12,579,678
Accumulated amortization	(10,606,546)
Net book value at 1 January 2020	<u>1,973,132</u>
Additions	3,806,726
Disposals at cost	(7,502)
Accumulated Depreciation of Disposals	4,975
Amortization charge	<u>(805,336)</u>
Net book value at 31 December 2020	<u>4,971,995</u>
Gross book amount	16,378,902
Accumulated amortization	<u>(11,406,907)</u>
Net book value at 31 December 2020	<u>4,971,996</u>



12 INVESTMENTS IN ASSOCIATES

	<u>31 December</u> <u>2020</u>	<u>% 31</u> <u>December</u> <u>2020</u>	<u>31</u> <u>December</u> <u>2019</u>	<u>% 31</u> <u>December</u> <u>2019</u>
Danube Grain Services SRL	1,757,699	24%	1,757,699	24%
Agricover Technology	45,000	100%		
Agroadvice	<u>100</u>	<u>50%</u>	<u>100</u>	<u>50%</u>
	<u>1,802,799</u>		<u>1,757,799</u>	

13 INVENTORIES

	<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2019 restated</u>
Inventories at third parties	15,549,210	18,158,306
Goods purchased for resale	42,972,997	39,770,092
Raw materials	88,365	102,074
Finished goods	594,145	330,100
Packaging, spare parts and other consumables	4,037,423	2,492,334
Write-down of Packaging, spare parts and consumables	<u>-</u>	<u>(91,836)</u>
	<u>63,242,140</u>	<u>60,761,070</u>

Inventories held at third parties are mostly pesticides and seeds which, upon sale, are directly delivered from the logistic center to the customers.

Goods purchased for resale are represented by grains (such as wheat, corn, sunflower, rapeseed, soy, coriander), pesticides, fertilisers and various seeds.

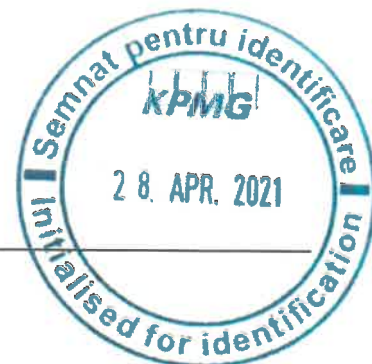
Part of bank borrowings are guaranteed by mortgage on inventories (Note 18).

As at 31 December 2020, the inventories held for third parties in the Company's warehouse were in amount of:

- Fertilizers RON 12,038,534 (31 Dec 2019: RON 9,709,778)
- Pesticides RON 187,559,407 (31 Dec 2019: RON 198,267,384)
- Seeds RON 51,281,896 (31 Dec 2019: RON 53,691,688).

AGRICOVER HOLDING SA

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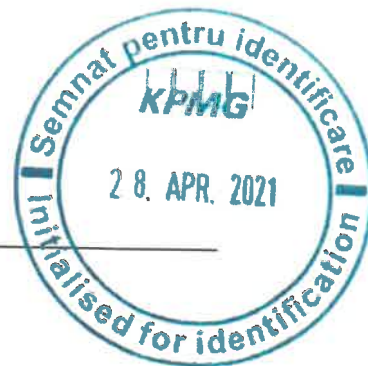
14 TRADE AND OTHER RECEIVABLES

	<u>31 December</u> <u>2020</u>	<u>31 December 2019 -</u> <u>restated</u>
Trade receivables	565,757,158	536,420,200
Accrual for commercial discounts	<u>(151,755,716)</u>	<u>(128,912,930)</u>
Trade receivables net of commercial discounts	414,001,444	407,507,270
Less: allowance for impairment of trade receivables	(41,892,943)	(39,324,000)
Trade receivables – net	372,108,501	368,183,270
Receivables from related parties (note 29)	21,936,711	14,757,470
Loans to related parties (note 29)	-	1,610,168
Other receivables	<u>26,197,083</u>	<u>35,501,629</u>
Total other receivables	48,133,794	51,869,267
Less: allowance for impairment of other receivables	(5,969,732)	(5,872,087)
Total other receivables - net	42,164,062	45,997,180
Other non-financial assets		
Prepayments	3,394,085	1,412,823
Advances to suppliers	149,029	1,398,875
Advances for inventories	<u>2,984,285</u>	<u>3,307,266</u>
	6,527,399	6,118,965
Total trade and other receivables	420,799,962	420,299,415
Less non-current portion:		
Receivables from related parties	16,214,446	8,482,739
Other receivables	<u>5,505,579</u>	<u>9,991,313</u>
Total non-current receivables	21,720,025	18,474,052
Current portion	<u>399,079,935</u>	<u>401,825,499</u>

Other receivables included in the above table mainly relate to disposal of non-current assets (2018 and 2019) and they are guaranteed by pledges on the silos sold. In case of default on payments, the Company is entitled to regain possession of the silos.

AGRICOVER HOLDING SA

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14 TRADE AND OTHER RECEIVABLES (CONTINUED)

	<u>31 December</u> <u>2020</u>	<u>31 December 2019</u> <u>restated</u>
Loans granted to customers	1,702,041,162	1,541,996,703
Less: allowance for impairment of loans granted to customers	<u>(51,399,831)</u>	<u>(33,947,268)</u>
Loans granted to customers – net	1,650,641,331	1,508,049,435
Long term loans granted to customers	500,021,262	383,185,316
Current portion of loans granted to customers	1,150,620,071	1,124,863,981

Receivables from related parties represent the discounted amount corresponding to long term receivables obtained from the sale of assets classified as held for sale.

Part of bank borrowings are guaranteed by mortgage on trade receivables (Note 18).

15 CASH AND CASH EQUIVALENTS

	<u>31 December 2020</u>	<u>31 December 2019</u>
RON denominated balances with bank and cash on hand	94,538,380	76,754,729
Foreign currency balances with banks and cash on hand	<u>54,753</u>	<u>7,849,791</u>
Total cash and cash equivalents	<u>94,593,133</u>	<u>84,604,520</u>

Part of bank borrowings are guaranteed by mortgage on cash and cash equivalents (Note 18).

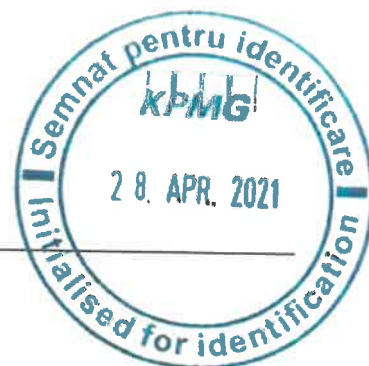
16 DISCONTINUED OPERATIONS

In the consolidated financial statements as at 31 December 2019 the followings business lines were presented as discontinued: Livestock, Grains and Silo and Milk and also investment property held for sale

Statement of Profit and loss for both financial periods (2020 and 2019) present only a line related to discontinued operations in "Profit/(Loss) for the year from discontinued operations". The results of those business lines for the year ended 31 December 2020 are presented below:

AGRICOVER HOLDING SA

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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16 DISCONTINUED OPERATIONS (CONTINUED)

	<u>2020</u>	<u>2019 (restated)</u>
Trade Revenue	26,870,996	241,944,778
Cost of goods sold	(27,153,077)	(245,780,455)
Impairment loss on loans and trade and other receivables	72,167	(92,393)
Gross loss	(209,913)	(3,928,070)
Administrative expenses	(93,314)	(122,663)
Other income	1,428	17,812
Other gains	115,549	7,397,686
Other losses	-	-
Net gains from fair value adjustments	2,883,914	5,767,827
Operating profit	2,697,664	9,132,592
Finance income	-	-
Finance costs	(26,975)	(923,895)
Finance costs – net	<u>(26,975)</u>	<u>(923,895)</u>
Profit before tax	<u>2,670,689</u>	<u>8,208,697</u>
Income tax expense	(326,683)	(1,622,027)
Profit for the period from discontinued operations	<u>2,344,006</u>	<u>6,586,671</u>
Net gain from sale of subsidiary	2,677,747	-
Total	<u>5,021,753</u>	<u>6,586,671</u>

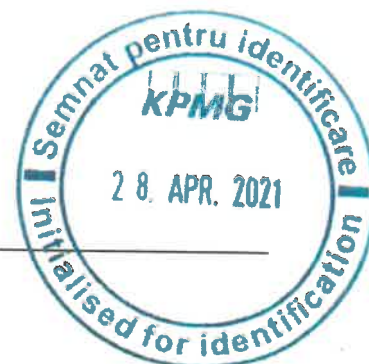
During the 12 months period ended 31 December 2020, operating cash inflow from discontinued operation was RON 15,694,596, as a result of cash received from customers in relation to sales made in prior periods.

During 2020 the Group sold its shares in Agriland Ferme SA, the subsidiary that owned the investment property to Mr Jabbar Kanani.

The consideration received amounting to RON 21,011,277 was equal to the fair value of the investment property and was netted off against the dividends payable to the shareholder.

Fair value of investment property presented in assets held for sale

The fair value of investment property represented by agricultural land was determined by external, independent property valuers, having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's investment property portfolio with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.



16 DISCONTINUED OPERATIONS (CONTINUED)

The valuation method used was market approach adjusted to reflect the characteristics of the revalued land. The average market price of land ranges between 4,100 – 5,100 EUR per hectare, depending on the location of land.

Assets classified as held for sale

	<u>31 December</u> <u>2020</u>	<u>31 December 2019</u> <u>restated</u>
Freehold land held for sale	-	275,330
Buildings held for sale	-	6,127,102
Vehicles and machinery held for sale	-	478,130
Furniture, fittings and equipment held for sale	-	19,062
Cash and cash equivalents	-	157,255
Trade and other receivables	-	208,287
<u>Investment property held for sale</u>	-	<u>17,804,368</u>
Total	=	<u>25,069,535</u>

Liabilities directly associated with the assets held for sale

	<u>31 December</u> <u>2020</u>	<u>31 December 2019</u> <u>restated</u>
Deferred tax liabilities	-	2,432,910
Other liabilities	-	7,262
Total	-	2,440,172

17 EQUITY

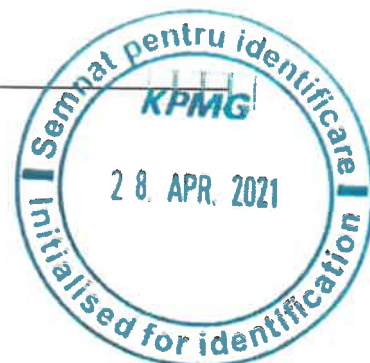
As at 31 December 2020 and 31 December 2019, Agricover Holding SA was owned 87,269% by Mr. Kanani Jabbar and by 12,727% EBRD. The total number of ordinary shares issued by the Company is of 2,163,968,075 shares. Diluted EPS equals basic EPS because the Company has not issued any instruments that can have a diluting effect.

During the financial years 2019 and 2020, no changes were recorded.

During 2020 the Company distributed dividends to its' shareholders in amount of 22,118,127 RON (out of which RON 21,011,277 were net-off with the consideration receivable from the sale of Agriland business to shareholders and the remaining was paid by the end of 31 Dec 2020) and its subsidiaries distributed dividends of RON 3,216,073 to minority shareholders (out of which RON 2,485,466 were paid by the end of 31 December 2020).

AGRICOVER HOLDING SA

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17 EQUITY (CONTINUED)

	<u>Revaluation reserves</u>
Balance at 1 January 2019	<u>60,051,445</u>
Revaluation increase (Note 10)	13,674,396
Deferred tax related to revaluation reserves	(2,224,719)
Revaluation reserves realized	(37,054,782)
New shareholder in Agricovert SA (Note 30)	(2,033,648)
Revaluation reserves correction (Note 4)	(9,066,951)
Balance at 31 December 2019 (restated)	<u>23,345,741</u>
Revaluation reserves realized	(10,803,239)
Balance at 31 December 2020	<u>12,542,502</u>

EPS calculation for 2020 and 2019 is shown below:

	2020	2019
Profit for the period:		
Owners of the parent	77,962,056	51,603,038
Non-controlling interests	4,398,010	2,827,508
Profit for the period	<u>82,360,066</u>	<u>54,430,546</u>
	2020	2019
Profit for the year from continuing operations attributable to:		
Owners of the parent	73,208,464	45,358,525
Non-controlling interests	4,129,849	2,485,350
Profit for the year from continuing operations	<u>77,338,313</u>	<u>47,843,875</u>
Profit for the year from discontinuing operations attributable to:		
Owners of the parent	4,753,592	6,244,513
Non-controlling interests	268,161	342,158
Profit for the year from discontinuing operations	<u>5,021,753</u>	<u>6,586,671</u>
Number of ordinary shares	2,163,968,075	2,163,968,075
EPS basic and diluted	<u>0.036</u>	<u>0.024</u>
EPS basic and diluted from continuous operations	<u>0.034</u>	<u>0.021</u>
EPS basic and diluted from discontinued operations	<u>0.002</u>	<u>0.003</u>

AGRICOVER HOLDING SA

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	<u>31 December 2020</u>	<u>31 December 2019</u> (restated)
BORROWINGS		
Non-current		
Bank borrowings	785,983,319	569,960,352
Finance lease liabilities	<u>11,533,034</u>	<u>15,801,976</u>
	797,516,354	585,762,328
Current		
Bank borrowings	683,997,972	830,940,319
Finance lease liabilities	<u>10,967,264</u>	<u>12,235,252</u>
	694,965,236	843,175,571
Total borrowings	<u>1,492,481,590</u>	<u>1,428,937,899</u>

A summary of bank and other financial institutions borrowings as of 31 December 2020 and 31 December 2019 is presented below:

Description	31 December 2020			31 December 2019	
	Currency	Face value	Carrying amount	Face value	Carrying amount
Credit pe termen mediu ING	RON	30,000,000	15,000,000	14,337,900	7,522,630
Linie credit de capital circulant BRD (utilizat in LEI)	RON	58,192,419	6,630,808	31-Aug-21	-
Linie credit de capital circulant BRD (utilizat in EUR)	EUR	62,000,000	10,640,923	31-Aug-21	49,120,883
Linie credit de capital circulant BCR (utilizat in LEI)	RON	48,694,000	9,515,541	12-Oct-22	9,488,840
European Bank for Reconstruction and Development (EBRD)	EUR	40,000,000	13,241,751	3-Nov-21	-
Linie credit de capital circulant Banca Transilvania (utilizat in LEI)	RON	124,000,000	77,550,683	15-Aug-21	16,345,624
Banca Transilvania SA	RON	133,000,000	99,224,766	18-Nov-21	97,350,558
UniCredit Bank SA	RON	130,000,000	57,193,269	2-Oct-21	67,156,412
BRD Groupe Societe Generale	RON	130,000,000	57,193,269	31-Aug-21	74,356,012

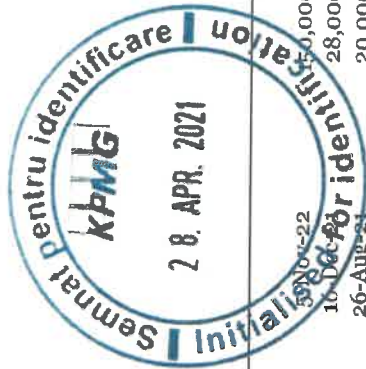
The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.

AGRICOVER HOLDING SA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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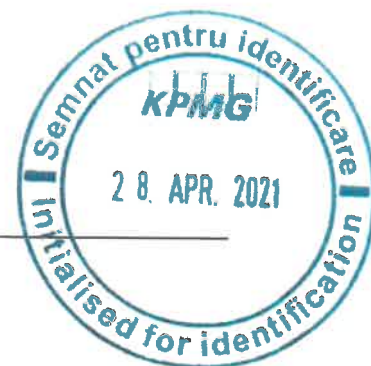
ING Bank Romania	RON	200,000,000	150,630,515	30-Nov-22	50,000,000	97,883,519
OTP Bank	RON	22,000,000	5,707,633	16-Dec-21	28,000,000	3,886,990
Alpha Bank	RON	20,000,000	19,970,391	26-Aug-21	20,000,000	19,972,291
Garanti Bank	RON	47,000,000	46,925,975	1-Jul-21	47,000,000	46,911,875
Garanti Bank	RON	15,000,000	14,940,000	31-Jan-22	-	-
Eximbank SA	RON	200,000,000	84,688,512	30-Aug-22	150,000,000	89,934,167
Banca Comerciala Romana	RON	165,000,000	98,545,174	12-Oct-21	130,000,000	65,802,558
CEC Bank	RON	70,000,000	19,807,083	19-Mar-22	50,000,000	29,725,000
Intesa Sanpaolo	RON	121,800,000	100,896,397	31-Aug-21	100,000,000	99,479,707
Credit Europe Bank	RON	9,300,000	8,272,203	15-Nov-21	9,300,000	9,241,621
Banca Romaneasca	RON	30,000,000	29,913,267	5-Aug-22	-	-
International Finance Corporation	RON	32,500,000	32,717,980	15-Jan-24	40,000,000	40,222,356
International Finance Corporation	RON	-	-	-	70,000,000	70,152,889
EFSE SICAV-SIV	RON	4,500,000	4,506,039	15-Jun-21	12,900,000	12,819,290
EFSE SICAV-SIV	RON	16,941,177	16,917,181	15-Dec-22	25,411,765	25,260,547
EFSE SICAV-SIV	RON	66,428,572	66,317,474	30-Nov-25	69,750,000	69,721,751
EFSE SICAV-SIV	RON	14,500,000	14,052,799	15-Dec-27	-	-
EBRD	RON	46,535,000	46,411,010	20-Apr-23	46,535,000	46,419,273
EBRD	RON	23,265,000	23,162,556	20-Mar-24	23,265,000	23,168,263
EBRD	RON	24,398,400	14,691,086	1-Jul-22	-	-
Black Sea Trade and Development	EUR	9,734,820	9,734,820	-	-	-
International Investment Bank	RON	50,547,273	50,333,605	19-Dec-24	63,184,091	62,785,888
International Investment Bank	EUR	17,818,179	17,823,787	13-Jul-22	26,181,816	26,109,778
International Investment Bank	RON	47,525,000	47,288,136	19-Mar-26	47,525,000	47,202,946
International Investment Bank	RON	48,074,000	47,697,751	27-Feb-27	-	-
European Investment Bank	EUR	38,500,001	38,347,522	25-Nov-24	48,000,000	47,905,534
European Investment Bank	EUR	19,249,998	19,144,486	18-Jun-26	22,285,714	22,189,607
European Investment Bank	RON	18,159,750	17,968,242	12-Jul-27	-	-
European Investment Fund	EUR	34,588,238	34,307,556	30-Sep-26	-	-
European Investment Fund	RON	20,000,000	20,096,271	15-May-28	39,529,411	39,570,535
Responsibility Sicav	EUR	49,000,000	49,036,555	6-Sep-24	-	-
Alpha Bank - credit line	RON	19,044,800	7,813	26-Aug-21	48,000,000	48,065,066
Alpha Bank - investment loan	RON	38,089,600	30,123,732	26-Nov-2024	19,044,800	1,159,774
TOTAL			1,469,981,291		38,089,600	33,968,487
						1,400,900,671

The accompanying notes 1 to 30 are an integral part of the consolidated financial statements.
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AGRICOVER HOLDING SA

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18 BORROWINGS (CONTINUED)

The carrying amounts of the Group's bank borrowings are denominated in the following currencies:

<u>Currency</u>	<u>31 December 2020</u>	<u>31 December 2019</u> (restated)
RON	1,290,945,642	1,167,939,268
EUR	179,035,649	232,961,403
	<u>1,469,981,291</u>	<u>1,400,900,671</u>

All the Group's borrowings are at variable interest rates. The weighted average interest rates at the balance sheet date were as follows:

	<u>31 December 2020</u> (%)	<u>31 December 2019</u> (%)
EUR	2.43	2.88
RON	4.84	5.40
USD	-	3.51

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18 BORROWINGS (CONTINUED)

Table of movement on loans for the year ended 31 December 2020 is presented below:

Balance as at 01 January 2020	1,400,900,671
Withdrawals	2,942,481,036
Reimbursements	(2,878,058,899)
FX impact	4,737,437
Change in accrued interest	(78,954)
Balance as at 31 December 2020	1,469,981,291

Compliance with covenants

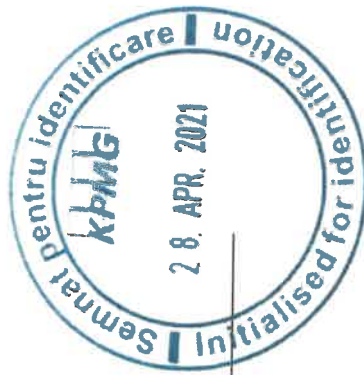
The Group has complied with the financial covenants of its borrowing facilities during the reporting period and also as at 31 December 2020 and 31 December 2019. Under the terms of the major borrowing facilities, the Agrifinance division is required to comply with financial covenants such as: capital adequacy ratios, non-performing loans ratios, economic group exposure/ large exposure ratios, related party exposure ratios, currency risk ratios, while in case of borrowing facilities obtained for the Agrifood and Agribusiness divisions, financial covenants followed by banks are the solvency ratio and debt ratio.

Right of Use Asset

	Buildings	Machinery and Equipment	Motor vehicles	Total
As at 01 January 2020	11,935,683	5,758,074	10,135,740	27,829,497
Early lease termination	(1,759,875)	(2,332,222)	(419,996)	(4,512,092)
Additions	4,998,403	104,347	4,004,086	9,106,836
Depreciation expense	(4,662,524)	(1,351,439)	(4,415,010)	(10,428,973)
As at 31 December 2020	10,511,687	2,178,760	9,304,820	21,995,269

AGRICOVER HOLDING SA

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18 BORROWINGS (CONTINUED)

Right of Use Asset	Buildings	Machinery and Equipment	Motor vehicles	Total
As at 01 January 2019	13,671,812	2,881,440	4,619,950	21,173,202
Transfer - from PPE in ROUA	-	2,310,871	-	2,310,871
Additions	2,282,992	2,389,158	8,796,984	13,469,134
Depreciation expense	(4,019,121)	(1,823,395)	(3,281,194)	(9,123,710)
As at 31 December 2019	11,935,683	5,758,074	10,135,740	27,829,497

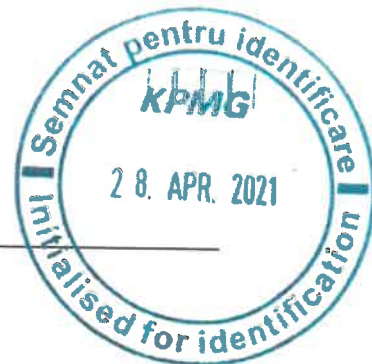
Table of movement on lease liabilities for the twelve months period ended 31 December 2020 is presented below:

Balance as at 01 January 2020	28,037,228
New contract	9,106,836
Payments	(10,447,949)
Early lease termination	(4,767,530)
FX impact	571,713
Balance as at 31 December 2020	22,500,298

The new leases in the period are mainly represented by new cars used in the Group's auto fleet, the average period of these agreements is 60 months and by new and improvements made in the Group's headquarter.

AGRICOVER HOLDING SA

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19 TRADE AND OTHER PAYABLES

	<u>31 December 2020</u>	<u>31 December 2019</u> <u>restated</u>
Trade payables	262,913,986	249,384,392
Payables to related parties (note 29)	46,387,128	31,505,362
Fixed assets suppliers	969,911	388,438
Salaries and related taxes	18,202,696	18,875,720
Derivative liabilities held for risk management	1,368,452	980,536
Value added tax	1,047,711	3,135,133
Dividends	1,074,603	344,497
Other current liabilities	<u>251,485</u>	<u>343,387</u>
Total	332,215,972	304,957,465

20 TRADE REVENUES

Revenue from continuing operations

	<u>31 December</u> <u>2020</u>	<u>2019 restated</u>
Revenue from sales of merchandise	1,138,511,543	1,108,147,517
Revenue from sales of finished goods	328,396,729	412,117,473
Revenue from services	422,171	103,478
Revenue from rent	145,810	760,732
Total	1,467,476,253	1,521,129,200

Revenue from sales of merchandise and finished goods by product type

	<u>2020</u>	<u>2019 restated</u>
Pesticides	361,264,892	332,324,527
Diesel oil	362,684,007	402,596,411
Fertilizers	237,612,196	250,527,213
Seeds	176,275,166	122,170,616
Meat	328,396,729	412,117,473
Miscellaneous	675,282	528,750
Total	1,466,908,272	1,520,264,990

AGRICOVER HOLDING SA

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20 TRADE REVENUES (CONTINUED)

Revenue from sales of finished goods represent sale of meat finished products generated by Agrifood's segment – the slaughterhouse.

The disaggregation of revenue from sales of merchandise and finished goods by major sales channels include:

	<u>2020</u>	<u>2019 restated</u>
Key accounts	227,934,574	231,322,181
Own stores	62,538,101	82,067,747
Farmers	1,137,836,261	1,108,298,877
Other customers	<u>38,599,336</u>	<u>98,576,185</u>
Total	1,466,908,272	1,520,264,990

Interest revenue represent interest revenue earned by the Agri finance subsidiary.

Interest income

	<u>2020</u>	<u>2019 restated</u>
Interest income calculated using linear interest rate method – short term loans	96,436,263	91,585,133
Interest income calculated using the effective interest rate method – long term loans	69,416,145	56,802,863
Deposits and current accounts	33,636	23,572
	165,886,044	148,411,568

Fee and commission income mainly represents commission income for insurance of agricultural activities.

AGRICOVER HOLDING SA

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21 COST OF SALES

	2020		2019 restated	
	Agribusiness and Agrifood	Agrifinance	Agribusiness and Agrifood	Agrifinance
			Total	Total
Continuing operations				
Merchandise	(1,016,251,337)	-	(1,016,251,337)	(993,143,702)
Raw material expense	(226,674,864)	-	(226,674,864)	(325,635,570)
Employees cost *	(60,756,452)	(12,969,232)	(73,725,684)	(14,825,573)
Consumables expenses	(27,093,258)	-	(27,093,258)	(23,799,796)
Transportation of goods	(14,113,899)	-	(14,113,899)	(16,756,628)
Depreciation	(4,560,623)	(231,682)	(4,792,306)	(3,347,245)
Third party services	(9,809,915)	(226,515)	(10,036,430)	(293,293)
Energy and water expense	(4,113,622)	-	(4,113,622)	(9,934)
Depreciation Right of use assets	(7,225,983)	(1,160,536)	(8,386,518)	(895,698)
Maintenance expense	(2,026,102)	(806,345)	(2,832,447)	(1,013,521)
Write-down of inventories	(249,572)	-	(249,572)	(1,152,711)
Other distribution costs	(291,485)	(1,098,266)	(1,389,751)	(626,075)
Taxes to the State Budget	(722,115)	-	(722,115)	(595,165)
Insurance premium expenses	(379,998)	(177,933)	(557,931)	(315,969)
Rent expenses	(279,221)	(324,709)	(603,930)	(192,635)
Postal and telecommunication expenses	(309,421)	(240,620)	(550,041)	(346,588)
Travel and subsistence costs	(400,386)	(115,194)	(515,580)	(164,686)
Protocol and publicity expenses	(73,788)	(615,244)	(689,032)	(113,526)
Bank charges	-	-	-	(430,538)
Loss from disposal of non-current assets	(136,436)	-	(136,436)	(1,707)
Total	(1,375,468,477)	(17,966,276)	(1,393,434,753)	(18,912,067)
				(1,449,773,640)
				(1,468,685,707)

Employees cost * - from the total amount presented above, social contributions in amount of RON 17,646,889 (2019: RON 15,325,056) have been paid by the Group to the national pension funds.

AGRICOVER HOLDING SA

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22 ADMINISTRATIVE EXPENSES

Continuing operations	<u>2020</u>	<u>2019 restated</u>
Advertising expenses	(628,517)	(962,647)
Third party services	(6,933,526)	(5,751,079)
Repairs and maintenance	(1,560,930)	(1,784,388)
Insurance premium expenses	(385,872)	(481,620)
Other administrative expenses	(1,101,898)	(1,116,510)
Rent expenses	(1,285,298)	(2,131,792)
Protocol expenses	(1,717,768)	(2,612,712)
Telecommunication and postage	(309,083)	(387,104)
Travel expenses	(127,266)	(377,382)
Taxes to the State Budget	(4,265,744)	(3,077,352)
Employees cost*	(34,460,698)	(29,524,295)
Consumables expenses	(1,099,258)	(1,190,379)
Bank charges	(759,115)	(644,059)
Depreciation	(1,436,230)	(1,675,609)
Depreciation Right of use assets	(2,042,454)	(1,678,439)
Energy and water expense	(308,358)	(280,441)
Total	(58,422,015)	(53,675,808)



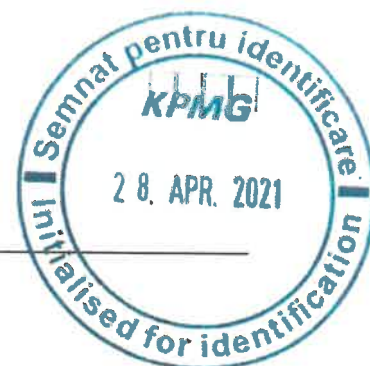
Employees cost * - from the total amount presented above, social contributions in amount of RON 5,214,526 (2019: RON 5,197,020) have been paid by the Group to the national pension funds.

23 OTHER OPERATING INCOME

Continuing operations	<u>2020</u>	<u>2019 restated</u>
Other operating income	40,337	272,585
Claims and compensations, fines and penalties	52,116	291,437
Income from grants	1,373,651	-
Various activities income	123,737	304,274
Total	1,589,841	868,296

The Agrifood segment received two categories of staff grants income, as follows:

1. Technical unemployment allowance for the period 01 April 2020-31 May 2020, with the a set of eligibility conditions which are considered met by management as of 31 December 2020;
2. Settlement of a part (41.5%) of the salary of the employees who had the individual employment contract suspended during the emergency and the alert period, with the a set of eligibility conditions which are considered met by management as of 31 December 2020.



24 OTHER GAINS AND OTHER OPERATING EXPENSES

Continuing operations

Other gains

	<u>2020</u>	<u>2019 restated</u>
Gains from disposal of non-current assets	-	4,695
Reinvoicing	80,534	81,740
Other gains	-	104,086
Income from other services	120,554	-
Penalties and compensatory payments	529,074	58,876
Total Other gains	730,162	249,397

Other operating expenses

	<u>2020</u>	<u>2019 restated</u>
Loss from disposal of non-current assets	(514,075)	(24,572)
Donations	(1,006,707)	(2,252,194)
Net loss from derivative financial instruments	(1,892,026)	(1,310,206)
Penalties and compensatory payments	(190,860)	(190,112)
Total other operating expenses	(3,603,668)	(3,777,084)

25 FINANCE COSTS, NET

Continuing operations

	<u>2020</u>	<u>2019 restated</u>
Interest expenses – non-finance segment	(4,937,593)	(5,103,618)
Interest expense – leasing	(275,362)	(728,533)
Foreign exchange losses	(3,768,029)	(5,184,373)
Other financial expenses	958,632	(81,384)
Finance costs	(8,022,352)	(11,097,908)
Interest income – non-finance segment	805,927	72,844
Financial discounts received	55,789	89,010
Other financial revenues	523	74,566
Finance income	862,239	236,420
Net finance	(7,160,113)	(10,861,488)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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26 INCOME TAXES

Components of income tax expense (Continuing operations)

Income tax expense comprises the following:

	31 December 2020	31 December 2019
Current tax on profits for the year	12,833,210	14,732,485
Deferred tax (income)/ expense	<u>(3,263,316)</u>	<u>(4,926,492)</u>
Income tax expense	9,569,894	9,805,993

Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate. The income tax rate applicable to the Group's 2020 and 2019 income is 16%, in accordance with Romanian tax legislation. A reconciliation between the expected and the actual taxation charge is provided below.

	<u>2020</u>	<u>2019</u> (restated)
Profit before tax	<u>86,908,207</u>	<u>57,649,868</u>
Theoretical tax charge at statutory rate of 16%	13,905,313	9,223,979
Tax effect of items which are not deductible or assessable for taxation purposes:		
-Income which is exempt from taxation	(456,255)	(209,747)
-Non-deductible expenses	1,614,832	2,080,603
-Legal reserves not subject to tax	(476,041)	(520,288)
-Income tax facilities	(451,366)	(235,293)
-Tax loss for which no deferred tax asset was recognised	-	1,681,356
-Use of prior year tax losses not recognized previously	(1,450,412)	-
-Recognition of Deferred tax asset for temporary differences that arose in prior periods for receivables allowance	(984,795)	-
-Annual tax credit relating to sponsorship	(2,131,382)	(2,214,617)
Tax charge	9,569,894	9,805,993

Current income tax is computed based on each subsidiary's income tax computation as at 31 December 2020.

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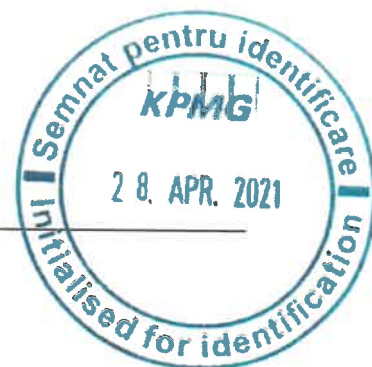


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INCOME TAXES (CONTINUED)

A summary of deferred tax movement during the 12 months period ended 31 December 2020 is presented below:

	31 December 2019	12 months to 31 December 2020	31 December 2020
			Deferred tax for
			Investment property included in Liabilities directly associated with
			Net asset
			Net liability
Property, plant and equipment			
Allowance for loans granted			
Allowance for bad debts			
Investment property included in assets held for sale			
Tax loss carried forward			
Total deferred tax	1,747,425	3,263,317	2,742,050
			(1,616,001)
			(2,716,269)
			984,795
			115,472
			2,432,910
			(2,432,910)
			(3,884,693)
			115,472
			984,795
			994,625
			1,168,424
			2,432,910
			2,432,910
			(2,432,910)
			(3,884,693)
			(3,884,693)
			(3,884,693)
			(3,884,693)



27 **CONTINGENCIES, COMMITMENTS AND OPERATING RISKS**

Taxation

The Romanian taxation system has just undergone a process of consolidation and harmonisation with European Union legislation. However, the tax authorities may have different approaches to certain issues, and assess additional tax liabilities, together with late payment interest and penalties. In Romania, tax periods remain open for 5 years. The Group's management considers that the tax liabilities included in this financial statements are fairly stated, and they are not aware of any circumstances which may give rise to a potential material liability in this respect.

Transfer pricing

Romanian tax legislation includes the arm's length principle according to which transactions between related parties should be carried out at market value. Local taxpayers engaged in related party transactions have to prepare and make available upon the written request of the Romanian Tax Authorities their transfer pricing documentation file. Failure to present the transfer pricing documentation file, or presenting an incomplete file, may lead to non-compliance penalties; additionally, notwithstanding the contents of the transfer pricing documentation, the tax authorities may interpret the facts and transactions differently from management and impose additional tax liabilities resulting from transfer price adjustments. The Group's management believes that the Group will not suffer losses in case of a fiscal inspection on the subject of transfer prices.

Credit related commitments

The primary purpose of the credit related instruments is to ensure that funds are available to a customer as required.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

The Group had no irrevocable commitments to extend credit to customers at 31 December 2020 (31 December 2019: none).



27 CONTINGENCIES, COMMITMENTS AND OPERATING RISKS (CONTINUED)

The Group converts the amount of an undrawn credit line to an EAD using the credit conversion factor and calculates the probability of drawing the undrawn portion in the next 12 months. The credit conversion factor is 15%.

	December 2020	December 2019
Credit lines limit granted	1,029,413,241	1,105,245,816
Outstanding balance (drawn)	837,555,406	892,100,200
Undrawn balances	191,857,835	213,145,616
Credit Conversion factor	15%	15%
Undrawn balance after credit conversion factor	28,778,675	31,971,842
Provision for off balance sheet commitment	157,458	-

Guarantees committed to third parties

Agribusiness division

Guarantees are irrevocable assurances that the Company will make payments in the event that another party cannot meet its obligations. As at 31 December 2020, Agricover SA had issued guarantee letters with expiry period within 1 year in favour of third parties amounting to EUR 507,135 (2019: 248,687) – RON equivalent 2,469,445 (2019:1,188,550).

Legal proceedings

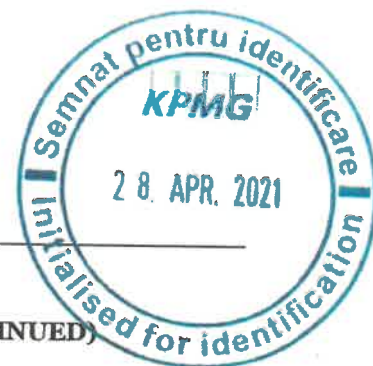
In 2016, client AC AGROFAM UNIREA commenced allegation against the Group in respect of financial losses and moral damages said to be caused by requesting the client's insolvency. Should the action against the Group be successful, the estimated losses are of RON 1,552,000. The claim has been rejected by both Bucharest Court and by the Court of Appeal; a second appeal was filed by the client to which a trial date has not yet been scheduled. The Group has been advised by its legal advisers that the plaintiff has no chance of winning the second appeal. Accordingly, no provision for any risks and charges has been made in these financial statements.

The Group initiated a number of Court claims against its customers which arise in the ordinary course of business and are mainly related to the foreclosure of bad debts.

Covid - 19 impact

Agricover IFN

In the first half of 2020, in order to monitor the impact of Covid-19 on the liquidity risk, the following actions were implemented by the Group: regular liquidity meetings, with the involvement of the members of the Management Committee for the strict monitoring of the evolution of the commercial volumes, of the liquidity indicators, maintaining a sufficient stock of liquid assets to compensate the potential liquidity outflows in case of stress scenarios.



27 CONTINGENCIES, COMMITMENTS AND OPERATING RISKS (CONTINUED)

The Group has adopted measures to preserve capital:

- strict monitoring of the capital position.
 - non-distribution of dividends.
 - periodic simulations by testing the increase of interest rates and the probability of non-repayment.
- The impact of Covid-19 on Agricover IFN is disclosed in Note 7.

Agricover SA

During 2020, the regular course of business of Agricover SA was challenged by unexpected evolution of SARS Cov-2 pandemic, as well as the drought conditions which affects several regions of Romania on a yearly basis during the spring and summer months. With respect to the drought condition, management believes it does not have a different or more significant impact on the Company's financial statements compared to previous periods.

With respect to the SARS Cov-2 pandemic, starting with the first months of 2020 the virus had a rapid spread around the globe as well as in Romania and triggered special condition of business administration and challenged the way of performing daily operations in logistic chain in Romania.

As a consequence, the Company had to adjust its administration flow to accommodate remote work and also performed investment in redesign the operations activity to secure a safe working environment within the logistics and warehousing activities.

Furthermore, the Company took all the necessary actions to secure the proper level of inventories in anticipation of the expected difficulties in transportation of goods in the first part of the year.

The overall non recurrent cost incurred by the Company and directly related to SARS Cov 2 pandemic was RON 268,981 as OPEX for safety consumables and protective equipment and RON 84,018 as CAPEX for increased safety condition in central warehouse.

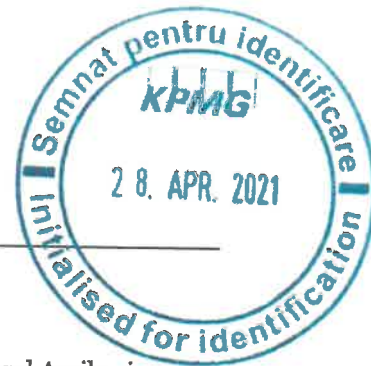
However, from business perspective there is no significant impact from the SARS Cov 2 pandemic condition and management believes no subsequent event will arise in this respect.

Abatorul Peris SA

There has has been no significant impact on the Company's sales, cash collections or supply chain resulting from SARS Cov 2 pandemic. Projections have been made that include the future possible effects of Covid-19 on the estimated cash flows, but also on the possibility of fulfilling the loans covenants. Based on these, the Company's Management considers that it is adequate to apply the principle of going concern.

Management will continue to monitor the potential impact and will take all steps possible to mitigate any effects.

During the reporting period, a series of measures have been implemented in terms of health and safety and teleworking. Additional health and safety measures have been taken to protect the employees of the Company. The Company has made some small reductions in the activity as a result of the emergency and alert period imposed by the Romanian Government. As a result, some employees were granted technical unemployment and the Company received grants in relation to this. Overall, the impact on operations has not been significant.



28 EVENTS AFTER THE REPORTING DATE

Except for the events after the reporting date detailed below for the Agrifinance and Agribusiness divisions, there were no other relevant events after the reporting date.

Agricover Holding

On 3rd of February 2021, the company issued corporate bonds amounting to EUR 40,000,000 with the maturity date in 3 February 2026 and with an interest rate of 3.5%. Starting with 31 March 2021, the bonds are listed on the Stock Exchange Bucharest.

Agricover Credit IFN

a) New financing:

- RON 33.5 million was drawn in March 2021 from the agreement signed with The European Fund For Southeast Europe S.A, unsecured, 7 years maturity, variable rate, quarterly payment of interest and principal

b) Principal repayments :

- repayment to International Investment Bank (January 2021) of EUR 0.909 million principal;
- repayment to International Financial Corporation (January 2021) of RON 2.1 million principal
- repayment to European Fund for Southeast Europe S.A (February 2021) of RON 3,321 million principal.
- repayment to European Fund for Southeast Europe S.A (March 2021) of RON 4,217 million principal
- repayment to International Investment Bank (March 2021) of RON 4,320 million principal
- repayment to European Investment Fund (March 2021) of EUR 0.627 million principal

29 RELATED-PARTY TRANSACTIONS

The Group is controlled by Mr Kanani Jabbar which owns 87.27% of Agricover Holding's shares. Parties are considered to be related if one party has the ability to control the other party, if the parties are under common control, or if they can exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 "Related Party Disclosure".

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The related parties with whom the Group entered into transactions or had balances outstanding in the period presented were the following:



29 RELATED-PARTY TRANSACTIONS (CONTINUED)

Related party	Country	Relationship
Danube Grain SRL	Romania	Associate
Agroadvice SRL	Romania	Associate
Net Farming SRL	Romania	Same shareholder
Barimpex SRL	Romania	Same shareholder
Agricola Cornatelul SRL	Romania	Same shareholder
Jabbar Kanani	Romania	Shareholder
Steldia Services Limited	Romania	Key management
Daf Smart Consulting SRL	Romania	Key management
Veldtster Inc	Romania	Key management
GP Services & Commerce SRL	Romania	Key management
Lugo Prime Services SRL	Romania	Key management

The following transactions were carried out with related parties:

Sales of goods and services to Related parties

	<u>2020</u>	<u>2019</u>
Sales of services	31,269	15,129
Sales of fixed assets	7,109,453	8,434,278
Sales of goods	12,086,775	8,630,037
Total	19,227,497	17,079,444

Purchases of goods and services from Other related parties

	<u>2020</u>	<u>2019</u>
Purchases of services	2,395,824	3,203,423
Purchases of goods	40,634,017	30,614,560
Total	43,029,841	33,817,983

Other expenses and revenues

	<u>2020</u>	<u>2019</u>
Interest income – Danube Grains - Associates	17,990	25,851
Interest income – Other related party	250,113	-
Total	268,103	25,851

AGRICOVER HOLDING SA**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(All amounts in RON unless otherwise stated)****29 RELATED-PARTY TRANSACTIONS (CONTINUED)****Year-end balances arising from sales/purchases of goods/services**

	<u>31 December 2020</u>	<u>31 December 2019</u> <u>(restated)</u>
Trade and other receivables from		
Other related parties (note 14)	21,936,711	14,757,470
Loans granted to associates (Danube Grain SRL)	-	1,610,168
Total trade receivables	21,936,711	16,367,638
Loan from Mr. Kanani	-	2,491,128
Trade and other payables from other related parties	46,387,128	29,014,234
Total trade payables	46,387,128	31,505,362

During 2020, the Group sold its shares in Agriland Ferme to the main shareholder. Refer to Note 16 for more information.

Key management compensation

During the 12 months period ended 31 December 2020 the salaries paid to key management personnel amounted to RON 9,104,271 (2019: RON 9,963,098).

Except of the ones mentioned above there are no other compensations related to key management personnel.

30 NON CONTROLLING INTERESTS

The following summarises the information relating to Agricover SA – a subsidiary of the group that has material NCI, before any intra-group eliminations.

In 2019 the Group sold 10% of shares in Agricover SA to Adama Agriculture BV. The consideration for the sold shares amounted to RON 41,256,194 of which RON 36,902,887 has been paid in cash and RON 4,353,307 is reflected as receivable as at 31 December 2020 (out of which RON 2,830,090 is long-term receivable) (31 December 2019: RON 5,822,381).

AGRICOVER HOLDING SA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(All amounts in RON unless otherwise stated)



30 NON CONTROLLING INTERESTS (CONTINUED)

NCI percentage (13.38%)	31 December 2020	31 December 2019
Non-current assets	36,156,617	38,375,344
Current assets	441,767,930	437,481,885
Non-current liabilities	20,743,985	18,426,731
Current liabilities	341,566,480	347,047,031
Net assets	115,614,082	110,383,467
Net assets attributable to NCI	15,469,164	14,942,980
	2020	2019
Revenue	1,138,714,001	1,109,146,671
Profit	29,862,402	26,569,080
Result from discontinuing operations	(259,791)	3,670,664
OCI	-	413,920
Total comprehensive income	29,602,611	30,653,664
Profit allocated to NCI	3,960,829	3,168,879
OCI allocated to NCI	-	55,382
Cash flows from operating activities	58,257,933	(12,277,281)
Cash flows from investment activities	11,930,560	57,616,079
Cash flows from financing activities	(69,957,622)	(46,198,713)
(dividends to NCI: 2,437,199 RON in 2020)		
Net increase (decrease) in cash and cash equivalents	230,871	(859,915)

Approved for issue and signed on behalf of the Board of Directors on 27 April 2021.

Ștefan-Bucătaru
Administrator

Liviu Dobre
General Manager