AGRICOVER HOLDING SA ANNUAL REPORT

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Trade Register: J23/447/2018. Unique Identification code: 36036986
Subscribed paid-up capital: 216.396.807,50 RON. Registered address: Cubic Center Building, 6th floor, Voluntari, Ilfov. Phone: +40 0213.364.645. Fax: +4 0213.352.500

According to ASF Regulation No 5 of 2018 for the financial year ended 31.12.2020

Agricover

TABLE OF CONTENTS

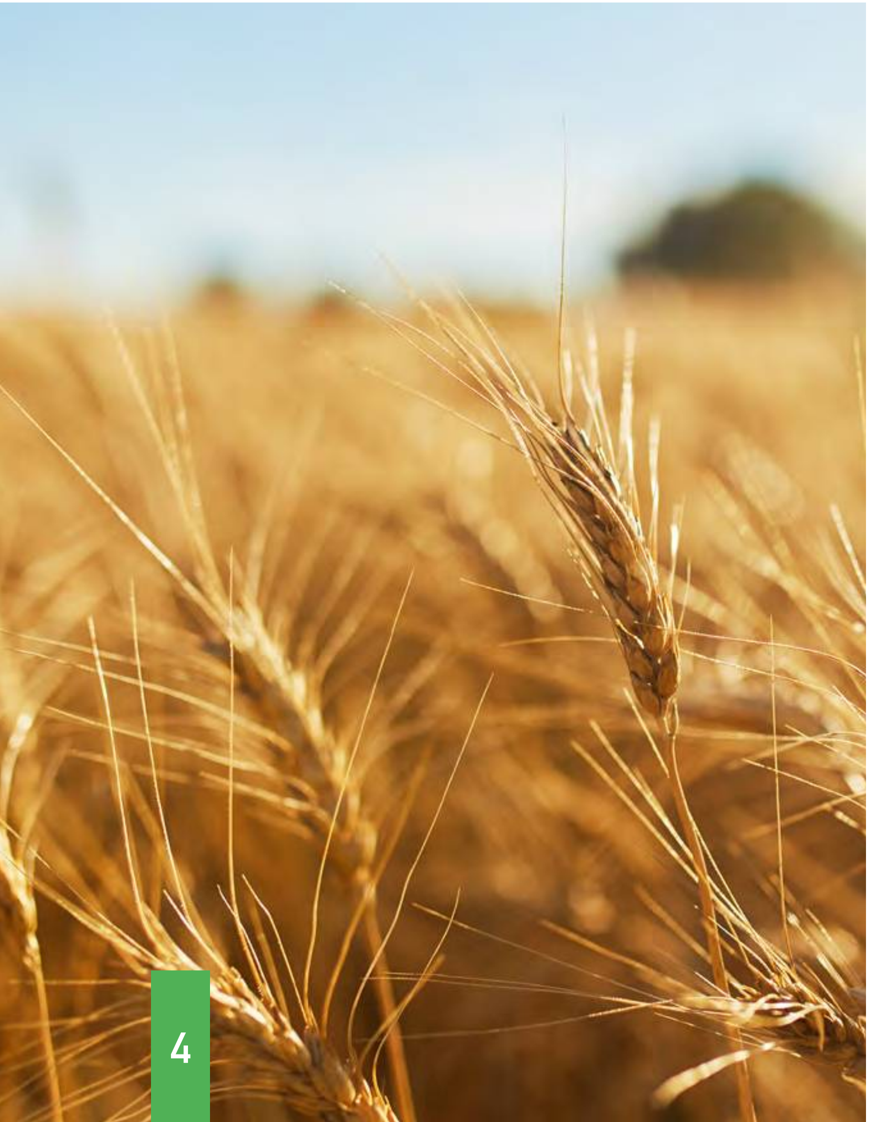
STRATEGY REPORT

By providing farmers with access to high-performance agricultural technologies and specialized financing agricultural solutions, we are contributing in a responsible and sustainable manner to accelerate the optimization process of crop productivity and to increase the farmers competitiveness in export markets where they market most of their production in a responsible and sustainable manner.

OUR MISSION

We believe in modern and efficient agriculture. We want to become value creators and generators of a performance-based culture in Romanian agriculture. With our support, more and more initiatives of Romanian farmers are turning, without just and perhaps, into success stories.

The continued growth of the global population leads to fundamental food problems. The global population is expected to reach 10 billion by 2050, while the impact of human activity on climate change is already excessive. In this general context, the European Union faces an additional challenge, which is to ensure a high quality of life for an increasing number of elderly people.



These are the challenges to which we seek to contribute by focusing our energy in helping Romanian farmers reach their growth potential and at the same time to support Romania's agriculture, which has an extremely important role as an agricultural producer and exporter.

OUR VISION

We have an integrated vision of modern and sustainable agriculture. This broad perspective, together with the advanced solutions we promote, allows us to support the performance of our partners. Agricover is the pioneer of the Agribusiness market in Romania, opening the way for farmers and processors to a new standard of productivity and competitiveness through innovation.

After five years of corporate restructuring efforts, we aim to strengthen our leadership in the distribution of agricultural technologies, farmers' financing and food processing over the next five years. Through the products and services offered we contribute significantly to accelerating the productivity of our partners, significantly improving their competitiveness. With these measures we pave the way for successful long-term business models, both for us and for our customers and suppliers.

OUR VALUES

Entrepreneurship:
- We seize and capitalize on opportunities;
- We think and act as if it were our own business;
- We support personal initiatives geared towards taking advantage of business development opportunities.

Team spirit:
- We have a common goal: to be the best!
- Our successes from cooperation are sustainable and more important than those resulting from individual actions;
- The whole is stronger than the sum of the parts.

Trust and respect:
- Every day, through everything we do, we prove that we deserve the trust and respect of others;
- We respect our employees and partners by building trust-based relationships;
- We keep our promises and honor our commitments.

Customer orientation:
- Together we find the most suitable solutions for our customers;
- We anticipate and understand the needs of our customers by constantly offering solutions;
- We're building a long-term, profitable business for both partners.

Professional excellence:
- We have high standards of professionalism. We aim for excellence!
- We respond effectively and in a timely manner to the demands of partners and the competitive environment;
- We develop individual skills, encourage a results-oriented attitude, build and optimize appropriate operational processes.

OUR PRINCIPLES

We are concerned about the continuous increase in the quality of products and services offered to customer satisfaction, as well as the continuous improvement of performance on environmental protection, safety and health.
In order to implement these policies, we have substantiated the following:
- Gaining customer confidence by systematically meeting their requirements;
- Compliance with legal environmental requirements as well as other requirements to which our organization subscribes;
- Continuous improvement in the quality of the products and services offered;
- Improving environmental performance by preventing pollution from our activities;
- Improving performance in occupational health and safety by increasing the level of safety

we provide to employees and partner organizations;
- Ensuring appropriate measures to control occupational risks, including by consulting employees on their safety and health issues;
- Promote a long-term partnership oriented towards quality, environment, health and occupational safety management with suppliers and customers;
- Promoting open and continuous dialogue with public authorities, customers, government organizations and other stakeholders;
- Focusing attention on each employee and their training and awareness needs on issues of meeting quality standards, environmental protection, because each employee is the key to our success.

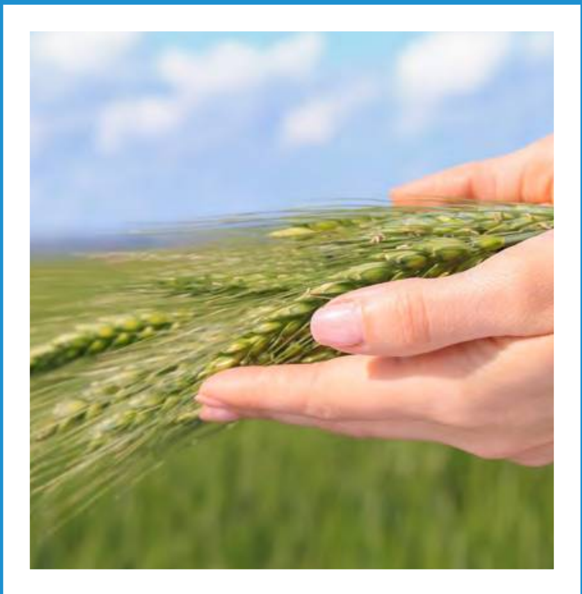
OUR PRODUCTS AND SERVICES

Agricultural technologies:
- We purchase and market the most advanced technological solutions for farmers (plant protection products, certified seeds, nutrients and fuels);
- We are among the market leaders for plant protection products for large crops (market share of 16.97%) and we are running an ambitious growth plan (we aim to achieve a market share of 25%) in a highly fragmented market;
- We have over 100 sales specialists working with farmers in the field.

Modern logistics center:
- 6,000 sqm2 supporting a national capillary network of buffer warehouses;
- 12 locations with a total area of 5,000 sqm which allow for operations being carried out at high performance standards specific to agriculture;
- Involves serving a large number of farmers in short intervals and "when weather conditions require it".

We are supporting our clients since the seeding of the crops and have a complete certified seed portfolio, carefully selected during our 20 years of experience. We select with care only those products that come from our trusted partners.

Quality fuel:
- We also supply quality fuel from our trusted partners, delivered quickly, anytime, directly to the farm.



CROPS TECHNOLOGIES

Agricover SA - Technological solutions for each type of crop:

• Customers can rely on us throughout the agricultural cycle. All crops must be carefully cared for and supervised. Our farming partners have at their disposal a complex portfolio of products that incorporates the latest technologies ensuring full protection for the crop. It includes crop-specific treatments, from seed treatment to disease, pest and weed control.

• We support farm performance through technological solutions created for each type of crop, ensuring a high production efficiency and cost-effectiveness per hectare. Whenever they need help, our farming partners know that we are there for them with effective solutions.

• We provide a full range of plant nutrition solutions and continuously optimize costs through strategic partnerships with leading manufacturers in Romania, Bulgaria, Germany, Spain, Jordan, Serbia, Morocco, Turkey, Russia and Austria.

• We know that every crop has different needs. That's why we offer alternatives to classic nutrients with solutions tailored to each type of crop and technology used. In addition, we provide financing solutions and flexible payment methods so that farmers can benefit from the necessary products exactly when the crop needs them, the need being a vital need for high-performance agriculture.

FARMERS FINANCING

Agricover Credit IFN SA - Major Source of Differentiation and Competitive Advantage:

• Main credit products: working capital, investments, factoring and discounting facilities, insurance brokerage;

• Activity financed by own funds, local banking sector, international financial institutions and international investment funds;

• Insurance brokerage for crops and livestock;

• Over 80 sales specialists working with our farming partners in the field.

Our international corporate partners:

MEAT PROCESSING

Periș SA Abattoir – Freshness and Quality Guarantee:

- The largest processor of pigs and pork meat in the south-east of the country (second at national level);
- One of the most modern production capacity (IFS certified), integrated support program for farmers (upstream), development of strategic partnerships with international retailers (shop-in-shop concept, downstream);
- 26 meat shops under the Periș brand
- Sliced products, packaged in a controlled atmosphere;
- Ready-to-cook products (meat balls, sausages) seasoned to the taste of consumers;
- Vacuum-packed minced meat.

The production process meets the highest quality standards: IFS Food (International featured Standards Food). The validity of the certificate is tested and reconfirmed annually. We make available to consumers, both through large retail networks and through our own network of butchery shops, a wide range of 100% Romanian products, of quality, aimed at consumers, carefully prepared in our own meat processing unit, Periș Abattoir.

DESCRIPTION OF THE BUSINESS MODEL

GENERAL OUTLOOK OF GROUP'S ACTIVITIES

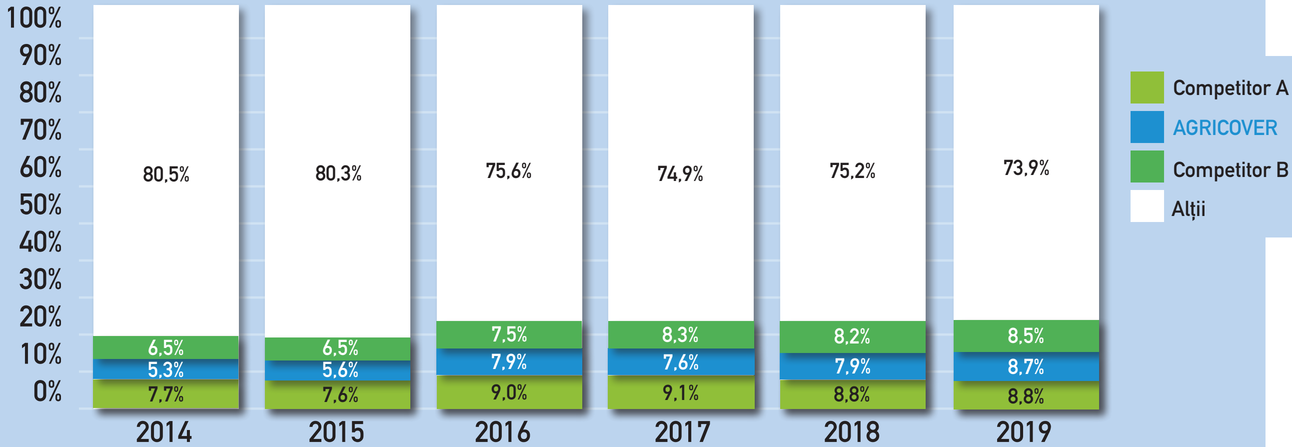
Agricover Group – prominent player in the Romanian agriculture and food industry

Through its Subsidiaries, Agricover Group carries out activities in the agricultural, financial, and food processing sectors, Agricover Holding being the vehicle that owns the four entities of the group, respectively Agricover SA (specialized in the distribution of agricultural technologies), Agricover IFN (the non-banking financial institution specialized in financing farmers), Abatorul Peris (specialized in pig slaughtering and pork processing), and Agricover Technology (through which the Group intends, starting 2022, to provide farmers with access to the most recent worldwide innovations in agriculture and, practically, to facilitate the change in the way farmers carry out their activity by accessing digital technologies).

In all its business segments, Agricover Group is currently either the market leader or holds a prominent position. The certified seeds, plant protection and plant nutrition market in Romania is dominated by three national distributors, who together commanded in 2019 approximately 26% share of market, pertaining to the main vegetal crops. The rest of the market is highly fragmented among Romanian distributors with regional presence, the Romanian subsidiaries of international distributors, or many smaller players with very localized operations.

Thus, in 2019, of the total market of agricultural technologies (nutrition, protection, seeds) pertaining to the main vegetal crops, the three national coverage players held comparable shares of the market.

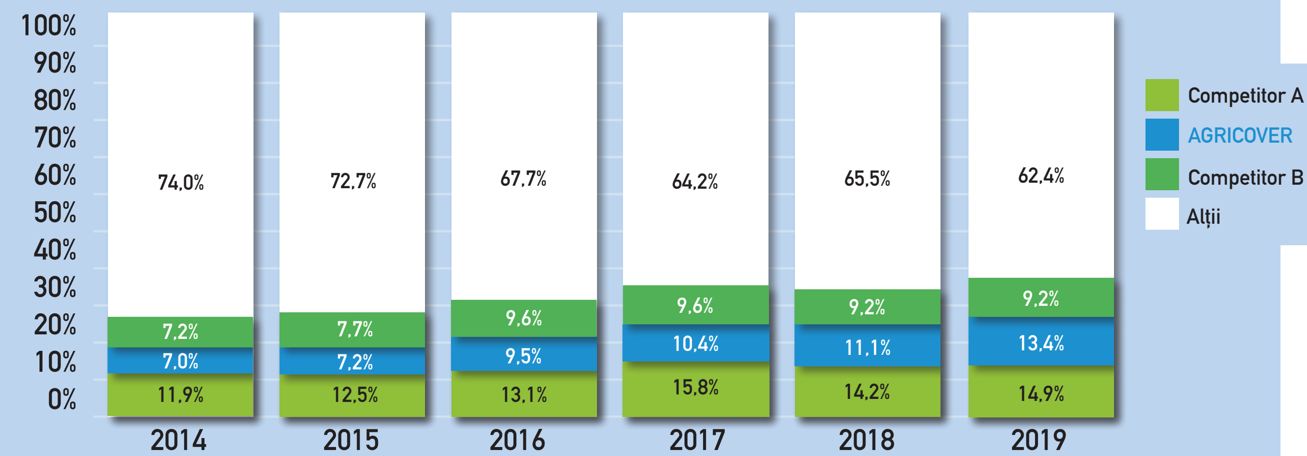
MARKET SHARE OF THE MAIN THREE PLAYERS ON THE AGRICULTURAL TECHNOLOGIES MARKET ASSOCIATED WITH THE PRODUCTION OF MAIN CROPS, DURING 2014-2019



SOURCE: Kynetec Market Data, processed by the Group; values stated at the list price of the products purchased by farmers

In 2020, AGRICOVER becomes the largest distributor of crop protection products, its sales reaching a 16.97% share of the market.

MARKET SHARE OF THE THREE MAIN PLAYERS IN THE PLANT NUTRITION PRODUCTS MARKET (ASSOCIATED WITH THE PRODUCTION OF MAIN CROPS), DURING 2014-2019



SOURCE: Kynetec Market Data, available at the date of this document, values stated at the list price of the products purchased by farmers

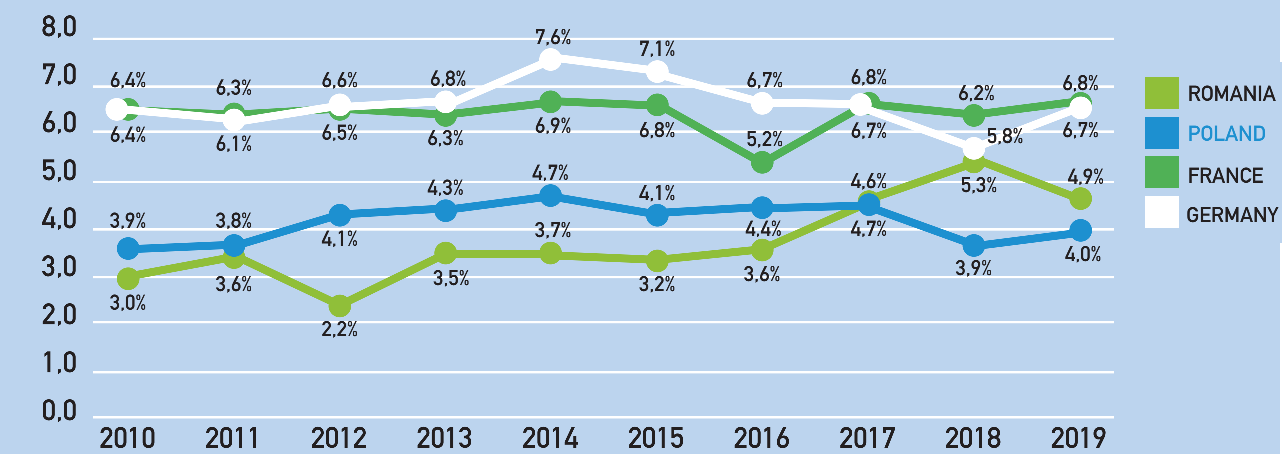
Agricover IFN's farmer financing operations have grown steadily, the non-bank financial institution reaching a 5.4% share of the total financing extended by banking and non-banking financial institutions to the agriculture, forestry and fisheries sector. If we consider only the segment of the market serviced by non-banking financial institutions, Agricover IFN's has a 15.1% share of market in December 2020, the company specializing in financing the agricultural sector.

By attracting EBRD (2017) and ADAMA (2019) to become partners in its corporate structure, Agricover Group has increased its know-how resources, expanded its options to grow and finance its businesses, and strengthened its corporate governance architecture, in line with the size reached by its operations and under robust risk-management circumstances.

Agricover Group, the catalyst of technological progress and farmer performance in Romanian post-EU accession

Romania benefits from a privileged position, the global context being favorable and offering long-term growth prospects for the demand for agricultural products. Considering the geographical distribution of the producing and consuming regions on the planet, international trade with agricultural products will grow and the Black Sea Basin will play an increasingly important role, connecting some of the main producers and exporters (such as the Russian Federation, Ukraine, and Romania) to major consumer markets such as the Middle East and Northern Africa. Additionally, as a member-state of the European Union, Romania already exports significant volumes to the commodity market.

COMPARATIVE EVOLUTION OF THE YIELD OBTAINED FOR THE MAIN CROPS IN ROMANIA VERSUS FRANCE, GERMANY AND POLAND, 2010-2019, TON/HA



SOURCE: FAO database for the years 2010-2018 for all the 4 countries, Eurostat for the year 2019 for France, Germany, and Poland, NIS for Romania's production in 2019

In Agricover Group's vision, the rapid absorption of technological progress supported by specialized financing solutions provides the Romanian farmers with a source of competitive advantage on the international markets where they sell their output. In this manner, they can benefit sooner from increased productivity for their main crops, than the farmers in neighboring countries. Without trying to oversimplify the complexity of agricultural activities, the fast-pace at which the Romanian farmers caught up with the performance of the German or French farmers, overtaking the performance achieved by the Polish farmers, can be explained only through the rapid and large-scale absorption of high-performing agricultural technologies.

Agricover Group, promoter of Romanian farmers' interests at the national and European level

The long-term partnership concluded by Agricover Group with the Romanian Farmers' Club for Performing Agriculture (the "Club"), a non-profit and non-governmental organization of farmers, is another example of the Group's activities to develop the Romanian agriculture.
The Club's main objective is to ensure the active involvement of its members in the process of consultation and elaboration of European and national regulations in agriculture, to protect the national specificity, and to increase the Romanian farmers' performance. The members of the organization are encouraged to adopt business models based on innovation, technology, and best practices in agriculture to increase competitiveness and add value to their businesses, while achieving a sustainable agriculture and protecting the environment.
Besides developing business relations with farmers, Agricover Group is actively involved, by supporting the Club, in addressing significant non-business challenges such as to formulate the position of the Romanian farmers on the elaboration of the new Common Agricultural Policy, the participation of the Romanian farmers in the elaboration of Romania's agriculture development strategies and plans of the local authorities, to elaborate land improvement studies and solutions (like the prevention of soil erosion by land improvement works such as drainage and irrigation).

The professional approach, the involvement of nationally and internationally renowned specialists, the wide-reaching business contacts networks are ways in which Agricover Group supports the Club in a pragmatic manner which is highly acknowledged by the various decision-making factors involved. Through this activity, Agricover Group genuinely contributes to strengthening the agricultural sector in general, ensuring at the same time a solid foundation for the long-term development of its business interests.

AGRICOVER GROUP'S BUSINESS SEGMENTS

Agricover Group's business model has gradually changed over time, but the main focus has remained to provide farmers with a wide range of products and services that are essential within the context of the fundamental development trends of the world agriculture, to which the Romanian farmers prove capable to adhere successfully. At present, Agricover Group develops four lines of business, each being carried out through a separate legal entity.

The "Agri-finance" segment

The farmer financing activity is carried out through Agricover IFN and comprises a portfolio of customized lending products (working capital loans for the purchase of agricultural technologies and fuel, investment loans for the purchase of agricultural land, agricultural machinery, and equipment, construction of farming operational facilities).

The goal pursued by the "Agri-finance" segment is to increase the number of farmers being financed (especially among the small and medium-sized ones) by facilitating their access to financing solutions adapted to the particulars of their activity, to determine an accelerated adoption of high-performing agricultural technologies at the level of the country's potential. The key objective for the next development stage is the increase in the number of financed farmers in the following years from approximately 3,280 in 2020 to a significantly higher number correlated to with the number of approximatively 40,000 farmers working less than 50 ha. The Group intends to achieve the development of the "Agri-finance" segment in conjunction with the "Agri-business" and "Agri-technology" segments by developing specific common products and services adapted to the needs of the significantly smaller business size of the farmers targeted in the new strategic development stage planned to start in 2021.

The "Agri-business" segment

The distribution of agricultural technologies (certified seeds, plant nutrition, and protection products) and fuel (diesel) is carried out through Agricover SA, the acquisition by farmers of a significant portion of these products being financed via the lending products developed by Agricover IFN as part of an integrated and highly synergistic business model existing between the two subsidiaries of Agricover Group.

This unique synergistic ability of the Group represents a significant source of differentiation from the competition and a major competitive advantage. A revealing proof is the fact that in 2020 over 37% of the purchases of agricultural technologies and fuel made by farmers from Agricover SA were made using financing provided by Agricover IFN. This shows the high extent of synergy be-tween the two entities, which supporting each other as reflected by the rapid growth rates of each activity and by the increasing market shares held by the Group within both market segments. The Group's key objective for the next development stage is the increase in the number of ser-viced farmers with agricultural technologies from 7,367 in 2020 to a significantly higher number correlated to a number of approximatively 40,000 farmers who exploit less than 50 ha. This leap planned for the following years will be based both on financing solutions tailored to this cate-gory of farmers (for example issuance of credit cards e used for purchasing products from

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Agricover SA), and on the introduction of a digital trading platform to provide farmers access to the Group's products and services. The collaboration developed during the last 12 years between "Agri-business" and „Agri-finance" segments will consequently diversify further by adding the new synergistic elements to be introduced by the "Agri-technology" segment.

The "Agri-technology" segment

Agricover Technology is the subsidiary established in October 2020 to provide thousands of Romanian farmers access to the most recent worldwide innovations in agriculture and propose to change the way they work at present via accessing digital technologies. More specifically, Agricover Technology will provide a "one-stop-shop" digital platform where farmers will be able to access:

• digital agriculture solutions (data processing using artificial intelligence of satellite images, sensors, drones);
• precision agricultural applications (seeding, treatments, fertilization);
• digital financial services and distribution of agricultural inputs;
• grain trading platforms, farm management applications.

Agricover Technology will define a standardized solution of technological support for the digitalization of Romanian agriculture and the introduction of the most recent and efficient solutions for precision agriculture, being aware of the significant investments in high-performance machinery in which thousands of Romanian farmers have already invested, but which are not fully utilized due to the lack of national digital infrastructure.

The use of digital services in agriculture will lead to cost optimization (for farmers managing less than 50ha included) by reducing the use of plant protection and nutrition products (a more efficient use, at the right place and in the right quantity, of agricultural technologies) and to a positive contribution by diminishing the impact of their activities on the environment. At the same time, in the context of the new Common Agricultural Policy (to be implemented starting 2021) which will contain certain ranges of subsidies that may be granted provided that farmers adopt precision farming practices, Romanian farmers will have the necessary tools to access these funds using the platform managed by Agricover Technology. The intention is for Agricover Technology to work directly with the relevant European and national institutions, including financing institutions involved in the implementation of support programs defined by the European Commission to provide the maximum available assistance and to reduce the financial effort to be undertaken by farmers.

The "Agri-food" segment

Abattoir operations and pork processing activities started in 2015 within Agricover SA and were demerged in April 2019 to the separate subsidiary Abatorul Peris.

Since the acquisition of the abattoir in Peris, in February 2015, and up to December 2019, the Group invested over EUR 10 million equivalent in revamping the production lines to increase the production capacity of value-added products, diversify distribution channels, and protecting the environment as well as in the IT infrastructure. The annual processing capacity of the abattoir is 500,000 heads, being the most important operator in South-Eastern Romania and the second in the country, after Smithfield Romania, benefiting from logistic advantages for raw materials supply and access to distribution chains for value-added products.

Obtaining the IFS Food (International Featured Standards Food) certification in 2018 and strengthening the Peris allowed the Group to access modern commercial chains for value-added products which, according to its business strategy, will carry an increasingly higher share of its product portfolio.

The Group's objective for the following years is to continue building the "Peris" brand, as a reference point for the Romanian consumers of quality and fresh traditional Romanian pork products in the minds of Romanian consumers. The Peris brand products are estimated to account for approximately 20% of sales in 2020, and Abatorul Peris aims for this share to reach 33% by 2024, while such radical reshaping of the business model is expected to gradually have a major positive impact on this business line's profitability.

PERFORMANCE OF THE YEAR 2020

The year 2020 was accompanied by major challenges for the Group, in the context of the global human pandemic with the COVID-19 virus, the continuation of the manifestation of African Swine Fever and the severe pedological drought that affected important arable areas in the south-east of the country.
However, the performance of all the Group's business segments was been sound because of continued corporate and operational reorganization program,]securing new sources of financing and the rigorous management of working capital.

Agricover Holding SA

Consolidated revenue (including interest income and commissions in the Agri-Finance segment)	down 2,0%, 1.639,1 million lei compared with 1.673,3 million lei in 2019
Consolidated profitability from continuing operations	increased with 61,6%, up to RON 77,3 million (2019: RON 47,8 million)
Earnings per share from continuing operations	up to RON 0,034 compared to RON 0,021 in 2019
Total net debt (total loans minus cash and cash equivalents) to Group equity	improved by 7,9%, falling to 2,80 (2019: 3,04)

Agricover Credit IFN SA and Clubul Fermierilor Romania Broker de Asigurare SRL

Value of loans and advances granted (net exposure)	increased with 9,4%, up to 1.643,3 million lei compared with 1.501,4 million lei in 2019
Profitability	increased with 14,4%, up to 42.110 million lei compared with 36.810 million lei in 2019
Capital adequacy ratio (The ratio of Own Funds to Total Value of Exposure, according to Romanian Accounting Standards, in accordance with BNR Regulation No 20/2009)	improved by 10,53% from 25,45% to 28,12% in 2020
Surfaces in brokered insurance	increased by 20,90% to 347 thousand hectares compared with 287 thousand hectares in 2020

Agricover Technology

The company was set up in October 2020, therefore as of 31 December 2020 it did not represent a significant segment of activity.

Agricover SA

Revenues	up 2,8%, 1.139,7 million lei compared with 1.109,1 million lei in 2019
Profit from continuing activities	increasing by 12,4%, 29,8 million lei compared with 26,6 million lei in 2019
Total net debt (total loans minus cash and cash equivalents)	down 32,3%, 66,8 million lei compared with 98,7 million lei in 2019
Cash flows generated from operating activity	up 574,5%, 58,2 million lei compared with -12,3 million lei in 2019

Abatorul Periș SA

Revenues	down 1,5%, 329,1 million lei compared with 333,9 million lei in 2019
Profit after tax	up 135,7%, 6,2 million lei compared with a loss of 17,4 million lei in 2019
Total net debt (total loans minus cash and cash equivalents)	down 22,1%, 31,7 million lei compared with 40,7 million lei in 2019
Cash flows generated from operational activity	up 299,3%, 13,3 million lei compared with -6,7 million lei in 2019

CHAIRMAN'S STATEMENT

The Board of Directors has risen to the challenges by demonstrating leadership, developing impact scenarios, and providing direction for management to continue supply and finance farmers throughout the COVID-19 pandemic. Deep commitment to a set of sound corporate governance principles has helped us successfully manage unprecedented difficulties and strengthen our financial position being close to the farmers and our business partners.

BUSINESS MODEL

During the year, the Agricover Group had the opportunity to demonstrate once again the resilience of its business model on the basis of which it delivered a solid performance, despite the challenges brought by the COFID-19 pandemic, the continuation of the African Swine Fever and the extreme climatic conditions that affected the crops of a large number of farmers in the south and east of the country. In these circumstances, the Group's revenues were declining, but the financial performance of the continued operations increased significantly.

Details of the group's financial performance can be found in the "Performance of year 2020" section.

BUSINESS STRATEGY

The business strategy was at the heart of the Board of Directors' concerns, along with the attention we are paying to Corporate Governance and Sustainability, given the rapid development goals of our business segments, against the background of profound transformations, globally, politically, economically, and industrially.

These profound transformations take place in the context of the chronicling of the COVID-19 pandemic, and the priorities of the Agricover Group, and of myself, are in the sense of promoting our work agenda in the field of Sustainability, and about generational exchange, which is a major imperative of the agricultural sector in Romania. In parallel, we continue our efforts to promote technological progress among Romanian farmers to ensure their financial stability and the long-term success of the Agricover Group.

SUSTAINABILITY

We are fully aware that the Agricover Group plays an important role in promoting sustainable agri-food production systems and we are concerned with finding effective solutions that contribute decisively to achieving the objectives of economic growth, environmental protection, welfare, and social equity.

Sustainability is the cornerstone of our business model and a major requirement of the industries in which we operate: agriculture and human nutrition.
Further details are presented in the Sustainability Report.

CORPORATE GOVERNANCE

The Agricover Group is simultaneously a family business, but also a public interest entity, which develops strategic partnerships with world-class financial institutions and strategic investors. Therefore, the Board of Directors is dedicated to maintaining the highest standards of Corporate Governance to provide executive management with a framework of principles that determine the long-term success of the business segments developed within the Agricover Group.

The continuing concern for the promotion of sound corporate governance principles, at all levels of the organization, demonstrates its benefits especially in times of crisis. The economic effects of the COVID-19 pandemic have put our business processes to the test, as well as our ability to adapt quickly to new realities.

As borders closed one after the other, at the onset of the crisis, global supply chains were deeply disrupted. In those dramatic conditions, the Agricover Group acted swiftly to continue its activity, providing farmers with agricultural inputs and financing their work to maintain national and international flows, the supply of agri-food products, in the markets supplied by Romanian farmers: the European Union, Middle East and North Africa.

The robustness of the Agricover Group's Corporate Governance Structures has also been highlighted through financial discipline, attention to risk management, and social responsibility demonstrated throughout 2020. Thus, just a few days after the start of the crisis, the Board of Directors developed scenarios for the impact on the operations and financial position of the Group's entities and coordinated management's efforts to secure new sources of funding in parallel with the focus for adapting operations to the new working conditions.

Further details on the governing principles adopted by the Agricover Group are presented in the Corporate Governance Statement.

DEVELOPMENT PERSPECTIVES

We are entering 2021 with optimism, based on the sound financial position secured last year, robust management and executive leadership teams, and much improved climate conditions. We are confident in continuing the structural and operational optimization process that will ensure a continuous improvement in the financial performance of the business segments developed within the Agricover Group.

During 2021, we will focus our efforts and resources on developing synergistic, original, and highly differentiated operations to accelerate the adoption of the most advanced agricultural technologies, by Romanian farmers, with the support of innovative financing solutions perfectly adapted to the specifics of the agricultural sector.

The Board of Directors' agenda for the coming period includes three major priorities: a) digitizing the operations and supply of products and services offered to farmers, b) diversifying sources of funding and increasing the presence on the capital market, and c) ensuring a sustainability framework via integrating in the coming years, at least 1,000 children of farmers (graduates of higher education), within the agricultural sector.

The Board of Directors of the Agricover Group is the main strategic guidance structure concerned with achieving ambitious objectives to improve the financial performance of the Agricover Group in the long term, and under conditions of sustainability and social responsibility.

JABBAR KANANI

CEO'S STATEMENT

By running a strategy of specializing in high-performance business segments, discontinuing operations that did not perform and investing in technology and automating business processes, we have successfully overcome a difficult year and consolidated a solid financial position.

ROLE OF AGRICOVER GROUP IN ROMANIAN AGRICULTURE

The Agricover Group is positioning itself as a vector for development and innovation in Romanian agribusiness. Agricover Holding SA is a majority shareholder in companies engaged in the distribution of agricultural technologies, financing of farmers, development of specialized software for agriculture and meat processing.

Over the past five years, we have carried out an extensive structural reorganization program of the Group's operations, aiming to implement a strategy to specialize the group's entities in the development of a single business segment, to close non-performing operations and to automate business processes. This strategy has led us to secure a market-leading position, giving farmers access to high-performance agricultural technologies and sector-specific financing solutions. Our objective for the development of Romanian farmers' businesses, on a sustainable basis, is the foundation of our long-term success.

We take responsibility for promoting sustainable agriculture, protecting the environment and respecting human rights in dealing with customers, suppliers and employees.

HEALTH AND SAFETY

In the epidemiological context of 2020, our main priorities were the health of our employees and business continuity. We have widely implemented work from home concept, additional safety measures have been taken (free employee testing, regular disinfection of office and production spaces, staff rotation, settlement of individual transport to the workplace, etc.). We have not experienced major outbreaks and the activity of companies was not interrupted.

ENVIRONMENT AND SUSTENABLE AGRICULTURE

Sustainability in agriculture is essential to ensure food needs for the population globally. We support the widespread adoption of the most modern agricultural technologies by as many Romanian farmers as possible, well financed, directly contributing to maximizing the use of Romania's outstanding agricultural capacity.

In this context, sustainable growth of farm productivity and the efficient use of natural resources are vital tools for protecting the environment.
Increasing productivity in the main crops using the same resources will help Romanian

farmers to produce more, environmentally friendly, efficiently using plant protection and nutrition products, consuming less water and without clearing land for agriculture. One of the most important tools to achieve this is the adoption of digital farming technologies. The digitization of agriculture allows for a significant reduction in consumption of plant protection and nutrition products, which are applied in a controlled manner and in the strictly necessary quantities. The adoption of digital tools also reduces production costs and thus increases the competitiveness of farmers.

To support this process of digitalization, in 2020, we established a new subsidiary, Agricover Technology SRL, with the object of development of software for agriculture. In the production area, we pay particular attention to Peris meat production facility, where in 2020 we have completed an investment of more than EUR 1.5 million for a modern and efficient wastewater treatment plant.

SOCIAL RESPONSIBILITY

Social responsibility and sustainable agriculture are in our view two sides of the same coin. The needs of Romanian farmers, the backbone of Romanian agriculture, go beyond access to technology or finance. The change in Common Agricultural Policy, generational shift, modernization, and digitization of agriculture are topics of general interest, with a major impact, both on the role played by agriculture within the Romanian economy, but also on the role of Romanian agriculture within the European Union and globally.

In 2019 we helped to create a professional association of farmers, Clubul Fermierilor Români pentru Agricultură Performantă (Clubul Fermierilor Români).
Clubul Fermierilor Români has more than 700 members has already become a strong voice in promoting and representing the interests of farmers in Brussels and Bucharest, develops studies and analyses, makes recommendations in the decision-making process on the regulation and financing of agriculture,
runs professional training program for young farmers, proposes fiscal and legislative solutions to support the long-term development of strong and sustainable agriculture in Romania.

We believe that one of the most important programs of the Romanian Farmers Club is the program of training young farmers. This is a complex training program that facilitates generational transfer on farms. In 2020, the Agricover Group awarded 10 scholarships to young farmers to participate in this program. The scholarships were awarded in the form of sponsorships worth 100,000 euros. As a medium- and long-term objective, we are committed to continuing in this direction and over the next 10 years to grant an additional 1,000 such scholarships

LIVIU DOBRE

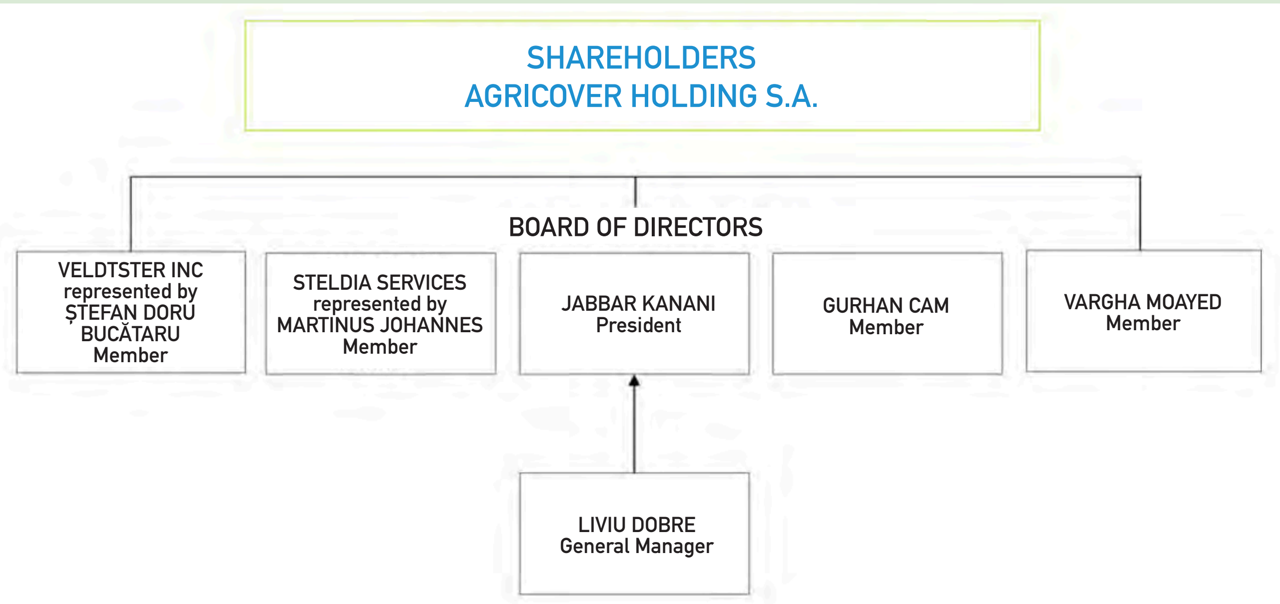
CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE STRUCTURES

AGRICOVER HOLDING SA

In its capacity as the mother company of all the entities forming Agricover Group, Agricover Holding SA is legally represented by its General Manager, who conducts his/her activity under the oversight of the Board of Directors and fulfilling the main management functions of the entire group. This activity comprises the strategic alignment of the Group, the allocation of resources among Group entities and managing their finances, supervising their executive management, as well as managing the Group's operational activity.

The management structure of Agricover Group comprises four segments: distribution of agricultural technologies, farmer financing, information technology and pig and pork processing, which also represent the Group's reporting segments. The activities of each segment are carried out through separate legal entities, all operating under the oversight of Agricover Holding SA.

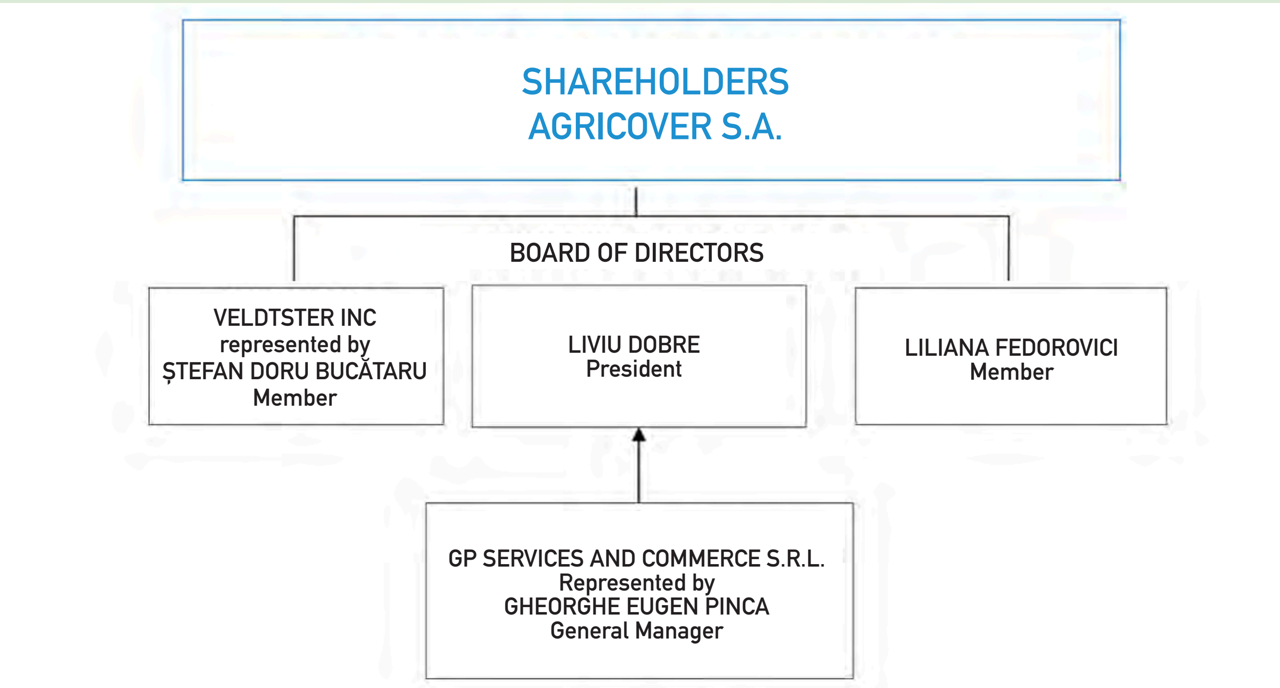


AGRICOVER SA

The distribution of agricultural technologies is carried out through Agricover SA, a joint-stock entity incorporated and operating under the laws of Romania. The company is owned by Agricover Holding SA (86.62%), Adama Agriculture BV, (10.00%) and a large number of minority shareholders (3.38%).

The majority of the products distributed by Agricover SA are premium global brands, supplemented by specialized solutions distributed under our private labels, to enable the Company to react quickly to the specific needs of the local market. Our deep understanding of the needs of the farmers, on one hand, and our ability to develop strong partnerships with key suppliers, on the other hand, help us develop large-scale operations, which are instrumental in making available to farmers, state-of-the-art technological solutions accessible under competitive commercial terms.

As the Group's entity specialized in facilitating the farmers' access to modern agricultural technologies, Agricover SA is represented by its General Manager, who conducts his/her activity under the oversight of the Board of Directors of Agricover SA, distributes a wide portfolio of high-quality technological solutions: certified seeds, innovative plant protection and nutrition products, fuel, as well as support services to those farmers interested in developing a sustainable agriculture. We acquire agricultural technological solutions from their developers and suppliers and re-distribute them directly to farmers.

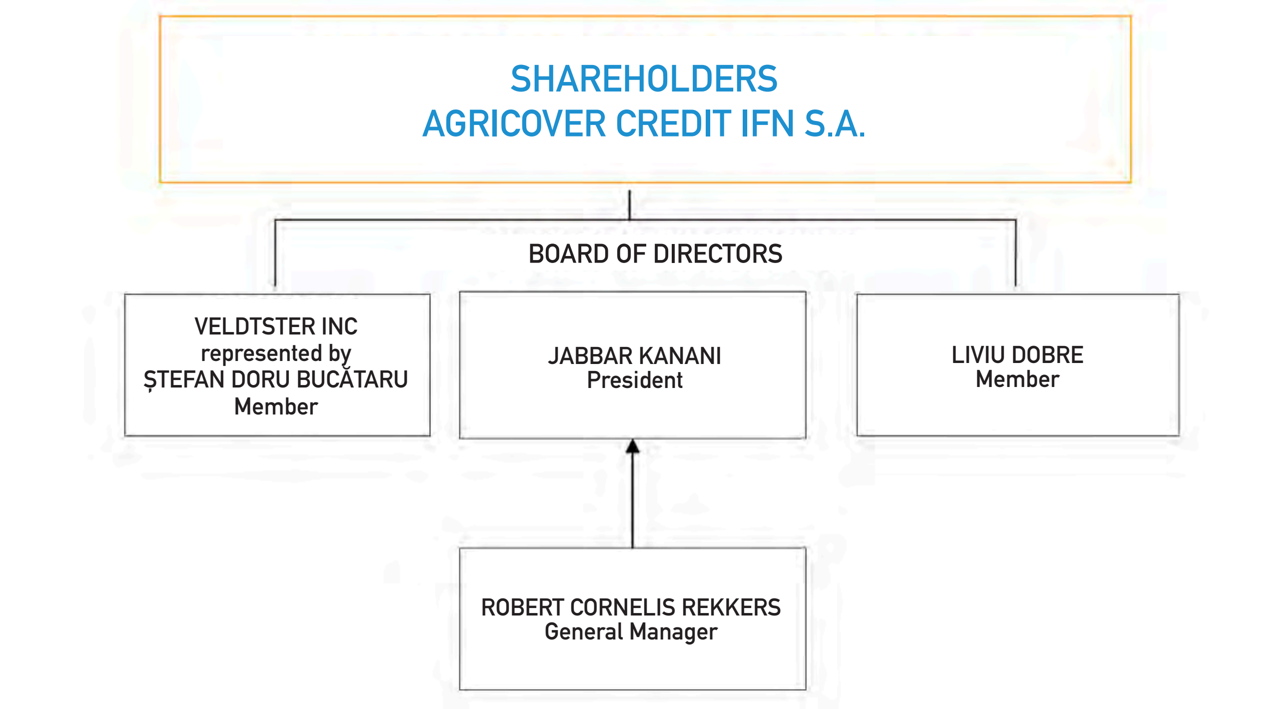


AGRICOVER CREDIT IFN SA

Farmer financing is carried out through Agricover Credit IFN S.A., a non-bank financial institution whose operations are regulated by, and conducted under, the oversight of the National Bank of Romania. Agricover Credit IFN S.A. is owned by Agricover Holding S.A. (99,999992%) and Agricover S.A. (0,000008%).

As of April 2020, Agricover Credit IFN S.A. is the majority shareholder of Clubul Fermierilor Români Broker de Asigurare S.R.L. (51,02%), and insurance brokerage incorporated and operating under the laws of Romania. The Romanian Farmers' Club Association for High-performance Agriculture is a not-for-profit organization, operating under the laws of Romania, and is the minority shareholder of Clubul Fermierilor Români Broker de Asigurare SRL (48,98%).

As the Group's entity specialized in financing farmers, Agricover Credit IFN SA is represented by

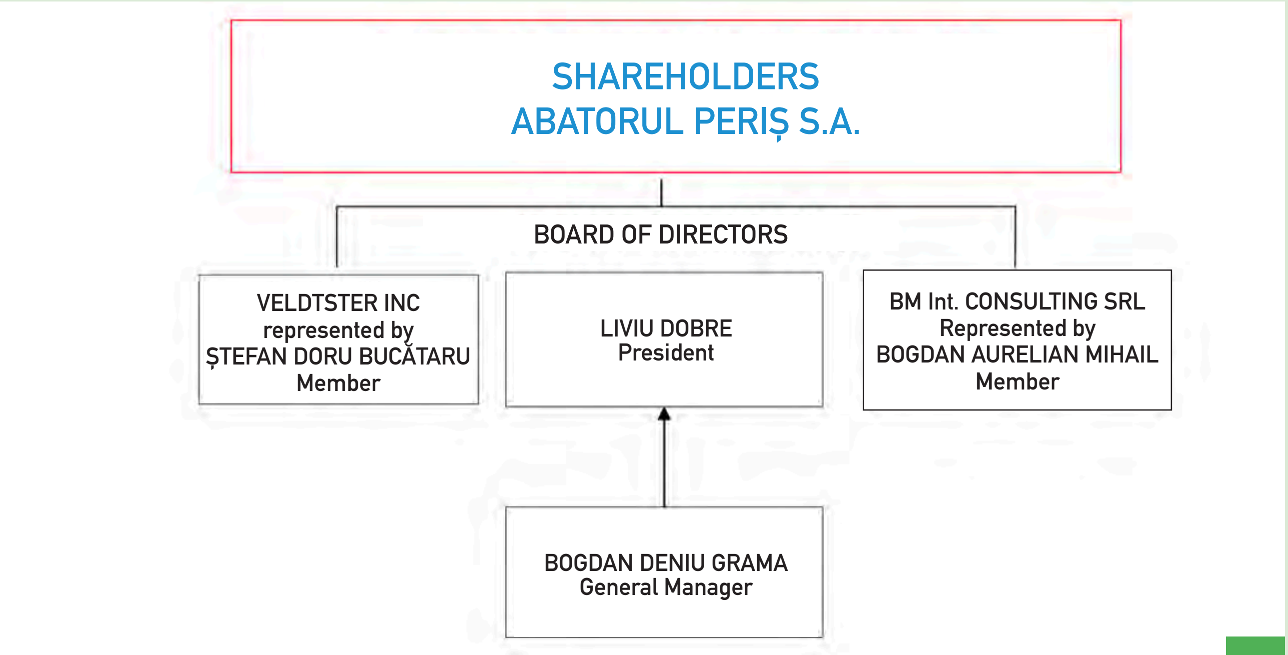


its General Manager, who conducts his/her activity under the oversight of the Board of Directors of Agricover Credit IFN, and is the only Romanian financial institution exclusively offering farmers pre-financing solutions, financial products to acquire fertilizers and fuel, with payment delayed to the next harvest, investment loans to buy arable land, agricultural machinery and equipment, and many other specialized products.

ABATORUL PERIȘ SA

Pig slaughtering and pork processing are activities carried out through Abatorul Periș S.A., a joint-stock company, incorporated and operating under the laws of Romania. The Company is owned by Agricover Holding S.A. (98,06%) and a large number of minority shareholders (1,94%).

As the Group's entity specialized in processing pigs and pork, Abatorul Periș SA is represented by its General Manager, who conducts his/her activity under the oversight of the Board of Directors of Abatorul Periș SA, displays the most modern pork processing operations in Romania.



AGRICOVER GROUP BOARD OF DIRECTORS

Agricover Holding SA is governed by a Board of Directors comprising five members of whom one is the Executive Chairman, one Executive Director, and three Non-executive Directors. The Board of Directors of Agricover SA comprises three members, of whom one Executive Chairman, one Executive Director and one Non-executive Director. The Board of Directors of Agricover IFN comprises three members, of whom one Executive Chairman, and two Executive Directors. The Board of Directors of Abatorul Periș SA comprises three members, of whom one Executive Chairman, one Executive Director and one Non-executive Director.

The members Board of Directors are appointed by the Ordinary General Meeting of Shareholders for a renewable mandate of maximum 4 years. The only exception is Agricover Technology SRL, which is governed by a Sole Director and General Manager, given its incipient state of development.

The Boards of Directors comprise an odd number of at least 3 members, who exercise their powers collectively. In the case of Agricover Holding SA, one of its Directors is nominated by EBRD, in its capacity of minority shareholder. Adama Agriculture BV, in its capacity as minority shareholder, also has the right to nominate a member of the Board of Directors of Agricover SA. The members of the Board of Directors can be appointed from among shareholders.

The Board of Directors responsible for carrying out all required actions as to enable the Company to conduct its activity, except for attributions which are by law or constitutive deed under the responsibility of the general shareholders meeting.

The Companies' Articles of Association set forth the delegation, according to Companies Law, of the following duties from the General Meeting of Shareholders to the Board of Directors: changing the object of activity, other than the main, set-up or close branches, representative offices, agencies, and business locations, with or without legal status, in Romania or abroad.
There is a series of matters on which the BoD is entitled to decide only under presence of all members during the entire meeting and based on the unanimous vote in favor of that decision.

These aspects are detailed below under Important Agreements.
As of the date of this Document, the composition of the Board of Directors of Agricover Holding SA is as follows:

NAME	FUNCTION
Jabbar Kanani	Chairman of the BoD, Executive director
Steldia Services Ltd., represented by Elling Martinus Johannes	Appointed by EBRD, non-executive director, independent
Veldtster Inc., represented by Bucataru Ștefan Doru	Executive director
Gurhan Cam	Non-executive director, independent
Vargha Moayed	Non-executive director, independent

The length of tenure of the members of the Board of Directors of Agricover Holding SA as of 31 December 2020 is set of below:

- Jabbar Kanani, 3 years and one month
- Stefan Doru Bucataru, 3 years and one month
- Martinus Johannes Elling, 1 year and 5 months

• Vargha Moayed, 1 year and 7 months
• Gurhan Cam, 3 months

Changes to the composition of the Board of Directors: Gurhan Cam was appointed as a member of the Board of Directors of Agricover Holding SA, for a 2-year mandate, on 18 September 2020, replacing Ivan Gulmagarashvili. Vargha Moayed was appointed as a member of the Board of Directors of Agricover Holding SA, for a 2-year mandate, on 24 May 2019.

MR. JABBAR KANANI is the Chairman of Agricover Holding BoD. Mr. Kanani graduated from the "Carol Davila" University of Medicine in Bucharest. He is the founder of Agricover SA and Agricover IFN. Over the years, he developed several brands including Ulvex - edible oil, Stalinskaya - vodka, and Wembley - dry gin. Mr. Kanani has dual nationality, Romanian and Iranian, and he speaks Azeri, Farsi, Romanian, and English. As of the Prospectus date, Mr. Kanani is the majority shareholder of Agricover Holding, controlling 87.269% interest in the company. At the same time, he is the Chairman of Agricover IFN BoD. His business address is B-dul PIPERA 1B, Cladirea de Birouri Cubic Center, floor 6 Voluntari, Ilfov.

MR. ELLING MARTINUS JOHANNES is a member of Agricover Holding BoD, as the representative assigned by the EBRD. Mr. Elling studied economics and worked for the United Nations Organization, the World Bank, and the European Bank for Reconstruction and Development ("EBRD"). He is co-founder of Mindy Support company. His business address is B-dul PIPERA 1B, Cladirea de Birouri Cubic Center, floor 6 Voluntari, Ilfov.

MR. BUCATARU STEFAN DORU is a member of Agricover Holding BoD. Mr. Bucataru graduated from the Polytechnic University of Bucharest and holds an MBA from Durham University Business School in the UK. He held senior executive positions in companies such as Transelectrica S.A., Teraplast S.A., Global Finance International, Lasselsberger GmbH, Sanex S.A., or Friesland-Campina. Also, he served as a member on the boards of Transelectrica S.A., Teraplast S.A., United Milk Company, Lasselsberger GmbH, Sicomed S.A. and Sanex SA. Mr. Bucataru speaks English, French and Romanian and has dual nationality, Romanian and Canadian. As of the Prospectus Date he is also member of the boards of directors of Agricover SA, Abatorul Peris and Agricover IFN. His business address is B-dul PIPERA 1B, Cladirea de Birouri Cubic Center, floor 6 Voluntari, Ilfov.

MR. GURHAN CAM is member of Agricover Holding BoD. Mr. Cam is a graduate of the Istanbul Technical University and holds a master's degree in Strategic Marketing and Brand Management from Bahçesehir University. Currently, Mr. Cam is Senior VP, Deputy COO and Chairman of the Innovation Committee in DenizBank Turkey. Mr. Cam has more than 18 years of experience in Corporate Retail Banking, IT, Digital Banking and Innovation and is a board member of MMA Turkey, editor of Journal of Digital Banking - Henry Stewart Publications UK, member of the auditors committee of EFMA Europe. The business address is B-dul PIPERA 1B, Cladirea de Birouri Cubic Center, floor 6 Voluntari, Ilfov.

MR. MOAYED VARGHA is a member of Agricover Holding BoD. Mr. Moayed is a graduate of Ecole Superieure de Commerce de Montpellier (France) and holds a master's degree from Wharton School, University of Pennsylvania (United States of America). He held executive positions in companies such as Ernst & Young, McKinsey & Company, First Data Corporation, Venture Park, and Ipanema Technologies. As of the Prospectus Date, he is part of the management team of UiPath. Furthermore, he speaks English, French, and Spanish. The business address is B-dul PIPERA 1B, Cladirea de Birouri Cubic Center, floor 6 Voluntari, Ilfov.

Other people holding the position of director within the Group are:

NAME	FUNCTION	ENTITY
Liliana Fedorovici	Appointed by ADAMA, non-executive director	Agricover SA
BM International Consulting SRL, represented by Mihail Aurelian Bogdan	Independent, non-executive	Abatorul Periș SA

The length of tenure of the members of the Board of Directors of Agricover SA and Abatorul Peris SA as of 31 December 2020 is set of below:

- Liliana Fedorovici, 1 month
- Mihail Aurelian Bogdan, 10 months

Changes to the composition of the Board of Directors: Liliana Fedorovici was appointed as a member of the Board of Directors of Agricover SA, for a 4-year mandate, on 16 November 2020, replacing Dimitrios Drisis. Mihail Aurelian Bogdan was appointed as a member of the Board of Directors of Abatorul Peris SA, for a 2-year mandate, replacing Jabbar Kanani.

MS. LILIANA FEDOROVICI is a non-executive director of Agricover SA as representative appointed by Adama Agriculture. Mrs. Fedorovici graduated from the Academy of Economic Studies of Bucharest (Romania) and is a member of the Body of Expert and Licensed Accountants of Romania and the Romanian Chamber of Auditors. With experience of more than 30 years, Mrs. Fedorovici has held and holds executive and non-executive positions in many companies within the Adama Group. As of the Prospectus Date, she is the Deputy CFO/European Controller/Director of Adama European Headquarters and a member of the Internal Audit Committee.

MR. MIHAIL AURELIAN BOGDAN is a non-executive and independent director of Abatorul Peris. He graduated from the "Carol Davila" University in Bucharest and has a master's degree from ASEBUSS & Washington University in Seattle (The United States of America). He also studied Advanced Management at Harvard Business School (The United States of America) and INSEAD (Franta). He held executive positions in companies such as Smithfield Romania and Prodal Group. As of the Prospectus Date, he is a member of the BoD of the Romanian Meat Association and OCIP/OIPA.

AGRICOVER GROUP EXECUTIVE MANAGEMENT

The Board of Directors delegates the Company's management to one or more managers, one of whom is appointed as General Manager. Managers may be appointed from among Directors. Managers represent the Company in relation to third parties and in courts of law, according to the limits set forth by the law, the Articles of Association, and their mandate.
As of the date of this Document, the Company's management is delegated to Mr. Liviu Dobre, who is the General Manager and performs his activities at the Company's registered office.

MR. LIVIU DOBRE is General Manager of Agricover Holding. Mr. Dobre is a graduate of the Academy of Economic Studies. He held senior management positions in companies such as RCI Leasing Renault Group and Planet Leasing, and since 2008 he has held various positions in Agricover Group. Mr. Dobre speaks English, French, and Romanian. As of the Prospectus Date, he is the chairman of the boards of directors of Agricover SA and Abatorul Peris, as well as a member of the BoD of Agricover IFN. Also, he is the sole director of Clubului Fermierilor Romani Broker de Asigurare SRL and the sole director and CEO of Agricover Technology SRL. His business address is B-dul PIPERA 1B, Cladirea de Birouri Cubic Center, floor 6 Voluntari, Ilfov.

Other people holding key positions within the Group are:

NAME	FUNCTION	ENTITY
Gheorghe Eugen Pinca representative of GP SERVICESS & COMMERCE SRL	General Manager	Agricover SA
Robert Cornelis Rekkers	General Manager	Agricover IFN
Bogdan Deniu Grama	General Manager	Abatorul Peris

The length of tenure of the General Managers, as of 31 December 2020, is set out below:

- Liviu Dobre, 1 year and 10 months
- Gheorghe Eugen Pinca representative of GP SERVICES AND COMMERCE SRL, 3 years
- Robert Cornelis Rekkers, 3 years and 11 months
- Bogdan Deniu Grama, 9 months.

Changes to the composition of the Executive Management team: Liviu Dobre was appointed General manager of Agricover Technology SRL, on 30 September 2020. Bogdan Deniu Grama was appointed General Manager of Abatorul Periș SA, for a 4-year mandate, on 9 March 2020, replacing Marius Văcăroiu.

DL. PINCA GHEORGHE EUGEN is the legal representative of GP SERVICES AND COMMERCE SRL, the General Manager of Agricover SA. Mr. Pinca is a graduate of the Technical University in Timisoara. He held senior management positions in companies such as Coca Cola HBC and Vincon Vrancea and joined Agricover Group in 2008. Mr. Pinca speaks English and Romanian.

DL. REKKERS ROBERT CORNELIS is the General Manager al Agricover IFN. Mr. Rekkers is a graduate of the Business University – Economics and Law (both in the Netherlands). He held management positions in ABN Amro and various banks in Paraguay, the United States of America, and Columbia. Also, for 9 years, he was the General Manager of Banca Transilvania SA. Mr. Rekkers speaks English, French, German, Dutch, and Romanian.

DL. GRAMA BOGDAN DENIU is the General Manager of Abatorul Peris. Mr. Grama is a graduate of the Romanian-American University, Management, and Marketing, and holds a master's degree from Conservatoire National des Artes et Metiers-INDE (France) and a master's degree in Business Management from the Academy of Economic Studies Bucharest. He was the General Manager of Agroalim Distribution Romania (a joint-venture with Smithfield SUA), Ulker Turkey, Aaylex Group-CoCoRico Romania, and Sam Mills Romania/Givesco Denmark. He was also a member of the board of directors of Dole Food (Romania). Mr. Grama speaks English, French, and Romanian.

CONFLICT OF INTEREST

At the date of this Document, there is no information on actual or potential conflicts of interests between any duties to the Company of each member of the administrative and management bodies of the Company and their private interests or other duties.

IMPORTANT AGREEMENTS

Except for the contracts described below, the Company and its Subsidiaries have not concluded any kind of material contracts other than those concluded in the normal course of business.

THE CONTRACT FOR THE SUBSCRIPTION OF SHARES OF AGRICOVER HOLDING SA

On 12.10.2017, Agricover Holding, the Main Shareholder, and EBRD concluded a contract for the subscription of shares by which EBRD subscribed 275,414,102 Shares, for a subscription price of RON 31,892,126.92. In case EBRD terminates the contract, the Company undertakes to repay the subscription price. EBRD may terminate the contract due to a material default by the Company of Main Shareholder or in case there is a material adverse effect on the activity, operations, assets, or financial condition of the Group or the Main Shareholder. EBRD may also terminate the Contract for reasons that do not relate to the Company in case the EBRD management decides that Romania's access to EBRD resources should be suspended or amended in any way

AGRICOVER HOLDING SA SHAREHOLDERS' AGREEMENT

Following the conclusion of the contract for share subscription by which EBRD became a minority shareholder of the Company, on 12.10.2017, Agricover Holding, the Main Shareholder, and EBRD concluded a shareholders' agreement to regulate EBRD rights as a minority shareholder of the Company.

As long as, EBRD holds shares representing a minimum 5% of the Company's share capital, no General Meeting of Shareholders decision shall be valid without the "in favor" vote expressed by EBRD in relation to a series of aspects, as detailed in the Company's Articles of Association.

EBRD has the right to appoint a member of the Board of Directors. As long as EBRD holds shares representing a minimum of 5% of the Company's share capital, the Board of Directors may make decisions on the following aspects only with the presence of all its members during the entire meeting and with the unanimous vote „in favor" of the respective decision.

• Approve Company's business plan;
• Increase or decrease the share capital, convert the Affiliates' shares or create new classes or types of shares;
• Transform, merge, consolidate, split, dissolve or wind up any Affiliate or reorganize it with a different legal form or purchase of shares by the Company or any Affiliate in another company;

• Cancel or limit preference subscription rights of Affiliates' shareholders;
• Set-up or cancel new branches of the Company or participation in any joint venture;
• Introduce any restriction regarding the possibility to transfer shares to any Affiliate;
• Relocation of the Affiliates' registered office;
• Any change to Affiliates' object of activity;
• Appoint, dismiss or remunerate the Affiliates' directors, amend the number of BoD members or any other rules governing Affiliates' Bods;
• Set-up or dissolve BoD committees, except for the ones required by law;
• Approve Affiliates' yearly financial statements;
• Decide the dividend or share redemption by Affiliates;
• Appoint or dismiss the Affiliates' auditors or liquidators (in case of voluntary winding up);
• Change in the Affiliates' dividend policy;
• Appoint, release or remunerate the Company or its Affiliates general manager;
• Approve any financial commitment or expense and any sale document regarding an asset of the Group that exceeds EUR 5,000,000;
• Approve any contract concluded by the Company or Affiliates with the Main Shareholder, EBRD, or an Affiliate;
• Approve legal documents regarding the use of the Group's intellectual/intangible property;

• Approve any draft decision regarding dividend or share redemption to be submitted to the GSM;
• Approve any draft decision regarding the increase in the Company's share capital or Share conversion to be submitted to the GSM;
• Approve any draft decision regarding amendments to dividend policy to be submitted to the GSM;
• Any decision necessary according to art.15322 of Companies Law regarding the purchase or sale of assets by the Company the value of which exceeds 50% of the book value of all the assets held by the respective Affiliate;
• Approve any legal documents by any company in the Group for contracting loans or guaranteeing debts of any person, save for the ones assumed in the local budget;
• Approve Affiliates' yearly budget.
The Company has also committed to implement EBRD's action plan to optimize the effectiveness of its measures related to enhancing environment protection, labor conditions, resource utilization, pollution control, and employee health and safety, both at the level of the Company and its Subsidiaries.

AGRICOVER SA SHAREHOLDERS' AGREEMENT

Adama Agriculture took over 10,463,636 shares of Agricover SA, representing 10% of the share capital through a share-purchase agreement concluded with Agricover Holding. Because Adama Agriculture became a shareholder of Agricover SA, Adama Agriculture and Agricover Holding concluded a shareholders' agreement to regulate the rights of Adama Agriculture as a minority shareholder of Agricover SA.
As long as, Adama Agriculture is a shareholder of Agricover SA, it has the right to appoint at least one member in the BoD. Moreover, the GSM shall not make any decision in the absence of Adama Agriculture vote in favor of the respective decision, expressed by the member appointed by Adama Agriculture, regarding the following:
• Any transaction between Agricover SA and an affiliate or an affiliate of Agricover Holding or of Agricover Holding shareholders, save for the exceptions agreed;
• The merger of Agricover SA with a company performing an activity that is not similar or complementary to Agricover SA business;
• Cease of Agricover SA activity or performance of an activity that is not related to the current business of Agricover SA;
• Purchase a material interest (save for tradable securities) in any legal entity that does not perform a business complementary to that of Agricover SA;
• Change the legal form of Agricover SA;
• Listing or trading of any shares or debentures on any stock exchange or market before 1.01.2022;
• Expand Agricover SA business outside Romania;
• Any new collateral issued by Agricover SA in relation to the obligation of a third-party;
• Any acquisition of assets that exceeds EUR 2,000,000, is outside the normal course of business of Agricover SA and was not approved according to the budget;
• Any sale of assets that exceeds EUR 2,000,000, is outside the normal course of business of Agricover SA and was not approved according to the budget;
• Any use of the credit or loan which makes that non-current assets of Agricover SA exceed an amount equal to 250% of EBITDA Agricover SA for the previous financial year, calculated based on the audited financial statements for that respective year (if not yet audited, unaudited financial statements);
• Payment or waiver of any legal claim where Agricover SA is a plaintiff or defendant, in case the total payment exceeds EUR 2,000,000.

THE DIRECTORS' REPORT

The Directors present their Annual Report together with the audited consolidated financial statements of the Group for the year ended 31 December 2020, which are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

PRINCIPAL ACTIVITIES AND PERFORMANCE EVALUATION

The main activities carried out by the Group comprise the following:

- Agricover SA – markets and distributes agricultural technologies and inputs to address the quality, efficiency and output requirements of farmers engaged in primary agricultural production;
- Agricover Credit IFN – offers financing solutions to address working capital and capital expenditure financing requirements of farmers engaged in primary agricultural production;
- Abatorul Periș SA – processes pigs and pork to address Romanian consumer preferences for high-quality fresh pork and pork products, of local origin and traditional tase.
- Agricover Technology SRL – (incorporated in October 2020) will offer digitally enhanced precision agriculture solutions to farmers engaged in primary agricultural production, to address their requirements to access the next wave of technological development.

During 2020, despite challenging conditions cause by the COVID-19 pandemic, the continuing African Swine Fever, and the extreme weather conditions, which affected the crop output of a large number of farmers in the southern and eastern parts of the country, the entities forming Agricover Group focused on continuing their operations and optimizing their financial performance.

The Board of Directors considers the evolution of the Group's financial performance and position to be satisfactory. Key performance indicators summarizing this evolution can be found in the Strategy Report.

The financial results of the Group for the year are detailed in the annexes to this Document.

- Group consolidated revenues (including interest income and commissions in the Agri-Finance segment) of RON 1,639.1 million, decreasing by 2.0% (2019: RON 1,673.3 million);
- Consolidated profitability from continuing operations of RON 77.3 million, increasing by 61.6% (2019: RON 47.8 million).

DEVELOPMENT PROSPECTS

The Group maintains ambitious development objectives aiming to grow its shareholders' value by pursuing an organic growth strategy and deploying new initiatives to take advantage of significant industry opportunities.

DIVIDENDS

Agricover Holding SA follows a policy of not distributing dividends to accumulate capital and pursue the rapid growth of its Subsidiaries. By exception, during 2020, Agricover Holding SA registered a compensation of receivables and liabilities towards Jabbar Kanani. The gross values of

the compensated receivables and liabilities was RON 21,011,277, and represented the receivables generated by the sale of the shares owned in Agriland Ferme SA and the liabilities associated with the dividends declared for 2019.

The transaction was carried out in accordance with the provisions of the Shareholders Agreement concluded between Jabbar Kanani and EBRD, on 12 October 2017, whereby the parties agreed to spin off certain long-term assets in conjunction with the Group discontinuing certain activities.
Thus, a total area of arable land of 768 hectares (comprising 714 plots, of which 583 with adequate land records and 127 without or incomplete land records) respectively 120 land record numbers in several locations in Buzău, Ialomița, Prahova, Teleorman, and Argeș counties) was spined off on 1 April 2019, to Agriland Ferme SA. These plots of arable land have never been involved in the main activity of Agricover SA, and their externalization was agreed upon with EBRD at the time the international financial institution entered the shareholding of Agricover Holding.

The spin off did not include any form of financial compensation for EBRD, as their value was not taken into account when determining EBRD's contribution to the share capital of Agricover Holding of 17 November 2017. The spin off process was completed in 2 stages. The first stage consisted of the demerger of Agricover Holding SA, with the incorporation of Agriland Ferme SA taking over the title to those respective plots of arable land. Through the demerger, the shareholders of Agriland Ferme SA remained the same as the shareholders of Agricover Holding SA. The second stage involved the acquisition of Agricover Holding SA's interest in Agriland Ferme SA by Mr. Jabbar Kanani, followed by a one-time distribution by Agricover Holding SA of a dividend to all its shareholders, except to EBRD, the value of which was determined to compensate the amount owed by Mr. Jabbar Kanani.

This transaction was designed to ensure no benefit for EBRD, a zero-sum for the majority shareholder who neither gained, nor lost anything, and the fair compensation for the minority shareholders, pro-rata with their participation to the share capital of both entities, Agricover Holding SA and Agriland Ferme SA, respectively. The fair market value of the arable land used to determine the value of the above-described transaction was assessed by Deloitte Consultanță SRL.

SHARE CAPITAL

The subscribed and fully paid share capital of Agricover Holding SA as at 31 December 2020 is RON 216,396,807.50, of which RON 27,631,412.00 contributed in cash and RON 188,765,395.50 contributed in kind, and divided in 2,163,968,075 shares, each with a nominal value of RON 0.10.

The share capital of Agricover Holding SA was constituted as follows:

• RON 90,000.00 was initially transferred from AGRICOVER SA, as part of the demerger carried out in 2016, and RON 188.765.395,50 was subsequently contributed in kind by Mr. Jabbar Kanani to the share capital increase of the Company and represented the fair market value of his interest in Agricover SA.

• The share capital structure of the Company changed in 2017 via a share capital increase of RON 31,892,129 contributed in cash by the European Bank for Reconstruction and Development (EBRD), structured as a capital increase of RON 27,541,412.00 and a subscription premium of RON 4,350,717.00.

THE SHAREHOLDING STRUCTURE AS AT 31 DECEMBER 2020 IS SET OUT BELOW:

SHAREHOLDER	NUMBER OF SHARES	SHAREHOLDING (%)
Kanani Jabbar	1,888,469,175	87,269
European Bank for Reconstruction and Development	275,414,102	12,727
Other shareholders	84,798	0,004
Total	2,163,968,075	100

The shareholders' rights and obligations are set out in the Company's Articles of Incorporation, which can be found on the Company's website at: www.agricover.ro.

EQUITY PARTICIPATIONS

As at 31 December 2020, the Company held shares in the form of participation interests in the following subsidiaries:

SUBSIDIARY	BUSINESS OBJECT	% OF OWNERSHIP	SHARES VALUE AT 31.12.2020 (LEI)
AGRICOVER CREDIT IFN SA	Other lending activities	99,999992 %	130.544.580
AGROADVICE SRL	Business and management consulting activities	50%	100
AGRICOVER SA	Wholesale trade in cereals, seeds and animal feed	86,62%	182.240.634
ABATORUL PERIȘ SA	Processing and preservation of meat	98,06%	27.329.701
AGRICOVER TECHNOLGY SRL	Other software editing activities	100%	45.000
TOTAL VALUE of owned shares			340.160.015

Number of shares and nominal value of shares held by Agricover Holding SA in its subsidiaries:

COMPANY	NB. OF SHARES IN JOINT STOCK COMPANIES	NB. OF SHARES IN LIMITED LIABILITY COMPANIES	NOMINAL VALUE
AGRICOVER CREDIT IFN SA	11.792.496		10,00
AGROADVICE SRL		10	10,00
AGRICOVER SA	90.640.534		0,10
ABATORUL PERIȘ SA	254.321.497		0,10
AGRICOVER TECHNOLGY SRL		4.500	10,00

As at 31 December 2020, the Company held shares in the form of participation interests in the following associated entities:

SUBSIDIARY	BUSINESS OBJECT	% OF OWNERSHIP	SHARES VALUE AT 31.12.2020 (LEI)
DANUBE GRAIN SERVICES SRL	Post-harvest activities	24%	1.757.689

The shareholders' rights and obligations are set out in the Company's Articles of Incorporation, which can be found on the Company's website at: www.agricover.ro.

CAPITAL MARKET TRANSACTIONS

Agricover Holding SA issued a corporate bond of EUR 40 million. The bond units are unsecured, with a nominal value of EUR 50.000, and a yearly coupon of 3.5%. The issue was successfully completed via a private placement on the Bucharest Stock Exchange in January 2021, was oversubscribed and enjoyed a diversified audience, both among institutional investors (open ended investment funds, commercial banks, international financial institutions), as well as among the „private banking" category of investors. The bond units were listed for trading on 31 March 2021.

The corporate bond proceeds are destined to finance the lending operations of Agricover Credit IFN SA.

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 them to manage the risk positions and to determine adequate capital allocations.

The Company's Board of Directors has overall responsibility for establishing and overseeing the Group's risk management framework. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and to introduce best market practice.

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

The Group defines risk as the possibility of losses or foregone gains, 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 Group activities. Through training and setting up management standards and procedures, the Group aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The list of the main risks which can affect the Group's activities is set out below:

- Group clients may be unable to meet their payment obligations due to adverse economic developments induced by: EU and National Government subsidy policy changes, commodity price volatility, or climate change.
- Legal and regulatory risks
- Operational risks
- Reputational risks
- Financial markets induced risks (e.g. liquidity, interest rates, or currency exchange rates)

Specifically related to Abatorul Periș SA:

- Risks induced by pork price volatility or specific pork-based products' market conditions
- Risks induced by disease or epidemics affecting pig livestock.

The Group's overall exposure to risks is detailed in Note 7 to the audited consolidated financial statements of Agricover Holding SA as of 31 December 2020, which are prepared according to the International Financial Reporting Standards (IFRSs) as adopted by the European Union.

THE DIRECTORS DECLARATION

The Directors of Agricover Holding SA hereby declare that, subject to their knowledge, the audited consolidated financial statements of Agricover Holding SA for the year ended 31 December 2020 were prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, provide a correct image reflecting the reality of the assets, liabilities, financial position and profit and loss account of Agricover Holding SA or its subsidiaries included in the process of consolidation of its financial statements and the Directors' Report includes a correct analysis of the Group's developments and performance, during the year, as well as a description of the industry specific main risks and uncertainties.

THE AUDIT AND RISK COMMITTEE REPORT ABOUT THE COMMITTEE

The Audit and Risk Committee comprises three members:

NAME	FUNCTION	ROLE
Madeline Alexander	President	Independent expert
Martinus Johannes Elling	Member	Non-executive Director, independent
Ștefan Bucataru	Member	Executive Director

The members of the Committee have significant financial and business experience.
The length of tenure of the members of the Committee at of 31 December 2020 is set out below:
- Ms. Madeline Dalila Alexander, 6 months
- Mr. Martinus Johannes Elling, 3 years and 1 month
- Mr. Stefan Doru Bucataru, 3 years and 1 month

Changes to the composition of the Committee: Madeline Dalila Alexander was appointed an independent expert member of the Committee on 12 August 2020. Madeline Dalila Alexander is not a member of the Board of Directors. The other two member of the Committee are also Directors. Madeline Dalila Alexander was appointed President of the Committee on 6 October 2020, replacing Mr. Martinus Johannes Elling. Mr. Elling continues to serve as a member of the Committee and of the Board of Directors.

DUTIES AND RESPONSIBILITIES

The principal duties and responsibilities of the Audit and Risk Committee include the following:
- monitor the integrity of the financial statements (including the Annual Report and Interim Report);

• monitor and review the financial reporting process, reviewing and challenging the judgements of management in relation to interim and annual financial statements;
• review the effectiveness of the Company's internal financial controls and internal control and risk management systems;
• review the Company's whistleblowing arrangements, procedures for detecting and preventing fraud and systems and controls for the prevention of bribery;
• review the effectiveness of the Internal Audit function
• review and monitor management's responsiveness to the findings and recommendations of the Internal Auditor;
• oversee the relationship with the External Auditor, including performance of the External Auditor and reviewing the scope and results of the audit and the effectiveness of the process;
• annual review of the Audit and Risk Committee's Terms of Reference

REPORTING

For the sake of clarifying the matters presented in this Report, the Group comprises the following entities: a) Agricover Holding SA, b) Agricover Credit IFN SA, c) Agricover SA, d) Abatorul Periș SA, e) Agricover Technology SRL.
On November 3 2020, The President of the Audit and Risk Committee presented to the Board the activity report (activities and key Discussion) of the Committee.
The President of the Audit and Risk Committee is available at the Company's GSM to answer questions on the report on the Audit and Risk Committee's activities and matters within the remit of the Audit and Risk Committee's role and responsibilities.

MEETINGS OF AUDIT AND RISK COMMITTEE

The Committee met six times during the year: a) 6 July, b) 8 July, c) 31 August, d) 14 September, e) 28 October, f) 14 December.
All meetings were documented with minutes all members being present. The topics discussed were relevant to the objectives of the Committee. For details, please refer to the meetings agendas. According to the topics of the agenda, the meetings were attended by Internal Auditor and various members of the management (including subsidiaries CFO's). The External Auditor also attended these meetings as required.

KEY ACTIVITIES IN 2020

FINANCIAL REPORTING

The primary role of the Audit and Risk Committee, in relation to financial reporting, was to review the appropriateness of 2020 half-year and 2019 annual financial statements (statutory and individual/consolidated IFRS), with both management and the External Auditor, and to report to the Board.

This review focused on, amongst other matters:

• the quality and acceptability of accounting policies and practices;

• the clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements; and

• material areas in which significant judgements have been applied or there has been discussion with the External Auditor.

RELATIONSHIP WITH THE EXTERNAL AUDITOR

As the 3-year mandate of the E&Y was expiring, the Audit and Risk Committee considered management's proposition of appointing a new External Auditor. KPMG was appointed as External Auditor for a similar 3-year mandate, pursuant to a competitive tender process in 2020. The Audit and Risk Committee considers KPMG as being independent in the role of External Auditor.

INTERNAL AUDIT

The Internal Audit Department is headed by Florin Minea, Internal Audit Manager, and comprises 2 internal auditors.

The Internal Audit Department performs the internal audit function of the entire Group, namely Agricover IFN, Abatorul Periș and Agricover SA, including Agricover Holding. Internal audit plans have been developed and implemented for Agricover Credit IFN and Agricover SA.

Mr. Florin Minea has responsibility for all Internal Audit matters and ensuring the effective operation of the Internal Audit function. The Group Internal Audit Manager independently reports to the Audit and Risk Committee in relation to the work and findings of the Internal Audit function.

During 2020 the Audit and Risk Committee monitored the completion of 2020 Internal Audit plan as it was approved by the Board end of 2019. The findings, the implementation of agreed action plans and the follow-up engagements were overseen by the Audit and Risk Committee.

The following internal audit engagements were finalized during 2020:

For Agricover Credit IFN:

• Approval of credit applications (rating: green-satisfactory)
• Activation of contracts (rating: green-satisfactory)
• Disbursements (rating: yellow - opportunities for improvement)
• Significant risk management (rating: yellow – opportunities for improvement)
• Monitoring individual exposures (rating: orange– major opportunity for improvement)
• KYC/AML/CFT/IS (rating: yellow – opportunities for improvement)

For Agricover SA:

• Credit risk policy (rating yellow – opportunities for improvement)

All internal audit engagements take into account the derogation elements from control systems and therefore are visible for the Committee to monitor end evaluate risks.

The Audit and Risk Committee also reviewed the Internal Audit Plan for 2021, both for Agricover Credit IFN and Agricover SA, and recommended the approval by the Board.

RISK MANAGEMENT

The Committee's main duties from a risk management perspective encompass the review of the

Group's overall risk assessment processes, including the ability to identify and manage new risks. Additionally, it is responsible for considering the appropriateness of the Group's risk review process and advising the Board in respect of the current risk exposures of the Group.

The Group's risk management framework continues to be enhanced. During 2020, the Audit and Risk Committee oversaw the implementation of a Compliance Framework for Agricover SA and started the process of implementing a Fraud Prevention Policy at Group Level.

A particular attention was given to monitoring the impact of the COVID 19 pandemic. During the year, there was no significant impact on the business. The company adopted strict measures of protection, and teleworking was available since day one, for all Group companies. Abatorul Peris SA managed the pandemic without any interruption of activity. As for the other businesses (Agricover SA and Agricover Credit IFN), there were no recorded outbreaks in their head-offices. The back-office activity was carried out via teleworking, while the mobile commercial teams reduced the physical contact with farmers, using digital instruments.

As part of its risk monitoring and managing activity and to conform to legal, ethical and whistleblowing requirements, the Committee regularly monitors:
- The list of litigations and their potential implications
- The results of the various controls performed by local and regulatory authorities.

CORPORATE GOVERNANCE
The Audit and Risk Committee reviewed its Terms of Reference and submitted it to the Board for approval. Changes in management (top positions) were also on the committee agenda for assessing the impact of those changes.
Other topics overseen by the Audit and Risk Committee
During 2020, the committee has overseen the process of bond issue. The bonds are to be issued in the first quarter of 2021 and then listed to BVB.

SUSTENABILITY REPORT / NON-FINANCIAL DECLARATION

AGRICOVER HOLDING SA

Legal Framework

This non-financial statement contains information on the activity of the Agricover Group for 2020, as well as relevant information that contributes to understanding social and environmental performance and assesses the impact of our activity on the local market. The importance of business disclosures of sustainability information, such as social and environmental factors, in order to identify sustainability risks and increase investor and consumer confidence is known in the European context. The presentation of non-financial information is a determining factor in managing the transition to a sustainable global economy that combines long-term profitability with social justice and environmental protection. In this context, the presentation of non-financial information contributes to the measurement, monitoring and management of the performance of enterprises and their impact on society.

In accordance with the provisions of the Order of the Ministry of Public Finance No. 3456/2018 on the modification and completion of accounting regulations (i.e. Order 1802/2016), entities which at the

balance sheet date exceed the criterion of having an average number of 500 employees during the financial year, must include in the directors' report or issue a separate non-financial statement, which, in so far as it is relevant to the understanding of the development, performance and position of the group and the impact of its activity, provide information on at least: environmental, social, human rights, labor, fight against corruption and bribery matters.

Thus, in the light of the above provisions, Agricover Holding S.A. is required to issue a non-financial declaration on 31.12.2020.
The need to improve the presentation of social and environmental information by businesses was reiterated in the European Commission Communication of 25 October 2011 entitled 'A new EU strategy (2011-2014) for corporate social responsibility' and subsequently adopted by EU Directive No.' 95/2014.

SUSTENABILITY STRATEGY

The Sustainability Strategy is an essential element of the way Agricover Holding S.A. Group operates its current business. In this respect, we take great care to leave a positive footprint on the environment, the communities to which we belong, business partners and employees.

In order to provide the fullest possible understanding of how Agricover Holding S.A. operates and to identify relevant and significant aspects of the Group's activity, we have analyzed the European regulations and national legislation regarding non-financial reporting, as well as other internationally reporting standards. This non-financial statement contains information on our business, as well as relevant information that contributes to understanding social and environmental performance, as well as the impact of our activity in the local and regional business community.

ENVIRONMENTAL ASPECTS		LABOR ASPECTS
SOCIAL ASPECTS	HUMAN RIGHTS AND DIVERSITY	COMBATING FRAUD AND CORRUPTION

Within Agricover Holding S.A. we have adopted a multi-stakeholder practice and pursue sustainable growth, focused on fair reconciliation, to achieve our own business goals and allowing our partners to achieve theirs.

OUR APROACH

Sustainability management is based on the search to align the Group's development interests and objectives with the principles of common human values, trends and global development priorities at national and international level. This approach involves integrating economic and environmental and social objectives into the corporate governance system when making business decisions.

In terms of our role in engaging business relationships with our partners, we are constantly working to identify and promote solutions to reduce the consumption of natural resources and to eliminate potential environmental risks. As many Romanian farmers as possible need to develop successful businesses so that Romanian agriculture reaches its development potential and continues to have

a say in European and international agriculture. The more Romanian agriculture becomes a recognized model of sustainable approach, the more the Agricover Group will have fulfilled its role as a local and regional leader. Equally, in our internal activity, we systematically assess our environmental impact and introduce control measures to reduce environmental risk to as low a level as possible.
Agricover Holding S.A. is a strong promoter of collaboration, promoting partnerships with common values that amplify our collective efforts, reducing costs and exponentially increasing the positive impact.

We start in our local communities and work to get as many partners as possible involved. We look beyond the purely transactional aspect of business relationships and work together to develop programs that are widely applicable to drive sustainable and meaningful change. Through our core activity, we support the achievement of the United Nations Sustainable Development Goals (SDGs) by 2030. The 17 SDGs are the global strategy for achieving a better and more sustainable future for all of humanity. They start from recognizing the major challenges we face worldwide, including poverty, inequality, climate change, environmental degradation, peace and justice, and propose solving them on the basis of international best practice.

We are continuously developing our business model so that through our corporate objective we achieve positive long-term results for our group, value for our shareholders and increased levels of satisfaction for our internal and external partners.

OUR EMPLOYEES	FUNDAMENTAL INNOVATION SKILLS	
FOCUS ON CUSTOMERS	QUALITY	PROCESS EFFICIENCY
EXCELLENCE IN PRODUCT AND SERVICE PORTFOLIO MANAGEMENT		

ENVIRONMENTAL ASPECTS

Agricover Holding S.A. recognizes the relevance and importance of environmental liability risks, especially in the context of the SDG-2 imperative 'Eradication of Hunger' in terms of the instrumental role of the agri-food sector, which is to provide key solutions for economic development and the eradication of hunger and poverty.

Romanian farmers contribute to the achievement of SDG-2 through the ever-growing production and significant export of cereals. From 2018, the total annual production of cereals harvested in Romania was over 35.8 million tones (according to Eurostat, in 2020, in the context of a dry year, production of the main crops in Romania was 21.13 million tons). Despite its already strong position in the European Union, the Romanian agricultural sector still has significant growth potential. Today, only about half of its agricultural capacity is professionally exploited, and average yields are half than obtained by farmers in France and Germany. However, Romanian farmers are rapidly adopting new agricultural

technologies and practices, as a result of which the total production of its main crops tripled between 2000 and 2018.
In this context, Agricover's role in facilitating the business success of the country's farmers makes a direct contribution to supporting overall efforts to overcome the challenges posed by the continued population growth of the planet. At the same time, we promote the sustainable use of natural resources. In our core work, we actively support the achievement of SDG 2 - "Eradication of hunger".

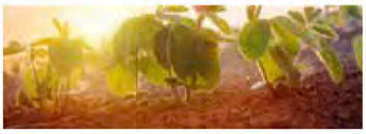
In Romania, we focus not only on supporting the country's 4,000 large farmers (working 400 hectares or more), but also on the 20,000 small owners (who work between 50 and 400 hectares), whose productivity lags far behind those in the developed countries of the European Union. Agricover is not a technology company, but its network of suppliers of agricultural technologies includes the largest and most innovative firms worldwide. At the same time, our network of lenders and financial investors includes the largest international financial institutions. We believe that the large-scale adoption of state-of-the-art technology by as many farmers in Romania as possible can help to maximize production for each hectare of the country's significant agricultural capacity.

Sustainable maximization of agricultural productivity and resource efficiency is vital to protecting the environment. Crop efficiency - increasing the average productivity of the country's major crops, without using more land, water, or intakes - will help Romanian farmers to increase production in an environmentally friendly way, by making efficient use of crop and nutrient protection solutions. Therefore, our role is mainly to facilitate an essential link between beneficiaries and suppliers of technology and finance.

ODD 9

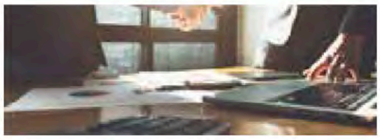
Innovation of industry and infrastructure

ODD 12



Consumption and production

ODD 17



Partnerships to achieve responsible objectives

EFFICIENT USE OF RESOURCES

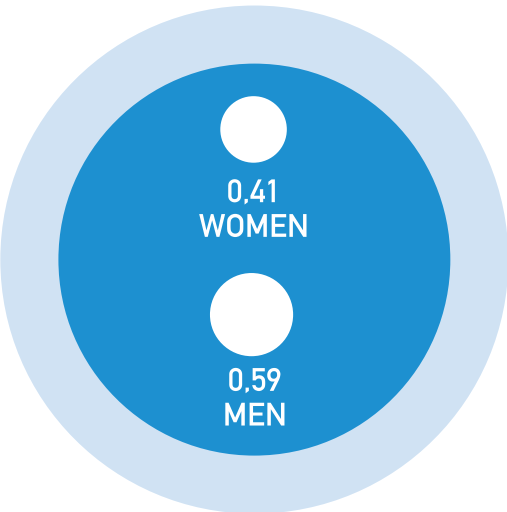
In terms of internal activity, Agricover Holding S.A. subsidiaries are committed, within reasonable limits, to manage all aspects of environmental protection and social liability, whether their impact is short, medium, or long term. We consider compliance with operational policies for the products and services offered to customers.

EMPLOYMENT ASPECTS

In the vision of Agricover Holding S.A., sustainable economic growth is based on companies that create jobs that enable employees to carry out quality activities. Personnel issues are generally universally valid and must take into account the needs of marginalized and disadvantaged social groups and contribute to reducing any form of inequality or discrimination, whether on the basis of sex, religion or ethnicity. Ensuring healthy living conditions and promoting quality of life regardless of age is the basis for any sustainable development. Agricover Holding S.A. Group employs approx. 960 people whose expertise provides our main source of competitive advantage. We invest in personal and professional development of employees and improved working conditions.

Our human resources strategy includes training and professional development programs, internal communication, performance management, promotion and succession plans, internal occupational mobility, employee health and job security.

We believe in the power of every member of our team to achieve their business goals. We aim to improve our actions and results every day and that is why we appreciate and encourage all members of our team. Through regular briefings, schooling, and refinements, we foster the development of employees' skills and knowledge to achieve outstanding results by working safely in a healthy environment.
One of the priorities of our human resources policy is to provide equal opportunities by ensuring a constant balance in the relationship between women and men, both in terms of the possibility of promotion to a leadership position and in terms of the application of wage practices or training policy.
From the staff structure at Group level at December 3, 2020, presented below, the ratio between women (41%) and men (59%) is highlighted.



AGRICOVER S.A.
Women 37% (93 employees)
Men 63% (158 employees)

AGRICOVER CREDIT IFN S.A
Women 62% (99 employees)
Men 38% (61employees)

ABATORUL PERIȘ S.A.
Women 37% (199 angajate)
Men 63% (341 angajați)

AGRICOVER TECHNOLOGY S.R.L.
Women 56% (5 employees)
Men 44% (4 employees)

WE ACTIVELY SUPPORT

ODD 3
Health and well-being

ODD 5
Gender equality

ODD 8
Economic growth and decent working conditions

ODD 10
Inequalities reduction

Our interest in covering staff needs is manifested by the regular hiring of highly educated staff in our field of activity and by the organization of training courses and continuous improvement of existing staff. Thus, out of 960 employees on 31.12.2020, 8% of employees hold postgraduate studies (doctorate, in-depth studies, and masters), 32% are graduates of higher education, 22% have high school education, 7% have vocational studies and 31% hold general and other qualification studies.

POSTGRADUATE STUDIES	73
HIGHER EDUCATION (UNIVERSITY DEGREES)	310
HIGHSCHOOL DEGREES	208
QUALIFICATION STUDIES	71
PRIMARY EDUCATION	298

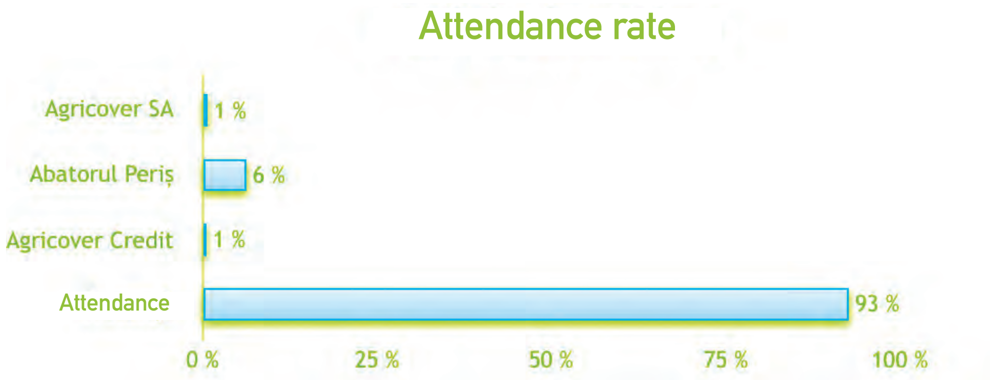
960 EMPLOYEES
AT 31.12.2020

At Group level, as regards child-rearing leave, it is granted to both women and men. In 2020, 7 employees were granted child-rearing leave, including 5 women and 2 men. After the end of parental leave, all our employees are reintegrated into the same job with the same wage rights.

This is guaranteed by the Romanian legislation and the provisions of the Collective Labor Agreement. Under Romanian law, parental leave can last up to 2 years, depending on the employee's choice.

Sick leave: 6,25%

Pregnancy leave or child care: 0,73%



HEALTH AND SAFETY

We want to protect employees from accidents and actively promote health and safety at work. In this respect, a safe, healthy and hygienic working environment is guaranteed. Labor protection measures shall be promoted taking into account specific hazards within the industry. Physical treatment, non-usual threats, punishments or disciplinary measures, sexual or other molestation or intimidation are prohibited.

The objectives of health and safety at work are:

- Zero work accidents resulting in the death of employees
- Monitoring and analysis of work incidents with a view to preventing accidents at work and occupational diseases.
- Support by the company's management of activities aimed at improving occupational health and safety.

NO OCCUPATIONAL ACCIDENTS HAVE BEEN REGISTERED.
NO OCCUPATIONAL DISEASES HAVE BEEN REGISTERED.
DAILY MEETINGS TO IMPROVE HEALTH AND SAFETY.

During 2020 there were no accidents at work within the Agricover Group.

Improvement measures provide for the retraining of staff in all their locations and stores with regard to the use of equipment and equipment so as to maintain the target of zero accidents/work incidents.

WORK CONDITIONS
SAFETY MEASURES

According to the internal regulations for the granting of protective equipment, employees benefit from personal protective equipment according to the risk assessment for each activity.

Within the Perish Slaughterhouse, the minimum protective equipment consists of: boots, overalls, padded coat. The collective protection facilities are: air-conditioning/heating appliances, hygiene and sanitary materials.

For the work carried out in the warehouses, the working conditions are presented as follows:

- The lighting is mixed, both natural and artificial;
- Video surveillance system and alarm system
- Air-conditioning and heating installations;
- Toilets, showers, equipped with sanitary materials;
- Mechanized equipment for lifting, wearing, storing materials (hydraulic pallet, electro-stacking);
- Drinking water dispensers for employees;
- The warehouses are equipped with extinguishers, accidental leakage response kits, first aid kits.

COVID-19
IMPACT

In 2020, the total amount spent to fight the COVID-19 pandemic was RON 848,320.

Employee health and safety is one of the top priorities in our actions. In this respect, a number of mandatory preventive measures have been taken at the entrance to the office and production spaces of the companies in the group:

• Daily temperature measurement using contactless infrared thermometers, available at the entrance to the company's premises;
• Wearing the protective mask, changing it every four hours; Each employee received two masks a day;
• Wearing disposable gloves only for handling working documents;
• Practicing careful hand hygiene and frequent disinfection with professional solutions.
• General disinfection of office and production spaces, twice a week by specialized teams with professional solutions;
• Extending work from home system for Back-Office staff with a maximum presence of 10 to 15% of employees, by rotation, respecting the rules of social distancing and prevention, with the rest of the teams continuing to work in telework;
• Redevelopment of office space so that the distance of at least 1,5 meter between offices can be established, with dividers between workstations;
• Conducting PCR tests for preventive purposes, costs incurred by the company;
• Settlement of alternative transport "from" and "to" the company's premises (Ride-sharing platforms Uber and Bolt, taxi, fuel settlement for personal vehicles);

Restrictions were imposed within the group's companies:
• Organizing internal and external events, as well as meetings with collaborators in the company's office spaces;
• International travel for work, with the recommendation of postponing personal travel.
• Travel between company premises, with the recommendation of using online communication tools (Microsoft Teams and Zoom platforms).
In addition, since the start of the health crisis, the Periș Slaughterhouse has implemented the following: measures:
- construction of a quarantine unit, with 40 places of accommodation for external persons staying at the Abattoir who become direct contact with people tested positive;
- construction of an isolation unit with 16 accommodations for external persons staying at the Abattoir who have been infected with the new coronavirus.
- equipping all gathering areas with UV lamps and putting them into regular operation, according to a very well-established schedule;
- placing disinfectant carpets at the main entrance to the slaughterhouse and at the passage between rooms;
- equipping offices with Plexiglas partitions.
- supplementation and widening of resting areas;
- implementation of work from home system for the employees who can perform remote work;
- rotation of staff, the creation of crisis teams to ensure the continuation of the activity;
- regular testing of staff and whenever there were suspicions of infection;

TRAINING OF EMPLOYEES

The total amount invested in 2020 amounted to RON 171,130.

During 2020, 433 employees (45% of the number of employees at 31 December) received vocational training.

We state that well-trained, informed and involved staff help improve performance. For all this, we have developed an employee development plan that is based on a series of training modules on process improvement,

TOTAL	171.130
AGRICOVER SA	81.880
ABATORUL PERIȘ	9.030
AGRICOVER CREDIT	80.220

qualification, efficiency in solving tasks, development of presentation skills, technological courses, negotiation, etc.

In the epidemiological context for 2020, vocational training have been affected. They have been migrated to remote (online) systems but, overall, delays have not allowed the proposed objectives to be achieved. Recovery of delays will be carried out in 2021.

EMPLOYEES NUMBER WHO RECEIVED VOCATIONAL TRAINING

163	AGRICOVER CREDIT
62	ABATORUL PERIȘ
208	AGRICOVER SA

EQUITABLE REMUNERATION

Another relevant topic for us is a fair remuneration of employees, ensuring equal salary for similar work and further motivating employees whose qualifications and performance contribute to the successful achievement of our business objectives.

The remuneration plan is based on the principles of fairness, transparency, fairness and competitiveness of wages and occasional growth linked to better performance. Continuous monitoring of the labor market allows us to respond promptly to any wage changes in areas where we have operations, thus keeping them at competitive levels. We have constantly examined inflation levels and changes in employees' purchasing power and, based on the conclusions of such assessments, we can respond promptly to any challenges.

Average salary (without top management and production staff)

HUMAN RIGHTS AND DIVERSITY

Agricover Holding S.A. respects and ensures human rights, recognizes their importance. The Group fully supports the fundamental principles set out in the Universal Declaration of Human Rights, the Charter of Fundamental Rights of the European Union, the Convention for the Protection of Human Rights and Fundamental Freedoms, the declarations and conventions of the International Labor Organization and other international human rights documents.

The Group's alignment with these principles is reflected in our policies and actions in relation not only to our colleagues, but also to customers, partners, representatives of local communities and everyone else we interact with. Success in achieving business objectives must be inclusive and provide all those with whom we interact, both inside the organization and outside, sustainable professional relationships promoting equality and equity.

VOLUNTARY OCUPATION OF THE WORK FORCE

Employment shall be made solely on a voluntary basis. Any kind of constraints in employment are prohibited.

WORKING TIME

Working hours are in accordance with the applicable labor law in Romania. The working week has 40 hours with the provision of two consecutive days of weekly rest. Overtime shall be carried out at the request of the manager, with the agreement of the employees, in which case the working time, including overtime, shall be limited to 48 hours per week. If overtime compensation with paid time off is not possible within the legal time limit, payment of those hours shall be made in accordance with the legislation in force.

UNIONS "FREEDOM OF SALARY NEGOCIATION"

Every employee has the right to join unions and negotiate the salary. Employee representatives should not be discriminated against and must have access to all workplaces in order to be able to oversee according to their labor representative position. There are currently no unions of Group's employees, but every year the Group is sending a social dialogue invitation to its employees.

EXCLUSION OF THE UNDERAGE EMPLOYMENT

Within the group we employ people who are at least 16 years of age. For young people up to 18 years of age, the working time is 6 hours per day and 30 hours per week.

APPROPRIATE REMUNERATION AND PROMOTION OPPORTUNITIES

The group guarantees employees an appropriate income in accordance with the legal provisions. Prior to employment, persons who are to start their work shall be explicitly provided with information on the role and related contractual conditions. Employees are supported and, as far as possible, are considered for future management functions. Appropriate working conditions are made available to all employees in accordance with the general working conditions of the relevant national standards and rules.

EMPLOYEES ASSESMENT

It is carried out annually and is based on two components:

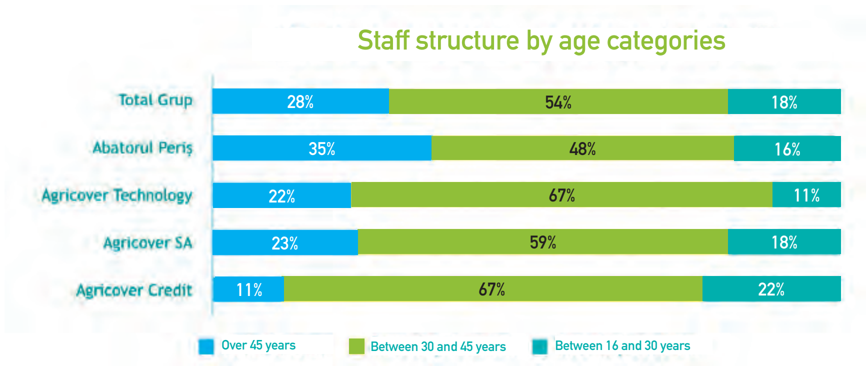
a. Assessment of the achievement of the company's performance objectives. Individual objectives are set on the basis of the company's objectives

b. Soft skills assessment, and following the evaluation subsequent development plans

The variable remuneration is set as % of the annual salary for back offices and as a percentage of the contribution to the performance of the company for sales functions. At Group level, there is a unified approach related to variable remuneration based on the level/the role held in the company, as well as the contribution made by each employee to achieving the Group's business objectives. Our focus is to maintain a balance between the alignment with the employment conditions offered by other employers and the need for fair differentiation between employees by recognizing the individual contribution to the objectives of the Group..

DIVERSITY AND EQUALITY OF CHANCES

Agricover Holding S.A. supports diversity and recruits, hires, evaluates, awards, trains and provides the same working conditions to people regardless of gender, sexual orientation, age, race, color or ethnicity. For employees aged between 16 and 30 years our policy includes a system of priorities and measures aimed at attracting employees included in this group and creating conditions and opportunities to facilitate the success and personal achievement of young employees, developing their professional potential and management capacity.



At group level, most employees are people between the ages of 30 and 45 (54%); The second largest group of employees is that of employees over the age of 45 (28%).

Within the Group, we promote diversity and equal opportunities, as well as fair working conditions, modern jobs and a fair pay. All employees are employed solely on the basis of skills and compatibility. Any discriminatory treatment of persons due to their race, religion, nationality or origin, political choices or affiliation to a union or because of gender or age must is forbidden. Having a professional working environment also means that Agricover Holding S.A. does not tolerate any form of harassment, regardless of its forms. Team spirit is an important component of our human resources policy, which guides us in attracting new talent within the organization. We want to provide a job where everyone is encouraged to take the initiative and improve work processes through creative ideas.

We believe that we are responsible for the well-being of our employees and support them at every moment. We also stay close to them when they help our customers find the best products for their needs or when they follow their own passions.

STAFF TURNOVER

During 2020, the number of men employed was roughly equal to that of women, resulting in 142 women and 146 men employed, but the difference is significant in terms of the number of departures (higher in men's segment).

	16-30 years	30-45 years	Over 45 years
Recruited women in 2020	43	60	43
Recruited men in 2020	47	56	39

Staff fluctuations were predominantly registered for people aged 30 to 45 years.

AGRICOVER'S MANAGEMENT DIVERSITY

The management of the Group is composed of both men and women with different professional experiences, also taking into account the profile of the industry in which they operate.

Top management Executive management	18 (75%) Men	6 (25%) Women
Agricover Credit Agricover SA Abatorul Periș	4 Men 8 Men 6 Men	3 Women 2 Women 1 Woman
Top management Executive management Average gross remuneration (RON)	26.692 Men	27.372 Women

PREVENTION OF FRAUD AND CORRUPTION

A fundamental principle is to do business with honesty and integrity, in accordance with the highest standards of ethics and fairness. Principles of ethical conduct are a guide that imposes tasks and responsibilities on the Group's managers and employees towards stakeholders (colleagues, clients, business partners, public authorities, and civil society).

It also involves a set of rules for ethical conduct in business and for the prevention of unlawful or illegal actions that may occur. All employees must strictly comply with the applicable laws and regulations, and internal rules and procedures.

Fraud and corruption have always been and will continue to be a topic of interest in the context of any commercial activity.
Agricover Holding S.A. has no tolerance to fraud and corruption practices.
In the spirit of transparent corporate governance, we offer our employees, as well as customers and suppliers, the opportunity to contact us anonymously to report us potential violations of the law and guidelines regarding embezzlement and corruption.

SPECIFIC MATTERS FOR ABATORUL PERIS SA ENVIRONMENTAL PROTECTION

Agricover Holding S.A. recognizes the relevance and importance of environmental liability risks, especially in the context of the SDG-2 imperative 'Eradication of Hunger' in terms of the instrumental role of the agri-food sector, which is to provide key solutions for economic development and the eradication of hunger and poverty.
Our focus is on monitoring and reducing the consumption of utilities needed to carry out the activity. The use of resources compared with the increase in production capacity is lower than last year (better use of resources in 2020).

WATER CONSUMPTION

	2018	2019	2020
Water consumption (cubic meters/year)	171,216	194,893	196,967

Due to the increase in production volume, the consumption of water has slightly increased. In 2020, an investment of EUR 1.5 million was completed in a new wastewater treatment plant with a capacity of 900 - 1,000 m3/day, compared to 500 m3/day, as was capacity of previous plant with physical, chemical, and biological treatment stages, and 3 sludge drying beds.

NATURAL GAS AND ELECTRICITY CONSUMPTION

The expansion of the abattoir's production capacity was carried out with modern equipment with a high degree of automation and low energy consumption. The increase in the consumption of natural gas and electricity is lower than the increase in the level of production achieved in 2020, thus resulting in an efficient use of resources.

	2018	2019	2020
Natural gas consumption (Nmc)	605,823	804,598	596,473
Electricity consumption (Mw)	6.616	6.665	6.100

WASTE MANAGEMENT

All waste resulting from the production process is recorded and recovered according to the waste management register for each waste code, using services provided by several specialized third-party waste management entities. During 2020, in order to meet the required level of waste collection, Abatorul Peris S.A. purchased specialized services from 8 such third-party entities.

The process of collecting waste from packaging has been outsourced to Ecosmart Union, a authorized company. The waste collected quantities were recorded and communicated monthly to the relevant authorities.

	2018	2019	2020
Total waste (in tons)	6.779	6.957	4.924

Abatorul Peris SA meets the legal requirements regarding the air emission parameters set by the IEA (Integrated Environmental Authorization), with an annual monitoring, as follows:

Measured concentration (mg/mc) (mg/Nmc)					Level imposed by the IEA (mg/mc) (mg/Nmc)	Method of measurement
Pollutant name	S1 2019	S2 2019	S1 2020	S2 2020		
NOx	138,3	133	72	72	350	SR ISO 10396/08
SOx	12,3	13	3	4	35	SR EN 15259/08
						SR ISO 9096/05
Powders	2,5	3,3	1,87	2,76	5	SR EN 13284-1/02
CO	29,7	20	20	27,6	100	SR ISO 10396/08 SR EN 15259/08

SPECIFIC MATTERS FOR AGRICOVER SA

Agricover S.A. is continuously looking to ensuring the existence of high standards related to the environment and social responsibility, through the activities carried out, as well as through the products and services offered.

Until 2019, the main activity within Agricover S.A., which required significant consumption of LPG, natural gas, and electricity, was silo activity. Since 2020 the silo activity has been discontinued. As a result of this decision, Agricover S.A.'s electricity and natural gas consumption has decreased significantly, and LPG consumption is no longer relevant.

WASTE MANAGEMENT

We actively participate in the recovery of waste packaging from plant protection products sold on the market, by joining the SCAPA – Crop Protection Packaging Collection System managed by AIPROM (Romanian Plant Protection Industry Association) according to the agreement no. 10 of 20.08.2020.

In this respect, we provide Collection Centres in our selected locations (Mirosi-Caldăraru (AG), Brăila (BR), Buciumeni (CL), Baileşti (DJ)) for the collection of packaging through Ecorec Recycling (authorized third party entity), which provides inspection, transport and collection services (contract No. 1370 of 24.10.2019).

For plant protection products sold on the market, we have concluded a liability take-over contract (No 154 of 31.05.2019) with Ecosmart Union Srl which undertakes to recover at least 60 % of the waste packaging, as required by the relevant legislation. Annually we receive a collection status for

the waste packaging. For 2020, the collection rate was: 80% for paper and cardboard, 60% for plastic and 60% for wood.
For exceptional circumstances, in accidental cases of leakage of hazardous substances, we ensure the disposal of such hazardous waste. The service is provided using a third-party specialized partner - Protect Collector SRL (contract for the provision of SUCH services No. 555/13.06.2018.
Agricover SA holds environmental and sales, storage, and transportation authorizations for the entire portfolio of plant protection products. A strict monitoring of the authorizations (e.g. validity, renewals) is performed. For all warehouses there are contracts, with local operators, for the recovery/disposal of generated waste.
From one year to the next we have managed to increase the recovery of generated waste by reusing it in the packaging and transportation process.

SPECIFIC MATTERS FOR AGRICOVER CREDIT SA

OBJECTIVES FOR ENVIRONMENTAL PROTECTION AND SOCIAL RESPONSIBILITY

Within Agricover Credit IFN S.A., environmental protection and social responsibility objectives include the financing of clients which: have as their business object or implement projects that are not part of the exclusion list (the full list shown below); comply with legal obligations relating to environmental protection, labor protection and other social aspects; want to implement a project that meets the performance standards promoted by the Group.

Business activities and infrastructure projects can expose local communities to increased risks and negative impacts related to environmental issues, so we want to help our clients adopt responsible risk reduction practices, including emergency preparedness and response, and safety measures design, by presenting a risk pyramid, depending on their business object:

LOW RISK	MEDIUM RISK	HIGH RISK
● Service industry (consulting, accounting, insurance, etc.); ● Vocational education and training, media (TV, radio); ● Health and family planning, ● Purchase of computing equipment; ● Creation and equipping of food, art, design, telecommunications units;	● Agribusiness (small scale); Hotels in cities, small-scale tourism, production in general; ● Production, processing and storage of fruit and vegetables, meat, oil, wines and other fermented beverages, dairy products; ● Leather and textile industry, Repair shops, printing houses ● Production of wood materials, milling, small energy production units.	● Large forestry holdings; ● Production, use of large quantities of pesticides/herbicides and mineral fertilizers; Production, transport and use of toxic materials; ● Waste management; ● Tourism development projects, textile industry using wet processes, transportation projects (airports, motorways, railways); ● Projects within or near valuable ecosystems with relocation components or with a major impact on the human population.

EXCLUSION LIST

Agricover Credit IFN S.A is not financing customers active in the following business activities:

- Production or trade in goods or services deemed unlawful, in the light of the legal framework in force, local or international;
- Production or marketing of products containing polychlorinated biphenyls;
- Production or marketing of pharmaceuticals, pesticides, herbicides or other toxic substances prohibited for international use;
- Trade with flora or fauna on the list of endangered species;
- Cross-border movement of waste prohibited by international law;
- Production, use or marketing of non-bound asbestos fibers or products containing asbestos;
- Activities prohibited by the legal framework in force, local or international, on the protection of biodiversity resources or cultural heritage;

- Net fishing in the marine environment by means of nets in excess of 2,5 km. in length;
- Maritime transport of oil or other dangerous substances in tanks which do not comply with the requirements of the International Maritime Organization;
- Trade in goods without export or import licenses or other evidence of transit authorization from the relevant export/import/transit countries;
- Activities relating to the production of armaments, ammunition, military or police equipment, or any other type of equipment which is used to limit individual rights and freedom;
- Gambling activities;

- Activities relating to the manufacture, processing or distribution of tobacco products or activities facilitating the use of tobacco;
- Activities involving live animals for carrying out experiments;
- Activities which may have a major impact on the protection of the environment where the risks associated with those activities are not properly managed;
- Activities considered ethically and morally controversial (e.g. human cloning research);
- Trade in commercial funds, acquisition of intangible assets that would put the final beneficiary in the position of market leader;

- Acquisition of mining rights;
- Activities that actually constitute real estate development;
- Activities that actually constitute financial transactions (e.g. purchase of shares);
- Manufacture or marketing of distilled alcoholic products;
- Research or development of computer applications for use in the online gambling industry, pornography, which can be used to access/download databases;
- Production or marketing of radioactive materials;
- Any activity involving harmful or exploitative forms of labor/work harmful to minors.

ASSESSMENT OF ENVIRONMENTAL PROTECTION RISKS

When assessing environmental risks, Agricover Credit IFN SA assesses its customers activities from the following perspectives:

Air pollution	Water pollution	Waste management
Ensuring the correct management/storage of potential air pollution factors so that the customer's activities do not affect the environment.	Maintaining or improving the quality of surface water or/ and groundwater.	Ensuring waste management and collection systems that do not allow environmental pollution.
Sound pollution	**Wastewater**	**Hazardous waste**
Ensuring noise/vibration levels produced to acceptable standards and in accordance with applicable legislation.	Protection of aquatic ecosystems and reuse of wastewater in customer location.	Ensuring proper management/storage of chemical materials/crop protection products so that the customer's activities do not affect the environment.

FINANCIAL STATEMENTS

ADDENDUM 1: Agricover Holding SA:
Independent Auditors' report
Consolidated Financial Statements for the year ended 31 December 2020, prepared in accordance with International Financial Reporting Standards as adopted by EU.

ADDENDUM 2: Agricover SA:
Independent Auditors' report
Individual Financial Statements for the year ended 31 December 2020, prepared in accordance with International Financial Reporting Standards as adopted by EU.

ADDENDUM 3: Agricover Credit IFN SA:
Independent Auditors' report
Consolidated Financial Statements for the year ended 31 December 2020, prepared in accordance with International Financial Reporting Standards as adopted by EU.


Agricover

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

KPMG Audit SRL
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Independent Auditors' Report

(free translation[1])

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.

Fiscal registration code
RO12997279
Trade Registry
no.J40/4439/2000
Share Capital 2,000 RON

(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
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. 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").	Our audit procedures in the area, performed where applicable, assisted by our own valuation and financial risk management specialists, included, among others: • 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: — 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.

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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**
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. 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. 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. 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.	Our audit procedures in the area included, among others: • 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

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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	**KPMG Audit SRL**
registered in the electronic public register of financial auditors and audit firms under no AF1517	registered in the electronic public register of financial auditors and audit firms under no FA9

Bucharest, 28 April 2021

AGRICOVER HOLDING SA

CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2020

CONTENT

AGRICOVER HOLDING SA

Semnat pentru identificare
KPMG
28. APR. 2021
Signed for identification

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

	Notes	31 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	2,742,050	1,747,425
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	94,593,133	84,604,520
		1,707,535,279	**1,672,055,070**
Assets classified as held for sale	16	-	25,069,535
Total current assets		**1,707,535,279**	**1,697,124,605**
Total assets		**2,334,073,515**	**2,194,894,426**
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		198,381,498	134,690,414
		482,714,576	**426,274,677**
Non-controlling interests		16,533,195	15,793,167
Total equity		**499,247,770**	**442,067,844**
Non-current liabilities			
Borrowings	18	797,516,354	585,762,328
Deferred tax liabilities	26	1,616,001	3,884,693
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		-	2,440,172
Total current liabilities		**1,035,693,389**	**1,163,179,561**
Total liabilities		**1,834,825,744**	**1,752,826,582**
Total equity and liabilities		**2,334,073,515**	**2,194,894,426**

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

Ştefan Bucătaru
Administrator

Liviu Dobre
General Manager

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

AGRICOVER HOLDING SA

Semnat pentru identificare KPMG 28 APR 2021 Initialised for identification

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	20	1,467,476,253	1,521,129,200
Interest Income	20	165,886,044	148,411,568
Fee and commission income	20	5,704,349	3,804,366
Cost of goods sold	21	(1,393,434,753)	(1,468,685,708)
Interest and similar expenses		(66,562,846)	(65,813,489)
Fee and commission expenses		(886,700)	(802,685)
Impairment loss on loans and trade and other receivables	14,7	(24,408,347)	(13,196,699)
Gross profit		153,774,000	124,846,554
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		94,068,320	68,511,355
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		86,908,207	57,649,868
Income tax expense	26	(9,569,894)	(9,805,993)
Profit for the year from continuing operations		77,338,313	47,843,875
Profit for the year from discontinued operations, net of tax		5,021,753	6,586,671
Profit for the year		82,360,066	54,430,546
Other comprehensive income			
Gain on revaluation of land and buildings, net of tax		-	11,925,124
Total comprehensive income period		82,360,066	66,355,670
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		82,360,066	54,430,546
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		82,360,066	66,355,670
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

Ştefan Bucătaru
Administrator

Liviu Dobre
General Manager

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

AGRICOVER HOLDING SA

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

	Attributable to the owners of the parent								
	Share capital	Revaluation reserves	Share premium	Other reserves	Losses related to own equity instruments (*)	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2019	216,396,808	60,051,445	4,350,717	42,147,179	(1,760,576)	11,983,260	333,168,833	3,845,258	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)	11,296,536	332,482,109	3,845,258	336,327,366
Profit for the period	-	-	-	-	-	51,603,038	51,603,038	2,827,508	54,430,546
Revaluation increase	-	13,674,396	-	-	-	-	13,674,396	545,748	14,220,144
Deferred tax related to revaluation reserves	-	(2,224,719)	-	-	-	-	(2,224,719)	(70,301)	(2,295,020)
Total comprehensive income for the period	-	**11,449,677**	-	-	-	**51,603,038**	**63,052,715**	**3,302,955**	**66,355,670**
Revaluation reserves realized	-	(37,054,782)	-	-	-	37,054,782	-	-	-
Revaluation reserves correction (Note 4)	-	(9,066,951)	-	-	-	9,066,951	-	-	-
Deferred tax - Revaluation reserves correction (Note 4)	-	-	-	-	-	(1,510,057)	(1,510,057)	-	(1,510,057)
NCI restatement Agrifood	-	-	-	-	-	(153,223)	(153,223)	147,822	(5,402)
Transfer of RE to cover PY losses related to equity instruments	-	-	-	-	1,760,576	(1,760,576)	-	-	-
Increase in other reserves	-	-	-	5,770,575	-	(5,770,575)	-	-	-
Dividends distribution	-	-	-	-	-	-	-	(355,928)	(355,928)
New shareholder in Agricover SA (Note 30)	-	(2,033,648)	-	(426,757)	-	34,863,538	32,403,133	8,853,060	41,256,193
Total transactions with owners, recognised directly in equity	-	(48,155,381)	-	5,343,818	1,760,576	71,790,840	30,739,853	8,644,954	39,384,807
Balance at 31 December 2019 (restated)	216,396,808	23,345,742	4,350,717	47,490,996	-	134,690,414	426,274,677	15,793,167	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.

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

AGRICOVER HOLDING SA

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

	Attributable to the owners of the parent							
	Share capital	Revaluation reserves	Share premium	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2020 restated	216,396,808	23,345,741	4,350,717	47,490,998	134,690,414	426,274,678	15,793,166	442,067,844
Profit for the period	-	-	-	-	77,962,056	77,962,056	4,398,010	82,360,066
Total comprehensive income for the period	-	-	-	-	77,962,056	77,962,056	4,398,010	82,360,066
Revaluation reserves realized	-	(10,803,239)	-	-	10,803,239	-	-	-
Dividends distribution	-	-	-	-	(22,118,127)	(22,118,127)	(3,216,073)	(25,334,200)
Increase in other reserves	-	-	-	1,179,205	(1,179,205)	-	-	-
Increase in legal reserves	-	-	-	4,528,957	(4,528,957)	-	-	-
New shareholder in Clubul Fermierilor Romani Broker de Asigurare SRL	-	-	-	-	(144,000)	(144,000)	144,000	-
Sale of subsidiary	-	-	-	(2,156,109)	2,896,079	739,969	(585,909)	154,060
Total transactions with owners, recognised directly in equity	-	(10,803,239)	-	3,552,052	(14,270,971)	(21,522,158)	(3,657,982)	(25,180,140)
Balance at 31 December 2020	216,396,808	12,542,503	4,350,717	51,043,050	198,381,498	482,714,576	16,533,195	499,247,771

Semnat pentru identificare | Initialised for identification KPMG 28. APR. 2021

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

AGRICOVER HOLDING SA

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

	Notes	2020	2019 (restated)
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**
Changes in working capital			
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.

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

Semnat pentru identificare
KPMG
28. APR. 2021
Initialised for identification

	Note	31 December 2020	31 December 2019
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	15	84,604,520	35,273,158
Net (decrease)/ increase in cash and cash equivalents		9,988,614	49,331,365
Cash and cash equivalents at the end of the period	15	94,593,133	84,604,520

(*) The amounts contain received proceeds from sale of Property, pland 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).

Semnat pentru identificare
KPMG
28 APR. 2021
Initialised for identification

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.

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.

Semnat pentru identificare
kpmg
28. APR. 2021
Initialised for identification

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 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.

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".

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.

Semnat pentru identificare
KPMG
28 APR. 2021
Initialised for identification

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 equipmentes	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.

Semnat pentru identificare KPMG 28. APR. 2021 Initialised for identification

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.

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 custiomersc 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.

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

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.

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.

Semnat pentru identificare KPMG 28. APR. 2021 Initialised for identification

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.

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.

Semnat pentru identificare KPMG 28 APR. 2021 Initialised for identification

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).

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.

Semnat pentru identificare
KPMG
28 APR. 2021
Initialised for identification

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.

Semnat pentru identificare
KPMG
28. APR. 2021
Initialised for identification

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.

Semnat pentru identificare
Initialised for identification
KPMG
28. APR. 2021

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 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.

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 lesee

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.

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.

Semnat pentru identificare
KPMG
28. APR. 2021
Initialised for identification

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'.

Semnat pentru identificare
KPMG
28. APR. 2021
Initialised for identification

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.

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.

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 deffered 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.

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28. APR. 2021
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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

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.

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.

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	(6,600,515)	(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)**

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**

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

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
Repayment 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**

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KPMG
28. APR. 2021
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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.

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;

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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".

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

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.

Semnat pentru identificare KPMG 28 APR. 2021 Initialised for identification

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.

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.

Semnat pentru identificare KPMG 28 APR. 2021 Initialised for identification

5 USE OF JUDGEMENTS AND ESTIMATES (CONTINUED)

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.

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.

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.

Semnat pentru identificare
KPMG
28 APR. 2021
Initialised for identification

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.

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 recevaibles 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.

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:
  - initiation of legal procedures against the borrower;
  - Decisions of the Collection Committee based on public information, information available within Agricover Holding SA Group.
  - 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	**31 December 2020**	**31 December 2019**
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.

Semnat pentru identificare KPMG 28. APR. 2021 Initialised for identification

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.

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.

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.

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 drought 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 drought, 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.

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.

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: manly 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),

Semnat pentru identificare
KPMG
28. APR. 2021
Initialised for identification

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	109,796,789	779,846,966	-	889,643,755
Total gross loans and advances to customers	118,187,872	1,527,358,639	56,494,651	1,702,041,162

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			
	Capex	**Credit lines**	**Factoring**	**Total**
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%

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**

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**

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**

	Stage 1	Stage 2	Stage 3	Total
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	-	2,011,990	9,554,281
Increase in value of existing assets	2,309,005			2,309,005
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**

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28. APR. 2021

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	Credit lines	Factoring	Total
	Collective	Collective	Collective	
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**
	Individual	**Individual**	**Individual**	
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	Credit lines	Factoring	Total
	Collective	Collective	Collective	
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**
	Individual	**Individual**	**Individual**	
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**

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	Credit lines	Factoring	Total
	Collective	Collective	Collective	
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	Credit lines	Factoring	Total
	Collective	Collective	Collective	
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**

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**

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	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 Capex	Credit lines	Factoring	Total
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**

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 Capex	Credit lines	Factoring	Total
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**	-	**7,532863**
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**

7 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	> 365	Total
Expected credit loss rate	0.18	1.69	8.50	11.31	21.77	37.30	97.95	
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	**414,001,444**
Expected credit loss (note 14)	608,844	148,222	283,070	762,458	2,218,153	104,412	37,767,784	**41,892,943**

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	181 - 365	> 365	Total
Expected credit loss rate	0.51%	1.91%	3.48%	19.25%	15.57%	83.91%	100%	
Total trade receivables (note 14)	354,389,271	2,430,992	3,034,903	5,934,319	5,244,354	6,561,821	29,911,610	407,507,270
Expected credit loss (note 14)	1,795,430	46,397	105,702	1,142,283	816,633	5,505,945	29,911,610	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 Agricover SA would regain posesion 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.

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**

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).

31 December 2020	**Total sensitivity**	**Sensitivity of income statement**	**Sensitivity of Other comprehensive Income**
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	**Total sensitivity**	**Sensitivity of income statement**	**Sensitivity of Other comprehensive Income**
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	

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.

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.

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).

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

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

31 December 2019	Total sensitivity	Sensitivity of income statement	Sensitivity of Other comprehensive Income
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	Euro	Other	RON	USD	Euro	Other
Assets								
Cash and cash equivalents	0.00%	-	0.00%	-	0.00%	-	0.00%	--
Loans and advances to customers	9.51%	-	5.11%	-	10.06%	-	5.28%	--
Other financial assets	-	-	-	-	-	-	-	--
Liabilities								
Borrowings	5.17%	--	2.7 %	-	5.61%	-	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).

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	Romania	Russian Federation	Portugal, Italy, Cyprus, Greece, Spain	Other OECD	Total
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**

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

31 December 2019	Romania	Russian Federation	Portugal, Italy, Cyprus, Greece, Spain	Other OECD	Total
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.

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 Agricover 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).

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:

	Less than 1 year	Between 1 and 2 year	Between 2 and 5 years	Later than 5 years	Total
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**

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

	Less than 1 year	Between 1 and 2 year	Between 2 and 5 years	Later than 5 years	Total
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**

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KPMG
28. APR. 2021
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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 undrown 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 draught, 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:

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.

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.

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			
Financial Assets	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
Loans and advances to customers:								
Capex	-	-	116,849,612	116,853,904	-	-	126,221,237	126,221,237
Credit lines	-	-	1,477,909,969	1,479,155,524	-	-	1,317,410,690	1,317,410,690
Factoring	-	-	55,881,750	55,896,506	-	-	64,417,371	64,417,371

Semnat pentru identificare
KPMG
28 APR. 2021
Initialised for identification

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);

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.

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

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**	**9,132,592**
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**

Semnat pentru identificare
KPMG
28. APR. 2021
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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.

Semnat pentru identificare KPMG 28. APR. 2021 Initialised for identification

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**

Semnat pentru identificare KPMG 28 APR. 2021 Initialised for identification

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

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						
Gross book value	-	(3,079,973)	-	-	-	(3,079,973)
Additions	929,951	3,657,367	360,426		7,831,371	12,779,115
Disposals at cost	(31,224,593)	(10,753,209)	(284,668)		(1,954,367)	(44,216,837)
Transfers	1,254,421	-	-	-	(1,254,421)	-
Depreciation charge	(2,907,508)	(2,411,061)	(301,399)	(387,066)	-	(6,007,034)
Accumulated depreciation related to disposals	5,633,236	8,526,142	283,669	-	-	14,443,047
Reevaluation	13,902,552	-	-	-	-	13,902,552
Transfer to Investment property						
- Gross book value	(2,661,039)	-	-	-	-	(2,661,039)
- Accumulated depreciation	46,467	-	-	-	-	46,467
Transfer to Asset held for sale						
- 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**

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 obsolence. 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.

11 INTANGIBLE ASSETS

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

Semnat pentru identificare KPMG 28. APR. 2021 Initialised for identification

12 INVESTMENTS IN ASSOCIATES

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

13 INVENTORIES

	31 December 2020	31 December 2019 restated
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	-	(91,836)
	63,242,140	60,761,070

Inventories held at third parties are mostly pecticides 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).

Semnat pentru identificare
KPMG
28. APR. 2021
Initialised for identification

14 TRADE AND OTHER RECEIVABLES

	31 December 2020	31 December 2019 - restated
Trade receivables	565,757,158	536,420,200
Accrual for commercial discounts	(151,755,716)	(128,912,930)
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	26,197,083	35,501,629
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	2,984,285	3,307,266
	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	5,505,579	9,991,313
Total non-current receivables	21,720,025	18,474,052
Current portion	399,079,935	401,825,499

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 posesion of the silos.

14 TRADE AND OTHER RECEIVABLES (CONTINUED)

	31 December 2020	31 December 2019 restated
Loans granted to customers	1,702,041,162	1,541,996,703
Less: allowance for impairment of loans granted to customers	(51,399,831)	(33,947,268)
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

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

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:

16 DISCONTINUED OPERATIONS (CONTINUED)

	2020	2019 (restated)
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	(26,975)	(923,895)
Profit before tax	2,670,689	8,208,697
Income tax expense	(326,683)	(1,622,027)
Profit for the period from discontinued operations	2,344,006	6,586,671
Net gain from sale of subsidiary	2,677,747	-
Total	5,021,753	6,586,671

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.

Semnat pentru identificare
KPMG
28 APR. 2021
Initialised for identification

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

	31 December 2020	31 December 2019 restated
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
Investment property held for sale	-	17,804,368
Total	-	**25,069,535**

Liabilities directly associated with the assets held for sale

	31 December 2020	31 December 2019 restated
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 isseud 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 distributied 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).

Semnat pentru identificare KPMG 28 APR. 2021 Initialised for identification

17 EQUITY (CONTINUED)

	Revaluation reserves
Balance at 1 January 2019	**60,051,445**
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 Agricover SA (Note 30)	(2,033,648)
Revaluation reserves correction (Note 4)	(9,066,951)
Balance at 31 December 2019 (restated)	**23,345,741**
Revaluation reserves realized	(10,803,239)
Balance at 31 December 2020	**12,542,502**

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	**82,360,066**	**54,430,546**
	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	77,338,313	47,843,875
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	5,021,753	6,586,671
Number of ordinary shares	2,163,968,075	2,163,968,075
EPS basic and diluted	**0.036**	**0.024**
EPS basic and diluted from continuous operations	**0.034**	**0.021**
EPS basic and diluted from discontinued operations	**0.002**	**0.003**

18 BORROWINGS

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

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

		31 December 2020			31 December 2019	
Description	**Currency**	**Face value**	**Carrying amount**	**Maturity**	**Face value**	**Carrying amount**
Credit pe termen mediu ING	RON	30,000,000	15,000,000	30-Oct-22	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	56,952,600	-
Linie credit de capital circulant BRD (utilizat in EUR)	EUR		10,640,923	31-Aug-21		49,120,883
Linie credit de capital circulant BCR (utilizat in LEI)	RON	62,000,000	9,515,541	12-Oct-22	62,000,000	9,488,840
European Bank for Reconstruction and Development (EBRD)	EUR	48,694,000		3-Nov-21	-	-
Linie credit de capital circulant Banca Transilvania (utilizat in LEI)	RON	40,000,000	13,241,751	15-Aug-21	30,000,000	16,345,624
Banca Transilvania SA	RON	124,000,000	77,550,683	18-Nov-21	100,000,000	97,350,558
UniCredit Bank SA	RON	133,000,000	99,224,766	2-Oct-21	100,000,000	67,156,412
BRD Groupe Societe Generale	RON	130,000,000	57,193,269	31-Aug-21	105,000,000	74,356,012

ING Bank Romania	RON	200,000,000	150,630,515	5-Nov-22	150,000,000	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	-	-
EBRD	EUR		9,734,820			
Black Sea Trade and Development	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	39,529,411	39,570,535
European Investment Fund	RON	20,000,000	20,096,271	15-May-28	-	-
Responsibility Sicav	EUR	49,000,000	49,036,555	6-Sep-24	48,000,000	48,065,066
Alpha Bank - credit line	RON	19,044,800	7,813	26-Aug-21	19,044,800	1,159,774
Alpha Bank - investment loan	RON	38,089,600	30,123,732	26-Nov-2024	38,089,600	33,968,487
TOTAL			**1,469,981,291**			**1,400,900,671**

18 BORROWINGS (CONTINUED)

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

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

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

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

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**

Semnat pentru identificare KPMG 2 8. APR. 2021 Initialised for identification

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.

Semnat pentru identificare
KPMG
28. APR. 2021
Initialised for identification

19 TRADE AND OTHER PAYABLES

	31 December 2020	31 December 2019 restated
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	251,485	343,387
Total	**332,215,972**	**304,957,465**

20 TRADE REVENUES

Revenue from continuing operations

	31 December 2020	2019 restated
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

	2020	2019 restated
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**

Semnat pentru identificare KPMG 28. APR. 2021 Initialised for identification

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:

	2020	2019 restated
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	38,599,336	98,576,185
Total	**1,466,908,272**	**1,520,264,990**

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

Interest income

	2020	2019 restated
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.

21 COST OF SALES

Continuing operations	2020 Agribusiness and Agrifood	2020 Agrifinance	2020 Total	2019 restated Agribusiness and Agrifood	2019 restated Agrifinance	2019 restated Total
Merchandise	(1,016,251,337)	-	(1,016,251,337)	(993,143,702)	-	(993,143,702)
Raw material expense	(226,674,864)	-	(226,674,864)	(325,635,570)	-	(325,635,570)
Employees cost *	(60,756,452)	(12,969,232)	(73,725,684)	(56,237,242)	(14,825,573)	(71,062,814)
Consumables expenses	(27,093,258)	-	(27,093,258)	(23,799,796)	-	(23,799,796)
Transportation of goods sold	(14,113,899)	-	(14,113,899)	(16,756,628)	-	(16,756,628)
Depreciation	(4,560,623)	(231,682)	(4,792,306)	(3,347,245)	(293,293)	(3,640,540)
Third party services	(9,809,915)	(226,515)	(10,036,430)	(12,302,590)	(9,934)	(12,312,524)
Energy and water expense	(4,113,622)	-	(4,113,622)	(4,439,230)	-	(4,439,230)
Depreciation Right of use assets	(7,225,983)	(1,160,536)	(8,386,518)	(6,549,573)	(895,698)	(7,445,271)
Maintenance expense	(2,026,102)	(806,345)	(2,832,447)	(2,410,360)	(1,013,521)	(3,423,881)
Write-down of inventories	(249,572)	-	(249,572)	(1,152,711)	-	(1,152,711)
Other distribution costs	(291,485)	(1,098,266)	(1,389,751)	(123,877)	(626,075)	(749,952)
Taxes to the State Budget	(722,115)	-	(722,115)	(595,165)	-	(595,165)
Insurance premium expenses	(379,998)	(177,933)	(557,931)	(315,969)	(192,635)	(508,604)
Rent expenses	(279,221)	(324,709)	(603,930)	(1,250,796)	(346,588)	(1,597,383)
Postal and telecommunication expenses	(309,421)	(240,620)	(550,041)	(277,751)	(164,686)	(442,437)
Travel and subsistence costs	(400,386)	(115,194)	(515,580)	(527,673)	(113,526)	(641,199)
Protocol and publicity expenses	(73,788)	(615,244)	(689,032)	(252,240)	(430,538)	(682,778)
Bank charges	-	-	-	(1,707)	-	(1,707)
Loss from disposal of non-current assets	(136,436)	-	(136,436)	(653,815)	-	(653,815)
Total	**(1,375,468,477)**	**(17,966,276)**	**(1,393,434,753)**	**(1,449,773,640)**	**(18,912,067)**	**(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.

22 ADMINISTRATIVE EXPENSES

Continuing operations	2020	2019 restated
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	2020	2019 restated
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

	2020	2019 restated
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

	2020	2019 restated
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	2020	2019 restated
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)**

Semnat pentru identificare
KPMG
28 APR. 2021
Initialised for identification

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	(3,263,316)	(4,926,492)
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.

	2020	2019 (restated)
Profit before tax	86,908,207	57,649,868
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.

26 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 asset	Deferred tax liability	Deferred tax for Investment property included in Liabilities directly associated with	Income (Charge) to p&l continuing operations	Charge to p&l discontinued operations	Deferred tax for Investment property included in Liabilities directly associated with	Net asset	Net liability
Property, plant and equipment		(3,884,693)		1,168,424	-		-	(2,716,269)
Allowance for loans granted	1,747,425	-		994,625	-		2,742,050	-
Allowance for bad debts	-	-		984,795	-		-	984,795
Investment property included in assets held for sale	-	-	(2,432,910)	-	2,432,910	-	-	-
Tax loss carried forward	-	-		115,472	-		-	115,472
Total deferred tax	**1,747,425**	**(3,884,693)**	**(2,432,910)**	**3,263,317**	**2,432,910**	**-**	**2,742,050**	**(1,616,001)**

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 than 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.

Furthemore, 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:

Semnat pentru identificare
Initialised for identification
KPMG
28. APR. 2021

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 Cornatelu 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

	2020	2019
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

	2020	2019
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

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

29 RELATED-PARTY TRANSACTIONS (CONTINUED)

Year-end balances arising from sales/purchases of goods/services

	31 December 2020	31 December 2019 (restated)
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).

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KPMG
28. APR. 2021
Initialised for identification

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 (dividends to NCI: 2,437,199 RON in 2020)	**(69,957,622)**	**(46,198,713)**
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

AGRICOVER SA

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 December 2020

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

KPMG Audit SRL
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Independent Auditors' Report

To the Shareholders of Agricover SA

Report on the Audit of the Financial Statements

Opinion

1. We have audited the financial statements of Agricover SA ("the Company"), which comprise the statement of financial position as at 31 December 2020, the statements of profit and loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, including significant accounting policies and other explanatory information.
2. In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by European Union (IFRS).

Basis for Opinion

3. We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards and regulations are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Romania 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.

Emphasis of Matter – corresponding figures

4. We draw attention to Note 4 to the 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.

Fiscal registration code
RO12997279
Trade Registry
no.J40/4439/2000
Share Capital 2,000 RON

Other Matter - corresponding figures

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

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

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

7. Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

8. In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

9. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

10. Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

11. 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 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 Company'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 Company'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 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

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

Aura Giurcăneanu

KPMG Audit SRL

GIURCANEANU AURA STEFANA

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

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

Bucharest, 28 April 2021

Autoritatea pentru Supravegherea Publică a Activității de Audit Statutar (ASPAAS)
Auditor financiar: GIURCANEANU AURA STEFANA
Registrul Public Electronic: AF1517

Autoritatea pentru Supravegherea Publică a Activității de Audit Statutar (ASPAAS)
Firma de audit: KPMG AUDIT S.R.L.
Registrul Public Electronic: FA9

CONTENT **PAGE**

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

Semnat pentru identificare KPMG 28. APR. 2021 Initialised for identification

	Note	31 December 2020	31 December 2019 restated
ASSETS			
Non-current assets			
Property, plant and equipment	8	3,253,984	3,232,703
Intangible assets	9	2,475,068	1,221,302
Right of use assets	17	11,542,903	14,468,372
Finance lease receivable from related parties – long term	28	57,518	1,178,754
Investments in associates		10	10
Other non-current receivables	11	18,827,134	18,274,203
Total non-current assets		**36,156,617**	**38,375,344**
Current assets			
Inventories	10	55,862,988	57,698,949
Trade and other receivables	11	384,300,970	371,358,767
Finance lease receivable from related parties – short term	28	922,452	1,073,896
Cash and cash equivalents	12	681,520	450,649
		441,767,930	430,582,261
Assets classified as held for sale	13	-	6,899,624
Total current assets		**441,767,930**	**437,481,885**
Total assets		**477,924,547**	**475,857,229**
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	14	10,463,636	10,463,636
Revaluation reserves	15	993,882	20,375,829
Other reserves		4,739,847	3,560,642
Retained earnings		99,416,717	75,983,360
Total equity		**115,614,082**	**110,383,467**
Non-current liabilities			
Borrowings	16	20,252,435	16,766,757
Deferred tax liability	25	491,550	1,659,974
Total non-current liabilities		**20,743,985**	**18,426,731**
Current liabilities			
Trade and other payables	18	286,767,129	253,550,445
Income tax liability		2,186,456	4,340,393
Borrowings	16	47,270,446	82,368,999
Contract liabilities	19	5,342,449	6,787,194
Total current liabilities		**341,566,480**	**347,047,031**
Total liabilities		**362,310,465**	**365,473,762**
Total equity and liabilities		**477,924,547**	**475,857,229**

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

Liviu Dobre
President of the Board of Directors

SOCIETATEA AGRICOVER S.A. ROMANIA 1

Violeta Georgescu
Chief Accountant

The accompanying notes 1 to 29 are an integral part of these financial statements.

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

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

Semnat pentru identificare
KPMG
28. APR. 2021
Initialised for identification

	Note	31 December 2020	31 December 2019 restated
Continuing operations			
Revenue	20	1,139,721,799	1,109,146,671
Cost of sales	21	(1,066,010,688)	(1,036,166,832)
Impairment loss on trade and other receivables	11	(3,771,484)	(1,301,577)
Gross profit		**69,939,628**	**71,678,262**
Administrative expenses	22	(21,419,163)	(22,001,794)
Other expenses	23	(859,501)	(1,180,817)
Other income	23	1,482,003	249,398
Operating profit (loss)		**49,142,967**	**48,745,049**
Finance income		830,508	199,790
Finance costs		(15,903,867)	(18,463,002)
Net finance costs	**24**	**(15,073,359)**	**(18,263,212)**
Profit before tax		**34,069,608**	**30,481,837**
Income tax expense	25	(4,207,210)	(3,912,757)
Profit from continuing operations		**29,862,398**	**26,569,080**
Profit/(Loss) from discontinued operations, net of tax	13	(259,791)	3,670,664
Profit for the period		**29,602,607**	**30,239,744**
Other comprehensive income, net of tax		**-**	**413,920**
Total comprehensive income for the period		**29,602,607**	**30,653,664**

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

Liviu Dobre
President of the Board of Directors

Violeta Georgescu
Chief Accountant

SOCIETATEA AGRICOVER S.A. ROMANIA 1

The accompanying notes 1 to 29 are an integral part of these financial statements.

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

	Share capital	Revaluation reserves	Other reserves	Losses related to own equity instruments (*)	Retained Earnings restated	Total
Balance at 1 January 2019	**26,499,699**	**92,386,494**	**5,392,548**	**(1,819,566)**	**(1,067,467)**	**121,391,708**
Correction of IFRS 9 computation (note 4)	-	-	-	-	(505,262)	(505,262)
Balance at 1 January 2019 – restated	**26,499,699**	**92,386,494**	**5,392,548**	**(1,819,566)**	**(1,572,729)**	**120,886,446**
Profit for the period, restated	-	-	-	-	30,239,744	30,239,744
Increase in revaluation reserves	-	413,920	-	-	-	413,920
Total comprehensive income for the period	**-**	**413,920**	**-**	**-**	**30,239,744**	**30,653,664**
Demerger (note 1)	(16,036,063)	(168,571)	(3,857,565)	-	(9,884,114)	(29,946,313)
Realized revaluation reserves (note 15)	-	(72,256,014)	-	-	72,256,014	-
Dividend distribution	-	-	-	-	(11,210,330)	(11,210,330)
Increase in other reserves	-	-	1,108,080	-	(1,108,080)	-
Legal reserve	-	-	917,579	-	(917,579)	-
Transfer of RE to cover PY losses related to equity instruments	-	-	-	1,819,566	(1,819,566)	-
Total transactions with owners, recognized directly in equity	**(16,036,063)**	**(72,424,585)**	**(1,831,906)**	**1,819,566**	**47,316,345**	**(41,156,643)**
Balance at 31 December 2019	**10,463,636**	**20,375,829**	**3,560,642**	**-**	**75,983,360**	**110,383,467**

(*) The losses related to equity instruments in amount of RON 1,819,566 represent losses from share redemption mostly generated before 2008, which during 2019 the company decided to cover these from the 2018's retained earnings.

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

	Share capital	Revaluation reserves	Other reserves	Retained earnings	Total
Balance as at 1 January 2020	10,463,636	20,375,829	3,560,642	75,983,360	110,383,467
Profit for the year	-	-	-	29,602,607	29,602,607
Total comprehensive income for the year	-	-	-	29,602,607	29,602,607
Dividend distribution	-	-	-	(24,371,992)	(24,371,992)
Increase in other reserves	-	-	1,179,205	(1,179,205)	-
Realized revaluation reserves (note 15)	-	(19,381,947)	-	19,381,947	-
Total transactions with owners, recognized directly in equity	-	(19,381,947)	1,179,205	(6,169,250)	(24,371,992)
Balance at 31 December 2020	10,463,636	993,882	4,739,847	99,416,717	115,614,082

Revaluation reserves realized is represented by sale of assets previously classified as held for sale as at 31 December 2019. These items were classified as PPE under revaluation model until 2012 (and as such accumulated revaluation reserve at each revaluation date), between 2012 and 2017 the assets were classified as Investment Property with gains/losses recognized directly in P&L, and at 31 December 2019 they were classified as Held for sale.

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

	Notes	2020	2019 restated
Cash flows from operating activities			
Profit for the period from continuing operations		29,862,398	26,569,080
Profit/(Loss) for the period from discontinued operations	13	(259,791)	3,670,664
Depreciation and amortization	8,9,13,17	6,755,899	9,559,975
Fair value loss recognised through profit and loss		-	59,781
Unrealized net foreign exchange differences		1,944,583	2,269,713
Impairment of receivables	11	2,709,432	(239,064)
Write down of inventory	10	(62,094)	4,180,415
(Gain)/Loss from the sale of tangible assets	23	(112,896)	(7,352,610)
Income tax	25	4,072,466	4,611,931
Interest income	24	(774,719)	(110,766)
Interest expense	24	3,079,774	4,836,052
Operating profit before changes in working capital		**47,215,052**	**48,055,171**
Changes in working capital			
Increase / (decrease) in trade and other receivables		(23,731,811)	(70,728,342)
(Increase) / decrease in the inventories		1,898,056	(1,666,279)
Increase / (decrease) in trade and other payables		42,576,518	24,903,220
Cash used in operations		**67,957,815**	**563,770**
Interest paid	24	(3,079,774)	(4,836,052)
Interest received	24	774,719	110,766
Income tax paid		(7,394,827)	(8,115,765)
Cash used in operating activities		**58,257,933**	**(12,277,281)**
Cash flows from investing activities			
Payments for acquisitions of property, plant and equipment and intangible assets	8,9	(2,921,410)	(3,236,147)
Proceeds from sale of Property, pland and equipments and Assets held for sale (*)	8,9	13,462,179	38,821,180
Proceeds related to demerger	1	-	20,798,672
Receipts from finance lease receivable	17	1,389,791	1,232,374
Cash generated from investing activities		**11,930,560**	**57,616,079**
Cash flows from financing activities			
Repayment of borrowings	16	(35,193,353)	(15,508,261)
Proceeds from borrowings	16	7,477,370	-
Payments for the reduction of the lease liabilities	16	(6,857,065)	(7,199,386)
Factoring and other financial expenses paid	24	(11,742,688)	(12,623,466)
Dividend paid	14	(23,641,894)	(10,867,600)
Cash generated from financing activities		**(69,957,622)**	**(46,198,713)**
Cash and cash equivalents at the beginning of the period	12	**450,649**	**1,310,564**
Increase/decrease in cash and cash equivalents		230,871	(859,915)
Cash and cash equivalents at the end of the period	12	**681,520**	**450,649**

(*) The amounts contain proceeds from sale of Property, pland and equipments and Assets held for sale made and recorded into other long-term receivables 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)

Semnat pentru identificare KPMG 28. APR. 2021 Initialised for identification

1 REPORTING ENTITY

Description of business

Agricover SA ("the Company") is a Romanian company established in the year 2000 as the result of the merger between Cerealcom SA and Ulvex SA. The Company's head-office is located at 1B Pipera Blvd, Voluntari, Ilfov.

On April 01, 2019 a demerger process that was started in September 2018 was completed, following which the pig slaughter house line of activity was transferred to a new company (Abatorul Peris SA) controlled by the Company's parent and the arrable lands, held by the Company as Investment Property, were transferred to a second company (Agriland Ferme SA) controlled by the Company's parent.

The demerger generated the following shareholding structure for Abatorul Peris SA and Agriland Ferme (presented at the date of transfer):

Shareholder	**Abatorul Peris SA**	**Agriland Ferme SA**
	(%)	**(%)**
Agricover Holding SA	96.84	96.07
Other shareholders	3.16	3.93
Total	**100**	**100**

As a result of the demerger on 1 April 2019, the company derecognized net assets (assets less liabilities) with a carrying value of RON 50,745,003 , equity in amount of 29,946,331 and received consideration of RON 20,798,672. No gain or loss was recorded on the transaction.

All of the company's sales are made in Romania and all the clients are local.

Management structure

At 31 December 2020 the Company's Chief Executive Officer is Mr. Ghita Pinca, its Chief Financial Officer is Mr. Dragos Druga and its Chief Accountant is Mrs. Violetea Georgescu.

At 31 December 2019 the Company's Chief Executive Officer was Mr. Ghita Pinca and its Chief Accountant was Mrs. Violetea Georgescu.

At 31 December 2020 the Board Members are Mr. Dobre Liviu, Mr. Bucataru Stefan Doru and Mrs. Liliana Fedorovici and as at 31 December 2019 the Board Members are Mr. Dobre Liviu, Mr. Bucataru Stefan Doru and Mr. Drisis Dimitrios .

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 long term receivables 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.

Management believes that the Company has adequate resources to continue its operational existence for the foreseeable future. Management has made that assessment after consideration of the Company's liquidity, gearing level, budgeted cash flows and related assumptions. Therefore, the Company continues to adopt the going concern basis in preparing its financial statements.

The preparation of financial statements in conformity with IFRS as adopted by the 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.

As described in Note 1, during 2019 the company completed a demerger process which resulted in the pig slaughterhouse line of activity being demerged into a new company (Abatorul Peris SA) and the arable lands, held by the Company as Investment property, being demerged into another company (Agriland Ferme SA).

Functional and presentation currency

These financial statements are presented in RON, which is the Company's functional currency. All amounts have been rounded to the nearest hundred, unless otherwise indicated.

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'.

These financial statements for the twelve months ended 31 December 2020 were authorized for issue by the Company's Board of Directors on **27th of April 2021**. Neither the Company's shareholders, nor any other stakeholders have the power to amend the financial statements after their issuance.

Semnat pentru identificare / Signed for identification KPMG 28. APR. 2021

3 BASIS OF ACCOUNTING

(a) 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 recognised in profit or loss. However, the decrease shall be recognised 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 accumulated 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 Company and the cost of the item can be measured reliably.

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

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 expenses / Other income" line (as applicable) in the profit and loss.

3 BASIS OF ACCOUNTING (continued)

Estimation of fair values of land and buildings and investment property

The fair value of land and buildings and investment property is determined through revaluation. The revaluation process is performed by certified evaluators, with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period. The most recent valuation process took place as of 31 December 2019. Revaluation report was issued by Deloitte Consultanta SRL, corporate member of National Association of Valuers from Romania.

Fair value of investment property is the price that would be received from sale of the asset in an orderly transaction, without deduction of any transaction costs. The best evidence of fair value is given by current prices in an active market for similar property in the same location and condition.

In the absence of current prices in an active market, the Company considers information from a variety of sources, including:

- current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;
- recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

(b) 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 10
Furniture, fittings and equipmentes	3 to 15

(*) The average useful life of buildings' depreciation is of 26 years.

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

3 BASIS OF ACCOUNTING (continued)

(c) Investment property

The Company 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 Company 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 Company'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.

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 Company and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

3 BASIS OF ACCOUNTING (continued)

(d) 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 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.

(e) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories, contract assets 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.

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.

3 BASIS OF ACCOUNTING (continued)

(f) Financial assets and liabilities

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Depending on their classification financial instruments are carried at fair value (through OCI, or through profit or loss), or amortised cost as described below.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15.

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, LIBOR yield curve, exhange rate rates, volatilities and counterparty spreads) existing at the dates of the statement of financial position.

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KPMG
28. APR. 2021
Initialised for identification

3 BASIS OF ACCOUNTING (continued)

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available.

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes transaction costs. Measurement at cost is only applicable to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured and derivatives that are linked to, and must be settled by, delivery of such unquoted equity instruments.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.
The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount.

Financial assets

Classification

The Company classifies its financial assets in financial assets measured at amortized cost and financial assets measured at fair value. Management determines the classification of its financial instruments at initial recognition.

3 **BASIS OF ACCOUNTING (continued)**

Financial assets measured at amortized cost

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise 'trade and other receivables' in the balance sheet.

The Company uses trade date accounting for regular way contracts when recording financial asset transactions.

Financial liabilities

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The company has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

3 BASIS OF ACCOUNTING (continued)

The Company's holding in financial liabilities is included within financial liabilities at amortised cost. Financial liabilities are derecognised when extinguished, discharged, cancelled or have expired.

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

Financial liabilities at amortised cost

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortised cost. Financial liabilities measured at amortised cost are borrowings and trade payables.

Determination of fair value

For all other financial instruments, fair value is determined using valuation techniques.

In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, LIBOR yield curve, exhange rate rates, volatilities and counterparty spreads) existing at the dates of the statement of financial position.

The fair value for loans and advances as well as liabilities to banks and other creditors are determined using a present value model on the basis of contractually agreed cash flows, taking into account credit quality, liquidity and costs.

3 BASIS OF ACCOUNTING (continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired;
  or
- The company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

The Company has not engaged in any repurchase agreements or securities lending or borrowing transactions.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Impairment of financial assets

The company recognises an allowance for expected credit losses (ECLs) for all debt 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.

3 BASIS OF ACCOUNTING (continued)

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL).

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the company 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 company 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.

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Company first assesses whether objective evidence of impairment exists.

For loan and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit and loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price. 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 recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit and loss.

3 BASIS OF ACCOUNTING (continued)

(g) Assets classified as held for sale

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations;
  or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Assets and disposal groups are classified as held for sale as their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The assets (or disposal group) are available for immediate sale and their present condition is subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable.

The management is committed to the sale, which is expected to qualify for recognition as a completed sale within one year from the date of classification.

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.

(h) Inventories

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

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.In case of obsolete inventories, a valuation adjustment is recorded by the Company.

3 BASIS OF ACCOUNTING (continued)

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).

(i) Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due). If collection is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at cost when they are originated and subsequently measured at amortised cost using the effective interest method. The amortized cost is reduced by impairment losses.

Other non-current receivables represent the amounts generated by the sale of silos. The Net Present Value of the long term receivables is computed using a discounting rate and having a current market approach.

Allowance for expected credit losses

In making the judgment on the quantification of the bad debt allowance, the management assesses whether there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables.

If, in a subsequent year, the amount of the allowance for impairment loss changes because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by recording a gain or loss in the income statement. Trade and other receivables, together with the associated provision, are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company.

If collection is expected in more than one year, they are classified as non-current assets.

In accordance with IFRS 9 the allowance for bad debts was computed using the simplified approach and a lifetime estimated credit loss (ECL) was recognized on trade receivables.

3 BASIS OF ACCOUNTING (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.

3 BASIS OF ACCOUNTING (continued)

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).

Taking into consideration the calculation method, the estimate is not sensitive to variations because it is calculated based on factual information existing at the end of the year.

(j) 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. 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".

(k) 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 Company's shareholders is recognised as a liability in the Comapny's financial statements in the period in which the dividends are approved by the Company'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 BASIS OF ACCOUNTING (continued)

(l) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non- current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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.

(m) 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.

(n) Employee benefits

The Company, 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 Company 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.

(o) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss over the period of the borrowings using the effective interest method.

Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds. The Company recognizes borrowing costs as an expense, unless there are qualifying assets identified to which the interest is capitalized.

3 BASIS OF ACCOUNTING (continued)

(p) Leases

As a lessee

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

At commencement or on modification of a contract that contains a lease component, the Company 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 Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company 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 Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company 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 Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company 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.

3 BASIS OF ACCOUNTING (continued)

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 Company presents right-of-use assets that do not meet the definition of investment property in 'Right of use assets' and lease liabilities in 'Borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

The Company 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 Company 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 standalone prices.

When the Company acts as a lessor (including for sub-renting agreements), it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company 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.

Semnat pentru identificare KPMG 28. APR. 2021 Initialised for identification

3 BASIS OF ACCOUNTING (continued)

When the Company 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 Company 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 Company applies IFRS 15 to allocate the consideration in the contract.

The Company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Company recognises lease payments received under operating leases as income on a straightline basis over the lease term as part of "Revenue".

(q) Revenue recognition

Revenue from contracts with customers (with sales of goods and services, deductions from revenue). 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), livestock and also include revenue from sale of finished goods produced in the Company's slaughterhouse (prior to demerger). 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.

3 **BASIS OF ACCOUNTING (continued)**

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 must be substantive (for example, the customer has requested the arrangement);
- the product must be identified separately as belonging to the customer;
- the product currently must be ready for physical transfer to the customer; and
- the entity cannot 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 property 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.

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.

(r) Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in the income statement using the effective interest method.

3 BASIS OF ACCOUNTING (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 Company 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.

Once a financial asset or a Company 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.

(s) 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.

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 eitherr the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3 **BASIS OF ACCOUNTING (Continued)**

(t) 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).

(u) Standards issued by not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Company has not early adopted any of the forthcoming new or amended standards in preparing these 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 Company 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.

Other standards
The following new and amended standards are not expected to have a significant impact on the Company'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.

4 RESTATEMENTS MADE ON OPENING BALANCES AT 31 DECEMBER 2019

The following restatements were performed on the opening balances previously reported, as presented below:

Statement of financial position	**31 December 2019 - as previously reported -**	**Restatement**	**31 December 2019 - restated -**
Inventories *(a)*	57,493,725	205,224	57,698,949
Trade and other receivables *(a & c1)*	350,416,631	20,942,136	371,358,767
Assets classified as held for sale *(a)*	28,552,246	(21,652,622)	6,899,624
Total current assets	**437,987,147**	**(505,262)**	**437,481,885**
Total assets	**476,362,491**	**(505,262)**	**475,857,229**
Retained earnings	**76,973,227**	**(989,865)**	**75,983,360**
Trade and other payables *(b & c2)*	247,896,933	5,653,512	253,550,445
Contract liabilities *(b)*	6,100,280	686,914	6,787,194
Liabilities directly associated with the assets held for sale *(b)*	5,855,822	(5,855,822)	-
Total current liabilities	**346,562,426**	**484,603**	**347,047,031**
Total liabilities	**364,989,157**	**484,603**	**365,473,762**
Total equity and liabilities	**476,362,491**	**(505,262)**	**475,857,229**

Statement of profit and loss and other comprehensive income	**31 December 2019 - as previously reported -**	**Restatement**	**31 December 2019 - restated -**
Revenue *(d)*	1,090,154,005	18,992,666	1,109,146,671
Cost of sales *(d & e)*	(974,298,166)	(61,868,666)	(1,036,166,832)
Cost of distribution *(e & f)*	(43,777,819)	43,777,819	-
Impairment loss on trade and other receivables *(f)*	-	(1,301,577)	(1,301,577)
Gross profit	**72,078,110**	**399,848**	**71,678,262**
Administrative expenses *(g)*	(21,917,038)	(84,756)	(22,001,794)
Other gains/(losses) – net *(h)*	7,918,072	(7,918,072)	-
Other expenses *(h)*	-	(1,180,817)	(1,180,817)
Other income *(h)*	-	249,398	249,398
Operating profit (loss)	**58,079,144**	**(9,334,095)**	**48,745,049**
Finance income *(i)*	11,709,218	(11,509,428)	199,790
Finance costs *(i)*	(29,972,431)	11,509,428	(18,463,002)
Net finance costs	**(18,263,213)**	**-**	**(18,263,212)**
Profit before tax	**39,815,931**	**(9,334,095)**	**30,481,837**

Semnat pentru identificare KPMG 28. APR. 2021 Initialised for identification

Statement of profit and loss and other comprehensive income	31 December 2019 - as previously reported -	Restatement	31 December 2019 - restated -
Income tax expense (j)	(4,611,931)	699,174	(3,912,757)
Profit from continuing operations	**35,204,000**	**(8,634,920)**	**26,569,080**
Profit/(Loss) from discontinued operations, net of tax (k)	**(4,479,654)**	**8,150,318**	**3,670,664**
Profit for the period	**30,724,346**	**(484,603)**	**30,239,744**
Total comprehensive income for the period	**31,138,267**	**(484,603)**	**30,653,664**

Statement of cash flows	31 December 2019 - as previously reported -	Restatement	31 December 2019 - restated -
Profit for the period from continuing operations *(h & j & c2)*	35,204,001	(8,634,921)	26,569,080
Profit/Loss for the period from discontinued operations *(h & j)*	(4,479,654)	8,150,318	3,670,664
Fair value loss recognised through profit and loss	-	59,781	59,781
Loss on revaluation of land and buildings recognised through P&L	59,781	(59,781)	-
Unrealized net foreign exchange differences *(l)*	2,142,669	64,657	2,269,713
Impairment of receivables *(m & o)*	204,923	(443,987)	(239,064)
Valuation adjustment for non-current assets reclassified as held for sale (n)	1,631,954	(1,631,954)	-
Write down of inventory (o)	-	4,180,415	4,180,415
(Gain)/Loss from the sale of tangible assets (n)	(9,044,481)	1,691,871	(7,352,610)
(Gain)/Loss from inventories quantitative and qualitative differences (o)	5,358,406	(5,358,406)	-
Interest income	(36,237)	(74,529)	(110,766)
Interest expense	4,879,701	(43,649)	4,836,052
Operating profit before changes in working capital	**50,155,359**	**(2,100,188)**	**48,055,171**

Statement of cash flows	31 December 2019 - as previously reported -	Restatement	31 December 2019 - restated -
Increase / (decrease) in trade and other receivables *(m & o)*	(72,350,321)	1,621,979	(70,728,342)
Increase / (decrease) in trade and other payables *(q & t)*	32,638,096	(7,734,876)	24,903,220
Cash used in operations	**8,776,855**	**(8,213,085)**	**563,770**
Interest paid	(4,879,701)	43,649	(4,836,052)
Interest received	36,237	74,529	110,766
Cash used in operating activities	**(4,182,374)**	**(8,094,907)**	**(12,277,281)**
Payments for acquisitions of property, plant and equipment and intangible assets	(3,434,954)	198,807	(3,236,147)
Proceeds from sale of Property, pland and equipments and Assets held for sale	39,087,084	(265,904)	38,821,180
Proceeds related to demerger *(r)*	-	20,798,672	20,798,672
Receipts from finance lease receivable *(s)*	-	1,232,374	1,232,374
Cash generated from investing activities	**35,652,130**	**21,963,949**	**57,618,564**
Repayment of borrowings *(s)*	-	(15,508,261)	(15,508,261)
Proceeds from borrowings *(s)*	(14,275,887)	14,275,887	-
Factoring and other financial expenses paid *(t)*	-	(12,623,466)	(12,623,466)
Dividends paid	(10,854,398)	(13,202)	(10,867,600)
Cash generated from financing activities	**(32,329,671)**	**(13,869,042)**	**(46,198,713)**

a) Inventories in amount of RON 205,224 and Trade and other receivables in amount of RON 21,447,398 were reclassified from Assets classified as held for sale to Inventories and, respectively to Trade and other receivables to correct a misclassification in the prior year, 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);

b) Trade and other payables in amount of RON 5,168,509 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 to correct a misclassification in the prior year, as they were not realized through a sale but rather through continuing use (i.e payables were settled as well via cash);

4 RESTATEMENTS MADE ON OPENING BALANCES AT 31 DECEMBER 2019 (continued)

c) There were two corrections of errors recognized in Retained earnings at 31 December 2019:
   1) First correction relates to IFRS 9 ECL computation, in amount of RON 505,262 with an impact also in the Trade and other receivables line presented in the table above. This error was due to a mismatch in the total amount presented in the financial statements compared to the total amount in the IFRS 9 ECL computation spreadsheet;
   2) Second correction relates to Untaken holiday provision, in amount of RON 484,603, which also impacts the Trade and other payable line presented in the table above, with corresponding expense discussed at points e) and g) below. The Company identified that the provision was understated by this amount and corrected accordingly comparative information, also with effect on prior period profit and loss.

d) 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;

e) Cost of distribution is presented in the same line as Cost of sales for the year ended 31 December 2020 and comparative figures are restated as a result. In addition, Cost of sales for the comparative period included an additonal amount of RON 399,848 representing provision for untaken holiday discussed in point c2) above;

f) 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;

g) Administrative expenses are restated with provision for untaken holiday in amount of RON 84,756 discussed in point c2) above;

h) 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;

i) Foreign exchange losses in amount of RON 11,509,428 were netted off from both captions "Finance income" and "Finance costs" as at 31 December 2020 and comparative figures were restated as a result;

j) Income tax credit in amount of RON 699,174 was reclassified from continuining to discontinued operations due to the fact that in the previous period no income tax was computed for the discontinued operations;

k) Profit from continuing operations was impacted by reclassification of income tax applicable to the discontinued activities as presented in point j) above, from adjustement regarding provision for untaken holiday discussed at point c2) above and also by the reclassification of gain from sale of fixed assets discussed at point h) above;

l) Unrealized net foreign exchange differences was influenced by the restatements below m) thru r);

m) At 31 December 2019 the line called "Impairment of receivables" 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 (see comment o) below), and reconciliation of the remaining amount for impairment of trade and other receivables against movement presented in the notes to the financial statements;

n) "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 after an asset has been classified as held for sale (incorrect application of IFRS 5);

o) The line "(Gain)/Loss from inventories quantitative and qualitative differences" presented in the previous period in the cash-flow was changed into "Write down of inventory ", and correction was made in order to reconcile the amount presented in the cash-flow statement against movements in the Statement of Profit or Loss and Other comprehensive income; Also a correction of RON 1,688,409 regarding provision of inventory transferred to Abatorul Peris SA at demerger was registered on this line;

p) The line "Fair value loss recognised through profit and loss" presented above comprises 2 lines presented in the Cash Flow in the previous period: "Fair value loss recognised through profit and loss" and "Valuation adjustment for non-current assets reclassified as held for sale"; also there's an impact from a correction related to non-current asset provision in amount of RON 67,097 which is included also in the line "Payments for acquisitions of property, plant and equipment and intangible assets" presented above;

q) Increase / (decrease) in trade and other payables is modified with the impact of the adjustements c2) and p).

r) Proceeds received from Abatorul Peris as a consequence of the demerger have been reclassified from "Increase/(decrease) in trade and other payables" to a separate line in investing cash-flow to correct a previous misclassification;

s) 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"

t) Factoring and other financial expenses paid in amount of RON (12,579,194) were presented in cash-flow in financing activities to correct a previous misclassification within "Increase/(decrease) in trade and other payables".

5 USE OF JUDGEMENTS AND ESTIMATES

In preparing these financial statements, management has made judgements and estimates that affect the application of the Company'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 q) Revenue recognition

Note 3 p) Leases: lease term – whether the Company is reasonably certain to exercise extension options.

5 USE OF JUDGEMENTS AND ESTIMATES (continued)

Assumptions and estimation uncertainties

Note 3 a) Estimation of fair values of land and buildings and investment property;
Note 3 i) measurement of ECL allowance for trade receivables;
Note 3 i) Accrual for discounts to be granted after year end;
Note 3 l) Accrual for discounts to be received after year end;
Note 3 s) recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilised.

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.

6 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

6 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

31 December 2020	Note	Carrying amount: Loans and receivables	Carrying amount: Other financial liabilities	Carrying amount: Total	Fair value: Level 3	Fair value: Total
Financial assets not measured at fair value						
Trade and other receivables *	11	379,349,038	-	379,349,038		
Other non-current assets	11	18,827,134	-	18,827,134	18,827,134	18,827,134
Finance lease receivable from related parties	28	979,970	-	979,970		
Total		**399,156,142**	-	**399,156,142**	**18,827,134**	**18,827,134**
Financial liabilities not measured at fair value						
Borrowings	16	-	55,029,023	55,029,023	52,894,781	52,894,781
Trade and other payables **	18	-	278,986,634	278,986,634		
Total		-	**334,015,657**	**334,015,657**	**52,894,781**	**52,894,781**

** excluding prepayments, advances for inventories and advances to suppliers*

*** excluding Salaries and related taxes, Value added tax and Other current Liabilities*

31 December 2019	Note	Carrying amount: Loans and receivables	Carrying amount: Other financial liabilities	Carrying amount: Total	Fair value: Level 3	Fair value: Total
Financial assets not measured at fair value						
Trade and other receivables *	11	365,497,635	-	365,497,633		
Other non-current assets	11	18,274,203	-	18,274,203	18,274,203	18,274,203
Finance lease receivable from related parties	28	2,252,650	-	2,252,650		
Total		**386,024,488**	-	**386,024,486**	**18,274,203**	**18,274,203**
Financial liabilities not measured at fair value						
Borrowings	16	-	82,477,975	82,477,975	81,076,340	81,076,340
Trade and other payables **	18	-	242,547,441	242,547,441		
Total		-	**325,025,416**	**325,025,416**	**81,076,340**	**81,076,340**

6 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)

Risk management

The risk management function within the Company is carried out in respect of financial risks (credit, market, geographical, currency, liquidity and interest rate), operational risks and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

Credit risk

Financial assets, which potentially subject the Company to credit risk, consist principally of cash and cash equivalents, trade and other current and non-current receivables. The Company has policies in place to ensure that sales of goods and services are made to customers with an appropriate credit history. The Company analyses the credit risk for each of its new clients before standard payment and delivery terms and conditions are offered.

The carrying amount of accounts receivable and other non-current receivables, net of bad debt allowance, and cash and cash equivalents, represent the maximum amount exposed to credit risk.

The Company 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 credit risk on cash and cash equivalents is very small, since cash and cash equivalents are placed with financial institutions which are considered at time of deposit to have minimum risk of default. Furthermore, the Company has policies that limit the amount of credit exposure to any financial institutions with total balance at 31 December 2020 being 681,520 RON (31 December 2019: 450,649 RON).

Market risk

The Company takes on exposure to market risks. Market risks arise from open positions in foreign currencies and interest bearing assets and liabilities. Management monitors the exposure to the risks, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Semnat pentru identificare KPMG 28. APR. 2021 Initialised for identification

6 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)

Foreign currency risk

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro ("EUR") and US dollar ("USD"). Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities.

The table below summarises the Company's exposure to foreign currency exchange rate risk at the balance sheet date:

	At 31 December 2020			At 31 December 2019		
	Monetary financial assets	Monetary financial liabilities	Net balance sheet Position	Monetary financial assets	Monetary financial liabilities	Net balance sheet Position
EUR	246,206	(35,471,517)	(35,225,311)	2,576,192	(50,987,742)	(48,411,550)
USD	94,127	(8,018,122)	(7,923,995)	950,642	(11,240,410)	(10,289,768)
TRY	48	-	48	64	-	64
	340,381	(43,489,639)	(43,149,258)	3,526,898	(62,228,152)	(58,701,254)

The above analysis includes only monetary assets and liabilities.

The annual average EUR rate as of 31 December 2020 strengthened against RON compared to 31 December 2019 by 1.9%.

The following table presents sensitivities of profit and loss and equity to reasonably possible changes in exchange rates applied at the balance sheet date relative to the Company's functional currency, with all other variables held constant:

	2020	2019
EUR	4.8694	4.7793
USD	3.9660	4.2608

Impact on profit/(loss) of:	2020
EUR strengthening by 2.5%	(880,633)
	2019
EUR strengthening by 2.5%	(1,210,289)

6 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)

Impact on profit/(loss) of:	2020
USD strengthening by 2.5%	(198,100)
	2019
USD strengthening by 4.6%	(473,329)

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the Company. For 31 December 2020, the percentage used for the impact was computed using publicly available information, from reputable national financial analysts.

As at 31 December 2020, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been RON 906,417 lower/higher (31 December 2019: RON 1,186,029 lower/higher), mainly as a result of higher/lower interest expense on floating rate borrowings.

Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to daily calls on its available cash resources. Liquidity risk is managed by Controlling Department of the Company. Management monitors monthly rolling forecasts of the company's cash flows until the year end.

The tables below show liabilities at 31 December 2020 and at 31 December 2019 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows.

Such discounted cash flows differ from the amount included in the statement of financial position because the balance sheet amount is based on undiscounted cash flows.

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

6 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)

Management receives monthly net cash flow analysis for managing liquidity risk.

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
At 31 December 2020				
Borrowings (including lease liabilities, excluding interest)	47,270,446	15,042,928	5,209,507	67,522,881
Interest payable (borrowings and lease liabilities)	1,034,871	411,033	57,067	1,502,971
Trade and other payables*	278,986,634	-	-	278,986,634
Total	327,291,951	15,453,961	5,266,574	348,012,486
At 31 December 2019				
Borrowings (excluding interest)	82,368,997	8,458,009	8,308,750	99,135,756
Interest payable	1,829,534	214,336	13,232	2,057,102
Trade and other payables (restated)*	242,547,441	-	-	242,547,441
Total	326,745,972	8,672,345	8,321,982	343,740,299

** excluding Salaries and related taxes, Value added tax and Other current Liabilities*

Semnat pentru identificare KPMG 28. APR. 2021 Initialised for identification

7 CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, to maintain an optimal capital structure 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 Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company has to maintain certain conditions, related to its capital, which are imposed by contracts concluded with financing banks.

The covenants are computed based on IFRS standalone financial statements of the Company.

The covenants for the Company are:
- Current Ratio
- Short Term Borrowings Ratio
- Debt Ratio
- Gearing Ratio
- Interest Coverage Ratio
- Solvency Ratio

The Company is in compliance with all covenants at 31 December 2020. The loan covenants of the Company are computed based on these financial statements and are calculated using **both continuing and discontinued activities**, as follows:

1. Current ratio computation is presented below:

	Note(s)	31 December 2020	31 December 2019 restated
Current ratio A/B		**1.29**	**1.26**
A. Current assets	SOFP	441,767,930	437,481,885
B. Current liabilities	SOFP	341,566,480	347,047,031

2. Short term borrowing ratio computation is presented below:

	Note(s)	31 December 2020	31 December 2019 restated
Short term borrowing ratio A/B		**4.05%**	**5.76%**
A. Short Term Borowing	SOFP	47,270,446	82,368,999
B. Revenue	SOPL,13	1.166.318.173	1,429,351,110

7 CAPITAL RISK MANAGEMENT (continued)

3. Debt ratio computation is presented below:

	Note(s)	31 December 2020	31 December 2019 restated
Debt ratio A/B		**1.20**	**1.54**
A. Total Net Debt *	SOFP	66,841,361	98,685,107
B. EBITDA	13, 29	55,531,311	63,876,412

*Total net debt is calculated as total Borrowings less Cash and cash equivalents

4. Gearing ratio computation is presented below:

	Note(s)	31 December 2020	31 December 2019 Restated
Gearing ratio A/B		**0.58**	**0.90**
A. Total Debt	SOFP	67,522,881	99,135,756
B. Total equity	SOFP	115,614,082	110,383,467

5. Interest coverage ratio computation is presented below:

	Note(s)	31 December 2020	31 December 2019 Restated
Interest coverage ratio A/B		**18.03**	**13.09**
A. EBITDA	13, 29	55,531,311	63,876,412
B. Interest expense	13, 24	3,079,772	4,879,701

6. Solvability ratio computation is presented below:

	Note(s)	31 December 2020	31 December 2019 Restated
Solvability ratio A/B		**24.19%**	**23.20%**
A. Total Equity	SOFP	115,614,082	110,383,467
B. Total Assets	SOFP	477,924,547	475,857,229

8 PROPERTY, PLANT AND EQUIPMENT

Movements in the carrying amount of property, plant and equipment were as follows:

	Land and buildings	Vehicles and machinery	Furniture, fittings and equipment	Construction in progress	Total
Cost or valuation	60,972,839	34,895,320	2,538,216	1,496,795	99,903,170
Accumulated depreciation	(5,826,921)	(14,226,162)	(755,235)	-	(20,808,318)
Impairment	(4,371)	(2,954)	-	-	(7,325)
Net book value at 1 January 2019	**55,141,547**	**20,666,204**	**1,782,981**	**1,496,795**	**79,087,527**
Additions	69,116	345,105	207,368	1,200,795	1,822,384
Disposals	(31,189,499)	(10,683,359)	(322,102)	(10,801)	(42,205,761)
Transfers	1,254,421	-	-	(1,254,421)	
Depreciation charge	(1,990,457)	(1,274,950)	(225,858)	-	(3,491,265)
Revaluation	354,141	-	-	-	354,141
Accumulated Depreciation of Disposals	5,498,864	8,526,142	283,669	-	14,308,675
Transfer to Assets classified as held for sale					
- Gross book value	(8,136,722)	(2,374,802)	(22,977)	-	(10,534,501)
- Accumulated depreciation	1,253,747	1,752,911	3,915	-	3,010,573
Demerger					
- Gross book value	(21,549,555)	(20,303,386)	(741,685)	(1,229,793)	(43,824,419)
- Accumulated depreciation	695,716	4,217,105	217,284	-	5,130,105
Transfer to Right of Use Assets					
- Gross book value	-	(499,066)	-	-	(499,066)
- Accumulated depreciation	-	74,310	-	-	74,310
Net book value at 31 December 2019	**1,401,319**	**446,214**	**1,182,595**	**202,575**	**3,232,703**
Cost or valuation	1,774,741	1,379,812	1,658,820	202,575	5,015,948
Accumulated depreciation	(369,051)	(930,644)	(476,225)	-	(1,775,920)
Impairment	(4,371)	(2,954)	-	-	(7,325)
Net book value at 31 December 2019	**1,401,319**	**446,214**	**1,182,595**	**202,575**	**3,232,703**

8 **PROPERTY, PLANT AND EQUIPMENT (continued)**

	Land and buildings	Vehicles and machinery	Furniture, fittings and equipment	Construction in progress	Total
Cost or valuation	1,774,741	1,379,812	1,658,820	202,575	5,015,948
Accumulated depreciation	(369,051)	(930,644)	(476,225)	-	(1,775,920)
Impairment	(4,371)	(2,954)	-	-	(7,325)
Net book value at 1 January 2020	**1,401,319**	**446,214**	**1,182,595**	**202,575**	**3,232,703**
Additions	55,771	945,009	110,916	-	1,111,696
Disposals at cost	(3,238)	(226,125)	(6,588)	(185,179)	(421,130)
Accumulated Depreciation of Disposals	-	195,999	-	-	195,999
Depreciation charge	(339,992)	(257,889)	(204,337)	-	(802,218)
Transfer to Assets classified as held for sale					
- Gross book value	(63,066)	-	-	-	(63,066)
- Accumulated depreciation	-	-	-	-	-
Net book value at 31 December 2020	**1,050,794**	**1,103,208**	**1,082,586**	**17,396**	**3,253,984**
Cost or valuation	1,764,208	2,098,696	1,763,148	17,396	5,643,448
Accumulated depreciation	(709,043)	(992,534)	(680,562)	-	(2,382,139)
Impairment	(4,371)	(2,954)	-	-	(7,325)
Net book value at 31 December 2020	**1,050,794**	**1,103,208**	**1,082,586**	**17,396**	**3,253,984**

As at 31 December 2020, the gross book value of the property, plant and equipment fully depreciated is of RON 1,108,216 (31 December 2019: RON 2,925,244).

8 PROPERTY, PLANT AND EQUIPMENT (continued)

Subsequent measurement of the Company's freehold land and buildings

The Company's freehold land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The revaluation of the Company's freehold land and buildings was last performed as at 31 December 2019, by Deloitte Consultanta SRL, independent valuers not related to the Company. Deloitte Consultanta SRL is a corporate member of National Association of Valuers from Romania and they have appropriate qualifications and experience in the fair value measurement of properties in the relevant locations.

The revalued non-current assets consisted of freehold land occupied with constructions, buildings and agro-industrial buildings for the reception/ handling of crops.

If the company's land and building would not have been revalued, as at 31 December 2020, the net book value would have been RON 614,295.

The approach and the methods of revaluation were established considering the revalued asset's nature, the quantity and quality of the available information and the purpose of the revaluation process. The fair value of the freehold land was determined based on the market comparable approach that reflects recent transaction prices for similar properties and the fair value of the buildings was determined using the cost approach that reflects the replacement cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence.

Borrowings (Note 16) are secured against Property, plant and equipment and Assets held for sale with a carrying value of RON 0 (2019: RON 6,946,866).

9 INTANGIBLE ASSETS

	Trademarks	Licences	Total
1 January 2019			
Gross book value	1,146,110	9,079,879	10,225,989
Accumulated amortization	(814,183)	(7,580,147)	(8,394,330)
Net book value at 1 January 2019	**331,927**	**1,499,732**	**1,831,659**
Net book value at 1 January 2019	**331,927**	**1,499,732**	**1,831,659**
Additions	41,099	820,010	861,109
Demerger	(147,662)	(1,531,326)	(1,678,988)
Disposals	(300,376)	(754,738)	(1,055,114)
Accumulated Depreciation of Disposals	260,774	760,940	1,021,714
Accumulated amortization of assets demerged	93,632	762,562	856,194
Amortization charge	(102,996)	(512,276)	(615,272)
Net book value at 31 December 2019	**176,398**	**1,044,904**	**1,221,302**
Gross book value	739,171	7,613,825	8,352,996
Accumulated amortization	(562,773)	(6,568,921)	(7,131,694)
Net book value at 31 December 2019	**176,398**	**1,044,904**	**1,221,302**

	Trademarks	Licences	Total
1 January 2020			
Gross book value	739,171	7,613,825	8,352,996
Accumulated amortization	(562,773)	(6,568,921)	(7,131,694)
Net book value at 1 January 2020	**176,398**	**1,044,904**	**1,221,302**
Net book value at 1 January 2020	**176,398**	**1,044,904**	**1,221,302**
Additions	232,680	1,487,319	1,719,999
Disposals	(6,190)	(1,312)	(7,502)
Accumulated amortization of Disposals	3,663	1,312	4,975
Amortization charge	(91,221)	(372,485)	(463,706)
Net book value at 31 December 2020	**315,330**	**2,159,738**	**2,475,068**
Gross book value	965,661	9,099,832	10,065,493
Accumulated amortization	(650,331)	(6,940,094)	(7,590,425)
Net book value at 31 December 2020	**315,330**	**2,159,738**	**2,475,068**

Semnat pentru identificare KPMG 28. APR. 2021 Initialised for identification

10 INVENTORIES

	31 December 2020	31 December 2019 restated
Goods purchased for resale	43,920,503	40,856,514
Write-down of Goods purchased for resale	(866,836)	(1,121,694)
Inventories at third parties	12,267,363	17,453,612
Packaging, spare parts and other consumables	541,958	602,353
Write-down of Packaging, spare parts and consumables	-	(91,836)
Total inventories	**55,862,988**	**57,698,949**

Inventories held at third parties are mostly fertilizers which are directly delivered from the Company's warehouse to the customers. Goods purchased for resale are represented mainly by pesticides, seeds and fertilisers. Part of bank borrowings are guaranteed by pledge on part of inventories (Note 16).

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)

From the total amount in balance as at 31 December 2019 of RON 57,698,949 an amount of 205,224 RON was reclassified from caption Assets classified as held for sale.

Write-down of Inventories	**31 December 2020**	**31 December 2019**
Opening balances	**(1,213,530)**	**(4,079,929)**
Write-down of inventories	(3,377,100)	(2,669,668)
Reversal of write-down of inventories	3,723,794	3,847,658
Demerger	-	1,688,409
Closing balances	**(866,836)**	**(1,213,530)**

Additionally, the company recognized directly in the P&L losses from inventories, separate from the amounts presented above in amount of RON 284,600 (2019: RON 5,358,405). These amounts are presented in the caption *"(Gain)/loss from inventories quantitative and qualitative differences"* (see notes 13 and 21).

Semnat pentru identificare KPMG 28. APR. 2021 Initialised for identification

11 TRADE AND OTHER RECEIVABLES

	31 December 2020	31 December 2019 restated
Trade receivables	400,621,307	377,058,756
Less: allowance for impairment of trade receivables	(34,259,764)	(31,647,977)
Trade receivables – net	**366,361,543**	**345,410,779**
Receivables from related parties (note 28)	23,300,368	14,757,470
Loans to related parties (note 28)	-	1,610,168
Other receivables	14,483,993	27,865,508
Less: allowance for impairment of other receivables	(5,969,732)	(5,872,087)
Total financial assets	**398,176,172**	**383,771,838**
Prepayments	1,926,718	1,154,992
Advances for inventories	2,984,285	3,307,266
Advances to suppliers	40,929	1,398,874
Other non-financial assets	**4,951,932**	**5,861,132**
	403,128,104	**389,632,970**
Less non-current portion:		
Other receivables from related parties	13,535,069	8,482,739
Other receivables	5,292,065	9,791,464
Total other non-current assets	**18,827,134**	**18,274,203**
Current portion	**384,300,970**	**371,358,767**

Allowance for impairment of trade and other receivables	31 December 2020	31 December 2019
Opening balance	(37,520,064)	(43,167,777)
Demerger	-	5,408,649
Impairment of receivables	(4,954,258)	-
Reversal of impairment of receivables	2,244,826	239,064
Closing balance	**(40,229,496)**	**(37,520,064)**

Additionally, the company recognized directly in the SOPL impairment of receivables, separate from the amounts presented above in amount of RON 1,062,052 (2019: RON 1,540,641).

From the total amount in balance as at 31 December 2019 of RON 371,358,767 an amount of RON 20,942,136 was reclassified from caption Assets classified as held for sale.

Other receivables classified as at 31 December 2020 and as at 31 December 2019 as a non-current other receivables refer to receivables from fixed assets sold with payment term above one year, the maximum payment term being 2023. 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 Agricover SA would regain posesion of the silos.

11 TRADE AND OTHER RECEIVABLES (continued)

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 16).

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

31 December 2020	Not due	0-30 days	31-60 days	61-90 days	91-180 days	181-365 days	> 365 days	Total
ECL rate (%)	0.178	2.194	9.696	11.317	21.805	48.064	97.206	8.552
Trade receivables net of discounts	342,817,631	6,756,411	2,919,338	6,737,300	10,172,766	217,237	31,000,624	400,621,307
ECL	608,844	148,222	283,070	762,458	2,218,153	104,412	30,134,605	34,259,764

31 December 2019	Not due	0-30 days	31-60 days	61-90 days	91-180	181 - 365	> 365	Total
ECL rate (%)	0.285	1.909	3.483	6.754	11.051	26.370	100.000	8.393
Trade receivables net of discounts	331,535,059	2,430,992	3,034,903	5,001,810	4,977,809	565,271	29,512,912	377,058,756
ECL	945,989	46,397	105,702	337,828	550,088	149,061	29,512,912	31,647,977

The increase in allowance for impairment of trade and other receivables as at 31 December 2020 compared to 31 December 2019 is due to forward looking analysis performed by management (as required by IFRS 9) and due to impairment losses of RON 3,635,787 that were recorded on a small number of trade receivables, in the same amount, that were individually evaluated due to the identification of an increase in the risk of collectability for those individual customers. 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. As at 31 December 2020, the amounts overdue above 365 days were not fully provisioned due to the fact that part of these were cashed-in by the Company in the period subsequent to year end.

The ECL rate computation as at 31 December 2019 included historical information from 31 December 2019 as well as prior periods 31 December 2018 and 31 December 2017; as at 31 December 2020, the prior periods used in the ECL rate computation were 31 December 2019 and 31 December 2018. The Company is using a segment approach when calculating ECL rates.

12 CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
RON denominated balances with bank and cash on hand	633,615	389,512
Foreign currency balances with bank and cash on hand	47,905	61,137
Total	681,520	450,649

Bank borrowings are guaranteed by pledges on cash and cash equivalents (note 16).

13 DISCONTINUED OPERATIONS

On April 01, 2019 a demerger process that was started in September 2018 was completed, following which the pig slaughter house line of activity was transferred to a new company (Abatorul Peris SA) and the arrable lands, held by the Company as Investment Property, were transferred to a second company (Agriland Ferme SA). Furthermore, the Company decided to discontinue the Grains and Silo, and Milk activities.

In the financial statements the followings business lines are presented as discontinued: Slaughterhouse (2019 figures), Livestock (2019 figures), Grains and Silo (2019 figures), and Milk (2020 figures).

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 twelve months period ended 31 December 2020 are presented below:

	2020	2019
Revenue	26,596,374	320,204,439
Cost of sales	(27,153,077)	(319,216,018)
Impairment loss/gain on trade and other receivables	72,168	(81,336)
Gross loss	**(484,535)**	**907,085**
Administrative expenses	-	(2,835,128)
Other income	1,428	134,331
Other gains	115,549	7,365,117
Operating profit/loss	**(367,558)**	**5,571,405**
Finance income	-	-
Finance costs	(26,977)	(1,201,567)
Net finance costs	**(26,977)**	**(1,201,567)**
Profit/Loss before tax	**(394,535)**	**4,369,838**
Income tax credit/expense	134,744	(699,174)
Profit/Loss from discontinued operations	**(259,791)**	**3,670,664**

13 DISCONTINUED OPERATIONS (continued)

During the 12 months period ended 31 December 2020, operating cash inflow from discontinued operation was RON 15,694,596, due to differences in payment terms between suppliers and customers (suppliers are paid faster by the Company than customers are paying the Company). EBITDA from discontinued operations is in amount of (355,884) RON as at 31 December 2020 (31 December 2019: 9,197,278 RON).

Assets classified as held for sale

	31 December 2020	31 December 2019 restated
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
Total	-	**6,899,624**

As at 31 December 2019, the amount is presented net of impairment in amount of RON 624,304. During 2020, the Company disposed of the assets located in Buzau. These properties was previously used in the Company's production and trading operations. Total proceeds from related parties from assets classified as held for sale as at 31 December 2020 is of RON 7,112,849 (31 December 2019 total proceeds: RON 60,138,147 out of which from related parties: RON 8,227,234).

COST OF SALES

Discontinued operations	2020	2019 restated
Merchandise	(25,801,255)	(271,854,527)
Write-down of inventories	-	(2,041,050)
Reversal of write-down of inventories	26,567	3,741,971
Cost of merchandise	**(25,774,688)**	**(270,153,606)**
Transport expenses	(308,570)	(11,516,486)
Employee cost	(788,078)	(16,362,392)
Rent expenses	(58,077)	(684,301)
Third party services	(47,953)	(3,082,336)
Maintenance expenses	(23,243)	(1,043,475)
Consumables expenses	(38,769)	(5,184,752)
Energy and water expenses	(21,007)	(1,780,807)
Insurance premium expenses	(46,578)	(251,053)
Bank charges	-	(1,707)
Taxes to the State Budget	(5,923)	(415,102)
Postal and telecommunication expenses	(2,656)	(87,212)
Protocol and publicity expenses	-	(40,036)
Depreciation	(11,674)	(3,470,018)
Travel	(50)	(73,464)
(Gain)/loss from inventories quantitative and qualitative differences	(25,811)	(5,069,271)
Total	**(27,153,077)**	**(319,216,018)**

13 DISCONTINUED OPERATIONS (continued)

ADMINISTRATIVE EXPENSES

Discontinued operations	2020	2019 restated
Employee cost	-	(1,567,545)
Third party services	-	(252,660)
Energy and water expense	-	(31,422)
Rent expenses	-	(120,367)
Taxes to the State Budget	-	(390,938)
Protocol and publicity expenses	-	(28,608)
Maintenance expense	-	(80,356)
Insurance premium expenses	-	(50,100)
Postal and telecommunication expenses	-	(9,455)
Travel	-	(2,985)
Consumables expenses	-	(144,837)
Depreciation	-	(155,855)
Total	-	**(2,835,128)**

	2020	2019 restated
Other income		
Gain from disposal of non-current assets	112,896	7,347,915
Penalties and compensatory payments	2,653	17,202
Total	115,549	7,365,117

14 SHARE CAPITAL

All shares are subscribed, fully paid and carry equal voting rights. All shares have a nominal value of RON 0.10/share. There are no preference shares and no restrictions on shares. All issued shares are fully paid.

Dividends declared in 2020 are in amount of RON 24,371,992 (31 December 2019: RON 11,210,331) out of which RON 23,641,894 were paid until December 2020 (31 December 2019: RON 10,867,600).

The share capital structure as at December 31, 2020 and December 31, 2019 is as follows:

31 December 2020	No. of shares	Amount	Percentage (%)
Agricover Holding SA	90,640,534	9,064,053	86.62
ADAMA Agriculture B.V.	10,463,636	1,046,364	10.00
Other shareholders	3,532,191	353,219	3.38
Total	104,636,361	10,463,636	100

Semnat pentru identificare KPMG 28. APR. 2021 Initialised for identification

14 SHARE CAPITAL (Continued)

31 December 2019	No. of shares	Amount	Percentage (%)
Agricover Holding SA	90,640,534	9,064,053	86.62
ADAMA Agriculture B.V.	10,463,636	1,046,364	10.00
Other shareholders	3,532,191	353,219	3.38
Total	**104,636,361**	**10,463,636**	**100**

15 REVALUATION RESERVES

As at 31 December 2019, land and buildings of the Company were revalued. The revaluation surplus was recognised in the revaluation reserves. If an asset's carrying amount was decreased as a result of a revaluation, the decrease was recognised in profit or loss. However, the decrease was recognised in other comprehensive income, to the extent of any credit balance existing in the revaluation surplus in respect of that asset. Revaluation report was issued by Deloitte Consultanta SRL, corporate member of National Association of Valuers from Romania.

At 1 January 2019	92,386,494
Amounts transferred to realized revaluation reserves	(72,256,014)
Demerger	(168,571)
Increase in revaluation reserves	413,920
At 31 December 2019	20,375,829
At 1 January 2020	20,375,829
Amounts transferred to realized revaluation reserves	(19,381,947)
At 31 December 2020	993,882

16 BORROWINGS

	31 December 2020	31 December 2019
Non-current		
Bank borrowings	15,000,000	7,522,630
Lease liabilities	5,252,435	9,244,127
Total non-current borrowings	**20,252,435**	**16,766,757**
Current		
Bank borrowings	40,029,023	74,955,345
Lease liabilities	7,241,423	7,413,654
Total current borrowings	**47,270,446**	**82,368,999**
Total borrowings	**67,522,881**	**99,135,756**

16 BORROWINGS(Continued)

Bank borrowings

At 31 December 2020 and 31 December 2019 the Company had the following borrowings:

Bank	31 December 2020	31 December 2019
ING medium term (withdrawn in RON)	15,000,000	6,216
ING medium term (withdrawn in USD)	-	7,516,413
BCR credit line (withdrawn in RON)	9,515,541	9,488,035
BRD credit line (withdrawn in EUR)	10,640,923	23,553,860
BRD credit line (withdrawn in RON)	6,630,808	25,567,022
Banca Transilvania credit line (withdrawn in RON)	13,241,751	16,345,624
Unicredit Bank credit line (withdrawn in EUR)	-	805
European Bank for Reconstruction and Development (EBRD)	-	-
Total	**55,029,023**	**82,477,975**

Unicredit Bank – Short term revolving facility

As of 31 December 2019, Agricover SA had a short-term credit line for working capital for a total value of EUR 979,400 and having the maturity on 2 October 2020. The credit line is guaranteed by pledges on inventories, trade receivables and current bank accounts.
The utilized amount as of 31 December 2020 is RON 0 (31 December 2019: RON 805).

Banca Comercială Română - Short term revolving facility

On 31 December 2020 Agricover SA had a revolving credit line for working capital purposes, for total value of RON 62,000,000 mature on 12 October 2022. The credit facility is secured by the Company's inventories, trade receivables and current bank accounts.
The utilized amount as of 31 December 2020 is of RON 9,515,541 (31 December 2019: RON 9,488,035).

BRD Group Société Générale – Short term revolving facility and loan

As of 31 December 2020, Agricover SA had a credit line for working capital for total value of EUR 12,000,000 mature on 31 August 2021. The borrowing is secured by the Company's inventories, trade receivables and current bank accounts.
The utilized amount as of 31 December 2020 was RON 17,271,731 (31 December 2019: RON 49,120,882).

Banca Transilvania – Credit ceiling

On 31 December 2020 Agricover SA has a credit ceiling of RON 40,000,000 with a maturity date on 15 August 2021, utilizable under revolving system as a credit line (RON), short term loan (RON) or guarantees/contra guarantees letters. The borrowing was secured by trade receivables and current bank accounts. As of 31 December 2020, the utilized amount from the credit line was RON 13,241,751 (31 December 2019: RON 16,345,624).

Semnat pentru identificare KPMG 28 APR. 2021 Initialised for identification

17 **BORROWINGS(Continued)**

ING Bank N.V. - Medium term credit line

As of 31 December 2020, Agricover SA has a credit line for working capital financing purposes, for a total limit of RON 30,000,000, an amount that can be withdrawn in RON, EUR or USD, with a maturity on 30 October 2022. The facility is secured by a pledge on receivables, inventories and bank current accounts of the Company. As of 31 December 2020, the amount utilized was RON 15,000,000 (31 December 2019 RON 7,522,630).

European Bank for Reconstruction and Development (EBRD)

As of 31 December 2020, Agricover SA has an overdraft facility, for a total limit of EUR 10,000,000, an amount that can be withdrawn in EUR with a maturity on 3 November 2021.The facility is secured by a pledge on receivables, inventories and bank current accounts of the Company. As of 31 December 2020, the amount utilized was RON 0 (31 December 2019: not the case).

The carrying amounts and fair value of the non-current borrowings are as follows:

	Carrying amount		Fair value	
	2020	2019	2020	2019
Long term borrowings (excl. leases)	15,000,000	7,522,630	13,956,578	7,223,280

The carrying amounts and fair value of current borrowings are as follows:

	Carrying amount		Fair value	
	2020	2019	2020	2019
Current borrowings (excl. leases)	40,029,023	74,955,345	38,938,203	73,853,060

	Carrying amount		Fair value	
	2020	2019	2020	2019
Total borrowings (excl. leases)	55,029,023	82,477,975	52,894,781	81,076,340

The fair value hierarchy is Level 3.

Taking into consideration that the Company has a diversified mix of borrowings, we consider that for this calculation the effective interest rate of the Company loans is relevant.

The carrying amounts of the Company's borrowings (excluding leases) are denominated in the following currencies:

Semnat pentru identificare KPMG 28. APR. 2021 Initialised for identification

16 BORROWINGS (continued)

Currency	31 December 2020	31 December 2019
RON	44,388,100	51,406,897
EUR	10,640,923	23,554,665
USD	-	7,516,413
Total borrowings (excl. leases)	**55,029,023**	**82,477,975**

All of the Company's borrowings (excl. leases) are at variable interest rates of Robor /Euribor//Libor 1M plus fixed margin.

The effective interest rate at the date of the financial statements is as follows:

	31 December 2020 (%)	31 December 2019 (%)
Bank borrowings	3.09	3.75

Loan movements in the twelve months period ended 31 December 2020 are presented below:

At 1 January	**82,477,975**	**126,096,907**
Withdrawals	7,477,370	-
Reimbursements	(35,193,353)	(15,508,261)
FX impact	267,031	1,870,,814
Demerger	-	(29,981,485)
At 31 December	**55,029,023**	**82,477,975**

The Company has the following undrawn borrowing facilities:

	31 December 2020	31 December 2019
Floating rate:		
expiring within one year	168,857,393	111,456,351
Expiring after one year	15,000,000	-

Lease liabilities movements in the twelve months period ended 31 December 2020 are presented below:

At 1 January 2020	**16,657,781**	**1,885,979**
New contracts	2,564,506	22,978,804
Payments in the period	(6,857,065)	(7,199,386)
FX impact	128,636	437,689
Demerger	-	(1,445,305)
At 31 December 2020	**12,493,858**	**16,657,781**

Semnat pentru identificare KPMG 28. APR. 2021 Initialised for identification

17 LEASE LIABILITIES AND RIGHT-OF-USE ASSETS

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. The Company concluded operating lease agreements with PORSCHE MOBILITY SRL and LEASEPLAN ROMANIA SRL in order to acquire vehicles and machinery that are used by the Company in the normal course of the business. The average period of these agreements is 60 months. Main part of the lease liability balance relates to IFRS 16.

The Company also leases buildings that are used as headquarters or warehouses. The leases run for a period between 2 year and 5 years and there are several lease agreements where the Company has the option to renew the lease after the contractual period. A significant part of the leases were entered into force before 1 January 2019.

As at 31 December 2020, the Company has receivable related to finance lease which represents part of the headquarter and some vehicles sub-leased to related parties.

The sub-lease movements in the 12 months period ended 31 December 2020 and 31 December 2019 are presented below:

	31 December 2020	31 December 2019
Opening	2,252,650	3,410,500
Cash-in	(1,389,791)	(1,232,374)
Interest income	117,111	74,524
Closing balance	**979,970**	**2,252,650**

Right of use assets

	Buildings	Machinery& Equipment	Motor vehicles	Total
As at 01 January 2019	**8,252,054**	**1,108,459**	**2,496,586**	**11,857,099**
Additions	984,042	133,252	6,522,661	7,639,955
Transfer from PPE	-	424,756	-	424,756
Depreciation expense	(2,204,987)	(1,096,737)	(2,151,714)	(5,453,438)
As at 31 December 2019	**7,031,109**	**569,730**	**6,867,533**	**14,468,372**

Semnat pentru identificare KPMG 28. APR. 2021 Initialised for identification

17 LEASE LIABILITIES AND RIGHT-OF-USE ASSETS (continued)

	Buildings	Machinery& Equipment	Motor vehicles	Total
As at 01 January 2020	**7,031,109**	**569,730**	**6,867,533**	**14,468,372**
Additions	638,079	-	1,926,427	2,564,506
Depreciation expense	(2,429,610)	(479,937)	(2,580,428)	(5,489,975)
As at 31 December 2020	**5,239,578**	**89,793**	**6,213,532**	**11,542,903**

18 TRADE AND OTHER PAYABLES

	31 December 2020	31 December 2019 restated
Trade payables	231,508,717	210,452,372
Dividends	1,074,603	344,497
Salaries and related taxes	7,041,084	8,042,743
Payables to related parties (note 28)	46,387,128	31,644,671
Fixed assets suppliers	16,186	105,901
Value added tax payable	659,635	2,833,578
Other current liabilities	79,776	126,683
Total	**286,767,129**	**253,550,445**

From the total amount in balance as at 31 December 2019 in amount of RON 253,550,445, RON 5,168,908 were reclassified from caption Liabilities directly associated with the assets held for sale.

19 CONTRACT LIABILITIES

	31 December 2020	31 December 2019 restated
Advances received from customers	4,883,518	5,760,282
Deferred revenue	458,931	1,026,912
Total contract liabilities	**5,342,449**	**6,787,194**

From the total amount in balance as at 31 December 2019 of RON 6,787,194 an amount of RON 686,914 was reclassified from caption Liabilities directly associated with the assets held for sale.

Semnat pentru identificare KPMG 28. APR. 2021 Initialised for identification

20 REVENUES

Continuing operations	**2020**	**2019 restated**
Revenue from sales of distributed goods	1,138,016,629	1,108,298,877
Revenue from rent	1,137,190	744,316
Revenue from services	567,980	103,478
Total	**1,139,721,799**	**1,109,146,671**

Revenue from sales of distributed goods are disclosed separately by segment of products:

	2020	**2019 restated**
Pesticides	361,445,260	333,004,637
Fuel	362,684,007	402,596,411
Fertilisers	237,612,196	250,527,213
Seeds	176,275,166	122,170,616
Total	**1,138,016,629**	**1,108,298,877**

21 COST OF SALES

Continuing operations	**2020**	**2019 restated**
Merchandise	(1,017,137,465)	(993,290,741)
Write-down of inventories	(3,377,100)	(628,618)
Reversal of write-down of inventories	3,697,228	105,687
Cost of merchandise	**(1,016,817,337)**	**(993,813,672)**
Transport expenses	(8,758,926)	(7,340,056)
Employees cost	(26,337,453)	(22,516,845)
Rent expenses	(334,318)	(628,049)
Third party services	(4,552,753)	(2,576,279)
Maintenance expenses	(1,027,990)	(971,245)
Consumables expenses	(2,432,863)	(2,858,514)
Energy and water expenses	(66,516)	(95,940)
Insurance premium expenses	(316,075)	(274,160)
Taxes to the State Budget	(113,635)	(51,307)
Postal and telecommunication expenses	(186,014)	(169,373)
Depreciation	(4,713,544)	(4,336,788)
Travel	(94,475)	(245,470)
(Gain)/loss from inventories quantitative and qualitative differences	(258,789)	(289,134)
Total	**(1,066,010,688)**	**(1,036,166,832)**

21 COST OF SALES (continued)

The cost with merchandise without write-downs/reversal of write-downs are disclosed separately by segment of products:

Continuing operations	2020	2019
Pesticides	(279,847,678)	(254,498,106)
Fuel	(358,211,386)	(398,424,889)
Fertilisers	(215,176,737)	(227,201,102)
Seeds	(163,901,664)	(113,166,644)
Total	**(1,017,137,465)**	**(993,290,741)**

22 ADMINISTRATIVE EXPENSES

Continuing operations	2020	2019 restated
Employees cost	(11,165,007)	(11,137,795)
Third party services	(2,048,127)	(2,541,073)
Energy and water expense	(85,548)	(92,192)
Rent expenses	(1,897,603)	(1,551,179)
Taxes to the State Budget	(183,082)	(332,963)
Protocol and publicity expenses	(1,412,325)	(2,058,589)
Maintenance expense	(1,253,120)	(1,361,530)
Insurance premium expenses	(82,258)	(164,164)
Postal and telecommunication expenses	(195,047)	(199,846)
Travel	(11,028)	(43,584)
Consumables expenses	(520,912)	(616,651)
Bank charges	(534,422)	(304,931)
Depreciation	(2,030,684)	(1,597,297)
Total	**(21,419,163)**	**(22,001,794)**

23 OTHER INCOME AND OTHER EXPENSES

Continuing operations	2020	2019 restated
Other income		
Gain from disposal of non-current assets	-	4,695
Penalties and compensatory payments	529,074	58,876
Income from other services	950,594	-
Reinvoicing – net	-	81,740
Other gains/losses – net	2,335	104,087
Total	**1,482,003**	**249,398**

23 OTHER INCOME AND OTHER EXPENSES (continued)

Other expenses		
Reinvoicing – net	(3,120)	-
Donations and sponsorships	(856,381)	(1,180,817)
Total	**(859,501)**	**(1,180,817)**

24 NET FINANCE COSTS

	2020	2019 restated
Interest expenses related to bank borrowings	(2,777,435)	(3,251,601)
Interest expense related to leases	(275,362)	(382,884)
Foreign exchange losses	(1,108,382)	(2,205,051)
Other financial expenses	(4,444,124)	(3,919,980)
Factoring commission	(7,298,564)	(8,703,486)
Finance costs	**(15,903,867)**	**(18,463,002)**
Financial discounts received	55,789	89,010
Interest income	774,719	110,766
Other financial revenues	-	14
Finance income	**830,508**	**199,790**
Net finance costs	**(15,073,359)**	**(18,263,212)**

Factoring commission - for the twelve months period ended 31 December 2020, the turnover of the invoices to which these commissions relate to are in amount of RON 97,539,831 (2019: RON 105,778,141).

25 INCOME TAXES

Income tax expense comprises the following:

	2020	2019
Current tax expense	(5,240,890)	(8,883,693)
Deferred income tax benefit	1,168,424	4,271,762
Net income tax expense	**(4,072,466)**	**(4,611,931)**

The Company recognizes income taxes at the rate of 16% on profits computed in accordance with Romanian tax legislation.

25 INCOME TAXES (continued)

Profit before taxation for financial reporting purposes is reconciled to tax expense as follows:

	2020	2019
Profit before tax	**33,675,073**	**34,851,675**
Theoretical tax charge at 16% tax rate	5,388,012	5,576,268
Tax effect of items which are not deductible or assessable for taxation purposes:		
Income not subject to tax (*)	(1,673,804)	(1,715,365)
Expenses not deductible for tax purposes (**)	1,413,242	2,265,058
Annual tax credit relating to sponsorship	(856,381)	(1,180,817)
Legal reserves	-	(146,813)
Fiscal facility(***)	(198,603)	(186,400)
Tax charge	**4,072,466**	**4,611,931**

(*) Income not subject to tax contain mainly reversal of write-down of inventories, reversal of impairment loss in trade and other receivables, that acording to Romanian Fiscal Code are not subject to tax

(**) Expenses not deductible for tax purposes contain mainly write-down of inventories, impairment loss on trade and other receivables, that according to Romanian Fiscal Code are not deductible for tax purpose.

(***) The fiscal facility includes the amount of RON 198,603 representing a bonus for prepayment

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax movement	12 months 2020	12 months 2019
At 1 January	1,659,974	5,931,736
Charged/(credited) to other statement of profit and loss	(1,168,424)	(4,271,762)
At 31 December	491,550	1,659,974

During 2019 the Compay's financials were subject to a fiscal inspection but there was no additional income tax expense or VAT payable to be recorded. During 2020, no fiscal inspections were performed.

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 Company was subject to fiscal controls covering the period through 2016, for both corportate income tax and value added tax. The Company's management considers that the tax liabilities included in this financial information are fairly stated, and they are not aware of any circumstances which may give rise to a potential material liability in this respect.

25 INCOME TAXES (continued)

Transfer pricing

Romanian tax legislation includes the arm's length principle for transactions between related parties. Local taxpayers engaging in related party transactions have to prepare and make available upon the written request of the Romanian Tax Authorities their transfer pricing documentation dossier . Failure to present the transfer pricing documentation dossier, or presenting an incomplete dossier, 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 Company's management believes that the Company will not suffer losses in case of a fiscal inspection on the subject of transfer prices.

26 CONTINGENCIES, COMMITMENTS AND OPERATING RISKS

Guarantees committed to third parties

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).

There are no contractual commitments at the date of the financial statements.

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.

26 CONTINGENCIES, COMMITMENTS AND OPERATING RISKS

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.

Furthemore, 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.

26 CONTINGENCIES, COMMITMENTS AND OPERATING RISKS

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.

27 SUBSEQUENT EVENTS

There are no significant events after the reporting date.

28 RELATED-PARTY TRANSACTIONS

The Company is ultimately controlled by Mr Jabbar Kanani.

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 Company entered into significant transactions or had significant balances outstanding in the period presented were the following:

Related party	Country	Relationship	Transactions type
Agricover Holding SA	Romania	Parent entity	Service supply
Agricover Credit IFN SA	Romania	Related party	Service supply
Agroadvice SRL	Romania	Related party	Service supply
Danube Grain SRL	Romania	Related party	Loan granted
Agricover Broker de Asigurare SRL	Romania	Related party	Service supply
Agriland SRL	Romania	Related party	Goods and service supply
Net Farming SRL	Romania	Related party	Goods and service supply
Agricola Cornatelu SRL	Romania	Related party	Goods and service supply
Abatorul Peris SA	Romania	Related party	Service supply
Daf Smart Consulting SRL	Romania	Related party	Service supply
Veldtster Inc	Romania	Related party	Service supply
GP Services & Commerce SRL	Romania	Related party	Service supply
Lugo Prime Services SRL	Romania	Related party	Service supply
Adama Agricultural Solutions SRL	Romania	Related party	Goods supply
Agricover Technology SRL	Romania	Related party	Goods supply

Semnat pentru identificare KPMG 28. APR. 2021 Initialised for identification

28 RELATED-PARTY TRANSACTIONS (continued)

The following transactions were carried out with related parties:

a) Sales to related parties

	2020	2019 restated
Sales of services	43,799	156,991
Rent revenue	1,120,204	741,749
Sales of fixed assets	7,109,453	8,434,278
Sales of goods	12,100,275	8,843,954
Total	**20,373,731**	**18,176,972**

b) Purchases of goods and services from related parties

	2020	2019 Restated
Purchases of services	2,692,731	3,629,894
Purchases of goods	40,926,615	30,817,135
Total	**43,619,346**	**34,447,029**

c) Other expenses and revenues with related parties

	2020	2019
Financial expenses – Agricover Credit IFN (factoring commission)	7,298,564	8,703,486
Financial expenses – Agricover Credit IFN (other)	4,444,124	3,919,980
Interest income – Danube Grains	184,676	25,851
Total	**11,558,012**	**12,597,615**

d) Period-end receivable balances from related parties

	2020	2019
Trade and other receivables (note 11)	9,765,299	6,274,731
Other receivables (note 11)	13,535,069	8,482,739
Finance lease receivable from related parties	979,970	2,252,650
Prepayments	48,720	-
Danube Grains SRL – short-term loan	-	1,610,168
Total	**24,329,058**	**18,620,289**

Semnat pentru identificare KPMG 28. APR. 2021 Initialised for identification

28 RELATED-PARTY TRANSACTIONS (continued)

e) Period-end payables to related parties

	2020	2019
Trade payables (note 18)	46,387,128	31,644,671
Dividends to be paid	1,074,603	344,497
Total	**47,461,731**	**31,989,168**

Key management compensation

During 2020 salaries paid to key management personnel, including social contributions, amounted to RON 3,076,510 (2019: RON 3,668,032). There are no other compensations related to key management personnel.

29 ALTERNATIVE PERFORMANCE MEASURES

The following alternative performance measures are closely monitored and are presented by the Group as these may prove useful for better understanding of the financial position and performance of the operations. The ratios have been computed for 12 months period ended 31 December 2020 and 31 December 2019 based on the Company's financial results by **only taking into consideration the continuing business lines performance**:

	31.12.2020	31.12.2019
1. EBITDA	55,887,195	54,679,134
2. EBITDA margin	4.91%	4.93%
3. EBITDA/Interest expense	18.31	15.04

Below are presented the the elements included in the computation of the alternative performance measures, as follows:

1. **EBITDA** computation is presented below:

	31.12.2020	31.12.2019
EBITDA (A+B+C+D)	**55,887,195**	**54,679,134**
A.Profit for the period from continuing operations (SOCI)	29,862,398	26,569,080
B.Income tax expense (note 25)	4,207,210	3,912,757
C.Net finance costs (note 24)	15,073,359	18,263,212
D.Depreciation (note 21 and 22)	6,744,228	5,934,085

Semnat pentru identificare KPMG 28. APR. 2021 Initialised for identification

29 ALTERNATIVE PERFORMANCE MEASURES (continued)

2. EBITDA margin is computed as EBITDA/Total Revenue for continuing operations:

	31.12.2020	31.12.2019
EBITDA margin A/B	**4.90%**	**4.93%**
A. EBITDA	55,887,195	54,679,134
B.Revenue (note 20)	1,139,721,799	1,109,146,671

3. EBITDA/Interest expense is computed by divided EBITDA to Interest expense for continuing operations

	31.12.2020	31.12.2019
EBITDA/Interest expense A/B	**18.31**	**15.04**
A.EBITDA	55,887,195	54,679,134
B.Interest expense (note 24)	3,052,797	3,634,485

Liviu Dobre
President of the Board of Directors

SOCIETATEA AGRICOVER S.A. ROMANIA 1

Violeta Georgescu
Chief Accountant

AGRICOVER CREDIT IFN SA

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

AGRICOVER CREDIT IFN SA

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

CONTENTS

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Independent Auditors' Report

(free translation[1])

To the Shareholders of Agricover Credit IFN S.A.

2B Pipera, 6th floor, Cubic Center Office Building, Voluntari, Romania
Unique Registration Code: 13443360

Report on the Audit of the Consolidated Financial Statements

Opinion

1. We have audited the consolidated financial statements of Agricover Credit IFN S.A. ("the Company") and of its subsidiary, Clubul Fermierilor Romani Broker de Asigurare S.R.L. (hereinafter referred to as „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 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 342,071,509
- Profit for the year: Lei 42,110,199

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.

[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.

Fiscal registration code
RO12997279
Trade Registry
no.J40/4439/2000
Share Capital 2,000 RON

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 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 (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

As at 31 December 2020, the consolidated financial statements include gross loans and advances to customers of RON 1,694,692,036, related impairment allowances of RON 51,399,830 and, for the year then ended, impairment losses on loans and advances to customers recognized in the consolidated statement of total comprehensive income of RON 20,427,617 (31 December 2019: loans and advances to customers: RON 1,535,366,108, related impairment allowances: RON 33,947,406, impairment losses on loans and advances to customers recognized in the consolidated statement of profit or loss for the year then ended: RON 10,620,798).

See Notes 3g *Impairment of financial assets carried at amortized cost*, 4 *Financial risk management*, 11 *Loans and advances to customers* to the consolidated financial statements..

The key audit matter	How the matter was addressed in our audit
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. Pursuant to the relevant standard, IFRS 9	Our audit procedures in the area, performed where applicable, assisted by our own valuation and financial risk management specialists, included, among others: • Inspecting the Company'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

"Financial instruments" ("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"). 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 Company'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.	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: — Evaluating the relevant forward-looking information and macroeconomic projections used in the ECL assessment by means of corroborating inquiries of the selected 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 Company'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 Company'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.

Other Matter – Corresponding figures

6. The consolidated financial statements of the Group as at and for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those consolidated statements on 7 May 2020.

Other information – Consolidated Directors' Report ("Consolidated Board of Directors' Report")

7. The Company's Board of Directors is responsible for the preparation and presentation of other information. The other information comprises the consolidated Board of Directors' Report, 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

   With respect to the consolidated Board of Directors' Report we read and report whether the consolidated Board of Directors' Report is prepared, in all material respects, in accordance with NBR Order no. 6/2015, article 234 of the accounting regulations in accordance with European Directives. 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 consolidated 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 consolidated Board of Directors' Report has been prepared, in all material respects, in accordance with NBR Order no. 6/2015, article 234 of the accounting regulations in accordance with European Directives.

   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 consolidated 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

8. 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.

9. 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.

10. 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

11. 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.

12. 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.

13. 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.

14. 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.

15. 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

16. We were appointed by the General Shareholders' Meeting on 9 July 2020 to audit the consolidated financial statements of Agricover Credit IFN S.A. for the year ended 31 December 2020. Our total uninterrupted period of engagement is 1 year, covering the year ended 31 December 2020.

17. 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.

Refer to the original signed Romanian version

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

Grecu Tudor Alexandru

registered in the electronic public register of financial auditors and audit firms under no AF2368

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

Bucharest, 28 April 2021

AGRICOVER CREDIT IFN SA

KPMG
28 APR. 2021
Semnat pentru identificare
Initialised for identification

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RON unless otherwise stated)

	Note	2020	2019
Interest income calculated using the effective interest method	5	69,416,145	56,802,863
Interest income using linear method		108,355,387	103,540,546
Interest and similar expense	5	(66,562,846)	(65,813,489)
Net interest income		111,208,686	94,529,921
Net expense from impairment losses on loans and advances to customers	4.1.7	(20,585,213)	(10,620,765)
Net interest income after net charge for expected credit losses on loans and advances to customers		90,623,473	83,909,156
Fee and commission income	6	4,742,224	3,240,256
Fee and commission expense	6	(2,826)	(238,576)
Net fee and commission income		4,739,398	3,001,681
Other operating income		40,337	156,066
General and administrative expenses	7	(38,566,312)	(37,409,073)
Other operating expenses	8	(3,869,914)	(3,063,388)
Net loss from derivative financial instruments	8	(1,892,026)	(1,310,206)
Foreign Exchange translation gains less losses		(2,501,805)	(2,580,813)
Profit before tax		48,573,149	42,703,424
Income tax expense	9	(6,462,950)	(5,893,236)
PROFIT FOR THE YEAR		42,110,199	36,810,188
Other comprehensive income for the year		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		42,110,199	36,810,188
Profit attributable to:			
- Equity holders of the Company		41,971,734	36,810,188
- Non-controlling interest		138,466	-
Total comprehensive income attributable to:			
- Equity holders of the Company		41,971,734	36,810,188
- Non-controlling interest		138,466	-

These consolidated financial statements were approved by the Board of Directors on 27.04.2021 and signed by:

Stefan Doru Bucataru permanent representant of VELDSTER INC
Administrator

Denisa Manoliu
Chief Financial Officer

The accompanying notes 1 to 26 form an integral part of these consolidated financial statements.

AGRICOVER CREDIT IFN SA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RON unless otherwise stated)

Semnat pentru identificare
KPMG
28. APR. 2021
Initialised for identification

	Note	31 December 2020	31 December 2019
ASSETS			
Cash and cash equivalents	10	87,236,628	76,568,296
Loans and advances to customers	11	1,643,269,520	1,501,418,702
Other financial assets	12	2,309,660	1,621,963
Other assets	12	1,623,525	1,111,543
Deferred tax assets	13	2,742,050	1,747,425
Intangible assets	14	1,614,966	346,002
Property, plant, equipment and right-of-use assets	15	5,071,524	4,083,809
TOTAL ASSETS		1,743,867,875	1,586,897,740
LIABILITIES			
Derivative liabilities held for risk management		1,368,452	980,536
Borrowings	16	1,384,820,722	1,283,294,433
Other financial liabilities	17,18	14,739,396	11,942,411
Current tax liability	19	710,336	863,050
Provision for off balance sheet commitment		157,458	
TOTAL LIABILITIES		1,401,796,365	1,297,080,430
EQUITY			
Share capital	20	117,924,970	107,924,970
Retained earnings		208,790,430	169,552,736
Legal and other reserves	20	15,073,644	12,339,604
TOTAL SHAREHOLDERS EQUITY		341,789,044	289,817,310
Non-controlling interests		282,466	
TOTAL EQUITY		342,071,509	289,817,310
TOTAL LIABILITIES AND EQUITY		1,743,867,875	1,586,897,740

These consolidated financial statements were approved by the Board of Directors on 27.04.2021 and signed by

Stefan Doru Bucataru permanent representant of VELDSTER INC
Administrator

Denisa Manoliu
Chief Financial Officer

The accompanying notes 1 to 26 form an integral part of these consolidated financial statements.

AGRICOVER CREDIT IFN SA

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RON unless otherwise stated)

Semnat pentru identificare KPMG 28. APR. 2021 Initialised for identification

	Note	Attributable to the owners of the Company						
		Share capital	Retained earnings	Legal reserve	Other reserves	Total	Non-controlling interest	Total equity
Opening balance at 1 January 2019		**70,406,070**	**135,076,772**	**9,067,167**	**938,216**	**215,488,225**	**-**	**215,488,225**
Profit for the period / Total comprehensive income for the period		-	36,810,188	-	-	36,810,188	-	36,810,188
Total comprehensive income of the period		**-**	**36,810,188**	**-**	**-**	**36,810,188**	**-**	**36,810,188**
Transactions with equity holders of the Company								
Share capital increase	20	37,518,900	-	-	-	37,518,900	-	37,518,900
Transfer to legal reserve			(2,334,221)	2,334,221	-	-	-	-
Total contributions and distributions		**37,518,900**	**34,475,967**	**2,334,221**	**-**	**74,329,088**	**-**	**74,329,088**
Balance at 31 December 2019		**107,924,970**	**169,552,739**	**11,401,388**	**938,216**	**289,817,310**	**-**	**289,817,310**

These consolidated financial statements were approved by the Board of Directors on 27.04.2021 and signed by

Stefan Doru Bucataru permanent representant of VELDSTER INC

Administrator

Denisa Manoliu

Chief Financial Officer

The accompanying notes 1 to 26 form an integral part of these consolidated financial statements.

AGRICOVER CREDIT IFN SA

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RON unless otherwise stated)

Semnat pentru identificare
KPMG
28. APR. 2021
Initialised for identification

	Note	Attributable to the owners of the Company						
		Share capital	Retained earnings	Legal reserve	Other reserves	Total	Non-controlling interest	Total equity
Opening balance at 1 January 2020		107,924,970	169,552,736	11,401,388	938,216	289,817,310	-	289,817,310
Profit for the period / Total comprehensive income for the period		-	41,971,734	-	-	41,971,734	138,466	42,110,200
Total comprehensive income of the period		**-**	**41,971,734**	**-**	**-**	**41,971,734**	**138,466**	**42,110,200**
Share capital increase		10,000,000				10,000,000		10,000,000
Transfer to legal reserve			(2,705,240)	2,705,240				
Change in ownership interest								
Transfer to legal reserve			(28,800)	28,800				
Issue of shares in subsidiary, with change in NCI	20	-	-	-	-	-	144,000	144,000
Transactions with equity holders of the Company								
Total contributions and distributions		**10,000,000**	**39,237,694**	**2,734,040**	**-**	**51,971,734**	**289,466**	**52,254,200**
Balance at 31 December 2020		**117,924,970**	**208,790,430**	**14,135,428**	**938,216**	**341,789,044**	**282,466**	**342,071,510**

These consolidated financial statements were approved by the Board of Directors on 27.04.2021 and signed by

Stefan Doru Bucataru permanent representant of VELDSTER INC
Administrator

Denisa Manoliu
Chief Financial Officer

The accompanying notes 1 to 26 form an integral part of these consolidated financial statements.

AGRICOVER CREDIT IFN SA

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RON unless otherwise stated)

	Notes	2020	2019
Operating activities			
Interest and commissions receipts		172,040,754	160,266,342
Interest and commissions payments		(66,641,800)	(64,430,438)
Brokerage fees cashed		4,569,551	2,916,982
Staff costs paid		(27,741,421)	(25,134,962)
Payments to suppliers		(13,456,120)	(13,235,505)
Other receivables		(3,015,265)	(2,130,215)
Net disbursements of loans and advances to customers		(158,664,652)	(248,019,846)
Net cash flows from/ (used in) operating activities before income tax		(92,908,953)	(189,767,642)
Income tax paid		(7,610,289)	(7,485,663)
Net cash flows from / (used in) operating activities		(100,519,243)	(197,253,305)
Investing activities			
Purchase of property, equipment and intangible assets		(1,854,850)	(376,284)
Net cash flows used in investing activities		(1,854,850)	(376,284)
Issued capital		10,000,000	37,518,900
Withdrawals from banks		2,936,586,215	2,133,782,117
Repayment of borrowings from banks		(2,834,269,687)	(1,931,441,385)
Net cash flows from financing activities		112,316,528	239,859,632
Positive exchange rate fluctuation on cash and cash equivalents		725,897	380,609
Net (decrease)/ increase in cash and cash Equivalents		**10,668,332**	**42,610,652**
Cash and cash equivalents at 1 January		76,568,296	33,957,644
Cash and cash equivalents at 31 December	10	87,236,628	76,568,296

These consolidated financial statements were approved by the Board of Directors on 27.04.2021 and signed by

Stefan Doru Bucataru permanent representant of VELDSTER INC
Administrator

Denisa Manoliu
Chief Financial Officer

The accompaning notes 1 to 26 form an integral part of these consolidated financial statements.

1. REPORTING ENTITY

Agricover Credit IFN SA (hereinafter referred to as "the Company") provides for 12 years corporate lending services to agricultural customers and through its Subsidiary Clubul Fermierilor Romani Broker de Asigurare SRL ("the Subsidiary ") brokerage services in the field of agricultural insurance intermediation. As at 31 December 2020 the Company owns 51.02% of the Subsidiary (31 December 2019: 100%). The decrease in the percentage of direct holding in the Subsidiary is explained by the fact that in 4 Jun 2019 the Sole Shareholder of the Subsidiary (Agricover Credit IFN SA) approved the increase of the share capital with RON 144,000 by issuing 576 new shares (nominal value per share of RON 250) to be fully subscribed by Asociatia Clubul Fermierilor Romani Pentru Agricultura Performanta. The share capital increase of RON 144,000 was cashed in by the Subsidiary in 13 August 2019 however the approval of the share capital increase and the change in shareholding of the Subsidiary was approved by the regulator (the Financial Supervision Authority) on 29 April 2020.

Agricover Credit IFN SA Group (hereinafter referred to as „the Group" or "Agricover") comprises of Agricover Credit IFN SA and the Clubul Fermierilor Romani Broker de Asigurare SRL, set up by the Company during 2011. Agricover Credit IFN SA is the parent company of the Group and is subject to consolidation as a subsidiary of Agricover Holding SA Group.

The Company is a joint stock entity and is incorporated and domiciled in Romania. The Group's shareholders are AGRICOVER HOLDING SA (99.999998 %) and AGRICOVER SA (0.000002 %). Immediate parent of the Group is AGRICOVER HOLDING SA and the ultimate controlling party of the Group is Mr. Jabbar Kanani.

As at 31 December 2020 Agricover Credit IFN S.A employs 160 people (31 December 2019: 143). As at 31 December 2020 Clubul Fermierilor Romani Broker de Asigurare SRL employs 36 people (31 December 2019: 15)

The address of its registered office is as follows: Bdul Pipera, no. 2B, 6th floor, Cubic Center Office Building, Voluntari city, Romania.

As at 31 December and 31 December 2019 the Group is run by seven operating managers, as follows:

- Mr. Robert Rekkers , CEO
- Mrs. Denisa Manoliu, CFO
- Mrs. Oana Tatar, COO
- Mr. Lucian Neagu, CCO
- Mr. Dan Domniteanu, CRO
- Mr. Sorin Manolache, Legal Manager.

Clubul Fermierilor Romani Broker de Asigurare SRL is run by one operating manager, as follows:

- Mrs Rusu Georgeta- Executive Director

1. REPORTING ENTITY

The members of the executive managers were remunerated during the 12-month period ended 31 December 2020 by RON 4,156,503 gross amount (2019: RON 5,346,759).

The activity of the executive managers is reviewed by the main governance body of the Group, the Board of Administrators, having the following three members:

- Mr. Jabbar Kanani
- Mr. Stefan Doru Bucataru, permanent representant of VELDSTER INC
- Mr. Martinus Johannes Elling, permanent representant of East West Biofarma LTD, until 31 March 2020
- Mr. Liviu Dobre starting with 1 April 2020.

The members of the Board of Administrators were remunerated during the 12-month period ended 31 December 2020 by RON 1,682,110 gross amount (2019: RON 1,534,133).

The Group offers four main categories of products: short term credit lines for working capital, discounting operations (denominated in RON), medium and long-term loans for financing investment projects (capex products), RON and EUR denominated, and medium and long term loans for working capital. These financing facilities are designed for farmers and have various tailored maturities which are usually correlated with the harvesting and sale of crops periods. Working capital is for the most part on short term but another product with extended maturity up to 10 years has been launched beginning with March 2017. Discounting operations have maturities of maximum 12 months while most Capex products have 2- 5 years' maturities with two yearly annuity payments and bear floating interest rate (interest is either payable on a monthly basis or capitalized monthly and payable once with the principal, usually two yearly payments dates, the same treatment been applied also for the administration commission).

The Subsidiary's activity is represented by brokerage of insurance policies, including but not restricted to policies related to collaterals took over by the Company for granted loans and advances to customers.

For the purpose of these consolidated financial statements, the Company consolidates the Subsidiary. The financial statements of the Subsidiary, used for the preparation of these financial statements, were prepared as of the Company's reporting date. In the process of consolidation all intercompany assets and liabilities, income and expense were eliminated.

The consolidated financial statements for the year ended 31 December 2020 have been approved for issue by the Board of Directors on 27.04.2021 Neither the entity's owners nor others have the power to amend the financial statements after issue.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.BASIS OF PREPARATION

a. Declaration of conformity

The Group's consolidated financial statements for the year ended 31 December 2020 comprise the financial statements of the Company and its subsidiary as at 31 December 2020. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB") and as adopted by the European Union ("IFRS"), as required by the Order of the Board of the National Bank of Romania No. 6/2015 for approval of accounting regulations in accordance with the European Directives and related amendments ("Order 6/2015"). Additional information required by the national regulations is included where appropriate. The financial statements of the subsidiary are prepared for the same reporting period, using consistent accounting policies.

The consolidated financial statements include the financial statements of Agricover Credit IFN SA and the following subsidiary: Clubul Fermierilor Romani Broker de Asigurare SRL (51.2% ownership, 2019: 100%).

The Company draws up individual statutory financial statements in accordance with the provisions of Order 6/2015 („RAS Financial Statements"). The Subsidiary draws up statutory financial statements in accordance with the provisions of the Norm of the Financial Supervisory Authority no. 36/2015 for approval of accounting regulations regarding the annual financial statements and annual consolidated financial statements applicable to the insurance and / or reinsurance brokers ("FSA Norm no. 36/2015"). The major changes from the statutory financial statements of the Company -and Subsidiary prepared under domestic law (Romanian Accounting Standards, or "RAS") in order to line up with the IFRS are:

- different methodology for the calculation of allowances for impairment of loans and advances to customers;
- fair value adjustments and impairment of other financial instruments, as per IFRS 9;
- applying the IFRS 16 Leases standard and its related disclosure requirements;
- provision for deferred tax;
- the necessary IFRS disclosure requirements;
- consolidation adjustments.

In the consolidated cash flow statement, the cash flows from operating activities are determined by using the direct method. The major classes of gross cash receipts and gross cash payments are disclosed. The cash flows from investing and financing activities are determined by using the direct method. The Group's assignment of the cash flows to operating, investing and financing category depends on the Group's business model.

The preparation of financial statements in conformity with IFRS required the use of certain critical accounting estimates. It also required management to exercise its judgment in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the financial

2.BASIS OF PREPARATION

statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Group's consolidated financial statements therefore present the consolidated financial position and results fairly. 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 3.

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."

b. Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis, except for the following:

- Loans and advances to customers are measured at amortized cost;
- Derivative financial instruments are measured at fair value through profit or loss;
- Interest bearing loans and advances to customers, cash and bank balances and borrowings are measured at amortized cost.

c. Functional and presentation currency

The items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of the entities within the Group is the Romanian leu "RON". The consolidated financial statements are presented in Romanian lei "RON", rounded to the nearest RON.

d. Use of estimates and judgements

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5. Although these estimates are based on Management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The estimates and assumptions are reviewed on an ongoing basis.
The review of the accounting estimates are recognized in the period in which the estimate is reviewed, if the review affects only that period, or in the period of the review and future periods if the review affects both current and future periods.

2.BASIS OF PREPARATION

The Group makes estimates and assumptions that affect the amounts of assets and liabilities reported within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered to be reasonable under the given circumstances.

e. Comparatives

These consolidated financial statements include the comparatives whenever such disclosures were applicable. Restatement of prior year amounts was necessary in order to align prior year presentation to current year presentation.

The consolidated financial statements were affected by the following presentation reclassifications:

i. Commission related to borrowings was reclassified from Fee and commission expenses to interest and similar expenses category.

	As reported 31 December 2019	As restated 31 December 2019	Difference
Interest and similar expenses	65,652,997	65,813,489	160,492
Fee and commission expenses	1,573,216	1,412,724	(160,492)

ii. Fee and commission related to financial services from Fee and commission expenses to General and administrative expenses

	As reported 31 December 2019	As restated 31 December 2019	Difference
Fee and commission expenses	1,412,724	802,685	(610,039)
General and administrative expenses	36,799,034	37,409,073	610,039

iii. Income from derivative financial instruments from Foreign Exchange translation gains less losses to Net gain/(loss) from derivative financial instruments

	As reported 31 December 2019	As restated 31 December 2019	Difference

Net gain from derivative financial instruments	4,360,444	1,310,206	3,050,238
Foreign exchange translation	469,425	2,580,813	(3,050,238)

f. Going concern

These consolidated financial statements have been prepared using the going concern principle, which assumes the Group will continue its operations in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies set out below have been applied consistently by the Group throughout all the periods presented in these consolidated financial statements.

a. Basis of consolidation

Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of 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 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 majority of 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 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, and are deconsolidated from the date on which control ceases.

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.

During 2011, the Company set up Clubul Fermierilor Romani Broker de Asigurare SRL ("the Subsidiary"). As at 31 December 2020 the Company holds 51.02% of the share capital of the Subsidiary (31 December 2019: 100%).

The Subsidiary has increased the activity since setting up and along 2020 also and for the purpose of these financial statements, it was consolidated (2019: consolidated).

The Subsidiary's activity is represented by brokerage of insurance policies, including but not restricted to policies related to collaterals took over by the Company for granted loans and advances to customers.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the purpose of these consolidated financial statements, the Company consolidates the Subsidiary. The financial statements of the Subsidiary, used for the preparation of these consolidated financial statements, were prepared as of the Company's reporting date. In the process of consolidation all intercompany assets and liabilities, income and expense were eliminated.

The financial position of the Subsidiary as at 31 December 2020 and the financial results for the year then ended were as follows (unaudited figures):

-	Total assets	RON	3,118,041.
-	Equity	RON	989,687
-	Total income	RON	4,769,971
-	Total expense	RON	4,104,284
-	Net profit	RON	665,687

The financial position of the Subsidiary as at 31 December 2019 and the financial results for the year then ended were as follows (unaudited figures):

-	Total assets	RON	1,788,045
-	Equity	RON	1,366,113
-	Total income	RON	3,250,112
-	Total expense	RON	2,063,999
-	Net profit	RON	1,186,113

Non- Controlling interests (NCI)

NCI are measured initially at their proportionate share of the acquirer's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of control

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

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized gains arising from intra-group transactions, have been eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's

KPMG
28. APR. 2021
Semnat pentru identificare
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

interest in the enterprise. Unrealized gains arising from transactions with associates are eliminated against the investment in the associate. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

b. 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 subsidiary and the Group's presentation currency is the national currency of the Romania (RON). 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 exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates of the NBR, are recognized in profit or loss for the year (as foreign exchange translation gains less losses). Translation at year-end rates does not apply to non-monetary items that are measured at historical cost.

The exchange rate for the major foreign currency (EUR) was:

Currency	31 December 2020	31 December 2019	Fluctuation %
Euro (EUR)	1: RON 4.8694	1: RON 4.7793	1.02 %

c. Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognized within 'interest income' and 'interest expense' in the consolidated statement of total comprehensive income using the effective interest method for non-revolving contracts and the linear method for all revolving contract.

The effective interest method is a method of calculating the amortized 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. 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 amortized 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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest income and expense on all trading assets and liabilities are considered incidental to the Group/Company's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income. Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in net income from other financial instruments at FVTPL.

d. Fee and commission income and expense

Fee and commission income consist mainly insurance brokerage commission income the benefit realized by the Group intermediation of insurance products to clients.

Fee and commission expense consist mainly of fee and commissions expenses for transactions with banks and other expenses related to leasing activity

e. Financial assets and financial liabilities

i. Initial recognition and measurement of financial instruments.

Financial assets and liabilities are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss. Financial assets carried at fair value through profit and loss are initially recognized at fair value, and transactions costs are expensed in the income statement.

Purchases and sales of financial assets are recognized when the Group advances money to purchase or sell the asset.

Derivatives are represented by forward foreign exchange contracts. Derivatives are initially recorded at fair value and carried as assets when their fair value is positive and as liabilities when fair value is negative.

Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analyzed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

POCI assets (purchased originated credit impaired assets) are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit- adjusted effective interest rate. Expected credit losses are only recognized or released to the extent that there is a subsequent change in the asset recoverable value.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognized when the entity becomes a party to the contractual provisions of the instrument.

ii. Classification

Financial Assets

The Group classifies its financial assets as measured at amortized cost, Fair Value through Other Comprehensive Income ("FVOCI") or at Fair value through Profit or Loss ("FVTPL"). Management determines the classification of its investments at initial recognition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- The asset is held within a business model whose objective is to hold assets and to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest ("SPPI").

(ii) Financial assets at fair value through other comprehensive income ("FVOCI")

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

As at 31 December 2020 and 31 December 2019, the Group has no financial assets at fair value through other comprehensive income.

(iii) Financial assets measured at FVTPL

All other financial assets that are not included in the above categories are classified at FVTPL.

As at 31 December 2020, the Group has derivatives classified as FVTPL, which include currency forwards and currency swaps, and are non-qualifying hedge instruments.

Business model assessment

The business model assessment is one of the two steps to classify financial assets. An entity's business model reflects how it manages its financial assets in order to generate cash flows; its business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. This assessment is performed on the basis of scenarios that the entity reasonably expects to occur. This means, the assessment excludes so-called 'worst case' or 'stress case' scenarios. For example, an entity expects it will sell a particular portfolio of financial assets only in a stress case scenario. This scenario would not affect the entity's assessment of the business model for those assets if the entity does not reasonably expect it to occur.

An entity's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This does not need to be the reporting entity level. The entity's business model does not depend on management's intentions for an individual instrument. Accordingly, this condition is not an instrument-by-instrument approach to classification and should be determined on a higher level of aggregation. However, a single entity may have more than one business model for managing its financial instruments (for example, one portfolio that it manages in order to collect contractual cash flows and another portfolio that it manages in order to trade to realize fair value changes).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *Hold to collect business model*

Financial assets that are held within a business model with the objective of holding assets in order to collect contractual cash flows are measured at amortized cost (provided the asset also meets the contractual cash flows characteristics test). Such assets are managed to realize cash flows by collecting contractual payments over the life of the instrument. In determining whether cash flows are going to be realized by collecting the financial assets' contractual cash flows, it is necessary to consider the frequency and value of sales in prior periods, whether the sales were of assets close to maturity, the reasons for those sales, and expectations about future sales activity.

Financial assets covered: loans and receivables, cash and cash equivalents, other financial assets;
Business strategy: the entity offers a variety of loan products to meet borrowers' needs. These assets are held by the entity up until they reach maturity;
Business objective: holding the assets in order to collect the contractual cash flows;

- *Hold to collect and sell model*

Financial assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (provided the asset also meets the contractual cash flow test).

The SPPI test

As a second step of its classification process the Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and consider relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

Contractual terms that introduce a more than the minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

3.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost or FVTPL.

iii. Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models. All estimates and judgments used in fair value measurement are described in Note 4.

iv. Derecognition of financial assets.

The Group derecognizes financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership, but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale.

v. Write Off

Financial assets are written off (either partially or in full) when there is no reasonable expectation of recovering the exposure in its entirety or a portion thereof. The first step taken by the Group in this instance is to repossess the financed asset, for which the Group is the legal owner and the leasing contract represents the executory title. The write off action intervened when the Group finalized all the legal actions to recover the financed assets and amounts due. This assessment is carried out at the level of each debtor or contract.

f. Cash and cash equivalents

Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include all interbank placements with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortized cost.

3.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. Impairment of financial assets carried at amortized cost

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. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods, and to remove the effects of past conditions that do not exist currently.

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.

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.

3.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

- 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.

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3.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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:

3.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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.

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;

3.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. Derivative financial instruments and hedge accounting

Derivative financial instruments, including foreign exchange contracts, are carried at their fair value. All derivative instruments are carried as assets when fair value is positive, and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year (gains less losses on derivatives).

Certain derivatives embedded in other financial instruments, such as the conversion option in a convertible bond, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss.

These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. The Group did not identify any embedded derivatives.

The method of recognizing the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group did not designate any derivative transaction as a hedging instrument during the years 2020 and 2019 and did not use hedge accounting. Consequently all the fair value gains or losses have been recognized by the Group through profit or loss.

i. Assets held for sale

Assets held for sale represents financial and non-financial assets acquired by the Group in settlement of overdue loans. The assets are initially recognized at fair value when acquired and included in other assets and are subsequently measured of fair value less cost to sell and cost.

j. Commitments, contingent assets and liabilities

Off-balance-sheet operations comprise commitments given and received representing rights and obligations the effects of which are conditioned upon the realization of future transactions as well as goods and transactions which cannot be yet recognized as assets or liabilities.

The Group issues financial guarantees and commitments to provide loans. Financial guarantees represent irrevocable assurances to make payments in the event that a customer cannot meet its obligations to third parties and carry the same credit risk as loans.

Financial guarantees and commitments to provide a loan are initially recognized at their fair value, which is normally evidenced by the amount of fees received. This amount is amortized in the income statement on a straight-line basis over the life of the commitment.

3.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent assets

A contingent asset is a potential asset that arises from past events and whose existence will be confirmed only by the occurrence or not of one or more uncertain future events that cannot be totally controlled by the Group.

Contingent assets are not recognized in the statement of financial position but are disclosed in the notes to the financial statements if it is probable that future economic benefits will flow to the entity.

If the realization of an income is virtually certain, the contingent asset is an asset and it will be recognized on balance-sheet. Contingent assets are reviewed at each balance sheet date in order to determine if a change in circumstances that would require the recognition of an asset and related income has occurred. If the inflow of economic benefits becomes certain, then the asset and related revenue will be recognized in the financial statements in the period when the change occurred.

Contingent liabilities

A contingent liability is:

- a possible obligation, that arises from past events and whose existence will be confirmed by future events not wholly under the control of the Group/Company, or
- a present obligation that arises from past events, but is not recognized because either:
    - it is not sure that it will take resources embodying economic benefits to settle the debt, or
    - amount of debt cannot be measured reliably enough.

Contingent liabilities are not recognized in the statement of financial position, they are included in the elements off balance-sheet. If the Group has assumed an obligation together with other parties, the portion assumed by the other parties is presented as a contingent liability.

Contingent liabilities are assessed continuously to determine whether an outflow of resources embodying economic benefits has become probable. If it is probable that an outflow of resources embodying economic benefits will occur for a previously recognized contingent liability, a provision will be recognized in the financial statements of the period when the change occurred, except where a reliable estimation cannot be made, in which case a contingent liability will be disclosed.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and provision for impairment, where required. Costs of repairs and day-to-day maintenance are expensed when incurred. Costs of replacing major parts or components of premises and equipment items are capitalized, and the replaced part is retired.

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3.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognized in profit or loss for the year (within other operating income).

Depreciation

Land and construction in progress are not depreciated. Depreciation on other items of premises and equipment, as well as of right-of-use asset, is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

-	Software	3 years;
-	Computers and other IT equipment	3 years;
-	Motor vehicles	4 years;
-	Other equipment	4 years;
-	Buildings (improvements)	5 years
-	Right-of-use assets	according to lease term.

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

k. Intangible assets

Intangible assets comprise separately identifiable intangible items arising mainly from computer software licenses. Intangible assets are recognized at cost. Intangible assets with a definite useful life are amortized using the straight-line method over their estimated useful economic life, 3 years. The identified intangible assets of the Group have a definite useful life. At each date of the statement of financial position, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits.

If such indications exist, the intangible assets are analyzed to assess whether their carrying amount is fully recoverable. An impairment loss is recognized if the carrying amount exceeds the recoverable amount.

l. Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

3.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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 amortization, if no impairment loss had been recognized.

m. Leasing

The Group has applied IFRS 16 for contracts entered into (or changed) on or after 1 January 2019 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

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. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

The Group recognizes 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 any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements 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 analyzing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise of fixed payments.

The lease liability is measured at amortized cost using the effective interest method. It is re-measured 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 re-measured 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.

3.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group presents right-of-use assets in "Property, plant and equipment" and "Lease liabilities" in "Other financial liabilities" in the statement of financial position.
For leases of branches and office premises, the Group has elected to separate non-lease components and account for them in other operating expenses. The Group treated VAT associated to operating lease payments as a tax that is levied on the Group and collected by the lessor, who is acting as an agent for the tax authority. Consequently, the VAT is not a lease payment nor a non-lease component and is booked by the Group as a payable to the state when the invoice for the lease expenses is received.

n. Income taxes

Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognized in profit or loss for the year, except if it is recognized in other comprehensive income or directly in equity because it relates to transactions that are also recognized, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the consolidated financial statements are authorized prior to filing relevant tax returns. Taxes other than on income are recorded within administrative and other operating expenses.
Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit.
Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilized. Deferred tax assets and liabilities are netted only within the individual companies of the Group.
Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilized.

o. Provisions for liabilities and charges

Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

3.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p. Share capital. Dividends on ordinary shares

Dividends on ordinary shares are recognized in equity in the period in which they are approved by the Group's shareholders. Dividends for the year that are declared after the date of the statement of financial position are dealt with in the subsequent events note.

q. Dividend income

Dividend income is recognized in the income statement, based on statutory requirements, when the Group's right to receive payment is established and inflow is probable.

r. Offsetting

Financial assets and liabilities are offset, and the net amount reported in the consolidated statement of financial position, only when there is a legally enforceable right to offset the recognized amounts, and there is an intention to either settle on a net basis, or to realize the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy.

s. Staff costs and related contributions

Wages, salaries, contributions to the Romanian state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group. The Group has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

t. Presentation of statement of financial position in order of liquidity

The Group does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of their liquidity.

u. Implementation of new or reviewed standards and interpretations

The following new standards and interpretations came into force on January 1, 2020:

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020) The reviewed conceptual framework for financial reporting includes a new chapter on measurement, guidance on reporting financial performance, improved definitions - particularly of a liability, - and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting

"Definition of a Business" - Amendments to IFRS 3 (issued on 22 October 2018 and applicable to acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020) The amendments revise the definition of a business. A business must have the inputs and a substantive process that together significantly contribute to the ability to

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3.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). The presence of an organized workforce is a condition for the classification as a business, even if there are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets).

Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020) The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards, Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

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 amendments will require the Group to disclose additional information to enable users to understand the effect of interest rate benchmark reform on a company's financial instruments, including 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 don't have impact amounts reported for 2020 or prior periods.

Amendments to IFRS 16 Leases COVID-19-Related Rent Concessions (Effective for annual periods beginning on or after 1 June 2020) The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. The resulting accounting will depend on the details of the rent concessional lessee applies the amendments retrospectively and recognizes the cumulative effect of initially applying them in the opening retained earnings of the reporting period in which they are first applied. The Group does not expect that the amendments, when initially applied, could have a material impact on its financial statements .

New or amended standards and interpretations that are effective as of annual period or after 1 January 2021, not yet endorsed by EU Amendments to IAS 1 Presentation of Financial Statements Classification of Liabilities as Current or Non-current (Effective for annual periods beginning on or after 1 January 2023 early application is permitted) The amendments

3.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

clarify that the classification of liabilities as current or non-current shall be based solely on the Entity's right to defer settlement at the end of the reporting period. The company's right to defer settlement for at least 12 months from the reporting date need not be unconditional but must have substance. The classification is not affected by management's intentions or expectations about whether and when the Entity will exercise its right. The amendments also clarify the situations that are considered settlement of a liability. The Group does not expect that the amendments, when initially applied, could have a material impact on its financial statements.

Amendment to IAS 16 Property, Plant and Equipment Property, Plant and Equipment – Proceeds before Intended Use (Effective for annual periods beginning on or after 1 January 2022 early application is permitted) The amendments must be applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented (if necessary). The Group does not expect that the amendments, when initially applied, will have a material impact on its financial statements

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets Onerous Contracts – Cost of Fulfilling a Contract (Effective for annual periods beginning on or after 1 January 2022 early application is permitted) An entity shall apply those amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). The entity shall not restate comparative information. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. The Group does not expect that the amendments, when initially applied, will have a material impact on its financial statements.

4.FINANCIAL RISK MANAGEMENT

The Group's business involves taking on risks in a targeted manner and managing them effectively. 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 Group regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.
The Group's aim is to achieve an appropriate balance between risk and return and 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.

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.
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.

4.1 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 measurement

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

4.FINANCIAL RISK MANAGEMENT(CONTINUED)

When defining default for the purposes of determining the risk of a default occurring, the Group applies 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 be considered as defaulted whenever one of the following circumstances occurs:

- The asset is more than 90 days past due
- Subjective default: the Group considers the borrower is unlikely to pay considering:
  - Initiation of legal procedures against the borrower.
  - Decisions of the Collection Committee based on public information, information available within the Group but also from other entities within the Agricover Holding SA Group.
  - The customer is in nonperforming forbearance.

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 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.

Segmentation

In order to assess the staging of exposures and to measure the expected credit losses (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 the Group, considering that the default behavior is different between them, refers to:

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Incorporation of forward-looking information

Starting 2020, the Group incorporates forward-looking information into the measurement of EC through the PD parameter. External information considered includes economic data and forecasts published by National Commission for Strategy and Prognosis, forecast for 2021.

The Group 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.

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.

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).
-

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 parent 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 amortization. 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.
Credit risk is the single largest risk for the Group's business; management therefore carefully manages its 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.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

Product	No of clients	Exposure to credit risk	ECL	Adjusted collateral	Stage as of December 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**	**2,958,995**		

Impact of drought 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**		

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Group performed an analysis of a sample of loan exposures with potential impact from the drought, 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.

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 Company'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%

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 the Company's exposure to that respective client. Additionally, for major customers where the Company 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 the Company's mobile sales teams. Mobile sales team employees have clear responsibilities concerning health checks and monitoring of customers' business. Practically, the Company's mobile sales teams visit clients at least twice a year (when financing autumn main crops, respectively spring main crops).

4. FINANCIAL 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 the Company, 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 the Company 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, the Company 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 100% debt recovery or anyway very 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. "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.

4. FINANCIAL 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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

4. FINANCIAL 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: manly 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 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.

Information about the fair value (as presented in the valuation report) of the collateral 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	109,796,789	779,846,965	-	889,643,755
Total gross loans and advances to customers	118,187,872	1,523,445,061	53,059,103	1,694,692,036

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

Information about the fair value (as presented in the valuation report) of the collateral at 31 December 2019 is as follows:

	Loan type	Loan type		
	Capex	Credit lines	Factoring	Total
Loans collateralized by:				
- mortgage	68,058,536	566,666,501		634,725,037
- pledge on equipment	18,851,852	21,684,372		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	1,346,599,520	61,487,301	1,535,366,108

Policies for expected credit losses

The table below shows the weight of the Group's loans and advances and the weight of associated expected credit losses for each of the 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%

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28 APR 2021
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4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1.2 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	31 December 2020	31 December 2019
Cash and bank balances	87,236,628	76,568,296
Loans and advances to customers	1,643,269,520	1,501,418,702
Other financial assets	2,309,660	1,621,963
Total financial assets	1,732,815,809	1,579,608,961

Related to the off-balance sheet positions also, as of 31 December 2020, the Group has financial guarantee contracts of RON 6.5 mil (31 December 2019: RON 12 mil) with a related party, namely Abatorul Peris S.A

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 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%
Undrawn balance after credit conversion factor	28,778,675	31,971,842
Provision for off balance sheet commitment	157,458	-

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1.3 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	Romania	Russian Federation	Portugal, Italy, Cyprus, Greece, Spain	Other OECD	Total
Financial assets					
Cash and bank balances	87,236,628	-	-	-	87,236,628
Loans and advances to customers	1,643,269,520	-	-	-	1,643,269,520
Other financial assets	2,309,660	-	-	-	2,309,660
Total financial assets	**1,732,815,810**	-	-	-	**1,732,815,810**
Financial liabilities					
Borrowings	814,265,869	65,111,923	50,333,605	455,109,326	1,384,820,724
Other financial liabilities	14,739,396	-	-	-	14,739,396
Total financial liabilities	**829,005,266**	**65,111,923**	**50,333,605**	**455,109,326**	**1,399,560,120**
Net position in on-balance sheet financial instruments	**903,810,544**	**(65,111,923)**	**(50,333,605)**	**(455,109,326)**	**333,255,689**
Financial guarantees issued (credit related commitments)	**6,500,000**	-	-	-	-

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

31 December 2019	**Romania**	**Russian Federation**	**Portugal, Italy, Cyprus, Greece, Spain**	***Other OECD***	**Total**
Financial assets					
Cash and bank balances	76,568,296	-	-	-	76,568,296
Loans and advances to customers	1,501,418,702	-	-	-	1,501,418,702
Other financial assets	1,621,963	-	-	-	1,621,963
Total financial assets	**1,579,608,961**	**-**	**-**	**-**	**1,579,608,961**
Financial liabilities					
Borrowings	701,700,708	73,312,725	62,785,888	445,495,112	1,283,294,433
Other financial liabilities	11,942,411	-	-	-	11,942,411
Total financial liabilities	**713,643,119**	**73,312,725**	**62,785,888**	**445,495,112**	**1,295,236,844**
Net position in on-balance sheet financial instruments	865,965,842	(73,312,725)	(62,785,888)	(445,495,112)	284,372,117
Financial guarantees issued (credit related commitments)	**12,000,000**	-	-	-	-

(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 the parent 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.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1.4 A reconciliation of changes in the gross carrying amount is, as follows:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross exposure				
Gross carrying amount at 01.01.2020	**1,466,135,902**	**47,264,189**	**21,966,017**	**1,535,366,108**
New assets originated	1,490,452,203			1,490,452,203
Increase in value of existing assets	481,655,375		5,171,000	486,826,375
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	-
Transfers from Stage 3				-
Amounts written off			(2,975,193)	(2,975,193)
At 31 December 2020	**1,497,610,177**	**141,783,973**	**55,297,886**	**1,694,692,036**

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross exposure				
Gross carrying amount at 01.01.2019	1,238,612,032	30,749,360	17,066,329	1,286,427,726
New assets originated or purchased	960,915,622		2,099,624	963,015,246
Increasing in value of existing assets	288,624,628			288,624,628
Assets derecognized or repaid (excluding write off)	(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	**1,466,135,902**	**47,264,189**	**21,966,017**	**1,535,366,108**

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	Stage 1	Stage 2	Stage 3	Total
Impairment allowances 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**

	Stage 1	Stage 2	Stage 3	Total
Impairment allowances as at 01.01.2019	**6,323,659**	**3,009,099**	**14,025,047**	**23,357,805**
New assets originated	7,542,429	-	2,011,990	9,554,419
Increase in value of existing assets	2,309,005			2,309,005
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	**8,518,563**	**5,639,495**	**19,789,348**	**33,947,406**

4.1.6 Credit quality analysis

The following tables set out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the exposures set out below are based on net carrying amounts.

The categories for credit quality classification are as follows:

- Low-fair risk- is represented by financial assets measured at amortized cost included in Stage 1;
- Medium risk - is represented by financial assets measured at amortized cost included in Stage 2;
- Substandard - is represented by financial assets measured at amortized cost included in Stage 3 with 0-180 days past due;
- Doubtful- is represented by financial assets measured at amortized cost included in Stage 3 with

- 181-360 days past due;
- Loss is represented by financial assets measured at amortized cost included in Stage 3 with more than 360 days past due.

				31 December 2020
Loans and advances to customers	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Stage 1: Low-fair risk	1,497,610,177			1,497,610,177
Stage 2: Medium risk		141,783,973		141,783,973
Stage 3.1: Substandard			39,011,331	39,011,331
Stage 3.2: Doubtful			428,527	428,527
Stage 3.3: Loss			15,858,028	15,858,028
Loss allowance			14,098,003	14,098,003
Total carrying amount	**1,497,610,177**	**141,783,973**	**55,297,886**	**1,694,692,036**

				31 December 2019
Loans and advances to customers	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Stage 1: Low-fair risk	1,466,135,902			1,466,135,902
Stage 2: Medium risk		47,264,189		47,264,189
Stage 3.1: Substandard			5,265,703	5,265,703
Stage 3.2: Doubtful			3,194,336	3,194,336
Stage 3.3: Loss			13,505,978	13,505,978
Loss allowance			12,831,145	12,831,145
Total carrying amount	**1,466,135,902**	**47,264,189**	**21,968,017**	**1,535,366,108**

4.1.7. Movement of impairment allowances

	12/31/2020	**12/31/2019**
Opening Balance	33,947,406	23,357,805
Reversal of impairment allowances	-9,834,858	-6,474,332
Charge of impairment allowances	30,262,475	17,095,130
Amounts written off	-2,975,193	-31,197
Provision for off balance sheet	157,460	-
FX	136	
Closing Balance	**51,557,426**	**33,947,406**

Semnat pentru identificare KPMG 28 APR 2021 Initialised for identification

4. FINANCIAL 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	Credit lines	Factoring	Total
	Collective	**Collective**	**Collective**	
Stage 1	105,629,809	1,340,135,008	51,845,360	1,497,610,177
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
	Individual	**Individual**	**Individual**	
Stage 2	2,318,935	38,096,192	-	40,415,126
Stage 3	803,578	10,845,361	-	11,648,939
Total gross amount for loans and advanced to customers	**118,187,872**	**1,523,445,061**	**53,059,103**	**1,694,692,036**

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	Credit lines	Factoring	Total
	Collective	**Collective**	**Collective**	
Stage 1	120,793,840	1,280,015,061	60,712,925	1,461,521,826
Stage 2	5,551,296	31,700,086	-	37,251,382
Stage 3	443,203	11,922,422	774,376	13,140,001
	Individual	**Individual**	**Individual**	
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**	**1,346,599,521**	**61,487,301**	**1,535,366,108**

4. FINANCIAL 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	1,340,135,008	130,946,786	52,363,267	1,523,445,061
Factoring	51,845,360	749,254	464,489	53,059,103
Total gross amount	**1,497,610,177**	**141,783,973**	**55,297,886**	**1,694,692,036**

Gross value of loans and advanced granted to customers divided by ECL , 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	1,284,629,137	41,508,632	20,461,752	1,346,599,521
Factoring	60,712,925	-	774,376	61,487,301
Total gross amount	**1,466,135,902**	**47,264,189**	**21,966,017**	**1,535,366,108**

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

	Capex	Credit lines	Factoring	Total
	Collective	**Collective**	**Collective**	
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 impairment allowances	**1,338,260**	**49,448,669**	**612,902**	**51,399,831**

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

The impairment allowances divided by type of products as at 31 December 2019, are presented below:

	Capex	Credit lines	Factoring	Total
	Collective	**Collective**	**Collective**	
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	-	1,389,639	-	1,389,639
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**	**31,779,359**	**1,109,998**	**33,947,406**

The impairment allowances divided by ECL stage 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**	**34,922,143**	**51,399,831**

The impairment allowances divided by ECL stage 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	7,704,124	5,541,081	18,534,154	31,779,359
Factoring	335,622		774,376	1,109,998
Total impairment allowances	**8,518,563**	**5,639,496**	**19,789,347**	**33,947,406**

4.1.8 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 Group's impairment indicators.

Forborne loans and advances to costumers as of 31 December 2020	Capex	Credit lines	Factoring	Total
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				
Stage2	-	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**

Forborne loans and advances to costumers as of 31 December 2019	Capex	Credit lines	Factoring	Total
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		**8,162,806**	**-**	**8,162,806**
Individual				
Stage2	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**	**15,717,371**	**-**	**15,937,094**
Net exposure of forborne loans and advances to customer	**153,806**	**8,250,425**	**-**	**8,404,231**

4.FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Repossessed collateral

As at 31 December 2020, the 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 other members of the Agricover Group, or third parties.

4.3 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.

4.3.1 . 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 of Directors 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.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

31 December 2020	EUR	RON	Total
Assets			
Cash and bank balances	5,060,298	82,176,330	87,236,628
Loans and advances to customers	48,055,858	1,595,213,662	1,643,269,520
Other financial assets	-	2,309,660	2,309,660
Total assets	**53,116,156**	**1,679,699,653**	**1,732,815,809**
Liabilities			
Borrowings	168,394,726	1,216,425,998	1,384,820,724
Other financial liabilities	-	14,739,395	14,739,395
Total Liabilities	**168,394,726**	**1,231,165,393**	**1,399,560,119**
Derivative financial instruments - notional	94,709,830	(94,709,830)	-
Net financial position	**(19,691,528)**	**352,947,218**	**333,255,690**

31 December 2019	EUR	RON	Total
Assets			
Cash and bank balances	9,592,245	66,976,051	76,568,296
Loans and advances to customers	34,672,825	1,466,745,877	1,501,418,702
Other financial assets	-	1,621,963	1,621,963
Total assets	**44,265,070**	**1,535,343,891**	**1,579,608,961**
Liabilities			
Borrowings	183,840,520	1,099,453,913	1,283,294,433
Other financial liabilities	-	11,942,411	11,942,411
Total Liabilities	**183,840,520**	**1,111,396,324**	**1,295,236,844**
Derivative financial instruments - notional	120,916,290	(120,916,290)	-
Net financial position	**(18,659,160)**	**303,031,277**	**284,372,117**

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

Notional value disclosed in respect of derivative financial instruments represents the contractual value in RON equivalent, at the end of the reporting period, 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 5,986,512 higher / lower (31 December 2019: RON 2,825,141).

31 December 2020	**Total sensitivity**	**Sensitivity of income statement**	**Sensitivity of Other comprehensive Income**
Foreign exchange (10% increase of RON against EUR currency)	5,986,512	5,986,512	-

31 December 2019	**Total sensitivity**	**Sensitivity of income statement**	**Sensitivity of Other comprehensive Income**
Foreign exchange (10% increase of RON against EUR currency)	2,825,141	2,825,141	-

4.3.2 Interest rate risk

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 rates 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 rates but in moderate volumes: as at 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.

Semnat pentru identificare
KPMG
28. APR. 2021
Initialised for identification

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 6M 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.

	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**

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

	Up to 1 month	1 -3 months	3 – 12 months	1 – 6 years	Non-interest bearing	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

Semnat pentru identificare KPMG 28. APR. 2021 Initialised for identification

4.FINANCIAL RISK MANAGEMENT (CONTINUED)

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 1 00 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).

31 December 2020	**Total sensitivity**	**Sensitivity of income statement**	**Sensitivity of Other comprehensive Income**
Interest rate (+100 b.p. parallel shift)	1,522,260	1,522,260	-

31 December 2019	**Total sensitivity**	**Sensitivity of income statement**	**Sensitivity of Other comprehensive Income**
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**	**Euro**	**Other**	**RON**	**USD**	**Euro**	**Other**
Assets								
Cash and cash equivalents	0.00%	-	0.00%	-	0.00%	-	0.00%	--
Loans and advances to customers	9.51%	-	5.11%	-	10.06%	-	5.28%	--
Other financial assets	-	-	-	-	-	-	-	--
Liabilities								
Borrowings	5.17%	--	2.7 %	-	5.61%	--	2.7 %	--
Other financial liabilities	-	--	-	-	-	-	-	--

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.4 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.

4.4.1 Liquidity risk management process

The 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 Group 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 Group 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.

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 Group 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.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

Loans and advances to customers and 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).

Semnat pentru identificare
KPMG
28. APR. 2021
Initialised for identification

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

As at 31 December 2020	up to 1 month	1-3 months	3-6 months	6-9 months	9-12 months	1-6 Years	Total
Cash and cash balances	87,236,628	-	-	-	-	-	87,236,628
Loans and advances to customers	100,605,006	52,042,929	231,580,952	640,218,887	300,430,680	613,855,664	1,938,734,117
Other financial assets	2,309,660						2,309,660
Derivative assets held for risk management	-	-	-	-	-	-	-
Assets	**190,151,295**	**52,042,929**	**231,580,952**	**640,218,887**	**300,430,680**	**613,855,664**	**2,028,280,406**
Borrowings	15,562,374		96,205,288	436,080,358	137,124,709	823,492,762	1,508,465,491
Derivative liabilities held for risk management	1,238,292	44,275	85,885				1,368,452
Other financial liabilities	10,606,259	282,236	432,409	372,150	397,609	2,648,732	14,739,395
Total liabilities	**27,406,925**	**326,511**	**96,723,582**	**436,452,508**	**137,522,318**	**826,141,494**	**1,524,573,338**
Off balance sheet items							
Derivative notional amount(inflow)	77,666,930	3,895,520	13,147,380				94,709,830
Derivative notional amount(outflow)	(77,666,930)	(3,895,520)	(13,147,380)				(94,709,830)
Financial guarantee			6,500,000				6,500,000
Total potential future payments for financial obligations	**27,406,925**	**326,511**	**103,223,582**	**436,452,508**	**137,522,318**	**826,141,494**	**1,531,073,338**
Liquidity surplus/(shortfall)	**162,744,370**	**51,716,418**	**128,357,370**	**203,766,379**	**162,908,362**	**-212,285,830**	**497,207,068**
Cumulative surplus/(shortfall)					**709,492,899**	**-212,285,830**	**497,207,069**

Semnat pentru identificare / Initialised for identification KPMG 28. APR. 2021

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

As at 31 December 2019	up to 1 month	1-3 months	3-6 months	6-9 months	9-12 months	1-6 Years	Total
Cash and cash balances	76,568,296	-	-	-	-	-	76,568,296
Loans and advances to customers	64,707,510	44,170,679	230,900,475	648,111,470	273,530,258	472,546,589	1,733,966,981
Other financial assets	1,621,963	-	-	-	-	-	1,621,963
Derivative assets held for risk management	-	-	-	-	-	-	-
Total Assets	**142,897,769**	**44,170,679**	**230,900,475**	**648,111,470**	**273,530,258**	**472,546,589**	**1,812,157,240**
Borrowings	13,124,385	52,966,889	276,379,173	231,775,158	235,092,550	593,161,290	1,402,499,443
Derivative assets held for risk management	808,677	120,137	45,813	5,909	-	-	980,536
Other financial liabilities	8,655,362	377,223	359,923	342,350	340,620	1,866,933	11,942,411
Total liabilities	**22,588,424**	**53,464,249**	**276,784,909**	**232,123,417**	**235,433,170**	**595,028,223**	**1,415,422,390**
Off balance sheet items							
Derivative notional amount (inflow)	59,741,250	52,094,370	9,080,670	-	-	-	120,916,290
Derivative notional amount (outflow)	(59,741,250)	(52,094,370)	(9,080,670.0)	-	-	-	(120,916,290)
Financial guarantees	-	-	12,000,000	-	-	-	12,000,000
Total potential future payments for financial obligations	**22,588,424**	**53,464,249**	**288,784,909**	**232,123,417**	**235,433,170**	**595,028,223**	**1,427,422,390**
Liquidity surplus/(shortfall)	**120,309,345**	**(9,293,570)**	**(57,884,434)**	**415,988,053**	**38,097,088**	**(122,481,634)**	**384,734,850**
Cumulative surplus/(shortfall)					**507,216,482**	**(122,481,633)**	**384,734,849**

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

	December 2020	December 2019
Undrown borrowings,		
out of which	**538,950,332**	**287,307,569**
Commitment	66,760,250	-
Un-commitment	472,190,082	287,307,569
Undrown credit lines,		
out of which	**191,857,835**	**213,145,616**
Un-commitment	191,857,835	213,145,616

Liquidity reserve

	December 2020	December 2019
Cash and balances	87,236,628	76,568,296
Undrawn borrowings	539,344,015	287,483,456
Total available resources	**626,580,643**	**364,051,752**
Unencumbered eligible assets*	428,388,900	456 692 401

4.4.2 Fair value of financial assets and liabilities

(a) Financial instruments measured at fair value; fair value hierarchy

IFRS 7 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 Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

RON

	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 RECURRING FAIR MEASUREMENTS	-	(1,368,452)	-	(1,368,452)	-	(980,536)	-	(980,536)

As at 31 December 2020 the Group 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 spot 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 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.

4. FINANCIAL 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.

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

RON

	31 December 2020				31 December 2019			
Financial Assets	**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**
Cash and bank balances	85,988,675	-	-	85,988,675	71,574,574	-	-	71,574,574
Deposits with maturities < 3 months	1,247,953	-	-	1,247,953	4,993,722	-	-	4,993,722
Loans and advances to customers:								
Capex	-		116,849,612	116,853,904	-	-	126,221,237	126,221,237
Credit lines	-		1,473,973,706	1,475,219,261	-	-	1,314,820,161	1,315,661,152
Factoring	-		52,446,202	52,460,958	-	-	60,377,304	60,422,363
Other financial assets, trade debtors	-	-	2,309,660	2,309,660	-	-	1,621,963	1,621,963
Total financial assets not measured at fair value	**87,236,628**		**1,645,579,180**	**1,646,843,783**	**76,568,296**	-	**1,503,040,665**	**1,580,495,012**

Semnat pentru identificare
KPMG
28. APR. 2021
Initialised for identification

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

RON

	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	-	-	814,265,869	814,265,869			701,700,708	701,700,708
Borrowings from international financial institutions	-	-	570,554,854	570,554,854			581,593,723	581,593,723
Other financial liabilities:			14,739,395	14,739,395			11,942,411	11,942,411
Total financial liabilities not measured at fair value	-	-	**1,399,560,118**	**1,399,560,118**			**1,295,236,842**	**1,295,236,842**

The fair value information 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.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

i. 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 value of for loans and advances to customers are as follows: for 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.

ii. 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.

Semnat pentru identificare KPMG 28. APR. 2021 Initialised for identification

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.5 Capital management

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- to comply with the capital requirements set by the regulator (i.e.: National Bank of Romania, "NBR");
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

Regulatory capital are monitored by the Company's management, employing techniques based on the guidelines developed and implemented by the National Bank of Romania, for supervisory purposes. The required information is filed with the NBR on a quarterly basis by the Company at stand-alone level. The Company has complied with all externally imposed capital requirements throughout 2020 and 2019.
The table below shows regulatory capital measures of the Company, Agricover Credit IFN SA, as reported to the NBR in line with the requirements of Regulation 20/2009 regarding non-banking financial institutions ("Regulation 20/2009"). Regulation 20/2009 requires non-banking financial institutions to comply with a threshold of maximum 1,500%, representing the aggregate adjusted exposure compared to own funds.

Capital and aggregate exposure	**December 2020**	**December 2019**
Share capital	117,924,970	107,924,970
Legal reserve	14,076,627	11,371,387
Other reserves	938,217	938,217
Retained earnings	177,540,605	139,706,569
Net profit	46,687,110	40,168,257
1. Available capital	357,167,529	300,109,400
Distribution of profit	2,705,240	2,334,221
Intangibles	1,614,966	346,002
2. Deductions from available capital	1,614,966	346,002
I. Total capital	352,847,323	297,429,177
II. Investment capital	150,000	150,000
III. Own funds	352,697,323	297,279,177
Total aggregate exposure	**1,254,200,207**	**1,168,574,317**

Semnat pentru identificare KPMG 28 APR 2021 Initialised for identification

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.6 Critical accounting estimates and judgements in applying accounting policies

Management uses estimations and judgements that affect the application of accounting policies, as well as the reported value of assets, liabilities, incomes and expenses. The estimates and associated assumptions are based on historical data and various other factors that are believed to be relevant under the given circumstances, the result of which forms the basis of the judgements used in assessing the carrying value of the assets and liabilities for which no other evaluation sources are available. Actual results may differ from these estimates.

The estimates and assumptions are reviewed on an ongoing basis.

The review of the accounting estimates are recognized in the period in which the estimate is reviewed, if the review affects only that period, or in the period of the review and future periods if the review affects both current and future periods.

The Group makes estimates and assumptions that affect the amounts of assets and liabilities reported within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered to be reasonable under the given circumstances.

Expected losses on loans and advances to customers

The Group reviews its loan portfolios to assess expected credit losses ("ECL") at least on a quarterly basis. In determining whether expected credit losses should be recognized in the statement of comprehensive income, the Group makes judgments as to whether there is any observable data indicating a measurable decrease in the estimated future cash flows related to the portfolio of loans and advances to customers. The methodology and assumptions used for estimating the expected credit losses are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The measurements of expected credit losses are built upon IFRS 9 requirements and result in the appropriate and timely recognition of ECL in accordance with the applicable accounting framework. ECL measurement occurs at the individual level regardless of the stage allocation (taking into consideration aspects such as: impairment triggers identified by the management at the individual level based on an observable unfavorable changes in the payment behavior, restructured loans due to the conditions of significant financial difficulties, other market information observable at individual level) and also at the collective portfolio level (for the remaining population) by grouping exposures based on identified shared credit risk characteristics.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

Depending on the quality of the assets, exposures are classified in 3 stages: stage 1 includes the performing loans and advances to customers, stage 2 includes the performing portfolio with significant increase in credit risk since initial recognition and stage 3 includes the defaulted loans and advances to customers.
Under the collective approach, the expected credit losses are recognized based on either 12 months ECLs or lifetime ECLs, depending on whether there has been a significant increase in credit risk on the financial instrument since initial recognition. The simplified approach does not require the track of the changes in credit risk, but instead requires the recognition of expected credit losses based on lifetime ECLs right from origination.
Expected credit losses takes into account relevant factors and expectations at the reporting date that may affect the collectability of remaining cash flows over the life of a group of exposures or a single exposure. The Group considers information that goes beyond historical and current data, and takes into account reasonable and supportable forward-looking information, including macroeconomic factors, which are relevant to the exposures being evaluated in accordance with the applicable accounting framework.
The estimation of expected credit losses involves forecasting future economic conditions over 1 year The incorporation of forward-looking elements reflects the expectations of the Group.

5. NET INTEREST INCOME

	2020	2019
Interest income		
Interest calculated using the effective interest rate method	69,416,145	56,802,863
Interest calculated using linear rate method	108,321,751	103,516,974
Deposits and current accounts	33,636	23,572
Total interest income	177,771,532	160,343,410
Interest Expense		
Interest and similar expense for Borrowings	66,488,803	65,717,609
Interest expenses for lease contract	74,043	95,880
Total interest and similar expense	66,562,846	65,813,489
Net interest income	111,208,686	94,529,921

Interest income includes RON 6,555,242 of interest income on impaired financial assets (2019: RON 5,885,621).

6. NET FEE AND COMMISSION INCOME

	2020	2019
Fee and commission income		
Insurance brokerage commission	4,742,224	3,240,256
Total fee and commission income	4,742,224	3,240,256
Fee and commission expense		
Total other fees expense	2,826	238,576
Net fee and commission income	4,739,398	3,001,681

Insurance brokerage commission represents commission earned by the insurance broker subsidiary: 4,742,224 RON at for 2020 financial year (2019: RON 3,240,256).

7.GENERAL ADMINISTRATIVE EXPENSES

General administrative expenses include personnel expenses, other general administrative expenses and depreciation and amortization expenses, as follows:

a) PERSONNEL EXPENSES

	2020	2019
Salaries and other benefits	27,384,006	26,072,241
Social security costs, of which	605,734	551,640
Total personnel expenses	27,989,740	26,623,881

Semnat pentru identificare KPMG 28 APR 2021 Initialised for identification

7. GENERAL ADMINISTRATIVE EXPENSES (CONTINUED)

Further split of personnel related expenses is presented in the table below:

	2020	2019
Salaries expenses	19,774,660	17,742,640
- Front Office	8,865,172	8,322,005
- Back Office	7,784,192	6,251,844
- Directors (including Operational and Commercial)	3,125,296	3,168,791
Bonuses expenses	5,988,246	7,420,561
- Front Office	2,659,311	3,445,847
- Back Office	2,008,773	1,796,746
- Directors (including Operational and Commercial)	1,320,163	2,177,968
Social security charges:	605,734	551,640
TOTAL	26,368,640	25,714,841
Meal tickets expenses	845,636	801,041
Expenses with other benefits	775,463	108,000
Total salary expenses	27,989,740	26,623,881

b) OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	2020	2019
Fuel expenses and maintenance	624,193	817,980
Advertising expenses	632,886	962,647
Consulting and audit expenses	1,325,940	865,956
Commission related to external services	893,991	610,039
Software expenses	891,501	1,218,124
Telecommunication and postage	289,214	298,755
Protocol expenses	766,640	827,371
Insurance expenses	294,463	369,023
Travel expenses	195,076	367,615
Repairs and maintenance	432,124	496,333
Other lease related expenses	315,159	265,242
Other	1,746,401	1,631,431
Total other general and administrative expenses	8,407,589	8,730,517

7. GENERAL ADMINISTRATIVE EXPENSES (CONTINUED)

The fee for the audit of the statutory financial statements for the year ended 31 December 2020 has been 35,500 EUR, equivalent plus VAT (2019: 32,500 EUR, equivalent plus VAT). The fee for the non-audit services rendered by the statutory auditor for financial year 2020 has been 21,000 EUR, equivalent plus VAT (2019: 6,000 EUR equivalent, plus VAT).

c) DEPRECIATION AND AMORTISATION

	2020	2019
Depreciation and impairment of property, plant and equipment and right of used assets	1,956,276	1,805,504
Depreciation of software and other intangible assets	212,708	249,171
Total depreciation and amortization expenses	2,168,984	2,054,675

8. OTHER OPERATING EXPENSES AND NET LOSS FROM DERIVATIVE INSTRUMENTS

a) OTHER OPERATING EXPENSES

	2020	2019
Taxes except income tax	2,005,765	1,887,410
Other operating expenses	589,148	142,178
Sponsorship expenses	1,275,001	1,033,800
Total other operating expenses	3,869,914	3,063,388

b) NET LOSS FORM DERIVATIVE INSTRUMENTS

	2020	2019
Net loss from derivative financial instruments	(1,892,026)	(1,310,206)

The open position in EUR is covered by short term forward contrasts that generated a net loss for the Group for 2020 and 2019.

9. INCOME TAX EXPENSE

Further information about deferred income tax is presented in Note 13.

	2020	2019
Profit before income tax	**48,573,149**	**42,703,424**
Theoretical tax calculated at tax rate of 16%	7,771,704	**6,832,548**
Tax effect on:		
Legal reserves	(432,838)	(373,475)
Income tax facilities (sponsorship)	(1,275,001)	(1,033,800)
Other profit tax exemption	(138,466)	(176,505)
Other permanent income tax differences	537,552	644,468
Income tax expenses (at effective tax rate 13.3% in 2020 and 13,8% in 2019)	**6,462,950**	**5,893,236**

Note: The Subsidiary meets the conditions for income tax system specific to micro-enterprises.
Income tax facilities are related to tax reliefs for sponsorships granted by the Group. These are eligible to be booked as deductions from the Group income tax.

10.CASH AND CASH EQUIVALENTS

	2020	2019
Current accounts	85,988,675	71,574,574
Placements with banks with maturities less than 3 months	1,247,953	4,993,722
Total cash and cash equivalents	87,236,628	76,568,296

Bank	**Cash and cash equivalents 2020**	**Cash and cash equivalents 2019**
Banca Comerciala Romana S.A	36,112,929	7,822,215
CEC Bank S.A	17,418,165	24,474,500
Garanti Bank S.A	10,698,060	15,886,298
Alpha Bank Romania S.A	10,285,240	5,650,967
Banca Transilvania- Suc Buzau	4,230,343	12,608,399
Other banks	7,243,938	5,132,196
Placements with banks with maturities less than 3 months	1,247,953	4,993,722
Total	**87,236,628**	**76,568,296**

The current accounts and placements with banks are held with local Romanian banks, the amounts being neither past due nor impaired.

11. LOANS AND ADVANCES TO CUSTOMERS

As per type, the loans and advances to customers are structured as follows:

	2020	2019
Credit lines	1,497,610,177	1,346,599,520
Capex	141,783,973	127,279,286
Factoring	55,297,886	61,487,301
Gross loans and advances to customers	1,694,692,036	1,535,366,108
Less:		
- Deferred tax related capex	(22,685)	
- Impairment allowances	(51,399,830)	(33,947,406)
Net loans and advances to customers	1,643,269,520	1,501,418,702
Maturity less than 12 months	1,138,178,323	1,118,233,386
Maturity more than 12 months	505,091,197	383,185,316

12. OTHER FINANCIAL ASSETS AND OTHER ASSETS

Other financial assets	2020	2019
Receivables from clients	2,309,660	1,621,962
Total other financial assets	2,309,660	1,621,962

Other assets		
Prepaid expenses	1,297,232	764,974
Other	326,293	346,569
Total other assets	1,623,525	1,111,543

The balance of Other financial assets represents financial assets for which the credit risk has not increased significantly from initial recognition (i.e. Stage 1)

13.DEFERRED TAX ASSET

Deferred taxes are calculated on all temporary differences as per the balance sheet method using an effective tax rate of 16 % for 2020 (2019: 16 %).

Deferred tax assets of RON 2,742,050 as at 31 December 2020 (31 December 2019: RON 1,747,425) are attributable mainly to the impairment losses on loans and advances to customers.

As at 31 December 2020 and 31 December 2019, the Group did not offset deferred tax liabilities against deferred tax asset.

The movement on the deferred tax asset is as follows:

	2020	2019
As at 1 January	1,747,425	1,091,991
Income statement charge, of which:		
- On differences between statutory and IFRS impairment losses on loans and advances to customers	971,449	654,730
- On differences between statutory and IFRS 16	(2,017)	704
- On differences for provision for off balance sheet commitments	25,193	
As at 31 December	2,742,050	1,747,425

14. INTANGIBLE ASSETS

The movements in intangible assets were as follows:

Cost	
Balance at 1 January 2019	**2,742,975**
Additions	295,569
Disposals	109,188
Balance at 31 December 2019	**2,929,357**
Balance at 1 January 2020	2,929,357
Additions	1,481,671
Disposals	-
Balance at 31 December 2020	**4,411,027**
Accumulated depreciation	
Balance at 1 January 2019	2,334,845
Depreciation for the year	248,508
Disposals	-
Balance at 31 December 2019	**2,583,354**
Balance at 1 January 2020	2,583,354
Depreciation for the year	212,708
Impairment loss	-
Disposals	-
Balance at 31 December 2020	**2,796,062**
Carrying amounts	
Balance at 1 January 2019	408,129
Balance at 31 December 2019	346002.47
Balance at 31 December 2020	**1,614,966**

The intangible assets include computer software licenses.
The Group booked no impairment for intangible assets in 2020 (2019: nil).

15.PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USED ASSETS

The movements in of property, plant and equipment were as follows:

	Equipment	Building improvement	Right of used assets	Total
Cost				
Balance at 1 January 2019	1,723,405	1,424,810	2,670,563	5,818,778
Additions	177,653	12,252	1,923,963	2,113,867
Disposals				-
Balance at 31 December 2019	**1,901,058**	**1,437,061**	**4,594,526**	**7,932,645**
Balance at 1 January 2020	**1,901,058**	**1,437,061**	**4,594,526**	**7,932,645**
Additions	291,976	28,876	2,570,814	2,891,667
Disposals				-
Balance at 31 December 2020	**2,193,034**	**1,465,937**	**7,165,340**	**10,824,312**
Accumulated depreciation				-
Balance at 1 January 2019	1,016,824	1,026,507		2,043,331
Depreciation for the year	241,280	252,346	1,311,878	1,805,504
Disposals				-
Balance at 31 December 2019	**1,258,104**	**1,278,853**	**1,311,878**	**3,848,835**
Balance at 1 January 2020	**1,258,104**	**1,278,853**	**1,311,878**	**3,848,835**
Depreciation for the year	204,586	109,591	1,589,775	1,903,952
Disposals				-
Balance at 31 December 2020	**1,462,690**	**1,388,445**	**2,901,653**	**5,752,787**
Carrying amounts				-
Balance at 1 January 2019	**706,581**	**398,303**	**2,670,563**	**3,775,446**
Balance at 31 December 2019	**642,954**	**158,208**	**3,282,648**	**4,083,810**
Balance at 31 December 2020	**730,344**	**77,493**	**4,263,687**	**5,071,524**

16. BORROWINGS

Borrowings includes financial instruments classified as liabilities at amortized cost.

The borrowings are floating rate. The borrowings from local banks are mainly yearly renewable, usually renewed at the same price.

According to payment criteria, borrowings on short term payable on maximum one year and borrowings on long term, payable over a year time horizon.

Borrowings as at 31 December 2020	Payable on short term*	Payable on long term	Total	Maturity
Banca Transilvania SA- Suc Buzau	77,550,683	-	77,550,683	11/18/2021
UniCredit Bank SA	99,224,766	-	99,224,766	10/2/2021
BRD Groupe Societe Generale	57,193,269	-	57,193,269	8/31/2021
ING Bank N.V Amsterdam- Suc Bucuresti	561,889	150,068,626	150,630,515	11/5/2022
OTP Bank Romania S.A	5,707,633	-	5,707,633	12/16/2021
Alpha Bank Romania S.A	19,970,391	-	19,970,391	8/26/2021
Garanti Bank S,A	46,925,975	-	46,925,975	7/1/2021
Garanti Bank S.A	12,440,000	2,500,000	14,940,000	1/31/2022
Banca de Export-Import a Romaniei Eximbank SA	925,469	83,763,043	84,688,512	30/08/2022
Banca Comerciala Romana S.A	98,545,174	-	98,545,174	10/12/2021
CEC Bank S.A	-	19,807,083	19,807,083	19/03/2022
Banca Comerciala Intesa Sanpaolo Romania S.A	100,896,397	-	100,896,397	31/08/2021
Credit Europe Bank (Romania) S.A	8,272,203	-	8,272,203	15/11/2021
Banca Romaneasca S.A	103,267	29,810,000	29,913,267	8/5/2022
International Finance Corporation	12,717,980	20,000,000	32,717,980	15/01/2024
The European Fund for Southeast Europe S.A., SICAV-SIF	4,506,039	-	4,506,039	15/06/2021
The European Fund for Southeast Europe S.A., SICAV-SIF	8,446,592	8,470,589	16,917,181	15/12/2022
The European Fund for Southeast Europe S.A., SICAV-SIF	13,174,614	53,142,860	66,317,474	30/11/2025
The European Fund for Southeast Europe S.A., SICAV-SIF	132,799	13,920,000	14,052,799	12/15/2027
European Bank for Reconstruction and Development	93,173	46,317,837	46,411,010	20/04/2023
European Bank for Reconstruction and Development	48,779	23,113,777	23,162,556	3/20/2024
European Bank for Reconstruction and Development	222,911	24,202,995	24,425,906	7/1/2022
Black Sea Trade and Development	12,423,150	37,910,455	50,333,605	19/12/2024
International Investment Bank	13,397,064	4,426,723	17,823,787	13/07/2022
International Investment Bank	8,404,045	38,884,091	47,288,136	19/03/2026
International Investment Bank	70,362	47,627,389	47,697,751	27/02/2027
European Investment Bank	10,522,379	27,825,143	38,347,522	25/11/2024
European Investment Bank	3,492,843	15,651,643	19,144,486	18/06/2026
European Investment Bank	1,987,662	15,980,580	17,968,242	7/12/2027
European Investment Fund	5,664,026	28,643,530	34,307,556	30/09/2026
European Investment Fund	132,383	19,963,888	20,096,271	5/15/2028
Responsibility Sicav (Lux)	12,516,055	36,520,500	49,036,555	9/6/2024
Total borrowings	**636,269,972**	**748,550,750**	**1,384,820,722****	

with maturity less than 12 months

*** please be informed that the total borrowings included: principal+ accrued interest adjusted with prepaid borrowings*

16. BORROWINGS (CONTINUED)

Borrowings as at 31 December 2019	Payable on short term*	Payable on long term	Total	Maturity
Banca Transilvania SA- Suc Buzau	97,350,558	-	97,350,558	19/11/2020
UniCredit Bank SA	67,156,412	-	67,156,412	10/2/2020
BRD Groupe Societe Generale	74,356,012	-	74,356,012	31/08/2020
ING Bank N.V Amsterdam- Suc Bucuresti	97,883,519	-	97,883,519	1/10/2021
OTP Bank Romania S.A	3,886,990	-	3,886,990	5/22/2020
Alpha Bank Romania S.A	19,972,291	-	19,972,291	6/30/2020
Garanti Bank S.A	46,911,875	-	46,911,875	5/1/2020
Banca de Export-Import a Romaniei Eximbank SA	1,069,809	88,864,358	89,934,167	8/30/2021
Banca Comerciala Romana S.A	65,802,558	-	65,802,558	10/12/2020
CEC Bank S.A	29,725,000	-	29,725,000	3/21/2020
Banca Comerciala Intesa Sanpaolo Romania S.A	99,479,707	-	99,479,707	8/31/2020
Credit Europe Bank (Romania) S.A	9,241,621	-	9,241,621	10/15/2020
International Finance Corporation	-	40,222,356	40,222,356	15/01/2024
International Finance Corporation	70,152,889	-	70,152,889	6/6/2020
The European Fund for Southeast Europe S.A., SICAV-SIF	8,319,290	4,500,000	12,819,290	15/06/2021
The European Fund for Southeast Europe S.A., SICAV-SIF	8,319,370	16,941,177	25,260,547	15/12/2022
The European Fund for Southeast Europe S.A., SICAV-SIF	3,293,179	66,428,572	69,721,751	30/11/2025
European Bank for Reconstruction and Development	194,506	46,224,767	46,419,273	20/04/2023
European Bank for Reconstruction and Development	-	23,168,263	23,168,263	3/20/2024
Black Sea Trade and Development Bank	12,238,615	50,547,273	62,785,888	19/12/2024
International Investment Bank	13,075,326	13,034,452	26,109,778	13/07/2022
International Investment Bank	-	47,202,946	47,202,946	19/03/2026
European Investment Bank	10,353,890	37,551,644	47,905,534	25/11/2024
European Investment Bank	3,413,787	18,775,820	22,189,607	18/06/2026
European Investment Fund	5,834,298	33,736,239	39,570,535	30/09/2026
Responsibility SICAV (LUX)	-	48,065,066	48,065,066	9/6/2024
Total borrowings	**748,031,500**	**535,262,933**	**1,283,294,433****	

with maturity less than 12 months

please be informed that the total borrowings included: principal+ accrued interest adjusted with prepaid borrowings

Semnat pentru identificare KPMG 28 APR 2021 Initialised for identification

16. BORROWINGS (CONTINUED)

Lender	31 December 2020	31 December 2019
Banca Transilvania SA -Suc Buzau	77,550,683	97,350,558
UniCredit Bank SA	99,224,766	67,156,412
BRD Groupe Societe Generale	57,193,269	74,356,012
ING Bank N.V Amsterdam -Suc România	150,630,515	97,883,517
OTP Bank S.A	5,707,633	3,886,992
Alpha Bank Romania S.A	19,970,391	19,972,291
Garanti Bank S.A	61,865,975	46,911,875
Banca de Export-Import a Romaniei Eximbank SA	84,688,512	89,934,167
Banca Comercială Română S.A	98,545,174	65,802,558
CEC Bank S.A	19,807,083	29,725,000
Banca Comerciala Intesa Sanpaolo Romania S.A	100,896,397	99,479,707
Credit Europe Bank (Romania) S.A	8,272,203	9,241,621
Banca Romaneasca S.A	29,913,267	-
International Finance Corporation	32,717,980	110,375,244
The European Fund for Southeast Europe S.A., SICAV-SIF	101,793,493	107,801,588
Black Sea Trade and Development Bank	50,333,605	62,785,888
European Bank for Reconstruction and Development	93,999,472	69,587,536
International Investment Bank	112,809,674	73,312,725
European Investment Bank	75,460,250	70,095,141
European Investment Fund	54,403,827	39,570,535
Responsibility Sicav (Lux)	49,036,555	48,065,066
Total borrowings	**1,384,820,722**	**1,283,294,433**

16. BORROWINGS (CONTINUED)

Borrowings as at 31 December 2020	Total available line	Drawn	Undrown
Banca Transilvania SA -Suc Buzau	124,000,000	77,809,016	46,190,984
UniCredit Bank SA	133,000,000	99,120,313	33,879,687
BRD Groupe Societe Generale	130,000,000	57,344,935	72,655,065
ING Bank N.V Amsterdam -Suc România	200,000,000	150,162,314	49,837,686
OTP Bank S.A	22,000,000	5,781,383	16,218,617
Alpha Bank Romania S.A	20,000,000	20,000,000	-
Garanti Bank S.A	62,000,000	62,000,000	-
Banca de Export-Import a Romaniei Eximbank SA	200,000,000	84,771,377	115,228,623
Banca Comercială Română S.A	165,000,000	98,600,972	66,399,028
CEC Bank S.A	70,000,000	20,000,000	50,000,000
Banca Comerciala Intesa Sanpaolo Romania S.A	121,800,000	101,046,407	20,753,593
Credit Europe Bank (Romania) S.A	9,300,000	8,273,201	1,026,799
Banca Romaneasca S.A	30,000,000	30,000,000	-
International Finance Corporation	32,500,000	32,500,000	-
The European Fund for Southeast Europe S.A., SICAV-SIF	87,869,749	87,869,749	-
The European Fund for Southeast Europe S.A., SICAV-SIF	48,000,000	14,500,000	33,500,000
Black Sea Trade and Development Bank	50,547,274	50,547,274	-
European Bank for Reconstruction and Development	94,157,200	94,157,200	-
International Investment Bank	113,305,906	113,305,906	-
European Investment Bank	57,389,356	57,389,356	-
European Investment Bank	36,420,000	18,159,750	18,260,250
European Investment Fund	34,372,237	34,372,237	-
European Investment Fund	35,000,000	20,000,000	15,000,000
Responsibility Sicav (Lux)	48,694,000	48,694,000	-
Total borrowings	**1,925,355,722**	**1,386,405,390**	**538,950,332**

Semnat pentru identificare
KPMG
28 APR 2021
Initialised for identification

16. BORROWINGS (CONTINUED)

Borrowings as at 31 December 2019	Total available line	Drawn	Undrown
Banca Transilvania SA -Suc Buzau	100,000,000	97,558,891	2,441,109
UniCredit Bank SA	100,000,000	67,100,000	32,900,000
BRD Groupe Societe Generale	105,000,000	74,496,012	30,503,988
ING Bank N.V Amsterdam -Suc România	150,000,000	97,507,558	52,492,442
OTP Bank S.A	28,000,000	3,916,157	24,083,843
Alpha Bank Romania S.A	20,000,000	20,000,000	-
Garanti Bank S.A	47,000,000	47,000,000	-
Banca de Export-Import a Romaniei Eximbank SA	150,000,000	89,764,358	60,235,642
Banca Comercială Română S.A	130,000,000	65,803,675	64,196,325
CEC Bank S.A	50,000,000	30,000,000	20,000,000
Banca Comerciala Intesa Sanpaolo Romania S.A	100,000,000	99,604,159	395,841
Credit Europe Bank (Romania) S.A	9,300,000	9,241,621	58,379
International Finance Corporation	110,000,000	110,000,000	-
The European Fund for Southeast Europe S.A., SICAV-SIF	108,061,765	108,061,765	-
Black Sea Trade and Development Bank	63,184,091	63,184,091	-
European Bank for Reconstruction and Development	69,800,000	69,800,000	-
International Investment Bank	73,593,907	73,593,907	-
European Investment Bank	69,982,607	69,982,607	-
European Investment Fund	39,358,941	39,358,941	-
Responsibility Sicav (Lux)	47,793,000	47,793,000	-
Total borrowings	**1,571,074,311**	**1,283,766,742**	**287,307,569**

17. LEASE LIABILITIES included in other financial liabilities

Maturity analyses of lease liabilities for vehicles as structured as follows:

	31 December 2020	31 December 2019
Less than one year	953,094	790,558
Between one and five years	1,220,554	894,905
More than five years		-
Total lease liabilities of vehicles	2,173,648	1,685,463

Maturity analyses of lease liabilities for office buildings is structured as follows:

	31 December 2020	31 December 2019
Less than one year	670,072	528,827
Between one and five years	1,403,333	966,798
More than five years	24,846	105,961
Total lease liabilities for building offices	2,098,251	1,601,586

18. OTHER FINANCIAL LIABILITIES

	31 December 2020	31 December 2019
Lease liabilities	4,271,899	3,287.049
Other financial liabilities, out of which:	10,467,496	8,655,362
- Employees	6,192,708	5,402,736
taxes and social contributions	1,091,966	1,110,129
VAT	437,781	338,885
others (suppliers)	2,745,041	1,803,612
Total other liabilities	**14,739,395**	**11,942,411**

Except for lease liabilities for which the maturity is presented above, other financial liabilities and other liabilities are expected to be settled within 12 months after 31 December 2020 (31 December 2019: all current).

19. CURRENT INCOME TAX LIABILITIES

	2020	2019
- Current income tax liabilities:	710,336	863,050
To be paid after more than 12 months	-	-
To be paid within 12 months	710,336	863,050

20. SHARE CAPITAL AND LEGAL AND OTHER RESERVES

The total number of authorized and issued ordinary shares as at 31 December 2020 was 11,792,497 shares (2019: 10,792,497 shares) with a par value of RON 10 per each share (2019: RON 10 per share). All shares are fully paid.

As at 31 December 2020 AGRICOVER HOLDING SA had 99,999992 % of Group's shares and Agricover SA had 0.000002 % of Group's shares (31 December 2019: AGRICOVER HOLDING SA had 99.99999 % of Group's shares and Agricover SA had 0.00001 % of Group's shares). In 2020 AGRICOVER HOLDING SA increased the share capital of Agricover Credit IFN with the amount of RON 10,000,000 in 2020 and with the amount of RON 37,518,900 in 2019, the amount was fully paid in cash.

a) Share capital

Movements in the Group's share capital are summarized as follows:

	2020		2019	
	Number of shares	RON	Number of shares	RON
Balance as at 1 January	10,792,497	107,924,970	7,040,607	70,406,070
Balance as at 31 December	11,792,497	117,924,970	10,792,497	107,924,970

Semnat pentru identificare KPMG 28. APR. 2021 Signed for identification

The holders of ordinary shares are entitled to receive dividends as declared in the General Shareholders Meetings and are entitled to one vote per share at the Annual General Meeting of the Group.

b) Legal and other reserves

As of 31 December 2020, the Group's legal reserves are constituted within the legal limit of 5% from gross profit.

21. DIVIDENDS PER SHARE

Dividends payable are not accounted for until they have been approved at the General Shareholders Meetings. In 2020 and 2019 no dividends have been distributed to shareholders.

22.CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

(a) *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 the Group's request to be started insolvency procedures for AC AGROFAM UNIREA. 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 third 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 than the plaintiff has no chance of winning the third 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.

(b) *Credit related commitments*

The primary purpose of these instruments is to ensure that funds are available to customers as required and approved by the Group.

Commitments to extend credit represent unused portions of approved 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 converts the amount of an undrawn credit line to an on balance exoposure 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% as at 31 December 2020 (31 December 2019: 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	-

23. TAXATION RISK

The Romanian tax legislation provides for detailed and complex rules and has suffered various changes in the recent years. Interpretation of the text and practical implementation procedures of tax legislation could vary, and there is a risk that certain transactions, for example, could be viewed differently by the tax authorities as compared to the Group's treatment. The Group's management considers that the tax liabilities included in these consolidated financial statements are fairly stated.

The Romanian Government has a number of agencies that are authorized to conduct audits of companies operating in Romania. These audits are similar in nature to tax audits performed by tax authorities in many countries but may extend not only to tax matters but to other legal and regulatory matters. It is likely that the Group will continue to be subject to regular controls as new laws and regulations are issued. The Group's management considers that the Group will not be impacted by significant losses in case of a fiscal control. However, the impact of different interpretations by the tax authorities cannot be accurately estimated.

24. NON-IFRS MEASURES

The Company has included below certain non IFRS financial information (Return on assets and Return on Equity). These are considered key performance indicators monitored by the Group. Detailed calculation is presented below:

	2020	2019
1.Capital ratio	**28.12%**	**25.45%**

This capital ratio refers exclusively to the Company, Agricover Credit IFN SA, and was derived by the Management from the regulatory capital measures (i.e. Own Funds and Total Aggregated Exposure, please refer to note 3.4 "Capital management") of the Company based on the Regulation 20/2009 issued by NBR and using a formula described below and which is not part of the Regulation 20/2009. The capital ratio formula used by the Management is Own Funds / Total Aggregated exposure, A/C for 31 December 2019 and B/D for 31 December 2020 (for the requirement provided by the Regulation no 20/2009 please refer to note 2.7 "Capital management").

A. Own Funds 31 December 2019	297,429,177
B. Own Funds 31 December 2020	352,697,323
C. Total aggregate exposure 31 December 2019	1,168,574,317
D. Total aggregate exposure 31 December 2020	1,254,200,207

2. Non-Performing Loan Ratio **3.26%** **1.43%**

The figures below are extracted from on these financial statements. In monitorization of the Non-performing loans, the management uses the indicator "The Non-performing loan ratio" computed
as the Gross exposure Stage 3 / Total gross exposure, E/G for 31 December 2019 and F/H for 31 December 2020

E. Gross Loans Exposure Stage 3 December 2019	21,966,017
F. Gross Loans Exposure Stage 3 December 2020	55,297,886
G. Gross Loans exposure December 2019	1,535,366,108
H. Gross Loans exposure December 2020	1,694,692,036

	2020	2019
3.Risk earnings ratio	**18.51%**	**11.24%**

The figures below are extracted from on these financial statements. In monitorization of the loans portfolio performance, the management uses the indicator "the Risk earnings ratio" computed as Impairment losses on loans and advances to customers /Net Interest Income, K/I for 2019 and L/J for 2020

I. Net Interest Income December 2019	94,529,921
J. Net Interest Income December 2020	111,208,686
K. Impairment losses on loans and advances to customers December 2019	10,620,765
L. Impairment losses on loans and advances to customers December 2020	20,585,213

	2020	2019
4. Cost Income ratio	**36.59%**	**41.43%**

The figures below are extracted from these financial statements.
In monitorization of the performance of the Group, the management uses the "Cost Income ratio" indicator computed, without considering cost of credit risk (Impairment losses on loans and advances to customers), as per the following formula: Operating Expenses/Operating Revenues, (M+N)/(I+R+S) for 2019 and (O+P)/(J+T+V) for 2020

M. General and administrative expenses December 2019	37,409,073
N. Other operating expenses December 2019	3,063,388
O. General and administrative expenses December 2020	38,566,312
P. Other operating expenses December 2020	3,869,914
R. Net fee and commission income December 2019	3,001,681
S. Other operating income December 2019	156,066
T. Net fee and commission income December 2020	4,739,398

Semnat pentru identificare KPMG 28. APR. 2021 Initialised for identification

V. Other operating income December 2020 40,337

25. RELATED PARTY DISCLOSURES

The Group is controlled by AGRICOVER HOLDING SA which owns 99.999998 % of the ordinary shares of the Group. The remaining 0.000002 % are held by AGRICOVER SA. Ultimately, the Group is controlled by Mr. Jabbar Kanani.

A number of transactions are entered into with related parties in the normal course of business. These include mainly loans and placements.

The volumes of related-party transactions, outstanding balances at the year-end, and relating expense and income for the year are as follows:

(a) *Loans and advances, respectively off-balance sheet exposures to related parties*

	31 December 2020	31 December 2019
Loans and advances to customers		
Loans outstanding at 1 January	0	1,976,098
Loans issued during the year	11,009,088	14,355,579
Loan repayments during the year	(11,009,088)	(16,331,677)
Loans outstanding at 31 December	0	0
Credit line interest income earned	158,041	430,445
Letter of guarantee (off balance exposure	6,500,000	12,000,000

As at 31 December 2020 no provisions have been recognized in respect of loans given to related parties (31 December 2019: nil). No loans or other advances were granted to the parent or to the ultimate controlling party.

As at 31 December 2020 and 31 December 2019 all loans and advances to related parties are neither past due nor impaired.

Semnat pentru identificare
KPMG
28. APR. 2021
Initialised for identification

25.RELATED PARTY DISCLOSURES (CONTINUED)

Loans issued during the year to related parties

	2020			2019		
	Shareholders	Subsidiary	Other related parties	Shareholders	Subsidiary	Other related parties
Agricover Holding S.A	-	-	-	137,000	-	-
Agricover SA	-	-	-	-	-	-
Granddis	-	-		-	-	
Net Farming (ex Agricover Ferme)	-	-	10,526,588	-	-	12,418,579
Agricola Cornatelu SRL	-	-	-	-	-	1,800,000
Barimpex SRL	-	-	-	-	-	-
Abatorul Peris S.A	-	-	57,500	-	-	-
Agricover Technology S.A	-	-	425,000	-	-	-
Total	-	-	**11,009,088**	**137,000**	-	**14,218,579**

The loans and advances to associated companies are secured with promissory notes and pledges on stock, carry variable interest rates and are repayable at maturity. All loans and advances to entities under common control are granted at market rates (i.e.: between a minimum rate of 6M ROBOR plus a 5% margin and a maximum rate of 12%); additionally all loans and advances to entities under common control bear a front-end fee of 0.5% of the granted amount.

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25. RELATED PARTY DISCLOSURES (CONTINUED)

(a) *Interest income from related parties:*

	2020	2019
Net Farming SRL	82,805	178,191
Granddis	-	-
Agricover SA (shareholder)	11,885,488	11,717,675
Agricola Cornatelu SRL	-	38,087
Barimpex SRL	-	-
Agricover Holding S.A (shareholder)	-	36,337
Abatorul Peris S.A	74,615	177,830
Agricover Technology S.A	621	-
Total	12,043,529	12,148,120

Out of which, revenues from factoring contracts without recourse are in amount of:

Agricover S.A (shareholder)	11,885,488	11,717,675

(b) *Expenses with related parties:*

	2020	2019
Agricover SA (shareholder)	656,549	660,825
Agricover Technology	564,874	
Total	1,221,424	660,825

25.RELATED PARTY DISCLOSURES (CONTINUED)

(c) *Other financial assets*

	Entities under common control	
	2020	**2019**
Agricover SA (shareholder)	1,417,792	1,000,754

(d) *Other financial liabilities:*

	Entities under common control	
	2020	**2019**
Agricover SA (shareholder)	17,735	65,447
Agricover Technology S.A	672,200	-
Total	698,935	65,447

(e) *Key management compensation:*

	2020	**2019**
Salaries	3,125,296	3,168,791
Bonuses	1,320,163	2,177,968
Social security charges	106,295	101,595
Total	4,551,754	5,448,354

26 EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

The significant events after the balance sheet date are related to:

a) New financing:

- EUR 40 million was signed and drawn from Agricover Holding S.A in March 2021 , unsecured, unsubordinated, 5 years maturity, bullet repayment at maturity, fix interest rate, yearly payment of interest. On 1 February 2021, Agricover Holding completed a EUR 40,000,000 bond issue. According to the bond prospectus, the funds raised pursuant to the bond issue were to be applied towards financing the lending operations of Agricover Credit IFN SA.

- RON 33.5 million was drawn in March 2021 from the agreement signed with The European Fund For Southeast Europe S.A in 2020, 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