

To:

**BURSA DE VALORI BUCUREȘTI S.A.**  
**AUTORITATEA DE SUPRAVEGHERE FINANCIARĂ**

## CURRENT REPORT 19/2021

According to Law nr. 24/2017 regarding issuers of financial instruments and market operations, ASF regulation nr. 5/2018 regarding the issuers of financial instruments and market operations and/or the Bucharest Stock Exchange Rulebook for Multilateral Trading System.

Date of report	31.03.2021
Name of the Company	NOROFERT S.A.
Registered Office	Bucharest str. Petrache Poenaru nr. 26, cam. 8, sector 5
Phone	0312253373, 0785087780
Email	<a href="mailto:investitori@norofert.ro">investitori@norofert.ro</a>
Registration nr. with Trade Registry	J40/4222/2000
Fiscal Code	12972762
Subscribed and paid share capital	3,209,576 lei
Total number of shares	8,023,940
Market where securities are traded	SMT AeRO Premium, symbol NRF for shares Bonds-SMT, symbol NRF25 for bonds

**Important events to be reported:** Company's statement regarding the external auditor's report

The management of Norofert SA, hereinafter referred to as "Company", would like to inform the market about its position related to the negative result of the independent audit, carried out by MGMT Audit & BPO SRL, published on the Company's website on 23.03.2021 at 18:00, available at the following link: <https://norofert.ro/investitori/adunari-generale-ale-actionarilor/>.

The company took note of the auditor's opinion and developed a plan to remedy the situation. The main points that are the subject of the adjustments and the remediation plan are as follows:

- 1) Adjustment following material error related to the write off goods sold – in the amount of 2,537,810.42 RON. This adjustment will be made in fiscal year 2020, and not in 2021 as initially mentioned by the company. Consequently, the management will revise and update the 2020 financial statements. The company is currently discussing with the auditor and legal team how to carry out this adjustment ahead of the General Shareholder's Meeting Scheduled for 26.04.2021. The Company's intention to make this adjustment related to the individual financial statement of Norofert S.A. comes as a result of the feedback from investors but also of have fiscal year 2021 without losses registered from the previous year.
- 2) Production in progress in the total amount of RON 2,328,900. In November and December 2020, Norofert carried out aggressive pre-sales campaign for spring 2021 season, of special treatment packages that include sunflower and corn seeds. In the context of significant sales generated in the above period, Norofert started the production of necessary products to be

**Norofert S.A.**

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included in the packages already in November-December 2020, as well as ordered from a third-party the sunflower and corn seeds that are integral part of these packages. The seeds were contracted from third party provider, but due to lack of stock, were not delivered to Norofert and consequently were not added in the accounting system in 2020 but in February 2021 instead. The company has already remedied the situation and the packages, containing Norofert products and seeds, were or will be delivered to clients between February until mid-April 2021.

- 3) Situation related to customers credited in 2019 that were uncollected until 31.12.2020 – in the total amount of RON 3,326,695.17. Due to the situation caused by the pedological drought in 2020 in Romania, wheat and rapeseed crops suffered damages amounting to 70-90% of the final production, which made the crops impossible to harvest and consequently, the customers were unable to pay the sums due to Norofert. The poor capitalization of the local agribusiness results in situation in which the bona fide customers cannot pay the sums due and the only way to recover the amounts due is to postpone the payment until the term when be possible, namely: the next harvest, upon the payment of subsidies or contracting bank loans for payment of suppliers. The company has concluded Additional Acts with all of the affected customers to extend the payment terms for 2021.

The Company has highlighted in all its financial reports and memorandums that the payment terms in Romanian agribusiness sector are between 270-300 days, which puts a lot of pressure on the company's cashflow. The context of the severe drought recorded in Romania in 2020 has impacted the company's financial position however, the Company's situation has improved as of 2021:

- 1) Between January-February 2021, the Company has accessed RON 2.3 million lei financing facility under IMM Invest loan project. The loan was guaranteed with receivables. This is the first time that the company is using receivables (270-300 days) as guarantees on bank products to improve the cash-flow situation.
- 2) Due to favourable weather conditions since the beginning of the year, sales thus far recorded for the spring 2021 campaign are good and the volumes produced and sold are significantly higher than in the same period of 2020. In addition, the Company will access a factoring facility and will use 2020 and 2021 receivables in order to improve the cash flow.
- 3) Between February and March 2021, the company collected approximately RON 1.6 million in invoice that were due October-November 2020.

The management would also like to underline that the investments in further equipping and developing the factory in Filipești de Padure, to be also financed with the capital raised during the share capital increase operation that is currently ongoing, will indirectly improve the cashflow. Namely, the acquisition and enabling of the high-capacity production line for soil fertilizer will allow the company to grow its product portfolio. The soil fertilizes line is of strategic importance for the Company since these products are sold with advance payment, which will help financially strengthen the company and improve the cashflow situation.

In conclusion, the management would like to reassure the investors that there are no uncertainties related to the continuation of the activity of the Company. The company is paying utmost attention to the vulnerabilities outlined by the audit report – especially the situation related to the receivables as well as the cashflow. The measures proposed by Norofert's management to remedy the situation

outlined by the auditors related to 2020 activity of the company and to improve the 2021 activity include:

- 1) Consolidation and increasing the size of the financial-accounting team, by hiring a Chief Financial Officer, expert accountant, and accountant / inventory specialist. All three recruitment processes were initiated on 25.03.2021 and are currently ongoing.
- 2) Contracting an optional audit to accompany the half-year results, to be published by the company on 24.08.2021.
- 3) Contracting additional banking and financial instruments to finance receivables and improve cash flow situation.

The management pledges to keep the investors in the loop and as soon as any relevant news appear related to the implementation of the above measures, it will inform the market through a current report.

At the same time, the management would like to inform the shareholders that the stock adjustment proposed by the auditor on the 2020 financial statements will not influence the distribution of free shares, which remains in the proportion of 1 free share to be granted for every 1 share held.

PRESIDENT OF THE BOARD OF DIRECTORS  
Popescu Vlad Andrei