Report of the Board of Directors

** The original version of the Report of the Board of Directors was written in Romanian. This document is an English translation of the original document. In case of any discrepancy between the English text and the Romanian text, the latter will prevail.*

Contents

Information about Agricover Group

Agricover Holding SA ("the Company") and its subsidiaries (together referred to as "Agricover" or "the Group") are incorporated and have their registered office in Romania. Agricover Holding SA was established as a joint-stock company by Mr. Jabbar Kanani as its main shareholder. In November 2017, the European Bank for Reconstruction and Development ("EBRD") acquired, through a capital contribution, a stake representing 12.727% of the share capital of the Company.

As at 31 December 2023, the subscribed and fully paid share capital of the Company is 189,406 thousand RON. There are 1,894,060,303 shares outstanding, each with a nominal value of 0.10 RON.

	31 December 2023			**31 December 2022**		
Ordinary shares issued and fully paid:	**number of shares**	**%**	**RON'000**	**number of shares**	**%**	**RON'000**
at **1 January**	1,890,671,063		189,067	2,163,968,075		216,397
Change during the period	3,389,240		339	(273,297,012)		(27,330)
at **31 December,**	**1,894,060,303**	**100%**	**189,406**	**1,890,671,063**	**100%**	**189,067**
of which held by:						
Mr Kanani Jabbar	1,649,966,127	87.113%	164,997	1,649,966,127	87.269%	164,997
EBRD	240,630,848	12.704%	24,063	240,630,848	12.727%	24,063
Others	74,088	0.004%	7	74,088	0.004%	7
Treasury shares	3,389,240	0.179%	339	-	-	-

Source: Consolidated Financial Statements

The increase in share capital during 2023 is due to beneficiaries exercising their rights under the share-based compensation plan implemented by the Group.

Company identification data

Headquarters: 1B Pipera Boulevard, Cubic Center, 8th floor, Voluntari, Ilfov County | ***Tel***: 021.336.46.45 | ***website***: www.agricover.ro | ***e-mail***: office@agricover.ro

Commercial Register registration number: J23/447/2018
Registration certificate: B3417524
Unique Commercial Register code: 36036986
Share capital: 189,406,030.30 RON
Regulated trading market: Bucharest Stock Exchange, corporate bond category
Market symbol: AGV26E

We are recognised by Romanian farmers as an innovative leader in providing a range of integrated agricultural inputs, financing, and digital solutions effectively helping them to increase productivity, reduce operating costs, finance working capital and growth, and implement performing and sustainable agricultural business models.

We operate in two reportable segments: agricultural inputs distribution and farmer financing. Complementing these main segments, which currently generate most of the Group's revenue and operating results, in 2021 we launched a "one-stop-shop" digital platform (crop360, operated by Agricover Technology SRL, the "Agritech" segment) providing access to digital farming solutions and integrating online sales and banking interactions with our customers. The platform provides farmers with access to innovations in digital agriculture, facilitating decision making and the automation of a wide range of farming activities.

Through our agricultural inputs distribution business, carried out by Agricover Distribution SA (the "Agribusiness" segment), we supply local farmers with:

- ✓ **certified seeds** – providing high-productivity seeds of established identity, verified by an official agency after inspection, for the main crops grown in the country including wheat, barley, maize, sunflower and rapeseed;
- ✓ **crop nutrition products** – sourcing (both from international and local suppliers), storing, packaging, wholesaling, and retailing agricultural fertilisers to farmers and end-consumers. Our activity includes formulating and blending, under private label, specific nutrient combinations (e.g., nitrogen, potassium, potash etc.), tailored to various farm production systems and local soil profiles;
- ✓ **crop protection products** – selling generic and brand products (our suppliers include leading global manufacturers of crop protection products) to protect crop yields against weeds, insects and disease and improve overall crop health, both above and below ground, enabling farmers to achieve optimal results;
- ✓ **fuel** – facilitating the farmers' acquisition and delivery of diesel from several of the largest suppliers operating on the local market.

Through our farmer financing business, carried out by Agricover Credit IFN SA (the "Agrifinance" segment), we provide local farmers with our financing products and related services (including insurance brokerage) tailored to their needs and the specifics of the sector, including:

- ✓ **working capital loans** – financing working capital needs (e.g., for acquisition of agricultural inputs, labour, etc.) throughout the growing season with bullet reimbursement once the harvesting is done and the output is monetised;

- ✓ **investment loans** – financing mostly land acquisition or other farm investments; investment loans have longer maturities but with reimbursement schedules that are linked to the agricultural season (i.e., instalment payments correlated with the two main harvesting seasons, namely June-July for spring crops, such as wheat or barley, and October-November for autumn crops, including maize or sunflower);
- ✓ **corporate credit cards** – revolving financing for pre-approved limits generally valid for up to three years, with bullet annual reimbursement – minimum 60% of the utilised limit – tailored to the harvesting season of the farmer's predominant crops;
- ✓ **insurance brokerage** – insurance intermediation services provided by Clubul Fermierilor Români Broker de Asigurare S.R.L. (an entity controlled by Agricover Credit IFN SA, which holds a 51% stake in its share capital, the remaining 49% being held by Clubul Fermierilor Români, a non-profit farmers' association); we offer expert guidance in identifying the right specialised or general insurer to cover the risks related to our customers' crops, farms, equipment or other relevant assets; we explain the costs and benefits of competitive insurance products, we assist the farmer in negotiating better pricing with the insurers and, if the insured event occurs, we assist farmers during the claims handling process.

Our synergistic business model revolves around offering farmers easy access to a wide range of technological innovations within the field (e.g., from high quality technological inputs to digitalisation solutions), and the customised financing needed to access and integrate those innovations withing their farming businesses to obtaining higher yields and staying competitive in a sustainable manner. Thus, our combined offering creates one of the most effective portfolios of holistic agriculture support solutions in the industry.

In November 2021 we launched the crop360 farm management platform, together with an e-commerce platform for the sale of agricultural inputs. The platform facilitates the sale of software as a service to our existing and new customers. An updated improved version of the crop360 platform was launched in November 2023. Moreover, we are currently developing an online tool through which farmers will interact with Agricover Credit to obtain financing. The new module will be integrated with crop360 to be fully operational as part of the "myAgricover" platform (which later in 2024 will integrate further online banking, online sales, and account management modules). Currently we are operating a self-care tool where farmers can view and manage their financing relationship with Agricover Credit, and an online sales platform within the Agribusiness segment.

Strategy

We believe agriculture is undergoing a major global transformation, driven by population growth, limited arable land, environmental challenges, and changing societal norms. The need for food and animal feed is growing worldwide, however the available arable land is limited and is increasingly endangered by the impact of climate change. As demand for food continues to grow, the pressure on farmers to increase productivity and output remains high. In addition, there is a growing pressure for the adoption of sustainable farming practices and responsible environmental stewardship. We believe these somewhat conflicting challenges can be surmounted through the wide-scale adoption of advanced technologies, including inputs, and digitally enhanced precision agriculture solutions, all of which provide the foundation of long-term opportunities in agriculture.

Our strategy is to combine our proven capabilities with our deep customer access to present farmers with the right mix of products, digital, and financing solutions to accelerate the adoption of technological progress towards maximizing their yields and improving their profitability. We believe that this enables us to further strengthen our customer relationships, thus contributing to a robust and sustainable food supply for a growing global population.

To drive industry-leading value creation, we will continue to pursue the following three priorities:

i. **Expansion**: accelerating organic growth and complementing it with strategic mergers and acquisitions, potentially tapping into new compatible and complementary segments or markets;
ii. **Synergy**: leveraging our unique integrative capability of knowledge and services delivery to enhance cross-selling opportunities;
iii. **Digital transformation**: paving the way for the large-scale tech absorption by Romanian farmers, enabling them to adopt competitive and sustainable agricultural practices.

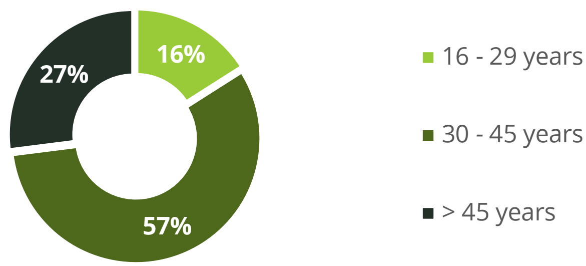
Employee morale, participation and engagement are key to our successful strategy implementation. Therefore, we place particular importance on competitive selection of new employees by advertising all open roles on the job market, on integration of the new employees by providing induction programmes during the first three months of employment, and on offering an attractive compensation package and providing development opportunities.

As of 31 December 2023, we had 552 permanent employees, with headcount of 566 including agency, temporary and trainee employees.

We hire, train, and retain some of the leading professionals in the agriculture, financial services, and information technology space. It is our objective to provide our employees with challenging and rewarding careers. We have implemented a performance management system whereby employees are assessed periodically and at least yearly based on a set of qualitative and quantitative criteria, including based on specific individual KPIs as set at the beginning of each yearly cycle. We embrace diversity, have a balanced employee breakdown by gender, and a balanced mix in terms of age.

Employee breakdown by gender

Employee breakdown by age group



Further employee related diversity, health and safety, and satisfaction details will be available in a separate non-financial report that will be published no later than end of June 2024.

President’s Statement

” Amid rising geopolitical tensions, the Board of Directors continued to demonstrate leadership through engagement, to focus on providing direction to executive management in its efforts to provide agricultural inputs and financial support to farmers in the context of a global market adversely affected by supply chain disruptions and significant and rapid fluctuations in commodity prices relevant to the agricultural sector.

Deep commitment to sound corporate governance principles, the promotion of pragmatic and prudent management, full transparency and accountability have helped the Board of Directors to lead the organization through unprecedented challenges and achieve a positive financial position and increased market share.”

Business model

During the year, the Group had the opportunity to demonstrate once again the resilience of its business model, on the basis of which the Group's revenues remained at high levels. Despite the dramatic fall in the price of commodity products distributed by the Group, the financial performance of its operations was solid, albeit below 2022 levels, and its market share strengthened.

Details of the Group's financial performance are set out in the sections below.

Business strategy

Business strategy was the focus of the Board of Directors, along with attention to strengthening corporate governance and promoting sustainability. Profound geopolitical transformations are taking place in the world, with a dramatic impact on the planet's economy.

In this context, our sustainability and generational renewal priorities have never been more relevant as food security and global supply chains continue to be disrupted. In parallel with maintaining access to the necessary inputs and financing solutions adapted to challenging market conditions, we continued our efforts to promote technological progress among Romanian farmers to ensure their financial stability and the long-term success of the Group.

Sustainability

The role played by the Group in promoting sustainable agricultural production systems is now more important than ever, and we are committed to finding effective solutions that contribute decisively to achieving the goals 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 food.

More details will be presented in the Sustainability Report to be published in June 2024.

Corporate governance

The Group has developed strategic partnerships with world-class financial institutions and investors. The Board of Directors is dedicated to maintaining the highest standards of corporate governance to provide executive management with a framework of principles that will determine the long-term success of the business segments developed within the Group.

The robustness of the Group's corporate governance systems was evidenced by the strengthening of financial discipline, attention to risk management and social responsibility demonstrated during the unprecedented challenges of 2023.

Further details of the governance principles adopted by the Group are highlighted below in this report and will be developed in a separate non-financial report to be published in June 2024.

Development prospects

We approach the year 2024 with assertiveness, based on the positive outlook for the agricultural sector as markets depress and commodity prices return to a level comparable to pre-2022 periods. The executive management of our subsidiaries went through a "baptism by fire" in their first year of operation, demonstrating their competencies, Mr. Serhan Hacisüleyman as CEO of Agricover Credit and Mr. Bogdan Dimcea as CEO of Agricover Distribution. With a strengthened management, we continue the process of structural and operational optimization that will ensure continuous improvement of the financial performance of the business segments developed within the Group.

During 2024, we will focus our efforts and resources on re-designing the synergistic operations carried out within the Group, adapting to the new market realities of the agricultural sector. The Board's agenda for the coming period includes three major priorities: a) digitalisation of operations and improving products and services offered to farmers, b) diversifying sources of financing and increasing the Groups' presence in capital markets, and c) optimizing commodity inputs (i.e. crop nutrition and fuel products) distribution processes. Equally, we will continue to ensure a framework for sustainability by integrating at least 1,000 children of farmers (graduates of higher education institutions) into the agricultural sector in the coming years.

CEO’s Statement

” In a difficult year marked by unprecedented volatility in agricultural input prices and continued high interest rates, we have been able to meet the needs of our customers and deliver growth and profitability to our shareholders. In addition, we continued our program to improve our business model, developing new partnerships and preparing for the transition to large-scale automation of operational processes.”

The group positions itself as a vector of development and innovation in Romanian agribusiness. Agricover Holding SA is a majority shareholder in companies involved in the distribution of agricultural technologies, in the financing of farmers and in the development of specialized software for agriculture.

The market for agricultural technologies was severely affected in 2023. Geopolitical tensions have led to strong price volatility, both for commodity input categories (crop nutrition products and fuel) and for output produced by farmers. In this difficult context, we took difficult decisions that impacted our performance, but delivered on time the products requested by farmers. Our financing activity supported farmers' additional liquidity needs in extremely difficult market conditions.

We continued to invest in business process automation and the digital future of agriculture. Crop360, our integrated digital platform for agriculture, aims to contribute to increasing the efficiency, competitiveness, sustainability, and resilience of Romanian farmers.

We believe it is our responsibility to promote sustainable agriculture, protect the environment, respect human rights, and promote safety in dealing with customers, suppliers and employees.

In 2023, we continued to support the Romanian Farmers' Club and the "Young Leaders for Agriculture" programme by awarding another 100 scholarships to young farmers. In doing so, we are proud to say that 315 young farmers have graduated from the Young Leaders for Agriculture program, bringing us closer to our goal of 1,000 sponsorships. We will continue this initiative in 2024 and beyond.

Market context

i. Macro highlights

In 2023, Romania's gross domestic product increased by 2.0% compared to 2022, according to the estimate published by the National Institute of Statistics on 14th of February 2024.

The agriculture financing market continued its upward trend, increasing by 13.6% at the end of December 2023 compared to December 2022 (after it increased by 19.4% at December 2022 compared with December 2021)[1]. Within the agriculture financing market, bank exposures increased by 11.8% at December 2023 compared to December 2022, after an increase of 20.3% at December 2022 compared to December 2021. Generally, bank financing continued to be supported by the Government's AGRO IMM INVEST PROGRAM, albeit with lower amounts allocated in 2023 (RON 0.4 billion), versus RON 2.5 billion allocated in 2022, and RON 1.0 billion allocated 2021. As at 31 December 2023, our share of the agricultural loans market reached 6.4% versus 5.7% as at 31 December 2021.

Prices of agricultural inputs were influenced by drops in commodity prices, especially natural gas, and supply chains disruptions having a lower impact in 2023. In Europe, natural gas was trading in June 2023 at around 30% of the levels seen in December 2022, later increasing during the second half, and closing the year at a level around 11% higher as compared to June 2023 but still below a third of their levels at December 2022[2].

Domestic and international crop nutrition products manufacturers gradually reopened their production facilities after keeping them closed for significant parts of 2022. Market shortages were no longer seen in 2023, with no or low availability risk. In this context, prices of most crop nutrition and some crop protection products have declined during the first half of 2023, reaching levels well below those seen before Russia's invasion of Ukraine. In the second half of 2023 the agricultural inputs market was rather stable, with some increases from the minimum levels reached in June 2023. Agricultural inputs price volatility can have a direct impact on the results of the Agribusiness segment.

Price declines, although less dramatic, were seen in the agricultural soft commodities (i.e. outputs) market as well, with prices of wheat, maize and barley closing 2023 at around 70% of their December 2022 levels[3]. Prices of sunflower and rapeseed dropped during the first half of 2023 to around 72% and, respectively, 77% of their December 2022 levels, then remained mostly stable during the second half of the year. Price volatility of agricultural commodities (both inputs and outputs) can have an indirect impact on our result by influencing the profitability of farms which, in turn, is one of the main drivers of our cost of risk.

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[1] financing market indicators are based on monthly bulletins published by the National Bank of Romania
[2] energy (gas and crude oil) prices and calculations based on monthly data (the Pink Sheet) published by World Bank
[3] agricultural soft commodities (outputs) prices indicators are based on data published by the European Commission

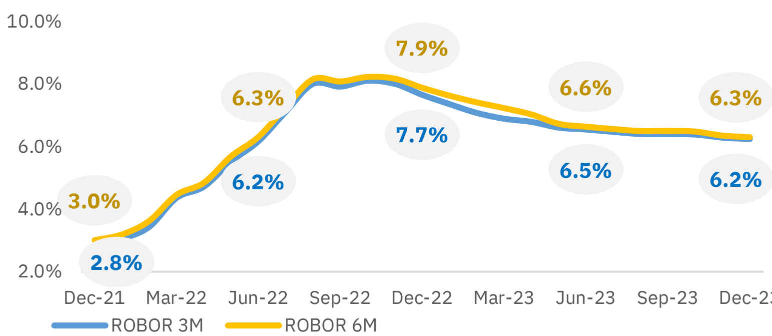
ii. Factors impacting our results

Inflation

The common factors driving up inflation during 2022 were soaring fuel and food costs, both impactful to the agriculture sector and together accounting on average for more than half of the inflation in 2022 across Europe. Prices for many consumer goods were trending up at the start of 2022 because of COVID-19's lingering impact on supply chains. Russia's invasion of Ukraine in February 2022 proved even more disruptive. In this context, central banks throughout the world imposed, and continue to do so, sharp monetary tightening measures.

Although lower in 2023, the inflation remained above central banks' 2% targets. The euro area annual inflation rate was 2.9% in December 2023[4], up from 2.4% in November. A year earlier, the rate was 9.2%. European Union annual inflation was 3.4% in December 2023, up from 3.1% in November. A year earlier, the rate was 10.4%. In Romania the annual inflation rate reached 7.0%, the second highest annual rate in the EU, marginally higher than 6.9% as at November 2023 but well below the 14.1% level reached in December 2022.

The National Bank of Romania kept the policy interest rate at 7% during 2023, after a 25bps increase at the beginning of January 2023, from 6.75% as at the end of 2022. In this context, market interest rates have decreased by more than 150bps as compared to December 2022, with most of the drop (around 100bps) in the first half of the year.



graph: **market interest rates**, *source: National Bank of Romania*

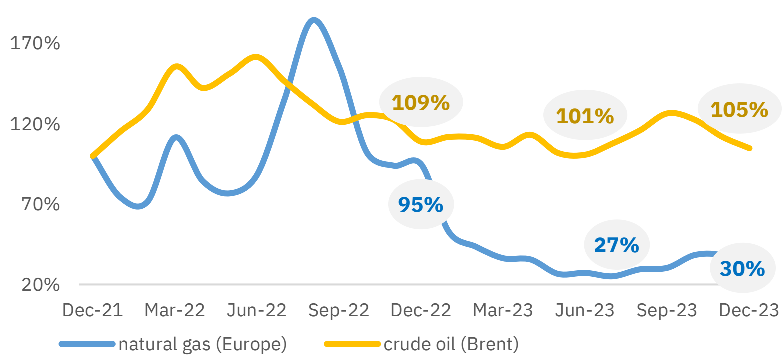
Market interest rates influence our net interest income in Agrifinance and our net finance cost in Agribusiness. Our net interest margin in Agrifinance has increased to 8.17% during 2023, as compared to 6.92% during 2022. Moreover, decreasing market interest rates has allowed us to keep financing cost in Agribusiness under control, whereby all the borrowing contracted by the respective business segment bear floating interest rates.

Oil and gas

Certain commodities (especially gas, energy, and oil) represent significant costs in the manufacturing process of crop nutrition and crop protection products and there is a high correlation between the price of those commodities and the price of crop nutrition and crop protection products.

[4] Inflation information is based data published by Eurostat on 17th of January 2024

Even before Ukraine being invaded by Russia (who used to provide close to 40% of Europe's gas), European gas prices had soared. After Russia announced it would cut off gas to the Nord Stream 1 pipeline in August 2022, the benchmark TTF price soared above €300 per MWH, 13 times the average in 2018 to 2021. Since January 2023, however, things have been different. Brent crude, the global oil benchmark, has hovered around $75 a barrel, compared with $120 a year ago[5]. In Europe, gas prices in June 2023, at around €35 per MWH, were 88% below their peak in August 2022. After a stable second half of the year, in December 2023 gas was trading at prices around 11% higher as compared to June 2023, still below a third of their levels at December 2022.



graph[6]: **natural gas and crude oil price evolution**,
source: World Bank data processed internally

Strong non-OPEC+ supply growth has shrunk the size of the oil deficit in 2024, while for natural gas, European storage is set to finish the season well above average, suggesting limited upside for prices. With European utilities finding other gas providers, a phase of power prices normalisation started in 2023 as gas prices came back to lower and more stable levels. However, even though prices have declined from their peaks, real gas and electricity costs remain well above their historical averages (e.g., the natural gas TTF contract traded around €32/MWh at the end of 2023, far below what the markets experienced in 2021-2022, but still twice as much versus the 2016-2019 period)[7].

Many analysts expect Brent crude to stay close to $80 a barrel during 2024 and 2025, with most forecasts being revised downwards at the beginning of 2024[8]. ING analysts expect ICE Brent to average US$82 a barrel over the course of 2024, with most of the upside likely to be seen over the second half of the year[9].

To conclude, analysts see 2024 as the beginning of a phase of normalisation for power and gas prices. Nevertheless, the geopolitical situation in the Middle East could bring volatility to the markets in case of escalation. But the sector seems to be better prepared today in the case of an energy crisis.

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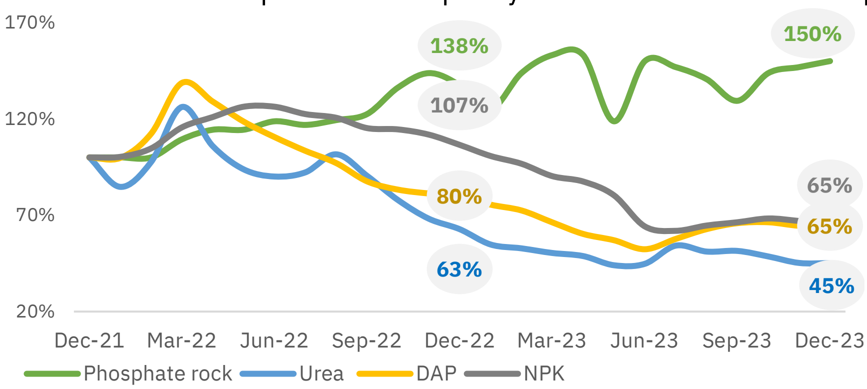
[5] energy (gas and crude oil) prices and calculations based on monthly data (the Pink Sheet) published by World Bank
[6] the graph presents the monthly evolution of prices versus December 2021 (base period)
[7] highlights based on "*Energy Outlook 2024*" published in January 2024 by ING
[8] Reuters analysis published on 12 January 2024
[9] "*Energy Outlook 2024*" published in January 2024 by ING

Crop nutrition

Contained energy inflation and natural gas prices down to pre-2022 levels, albeit remaining above pre-COVID levels, contribute to reduced pressure on the EU crop nutrition market, although uncertainties remain. High levels of imports of nitrogen fertilisers in the second semester of 2022 and the first months of 2023 compensated for a closure of a significant part of the EU ammonia production capacity in 2022. This was also supported by the suspension of most-favoured-nation duties on ammonia and urea between December 2022 and June 2023. Furthermore, declining natural gas prices allows EU domestic ammonia plants to gradually restart.



graph[10]: **crop nutrition price evolution**, *source: World Bank data processed internally*

Such factors ensured good availability of nitrogen products on the EU markets and to further eased the pressure on agricultural input costs in 2023. For phosphorus (P) and potassium (K) fertilisers however, the slower pace of imports led to a lower decrease of prices than for nitrogen fertilisers. On average, crop nutrition prices declined by 36% during 2023[11].

To mitigate the effects of supply chain disruptions and heightened availability risk during 2022, the Group operated with higher commodity inventories during the prior year, situation which led to an increased level of crop protection products and crop nutrition products inventories as at December 2022. Sharp price drops during the first half of 2023 generated crop nutrition inventories related losses of about 40 million RON. Another 12 million RON losses were incurred due to glyphosate price drops, a crop protection product.

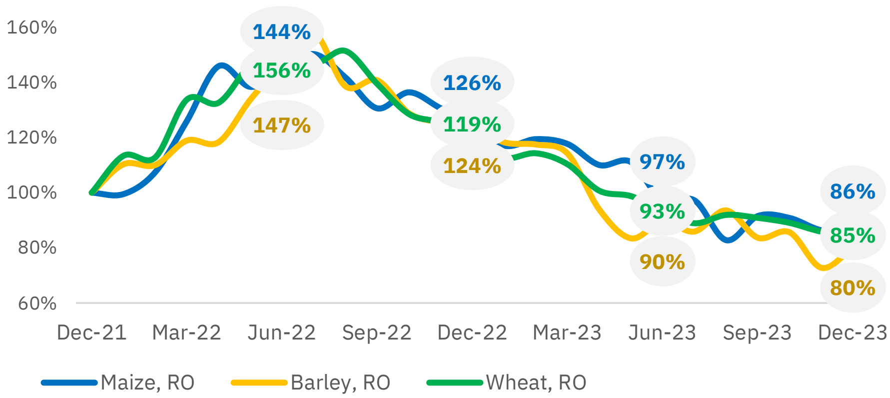
As substantially all crop nutrition and glyphosate inventories purchased in 2022 were sold or otherwise marked-to-market during the first semester of 2023, the Group did not incur similar loses during the second half of the year. Moreover, tighter risk management practices contributed to the Agribusiness' segment 37.7 million RON EBITDA during the second half of 2023, vs. a 31.2 million RON negative EBITDA recorded during the first half of the same year. Overall, during the three years period impacted by supply chains disruptions and / or geopolitical instability (i.e. 2021 to 2023), when we operated on average with higher than normal inventory levels, the Agribusiness segment accumulated a total EBITDA of 127,3 million RON and 56.6 million RON total net profits.

[10] the graph presents the monthly evolution of prices versus December 2021 (base period)

[11] European Commission "*Price Dashboard*", No 139, 23 January 2024, page 2

Grains

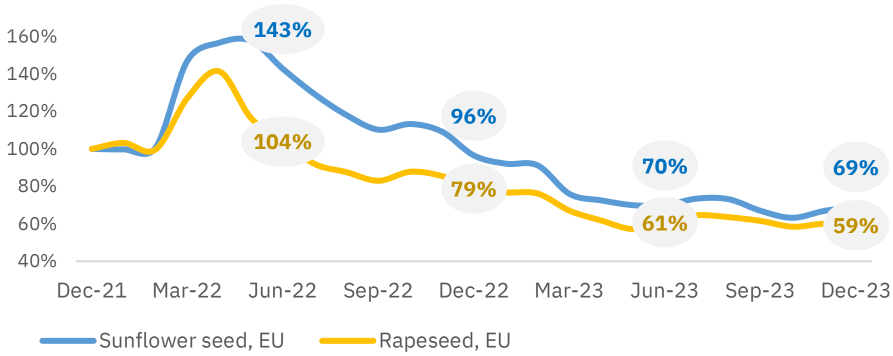
The EU lifted tariffs on the Ukraine's agricultural exports and created trade routes for the transport of such goods through Bulgaria, Poland, and Romania after Ukraine's Black Sea ports were blockaded at the dawn of the war with Russia. These "solidarity lanes" have not worked as planned. Due to logistical bottlenecks, much of the produce destined for Africa and the Middle East has piled up in eastern Europe, leading to a glut of maize, wheat, and sunflower seeds. This has pushed down local prices throughout the first half of 2023.



graph[12]: **local maize, barley, and wheat prices evolution**,
source: European Commission data processed internally

Measures facilitating trade with Ukraine continued in the second half of the year, but temporary safeguards were adopted to alleviate pressure observed in frontline EU countries. Moreover, EU agriculture ministers have agreed to provide farmers in the impacted countries with financial assistance. In this context, the EU farmer's output price indices have declined during 2023, with a steep decrease during the first half of the year followed by a relatively stable second half.

Within EU, prices of crops[13] in the third quarter of 2023 were more than 19% lower than in the third quarter of 2022, but only 5% lower versus the second quarter of 2023.



graph[14]: **EU sunflower seed and rapeseed prices evolution**,
source: European Commission data processed internally

[12] the graph presents the monthly evolution of prices versus December 2021 (base period)
[13] EU price index of agricultural crop output, updated on 20th of December 2023
[14] the graph presents the monthly evolution of prices versus December 2021 (base period)

Similar trends were observed at global level, whereby the FAO Cereal Price Index averaged 122.8 points in December 2023, down 3.8 points (3.0 percent) from June 2023 and as much as 24.5 points (16.6 percent) below its value a year ago.

Given the high correlation which continues to persist between the prices of agricultural inputs and the prices of soft commodities, as well as EU assistance granted to farmers impacted by higher imports from Ukraine, we do not expect the commodity price shifts observed during 2023, including but not limited to the decreases in the price of soft commodities, to significantly impact our cost of risk or non-performing loans ratio as reported in the financial statements attached to this Report.

Unfortunately, however, after more than two years of conflict in Ukraine, the prospects for peace and a return to geopolitical stability still appear slim. Global suppliers, among which Romania has become a prominent player, will need to continue to make up for the decline in Ukraine's crops production and exports. At global level, elevated inflation, tighter monetary policies, reduced fiscal support, and extreme weather events further contribute to continued pressure on economic growth. Meanwhile, the global trade picture remains uncertain given the emergence of policies such as export bans, or the disturbances in the Panama Canal and Red Sea. All these risk factors, individually or combined, may continue to exacerbate price volatility and impact farmers' profitability, which may negatively influence the Group's financial performance.

Significant events in the period

OFAC Sanctions

Although not directly affecting any Group entity, in April 2023, the U.S Treasury Department's Office of Foreign Assets Control ("OFAC") has included an international institution ("Sanctioned Lender") on the specially designated nationals and blocked persons list ("OFAC Sanctions").

Agricover Credit IFN SA is borrower under two facility agreements ("Facility Agreement") concluded with the Sanctioned Lender prior to its inclusion on the OFAC Sanctions (the total current outstanding principal amount under the agreements is of 60.8 million RON). Similarly, Agricover Holding SA, upon receiving the list of bondholders from Depozitarul Central, for the reference date of 12th January 2024, became aware that some of the corporate bonds it had issued are held the Sanctioned Lender.

Unlike sanctions imposed by the European Union or the Romanian authorities, OFAC Sanctions are not directly applicable in Romania. Furthermore, to the best of our knowledge, there are no legal provisions in the primary and/or secondary legislation related to the Romanian capital market, and/or in Depozitarul Central's Code, and/or in the service agreement concluded by Agricover Holding SA with Depozitarul Central regarding the treatment of payment obligations to investors subject to international sanctions. To our knowledge, up to the date of this Report, the applicable legislation and/or regulations do not include any specific guidelines on dealing with the OFAC Sanctions.

Notwithstanding the OFAC Sanctions not being directly applicable under Romanian law, the Group does not wish its lenders to become directly or indirectly subject to international sanctions or to be exposed in any way to international sanctions.

In view of the above, at its own initiative, the Group:

a) Stopped making any payments to the Sanctioned Lender and placed and blocked into one of its bank accounts the funds corresponding to the amounts outstanding under the Facility Agreement.

   The Sanctioned Lender, at their own initiative, issued temporary waivers to the Group for the payments due in June, September, and December 2023 under the Facility Agreement to be postponed for payment until 19 June 2024.

   We have explored and continue to evaluate options to terminate the relationship with the Sanctioned Lender, including by way of voluntary prepayment of the amounts owed under the Facility Agreement, however, only in a manner complying with the international sanctions.

b) Placed and blocked into one of its bank accounts the funds corresponding to the part of the interest on the issued corporate bonds that was due, under the prospectus, on 5th February 2024, to the Sanctioned Lender.

The Sanctioned Lender was informed by our decision to withhold the interest owed until such payment becomes possible with the observance of the international sanctions. However, in the unlikely scenario that, for whatever reasons and with the observance of the international sanctions, the Group will have to early repay the outstanding principal on its issued corporate bonds, the management considers that this will not significantly impact the Group's ongoing business.

Financial Indicators

The Company's listed bonds' prospectus, approved by the Financial Supervisory Authority (FSA) Decision no. 400 of 26.03.2021, provides for certain financial covenants to be observed by the Company and its Main Subsidiaries (Agricover Credit IFN SA, and Agricover Distribution SA) for each year during the existence of the bonds which have not been redeemed or cancelled, until the maturity of the bonds, respectively until 3 February 2026.

The financial covenants are tested and calculated annually, upon the approval of, and by reference to, the audited consolidated financial statements of the Company, the audited financial statements of Agricover Distribution SA, and the audited consolidated financial statements of Agricover Credit IFN SA. The financial covenants as at and for the year ended 31 December 2023 are calculated and disclosed as follows:

- *Net financial debt to EBITDA,* and *EBITDA Interest Coverage Ratio* are calculated based on (and presented in Note 14 to) the Agribusiness Financial Statements, included in the Appendix 2 to this Report;
- *Capital Adequacy Ratio,* and *Non-performing Loans Ratio* are calculated based on (and presented in Note 22 to) the Agrifinance Financial Statements, included in the Appendix 3 to this Report;
- *Net Financial Debt to Total Equity* is calculated based on (and presented in Note 12 to) the Consolidated Financial Statements, included in Appendix 1 to this Report.

Non-compliance with financial covenants imposed by the bonds allows bondholders the right to early call the bond, at its nominal value plus any accrued interest, provided, however, that at least 25% of the bondholders are in favour of exercising this contingent option. Nevertheless, if any infringement is remedied within 90 calendar days from its occurrence date, and bondholders conclude that the respective obligation was observed, it shall be deemed that the Company and/or its main subsidiaries observed the respective financial covenant on the relevant calculation date as if there had been no failure to fulfil the relevant financial covenant, and the infringement shall be deemed remedied.

Non-compliance with financial covenants imposed by the Group's borrowings or other contractual breaches, including breach of payment terms, would result in the creditors having the right to early call the related facilities. Moreover, some of the Group's funding agreements include customary cross default provisions, including provisions that puts Agricover Distribution or Agricover Credit in default if the other defaults on its funding agreements.

As at 31 December 2023, the Group's subsidiaries have complied with financial covenants imposed by their respective borrowing facilities or, where covenants thresholds were breached, have obtained relevant waivers from their respective lenders, including waivers for applicable cross-default clauses. As at the date of these consolidated financial statements the two-step approach in testing the compliance with the financial covenants provided for by the bonds, namely: i) the calculation of the indicators based on the financial year 2023, and ii) the bondholders' feedback on the remediation measure, is ongoing. During 2022 reporting period all financial covenants were complied with.

In the market context detailed in different sections of this Report, as at and for the year ended 31 December 2023, the calculated value for the *Net Financial Debt to EBITDA* indicator was 8.6 vs. a maximum threshold of 4.0; and the calculated value for the *EBITDA Interest Coverage Ratio* is 0.4 vs. a minimum threshold of 4.0.

The low EBITDA of the Agribusiness segment in 2023 is mainly linked to the commodities market context during the second half of 2022 and the first half of 2023, including supply chain disruptions and price volatility (further refer to section *Factors impacting our results* above in this Report). Under those circumstances, Agricover Distribution SA incurred losses of about 40 million RON related to crop nutrition products, and of about 12 million RON related to glyphosate inventories.

As a result of the management's decisive measures to deal with the situation, no similar losses were incurred during the second half of 2023 (substantially all crop nutrition and glyphosate inventories purchases in 2022 were sold or otherwise marked to market in the first half of the 2023). Considering, among others, the strong financial performance achieved during the second half of 2023, we believe that any infringement, related to the financial covenants breached as at and for the year ended 31 December 2023, has already been remedied.

The table below shows the values of the *Net Financial Debt to EBITDA* and of the *EBITDA Interest Coverage Ratio* as at and for the six months period ended 31 December 2023, both indicators within the limits of the bond's financial covenants.

#	**RON'000**	**12M period to 31 December 2023**	**6M period to 31 December 2023**
=A/B	Net Financial Debt to EBITDA	8.58	1.48
A	*Net financial debt*	*55,666*	*55,666*
B	*EBITDA*	*6,487*	*37,701*
=B/C	EBITDA Interest Coverage Ratio	0.41	4.74
C	*Interest expense*	*15,925*	*7,961*

Source: Agribusiness Financial Statements

Moreover, as at the date of this Report, the Group is reorganising its agricultural inputs distribution line of business, discontinuing commodity-type products (mostly crop nutrition products and fuel), with lower margins and significant price volatility, in Agricover Distribution.

Because implementing such a decision is a complex process which, if handled improperly, can have negative implications on the Group's client base, ongoing commercial agreements with its commercial partners supplying logistic services, or on its employees, the distribution of such commodity-type products will be carried out, for a limited period, by Agricover Technology. During this period the Group will determine the merits of continuing selling such commodities, considering among others the feedback from our customers on the synergy potential with the activities carried out and/or planned to be carried out by Agricover Technology. The range of precision agriculture solutions introduced by Agricover Technology aims, in fact, to assist farmers in optimising their consumption of agricultural commodities, including crop nutrition products and fuel.

Except for the covenants discussed in this section, as at 31 December 2023, the Group and its subsidiaries have complied with all financial covenants imposed by their respective financing facilities or, where covenants thresholds were breached, the relevant entity within the Group has obtained waivers from its lenders (all such waivers were obtained prior to the year-end).

Performance of the Agricover Group

In a volatile business environment, we continue to show positive trends in most of our operating and financial indicators. We continue to be profitable, with a consolidated earnings per share of 0.024 RON. In the 2023 financial year we have exceeded the threshold of 10,000 unique customers served by the Group. The gross carrying amount of loans and advances to customers is close to 3 billion RON. Our net interest margin increased to 8.17% during 2023, while we kept the NPL ratio below the market average NPL for loans granted to SMEs. Below we highlight the evolution of other main performance indicators monitored by the Group.

10,475

unique customers as at and for the 12 months period ended 31 December 2023

RON 2.91 billion

gross carrying amount of loans and advances to Agrifinance customers as at 31 December 2023 (31 December 2022: RON 2.84 billion)

8.17% NIM

2023 net interest margin ("NIM") in Agrifinance, up from 6.92% in 2022

3.87% NPL

non-performing loans ratio ("NPL") at 31 December 2023 below the 4.09% average NPL for local loans and advances granted to SMEs and corporates as at 30 September 2023[15]

RON 1.85 billion

total revenues in the Agribusiness segment in the 2023 financial year

RON 0.024

2023 consolidated earnings per share

[15] Data published by the National Bank of Romania in the December 2023 Financial Stability Report

i. Our customer base

Strong farmer relationships provide us the opportunity to accurately anticipate their needs and increase customer loyalty and recurrence, in all the segments we operate. Through our direct access model, with our agents regularly meeting face-to-face with farmers, both current and prospective customers of the Group, we continue to foster strong relationships by developing a deeper understanding of each farmer's business.

The farmers eligible to become our clients are selected mainly from among those farmers who benefit from the SAPS related subsidies, paid by APIA. With respect to our financing activity, the APIA statements serve as an independent check of the size of the operations of the farmers financed by Agricover Credit. Nonetheless, our agricultural inputs online sales platform is accessible to other end consumers, including unincorporated private individuals.

Customers of:	**Dec-17**	**Dec-18**	**Dec-19**	**Dec-20**	**Dec-21**	**Dec-22**	**Dec-23**
both segments	1,408	1,879	2,563	2,885	2,927	2,990	3,068
Agribusiness[16]	2,528	2,665	3,661	4,482	5,419	5,765	6,032
Agrifinance[17]	836	928	871	934	920	1,194	1,375
Unique customers	**4,772**	**5,472**	**7,095**	**8,301**	**9,266**	**9,949**	**10,475**

Source: internal data, unaudited

As at end of December 2023 we have increased the number of unique customers we serve by 5.3% as compared to December 2022, while the number of customers served by both segments increased by 2.6%. The steady increase of our customer base, at a CAGR of 14.0% since 2017, is a strong statement of both the diversity and quality of our solutions offering, and of the effectiveness of our sales teams in onboarding new customers.

[16] In Agribusiness an active customer is one which has made at least one acquisition during a twelve-month rolling period.

[17] In Agrifinance an active customer is one to which we have at least one open financing agreement at the date of the analysis.

For our internal reporting and commercial decision-making purposes, we group our customers as follows:

- ✓ in Agrifinance – based on farm size, as: i) large – above 1,000 ha operated; ii) medium – 401 to 1,000 ha operated; iii) small – 101 to 400 ha operated; iv) micro – 20 to 100 ha operated; and vi) other (as shown in the table below). For risk management purposes, we group our clients based on the following farm size: a) below 400 ha; b) above 400 ha; and (c) others.

	31 December 23		31 December 22		31 December 21	
	No of customers	%	No of customers	%	No of customers	%
large	319	7%	332	8%	329	9%
medium	778	18%	794	19%	792	21%
small	2,141	48%	2,034	49%	1,898	49%
micro	1,167	26%	973	23%	781	20%
other	38	1%	51	1%	47	1%
Total	**4,443**		**4,184**		**3,847**	

Source: internal data, unaudited

- ✓ in Agribusiness - based on the types of agricultural inputs acquired during one calendar year, namely from customers who have acquired all four types of agricultural inputs – i.e. certified seeds, crop nutrition products, crop protection products and fuel – down to customers who have acquired only one type of agricultural input.

	31 December 23		31 December 22		31 December 21	
	No of customers	%	No of customers	%	No of customers	%
4 input types	610	7%	741	8%	723	9%
3 input types	1,412	16%	1,454	17%	1,367	16%
2 input types	2,425	27%	2,183	25%	2,212	27%
1 input type	4,653	51%	4,377	50%	4,044	48%
Total	**9,100**		**8,755**		**8,346**	

Source: internal data, unaudited

The Group's penetration rate has constantly increased over time. During 2023 we sold at least one type of agricultural inputs to 9,100 farmers, more by 3.9% as compared to the 2022 financial year. Moreover, as at 31 December 2023 we have outstanding financing granted to 4,443 farmers, 6.2% more than at 31 December 2022. Of our active customers (i.e. those identified above), 29.3% are customers of both Agribusiness and Agrifinance segments.

Our largest loan relationships currently do not make up a significant percentage of our total loan portfolio. As of 31 December 2023, our three largest individual loan relationships totalled 99.5 million RON in loan exposure, or 3.05% of the total loan portfolio, lower than 3.94% as at 31 December 2022. Our twenty largest individual loan relationships totalled 436.6 million RON, or 13.38% of the total loan portfolio at 31 December 2023, lower than 14.60% as at 31 December 2022. Concentration is similar in terms of exposures to groups of connected customers, with top three exposures totalling 3.59% of the total loan portfolio, while top twenty exposures were 17.17% as of 31 December 2023.

The biggest client in Agribusiness segment accounted for 0.97% of revenue generated during 2023 (2022: 0.88%). When looked at on a per business line basis – e.g., distribution of certified seeds, crop nutrition products, crop protection products and fuel – during 2023 - no single customer accounted for more than 1.5% of the sales of each separate business line.

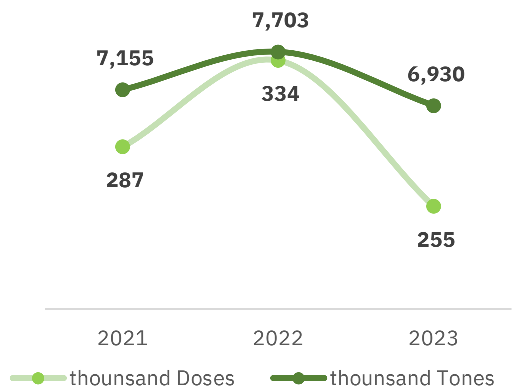
ii. Our product offering

Agribusiness segment offering

The four main categories of products distributed to farmers through our Agribusiness segment are the following:

Certified seeds

Our certified seeds offering includes high-performance varieties and hybrids in all major crops grown within the region, including maize, sunflower, wheat, rapeseed, and barley, that aim to increase yields and enhance quality. Certain hybrids might include biotechnology traits designed to enhance yields for farmers by enabling crops to protect themselves against a variety of agricultural pest species and/or to be tolerant of specific herbicides.

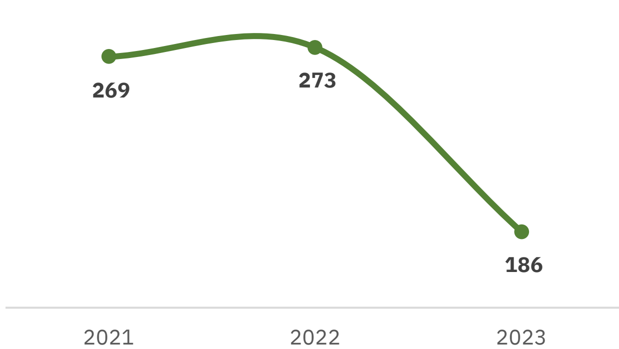


graph: **certified seeds, volumes sold**,
source: internal data, unaudited

In terms of value, top three certified seeds sold during 2023 were maize (39% in total certified seeds revenue), sunflower (30%) and rapeseed (16%).

Crop nutrition products

The main crop nutrition products we offer include straight fertilisers with one nutrient only such as phosphates, nitrogen and potash or potassium, as well as blended and NPK fertilisers (complete fertilisers including all three main nutrients – nitrogen, phosphorus, and potassium – at various weights each). Related services include loading, transportation, unloading and storage. Crop nutrition products are offered under brand names, generic products, or private label products.



graph: **crop nutrition product, volumes sold** (thousand tonnes),
source: internal data, unaudited

In terms of value, top three crop nutrition products sold during 2023 were NPK complex (18% in total crop nutrition products revenue), phosphates (22%) and urea (25%).

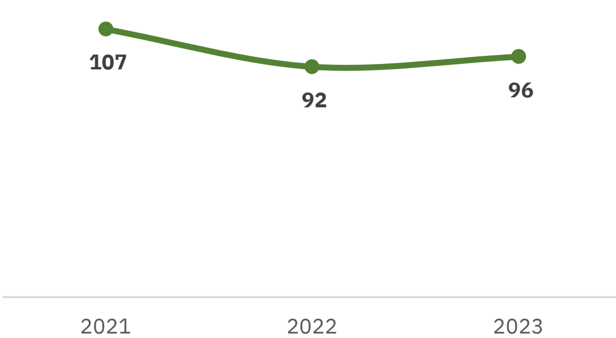
Crop protection products

Crop protection products are represented by safe and effective active ingredients for use as insecticides, fungicides, herbicides, and crop efficiency products for foliar or soil application as well as seed treatment. In addition to a wide range of chemical solutions, we offer biological products derived from plants, bacteria and/or fungi as we believe that these are a vital tool in sustainable agriculture. Agribusiness' crop protection offering includes brand names as well as generic products.

Insecticides aim to control damaging insects and nematodes in a variety of crops, including all main crops grown within the region. Certain insecticides might promote cell growth and plant restoration, activate, or strengthen the plant's natural defence mechanisms or safeguard crops from various environmental stresses. Fungicides aim to provide control of a broad spectrum of crop diseases, with a view to leading to healthier plants and higher yields. Herbicides are used to fight weeds by controlling weed pressure and providing reliable, season-long control solutions. Herbicides may utilise various or multiple modes of action to help combat broadleaf weeds and grass.

Given their heterogeneous nature (e.g., some are liquid, others solid, with lower or higher concentrations, etc.), crop protection products volumes sold data is not provided here. In terms of value, top three crop protection products sold during 2023 were herbicides (39% in total crop protection products revenue), fungicides (31%) and insecticides (12%).

Fuel



source: internal data, unaudited

We have a sales team of dedicated to fuel distribution and related financing arrangements available for our current and prospective customers. We offer farmers a one-stop-shop for both fuel acquisitions and related financing and thus we believe we contribute to their efficiency gains, cost control strategies and inventory management.

graph: **fuel, volumes sold** (thousand cubic meters),

Our purchasing power, procurement relationships, complementary financing solutions, and related services offering further strengthen our competitive advantages. In turn, our fuel distribution platform creates significant value for both producers and our customers through the combination of our financing solutions, centralized order handling and fulfilment and access to diverse sourcing and storage facilities located throughout the country.

Agrifinance segment offering

Through the Agrifinance segment, we offer farmers a variety of loans, including working capital and investment types of loans, corporate credit cards, and credit enhancement facilities, such as letters of guarantee, all tailored to the specifics of the agriculture sector and to finance farm operations, acquisition, or investments. All our loans are originated based on the farmer's ability to make repayments from the cash flows generated by the farm. As a result, the availability of funds for the repayment of loans is highly dependent on, and naturally linked to, the agricultural seasonality – cash being used from prior to planting all the way through the harvesting season and only then cash is generated by monetising the output. The volume and structure of loans outstanding in the Agrifinance segment as at the end of 2023, 2022, and 2021 are presented in the table below:

Type of product	December 2023 RON'000	%	December 2022 RON'000	%	December 2021 RON'000	%
Credit lines	2,585,883	89%	2,607,777	92%	1,714,049	86%
Investment loans (CAPEX)	188,219	6%	201,991	7%	150,212	8%
Factoring	131,607	5%	29,269	1%	133,748	7%
Total	**2,905,709**		**2,839,037**		**1,998,009**	
Letter of guarantee	14,500		4,000		5,500	

Source: Agrifinance Financial Statements

iii. Cross-sales

Cross-sales efforts within the Group result in: i) sales of mainly crop protection products packages with working capital loans, and ii) sales of mainly crop nutrition products and fuel directly financed by loans granted by the Agrifinance segment.

Generally, within a year roughly one third of the revenue generated within Agribusiness is directly related to cross-sales efforts.

	2023 RON'000	2023 % of total revenue	2022 RON'000	2022 % of total revenue	2021 RON'000	2021 % of total revenue
Crop protection products	166,880	30%	119,462	21%	98,637	21%
Crop nutrition products	178,361	36%	541,058	50%	281,848	51%
Fuel	252,810	47%	315,225	51%	263,835	56%
Certified Seeds	1,715	1%	3,831	1%	1,895	1%
Total cross-sale revenues	**599,766**	**33%**	**979,576**	**39%**	**646,215**	**38%**

Source: internal data, unaudited

Similarly, in Agrifinance, within a year roughly one third of the loans originated are cross sales with Agribusiness – namely working capital loans packaged with crop protection products acquisitions, and loans that directly finance agricultural inputs acquisitions, mainly crop nutrition products and fuel.

The lower weight of cross sales in the loan production during 2023 is mainly due to the steep decrease in prices of agricultural inputs while general liquidity in agriculture was low given the impact of low soft commodities (output) prices exacerbated by droughts. This context led to lower direct financing of crop nutrition products but higher general working capital and investments financing.

Financing packaged with:	2023 RON'000	2022 RON'000	2021 RON'000
Crop protection products	97,413	93,727	91,936
Crop nutrition products	337,601	614,096	305,767
Fuel	317,228	384,426	317,643
Certified Seeds	20,977	25,538	31,633
E-commerce	22,103	-	-
	795,322	**1,117,787**	**746,979**
% cross sales in total loan production	**27%**	**35%**	**34%**

Source: internal data, unaudited

We believe that, besides the impact on the revenue, our synergistic business model allows us plenty of opportunities to achieve higher productivities and lower costs (e.g., by leveraging Group wide data in risk management, by leveraging the work of our field teams for the benefit of all business segments we operate, by sharing physical resources including working points, by higher negotiation power in acquiring tangible and intangible assets etc). Our synergy project, along with our ongoing productivity and efficiency efforts, are aimed at achieving a best-in-class cost structure, as well as a sharper focus on the farmers.

Financial performance of Agricover Credit

	2023	2022	2021
Net Interest income	213,231	173,000	116,944
Net fee and commission income	10,396	10,645	7,231
Net credit losses	(50,482)	(28,326)	(5,881)
Net interest income	**173,145**	**155,319**	**118,294**
General and administrative expenses	(71,651)	(65,064)	(46,230)
Other gains / (losses)	(10,364)	(14,417)	(8,700)
Operating profit	**91,130**	**75,838**	**63,364**
Income tax expenses	(13,089)	(10,485)	(8,469)
Profit for the year	**78,041**	**65,353**	**54,897**

Source: Agrifinance Financial Statements

We generated a net interest margin of 8.17% in 2023, close to 130bps higher than the net interest margin generated during 2022. We achieved this while keeping a high share of the local agriculture financing market, of 6.41% as at 31 December 2023, lower than the 6.92% market share as at 31 December 2022. The decrease in market share is mainly due to our decision to focus on higher profitability loans and to limit our exposure to large customers in a context where farming operations faced challenges such as decreasing output prices and droughts, hence lower liquidity versus a normal year. Moreover, we kept our NPL ratio below the market average for loans granted to SMEs. Still, our market share at the end of 2023 was higher than the 5.85% share as at 31 December 2021.

RON'000	2023	2022	2021
gross carrying amount of loans and advances	2,905,878	2,839,037	1,998,009
net interest income	213,231	173,000	116,944
net commission income	10,396	10,645	7,231
profit before tax	91,130	75,838	63,364
net interest margin	8.17%	6.90%	6.50%
cost to income ratio	35.66%	39.00%	40.64%
NPL ratio	3.87%	2.92%	2.66%

Source: Agrifinance Financial Statements

2.91 billion RON nominal value of outstanding loans and advances as at 31 December 2023, 2.4% higher than as at 31 December 2022 and 45.4% higher than as at 31 December 2021. The increase in exposure has been mainly driven by i) the increase in prices of agricultural inputs during 2022, hence farms needed higher working capital loans; and ii) the increase in the number of clients serviced.

The share of non-performing loans ("NPLs") was **3.87%** as at 31 December 2023, below the local market average for loans and advances granted to SMEs (4.09% at 30 September 2023, based on the December 2023 Financial Stability report published by the NBR). The increase in the NPL ratio as compared to 31 December 2022 is mainly linked to the challenging macroeconomic context impacting agriculture during 2023 (whereby high-cost inputs during 2022 and beginning of 2023 were used in the production of outputs that were sold at lower prices during the second half of 2023 – further refer to the *Market Context* section of this Report), further exacerbated by droughts. Moreover, during 2023 we have updated our criteria for the identification of nonperforming loans, including clients with more than 90 days overdue during the three months prior to the reporting date, irrespective of the overdue status at the reporting date (further refer to Note 10 to the Consolidated Financial Statements). We expect the NPL ratio in the medium term to revert to historical averages as clients are no longer facing the macroeconomic imbalances seen during 2023.

+20% increase in profit before tax in 2023 versus 2022, mainly driven by the 23% increase in net interest income, which more than compensated the increase in cost of risk during the same period.

A cost/income ratio of **35.7%** achieved during 2023, versus 39.0% in 2022, mainly driven by contained increase in general and administrative expenses (10.1% higher in 2023 versus 2022) even in a high inflation environment, while the interest income increased by 24.9%.

Financial performance of Agricover Distribution

	2023	2022	2021
Revenue	1,851,096	2,545,369	1,706,205
Cost of sales	(1,797,428)	(2,449,466)	(1,624,487)
Net credit losses on trade receivables	(26,742)	(11,793)	(5,519)
Gross profit	**26,926**	**84,110**	**76,199**
Gross profit margin	**1.5%**	**3.3%**	**4.5%**
Administrative expenses	(33,191)	(33,764)	(25,638)
Other gains / (losses)	2,353	3,898	100
Operating profit/ (loss)	**(3,912)**	**54,244**	**50,661**
Operating profit/ (loss) margin	**(0.2%)**	**2.1%**	**3.0%**
(add back) depreciation and amortisation	10,399	7,978	7,926
EBITDA	**6,487**	**62,222**	**58,587**
Net financial result	**(9,782)**	**(7,909)**	**(10,743)**
Income tax expense	(3,423)	(6,707)	(5,791)
Profit / (Loss) for the year	**(17,117)**	**39,628**	**34,127**

Source: Agribusiness Financial Statements

In the volatile market context (further refer to the *Market context* section of this Report) Agricover Distribution incurred operating losses of 3.91 million RON. As the factors that mainly led to these losses were no longer applicable starting the second half of 2023 and continue to not be applicable at the date of this Report, and as the management took decisive actions to stop the losses incurred during the first half of 2023, we do not expect similar losses during 2024 or in the foreseeable future.

Agricover Distribution further consolidated its customer base, with the number of customers served during the 12 months period ended 31 December 2023 reaching 9,100, higher by 3.94% as compared to 2022. Revenue decreased by 27.3% in 2023 versus 2022 mostly due to the decrease in the prices of commodities (e.g. on average, crop nutrition prices declined by 36% during 2023) but also due to lower quantities of such commodities sold, as our focus during 2023 was on higher margin, non-commodity types of products (mostly crop protection products).

RON'000	2023	2022	2021
Revenue, *out of which*	1,851,096	2,545,369	1,706,205
Crop protection products ("CPP")	556,185	559,238	464,894
Crop nutrition products ("CNP")	489,138	1,081,036	554,235
Fuel	540,130	613,162	473,839
Certified Seeds	248,866	265,486	199,404
Other revenue	16,777	26,447	13,833
Operating profit/ (loss)	(3,912)	54,244	50,661
Operating margin	-0.21%	2.13%	2.97%

Source: Agribusiness Financial Statements

Performance by main revenue categories is as follows:

- ✓ **crop protection products**: in the challenging market environment, our focus was on crop protection products, which is the most profitable business line within the Agribusiness segment. In this context, in 2023 revenue from crop protection products stayed roughly at the same levels as in 2022. Moreover, even after a 12 million RON loss on glyphosate (a crop protection product) inventories carried forward from 2022, the gross margin during 2023 was higher by 200bps versus 2022, reaching an average of 18.8% during 2023.
- ✓ **crop nutrition products**: due to different market context in the first half of 2023 (refer to *Market context* section of the Report) both quantity of crop nutrition sold and lower prices versus the first half of 2022 led to lower revenue in 2023 when compared to the similar 2022. Furthermore, the yearly gross margin was impacted by the 40 million RON losses incurred during the first half of the year and remained negative until the yearend.
- ✓ **fuel**: in terms of quantity, we sold 4.4% more fuel during 2023 as compared to 2022. However, price decreases on average by 15.5% led to 11.9% lower revenues in 2023 versus 2022 from distribution of fuel. Sales margins achieved on fuel distribution during 2023 were slightly higher versus 2022.
- ✓ **certified seeds**: sales of seeds decreased by 6.3% during 2023 as compared to 2022, mainly given our focus on products with higher margins, which allowed us to achieve significant higher margins on certified seeds distribution during 2023 versus the prior year.

The loss from operations recorded in 2023 by Agricover Distribution is mainly due to:

- ✓ **crop nutrition products**: 186 thousand tonnes sold in 2023, of which 19 thousand tonnes related to 2022 inventories. The decrease in crop nutrition prices during the first half of 2023 (further refer to the *Market context* section of the Report) meant that 2022 inventories were generally sold below cost, generating operating losses of around 40 million RON. The higher inventories as at end of December 2022 were due mainly supply chain disruptions and heightened availability risk during the previous year.
- ✓ **crop protection products**: like crop nutrition products, an operating loss of 12 million RON was incurred during the first half 2023 due to the decrease in glyphosate prices, which affected sales of inventories mainly purchased in 2022. Gross margins for most of

the other sales of crop protection products are similar or higher versus corresponding 2022 average gross margins.

Overall, during 2023 the focus of the Agribusiness segment was on sales with higher margin and on tighter risk management practices, both meant to recover from the losses incurred during the first part of the year. This strategy meant that within the Agribusiness segment we achieved a 37.7 million RON EBITDA during the second half of 2023 (vs. a 31.2 million RON negative EBITDA recorded during the first half of the same year). Finally, it should be noted that overall, during the three years period impacted by supply chains disruptions and / or geopolitical instability (i.e. 2021 to 2023), when we operated on average with higher-than-normal inventory levels, the Agribusiness segment achieved a total EBITDA of 127,3 million RON and 56.6 million RON total net profits.

In terms of dividends, Agricover Distribution has a policy of distributing 65% of its net profit. In order to manage its capital structure, it may adjust the dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The dividends distributed in 2023 were 24.0 million RON (2022: 43.9 million RON).

Risk management

The Group's ambition is to support farmers in reaching their full potential and, at the same time, to support the local agricultural sector in refining its important role in the European and global food chain. New macroeconomic forces, in addition to old ones, are now changing the nature of many of the agricultural risks that threaten not only food crops (which have an indirect impact on the Group by reducing the ability of its customers to pay their bills and debts), but also agricultural supply chains in general.

In these circumstances, risk management is essential to the Group's success. Our business model involves taking and managing financial and non-financial risks in a specific manner. We accept the risks inherent in our core business areas. We diversify these risks through our size, the variety of products and services we offer and the channels through which we provide advanced technological solutions and secure the funds needed to run our businesses. We retain those risks that we believe we can manage to generate a return and insure or hedge against the remaining risks. Looking forward, the risks to which we are exposed could be magnified or mitigated by current and emerging external and internal trends that could affect our current and future profitability.

The risk management policies and practices used by the Group did not change significantly during 2023. However, during the year we formalised an enterprise risk management framework, which is currently being implemented at Group level. This further strengthens the internal controls system at the level of the Group and within the main operating segments. The enterprise risk management framework builds upon the extensive risk management experience within the Agrifinance segment. Enhanced controls and tighter limits are being implemented within the Agribusiness segment and at Group level, including tighter commodities trading limits, or formalised approach for identifying all significant risks and assessing their likelihood and impact.

Our risk management framework is based on the three-lines-of-defence model, with the following main roles:

- ✓ **Own and manage risk and control – the first line** consists of risk-taking business functions that are responsible for day-to-day risk management in line with their tasks and duties and established policies and procedures. Our guiding principle is that those responsible for risk-taking, generally the front-line operating managers, are also accountable for managing the associated risks.
- ✓ **Monitor risk and control in support of senior management – the second line** consists of internal control and compliance functions, generally formed and managed by risk, finance and compliance teams operating autonomously and independent of each other and providing oversight over the first line.
- ✓ **Provide independent assurance** to the Board of Directors and senior management concerning the effectiveness of the management of risk, including of the internal control system – **the third line** consists of an independent internal audit function.

We have always placed a particular emphasis on a sound risk culture, anchored in leading risk management principles, which we believe is paramount in effective risk management, enabling us to make sound and informed sale and risk-taking decisions. All employees are expected to act proactively and contribute to a strong risk culture, exhibiting personal integrity and upholding a high level of professionalism about personal behaviour and decision-making. Each employee is required to be acquainted with the relevant policies and governance framework and apply the stated principles in their day-to-day work. However, it is crucial that employees and managers do not only rely on policies but assume direct and personal responsibility for their actions and decisions.

Risk exposures and their impact on the Group's financial position and performance are discussed in Note 10 to the Consolidated Financial Statements attached to this Report. The note discusses the risks arising from financial instruments to which the Group is exposed if there have been significant changes in exposures or in how these risks are managed during the year, including specific information about:

- ✓ credit risk, presenting changes in estimates and additional estimates related to the macroeconomic/inflationary environment;
- ✓ market risk, showing the Group's exposure to commodity price risk, currency risk and interest rate risk, given the volatile macroeconomic environment.

Analysis of financial statements

i. Group consolidated profit or loss (summarised)

The financial information set forth below for the years ended 31 December 2023, 2022, and 2021 has been extracted or derived from, and should be read in conjunction with the Consolidated Financial Statements, unless otherwise stated. The summarised statement presents the profit or loss from continued operations, excluding the revenue, income and expenses of operations discontinued by the Group during the presented periods.

RON'000	**2023**	**2022**	**2021**
Revenue	1,844,761	2,548,600	1,703,321
Cost of sales	(1,797,103)	(2,449,523)	(1,624,487)
Net credit losses on trade receivables	(29,596)	(13,033)	(7,854)
Gross Agribusiness margin	**18,062**	**86,044**	**70,980**
Gross Agribusiness profit margin	**1.0%**	**3.4%**	**4.2%**
Net interest income	206,085	154,143	104,338
Net fee and commission income	10,395	10,644	7,230
Net credit losses on loans and advances to customers	(47,628)	(27,086)	(3,546)
Cost of sales	(42,316)	(30,983)	(20,440)
Net Agrifinance income	**126,536**	**106,718**	**87,582**
Other operating segments gross margin	**67**	**-**	**-**
Gross profit	**144,665**	**192,762**	**158,562**
Operating expenses, net	(88,857)	(88,088)	(60,895)
Operating profit	**55,808**	**104,674**	**97,667**
Net financial result	**5,289**	**3,025**	**2,336**
Income tax expenses	(16,906)	(16,395)	(14,740)
Profit for the period from continuing operation	**44,191**	**91,304**	**85,263**

Source: Consolidated Financial Statements

Revenue

We generate revenue from distribution of agricultural inputs and from rendering related services, such as transportation or storage. Revenue derived from selling of products is recognised when control of goods sold has transferred to the buyer. Revenue is measured at the fair value of the consideration received or receivable, net of commercial discounts, returns and value added taxes.

Business Line	2023 RON'000	%	2022 RON'000	%	2021 RON'000	%
Crop protection products	550,732	30%	562,576	22%	462,010	27%
Crop nutrition products	489,138	27%	1,081,036	42%	554,235	33%
Certified Seeds	248,866	13%	265,486	10%	199,404	12%
Fuel	540,130	29%	613,162	24%	473,839	28%
Revenues from sales of drones	279	0%	-	0%	-	0%
Other revenue	15,905	1%	26,340	1%	13,833	1%
Total	**1,845,050**		**2,548,600**		**1,703,321**	

Source: Consolidated Financial Statements

Revenue of 1,845.1 million RON generated by the Group were 27.6% lower in 2023 compared to 2022. The decrease was mainly due to lower prices of agricultural inputs, as well as to lower quantities sold in the context of high market volatility and low market liquidity. Revenue continued to be 8.3% higher versus 2021.

Gross Agribusiness margin

As a result of the fall in prices Agribuiness' **gross profit margin** was significantly lower in 2023 versus 2022 (further refer to the *Financial performance of Agricover Distribution* section of the Report).

Net interest income

We mainly generate interest income on the financing products such as, working capital credit lines, including corporate credit cards, and investment loans tailored to the needs of the farmers, offered by the Group through its Agrifinance operating segment. Interest expense on debt contracted in Agrifinance is presented as part of the operating results in the Consolidated Financial Statements, due to the nature of the activity of the financing segment of the Group. Other interest income and expense, as gained or incurred by other operating segments of the Group in the course of their normal activity, are included in the statement of profit or loss within "Finance income" and "Finance costs".

Interest income and interest expense are measured and recognised using the effective interest method, as prescribed by IFRS 9 Financial Instruments. Interest income generated on the loans and advances granted by the Group, as included in the Consolidated Financial Statements, is detailed below:

	2023 RON'000	%	2022 RON'000	%	2021 RON'000	%
Credit lines	369,796	93%	284,058	93%	154,347	93%
CAPEX	28,477	7%	21,430	7%	11,488	7%
Other interest income	315	0%	500	0%	36	0%
Interest income – Agrifinance	**398,588**		**305,988**		**165,871**	
Interest expense	192,503		151,845		61,533	
Net interest income - Agrifinance	**206,085**		**154,143**		**104,338**	

Source: Consolidated Financial Statements

The 33.7% increase in **net interest income** was driven mainly by an increase in net interest margin but also by an increase in gross exposure. The latter reached approximately 2.91 billion RON in total nominal value of loans and advances as at 31 December 2023, with an average exposure of 2.65 billion RON during 2023 (2022: 2.48 billion RON average exposure). Net interest income in 2023 is almost double versus 2021.

Net fee and commission income

Refers mostly to net commissions gained by Clubul Fermierilor Români Broker de Asigurare, the insurance broker controlled and consolidated by Agricover Credit.

Net credit losses

Credit losses on financial assets are represented by the movements in expected credit losses calculated for existing and new loans and advances to customers as well as for trade and other receivables, and for commitments and guarantees granted.

	2023 RON'000	2022 RON'000	2021 RON'000
Net credit losses on loans and advances to customers	46,497	26,746	3,325
Net credit losses on commitments and guarantees	1,131	340	221
Net credit losses on trade and other receivables	29,596	13,033	7,854
Total net credit losses	**77,224**	**40,119**	**11,400**

Source: Consolidated Financial Statements

The increase in net credit is mostly driven by the impact of uncertainties in estimating the allowance during periods characterised by difficult macroeconomic and / or weather conditions. For the 2023 harvests, farmers used mainly inputs (i.e. hard commodities) purchased in 2022 and early 2023, at relatively higher prices. Outputs (i.e. soft commodities) were later sold during the second half of 2023, when the prices of agricultural commodities dropped to lower levels (further refer to the *Market context* section of the Report). This imbalance between high-cost inputs and low-priced outputs led to poorer than average financial performance for farms, and overall lower market liquidity. Even in this context, our NPL ratio within the Agrifinance segment was below market averages. Moreover, as the market stabilised during the second half of 2023, and as agriculture proved, once again, its structural resilience, we expect that both NPL ratio and the cost of risk to revert to historical average on medium term. However, the risk factors detailed in the *Factors impacting our results* section of the Report, or other risk factors, individually or combined, may continue to exacerbate price volatility and impact farmers' profitability, which may negatively influence the Group's cost of risk. Further refer to the *Financial performance of Agricover Credit* section of this Report and to Note 10 to the Consolidated Financial Statements for details on the credit quality of the loans and advances to customers portfolio.

Costs structure

Total Group **operating expenses**, less cost of goods sold in Agribusiness, incurred in 2023 decreased by 8.6% versus 2022, this in a context where several initiatives of the Group impacted 2023 without impacting 2022, such as: capital markets related initiatives, SAP implementation in Agricover Credit (additional depreciation and licences), crop360 enhancements and improvements related cost higher in 2023 versus 2022.

Operating expenses are presented below per segment and type:

Operating costs	**2023 '000RON**	**%**	**2022 '000RON**	**%**	**2021 '000RON**	**%**
Agribusiness	1,830,619	95%	2,483,230	97%	1,650,125	97%
Agrifinance	77,663	4%	70,261	3%	46,410	3%
Net loss from derivatives	4,716	0%	9,180	0%	1,137	0%
Agritech	11,410	1%	6,847	0%	1,505	0%
Agricover Holding	8,375	0%	1,804	0%	1,637	0%
Other net (gains) / losses	(4,285)	0%	(2,728)	0%	5,008	0%
Total operating costs, *of which:*	**1,928,498**		**2,568,594**		**1,705,822**	
Cost of sales	*1,839,641*	*96%*	*2,480,506*	*97%*	*1,644,927*	*96%*
Administrative expenses	*77,909*	*4%*	*77,982*	*3%*	*55,561*	*3%*
Sponsorships	*2,779*	*0%*	*3,315*	*0%*	*2,630*	*0%*

Source: Consolidated Financial Statements

Mindful of its social responsibilities, it is the Group's policy to offer financial support for educational programs developed by Clubul Fermierilor Români (non-profit association of Romanian farmers). Such programs are tailored to the needs of young farmers and support the generational change within family-owned farms. Related donations and sponsorships made by the Group in 2023 amount to 2.3 million RON (2022: 2.9 million RON).

Within Agribusiness, the main types of costs are presented below:

Operating costs	2023 '000RON	%	2022 '000RON	%	2021 '000RON	%
Employees costs	51,672	51%	55,888	42%	45,391	52%
Transportation expenses	14,803	15%	24,026	18%	13,300	15%
Storage and related services	9,120	9%	16,640	13%	7,111	8%
Amortisation and depreciation	10,399	10%	7,978	6%	7,926	9%
Inventories losses/ income	(3,046)	-3%	8,066	6%	368	0%
Other costs	17,790	18%	19,361	15%	13,491	15%
Costs other than COGS	**100,738**		**131,959**		**87,587**	
Cost of goods sold	1,729,881	94%	2,351,271	95%	1,562,538	95%
Agribusiness operating costs	**1,830,619**		**2,483,230**		**1,650,125**	

Source: Agribusiness Financial Statements

Costs of goods sold decreased due mainly to decreasing prices of agricultural inputs (refer to the *Revenue* paragraph above in this section). Decreases of other types of costs in 2023 versus 2022 are a result of our focus on increased efficiency and cost cutting, especially during a challenging financial year. Decrease of storage and transportation costs is also linked to lower quantities of crop nutrition products sold, and to lower average inventories during 2023 versus 2022.

Within Agrifinance, the main types of costs are presented below:

Operating costs	2023 '000RON	%	2022 '000RON	%	2021 '000RON	%
Employees costs	45,840	59%	45,451	65%	33,912	73%
Taxes except income tax	5,494	7%	5,011	7%	2,996	6%
Amortisation and depreciation	7,858	10%	2,947	4%	2,469	5%
Other costs	18,471	24%	16,852	24%	7,033	15%
Agrifinance operating costs	**77,663**		**70,261**		**46,410**	

Source: Agrifinance Financial Statements and Consolidated Financial Statements

Higher amortisation is mostly linked to SAP implementation, which is operational starting the first quarter of 2023.

Operating profit

The Group's **operating profit** was impacted by the operating result of the Agribusiness segment and decreased by 46.7% in 2023 compared to 2022.

ii. Group consolidated statement of financial position (summarised)

RON'000	31 December 2023	31 December 2022	31 December 2021
Assets			
Non-current assets	**1,936,514**	**718,796**	**630,327**
Loans and advances to customers	1,866,333	647,266	571,465
Intangibles, PP&E, RoUA	61,701	58,538	36,039
Trade receivables	953	1,568	9,042
Other non-current assets	7,527	11,424	13,781
Current assets	**1,853,518**	**2,943,485**	**2,176,319**
Loans and advances to customers	785,313	2,083,502	1,234,506
Trade and other receivables	489,270	547,291	579,156
Inventories	65,023	167,070	118,033
Other current assets	36,383	26,021	143,027
Cash and cash equivalent	477,529	119,601	101,597
Total assets	**3,790,032**	**3,662,281**	**2,806,646**
Equity and liabilities			
Total equity	**675,748**	**637,527**	**574,516**
Non-current liabilities	**1,325,584**	**1,140,453**	**691,328**
Borowings and Leases	1,325,500	1,139,373	691,328
Trade and other payables	84	1,080	-
Current liabilities	**1,788,700**	**1,884,301**	**1,540,802**
Borowings and Leases	1,458,171	1,453,286	999,041
Trade and other payables	308,344	401,274	424,670
Other liabilities and provisions	22,185	29,741	117,091
Total equity and liabilities	**3,790,032**	**3,662,281**	**2,806,646**

Source: Consolidated Financial Statements

The increase in **total assets** by 127.8 million RON as at 31 December 2023 compared to 31 December 2022 was mainly due to higher **cash and cash equivalents**.

Loans and advances to customers

Consolidated portfolio of loans and advances includes working capital credit lines, including credit cards, and investment facilities, as follows:

Product type	31 December 2023 '000RON	%	31 December 2022 '000RON	%	31 December 2021 '000RON	%
Credit lines	2,570,367	93%	2,606,569	93%	1,711,590	92%
CAPEX	188,220	7%	201,990	7%	150,212	8%
Gross carrying amount	**2,758,587**		**2,808,559**		**1,861,802**	
Expected credit losses	106,941	3.88%	77,791	2.77%	55,831	3.00%
Loans and advances to customers, *of which:*	**2,651,646**		**2,730,768**		**1,805,971**	
current portion	785,313	30%	2,083,502	76%	1,234,506	68%
non-current portion	1,866,333	70%	647,266	24%	571,465	32%

Source: Consolidated Financial Statements

Gross carrying amount of **loans and advances to customers** decreased by 1.8% at 31 December 2023 versus 31 December 2022, mainly due to lower average ticket per customer (7.3% decrease during the same period) in a context where we decided to limit our exposure to large customers as a risk management tool to address the macroeconomic challenges and the low liquidity in the agricultural sector. Lower average ticket per customer is also linked to the lower cost of agricultural inputs, farmers needing less working capital to finance similar production levels.

	31 December 2023	31 December 2022	31 December 2021
Loans and advances to customers (RON'000)	2,758,587	2,808,559	1,861,802
Number of customers	4,413	4,166	3,799
Average exposure per customer (RON'000)	**625**	**674**	**490**

Source: Consolidated Financial Statements, internal data, unaudited

Versus the value reported separately by the Agrifinance segment (refer to *Financial performance of Agricover Credit* section of the Report), at Group consolidated level the gross nominal value of loans and advances to customer is lower by the value of intra-group factoring, whereby Agricover Credit purchased trade receivable from Agricover Distribution. Even so, trade and other receivables decreased by 10.7% at 31 December 2023 versus 31 December 2022 and by 16.7% versus 31 December 2021 as we focused on collection in a higher risk market environment.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method. Cost includes all expenditure which has been incurred in the normal course of business in bringing the products to their present location and condition.

	31 December 2023		31 December 2022		31 December 2021	
Product category	**'000RON**	**%**	**'000RON**	**%**	**'000RON**	**%**
Crop protection products	59,074	91%	80,671	48%	68,392	58%
Crop nutrition products	2,544	4%	83,489	50%	46,799	40%
Certified seeds	2,188	3%	1,738	1%	2,425	2%
Drones	339	1%	-	0%	-	0%
Others	878	1%	1,172	1%	417	0%
Total	**65,023**		**167,070**		**118,033**	
Crop nutrition products (to)	1,192		19,879		17,108	

Source: Consolidated Financial Statements

The 61.1% decrease in total **inventories** is due mainly to the decrease of crop nutrition products inventories but also to lower crop protection products inventories. The higher level of crop nutrition stocks as of 31 December 2022, amounting to 83.5 million RON, was driven by disruptions and shortages in these markets during calendar year 2022. In this context, the Group decided to provide the necessary stocks to meet local demand in the 2022 autumn marketing year. As during 2023 the market adapted to the supply chains disruptions and to the geopolitical climate, and market shortages were no longer seen, high inventories of crop nutrition products were no longer required. As at 31 December 2023 crop nutrition inventories dropped to 2.5 million RON.

Crop protection products inventories decreased by 26.8% to reach 59.1 million RON at December 2023 as compared to 80.7 million RON as at 31 December 2022.

Borrowings

Contracted loans from financial institutions and capital markets are the main source of funding for loans and advances granted to Agrifinance clients. In addition, loans are used to finance some trade receivables and inventories, mainly when cheaper versus supplier financing.

	31 December 2023		31 December 2022		31 December 2021	
	'000RON	**%**	**'000RON**	**%**	**'000RON**	**%**
Borrowings from local banks	1,553,625	56%	1,714,900	67%	953,661	57%
Borrowings from international financial institutions	1,005,692	36%	654,045	25%	520,173	31%
Issued bonds	204,753	7%	203,400	8%	203,036	12%
Total borrowings	**2,764,070**		**2,572,345**		**1,676,870**	

Source: Consolidated Financial Statements

Trade and other payables

Mostly referring to payables to our suppliers of agricultural inputs, trade and other payables decrease is closely linked with that of the trade and other receivables as our objective within Agribusiness is to match the commercial terms received from our suppliers with the commercial terms extended to our customers. The decrease was mainly driven by lower agricultural commodity prices during 2023 versus 2022.

iii. Group consolidated cash flow statement (summarised)

RON'000	31 December 2023	31 December 2022	31 December 2021
Sources of funds:			
Cash generated from financing activities	168,323	889,479	223,279
Cash generated from operating activities	198,544	-	-
Total cash generated	**366,867**	**889,479**	**223,279**
Used in:			
Cash used in operating activities	-	(859,450)	(198,775)
Cash used in investing activities	(8,622)	(12,446)	(16,393)
Total cash used	**(8,622)**	**(871,896)**	**(215,168)**
Effect of exchange rates on cash and cash equivalents	(317)	(103)	(195)
Net increase in cash and cash equivalents	**357,928**	**17,480**	**7,916**
Cash out from Abatorul Peris	-	(388)	-
Cash and cash equivalents at the beginning of the period	119,601	102,509	94,593
Cash and cash equivalents at the end of the period	**477,529**	**119,601**	**102,509**

Source: Consolidated Financial Statements

Significant sources of funds are local banks and international financial institutions or investment funds. Under the terms of the major loan facilities, the Group and its subsidiaries are required to comply with financial covenants such as capital adequacy ratio, non-performing loan ratio, group economic exposure/large exposure ratio, related party exposure ratio or currency risk ratio, etc. (further refer to section *Significant events in the period* of this Report, for details regarding compliance with financial covenants).

Total net cash inflows from the Group's financing activity amounted to 168.3 million RON in the reporting year (2022: 889.5 million RON). The funds attracted were used to finance the operating activities carried out by the Group's two main segments, including to finance the Agrifinance liquidity requirements imposed by the National Bank of Romania. Both main operating segments of the Group, Agrifinance and Agribusiness, generated positive cash flows from their respective operations. In Agrifinance operating cash inflows are linked to higher net interest cash flows but also to the controlled increase of the loans and advances to customers portfolio. In Agribusiness operating cash inflows were driven by lower working capital, with both lower inventories and lower trade receivables.

Net cash used in investment activities amounted to 8.6 million RON (2022: 12.5 million RON) and are mainly related to the Group's investments in improving internal processes and digitalisation projects (including SAP and an upgraded loan origination system implemented within Agrifinance).

In recent years, the Company's practice has been not to distribute dividends, except in special cases related mainly to the Group's restructuring activities. As the Group becomes increasingly active in the capital markets and considering its focus on optimising its capital structure, the Company's board of directors adopted and submitted for the approval of the shareholders a modified dividend policy. The proposed policy introduces a periodic distribution of dividends to shareholders, provided that, among others, no financial covenants are breached following such distributions, and that the Group's development strategy, including its operating and investing cash flows, are considered.

The Group had access to the following undrawn borrowing facilities and unencumbered assets eligible as collateral, at the end of each year:

RON'000	31 December 2023	31 December 2022	31 December 2021
Undrawn Committed facilities	**171,033**	**92,244**	**211,729**
expiring within one year	171,033	92,244	211,729
Undrawn Uncommitted facilities	**655,961**	**411,096**	**473,121**
expiring within one year	413,041	289,710	473,121
expiring beyond one year	242,920	121,386	-
Total available undrawn facilities, *of which:*	**826,993**	**503,340**	**684,850**
expiring within one year	584,073	381,954	684,850
expiring beyond one year	242,920	121,386	-
Unencumbered eligible assets	**1,460,075**	**1,375,686**	**1,277,177**

Source: Consolidated Financial Statements

iv. Group statement of investment cash outflows

RON'000	31 December 2023	31 December 2022	31 December 2021
Total Group investing cash outflows:	**14,572**	**20,249**	**15,162**
Agribusiness investing outflows	2,429	8,318	3,487
Agrifinance investing outflows	11,727	9,544	4,729
Agritech investing outflows	416	2,387	6,946

Source: Consolidated Financial Statements, Agrifinance Financial Statements, Agribusiness Financial Statements, internal data

Cash paid for capital investments, amounting to 14.6 million RON during 2023, were lower by 28.0% as compared to 2022. The decrease is mainly explained by the higher investing outflows within Agribusiness, mostly related to the relocation of the headquarters.

The main capital investments within Agricover Credit are represented by license acquisitions following the implementation of SAP 4Hana and Loan Origination Systems. These systems are operational from the first half of 2023.

The group launched its Crop360 platform in November 2021, with the aim of providing farmers with real-time access to the services and data needed for day-to-day farm operations. General enhancements to existing modules are not capitalised being recognised directly in the income statement. The costs of the new functionalities of crop360, as well as other digitalisation developments, have been capitalised. Costs capitalised during 2023 amounted to 2.7 million RON (2022: 3.1 million RON). An updated improved version of the crop360 platform was launched in November 2023. Moreover, we are currently developing an online tool through which farmers will interact with Agricover Credit to obtain financing. The new module will be integrated with crop360 to be fully operational as part of ”myAgricover” platform (which later in 2024 will add further online banking, online sales, and account management modules).

v. Agricover Holding investments

In its separate financial statements, the Company measures its investments in subsidiaries and associates at cost less impairment.

All Company's investments in subsidiaries, detailed in the below table, are incorporated, and operate in Romania.

	% participation as at			thousand RON as at		
Entity name	**31-Dec-23**	**31-Dec-22**	**31-Dec-21**	**31-Dec-23**	**31-Dec-22**	**31-Dec-21**
Agricover Credit IFN	99.99%	99.99%	99.99%	150,386	151,820	130,544
Agricover Distribution SA	86.62%	86.62%	86.62%	181,566	183,362	182,241
Agricover Technology SRL	100%	100%	100%	22,545	19,045	13,045
Abatorul Peris SA	-	-	96.84%	-	-	-
Agroadvice SRL	50%	50%	50%	0	0	0
Investments in subsidiaries				**354,497**	**354,227**	**325,830**

Source: Separate Financial Statements

As at 31 December 2021 the value of the investment in Abatorul Periș SA, amounting to 27.3 million RON, was presented in Assets classified as held for sale.

Changes in the value of the investments in subsidiaries are due to:

- ✓ 20 million RON share capital increases in Agricover Credit IFN SA in October 2022;
- ✓ Share capital increases in Agricover Technology SRL as follows: i) in October 2023 by 3.5 million RON; and ii) August 2022 by 6 million RON;
- ✓ Starting 2022, Abatorul Peris SA is no longer a subsidiary of the Company, 4th of February 2022 being the date when the control was lost. For the year 2021, Abatorul Peris SA was classified and presented as held for distribution;
- ✓ Remaining changes in the value of the investments are related to a Share Option Plan implemented at Group level in 2022 (for more details please refer to Note of the Consolidated Financial Statements).

Corporative Governance Structures

The corporate governance structures and the composition of boards and committees discussed hereinafter refer to their standing as at 31 December 2023, unless otherwise stated. Subsequent modifications were operated and / or are submitted for the approval of the shareholders during 2024. All such modifications and / or proposals thereof are available on the Company's website (https://relatii-investitori.agricover.ro/en), mainly as part of convening notices for shareholders meeting to be held, minutes of the shareholders held, or as part of other current reports.

The Company conducts its business in accordance with the articles of association and inter alia with the Romanian Companies Law no. 31/1990 (the "Companies Law"). Latest modifications to the articles of association were approved on 29 June 2023, based on the Company's Board of Directors Decision no. AH28 from 29 June 2023. The articles of association as in force at 31 December 2023 is attached to this Report (see Appendix A: Agricover Holding's Articles of Association).

The Company is managed in a one-tier system by managers running the daily operations under the supervision and control of the Board of Directors, in accordance with the relevant corporate laws, its Articles of Association and its internal norms and regulations.

i. Board of Directors

The Board of Directors comprises 5 members, elected by the ordinary general shareholders meeting of the Company, based on the proposals made by current members in office and/or by shareholders and are appointed for a tenure of 4 years. Members of the Board of Directors can be re-elected.

The Company is governed by a Board of Directors composed of five members, of whom one is the non-executive Chairman and four are non-executive directors.

Duties and organisational structure of the Board of Directors

Directors are jointly and severally liable for a number of duties concerning the management of the Company, including that: (a) payments made by shareholders into the share capital and the dividends paid by the Company, if any, are real; (b) the Company has in place all corporate registries required by law and the same are kept in good order; (c) the shareholders' resolutions are implemented precisely; and (d) the legal and statutory duties are discharged thoroughly. The Board of Directors has specific duties that cannot be delegated to the managers, such as: (a) determining the strategy of the Company, (b) establishing the accounting policies and the financial control system and approving the financial planning; (c) appointing and revoking the Chief Executive Officer and, if the case, other managers of the Company, determining their powers and responsibilities, supervising their activity and deciding on their remuneration within the limits approved by the GSM; (d) preparing the annual report, organizing the GSM and implementing the resolutions of the GSM; (e) filing for the opening of insolvency proceedings against the Company; (f) carrying out the powers delegated by the GSM, in accordance with the provisions from articles of association; (g) approving the Rules of Organization and Functioning of the Board of Directors and of each advisory committee it establishes; (h) appointing the members of the advisory committees, including the Chairman, unless the appointment of a member must be made in accordance with applicable law or made by the GSM; (i) approving corporate procedures and internal policies of the Company which are not within the powers of the GSM; and (j) approving the increase of the share capital, within the limits provided for in the articles of association.

The Board of Directors shall have regular meetings at least once every 3 months, called by the Chairman who sets the agenda of the meeting. Extraordinary meetings may be called at the request of at least 2 members, in which case the agenda is set by the calling members. Decisions are passed with the majority of votes cast by attending members and only in respect of proposals included in the announced agenda of the meeting. Under extraordinary circumstances, decisions can be adopted on proposals not included in the agenda with the same majority. The Board of Directors may hold meetings via telephone, video conference, correspondence or any other electronic means and the content of the minutes of any such meeting must be confirmed in writing by all members of the Board of Directors who attended the meeting.

Composition of the Board of Directors

The Company's Board of Directors comprised the following members at 31 December 2023:

	Start of tenure	**Re-elected**	**Expiry of tenure**	**Position**
Jabbar Kanani	17.11.2017	17.11.2021	17.11.2025	Chairman
Veldtster Inc, represented by Ștefan Bucătaru	17.11.2017	17.11.2021	17.11.2025	Member
Unik Advisors S.R.L., represented by Vargha Moayed	29.04.2021	23.08.2022	23.08.2024	Member
Gürhan Çam	18.12.2020	23.08.2022	18.09.2024	Member
Platinum Advisory Services S.R.L., represented by Madeline - Dalila Alexander	26.05.2022	20.06.2022	20.05.2024	Member

The business address of the members of the Board of Directors is at the Company's registered seat: 1B Pipera bd., Cubic Center Office Building, floor 8, Voluntari, Ilfov county, Romania.

Jabbar Kanani

Mr. Kanani is the founder of the Company and the Chairman of the Board of Directors, with over 30 years of entrepreneurial experience in agriculture, fast-moving consumer goods (FMGC) and food industries and is a Romanian and Iranian national. Mr. Kanani is a graduate of the Medicine and Pharmacy University Carol Davila in Bucharest. Mr. Kanani is also the majority shareholder of the Company.

Ștefan Bucătaru (permanent representative of Veldtster Inc.)

Mr. Bucătaru joined the Group in 2014 and has over 30 years of experience in turnaround management, mergers and acquisitions, and corporate finance. Prior to serving on the Board of Directors, Mr. Bucătaru held executive and non-executive director positions in numerous companies in the CEE, including Transelectrica S.A. (listed), Teraplast S.A. (listed), United Milk Company, Lasselsberger GmbH, Sicomed S.A., Sanex S.A., and senior executive positions in several other companies. Mr. Bucătaru holds the ICD.D designation from the Canadian Institute of Corporate Directors. Mr. Bucătaru graduated from the Polytechnic University of Bucharest and holds an MBA from Durham University Business School in the UK.

Vargha Moayed (permanent representative of Unik Advisors S.R.L.)

Mr. Moayed joined the Group in 2019 as an independent member of the Board of Directors, bringing a long-standing record of success (over 30 years) in strategic development and organisational effectiveness. Outside the Group, Mr. Moayed serves as the Chairman of the board of UiPath Foundation and previously held executive and non-executive positions in companies such as UiPath, Ernst & Young, McKinsey & Company, First Data Corporation and Venture Park. 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 (USA).

Gürhan Çam

Gürhan Çam became an independent member of the Board of Directors in 2020. Mr. Çam was selected as a member mainly due to his comprehensive background in development and implementation of digital transformation strategies in the finance industry. Currently, he is the CEO of DenizBank’s new generation subsidiary NEOHUB. As regards simultaneous offices held, Mr. Çam continues to serve as an executive board member of FastPay (an e-money subsidiary of DenizBank), Deniz Ventures and Deniz Portföy (Asset Management Subsidiary of DenizBank). Prior to founding NEOHUB, Gürhan Çam held the positions of Senior Vice President and Deputy Chief Digital Officer in DenizBank.

Gürhan Çam is also a board member of MMA Türkiye, a member of Digital Transformation Community of Qorus (formerly known as EFMA) and an editor at the Journal of Digital Banking – Henry Stewart Publications UK. Mr. Çam earned an MBA from Bahçeşehir University, and a Bachelor of Science degree in Management Engineering from İstanbul Technical University.

Madeline Alexander (permanent representative of Platinum Advisory Services S.R.L.)

Mrs. Alexander is a member of the Board of Directors and the chair of the Audit Committee. Mrs Alexander possesses over 30 years of experience in audit, risk management and financial advisory, of which 22 years at partner level with Big4 Accounting Firms. She has extensive expertise in US GAAP, IFRS and Romanian GAAP, as well as internal controls compliance and SOX Implementations and PCAOB audits in Romania and USA, being Romanian and US citizen. Mrs. Alexander is member in the Romanian Chamber of Financial Auditors, the Romanian

Authority for Public Oversight of the Statutory Audit Activity, the Romanian Chamber of Certified Chartered Accountants and as well as a Certified Public Accountant in the United States, member of the American Institute of Certified Public Accountants. Mrs. Alexander holds a bachelor's degree in accounting from Florida International University, Miami, Florida in the USA.

Severance compensation

In line with the Company's Remuneration Policy and based on the contracts entered into between the Company and each of the members of Agricover Holding's Board of Directors, if the mandate of any such director is terminated early and without cause, the respective director is entitled to a severance compensation of one fixed monthly allowance and one supplementary monthly allowance, for each year of the board mandate agreement not fully completed at the date of such termination.

ii. Audit and Risk Committee

The Audit and Risk Committee is tasked with ensuring the integrity of financial reporting and of the internal control system, including the internal and external audit process as well as risk management. All members of the committee must be non-executive directors. At least one member must have proven, adequate auditing or accounting experience and the chair must be independent. The composition of the Audit and Risk Committee at 31 December 2023 was:

- Madeline Alexander, permanent representative of Platinum Advisory Services S.R.L., as chair (independent non-executive member of the Board of Directors, with audit and accounting experience);
- Gürhan Çam, as member (independent non-executive member of the Board of Directors);
- Ștefan Bucătaru, permanent representative of Veldtster Inc., as member (non-executive member of the Board of Directors).

The main tasks of the Audit and Risk Committee grouped by areas of competence covered include:

Financial reporting: examining and reviewing compliance of annual and interim consolidated financial statements of the Company and any other financial disclosures before being submitted to the Board of Directors for approval. The Audit and Risk Committee checks, in particular, compliance with applicable accounting standards, legal and regulatory requirements; review of disclosure in the financial statements of any significant or unusual transactions, if any; consistent application of, and any changes to, the accounting policy.

External audit: assessing and monitoring the external auditor's effectiveness, independence and objectivity; making recommendations to the Board of Directors on the (re-)appointment and removal of external auditors; overseeing the relationship with the external auditors.

Internal audit and internal controls: approving the internal audit charter and the annual internal audit plan; monitoring and reviewing the work of the internal audit function, ensuring that it is effective adequate, independent of management and performs its tasks with impartiality, proficiency and due professional care; making recommendations to the Board of Directors on the appointment or dismissal of the internal audit manager / internal auditor; reviewing the reports of the internal auditor on the latest finding and recommendations and the status of their implementation; monitoring staff changes within the internal audit function; monitoring the adequacy and effectiveness of the internal control systems of the Group.

Compliance, conduct and conflicts of interest: ensuring the policies and practices of the Company are compliant with local and internationals laws and regulations, the regulators' recommendations and best practices; monitoring implementation of the Code of Business Conduct and Ethics.

Risk management: reviewing the CFO's regular reports on the Company's risk profile and the status and effectiveness of the risk mitigation system; reporting to the Board of Directors on the major risks assumed by the Company, monitoring the said risks and ensuring that they are managed effectively; adopting a systematic approach to overseeing all major key risk categories.

The Audit and Risk Committee is set to meet on a regular basis, at least four times a year and as many times as necessary on an extraordinary basis. Notice for the meetings including the agenda is sent to all participants no later than five working days before the meeting. The internal auditor attends all meetings of the committee unless otherwise decided by the chairperson. All decisions are taken by unanimity.

Length of tenure

The length of tenure of the members of the Audit and Risk Committee, as at 31 December 2023, is set out below:

- Madeline Alexander, 3 year and 6 months
- Stefan Bucataru, 6 years and 1 month
- Gurhan Cam, 10 months

During 2023, the composition of the committee was modified, Mr. Liviu Dobre being replaced by Mr. Gurhan Cam as committee member. Mr. Cam was appointed by the BoD resolution no. AH8 dated 28 February 2023.

Meeting of the Audit and Risk Committee

The Audit and Risk Committee met six times in 2023 as follows: February 15, March 17, April 24, July 10, August 23, and November 29.

All Committee members attended, and minutes of each meeting were prepared. The topics discussed followed the objectives of the Audit and Risk Committee.

Modifications subsequent to the year end

As the Group's risk management framework continues to be enhanced, during 2023 the Audit and Risk Committee oversaw the review of the Risk Management Framework at Group level. The new risk management framework has been approved by the Board and implemented in January 2024. At that date, the risk management responsibilities of the Audit and Risk Committee were transferred to a newly created Risk Committee. The updated Terms of Reference of the Audit Committee (former Audit and Risk Committee) and the Terms of Reference of the Risk Committee (newly created) were also approved by the Board.

iii. Risk Committee

Starting January 2024, when it was formed, the Risk Committee is responsible for advising the Board of Directors on the overall risk strategy, including the Group's risk tolerance and appetite, and for overseeing the management's implementation of an effective risk management framework reasonably designed to identify, assess, and manage the group's significant risks, including strategic, credit, market, and operational risks. The Risk Committee's responsibilities include approval of applicable risk policies and review of certain associated frameworks, analysis and reporting established by management. It oversees the risk appetite framework implementation and monitors the Group risk profile versus the risk appetite stated, and it controls the independence, adequacy, and effectiveness of the risk management function. The composition of the Risk Committee is:

- Ștefan Bucătaru, permanent representative of Veldtster Inc., as chair (non-executive member of the Board of Directors);
- Jabbar Kanani, as member (non-executive member of the Board of Directors);
- Madeline Alexander, permanent representative of Platinum Advisory Services S.R.L., as member (independent non-executive member of the Board of Directors, with audit and accounting experience).

The main tasks of the Risk Committee revolve around **risk management**, including: reviewing the CFO's regular reports on the Group's risk profile and the status and effectiveness of the risk mitigation system; reporting to the Board of Directors on the major risks assumed by the Group, monitoring the said risks and ensuring that they are managed effectively; adopting a systematic approach to overseeing all major key risk categories.

The Risk Committee met once during 2024, on February 19.

iv. Nomination and Remuneration Committee

The Nomination and Remuneration Committee assists the Board of Directors in fulfilling its duties concerning maintenance of an adequate structure of the Board of Directors and of the management team, also in terms of size and competence balance to achieve the Group's strategic objectives and uphold its values as well as in terms of implementing efficient remuneration policies and human resources management systems. The composition of the Nomination and Remuneration Committee at 31 December 2023 was:

- Ștefan Bucătaru, permanent representative of Veldtster Inc, as chair;
- Jabbar Kanani, as member;
- Vargha Moayed, permanent representative of Unik Advisors S.R.L., as member.

The main tasks of the Nomination and Remuneration Committee grouped by areas of competence covered include:

Nomination: reviewing the structure, size and composition of the Board of Directors and making recommendations to the Board of Directors on any changes; ensuring the framework and monitoring succession to Board of Directors' and senior management's positions and overseeing the development of a diverse pipeline for succession; reviewing the executive and non-executive leadership needs of the Group.

Remuneration: determining together with the Board of Directors the general remuneration and benefits policies of the Group, including for the CEO, the executive directors, the Company's secretary and such other members of the executive management; reviewing at least annually the corporate goals and objectives relevant to the compensation of the CEO, evaluating the CEO's performance in light of these goals and objectives and setting the CEO's compensation level based on this evaluation; reviewing, in consultation with the CEO, at least annually and approving the compensation for other executive managers, including the annual base salary, the performance based compensation and other special or additional benefits, if applicable.

The Remuneration and Nomination Committee is set to meet at least four times a year or as otherwise required. The CEO may be invited to attend the committee meetings to discuss the performance of executive managers and make proposals as necessary.

v. Management

The board of directors has the power to delegate the management of the Company to one or several managers, appointing one of them as chief executive officer. Managers carry out the day-to-day business of the Company and are its representatives, binding the Company in its relations with third parties, including public authorities, bodies and courts, in accordance with the Articles of Association and applicable law.

Current managers

The Company's executive officers vested with representation and management powers delegated by the Board of Directors are:

	Start of tenure	**Expiry of tenure**	**Position**
Liviu Dobre	15.02.2019	15.02.2027	Chief Executive Office
Stelian Vezentan	01.03.2023	01.03.2027	Chief Financial Officer

The business address of the CEO and the CFO is at the Company's registered seat: 1B Pipera bd., Cubic Center Office Building, floor 8, Voluntari, Ilfov county, Romania.

Liviu Dobre

Liviu Dobre has a comprehensive background in the non-banking financial sector, with over 20 years' experience in senior executive roles. Prior to joining the Group, he launched Renault Group's financial services arm in Romania, where he subsequently held various senior management positions. Liviu Dobre joined the Group in 2007 and held several positions, including CEO of Agricover Credit, before being appointed as the Company's CEO. Mr. Dobre is a graduate of the Academy of Economic Studies, Bucharest.

Stelian Vezentan

Stelian Vezentan has over 17 years of experience in finance and risk management, having held advisory and audit roles across the CEE region. Prior to joining the Group in 2021, Stelian was a member of the PwC and EY regional teams of experts in financial instruments for nine years and was an executive director (associate partner) with EY Romania, leading the local financial advisory services team. He is a CFA charter-holder.

Other senior managers

Other senior managers whose expertise and experience significantly contribute to the Group's business include the general managers of the Subsidiaries, as listed below. Mr. Liviu Dobre is also the general manager of Agricover Technology:

	Start of tenure	Expiry of tenure	Position
Bogdan Dimcea	01.03.2023	01.03.2027	Chief Executive Office Agricover Distribution
Serhan Hacisüleyman	01.07.2022	01.07.2026	Chief Executive Office Agricover Credit

Bogdan Dimcea

Bogdan Dimcea has over 23 years of commercial and operational experience gained in companies such as Coca-Cola HBC, Red Bull Romania, CHS, Aectra Agrochemicals and Agricover Distribution. Before being appointed chief executive officer of Agricover Distribution, he held the position of development manager in Agricover Technology. Mr. Dimcea is a graduate of the University of Craiova, Faculty of Economics Science and Business Administration– Finance-Banks section and holds a master's degree in Analysis, Diagnosis, Business Evaluation, and Assessment Financial from Faculty of Economics Science and Business Administration, University of Craiova.

Serhan Hacisüleyman

Serhan Hacisüleyman brings 24 years of banking experience in multiple business areas (retail, SME, agriculture and commercial). The latest positions include the Senior Vice Chairman position for Agricultural Banking in DenizBank (ENBD) and the Executive Vice Chairman position in Deniz Leasing. Mr. Hacisüleyman has an MBA from Sabanci University and also graduated from Leadership & Entrepreneurship Program at MIT.

vi. Conflicts of interest

There are no conflicts of interest between the duties of each of the members of the Board of Directors, the managers and the senior officers of the Company and their private interests and/or their other duties, other than those which may arise from the following relationships:

- Mr. Kanani is the founder and the majority shareholder of the Company as well as the Chairman of the Board of Directors. Therefore, there may be cases where the interests of Mr. Kanani as the shareholder and those as the Chairman of the Board of Directors may diverge. In these circumstances, the Companies Law requires the relevant persons to abstain from debates / voting on matters in respect of which they have conflicting interest. The law clearly provides that a shareholder voting in breach of the conflict-of-interest rule may be held liable to pay damages caused to the company arising from such breach if, absent his/her vote, the necessary majority would have not been achieved.
- Mr. Jabbar Kanani, Mr. Ștefan Bucătaru, Mr. Liviu Dobre, Mr. Bogdan Dimcea, Mrs. Madeline - Dalila Alexander, Mr. Stelian Vezentan, Mr. Gürhan Çam and Mr. Serhan Hacisüleyman in relation to the positions held by each of such person in the Subsidiaries of the Company or in entities affiliated to the Company and with the activities carried out within the Company or the Subsidiaries of the Company. In case of conflict of interest, each of the aforementioned persons undertook to act in compliance with the applicable legal provisions, by abstaining from deliberations, voting and taking part in the decision-making process in relation to the conflict matter and by disclosing such conflict of interest accordingly.

To the best of the Company's knowledge, there is no arrangement or understanding with the major shareholders, customers, suppliers or others pursuant to which any members of the administrative, management or supervisory bodies or a manager of the Company was selected in their respective position, except for Mrs Madeline Alexander (permanent representative of Platinum Advisory Services S.R.L.) who was appointed under the provisions of the shareholders agreement concluded by the Company with the European Bank for Reconstruction and Development.

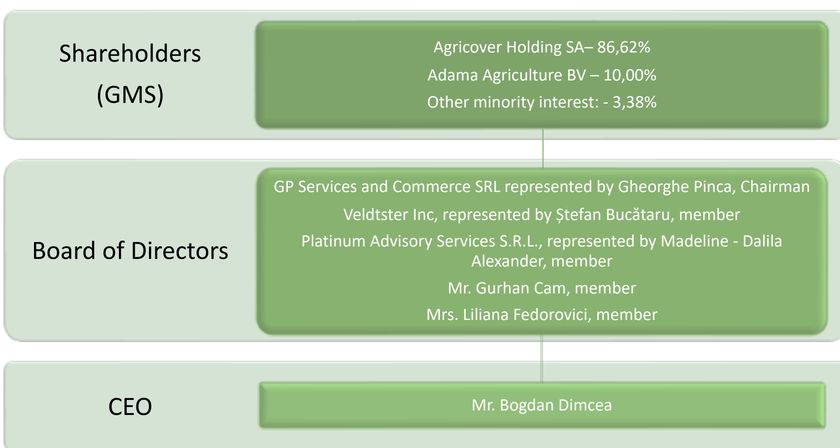
vii. Subsidiaries' Corporate Governance

Agricover Distribution SA

The distribution of agricultural technologies is carried out through Agricover Distribution SA, a joint-stock entity incorporated and operating under the laws of Romania.

Agricover Distribution SA is represented by its General Manager, who conducts his activity under the oversight of the Board of Directors of Agricover Distribution SA and distributes a wide portfolio of agricultural inputs: certified seeds, crop protection and nutrition products, fuel, as well as related support and logistics services. As at the date of this Report, the Group is reorganising its agricultural inputs distribution line of business, discontinuing commodity-type products (mostly crop nutrition products and fuel), with lower margins and significant price volatility, in Agricover Distribution.

The Board of Directors comprised of 5 members (one is the non-executive Chairman, former CEO of Agricover Distribution and four other non-executive directors), elected by the ordinary general shareholders meeting of Agricover Distribution, based on the nominations proposed by current members in office and/or by shareholders and are appointed for a tenure of not more than 4 years. Members of the Board of Directors can be re-elected.



The business address of the members of the Board of Directors is at Agricover Distribution's registered seat: 1B Pipera bd., Cubic Center Office Building, floor 8, Voluntari, Ilfov county, Romania.

Agricover Credit IFN SA

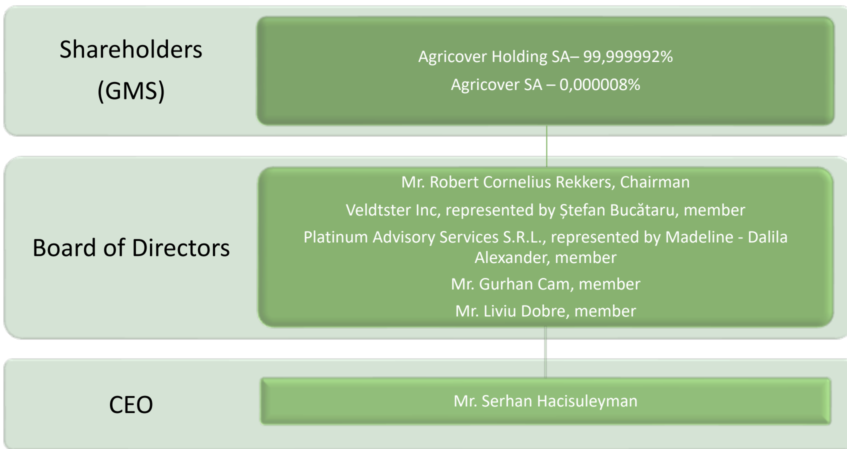
Farmer financing is carried out through Agricover Credit IFN SA, a non-bank financial institution whose operations are regulated by and conducted under the oversight of the National Bank of Romania.

Agricover Credit IFN SA is represented by its General Manager who conducts his activity under the oversight of the Board of Directors of Agricover Credit IFN SA.

Agricover Credit IFN SA is the majority shareholder of Clubul Fermierilor Români Broker de Asigurare S.R.L. (51.02%), an insurance broker incorporated and operating under the laws of

Romania. Clubul Fermierilor Romani pentru Agricultura Performanta is a non-profit association, operating under the laws of Romania, and is the minority shareholder of Clubul Fermierilor Români Broker de Asigurare SRL (48.98%).

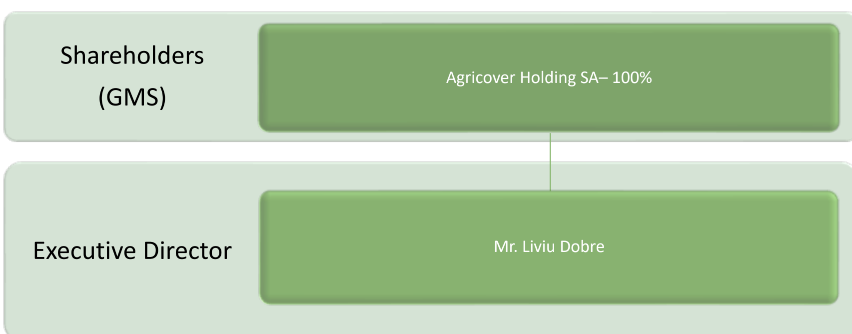
The Board of Directors comprised of 5 members (one is the non-executive Chairman, former CEO of Agricover Credit IFN SA and the other four are non-executive directors), elected by the ordinary general shareholders meeting of Agricover Credit IFN SA, based on the nominations proposed by current members in office and/or by shareholders and are appointed for a tenure of not more than 4 years. Members of the Board of Directors can be re-elected.



The business address of the members of the Board of Directors is at the company's registered seat: 1B Pipera Blvd., Cubic Center Office Building, floor 8, Voluntari, Ilfov county, Romania.

Agricover Technology SRL

The development and distribution of crop360, our digital agriculture platform, as well as the distribution of agricultural drones, are activities carried out through Agricover Technology SRL, a limited liability company, incorporated and operating under the laws of Romania. Agricover Technology SRL is represented by its Executive Director.



The distribution of commodity-type agricultural inputs (most crop nutrition products, and fuel) will be carried out, starting 2024 and for a limited period, by Agricover Technology. The Group is analysing the merits of continuing selling such commodities, considering among others the feedback from our customers on the synergy potential with the activities carried out and/or planned to be carried out by Agricover Technology. The range of precision agriculture solutions introduced by Agricover Technology aims, in fact, to assist farmers in optimising their consumption of agricultural commodities, including crop nutrition products and fuel.

Agricover on the capital markets

The Group is present on the local capital markets with a bond issue initiated by Agricover Holding SA, in the amount of 40 million EUR, listed on the EUR Regular-Bonds Market of the Bucharest Stock Exchange in March 2021. The bonds have an initial maturity of 5 years and carry a fixed coupon of 3.5%. The bond proceeds were used to finance Agricover Credit's lending activity. In the first quarter of 2024 the Group paid the third coupon on the bond. The bonds issued were not actively traded during the reporting year.

Basis for the Report

The Report of the Board of Directors (the “Report”) is presented together with and based on the Group’s audited consolidated and separate financial statements as at and for the year ended 31 December 2023, prepared in accordance with *Order of the Ministry of Public Finance no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards*, with subsequent amendments and modifications (”Order 2844”) and are in compliance with the International Financial Reporting Standards as adopted by the European Union (“IFRS”).

The Group’s complete ESG report, together with the nonfinancial declaration as required by Order 2844, will be published on the Company’s website (https://relatii-investitori.agricover.ro/en/investor-relations) no later than end of June 2024, in line with the provisions of Order 2844.

The analysis of the financial and operational results of the Group and its significant subsidiaries included in this Report makes references to:

a) Agricover Holding S.A. consolidated financial statements for the year ended 31 December 2023, prepared in accordance with Order 2844 ("2023 Consolidated Financial Statements"), audited; and
b) Agricover Holding S.A. consolidated financial statements for the year ended 31 December 2022, prepared in accordance with Order 2844 ("2022 Consolidated Financial Statements"), audited,

together a) and b) jointly referred to as “Consolidated Financial Statements”; and

c) Agricover Distribution S.A. financial statements for the year ended 31 December 2023, prepared in accordance with IFRS ("2023 Agribusiness Financial Statements"), audited; and
d) Agricover Distribution S.A. financial statements for the year ended 31 December 2022, prepared in accordance with IFRS ("2022 Agribusiness Financial Statements"), audited;

together c) and d) jointly referred to as “Agribusiness Financial Statements”; and

e) Agricover Credit IFN S.A. consolidated financial statements for the year ended 31 December 2023, prepared in accordance with Order No 1/2023 issued by the National Bank of Romania for the approval of accounting regulations in accordance with the European Directives, with subsequent amendments and modifications (“Order 1/2023”) and are in accordance with the International Financial Reporting Standards as adopted by the European Union (“IFRS”) ("2023 Agrifinance Consolidated Financial Statements"), audited; and
f) Agricover Credit IFN S.A. consolidated financial statements for the year ended 31 December 2022, prepared in accordance with IFRS ("2022 Agrifinance Consolidated Financial Statements"), audited;

together e) and f) jointly referred to as “Agrifinance Financial Statements”; and

g) Agricover Holding S.A. separate financial statements for the year ended 31 December 2023, prepared in accordance with Order 2844 ("2023 Separate Financial Statements"), audited; and
h) Agricover Holding S.A. separate financial statements for the year ended 31 December 2022, prepared in accordance with Order 2844 ("2022 Separate Financial Statements"), audited,

together g) and h) jointly referred to as “Separate Financial Statements”; and

All amounts are presented in thousands Romanian Lei ("RON"), and rounded to the nearest unit, unless otherwise stated.

The analysis of the financial and operational results of the Group and its significant subsidiaries included in this Report also makes references to unaudited operating information. The unaudited operating information is derived from internal records, including (i) accounting systems (including based on invoices issued and/or received); (ii) internal reporting systems supporting the preparation of financial statements; (iii) management assumptions and analyses; (iv) operational registers, and (v) discussions with key operating personnel.

The Report is compliant with the Financial Supervisory Authority *Regulation 5/2018 on issuers of financial instruments and market operations* issued in May 2018, with subsequent amendments and modifications.

The Directors’ declaration:

The Directors of Agricover Holding SA hereby declare that, to the best of their knowledge, the audited separate and consolidated financial statements of Agricover Holding SA as at and for year ended 31 December 2023, prepared in accordance with Order no. 2844 for the approval of accounting regulations in accordance with the International Financial Reporting Standards issued by the Romanian Ministry of Finance on 12th of December 2016, with subsequent amendments and modifications (”Order 2844”) and are in compliance with the International Financial Reporting Standards as adopted by the European Union (“IFRS”) give a true and fair view that reflects the reality of the assets, liabilities, financial position and profit or loss account of Agricover Holding SA and its subsidiaries included in the consolidation of its consolidated financial statements, and the Report of the Board of Directors includes a fair review of the Group's developments and performance for year ended 31 December 2023 and a description of the principal risks and uncertainties specific to the sector.

Bucharest, 28 March 2024

Kanani Jabbar
Chairman of the Board of Directors

Bucătaru Doru-Ștefan, permanent representative of Veldtster INC
Member of the Board of Directors

Alexander Madeline-Dalila, permanent representative of Platinum Advisory Services SRL
Member of the Board of Directors

Cam Gurhan
Member of the Board of Directors

Moayed Vargha, permanent representative of Unik Advisors SRL
Member of the Board of Directors

APPENDICES

Appendix 1: **Agricover Holding:**

Independent Auditor's report

Consolidated Financial Statements for the year ended 31 December 2023, prepared in accordance with Order no. 2844 for the approval of accounting regulations in accordance with the International Financial Reporting Standards issued by the Romanian Ministry of Finance on 12th of December 2016, with subsequent amendments and modifications (”Order 2844/2016”) and are in compliance with the International Financial Reporting Standards as adopted by the European Union (“IFRS”).

Appendix 2: **Agricover Distribution:**

Independent Auditor's report

Financial Statements for the year ended 31 December 2023, prepared in accordance with International Financial Reporting Standards as adopted by EU.

Appendix 3: **Agricover Credit IFN:**

Independent Auditor's report

Consolidated financial statements for the year ended 31 December 2023, prepared in accordance with Order No 1/2023 issued by the National Bank of Romania for the approval of accounting regulations in accordance with the European Directives, with subsequent amendments and modifications (“Order 1/2023”) and are in accordance with the International Financial Reporting Standards as adopted by the European Union (“IFRS”).

Appendix 4: **Agricover Holding:**

Independent Auditor's report

Separate Financial Statements for the year ended 31 December 2023, prepared in accordance with Order no. 2844 for the approval of accounting regulations in accordance with the International Financial Reporting Standards issued by the Romanian Ministry of Finance on 12th of December 2016, with subsequent amendments and modifications (”Order 2844/2016”) and are in compliance with the International Financial Reporting Standards as adopted by the European Union (“IFRS”).

Appendix 5: **Agricover Holding:**

The tagged IFRS consolidated financial statements for the year ended 31 December 2023 prepared in compliance with the European Single Electronic Format (ESEF).

KPMG Audit SRL
DN1, Bucharest - Ploiești Road no. 89A
Sector 1, Bucharest
013685, P.O.Box 18 - 191
Tel: +40 372 377 800
Fax: +40 372 377 700
www.kpmg.ro

Independent Auditors' Report

(free translation[1])

To the Shareholders of AGRICOVER HOLDING S.A.

B-dul. Pipera 1B, etaj 8, Cladirea de Birouri Cubic Center, Oras Voluntari, Romania
Unique Registration Code: 36036986

Report on the Audit of the Consolidated Financial Statements

Opinion

1. We have audited the consolidated financial statements of AGRICOVER HOLDING S.A. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policy information and other explanatory information.

2. The consolidated financial statements as at and for the year ended 31 December 2023 are identified as follows:

   - Total equity: Lei 675,748 thousand
   - Profit for the year: Lei 44,191 thousand

   The consolidated financial statements have been signed with a qualified electronic signature on 28 March 2024 by Veldtster INC by permanent representative Stefan Doru Bucataru, in its capacity of Administrator, at hour: 15, min: 00, sec: 20 and Liviu Dobre, General Manager, at hour: 14, min: 56, sec: 17.

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 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Order of Minister of Public Finance No. 2844/2016 for approval of accounting regulations in accordance with International Financial Reporting Standards and subsequent amendments ("OMPF no. 2844/2016") and with International Financial Reporting Standards, as adopted by the European Union ("IFRS EU") .

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 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

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[1] TRANSLATOR'S EXPLANATORY NOTE: This 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

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.

Expected credit losses related to loans and advances granted to customers - Agrifinance segment

As at 31 December 2023, in respect of the Agrifinance segment, the consolidated financial statements include gross loans and advances to customers of RON 2,758,587 thousand, related expected credit losses of RON 106,941 thousand and, for the year then ended, net credit losses on loans and advances to customers recognized in the consolidated statement of profit or loss and other comprehensive income of RON 46,497 thousand (31 December 2022: gross loans and advances to customers of RON 2,808,559 thousand, related expected credit losses of RON 77,791 thousand, and, for the year then ended, net credit losses on loans and advances to customers recognized in the consolidated statement of profit or loss and other comprehensive income of RON 26,746 thousand).

See Note 7 “Other expenses and income” and Note 10 “Financial risks management” 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 (“ECL”) 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 and assumptions. Pursuant to the relevant standard, IFRS 9 “Financial instruments” (“IFRS 9”), loans are allocated into one of three stages for the purposes of estimating the expected credit losses. Expected credit losses for the performing exposures (Stage 1 and Stage 2 in the IFRS 9 hierarchy) as well as non-performing exposures (Stage 3) are determined by modelling techniques (“collective impairment allowance”), 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”) or in default, identification of restructured exposures and forward-looking information, among other things. Notwithstanding the above, impairment allowances for certain exposures with specific credit risk indicators 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 debt collections scenarios and the expected proceeds from the sale of the related collateral and minimum period for collateral disposal.	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 methods and models, and assessing their compliance with the relevant requirements of the financial reporting standards; as part of this procedure, we identified the relevant methods, assumptions and sources of data, and assessed whether such methods, assumptions, data and their application are appropriate in the context of IFRS 9 requirements; • Assessing the design, implementation and operating effectiveness of selected controls within the Group’s lending process. This included mainly testing the controls over: (i) completeness and accuracy of input data (mainly for loan exposure and interest rate data), (ii) approval of loans; • 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; • Assessing whether the definition of default and the

Given the volatility in agricultural commodity prices, inflationary pressures, and prolonged period of elevated interest rates, measurement of the collective impairment allowance 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 and advances to customers to be associated with a significant risk of material misstatement in the consolidated financial statements. Therefore, the area required our increased attention in the audit and as such was determined to be a key audit matter.	criteria related to a significant increase in credit risk were consistently applied and are appropriate. As part of this procedure, for a sample of exposures, we critically assessed the existence of any triggers for classification of exposures to stage 2 or 3, by reference to the underlying loan files and through inquiries of responsible loan officers and credit risk management personnel; • For collectively assessed impairment allowance: – Evaluating the relevant macroeconomic projections used in the model by means of corroborating inquiries of selected executive directors of the Agrifinance segment and inspecting publicly available forward-looking information; – Challenging the PD, EAD and LGD parameters used in the collective ECL calculation, by reference to the supporting documentation, such as, debt service status, repayment schedules, restructuring operations and underlying data for collections occurring after default; – Challenging management's judgement in respect of addressing the economic uncertainties by inspecting the underlying documentation, sensitivity analysis, evaluating key underlying assumptions and considering alternative models; – Considering the outcome of the preceding procedures, testing the application of the model through independently reperforming the Group's ECL calculations and tracing the amounts recognized to the consolidated financial statements; • For individually assessed impairment allowances: – for a sample of exposures, challenging key assumptions applied in the estimates of future cash flows used in the expected credit losses estimate, such as discount rates, collateral values, amicable voluntary cash-flows and recovery period, where relevant; and; – recomputing the individual impairment losses as at the reporting date. • Evaluating the expected credit losses related to loans and advances granted to customers disclosures in the consolidated financial statements against the qualitative and quantitative requirements of the relevant financial reporting standards.

Expected credit losses related to trade and other receivables ("ECL")
As at 31 December 2023, the consolidated financial statements include gross trade and other receivables, current and non-current, of RON 549,854 thousand, related impairment allowance for trade and other receivables of RON 59,631

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thousand, and, for the year then ended, net credit losses on trade and other receivables recognized in the consolidated statement of profit or loss and other comprehensive income of RON 29,596 thousand (31 December 2022: gross trade and other receivables, current and non-current, of RON 582,419 thousand, impairment allowance for trade and other receivables of RON 30,857 thousand and, for the year then ended, net credit losses on trade and other receivables recognized in the consolidated statement of profit or loss and other comprehensive income of RON 13,033 thousand).

See Note 7 "Other expenses and income", Note 10 "Financial risks 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 nature and size of the customers' operations, significant judgement is required from management in arriving at the estimate of expected credit losses in respect of these financial assets. Pursuant to the relevant standard, IFRS 9 "Financial instruments" ("IFRS 9"), in measuring the impairment allowance, the Group applies a collective (portfolio) assessment model for exposures with shared credit risk characteristics. Under the model, lifetime expected credit losses are measured on a practical expedient basis, using a provision matrix, based on historical observed default rates adjusted for forward-looking estimates. Significant management judgment is required in grouping customers into segments with shared credit loss patterns and also in adjusting historical loss rates for forward-looking information. Given the volatility in agricultural commodity prices, inflationary pressures, and prolonged period of elevated interest rates, measurement of the lifetime expected credit losses 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: • Inspecting the Group's ECL impairment methods and models, and assessing their compliance with the relevant requirements of the financial reporting standards; as part of this procedure, we identified the relevant methods, assumptions and sources of data, and assessed whether such methods, assumptions, data and their application are appropriate in the context of IFRS 9 requirements; • Assessing whether the definition of default used by the Group in its ECL measurement was applied in accordance with IFRS 9 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 evidence (invoices issued to customers); • Evaluating the relevant forward-looking information used in the ECL assessment and the adjustments to the ECL estimate made based thereon, by means of inquiries of the Agribusiness segment Chief Financial Officer and inspecting publicly available information; • Considering the outcome of the preceding procedures, testing the application of the ECL model (provision matrix) through independently reperforming the model calculations as at the reporting date; • Examining whether the expected credit losses for trade and other receivables and credit risk-related disclosures in the consolidated financial statements appropriately address the relevant quantitative and qualitative requirements of the relevant financial reporting standards.

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Other information

6. The Board of Directors is responsible for the preparation and presentation of other information. The other information comprises the Board of Directors' Report (but does not include the consolidated financial statements and our auditors' report thereon) which we obtained prior to the date of this auditor's report and the additional information which will be included in the Annual Report in accordance with section II from Annex 15 of the FSA Regulation 5/2018 on issuers of financial instruments and market operations ("the additional information"), which is expected to be made available to us after that date.

   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.

   When we read the additional information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

   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. 2844/2016, articles 26-28 of the accounting regulations in accordance with International Financial Reporting Standards.

   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. 2844/2016, articles 26 - 28 of the accounting regulations in accordance with International Financial Reporting Standards.

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

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

7. Management of the Company is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with OMPF no. 2844/2016 and with IFRS EU 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.

8. 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.

9. Those charged with the governance of the Company ("those charged with governance") are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibility for the Audit of the Consolidated Financial Statements

10. 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.

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 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.

12. 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.

13. 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.

14. 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 - Report on Compliance with the ESEF Regulation

15. In accordance with Law no. 162/2017 on statutory audits of annual financial statements and consolidated financial statements and amendment of certain regulations, we are required to express an opinion on compliance of the consolidated financial statements, included as Appendix 5 to the Board of Directors' Report, with the requirements of the Commission Delegated Regulation (EU) 2018/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical

standards on the specification of a single electronic reporting format (the "RTS on ESEF").

Responsibilities of Management

16. Management is responsible for the preparation of the consolidated financial statements in a digital format that complies with the RTS on ESEF. This responsibility includes:

- the preparation of the consolidated financial statements in the applicable xHTML format;
- the selection and application of appropriate iXBRL tags, using judgment where necessary;
- ensuring consistency between digitised information in the machine- and human-readable formats and the electronically signed consolidated financial statements; and
- the design, implementation and maintenance of internal controls relevant to the application of the RTS on ESEF.

Auditors' Responsibilities

17. Our responsibility is to express an opinion on whether the consolidated financial statements included as Appendix 5 to the Board of Directors' Report comply, in all material respects, with the RTS on ESEF, based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with the RTS on ESEF. The nature, timing and extent of procedures selected depend on the auditor's judgment, including the assessment of the risks of material departures from the requirements set out in the RTS on ESEF, whether due to fraud or error. Our procedures included, among other things:

- obtaining an understanding of the tagging process;
- evaluating the design and implementation of relevant controls over the tagging process;
- tracing the tagged data to the consolidated financial statements of the Group presented in human-readable digital format and to the electronically signed and audited consolidated financial statements;
- evaluating the completeness of the Group's tagging of the consolidated financial statements;
- evaluating the appropriateness of the Group's use of iXBRL elements selected from the ESEF taxonomy and creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- evaluating the use of anchoring in relation to the extension elements;
- evaluating the appropriateness of the digital format of the consolidated financial statements; and
- assessing consistency between the digitised information in the machine- and human-readable formats and the electronically signed and audited consolidated financial statements.

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

Opinion

18. In our opinion, the consolidated financial statements of the Group, included as Appendix 5 to the Board of Directors' Report, as at and for the year ended 31 December 2023 have been prepared, in all material respects, in accordance with the requirements of the RTS on ESEF.

Report on Other Legal and Regulatory Requirements - EU Regulation (EU) No 537/2014

19. We were appointed by the General Shareholders' Meeting on 29 September 2023 to audit the consolidated financial statements of AGRICOVER HOLDING S.A. for the year ended 31 December 2023. Our total uninterrupted period of engagement is 4 years, covering the periods ended 31 December 2020 to 31 December 2023.

20. We confirm that:
   - our audit opinion is consistent with the additional report presented to the Audit Committee of the Company, which we issued on the same date as the date of issuance of this independent auditors' report. We also remained independent of the audited Group 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 ALEXANDRU DANIEL RUSU.

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

Refer to the original signed Romanian version	**Refer to the original signed Romanian version**
ALEXANDRU DANIEL RUSU	**KPMG Audit SRL**
registered in the electronic public register of financial auditors and audit firms under no AF181/262/23	registered in the electronic public register of financial auditors and audit firms under no FA9

Bucharest, 28 March 2024

Autoritatea pentru Supravegherea Publică a Activității de Audit Statutar (ASPAAS) Auditor financiar: Rusu Alexandru Daniel Registrul Public Electronic: AF181/262/23	Autoritatea pentru Supravegherea Publică a Activității de Audit Statutar (ASPAAS) Firma de audit: **KPMG AUDIT S.R.L.** Registrul Public Electronic: **FA9**

AGRICOVER HOLDING SA

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 December 2023

Prepared in accordance with the Order of the Ministry of Public Finance no. 2844/2016 for the approval of the accounting regulations compliant with the **International Financial Reporting Standards,** as adopted by the European Union

** The original version of the consolidated financial statements was written in Romanian. This document is an English translation of the original document. In case of any discrepancy between the English text and the Romanian text, the latter will prevail.*

Contents

Consolidated Statement of Financial Position
as at 31st of December

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

	Notes	2023	2022
ASSETS			
Non-current assets			
Property, plant and equipment		11,134	10,788
Right of use assets		19,509	19,828
Intangible assets	21	31,058	27,922
Trade and other receivables	14	953	1,568
Loans and advances to customers	10	1,866,333	647,266
Finance lease receivable	23	66	204
Other non-current receivables	14	-	2,704
Deferred income tax assets	9	7,461	8,516
		1,936,514	**718,796**
Current assets			
Inventories	19	65,023	167,070
Current income tax receivable		1,234	-
Loans and advances to customers	10	785,313	2,083,502
Finance lease receivable	23	62	632
Trade and other receivables	14	489,270	547,291
Other current assets	20	35,087	25,389
Cash and cash equivalents	15	477,529	119,601
		1,853,518	**2,943,485**
Total assets		**3,790,032**	**3,662,281**
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital and share premium	11	194,900	193,418
Treasury shares		(2,542)	-
Revaluation reserves	11	894	1,265
Other reserves	11	66,146	60,283
Retained earnings		403,049	363,117
		662,447	**618,083**
Non-controlling interests	22	13,301	19,444
Total equity		**675,748**	**637,527**
Non-current liabilities			
Borrowings	16	1,314,277	1,126,336
Lease liabilities	16	11,223	13,037
Other payables	17	84	1,080
		1,325,584	**1,140,453**
Current liabilities			
Trade and other payables	17	308,344	401,274
Contract liabilities		11,843	23,382
Current income tax liability		3,510	942
Borrowings	16	1,449,793	1,446,009
Lease liabilities	16	8,378	7,277
Derivative liabilities for risk management	13, 18	4,983	4,699
Provision for off balance sheet commitment		1,849	718
		1,788,700	**1,884,301**
Total liabilities		**3,114,284**	**3,024,754**
Total equity and liabilities		**3,790,032**	**3,662,281**

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31st of December

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

	Notes	2023	2022
Revenue	4	1,845,050	2,548,600
Interest income	5	398,588	305,988
Fee and commission income	7	11,389	13,446
Cost of sales	6	(1,839,641)	(2,480,506)
Interest and similar expenses	5	(192,503)	(151,845)
Fee and commission expenses	7	(994)	(2,802)
Net credit losses on financial assets	7	(77,224)	(40,119)
Gross profit		**144,665**	**192,762**
Administrative expenses	6	(77,909)	(77,982)
Research and development		(7,639)	(4,212)
Other operating income		4,186	6,525
Other operating expenses	7	(7,495)	(12,419)
Operating profit		**55,808**	**104,674**
Finance income	5	20,324	15,709
Finance costs	5	(15,035)	(12,684)
Profit before tax		**61,097**	**107,699**
Income tax expense	9	(16,906)	(16,395)
Profit for the year from continuing operations		**44,191**	**91,304**
Loss for the year from discontinued operations, net of tax		-	(1,126)
Profit for the year		**44,191**	**90,178**
Other comprehensive income, net of tax		-	353
Total comprehensive income for the year		**44,191**	**90,531**
Profit for the year attributable to:			
Owners of the company		45,216	83,066
Non-controlling interests	22	(1,025)	7,112
Profit for the year		**44,191**	**90,178**
Total comprehensive income attributable to:			
Owners of the company		45,216	83,371
Non-controlling interests	22	(1,025)	7,160
Total comprehensive income for the year		**44,191**	**90,531**
Earnings per share			
Basic and diluted earnings per share (RON)	8	0.024	0.043
Earnings per share from continuing operations (RON)	8	0.024	0.044

Approved for issue and signed on behalf of the Board of Directors on 28 March 2024.

Ștefan Doru Bucătaru, permanent representative of Veldtster INC
Administrator

Liviu Dobre
General Manager

Consolidated Statement of Changes in Equity
for the year ended 31st of December

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

	Attributable to owners of Agricover Holding							
	Share capital and share premium	Treasury shares	Revaluation reserves	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
at 1 January 2023	**193,418**	**-**	**1,265**	**60,283**	**363,117**	**618,083**	**19,444**	**637,527**
Profit for the year	-	-	-	-	45,216	45,216	(1,025)	44,191
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**45,216**	**45,216**	**(1,025)**	**44,191**
Distributed dividends	-	-	-	-	-	-	(5,014)	(5,014)
Treasury shares acquired	-	(2,542)	-	-	-	(2,542)	-	(2,542)
Increase in share capital and share premium	1,482	-	-	-	-	1,482	-	1,482
Transfers and other changes in equity	-	-	(371)	5,863	(5,284)	208	(104)	104
Total transactions with owners	**1,482**	**(2,542)**	**(371)**	**5,863**	**(5,284)**	**(852)**	**(5,118)**	**(5,970)**
at 31 December 2023	**194,900**	**(2,542)**	**894**	**66,146**	**403,049**	**662,447**	**13,301**	**675,748**

	Attributable to owners of Agricover Holding						
	Share capital and share premium	Revaluation reserves	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
at 1 January 2022	**220,748**	**12,543**	**56,928**	**264,355**	**554,574**	**19,942**	**574,516**
Profit for the year	-	-	-	83,066	83,066	7,112	90,178
Increase in revaluation reserve	-	305	-	-	305	48	353
Total comprehensive income for the year	**-**	**305**	**-**	**83,066**	**83,371**	**7,160**	**90,531**
Distributed dividends	-	-	-	-	-	(7,150)	(7,150)
Distribution of Abatorul Peris	(27,330)	(11,311)	(1,996)	20,903	(19,734)	(636)	(20,370)
Realised revaluation reserve	-	(272)	-	272	-	-	-
Transfers	-	-	5,351	(5,479)	(128)	128	-
Total transactions with owners	**(27,330)**	**(11,583)**	**3,355**	**15,696**	**(19,862)**	**(7,658)**	**(27,520)**
at 31 December 2022	**193,418**	**1,265**	**60,283**	**363,117**	**618,083**	**19,444**	**637,527**

Consolidated Statement of Cash Flows
for the year ended 31st of December

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

	Notes	2023	2022
Cash flows from operating activities			
Profit for the year from continuing operations		44,191	91,304
Loss for the year from discontinued operations		-	(1,126)
Unrealized FX differences		59	(4,375)
Net loss from derivatives		4,716	9,180
Net credit losses on receivables	7	29,596	13,033
Net credit losses on loans and advances to customers	7	46,497	26,746
Depreciation and amortization	6	21,167	12,789
Loss / (gain) from the sale of fixed assets		25	(906)
Loss / (gain) from write down of inventory		(3,046)	8,066
Changes in off balance sheet commitments	7	1,131	340
Income tax	9	16,906	16,395
Interest income	5	(418,691)	(321,697)
Interest expense	5	208,849	162,962
Operating cash flows before changes in working capital		**(48,600)**	**12,711**
Changes in working capital			
Decrease in trade and other receivables	14	20,835	43,130
(Increase) in loans and advances to customers	13	11,777	(902,271)
(Increase) in inventories	19	105,093	(58,801)
Increase / (decrease) in trade and other payables		(112,566)	(40,226)
Cash used in operations		**(23,461)**	**(945,457)**
Interest paid		(201,961)	(151,915)
Interest received		437,753	265,666
Payments from settlements of derivatives		(2,476)	(28,519)
Proceeds from settlements of derivatives		-	22,879
Income tax paid		(11,311)	(22,104)
Cash (used in)/ generated from operating activities		**198,544**	**(859,450)**
Cash flows from investing activities			
Payments for acquisitions of intangible and fixed assets	21	(14,572)	(20,468)
Proceeds from sale of intangible and fixed assets	21	5,950	8,022
Cash used in investing activities		**(8,622)**	**(12,446)**
Cash flows from financing activities			
Proceeds from borrowings	16	2,935,462	5,985,157
Repayment of borrowings	16	(2,748,311)	(5,087,624)
Payments for lease liabilities	16	(9,762)	(7,986)
Repurchase of own shares		(2,542)	-
Proceeds from increase of share capital		339	-
Dividends paid		(6,863)	(68)
Cash generated from financing activities		**168,323**	**889,479**
Effects of exchange rate changes on cash and cash equivalents		(317)	(103)
Cash and cash equivalents at the beginning of the year	15	**119,601**	**102,509**
Net increase in cash and cash equivalents		357,928	17,480
Cash out from Abatorul Peris		-	(388)
Cash and cash equivalents at the end of the year		**477,529**	**119,601**

Notes to the Financial Statements
General Information and Basis of Preparation

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

This section includes general information about the Group and its structure as well as material accounting policy information that relate to the consolidated financial statements as a whole. Material accounting policy information and estimates, judgements and assumptions used in the application of those policies, which are specific to a particular item are included within the note referring to that specific item. Accounting policies relating to non-material items are not included in these consolidated financial statements.

1 GENERAL INFORMATION

Agricover Holding SA ("the Company", "the Parent") and its subsidiaries (together referred to as "the Group") are incorporated and are domiciled in Romania. The Company's headquarter is located at 1B Pipera Blvd, Voluntari, Ilfov, Romania. These consolidated financial statements comprise the Company and its material subsidiaries, as follows:

Entity	Operating Segment	Activity	% owned @ 31 December 2023	% owned @ 31 December 2022
Agricover Distribution SA	Agribusiness	Distribution of agriculture inputs	86.62	86.62
Agricover Credit IFN SA	Agrifinance	Financing businesses in agriculture	99.99	99.99
Clubul Fermierilor Romani Broker de Asigurare SRL	Agrifinance	Intermediation of insurance products	51.02	51.02
Agricover Technology SRL	Agritech	Digitalisation of agricultural activity (software as service)	100	100

Group business model

The Group, through its subsidiaries, carries out activities in the agricultural, financial and information technology sectors. The Company is an investment vehicle that directly owns the three entities of the Group, namely:

- Agricover Distribution SA ("Agribusiness division")specialized in the distribution of agricultural inputs – seeds, crop protection products, crop nutrition products or diesel;
- Agricover Credit IFN SA ("Agrifinance division"), non-banking financial institution specialized in financing farmers; currently with a portfolio of three main categories of products: capex, credit lines and factoring; all designed with the needs of the farmers in mind, having tailored maturities which are usually correlated with the harvesting and sale of crops seasons. All factoring agreements of Agricover Credit IFN SA are with Agricover Distribution and as such their effect is eliminated at consolidation (please refer to note 3);
- Agricover Technology SRL ("Agritech division"), software as a service aimed at providing farmers with access to the innovations within the industry through digital technologies,

In a highly integrated business model, tools offered by Agritech are used to efficiently and effectively manage farming activities, machinery and inputs while part of the sales of the Agribusiness segment are financed through loans granted by the Agrifinance segment of the Group. Together with the resulting synergies, this represents a unique differentiating factor and competitive market advantage for each of these business segments in achieving its growth targets but also for the Group as a whole.

2 BASIS OF PREPARATION

Compliance statement

These consolidated financial statements as at and for the year ended 31 December 2023 have been prepared in accordance with Order no. 2844 for the approval of accounting regulations in accordance with the International Financial Reporting Standards issued by the Romanian Ministry of Finance on 12th of December 2016, with subsequent amendments and modifications ("Order 2844/2016") and are in compliance with the International Financial Reporting Standards as adopted by the European Union ("IFRS").

Historical cost convention

These consolidated financial statements have been prepared under the historical cost convention, except for land and buildings, which are carried at revalued amounts, and derivative financial instruments, which are carried at fair value.

Consistent application of accounting policies

The material accounting policies applied in the preparation of these financial statements are set out below in the relevant Notes to these consolidated financial statements and have been consistently applied to all the periods presented, unless otherwise stated. The preparation of financial statements in accordance with Order 2844 requires the use of judgements and estimates. The areas involving a higher degree of judgment or complexity, or areas where estimates are significant, are disclosed in the relevant Notes to these consolidated financial statements, as follows:

- judgement to determine whether transfer of control has occurred in 'bill and hold' arrangements – note 4;
- estimation regarding expected commercial discounts promised to customers not granted on a calendar year basis and subject to collection patterns not entirely under the Group's control – note 4;
- estimation regarding the determination of discount rate used for calculating the financing component for trade and other receivables with maturity over 1 year – note 4;
- estimation of refund liability and of the right to receive goods for implied return rights from sales – note 4;
- judgement involved in calculating income tax – note 9;
- expected credit losses on loans and advances to customers and trade and other receivables – note 10;
- forward looking scenarios considered in the Group's calculation of expected credit losses on loans and advances to customers – note 10;
- consideration regarding the modified time value of money element included in the Group's revolving credit lines – note 13;
- estimation regarding expected commercial discounts receivable from suppliers not granted on a calendar year basis and with payment patterns dependent on collection patterns and resources availability, accounted and presented for as part of cost of inventories or cost of sales – note 17;

- estimation of net realisable value of inventories – note 19;
- useful life of internally generated software – note 21;
- capitalisation of software development costs – note 21;
- judgement on impairment of internally generated software– note 21.

Functional and presentation currency

These consolidated financial statements are presented in Romanian New Lei ("RON"), which is the functional currency of the Company and all its subsidiaries. All amounts are presented in thousands RON and rounded to the nearest unit, unless otherwise stated.

Going concern

In 2023, Romania's gross domestic product grew by 2.0% compared to 2022, according to the estimate published by the National Institute of Statistics on 14 February 2024.

Agricultural input prices were influenced by declines in commodity prices, especially natural gas, with supply chain disruptions having less impact in 2023. Domestic and international producers of plant nutrition products gradually reopened their production facilities after keeping them closed for a significant part of 2022. There were no market shortages in 2023, with nil or low availability risk. In this context, prices of most crop nutrition products and some crop protection products fell in the first half of 2023 to levels well below those before the Russian invasion of Ukraine. In the second half of 2023, the agricultural input market was rather stable, with some increases from the lows reached in June 2023.

Against this market backdrop, Agricover Distribution incurred operating losses in the year ended 31 December 2023 (see Note 3 and Note 10.ii.1), resulting in a decrease in net operating cash inflows at both the subsidiary and Group level. These losses are mainly related to the context of the raw materials market in the second half of 2022 and the first half of 2023, including supply chain disruptions and price volatility (Note 10.ii.1). In these circumstances, Agricover Distribution SA recorded losses of approximately 40 million RON related to crop nutrition and approximately 12 million RON related to glyphosate stocks. As a result of decisive action taken by management to address the situation, no similar losses were recorded in the second half of 2023 (substantially all stocks of crop nutrition products and glyphosate in 2022 were sold or otherwise marked to market in the first half of the year).

To finance its working capital needs, Agricover Distribution has long-standing relationships with some of the largest credit institutions active on the Romanian market. Although most of the financing drawn by the subsidiary is denominated in RON, it has access to multi-currency facilities, which allow it to actively manage the foreign currency exposures generated by trade debts. Currently, all of Agricover Distribution's outstanding financing contracts are short-term, including unconditional early repayment options in favour of the lender. This allows the subsidiary to manage its funding costs, while its strong track record and developed relationships with its business partners ensure continued access to funds to meet its working capital needs. In addition, based on its track record and the relationships developed with its business partners, the Group has concluded that the exercise of such options is highly unlikely (see further Note 10 for details on liquidity risk, including available undrawn credit facilities).

Under the terms of its principal loan facilities, the Group and its subsidiaries must comply with certain restrictive financial covenants. As at 31 December 2023, the Group and its subsidiaries were in

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

compliance with financial covenants imposed by its loan facilities or, where covenant thresholds have been breached, relevant waivers have been obtained from the lenders.

After considering liquidity, gearing, budgeted cash flows and related assumptions, management believes that the Group has adequate resources to continue in business for the foreseeable future and these consolidated financial statements are prepared on that basis.

Standards and amendments newly applicable for periods starting January 1st, 2023

The following new and amended standards effective for periods starting January 1st, 2023, have been implemented by the Group and do not have a significant impact on the Group's consolidated financial statements.

Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction

These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

IFRS 17 'Insurance Contracts'

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts by an insurer and supersedes IFRS 4 Insurance Contracts. The Group has no contracts within the scope of IFRS 17.

Amendment to IAS 12 - International tax reform

These amendments give companies temporary relief from accounting for deferred taxes arising from the Minimum Tax Implementation Handbook (Pillar Two Legislation) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.

The Organisation for Economic Co-operation and Development's („OECD") Directive 2523/2022 for the global minimum top-up tax (Pillar Two model rules) applies to enterprise groups with total consolidated group revenues of EUR 750 million or more in at least two of the four preceding years ("revenue threshold" criterion). The Group is not subject to the top-up tax as the revenue threshold criteria is not met.

New IFRS standards effective on or after 1 January 2024 early adopted by the Group

Amendments to IAS 1, Presentation of financial statements', on classification of liabilities as current or non-current and non-current liabilities with covenants

The Group has early adopted the **Amendments to IAS 1, 'Presentation of financial statements'**, on classification of liabilities as current or non-current and non-current liabilities with covenants.

These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the Group or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. The Group considered the clarifications brought by these amendments in classifying its liabilities as current or non-current at 31st December 2023. The amendments were applied retrospectively, however they do not have a significant impact on the comparatives presented.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

When non-current liabilities are subject to future covenants, the Group discloses information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.

New IFRS standards effective for annual periods beginning on or after 1 January 2024, not early adopted by the Group

A number of new amendments to the standards are required to be applied for annual periods beginning on or after January 1st, 2024, and that are available for early adoption in annual periods beginning on or after January 1st, 2023. The Group has not early adopted any of the forthcoming new amended standards in preparing these consolidated financial statements. Once adopted, the new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in associates and Joint Ventures', on sale or contribution of assets between an investor and its associate or joint venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture.

The effective date of the amendments was deferred indefinitely, however, early application of the amendments is permitted.

Amendments to IFRS 16 "Leases" on lease liability in a sale and leaseback

The amendments specify that, in measuring the lease liability subsequent to the sale and leaseback, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognizing any amount of the gain or loss that relates to the right of use that it retains.

Effective date: annual periods beginning on or after January 1st, 2024.

Amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial instruments: Disclosures", on supplier finance arrangements

The amendments apply to supplier finance arrangements and introduce two new disclosure objectives – one in IAS 7 and another in IFRS 7 – for a company to provide information about its supplier finance arrangements that would enable users to assess the effects of these arrangements on the company's liabilities and cash flows, and the company's exposure to liquidity risk.

Effective date: annual periods beginning on or after January 1st, 2024.

Amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates", on lack of exchangeability

The amendments require disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.
Effective date: annual periods beginning on or after January 1st, 2025.

Consolidation

Subsidiaries are those investees that the Group controls because it has:

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

Subsidiaries are consolidated from the date on which control obtained by the Group and are deconsolidated from the date on which control ceases. Consolidated subsidiaries are presented in Note 1. The Company and all of its subsidiaries use uniform accounting policies.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

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. Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

Changes in ownership interests

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 in a separate reserve within equity attributable to owners of Agricover Holding.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests 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.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

This section provides information about the financial performance of the Group, including earnings per share ("EPS"), and of its significant operating segments. The section covers material accounting policy information, with a focus on those areas where IFRS either allow a choice or do not deal with a particular type of transaction, and significant judgements and estimates made in relation to particular items. The section concludes with details about the Group's tax result in the year and current and deferred tax assets and liabilities held at the end of the year.

3 SEGMENT INFORMATION

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

- Agrifinance - financing agricultural businesses and intermediation of insurance products mainly carried out by Agricover Credit IFN and its subsidiary Agricover Broker de Asigurare;
- Agribusiness - distribution of agriculture inputs carried out by Agricover Distribution;
- Agrifood – sgement with discontinued operations for the financial year ending 31 December 2022 – represented by slaughterhouse and meat processing carried out by Abatorul Peris SA.

Other segments which are not separately reportable include the development of software as a service platform by Agricover Technology SRL (aimed at providing farmers with access to innovations within the industry through digital technologies) and Group services and investments management costs. The results of these activities are included in the 'All other segments' column in the analysis below.

Operating segments are reported in these consolidated financial statements in a manner consistent with the internal reporting provided to the chief operating decisionmakers. The chief operating decisionmakers who are responsible for allocating resources and assessing the performance of the operating segments are the executive directors of the Group. They primarily use Operating Profit to assess the performance of the operating segments. However, on a monthly basis, executive directors also receive information about the segments' revenue, gross margin, EBITDA, finance costs and trade and other receivables, borrowings and loans and advances granted to customers.

The Group earns revenue and holds assets exclusively in Romania, the geographical area of its operations.

The Group earns revenues and interest from a large number of customers and no sigle customer or group of related customers contributes with more than 10% in the total revenue or interest income of the Group.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Operating profit, revenue and interest income as periodically reported to the executive directors are disclosed below, together with their reconciliation with the consolidated net profit for the years ended 31 December 2023 and 31 December 2022 respectively:

2023	**Agrifinance**	**Agribusiness**	**Total reportable segments**	**All other segments**	**Total segments**	**Adjustments and Eliminations**	**Consolidated**
External revenue	-	1,844,761	1,844,761	289	1,845,050	-	1,845,050
Intersegment-revenue	-	6,335	6,335	-	6,335	(6,335)	-
Revenue	**-**	**1,851,096**	**1,851,096**	**289**	**1,851,385**	**(6,335)**	**1,845,050**
Cost of sales	(42,316)	(1,797,428)	(1,839,744)	(222)	(1,839,966)	325	(1,839,641)
Interest income	405,734	-	405,734	-	405,734	(7,146)	398,588
Interest and similar expenses	(192,503)	-	(192,503)	-	(192,503)	-	(192,503)
Net fee and commission income	10,395	-	10,395	-	10,395	-	10,395
Net credit losses on financial assets	(50,482)	(26,742)	(77,224)	-	(77,224)	-	(77,224)
Gross profit	**130,828**	**26,926**	**157,754**	**67**	**157,821**	**(13,156)**	**144,665**
Dividend income	-	-	-	20,847	20,847	(20,847)	-
Administrative expenses	(35,347)	(33,191)	(68,538)	(12,145)	(80,683)	2,774	(77,909)
Research and development	-	-	-	(7,639)	(7,639)	-	(7,639)
Other gains and losses, net	(5,709)	2,353	(3,356)	2	(3,354)	45	(3,309)
Operating Profit	**89,772**	**(3,912)**	**85,860**	**1,132**	**86,992**	**(31,184)**	**55,808**
Finance costs – net	1,359	(9,783)	(8,424)	(1,209)	(9,633)	14,922	5,289
Profit/(loss) before tax	**91,131**	**(13,695)**	**77,436**	**(77)**	**77,359**	**(16,262)**	**61,097**
Income tax expense	(13,089)	(3,423)	(16,512)	-	(16,512)	(394)	(16,906)
Profit/(loss) for the year	**78,042**	**(17,118)**	**60,924**	**(77)**	**60,847**	**(16,656)**	**44,191**

Notes to the Consolidated Financial Statements

Segment information

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

2022	**Agrifinance**	**Agribusiness**	**Agrifood (discontiued)**	**Total Reportable segments**	**All other segments**	**Total segments**	**Adjustments and Eliminations**	**Consolidated**
External revenue	-	2,548,594	17,260	2,565,853	7	2,565,861	(17,260)	2,548,600
Inter-segment revenue	-	(3,225)	-	(3,225)	-	(3,225)	3,225	-
Revenue	**-**	**2,545,369**	**17,260**	**2,562,629**	**7**	**2,562,636**	**(14,036)**	**2,548,600**
Cost of sales	(30,983)	(2,449,466)	(17,696)	(2,498,145)	-	(2,498,145)	17,639	(2,480,506)
Interest income	324,845	-	-	324,845	-	324,845	(18,857)	305,988
Interest and similar expenses	(151,845)	-	-	(151,845)	-	(151,845)	-	(151,845)
Net fee and commission income	10,644	-	-	10,644	-	10,644	-	10,644
Net credit losses on financial assets	(28,326)	(11,793)	-	(40,119)	-	(40,119)	-	(40,119)
Gross profit	**124,335**	**84,110**	**(436)**	**208,009**	**7**	**208,016**	**(15,254)**	**192,762**
Dividend income	-	-	-	-	38,069	38,069	(38,069)	-
Administrative expenses	(39,278)	(33,764)	(1,197)	(74,239)	(4,520)	(78,759)	777	(77,982)
Research and development	-	-	-	-	(4,131)	(4,131)	(81)	(4,212)
Other gains and losses, net	(9,926)	3,898	95	(5,933)	133	(5,800)	(95)	(5,894)
Operating Profit	**75,131**	**54,244**	**(1,538)**	**127,837**	**29,558**	**157,395**	**(52,721)**	**104,674**
Finance costs – net	707	(7,909)	(258)	(7,460)	(181)	(7,641)	10,666	3,025
Profit/(loss) before tax	**75,838**	**46,335**	**(1,796)**	**120,377**	**29,377**	**149,754**	**(42,055)**	**107,699**
Income tax expense	(10,485)	(6,707)	-	(17,192)	-	(17,192)	797	(16,395)
Profit/(loss) for the year	**65,353**	**39,628**	**(1,796)**	**103,185**	**29,377**	**132,562**	**(41,258)**	**91,304**

Notes to the Consolidated Financial Statements
Segment information

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Inter-segment revenues as well as interest and financing costs are eliminated upon consolidation and reflected in the 'Eliminations' column. Other adjustments refer to discontinued operations as presented further below.

	2023			2022			
	Total segments	**Eliminations**	**Consolidated**	**Total segments**	**Eliminations**	**Discontinued Segments**	**Consolidated (continued)**
External revenue	1,845,050	-	1,845,050	2,565,860	-	(17,260)	2,548,600
Intersegment-revenue	6,335	(6,335)	-	(3,225)	3,225	-	-
Revenue	**1,851,385**	**(6,335)**	**1,845,050**	**2,562,635**	**3,225**	**(17,260)**	**2,548,600**
Cost of sales	(1,839,966)	325	(1,839,641)	(2,498,145)	(57)	17,696	(2,480,506)
Interest income	405,734	(7,146)	398,588	324,845	(18,857)	-	305,988
Interest and similar expenses	(192,503)	-	(192,503)	(151,845)	-	-	(151,845)
Net fee and commission income	10,395	-	10,395	10,644	-	-	10,644
Net credit losses on financial assets	(77,224)	-	(77,224)	(40,119)	-	-	(40,119)
Gross profit	**157,821**	**(13,156)**	**144,665**	**208,015**	**(15,689)**	**436**	**192,762**
Dividend income	20,847	(20,847)	-	38,069	(38,069)	-	-
Administrative expenses	(80,683)	2,774	(77,909)	(78,759)	(420)	1,197	(77,982)
Research and development	(7,639)	-	(7,639)	(4,131)	(81)	-	(4,212)
Other gains and losses, net	(3,354)	45	(3,309)	(5,800)	1	(95)	(5,894)
Operating profit/(loss)	**86,992**	**(31,183)**	**55,808**	**157,394**	**(54,258)**	**1,538**	**104,674**
			-				-
Finance costs – net	(9,633)	14,922	5,289	(7,641)	10,408	258	3,025
Profit/(loss) before tax	**77,359**	**(16,261)**	**61,097**	**149,753**	**(43,850)**	**1,796**	**107,699**
Income tax expense	(16,512)	(394)	(16,906)	(17,192)	797	-	(16,395)
Profit/(loss) for the year	**60,847**	**(16,654)**	**44,191**	**132,561**	**(43,053)**	**1,796**	**91,304**

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Agricover Credit purchases trade receivables from Agricover Distribution under non-recourse factoring type agreements. Factoring commissions paid by Agricover Distribution are recognised as expense on the date of each trade receivables sale transaction, while income is recognised by Agricover Credit during the term of the respective trade receivables, using the effective interest rate method. The different methods in recognising the expense, on one hand, and the income, on the other hand, results in an elimination impact upon consolidation of 4.6 million RON loss, net of tax (for the year ended 31 December 2022: 4.2 million gain, net of tax).

When reported to the executive directors, segment assets and liabilities are measured in the same way as in the financial statements. Their allocation on operating segments as at 31 December 2023 and 31 December 2022 is presented below:

Notes to the Consolidated Financial Statements
Segment information

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

31 December 2023	Agrifinance	Agribusiness	Total reportable segments	All other segments	Total segments	Adjustments and Eliminations	Consolidated
Non-current assets, *of which:*	**1,895,163**	**32,587**	**1,927,750**	**208,733**	**2,136,483**	**(199,969)**	**1,936,514**
Loans and advances to customers	1,866,332	-	1,866,332	198,130	2,064,462	(198,130)	1,866,333
Trade and other receivables	-	953	953	-	953	-	953
Current assets, *of which*	**1,410,656**	**448,110**	**1,858,766**	**40,005**	**1,898,771**	**(45,253)**	**1,853,518**
Loans and advances to customers	927,308	-	927,308	6,316	933,624	(148,311)	785,313
Trade and other receivables	944	350,319	351,263	32,790	384,053	105,217	489,270
Inventories	-	64,685	64,685	338	65,023	-	65,023
Cash and cash equivalents	470,227	7,089	477,316	213	477,529	-	477,529
Total assets	**3,305,819**	**480,697**	**3,786,516**	**248,738**	**4,035,254**	**(245,222)**	**3,790,032**
Non-current liabilities, *of which:*	**1,320,659**	**5,745**	**1,326,404**	**198,521**	**1,524,925**	**(199,341)**	**1,325,584**
Borrowings	1,314,284	-	1,314,284	198,437	1,512,721	(198,444)	1,314,277
Current liabilities, *of which:*	**1,427,113**	**386,603**	**1,813,716**	**26,838**	**1,840,554**	**(51,854)**	**1,788,700**
Trade and other payables	18,717	314,240	332,957	5,006	337,963	(29,619)	308,344
Borrowings	1,398,704	51,088	1,449,792	21,834	1,471,626	(21,833)	1,449,793
Total Liabilities	**2,747,772**	**392,348**	**3,140,121**	**225,359**	**3,365,480**	**(251,196)**	**3,114,284**

Notes to the Consolidated Financial Statements
Segment information

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

31 December 2022	Agrifinance	Agribusiness	Total Reportable segments	All other segments	Total segments	Adjustments and Eliminations	Consolidated
Non-current assets, *of which:*	**671,955**	**36,675**	**708,630**	**208,290**	**916,920**	**(198,124)**	**718,796**
Loans and advances to customers	647,266	-	647,266	196,677	843,943	(196,677)	647,266
Trade and other receivables	-	1,568	1,568	-	1,568	-	1,568
Current assets, *of which*	**2,233,440**	**703,045**	**2,936,485**	**25,406**	**2,961,891**	**(18,406)**	**2,943,485**
Loans and advances to customers	2,111,705	-	2,111,705	6,281	2,117,986	(34,484)	2,083,502
Trade and other receivables	2,844	511,963	514,807	16,007	530,814	16,477	547,291
Inventories	-	167,070	167,070	-	167,070	-	167,070
Cash and cash equivalents	116,245	2,291	118,536	1,065	119,601	-	119,601
Total assets	**2,905,394**	**739,720**	**3,645,115**	**233,696**	**3,878,811**	**(216,530)**	**3,662,281**
Non-current liabilities, *of which:*	**1,132,679**	**7,576**	**1,140,255**	**198,199**	**1,338,454**	**(198,001)**	**1,140,453**
Borrowings	1,126,342	-	1,126,342	197,119	1,323,461	(197,125)	1,126,336
Current liabilities, *of which:*	**1,290,715**	**601,886**	**1,892,601**	**13,879**	**1,906,480**	**(22,179)**	**1,884,301**
Trade and other payables	15,992	393,287	409,279	4,148	413,427	(12,153)	401,274
Borrowings	1,268,578	177,432	1,446,010	9,731	1,455,741	(9,732)	1,446,009
Total Liabilities	**2,423,394**	**609,462**	**3,032,857**	**212,078**	**3,244,935**	**(220,181)**	**3,024,754**

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

4 REVENUE

The Group generates revenue mainly through its Agribusiness segment, which distributes advanced technological solutions (i.e. certified seeds, crop nutrition products, crop protection products and fuel) to farmers.

Sales with normal delivery

Revenue from sales with normal delivery is recognised when control of goods sold has transferred to the buyer, being when the goods are delivered. Revenue is measured at the fair value of the consideration received or receivable, net of commercial discounts, returns and value added taxes. Invoices are issued when goods exit the Group's warehouses. Depending on the customer's financial situation and existing relationships with the Group, and on specific market conditions, the Group may request total or partial advance payments collected based on pro-forma or advance invoices.

Significant judgement – 'bill and hold' arrangements

At the buyer's request, the Group may enter into 'bill and hold' arrangements, in which delivery is delayed but the buyer takes legal title of goods and accepts billing. Revenue on such arrangements is recognised when control is transferred to the buyer, provided that:

- the reason for the 'bill and hold' arrangements is substantive (e.g. the farmer intends to secure the price and / or quantity of goods – seeds, crop nutrition products, crop protection products – as needed at specific stages of the agricultural season, but has limited storage capacity for immediate delivery);
- the product is identified separately as belonging to the customer;
- the product is ready for physical transfer to the customer; and
- the Group does not have the ability to use the product or to direct it to another customer

As part of 'bill and hold' arrangements, the Group concludes a custody contract with the buyer, who accepts legal ownership of the goods sold. The Group's management is satisfied that control of the goods sold is transferred to the farmer (and related revenue is recognized) when the warehouse certificates are issued, confirming separate storage and availability for delivery.

Value of inventories held by the Group on behalf of third parties as part of bill and hold arrangements were as follows:

	31 December 2023	31 December 2022
Crop protection products	163,088	189,152
Crop nutrition products	331	7,958
Certified Seeds	6,182	26,201
	169,601	**223,311**

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Sale with a right of return

The Group does not grant explicit rights of return for the products it sells. Implied return rights can arise from statements or promises made to customers during the sales process, statutory requirements, or our desire to mitigate the risk of customer dissatisfaction.

A right of return is not a separate performance obligation for the purpose of revenue recognition, but it affects the estimated transaction price for transferred goods. Revenue is only recognized for those goods that are not expected to be returned.

In accounting for its implicit rights of return, a refund liability (with a corresponding adjustment to revenue) and an asset (with a corresponding adjustment to cost of sales) representing its right to recover the products from the customer are recognized.

The refund liability represents the amount of consideration that the Group expects to refund to its customers. The refund liability is remeasured at each reporting date to reflect changes in the estimate of returns, with a corresponding adjustment to revenue (refer to note 17).

The asset represents the Group’s right to receive goods (inventory) back from the customers when it settles the refund obligation. The asset is initially measured at the carrying amount of the goods at the time of sale, less any expected costs to recover the goods and any expected reduction in value. The returns asset is presented separately from the refund liability (refer to note 17). The amount recorded as an asset is updated for changes in the refund liability and for other changes in circumstances that might suggest an impairment of the asset.

Significant estimate – Sale with a right to return

The Group estimates the amount it expects to credit customers using the expected value method, by considering the returns accepted in the previous two financial years and the respective turnover in the reporting period. Specific conditions related to certain customers, products, promotional campaigns or similar are considered separately in assessing the right of return liability. Following this estimation process the Group assessed that it is highly probable that there will not be a significant reversal of revenue if the estimate of expected returns changes.

Other revenue

Other revenue relates mainly to transportation services and storage services in ’bill and hold' arrangements. Allocation of the consideration between sold goods, transportation services and storage services is based on their standalone selling prices.

Revenue from transportation services is recognized at the point in time when the delivery service is rendered and the goods have been accepted by the clients.

Revenue from storage services is recognized over time. Progress is determined based on the duration elapsed out of the total storage period agreed between the Group and its clients or an estimation thereof.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Financing component

Revenue related to sales whereby the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year is adjusted to account for the time value of money. Interest income resulting from this financing component is recognized over the expected maturity of the receivables using the effective interest rate method and is presented as “Finance Income” in the consolidated statement of profit or loss and other comprehensive income.

Significant estimate – discount rate

The contract consideration is adjusted to reflect the significant financing component using a discount rate that reflects the rate that would be used in a separate financing transaction between the Group and its customers. For invoices financed through intra-group factoring arrangements the financing component is approximated by the factoring costs as the invoices are passed over to the factor without significant delays after their initial recognition.

For other invoices the discount rate was determined by averaging interest rates offered by local banks to commercial companies for loans with similar characteristics (source: monthly reports issued by the National Bank of Romania) and interest rates offered by Agricover Credit IFN SA to its customers, in the month in which the sale is recognised.

Management considers that the discount rate reflects the credit risk of the relevant receivables portfolio as this is related to a mix of customers that have financing agreements with Agricover Credit IFN SA and others that do not. After contract inception, the Group does not update the discount rate – interest income is recognised based on the effective interest rate method, using the original discount rate.

Significant estimate - variable consideration

A variable amount that is promised within a contract is included as consideration when measuring revenue. To this end, the Group estimates the amount of the consideration to which it will be entitled in exchange for transferring the promised goods to the customers. Recognition of such consideration is estimated at contract inception and is constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur or when the associated uncertainty with the variable consideration is subsequently resolved.

Variable consideration includes “*commercial discounts*”, namely discounts granted by the Group for compliance with contractual payment terms, based on the agricultural season and not on the calendar year. Commercial discounts result in the reduction of sales revenue earned during the period, and are booked at the time of sale according to an estimation. In making this estimation the management considers past collection patterns as well as information available to the commercial and risk teams of the Group, which are in close contact with significant customers. Considering prudent credit limits pre-approvals and most recent collection information, the management expects that substantially commercial discounts promised will be granted.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Dissagregation of revenue from contracts with customers by product type is presented below.

	2023	2022
Revenue from goods sold		
Crop protection products	550,732	562,576
Fuel	540,130	613,162
Crop nutrition products	489,138	1,081,036
Seeds	248,866	265,486
	1,828,866	**2,522,260**
Revenue from sales of drones	279	-
Other revenue	15,905	26,340
Total	**1,845,050**	**2,548,600**

5 NET INTEREST INCOME AND NET FINANCE INCOME

Through its Agrifinance division, the Group offers a range of financing products, including working capital and investment loans tailored to the needs of the farmers. To finance its loans granting activity, the Group has access to a diverse range of capital sources, including listed bonds and debt agreements with international financial institutions and local banks.

Interest income earned on loans and advances granted as well as interest expense on debt contracted by the Agrifinance division, due to the nature of its activity, are presented within Operating profit as "Interest income" and "Interest and similar expenses" respectively.

Other interest income and expense, as gained or incurred by other operating segments of the Group in the course of their normal activity, are included in the statement of profit or loss within "Finance income" and "Finance costs".

All interest income and expenses are measured and recognised using the effective interest method, as prescribed by IFRS 9 *Financial Instruments*.

Significant components of interest income and expense and finance income and expenses as included in the profit or loss of 2023 and 2022 are presented below:

	2023	2022
Interest Income – Agrifinance	398,588	305,988
Credit lines	*369,796*	*284,058*
Capex	*28,477*	*21,430*
Other interest income	*315*	*500*
Interest Expense – Agrifinance	(192,503)	(151,845)
Net Interest Income – Agrifinance	**206,085**	**154,143**
Financing Interest Income – Agribusiness	20,103	15,709
Other finance revenue	221	-
Finance Income	**20,324**	**15,709**
Interest Expense – Agribusiness	(16,346)	(11,117)
Net FX losses	1,351	(1,523)
Other finance gain / (losses)	(40)	(44)
Finance Cost	**(15,035)**	**(12,684)**
Net Finance Income	**5,289**	**3,025**

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

During 2023, interest income recognised on impaired financial assets amounts to 12.1 million RON (2022: 14.9 million RON).

6 BREAKDOWN OF ADMINISTRATIVE EXPENSES AND COST OF SALES BY NATURE

In the statement of profit or loss and other comprehensive income, the Group presents its expenses by function.

All operating expenses of the Group are allocated to cost centres. Separate cost centres exist for regional working points and warehouses and headquarters for all operating segments of the Group. Expenses related to sales, acquisition and distribution process, including those related to the origination of loans and advances granted, as allocated to regional working points and warehouses (e.g.: inbound and outbound transportation related expenses, salaries of personnel, rent or depreciation, third party storage cots, consumables, etc.) are allocated to Cost of sales. Expenses related to headquarters cost centres incurred to support the functioning of the business and which are not directly related to the distribution process or to the loan origination process (e.g. support functions including finance or human resources, headquarters rent etc.) are allocated to Administrative expenses. Those expenses related to headquarters cost centres which are directly related to the loan origination, sales, or distribution processes (.e.g. expenses incurred with or related to purchases, logistics and sales teams) are allocated to Cost of sales. Headquarters rent is allocated between cost of sales and administrative expenses based on the area occupied by respective teams.

The table below presents the breakdown of administrative expenses and cost of sales by their nature:

	2023	**2022**
Merchandise	1,729,778	2,351,328
Employees costs	97,561	101,700
Transportation expenses	14,882	24,044
Third party services	17,851	20,438
Depreciation	21,167	12,789
Consumables expenses	4,063	4,326
Communication and marketing	5,084	5,542
Repairs and maintenance	5,870	7,026
Write-down and losses/ (reversal) of inventories	(3,046)	8,066
Taxes except income tax	5,485	5,010
Other	18,855	18,219
Total, *of which*	**1,917,550**	**2,558,488**
Cost of sales	1,839,641	2,480,506
Administrative expenses	77,909	77,982

The contractual fee for the audit of the statutory financial statements of the Group for the financial year ended 31 December 2023 was 193,400 EUR in total, out of which for the Company 47,700 EUR (2022- Group: 190,450 EUR, Company: 47,000 EUR). The contractual fee for the Group's review services provided by the statutory auditor for the financial year 2023 was 41,600 EUR, out of which for the Company 15,300 EUR (2022 – Group: 46,550 EUR, Company: 15,300 EUR). The contractual fee for other services for the financial year 2023 was 2,000 EUR for the Group (2022: 104,000 EUR, out of which 2,000 EUR for the Group and 102,000 EUR for the Company).

During 2023 the Group paid 2,154,780 RON (2022: 1,543,929 RON) to the statutory financial auditor.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

At 31 December 2023 expenses accrued in relation to audit and non-audit services provided by the statutory financial auditor amounted to 615,191 RON (31 December 2022: 762,574 RON).

7 OTHER EXPENSES AND INCOME

Net credit losses on financial assets

Credit losses on financial assets are represented by the movements in expected credit losses calculated for existing and new loans and advances to customers as well as for trade and other receivables (such movements are detailed in Note 10). Net credit losses on financial assets include expected credit losses on off balance sheet commitments and guarantees granted by the Group (refer to Note 24), as follows:

	2023	**2022**
Net credit losses on loans and advances to customers	46,497	26,746
Net credit losses on commitments and guarantees	1,131	340
Net credit losses on trade and other receivables	29,596	13,033
Total net credit losses	**77,224**	**40,119**

Fee and commission income

Fee and commission income mainly represents commission income for brokerage of insurance products. Brokerage fees are generally recognised on an accrual basis when the service has been provided, i.e. when the policy is written and the premium is cashed.

The table below presents the breakdown of fee and commission income and expenses:

	2023	**2022**
Insurance broker commission income	10,336	11,172
Loan collaterals management commission income	1,053	2,274
Fee and commission income	**11,389**	**13,446**
Loan collaterals management commission expense	(994)	(2,802)
Fee and commission expense	**(994)**	**(2,802)**

Other operating expenses

	2023	**2022**
Net loss from derivatives (Note 10)	(4,716)	(9,180)
Donations and sponsorships	(2,779)	(3,315)
Other losses	-	76
Total other operating expenses	**(7,495)**	**(12,419)**

Sponsorship costs are realised as the Group provides financial support to the farming community for educational programmes developed by Clubul Fermierilor Romani pentru Agricultura Performanta, a non-profit association of Romanian farmers (1,3 million RON in 2023, 1,7 million RON in 2022) and Fundatia Leaders (1.2 million RON in 2023, 1.2 million RON in 2022). Such programs are tailored to the needs of young farmers and support the generational change within family-owned farms.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

8 EARNINGS PER SHARE

The following table reflects the data used in the calculation of basic and diluted earnings per share:

	2023	2022
Profit attributable to owners of the Parent		
From continuing operations	45,216	84,156
From discontinued operations	-	(1,091)
Total	**45,216**	**83,066**
Issued ordinary shares as 1 January	1,890,671,063	2,163,968,075
Agrifood demerger (4th of Feb)	-	(273,297,012)
Issued during the period	3,389,240	-
Number of ordinary shares in issue at 31 December	1,894,060,303	1,890,671,063
Weighted-average number of ordinary shares	1,885,625,733	1,916,877,626
Basic and Diluted EPS	**0.024**	**0.043**
Basic and Diluted EPS from continuing operations	0.024	0.044
Basic and Diluted EPS from discontinued operations	-	(0.001)

9 CURRENT AND DEFERRED INCOME TAX

Current and deferred income tax charges are calculated on the basis of tax rates and tax laws enacted or substantively enacted in Romania at the balance sheet date.

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 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.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Significant Judgement – Income tax

Frequent modification of the tax laws applicable in Romania give rise to significant tax uncertainties including but not limited to the tax authorities interpretation of complex tax issues. Differences arising between the results of such interpretations and the assumptions made by the Group's management, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded, together with late payment interest and penalties. In Romania, tax periods remain open for 5 years.

One of the main sources of tax uncertainty is related to 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 must prepare and make available upon written request of the Romanian tax authorities their transfer pricing documentation file. The entities within the Group have prepared and regularly (at least yearly) review transfer pricing files. In doing so, the Group seeks the assistance and input of established third party service providers, generally selected among the four largest professional services networks in the world (i.e. the Big Four) who are best positioned to benchmark our transactions with similar transaction on the market. 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.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and recognises related liabilities where appropriate on the basis of amounts expected to be paid to the tax authorities. The Group's management considers that the tax liabilities included in these consolidated financial statements are fairly stated, and is not aware of any circumstances which may give rise to a potential material liability in this respect.

Significant components of the income tax expense are presented below.

	2023	**2022**
(Current) income tax	(15,851)	(20,223)
Deferred tax (expense) / income	(1,055)	3,828
Income tax expense	**(16,906)**	**(16,395)**

The income tax rate applicable to the Group's taxable income in 2023 and 2022 is 16%.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

The reconciliations between the tax expense and the product of accounting profit multiplied by the statutory tax rate for the years ended 31 December 2023 and 31 December 2022 are as follows:

	2023	2022
Accounting profit before tax from continuing operations	61,097	107,699
Accounting profit/ (loss) before tax from discontinued operations	-	(1,126)
Accounting profit before tax	**61,097**	**106,573**
Tax charge at the statutory tax rate of 16%	**9,776**	**17,052**
Tax effect of non-taxable income	**(857)**	**(367)**
Tax effect of non-deductible expense	**9,155**	**2,139**
Other tax deductions, *of which:*	**(4,164)**	**(4,177)**
Tax credit related to sponsorship (*)	(2,787)	(3,323)
Other fiscal facilities	(1,377)	(854)
Deferred tax not recognised on other losses	(352)	70
Deferred tax not recognised on fiscal losses from discontinued operations	-	287
Deferred tax not recognised on fiscal losses from continued operations	3,348	1,391
Income tax expense	**16,906**	**16,395**
Effective tax rate	27.67%	15.38%

(*) Companies liable for corporate income tax that make sponsorships (in compliance with the Sponsorship Law 32/1994) for the support of non-profit organisations deduct the related amounts from the corporate income tax due. The available deductions are capped at the minimum of:

- 0.75% of revenue; or
- 20% of the corporation tax due.

Significant components of deferred tax assets and liabilities as at 31 December 2023, including their movements during the year then ended, are presented below:

	1 January 2023			31 December 2023	
	Deferred tax assets	**Deferred tax liabilities**	**(Charged) / Credited to profit or loss**	**Deferred tax assets**	**Deferred tax liabilities**
Property, plant and equipment	-	(176)	20	-	(156)
Allowance for loans granted	2,503	-	(2,444)	59	-
Allowance for trade and other receivables	3,852	-	2,907	6,758	-
Other timing differences	2,337	-	(1,538)	800	-
	8,692	**(176)**	**(1,055)**	**7,617**	**(156)**

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Significant components of deferred tax assets and liabilities as at 31 December 2022, including their movements during the year then ended, are presented below:

	1 January 2022			31 December 2022	
	Deferred tax assets	**Deferred tax liabilities**	**(Charged) / Credited to profit or loss**	**Deferred tax assets**	**Deferred tax liabilities**
Property, plant and equipment	-	(9)	(167)		(176)
Allowance for loans granted	3,374	-	(871)	2,503	-
Allowance for trade and other receivables	1,394	-	2,457	3,852	-
Other timing differences	-	(71)	2,408	2,337	-
	4,768	**(80)**	**3,827**	**8,692**	**(176)**

As of 31 December 2023 Agricover Holding SA and Agricover Technology SRL have cummulative fiscal losses amounting to 32 million RON (31 December 2022: 16.9 million RON) for which no deferred tax asset has been recognised. The expiration dates for the fiscal losses are presented below:

		Expiring date						
		31 Dec 2024	**31 Dec 2025**	**31 Dec 2026**	**31 Dec 2027**	**31 Dec 2028**	**31 Dec 2029**	**31 Dec 2030**
Fiscal losses as at 31 Dec 2023	32,073	1,348	206	1,513	2,454	2,822	8,594	15,136

		Expiring date						
		31 Dec 2023	**31 Dec 2024**	**31 Dec 2025**	**31 Dec 2026**	**31 Dec 2027**	**31 Dec 2028**	**31 Dec 2029**
Fiscal losses as at 31 Dec 2022	16,937	-	1,348	206	1,513	2,454	2,822	8,594

During both 2023 and 2022 financial years, the Parent received dividends from its subsidiaries. While the Parent expects to continue to receive dividends in the future, dividend income is non-taxable. Similar fiscal treatment applies to capital gains that might be obtained by the Parent when selling all or part of its investments. Moreover interest income related to loans granted by the Parent to other entities within Group was and is expected to be in the future substantially similar to the Parent's interest expense (main objective of the Parent in attracting funds from the capital markets is to finance its subsidiaries and it does so generally by offering loans with similar characteristics or through share capital increases).

In this context and considering that the Parent did not and does not plan to engage in other significant revenue generating activities, as of 31 December 2023 and 31 December 2022 no deferred tax is recognised for fiscal losses carried forward of the Parent.

This section discusses the Group’s exposure to various risks, explains how these risks are managed and shows how these could affect the Group’s financial position and performance.

10 FINANCIAL RISKS MANAGEMENT

The Group’s strategy for growth and development has the farmers and their needs at its core. The Group’s aim is to support its clients in achieving their potential and, in the process, to support the Romanian agriculture in its important role in the European and global food chain. With this in mind, the Group has developpedowa business model which follows the seasonality of the agricultural year and offers a wide range of inputs and technologies, including financing of both working capital and investment needs of the farmers.

In this context the trade receivables peak in June and are collected in the second part of the financial year (as main crops are harvested and sold). Trade receivables are financed through similar agreements with suppliers (trade payables are also peaking around this period) and, where not possible or more costly for the Company, through bank loans (which follow the same seasonality). Bank loans, loans from international financial institutions, investment funds and capital markets are the main source of financing for the loans and advances to customers granted within the Agrifinance sector.

This business model involves taking on and managing financial risks in a targeted manner. 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 related 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 internal audit function, including the audit committee of three independent members all with significant financial experience and at least one with accounting background, is responsible for the independent review of the risk management and the internal control environment.

i. 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 to customers, but may also arise from other sources such as financial guarantees and other transactions giving rise to financial assets, including trade receivables.

Credit risk is the largest financial risk to the Group's business. The Group's maximum exposure to credit risk is reflected by the carrying amounts of financial assets recognised in the consolidated statement of financial position. The Group's maximum exposure to credit risk is reflected by the carrying amounts of financial assets in the consolidated statement of financial position and the undrawn amount of credit card facilities in the amount of RON 106 million (31 December 2022: RON 87 million). Other undrawn credit facilities do not expose the Group to significant credit risk as they are uncommited.

i.1. Credit risk on loans and advances, including loan commitments and guarantees issued

i.1.1. Risk Management Policies and Procedures

The Group uses internal risk gradings that reflect its assessment of the probability of default of individual counterparties. Borrower and loan specific information collected by the relationship managers is fed into this risk grading model. Relationship managers have clear responsibilities concerning health checks and monitoring of farmers' business, as one of their KPIs refers to the collection of installments as due. In practice Agricover teams visit each farmer at least twice a year (when financing autumn main crops, respectively spring main crops). This is supplemented with external data such as credit bureau or payment incidents information or COFACE reports on individual borrowers. In addition, the model enables judgement from the Risk Director to be fed into the final internal grading. This allows for considerations which may not be captured as part of the other data inputs into the model.

Specific monitoring strategies are applied depending on risk information and value of exposure, as follows:

1) **Standard exposure monitoring** –automatic collection process applied to all credit risk exposures. Risk indicators monitored:
    - ✓ Insolvency – based on the public insolvency register;
    - ✓ Breaches of payment terms with third parties – based on information available from the Central Credit Register ("CRC");
    - ✓ Level of debts to state budget – these should not exceed 20% of the exposure of Agrifinance to the respective client.
2) **Intensive exposure monitoring –** process applied for clients with exposure over 2 million RON or for "orange" or "red" graded exposures; whereby in intensive monitoring the following risk indicators are observed in addition to the standard:
    - ✓ debtor's status at the National Trade Register Office;
    - ✓ information from the Office of Payment Incidents for Romanian Companies ;
    - ✓ significant increase of client's debt to other financial institutions (sensitive threshold: 50% year-on-year increase).

As a result, the early understanding of potential problems that customers may face during the agriculture year allows preventive intervention and, in most cases, Agrifinance team together with the customers identify solutions to resume or potentially restructure payment schedules. At the same time, in situations where the farmers cannot meet their obligations, early identification of default risk allows timely initiation of collateral liquidation procedures. Usually the forced execution team identifies potential buyers even among the existing clients with whom the Group has long-lasting business relationships, especially in the case of agricultural land, silos, or agricultural equipment brough as collateral. As a consequence, access to an extended customer base enables a fast and efficient collateral liquidation process, at at or close to market prices.

The internal risk grades as monitored by the Risk Director and periodically reported to the Credit Risk Committee are detailed below:

1) **green –** exposures less than 30 days overdue and with no other risk indicators identified based on the standard or intensive monitoring processes (for clients with exposure over 2 million RON);
2) **orange –** exposures past due by 31 to 90 days as well as customers with restructured loans and less than 30 days overdue during the probation period.
3) **red –** exposures with more than 90 days past due where solutions for amiable collection have been identified, or exposure to clients whose financial situation or other risk indicators may lead to the opening of foreclosure procedures; customers with this risk grade are monitored by the legal collection team who accompany the commercial team during the site visits with the objective to identify solutions for collection, such as amicable payment, or existing collateral execution or consolidation of existing guarantees etc.
4) **legal –** exposures for which legal proceedings for foreclosure and collateral execution have been initiated via a bailiff. They are monitored by the legal collection team.

For clients under intensive monitoring the relevant indicators are assessed by the risk analyst, the commercial team may be involved in data gathering when relevant, and submitted to the attention of the Collection Committee when indicators of significant increase in credit risk are identified. Based on this analysis the Collection Committee updates or keeps the risk grade of the respective client.

The Group manages limits and controls the concentrations of credit risk both to individual counterparties and to group of related counterparties exposures. Such limits are subject to an annual review process but can be updated more frequently if necessary. Limit updates are initiated in the light of changing market and economic conditions and periodic credit reviews and assessments of probability of default.

i.1.2. Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired at initial recognition is classified in 'Stage 1' and has its credit risk
- continuously monitored by the Group as detailed above.
- If a significant increase in credit risk since initial recognition ('SICR') is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be impaired. Refer to note i.1.2.1 for details around SICR identification.
- If the financial instrument is impaired, it is then moved to 'Stage 3'. Refer to note i.1.2.2 for details around impairment identification and default definition.
- Financial instruments in Stage 1 have their expected credit losses ("ECL") measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Refer to note i.1.2.4 for details around key inputs, assumptions and estimates used by the Group in the measurement of ECL.
- Measuring ECL in accordance with IFRS 9 considers forward-looking information. Refer to note i.1.2.5 for details around forward looking information and its impact on the ECL measured by the Group.

- Financial assets impaired at acquisition or inception (”POCI”) are those financial assets that are impaired on initial recognition. Subsequent to initial regcognition at fair value, interest income on POCI financial assets is recognized based on a credit-adjusted effective interest rate while their ECL is always measured on a lifetime basis irrespective of whether they are impaired at the reporting date.
- Further explanation is also provided of how the Group determines appropriate groupings when ECL is measured on a collective basis. Refer to note i.1.2.3 for details around segmentation of loans and advances as used by the Group for the purposes of measuring ECL.

Significant estimate – expected credit losses

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) and makes certain post-model adjustments to account for existing or expected risks which are not addressed by the statistical model employed. Key judgements, assumptions and techniques used for estimating expected credit losses on loans and advances, loan commitments, as well as financial guarantees issued by the Group are presented below, together with sensitivities of the ECL to relevant inputs.

i.1.2.1. Significant increase in credit risk (“SICR”)

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 concludes that there has been a significant increase in credit risk whenever one of the following circumstances occurs:

- the asset is more than 30 days past due (backstop),
- different triggers are signaled by the Credit Risk Committee, such as: payment incidents, significant increase in customer debt to other financial institutions, year-on-year increase of indebtedness by 50% or more etc.,
- the debtor exhibits significant financial degradation based on the analysis of its financial reports (i.e. it is classified as “orange” based on the internal risk grades identified above), or
- first restructuring if no amounts are overdue by more than 30 days during the probation period of 24 months.

i.1.2.2. Default and credit-impaired loans and advances

For the purpose 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 considers both quantitative and qualitative indicators, as appropriate. An asset is marked as in default whenever one of the following circumstances occurs:

- the asset is more than 90 days past due (backstop), or
- the asset was more than 90 days past due anytime in the three months prior to the reporting date,
- the Group concludes that 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 (i.e. it is classified as “red” based on the internal risk grades identified above), or
  - Repeated restructuring.

An exposure is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria identified above, subject to a probation period of 12 months in case of borrowers with repeated restructurings, respectively of 3 months in the rest of the cases, depending on applicable default criteria. Subsequent to the probation period, the exposure is classified as "Stage 1" or "Stage 2" based on the criteria for identifying a significant increase in credit risk discussed above.

i.1.2.3. Grouping of instruments for expected losses measured on a collective basis

For expected credit losses modelled on a collective basis, a grouping of exposures is performed on the basis of shared credit risk characteristics, such that risk exposures within a group are homogeneous. In performing this grouping, there must be sufficient information for the group to be statistically relevant.

The risk drivers applied by the Group refer to:

- Type of client, referring to:
  - the surface of agriculture land worked by the client, i.e. above, respectively below 400 hectares; and to
  - clients that perform other agriculture activities than work of land
- Type of product

i.1.2.4. Key inputs, assumptions and estimation techniques

The Expected Credit Loss (“ECL”) is measured:

- on a 12-month (12M) basis for Stage 1 classified exposures, or
- on a Lifetime basis for Stage 2 or Stage 3 classified exposures as well as for exposures purchased or originated credit-impaired.

Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per the definition of Default above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation;
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).

- Loss Given Default (LGD) represents the Group's expectation of the extent of loss on a defaulted exposure. 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. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD).

The ECL is determined by projecting and multiplying the 12M or Lifetime PD, LGD and EAD for each individual exposure or collective segment.

12M PD is calculated considering historical default data, namely following the behaviour of each vintage of performing portfolios, whereby its behavior is followed to identify default at any time during the next 12 month period. In this analyis the default state is non-absorbing, meaning that if a client is marked as default say *n* times during the 12 month period of observation, *n* events of default will be counted. As at 31 December 2023, 12M PDs were estimated using quarterly vintages from the second quarter of 2014 to the third quarter of 2023 including.

The Lifetime PD is calculated based on the PD term structure developed by: i) analysing historical migration to defaul by vintage of performing portfolios, but default is identified at any time during the lifetime of the analysed assets; and ii) extrapolating from the last data available to the longest remaining maturity in the analysed portfolio. In practice, this historical PD term structure looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans and is assumed to be the same across all assets within a group with shared credit risk characteristics.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type. For revolving products, the exposure at default is predicted by taking current undrawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. For loans without a reimbursement schedule or for bullet loans, the EAD is considered constant up to "expected maturity". For installment loans EAD is estimated considering the contractual reimbursement schedule. The prepayment effect was assessed as not significant and not considered in the estimation of EAD.

The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change etc. – are monitored and reviewed on a quarterly basis.

i.1.2.5. Forward-looking information incorporated in the ECL model

The Group incorporates forward-looking information into the measurement of ECL. In practice, this translates in the determination of a link between the historical PD term structure determined as details at i.1.2.4. above and the relevant macroeconomic factors. Then, based on the forecasts of such macroeconomic factors, the historical PD term structure is adjusted to determine the final PD term structure. External information considered includes the following economic data and forecasts:

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

- agriculture commodities price index, namely the ratio between the price index of outputs (i.e. grains) and of inputs (i.e. fertilisers; with a two quarters lag to account for time need for changes in the costs of inputs to be transmitted to the price of outputs), as based on Word Bank published quarterly data;
- the evolution of agriculture gross domestic product, as based on quarterly data published by the National Institute of Statistics;
- market interest rates (i.e. ROBOR), as based on quarterly data published by the National Bank of Romania.

As part of a risk paramethers recalibration process performed during the fourth quarter of 2023, the Group has identified the above macro-economic key drivers of credit risk using an analysis of most recent nine years historical default data, up to and including the third quarter of 2023. The correlation of default data with a wider range of macro-economic variables was analysed before sellecting the best model in terms of several statistical significance tests performed, as well as in terms of empirical or economic causation.

Forward looking scenarios were built considering outlooks published by several economists based in Romania, and incorporating the management's expectations. The table below includes a summary of the forward looking scenarios used in the calculation of expected credit losses as at 31 December 2023. The forecasted values represent the weighted average of three scenarios used: base scenario with a probability of 60%, optimistic scenario with a probability of 20%, pesimistic scenario with a probability of 20%.

	Q4 2024	**Q4 2025**	**Q3 2026**
agriculture commodities price index	-10.34%	-2.53%	+2.75%
yearly agriculture gross domestic product	+5.51%	+11.29%	+4.92%
market interest rates (as at year-end)	4.95%	4.43%	3.96%

As at 31 December 2022 external information considered the contribution of the Agriculture sector in total gross domestic product, with forward looking scenarios built around the forecasts published by the National Commission for Strategy and Prognosis. Scenarios used in the calculation of the expected credit losses were: 9.8% growth of the contribution of agriculture GDP in total GDP, with a probability of 15%, and, respectively, 14.2% declide of the contribution of agriculture GDP in total GDP, with a probability of 85%.

Significant estimate – forward looking scenarios

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. Scenarios used in the calculation of expected credit losses as at 31 December 2023 and, respectively, as at 31 December 2022 are presented in this section above.

The following sensitivities of the results to reasonably possible alternatives to the management's best estimates were performed:

1. as at 31 December 2023:
   - if the pessimistic scenario was assigned a probability of 100%, the allowance account would have increased by 3.3 million RON.
   - if the optimistic scenario was assigned a probability of 100%, the allowance account would have decreased by 1.1 million RON.
   - if the base scenario was assigned a probability of 100%, the allowance account would decrease by 0.5 million RON.
2. as at 31 December 2022:
   - if the pessimistic scenario was assigned a probability of 100%, the allowance account would have increased by 0.3 million RON.
   - if the optimistic scenario was assigned a probability of 100%, the allowance account would have decreased by 2.8 million RON.
   - if the base scenario was assigned a probability of 100%, the allowance account would decrease by 1.6 million RON.

The Group constantly monitors the local, regional and global macroeconomic developments and assesses posible impacts of recent or foreseen developments on its business. In the context of the risk parameters recalibration during 2023, following which the ECL calculation model incorporates the impact of three macroeconomic factors (namely: agriculture commodities price index, agriculture gross domestic product, and market interest rates), and in consideration of the comparatively stable macroeconomic environment during the second half of 2023 and the beginning of 2024, no significant post model adjustments were deemed necesecary by the management as at 31 December 2023.

As at 31 December 2022, in order to address the negative efects of general inflation and increased interest rates, both peaking during 2022, the Group recognised the following post model adjustments:

- to account for the impact that increased inflation and interest rates might have on default rates and / or credit losses versus historical trends captured by the statistical model employed by the Goup in 2022, the weights of the forward looking scenarios used in estimating probabilities of default were stressed. Namely the pessimistic scenario was given a weight of 85% while the base scenario was weighted at 15% (with no weight allocated to the optimistic scenario). The additional allowance booked based on the stressed weights (versus weights of 60% for the base scenario and 20% for each of the optimistic and pesimistic scenarios – as based on a normal distribution) amounted to 1.6 million RON. This post-model adjustment was no longer necessary at 31 December 2023 because the statistical model used at that date in the calculation of expected credit losses includes the impact of inflation and interest rates.

- to account for the impact that general economic context at the time might have had on the values of assets held as collateral by the Group (refer to note below for the type of assets held as collateral and their valuation), the Group has stressed the haircuts applied to the fair values of collaterals as part of the expected credit losses estimation process. The additional allowance booked based on the weighted average of scenarios considered amounted to 5.9 million RON. This post-model adjustment was no longer necessary on 31 December 2023 because the agricultural sector, including agricultural commodity markets, has adapted to supply chain challenges as well as the regional and global geopolitical climate. Thus, in the second part of 2023 agricultural commodity prices, both inputs and cereals, stabilised at levels seen before December 2021.

Individual analysis of certain exposures classified as stage 3 as per the Group's methodology, including clients with exposures above 5 million RON and clients with less than 90 days past due as at 31 December 2023 and classified in stage 3 solely due to exceeding 90 days past due anytime in the three months prior to the reporting date, resulted in an 11 million RON decrease in the allowance for credit losses (versus the allowance calculated based on the standard ECL calculation methodology of the Group).

i.1.3. Collateral and other methods of risk reduction

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The main collateral types for loans and advances are:

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

The valuation methodologies for collaterals considered in the estimation of expected credit losses is presented below:

- Mortgages: fair value of the collateral is 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 inventories: based on fair value of the collateral estimated and periodically updated by the CARS Committee of the Agrifinance segment. Pledged inventories are inspected monthly by a certified external independent expert;

For the purpose of ECL measurment the fair values of collaterals as included in the valuation reports are adjusted with haircuts specific to each type of collateral to reflect the management estimated recoverable amounts in forced sales scenarios and to account for the forward looking macroeconomic scenarios considered within the ECL measurement exercise.

The table below includes information about the fair value of the collaterals considered in the ECL measurement. The values presented represent the fair values of the collaterals as included in the valuation reports (i.e. before haircuts discussed above), capped at level of the exposure (i.e. if the fair value of the collateral is higher than the exposure to which it relates, then the value of the exposure is included in the table), as at 31 December 2023 is as follows:

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Collateral \ Loan type	**CAPEX**	**Credit Line**	**Total**
Loans collateralised by:			
Mortgage	37,961	898,613	936,574
Pledge on equipment	47,234	47,691	94,925
Pledge on stock	-	125,630	125,630
Total value of collaterals	**85,195**	**1,071,934**	**1,157,129**
Gross loans and advances granted	188,220	2,570,367	2,758,587

Comparative information as at 31 December 2022 is as follows:

Collateral \ Loan type	**CAPEX**	**Credit Line**	**Total**
Loans collateralised by:			
Mortgage	81,892	719,989	801,881
Pledge on equipment	95,607	14,730	110,337
Pledge on stock	-	509,772	509,772
Total value of collaterals	**177,499**	**1,244,491**	**1,421,990**
Gross loans and advances granted	201,990	2,606,569	2,808,559

As at 31 December 2023, the Group has no asset (land or other) obtained by taking possession of collateral held as security (31 December 2022: nil) as a result of foreclosure procedures. Repossessed assets (generally represented by inventories – agricultural products) are sold as soon as practicable.

i.1.4. Loss Allowance

The increase in the allowance as of 31 December 2023, compared to 31 December 2022, is mainly linked to higher probabilities of default but also to higher non-performing exposure. Such developments were observed during 2023 as farms experienced challenges such as inflated costs of inputs used to obtain grains later sold at decreasing prices, high interest rates, etc (please refer to the detailed explanations given above in this note).

The following tables explain the changes in the loss allowance between the beginning and the end of the financial year:

	Stage 1	**Stage 2**	**Stage 3**	**POCI[1]**	**Total**
ECL at 1 Jan 2023	**18,724**	**6,716**	**48,953**	**3,398**	**77,791**
New assets originated	35,927	6,018	-	1,741	43,686
Increase of existing assets	40,386	16,190	111,685	-	168,261
Assets derecognized or repaid (excluding write off)	(52,375)	(20,433)	(89,115)	(3,398)	(165,321)
Transfers from Stage 1	(573)	353	264	-	44
Transfers from Stage 2	252	(3,373)	3,121	-	-
Transfers from Stage 3	-	1,109	(1,109)	-	-
Amounts written off	-	-	(17,520)	-	(17,520)
ECL at 31 Dec 2023	**42,341**	**6,580**	**56,279**	**1,741**	**106,941**

[1] *POCI - financial assets impaired at acquisition or origination date*

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Comparative information for the year ended 31 December 2022 is included below:

	Stage 1	Stage 2	Stage 3	POCI	Total
ECL at 1 Jan 2022	**13,374**	**8,441**	**34,016**	**-**	**55,829**
New assets originated	34,210	-	-	3,398	37,610
Increase of existing assets	11,012	8,443	31,310	-	50,764
Assets derecognized or repaid (excluding write off)	(41,967)	(9,766)	(9,894)	-	(61,627)
Transfers from Stage 1	1,593	197	(1,790)	-	-
Transfers from Stage 2	502	(898)	395	-	-
Transfers from Stage 3	-	299	(299)	-	-
Amounts written off	-	-	(4,785)	-	(4,785)
ECL at 31 Dec 2022	**18,724**	**6,716**	**48,953**	**3,398**	**77,791**

Significant changes in the gross carrying amount (“GCA”) of loans and advances that contributed to changes in the respective loss allowance were as follows:

	Stage 1	Stage 2	Stage 3	POCI	Total
GCA at 1 Jan 2023	**2,534,867**	**193,013**	**68,040**	**12,639**	**2,808,559**
New assets originated	714,266	60,153	12,119	2,144	788,682
Increase of existing assets	1,657,954	157,371	35,640	-	1,850,962
Assets derecognized or repaid (excluding write off)	(2,457,018)	(158,481)	(43,961)	(12,639)	(2,672,096)
Transfers from Stage 1	(65,159)	42,150	23,009	-	-
Transfers from Stage 2	13,684	(47,669)	33,985	-	-
Transfers from Stage 3	-	3,080	(3,080)	-	-
Amounts written off	-	-	(17,520)	-	(17,520)
GCA at 31 Dec 2023	**2,398,594**	**249,617**	**108,233**	**2,144**	**2,758,587**

Comparative information for the year ended 31 December 2022 is included below:

	Stage 1	Stage 2	Stage 3	POCI	Total
GCA at 1 Jan 2022	**1,657,771**	**151,075**	**52,956**	**-**	**1,861,802**
New assets originated	2,251,647	-	-	12,639	2,264,286
Increase of existing assets	1,032,893	23,830	10,023	-	1,066,746
Assets derecognized or repaid (excluding write off)	(2,226,902)	(123,538)	(29,050)	-	(2,379,490)
Transfers from Stage 1	(200,404)	165,729	34,675		-
Transfers from Stage 2	19,862	(26,065)	6,203		-
Transfers from Stage 3	-	1,982	(1,982)		-
Amounts written off	-	-	(4,785)		(4,785)
GCA at 31 Dec 2022	**2,534,867**	**193,013**	**68,040**	**12,639**	**2,808,559**

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Loans and advances by type of product, stage classification and type of credit risk assessment are detailed below:

31 Dec 2023	Capex		Credit line	
	GCA	**ECL**	**GCA**	**ECL**
Collective analysis				
Stage 1	173,496	1,808	2,225,105	40,533
Stage 2	10,111	157	239,505	6,423
Stage 3	1,238	1,035	82,217	51,516
Purchased Credit Impaired	-	-	2,144	1,741
Individual analysis				
Stage 2	-	-	-	-
Stage 3	3,375	785	21,396	2,943
Total	**188,220**	**3,785**	**2,570,367**	**103,156**

Comparative information for the year ended 31 December 2022 is included below:

31 Dec 2022	Capex		Credit line	
	GCA	**ECL**	**GCA**	**ECL**
Collective analysis				
Stage 1	189,160	981	2,345,713	17,743
Stage 2	7,906	50	162,407	2,291
Stage 3	1,556	1,164	64,515	47,186
Purchased Credit Impaired	-	-	12,639	3,398
Individual analysis				
Stage 2	3,154	715	19,547	3,660
Stage 3	214	134	1,748	469
Total	**201,990**	**3,044**	**2,606,569**	**74,747**

Sections below include a presentation of loans and advances to customers, separately for each significant class of products and type of customers, by credit quality, whereby credit quality is defined as:

- Low risk – loans and advances to customers included in Stage 1;
- Medium risk – loans and advances to customers included in Stage 2;
- Substandard – loans and advances to customers included in Stage 3 with 0-180 days past due;
- Doubtful – loans and advances to customers included in Stage 3 with 181-360 days past due;
- Loss – loans and advances included in Stage 3 with more than 360 days past due.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

i.1.4.1. Credit lines

The table below shows the credit quality and the exposure to credit risk from Credit lines type of loans granted, by probability of default, as at 31 December 2023.

Internal classification / Stage	Credit quality	Stage 1	Stage 2	Stage 3	Purchased Credit Impaired	Total
Performing						
below 400HA						
	Low risk	488,812	-	-	-	488,813
	Medium risk	-	65,918	-	-	65,918
above 400HA						
	Low risk	1,699,092	-	-	-	1,699,092
	Medium risk	-	173,425	-	-	173,425
others						
	Low risk	37,200	-	-	-	37,200
	Medium risk	-	162	-	-	162
Non-performing						
below 400HA						
	Substandard	-	-	29,085	-	29,085
	Doubtful	-	-	1,493	-	1,493
	Loss	-	-	5,166	-	5,166
above 400HA						
	Substandard	-	-	43,105	2,144	45,248
	Doubtful	-	-	1,898	-	1,898
	Loss	-	-	22,862	-	22,862
others						
	Substandard	-	-	-	-	-
	Doubtful	-	-	-	-	-
	Loss	-	-	5	-	5
Total GCA		**2,225,104**	**239,505**	**103,614**	**2,144**	**2,570,367**

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Comparative information for 31 December 2022 is presented below:

Internal classification / Stage	Credit quality	Stage 1	Stage 2	Stage 3	Purchased Credit Impaired	Total
Performing						
below 400HA						
	Low risk	450,446	-	-		450,446
	Medium risk	-	38,824	-		38,824
above 400HA						
	Low risk	1,831,833	-	-		1,831,833
	Medium risk	-	140,050	-		140,050
others						
	Low risk	63,437	-	-		63,437
	Medium risk	-	3,078	-		3,078
Non-performing						
below 400HA						
	Substandard	-	-	12,257		12,257
	Doubtful	-	-	177		177
	Loss	-	-	5,343		5,343
above 400HA						
	Substandard	-	-	35,088	12,639	47,727
	Doubtful	-	-	80		80
	Loss	-	-	3,320		3,320
others						
	Substandard	-	-	328		328
	Doubtful	-	-	352		352
	Loss	-	-	9,317		9,317
Total GCA		**2,345,716**	**181,952**	**66,262**	**12,639**	**2,606,569**

The tables below summarise the ageing of Stage 2 and Stage 3 Credit lines granted, as follows:

- Stage 2 – loans less than 30 days past due ("dpd") irrespective of the criteria that triggered their classification in Stage 2 (see note 10.i.1.2.1).
- Stage 3 – loans less than 90 dpd, thus presenting the loans classified as Stage 3 due to criteria other than aging (see note 10.i.1.2.2).

31 Dec 2023	Stage 2 GCA	Stage 2 ECL	Stage 3 GCA	Stage 3 ECL
Less than				
Collective analysis				
30 dpd (for Stage 2)	223,085	5,800	-	-
90 dpd (for Stage 3)	-	-	25,060	12,921
Individual analysis	-	-	-	-
30 dpd (for Stage 2)	-	-	-	-
90 dpd (for Stage 3)	-	-	16,470	2,003
Total	**223,085**	**5,800**	**41,530**	**14,924**

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Comparative information for the year ended 31 December 2022 is included below:

31 Dec 2022	Stage 2		Stage 3	
	GCA	**ECL**	**GCA**	**ECL**
Less than				
Collective analysis				
30 dpd (for Stage 2)	153,336	2,114	-	-
90 dpd (for Stage 3)	-	-	53,562	27,806
Individual analysis	-	-	-	-
30 dpd (for Stage 2)	17,623	2,958	-	-
90 dpd (for Stage 3)	-	-	1,748	469
Total	**170,959**	**5,072**	**55,310**	**28,275**

i.1.4.2. Capex

The table below shows the credit quality and the exposure to credit risk from Capex type of loans granted, by probability of default, as at 31 December 2023.

Internal classification / Stage	Credit quality	Stage 1	Stage 2	Stage 3	Total
Performing					
below 400HA					
	Low risk	29,082	-	-	29,082
	Medium risk	-	2,626	-	2,626
above 400HA					
	Low risk	139,165	-	-	139,165
	Medium risk	-	7,469	-	7,469
others					
	Low risk	5,250	-	-	5,250
	Medium risk	-	15	-	15
Non-performing					
below 400HA					
	Substandard	-	-	701	701
	Doubtful	-	-	-	-
	Loss	-	-	111	111
above 400HA					
	Substandard	-	-	3,295	3,295
	Doubtful	-	-	133	133
	Loss	-	-	354	354
others					
	Substandard	-	-	-	-
	Loss	-	-	19	19
Total GCA		**173,497**	**10,110**	**4,613**	**188,220**

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Comparative information for 31 December 2022 is presented below:

Internal classification / Stage	Credit quality	Stage 1	Stage 2	Stage 3	Total
Performing					
below 400HA					
	Low risk	34,966	-	-	34,966
	Medium risk	-	3,161	-	3,161
above 400HA					
	Low risk	130,443	-	-	130,443
	Medium risk	-	7,635	-	7,635
others					
	Low risk	23,752	-	-	23,752
	Medium risk	-	264	-	264
Non-performing					
below 400HA					
	Substandard	-	-	253	253
	Doubtful	-	-	5	5
	Loss	-	-	197	197
above 400HA					
	Substandard	-	-	778	778
	Loss	-	-	150	150
others					
	Substandard	-	-	248	248
	Loss	-	-	138	138
Total GCA		**189,161**	**11,060**	**1,769**	**201,990**

The tables below summarise the ageing of Stage 2 and Stage 3 Capex loans granted, as follows:

- Stage 2 – loans less than 30 dpd irrespective of the criteria that triggered their classification in Stage 2 (see note 10i.1.2.1).
- Stage 3 – loans less than 90 dpd, thus presenting the loans classified as Stage 3 due to criteria other than aging (see note 10i.1.2.2).

31 Dec 2023	Stage 2		Stage 3	
	GCA	**ECL**	**GCA**	**ECL**
Less than				
Collective analysis				
30 dpd (for Stage 2)	9,653	145	-	-
90 dpd (for Stage 3)	-	-	252	239
Individual analysis				
30 dpd (for Stage 2)	-	-	-	-
90 dpd (for Stage 3)	-	-	465	48
Total	**9,653**	**145**	**717**	**287**

Comparative information for the year ended 31 December 2022 is included below:

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

31 Dec 2022	Stage 2		Stage 3	
	GCA	ECL	GCA	ECL
Less than				
Collective analysis				
30 dpd (for Stage 2)	7,395	90	-	-
90 dpd (for Stage 3)	-	-	721	502
Individual analysis				
30 dpd (for Stage 2)	3,154	715	-	-
90 dpd (for Stage 3)	-	-	214	134
Total	**10,549**	**805**	**935**	**636**

i.1.5. Modified 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 management, indicate that collection will most likely continue. These policies are kept under continuous review. Repeated restructuring is one of the Group's impairment indicators. As at 31 December 2023, the modified net exposure was of 88.4 millions RON (31 December 2022: 29.5 millions RON).

An analysis of the restructured loans and advances to customers outstanding as at 31 December 2023 and 31 December 2022, per types of loans, is presented in the table below. The analysis presents the stage where the modified exposure is classified as at the reporting date, irrespective of its initial classification as at the modification date.

	31 December 2023		31 December 2022	
	Capex	Credit lines	Capex	Credit lines
Collective analysis				
Gross Carrying Amount, *of which*:	**633**	**94,524**	**1,211**	**39,525**
Stage 2	633	77,490	819	18,385
Stage 3	-	17,034	392	11,834
Purchased credit impaired	-	-	-	9,306
Expected Credit Losses, *of which*:	**14**	**11,770**	**344**	**10,878**
Stage 2	14	2,330	10	193
Stage 3	-	9,440	334	9,278
Purchased credit impaired	-	-	-	1,407
Individual analysis				
Gross Carrying Amount, *of which*:	**-**	**5,350**	**-**	**-**
Stage 3	-	5,350	-	-
Expected Credit Losses, *of which*:	**-**	**313**	**-**	**-**
Stage 3	-	313	-	-
Totals				
Total gross exposure	**633**	**99,874**	**1,211**	**39,525**
Total expected credit losses	**14**	**12,083**	**344**	**10,878**
Total net exposure	**619**	**87,791**	**867**	**28,647**

The Group monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for minimum twelve consecutive months or more.

i.2. Credit risk on financial assets other than loans and advances

Other financial assets which potentially subject the Group to credit risk consist mainly of cash equivalents, trade and other current and non-current receivables. Each subsidiary of the Group has policies in place to ensure that sales of goods and services are made to customers with an appropriate credit standing. Risk control assesses the credit quality of new customers before standard payment and delivery terms and conditions are offered and periodically for existing customers. Such assessments consider the financial position of the customer, the Group's past experience with that customer, external credit risk information where available and other relevant factors as the case may be. Individual risk limits are set based on internal analysis in accordance with limits set by the Board. The compliance with credit limits by wholesale customers is regularly monitored by line managers.

i.2.1. Individually significant exposures

Significant exposures are analysed individually for the purpose of identification of any impairment indicators and / or of measuring the related expected credit losses. Such analyses are based on the age of the receivable balances, external evidence of the credit status of the counterparty and any disputed amounts.

Cash and cash equivalents are analysed individualy. The credit risk on cash and cash equivalents is very small, since cash and cash equivalents are placed on short term with financial institutions which are considered at time of deposit to have low risk of default.

i.2.2. Trade and other receivables

Significant estimate – expected credit losses

The Group applies the IFRS 9 simplified approach to measuring expected credit losses, which requires a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, the Group uses a provision matrix whereby trade receivables and contract assets have been grouped based on the days past due.

The Group also analyses individually the trade receivables from companies within insolvency processes and the trade receivables past due for more than 270 days. This analysis may result in additional allowance related to subject receivables.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2023 or 31 December 2022 respectively and the corresponding historical credit losses experienced within this period. Where relevant, the historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

On that basis, the loss allowance as at 31 December 2023 was determined as follows for trade receivables:

DPD	**Not due**	**1-30**	**31-60**	**61-90**	**91-180**	**181-365**	**> 365**	**Total**
ECL rate (%)	2%	1%	9%	24%	49%	70%	100%	
Trade receivables	398,403	11,224	31,437	34,525	38,292	5,256	18,665	537,802
ECL	6,590	72	2,944	8,197	18,874	3,683	18,665	59,025

Comparative information as at 31 December 2022 is included below:

DPD	**Not due**	**1-30**	**31-60**	**61-90**	**91-180**	**181-365**	**> 365**	**Total**
ECL rate (%)	1%	5%	23%	41%	45%	62%	100%	
Trade receivables	484,368	11,493	19,582	15,048	7,102	570	10,192	548,355
ECL	4,729	562	4,491	6,219	3,167	355	10,192	29,715

The loss allowances for trade and other receivables as at 31 December reconcile to the opening loss allowances as follows:

	2023		**2022**	
	Trade receivables	**Other receivables**	**Trade receivables**	**Other receivables**
Opening Balance	(29,715)	(640)	(24,782)	(563)
Amounts written off	822	-	7,558	465
Reversal	-	-	-	-
Net Impairment charge	(30,132)	536	(12,491)	(542)
Closing Balance	**(59,025)**	**(104)**	**(29,715)**	**(640)**

Expected credit losses on trade and other receivables are presented as net credit losses, within gross profit.

Collateral is not normally obtained, and the maximum exposure to credit risk arising from trade and other recievables is equal to their respective carrying amounts.

ii. Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and commodities prices.

The Group is exposed to market risks arising from its open positions in interest rate and currency products. Quantitative and qualitative information about the Group's exposure to these risks as well as related risk management policies and practices within the Group are discussed in this note.

ii.1. Commodities price risk

The Group is exposed to both deflationary and inflationary commodity price risk, particularly in its Agribusiness segment.

Even before Ukraine being invaded by Russia, European gas prices had soared. After Russia announced it would cut off gas to the Nord Stream 1 pipeline in August 2022, the benchmark TTF price soared above 300 EUR per MWH, 13 times the average in 2018 to 2021. Since January 2023, however, things have been different. Gas prices in Europe in June 2023, at around 35 EUR per MWH, were 88% below their peak in August 2022. After a stable second half of the year, in December 2023 gas was trading at prices around 11% higher as compared to June 2023, still below a third of their levels in December 2022.

Contained energy inflation and natural gas prices down to pre-2022 levels, albeit remaining above pre-COVID levels, contribute to reduced pressure on the EU crop nutrition market, although uncertainties remain. Furthermore, high levels of imports of nitrogen fertilisers in the second semester of 2022 and the first months of 2023 compensated for a closure of a significant part of the EU ammonia production capacity in 2022. Finally, declining natural gas prices allows EU domestic ammonia plants to gradually restart.

Such factors ensured good availability of crop nutrition products on the EU markets and to further eased the pressure on agricultural input costs in 2023. On average, the price of crop nutrition products declined by 36% during 2023[2].

To mitigate the effects of supply chain disruptions and heightened availability risk during 2022, the Group operated with higher commodity inventories during the prior year, situation which led to an increased level of crop protection products and crop nutrition products inventories as at December 2022. Sharp price drops during the first half of 2023 generated crop nutrition inventories related losses of about 40 million RON. Another 12 million RON losses were incurred due to glyphosate price drops, a crop protection product.

As substantially all crop nutrition and glyphosate inventories purchased in 2022 were sold or otherwise marked to market during the first semester of 2023, the Company did not incur similar loses during the second half of the year. Overall, during the three years period impacted by supply chains disruptions and / or geopolitical instability (i.e. 2021 to 2023), when operating on average with higher than normal inventory levels, the Agribusiness division achieved a cumulated EBITDA of 127.2 million RON and 56.6 million RON cumulated net profit.

[2] European Commission *Price Dashboard* published by the European Commission, No 139, 23 January 2024, page 2

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

ii.2. Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board has set limits on the net positions the Group can hold in foreign currencies, including foreign exchange positions of subsidiaries and both accounting and economic hedges. Such limits are especially relevant for the Agrifinance division, where part of borrowings from international financial institutions, other debt agreements and proceeds from issued bonds are EUR denominated. According to the limits set by the Group and to certain financial covenants imposed by borrowing agreements, the open currency position within Agrifinace should not exceed 10% of its Total Capital.

The Group's strategy is to monitor open positions on a daily basis and apply risk management strategies to ensure it manages itself against currency risk. Positions are maintained within established limits by either balancing the assets and liabilities in the relevant currencies, or taking out foreign currency swaps or forwards and converting the exposures into RON.

The Group's exposure to foreign currency risk at the end of the reporting period, showing the Group's monetary financial assets and financial liabilities, at their carrying amounts, by denomination currency, was as follows:

	31 December 2023		**31 December 2022**	
	EUR	**USD**	**EUR**	**USD**
Assets				
Cash and and cash equivalents	13,130	57	6,943	7
Loans and advances to customers	324,702	-	334,278	-
Trade and other receivables	987	-	2,869	953
Total assets	**338,819**	**57**	**344,090**	**960**
Liabilities				
Borrowings	264,696	17,362	275,721	24,956
Issued bonds	204,753	-	203,401	-
Trade and other payables	44,182	11,641	40,024	27,174
Total Liabilities	**513,631**	**29,003**	**519,146**	**52,130**
Derivative financial instruments (notional)	87,802	-	86,580	5,881
Net financial position	**(87,010)**	**(28,946)**	**(88,476)**	**(45,289)**

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in EUR and USD exchange rates relative to the functional currency. The rate used are based on the market estimamtion and the year end rates. The sensitivities are calculated by applying the changes in the exchange rates to the above net financial position, in case of gain / (loss) before tax, respectively by considering tax effect in case of equity impact.

	2023	2022
	EUR strengthening by 1.5%	*EUR strengthening by 3.1%*
Gain / (loss) before tax	(1,381)	(2,743)
Equity	(1,168)	(2,304)

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

	2023 *USD weakening by 2.3%*	2022 *USD weakening by 1.7%*
Gain / (loss) before tax:	673	770
Equity	565	647

ii.3. Interest rate risk

The Group's main interest rate risk arises from the mismatch between the repricing frequency of loans and advances granted with variable rates, on the asset side, and the repricing frequency of borrowings together with the fixed rate bonds issued on the liabilities side. As at 31 December 2023, fixed rate borrowings amounted to 331 million RON (31 December 2022: 321 million RON), representing 11% of total financial liabilities (31 December 2022: 11%). Such mismatches expose the Group to cash flow interest rate risk. The Group's strategy is to monitor and, depending on the market conditions and anticipated trends, partially manage the risk of open repricing gap using floating-to-fixed interest rate swaps.

Borrowings contracted by the Group bear fixed or floating interest rate and are measured at amortised cost.

During 2021, the Group contracted a 5 year maturity 40 million EUR fixed rate bond. The proceeds were used to finance the loans granting activity of the Agrifinance division.

The following table provides an analysis of the Group's interest rate risk exposure on financial assets and liabilities as at 31 December 2023. The Group's assets and liabilities are included at carrying amount and categorised by the earlier of contractual repricing or maturity dates.

asset / liability class	**up to 1 month**	**1 to 3 months**	**3 to 12 months**	**1 year and above**	**Total**
Loans and advances to customers	1,079,609	4,698	1,527,983	39,356	2,651,646
Other non-current receivables	-	-	-	-	-
Trade and other receivables	61,882	17,506	409,882	953	490,223
Finance lease receivable	-	-	-	128	128
Cash and cash equivalents	477,529	-	-	-	477,529
Total financial assets	**1,619,020**	**22,204**	**1,937,865**	**40,437**	**3,619,526**
Bonds issued	-	6,316	-	198,437	204,753
Borrowings	724,287	1,320,980	205,306	308,744	2,559,317
Lease liabilities	748	1,544	6,174	11,135	19,601
Trade and other payables	49,978	30,482	227,801	83	308,344
Total financial liabilities	**775,013**	**1,359,322**	**439,281**	**518,399**	**3,092,015**
Interest repricing gap	**844,007**	**(1,337,118)**	**1,498,584**	**(477,962)**	**527,511**

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Comparative information as at 31 December 2022 is included below:

asset / liability class	up to 1 month	1 to 3 months	3 to 12 months	1 year and above	Total
Loans and advances to customers	1,285,399	7,042	1,377,207	61,120	2,730,768
Other non-current receivables	-	-	-	2,704	2,704
Trade and other receivables	66,479	32,830	447,982	1,568	548,859
Finance lease receivable	65	-	562	209	836
Cash and cash equivalents	119,601	-	-	-	119,601
Total financial assets	**1,471,544**	**39,872**	**1,825,751**	**65,601**	**3,402,768**
Bonds issued	-	6,281	-	197,119	203,400
Borrowings	1,091,979	996,951	178,299	101,716	2,368,945
Lease liabilities	615	1,434	5,562	12,703	20,314
Trade and other payables	147,557	32,685	221,032	-	401,274
Total financial liabilities	**1,240,151**	**1,037,351**	**404,893**	**311,538**	**2,993,933**
Interest repricing gap	**231,393**	**(997,479)**	**1,420,858**	**(245,937)**	**408,835**

The gaps in up to one year risk bands are explained by the fact that 67% of the the Group's granted loans and advances to the customers bear floating interest with 6M tenor base rates and monthly repricing frequency. Remaining portfolio is either priced at a six months frequence or bears fixed interest rates. The Group's borrowings bear floaring interest with 6M, 1M or 3M tenor base rates with repricing frequencies that match the tenor of the respective base rates. Such risk exposure is in the normal course of business for the Group.

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in interest rates. The sensitivities are calculated by applying the changes in the floating rates to the floating rate financial assets and liabilities outstanding at the reporting date.

	2023 Interest rate lower by 151bp	2022 Interest lower by 225bp
Gain / (loss) before tax:	2,224	1,817
Equity	1,869	1,527

iii. Liquidity Risk

Liquidity risk is defined as the risk that the Group does not have sufficient liquid financial resources to meet obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Group might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to the Group on acceptable terms. To limit this risk, management has arranged for diversified funding sources in addition to its core capital base, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis.

The treasury departments of the subsidiaries of the Company are responsible for working with other departments within the respective subsidiaries to ensure the liquidity risk strategy is executed. This incorporates an assessment of expected cash flows and the availability of high-grade collateral which could be used to secure additional funding, if required.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Prudent liquidity risk management also implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed borrowing facilities to meet obligations when due and to close out market positions. Due to the dynamic nature of the underlying businesses, Group treasury maintains flexibility in funding by maintaining availability under credit lines. The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

	31 December 2023	31 December 2022
Undrawn Committed facilities	**171,033**	**92,244**
expiring within one year	171,033	92,244
Undrawn Uncommitted facilities	**655,961**	**411,096**
expiring within one year	413,041	289,710
expiring beyond one year	242,920	121,386
Total available undrawn facilities, *of which:*	**826,993**	**503,340**
expiring within one year	584,073	381,954
expiring beyond one year	242,920	121,386
Unencumbered eligible assets	**1,460,075**	**1.375,686**

Unencumbered eligible assets are financial assets, including loans and advances to customers or trade receivables, and non-financial assets, including inventories, eligible for use as collateral under the Group's funding commitments.

The Group uses the Current Ratio (i.e. the ratio of current assets to current liabilities) to monitor and promote a robust liquidity profile. The Group calculates the Current Ratio, which shall not be less than 1, on a monthly basis. The Current Ratio for the Group at 31 December 2023 is 1.04 (31 December 2022: 1.56).

Analysis of financial assets and liabilities

The Group manages its exposure to the liquidity risk using a maturity structure of its monetary assets and liabilities based on remaining contractual maturities of assets and liabilities with set payment terms and on expected cash flows for those assets or liabilities without specific maturities. The table below shows how the Group manages its liquidity risk by presenting the undiscounted cash flows of monetary assets and liabilities on time bands based on their remaining contractual maturities. Some of the Group's borrowings and most of its loans and advances granted (except commitments under credit card facilities) are uncommited, including unconditional early repayment options in favour of the lender. Based on its history and relationships developed with its business partners, the Group concluded that exercising such options is highly unlikely, thus the early repayment options are not considered in the analysis below. Derivatives held for risk management purposes are shown based on their remaining contractual maturity at their expected cash flows estimated based on the market conditions at the end of the periods presented. Credit card commitments related outflows are estimated based on the Group's historical credit conversion factor on similar products, and allocated on the earliest timeband.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Analysis as at 31 December 2023 is presented below:

31 December 2022	**0 to 6 months**	**6 to 12 months**	**1 to 2 years**	**2 to 5 years**	**more than 5 years**	**total**
Loans and advances to customers	655,086	1,474,054	432,852	716,941	49,244	3,328,177
Other non-current receivables	944	-	-	-	-	944
Trade and other receivables	76,738	418,404	1,011	-	-	496,153
Finance lease receivables	97	27	35	14	-	173
Cash and cash equivalents	477,529	-	-	-	-	477,529
Expected inflows on assets	**1,210,394**	**1,892,485**	**433,898**	**716,955**	**49,244**	**4,302,976**
Borrowings	821,629	792,123	607,227	815,625	60,701	3,097,306
Lease liabilities	4,411	4,082	5,531	5,952	-	19,977
Trade and other payables	119,369	173,201	-	-	-	292,570
Other payables, non-current	-	-	83	-	-	83
FX forward risk management purposes	-	-	-	-	-	-
Expected outflows on liabilities	**945,409**	**969,406**	**612,841**	**821,577**	**60,701**	**3,409,936**
Off balance sheet items						
Derivative notional amount(inflow)	18,900	-	2,124	65,099	-	86,123
Derivative notional amount(outflow)	(19,124)	-	(4,562)	(68,248)	-	(91,934)
Financial guarantees granted	4,000	-	-	-	-	4,000
Credit cards commitments	13,200	-	-	-	-	13,200
Total expected outflows	**962,385**	**969,406**	**610,403**	**818,428**	**60,701**	**3,421,325**
Net gap	**248,009**	**923,079**	**(176,505)**	**(101,473)**	**(11,457)**	**881,651**

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Comparative analysis as at 31 December 2022 is presented below:

31 December 2022	**0 to 6 months**	**6 to 12 months**	**1 to 2 years**	**2 to 5 years**	**more than 5 years**	**total**
Loans and advances to customers	958,729	1,438,304	300,918	429,161	151,212	3,278,324
Other non-current receivables	-	-	2,704	-	-	2,704
Trade and other receivables	104,133	452,085	1,819	-	-	558,037
Finance lease receivables	318	255	133	66	-	772
Cash and cash equivalents	119,601	-	-	-	-	119,601
Expected inflows on assets	**1,182,781**	**1,890,644**	**305,574**	**429,227**	**151,212**	**3,959,438**
Borrowings	672,246	938,328	629,324	611,040	32,405	2,883,344
Lease liabilities	3,930	3,726	6,078	6,876	-	20,611
Trade and other payables	189,965	211,309	-	-	-	401,274
Other payables, non-current	-	-	1,080	-	-	1,080
FX forward risk management purposes	437	-	-	-	-	437
Expected outflows on liabilities	**866,578**	**1,153,363**	**636,482**	**617,916**	**32,405**	**3,306,746**
Off balance sheet items						
Derivative notional amount(inflow)	21,709	-	2,122	66,492	-	90,323
Derivative notional amount(outflow)	(21,950)	-	(4,555)	(71,721)	-	(98,226)
Financial guarantees granted	4,000	-	-	-	-	4,000
Credit cards commitments	14,689	-	-	-	-	14,689
Total expected outflows	**885,026**	**1,153,363**	**634,049**	**612,687**	**32,405**	**3,317,532**
Net gap	**297,755**	**737,281**	**(328,475)**	**(183,460)**	**118,807**	**641,906**

Except for the credit card related, the Group does not grant any other irrevocable commitments. However, the Group does grant uncommitted, revocable credit line facilities. Any withdrawals from such facilities are based on formal requests forwarded by the Group's customers, whereby the Group has the unconditional right to deny, in full or in part, any such request received. As at 31 December 2023 the undrawn balance of the credit line facilities granted by the Group amounts to 354 million RON (31 December 2022: 381 miilion RON) – further refer to Note 24. No undrawn balances are outstanding as at 31 December 2023 (31 December 2022: zero) related to CAPEX products.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

The table below shows the undiscounted cash flows of its financial liabilities as at 31 December 2023. Repayments on borrowings which include the early repayment option in favour of the lender are treated as if the options was exercised immediately (i.e. as if the Group was required to fully reimburse immediately all such borrowings).

31 December 2022	**0 to 6 months**	**6 to 12 months**	**1 to 2 years**	**2 to 5 years**	**more than 5 years**	**total**
Borrowings	1,178,755	477,776	532,609	815,625	60,701	3,065,466
Lease liabilities	4,411	4,082	5,531	5,952	-	19,976
Trade and other payables	119,369	173,201	-	-	-	292,570
Other payables, non-current	-	-	83	-	-	83
Derivative notional amount (inflow)	18,900	-	2,124	65,099	-	86,123
Derivative notional amount (outflow)	(19,124)	-	(4,562)	(68,248)	-	(91,934)
Financial guarantees granted	4,000	-	-	-	-	4,000
Credit card commitments	105,827	-	-	-	-	105,827
Total	**1,412,138**	**655,059**	**535,785**	**818,428**	**60,701**	**3,482,111**

Comparative analysis as at 31 December 2022 is presented below:

31 December 2022	**0 to 6 months**	**6 to 12 months**	**1 to 2 years**	**2 to 5 years**	**more than 5 years**	**total**
Borrowings	1,255,713	608,202	329,793	611,040	32,405	2,837,153
Lease liabilities	3,930	3,726	6,078	6,876	-	20,610
Trade and other payables	189,965	211,309	-	-	-	401,274
Other payables, non-current	-	-	1,080	-	-	1,080
FX forward risk management purposes	437	-	-	-	-	437
Derivative notional amount (inflow)	15,828	-	2,122	66,492	-	84,442
Derivative notional amount (outflow)	(16,037)	-	(4,555)	(71,721)	-	(92,313)
Financial guarantees granted	4,000	-	-	-	-	4,000
Credit card commitments	86,915	-	-	-	-	86,915
Total	**1,540,751**	**823,237**	**334,518**	**612,687**	**32,405**	**3,343,598**

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

This section includes information about the Company's share capital, the Group's equity, what it manages as capital and capital management practices.

11 EQUITY

Issued share capital

	31 December 2022	31 December 2022
Authorised		
ordinary shares of 0,1RON each	1,894,060,303	1,890,671,063

Issued and paid ordinary shares as well as the shareholding structure of the Company are detailed below:

	2023		2022	
Ordinary shares issued and fully paid:	#	RON'000	#	RON'000
at 1 January	1,890,671,063	189,067	2,163,968,075	216,397
Shares issued/ (cancelled) during the year	3,389,240	339	(273,297,012)	(27,330)
at 31 December, *of which owned by:*	**1,894,060,303**	**189,406**	**1,890,671,063**	**189,067**
Mr. Kanani Jabbar	1,649,966,127	164,997	1,649,966,127	164,997
EBRD	240,630,848	24,063	240,630,848	24,063
Others	74,088	7	74,088	7
Treasury shares	3,389,240	339	-	-
Share Premium	-	5,494	-	4,351
Total Share capital and share premium	**-**	**194,900**	**-**	**193,418**

Ordinary shares have a par value of 0,1RON. They entitle the holder to participate in dividends, and to share in the proceeds of winding up the Company in proportion to the number of the shares held. There are no other classes of equity instruments issued by the Company.

The cancellation of shares during 2022 is linked to the demerger of the Agrifood segment, whereby the carrying amount of the segment's assets and liabilities were distributed to the existing shareholders of the Company.

Other reserves

'Other reserves' comprises of legal and other reserves.

Legal provisions require that the Company should, at the end of each financial year, transfer at least 5% of its accounting profit to non-distributable legal reserves until the balance reaches 20% of the Company's share capital. As of 31 December 2023, the balance of non-distributable legal reserve of the Company amounted to 7.5 million RON (31 December 2022: 6.9 million RON).

Revaluation reserves

The property, plant and equipment revaluation reserves is used to record increments and decrements on the revaluation of non-current assets carried at revalued amounts. In the event of a sale or disposal of an asset, any balance in the reserve in relation to the asset is transferred to retained earnings.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

12 CAPITAL MANAGEMENT

The Company's objectives when managing capital are to:

- safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In recent years it has been the Company's practice not to distribute dividends, except for specific instances mostly related to Group restructuring activities. As the Company is more and more active on the capital markets and in order to manage its capital structure, it may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors capital on the basis of the Net Debt Ratio, which shall be equal to or lower than 6.00. The Net Debt Ratio or gearing ratio is computed based on these consolidated financial statements and represents Total borrowings (including lease liabilities) less Cash and cash equivalents over Total equity, as follows:

#	item description	Reference/ Note	31 December 2023	31 December 2022
=(A+B-C)/D	**Net Debt Ratio**		**3.41**	**3.88**
A	Borrowings	16	2,764,070	2,572,345
B	Lease liabilities	16	19,601	20,314
C	Cash and cash equivalents	15	477,529	119,601
D	Total equity		675,748	637,527

Regulatory capital is monitored by the Agrifinance segment (Agricover Credit IFN), employing techniques based on the guidelines developed by the National Bank of Romania ("NBR") for supervisory purposes. The required information is filed with the NBR on a quarterly basis at individual Agricover Credit IFN level (refer to the Agricover Credit IFN consolidated financial statements as at and for the year ended 31 December 2023 for details regarding the calculation of these capital requirements). Agricover Credit IFN and the Group complied with all externally imposed capital requirements throughout 2023 and 2022, as described above and in Note 16.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

This section provides information about the Group's financial assets and liabilities, including specific information about each type of financial instrument held, related accounting policies for recognising and measuring financial instruments as well as their fair values.

13 OVERVIEW OF FINANCIAL INSTRUMENTS

An overview of the financial instruments held by the Group is presented below:

	Note	31 December 2023	31 December 2022
Financial assets at amortised cost:		**3,619,398**	**3,401,932**
Loans and advances to customers	10	2,651,646	2,730,768
Other non-current receivables	14	-	2,704
Trade and other receivables	14	490,223	548,859
Cash and cash equivalents	15	477,529	119,601
Financial liabilities at amortised cost:		**3,090,278**	**2,991,863**
Borrowings and lease liabilities	16	2,783,671	2,592,659
Trade and other payables	17	306,607	399,204
Financial assets at fair value:			
Derivatives held for risk management purposes		-	-
Financial liabilities at fair value:			
Derivatives held for risk management purposes		**4,983**	**4,699**

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

With the exception of trade receivables, at initial recognition the Company measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions.

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business.

Some trade receivables may have maturities higher than twelve months and include a significant financing component. Those are initially recognised at their fair value, estimated by discounting expected cash flows using a discount rate that reflects the rate that would be used in a separate financing transaction between the Group and its customers. Interest income resulting from the financing component is recognised over the expected maturity of the receivables using the effective interest rate method and is presented as "Finance Income" in the consolidated statement of comprehensive income.

Trade receivables that do not include a financing component are recognised initially at the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or performing the promised services.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Immediately after initial recognition, an expected credit loss allowance ("ECL") is recognised for financial assets measured at amortised cost, as described in note 10.i, which results in an accounting loss being recognised when an asset is newly originated.

Classification and subsequent measurement

The Group applies IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL); and
- Amortised cost.

Classification and subsequent measurement depend on:

i. the Group's business model for managing the asset – it reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of asset; and
ii. the cash flow characteristics of the asset – namely whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement.

Based on these factors, the Group classifies its financial assets as follows:

- amortised cost – cash and cash equivalents, trade and other receivables and loans and advances granted are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and are measured at amortised cost;
- fair value through profit or loss – derivatives held for risk management purposes which are not designated as part of hedging relationships are measured at fair value through profit or loss. Gain or losses on derivatives held for risk management purposes are presented as net loss from derivative financial instruments, line "Other operating expenses" in the consolidated statement of profit or loss and other comprehensive income.

Significant judgement – modified time value of money element

Revolving credit lines granted by the Agrifinance division of the Group include a modified time value of money element by which the benchmark rate tenor is different from the repricing period. The management used judgement in classifying such loans as at amortised cost. In applying this judgement the management has considered the results of a benchmark test which analysed the spread and correlation between the contractual benchmark rate and the benchmark rate with a tenor that matches the repricing period.

The amortised cost is the amount at which the financial instrument (asset or liability) is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination and/ or administration fees for loans granted. When the Group revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Expected credit losses

The Group assesses on a forward-looking basis the expected credit losses ('ECL') associated with its financial assets carried at amortised cost and with the exposure arising from loan commitments and financial guarantee contracts. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money whereby expected shortfalls are discounted using the original effective interest rate of the financial asset or an approximation thereof; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 10 i.1.2 provides more details of how the expected credit loss allowance is measured.

Classification of financial liabilities

Financial liabilities are classified as subsequently measured at amortised cost, except for derivatives held for risk management purposes which are not designated as part of a hedging relationship and which are measured at fair value through profit or loss.

Gains or losses on derivatives held for risk management purposes are presented as "Other operating expenses" in the consolidated statement of profit or loss and other comprehensive income.

Modifications

If the terms of a financial instrument are modified, then the Group evaluates whether the cash flows of the modified instrument are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial instrument (asset or liability) are deemed to have expired. In this case, the original financial instrument is derecognised and a new financial instrument is recognised. Any fees received or paid as part of the modification are accounted for as follows:

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

If cash flows on a financial asset 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 all other cases a gain or loss on the modification of a financial asset is presented as interest income. Gains or losses on the modification of a financial liability are presented as interest expense.

Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

Loans and advances to customers are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of forced execution and a failure to make contractual payments. Any subsequent recoveries of amounts previously written off are credited to net credit losses on financial assets, in profit or loss for the year.

Financial guarantees and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance (calculated as described in note 10.i); and
- The premium received on initial recognition less, when appropriate, income recognised in accordance with the principles of IFRS 15 *Revenue from contracts with customers*, namely linearly over the life of the guarantee.

Loan commitments provided by the Group are measured at the amount of the loss allowance (calculated as described in note 10.i).

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

14 TRADE AND OTHER RECEIVABLES

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Payment terms depend on type of goods acquired and financing options selected by the client (e.g. own funds, loans from other entities within the Group or commercial credit). Refer to Note 4 for details around the measurement of the variable consideration represented by "commercial discounts".

	31 December 2023	**31 December 2022**
Trade receivables	716,457	772,689
Expected commercial discounts (note 4)	(178,655)	(224,333)
Trade receivables net of expected discounts	**537,802**	**548,356**
Less: allowance for trade receivables	(59,025)	(29,715)
Trade receivables – net	**478,777**	**518,641**
Receivables from related parties	6,879	24,888
Less: allowance for receivables from related parties	(503)	(503)
Receivables from related parties	**6,376**	**24,385**
Other receivables	5,173	9,175
Less: allowance for other receivables	(103)	(639)
Other receivables	**5,070**	**8,536**
Total other receivables, net	**11,446**	**32,921**
Total, *of which:*	**490,223**	**551,562**
current portion	**489,270**	**547,291**
non-current portion, *of which:*	**953**	**4,271**
Trade receivables	953	1,568
Receivables from related parties	-	2,704

The long-term receivables are guaranteed by pledges on the sold assets and in case of default on payments the Group would regain posesion of the respective assets.

15 CASH AND CASH EQUIVALENTS

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand and deposits held with financial institutions, with maturities of 3 months or less. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet. As allowed by IAS 7: *Statement of Cash Flows*, the Group presents receipts and payments of interest, and income taxes paid within cash flows from operating activities, while payments of dividends are presented within cash flows from financing activities.

As at 31 December 2023 and 31 December 2022 Cash and cash equivalents presented in the Statement of financial position and in the Statement of cash flows are represented by placements held with highly reputable local banks, as follows:

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

	31 December 2023	31 December 2022
Investment grade	90,998	15,778
Non-investment grade	135,709	29,502
Unrated	39,691	25,728
Parent investment grade	211,131	48,593
Total	**477,529**	**119,601**
out of which:		
Current account	453,026	115,226
Deposits with banks	24,503	4,375
Total	**477,529**	**119,601**

The investment-grade and parent investment grade categories include exposures to banks with the following Fitch ratings, or their equivalent: AA, A+, A, A-, A1, BBB+, BBB-, BBB. Where the banks are unrated but their parent is rated, the parent rating was used in the above analysis. The non-investment-grade category includes exposures to banks with the following Fitch ratings, or their equivalent: BB+, BB and BB-. The unrated category includes exposures to bank with no rating assigned, to those banks or to their parent, by the any of the biggest three global credit rating agencies.

16 BORROWINGS

	31 December 2023	31 December 2022
Non-current		
Borrowings	1,115,840	929,217
Issued bonds	198,437	197,119
Total non-current borrowings	**1,314,277**	**1,126,336**
Current		
Borrowings	1,443,477	1,439,728
Isued bonds	6,316	6,281
Total current borrowings	**1,449,793**	**1,446,009**
Total borrowings	**2,764,070**	**2,572,345**

Borrowings from banks and international financial institutions

Borrowings from local banks bear floating interest rate and can be denominated in RON or EUR. Some are secured by assignment of loans granted to customers, by pledges on inventories, by pledges on current accounts opened at respective banks, and / or by assignment of receivables.

Borrowings from international financial institutions and investments funds bear floating interest rates or fixed interest rates, can be denominated in RON or EUR and are uncollateralised.

The carrying amounts of assets pledged as security are disclosed in note 24.

Geographical concentration is as follows:

Borrowings from:	31 December 2023	31 December 2022
Local banks	1,553,625	1,714,900
International financial institutions within European Union	937,923	571,800
International Investment Bank	65,217	69,481
International Finance Corporation	2,552	12,764
Issued bonds	204,753	203,400
Total borrowings	**2,764,070**	**2,572,345**

Under the terms of major borrowing facilities, the Group and its subsidiaries are 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 or currency risk ratios, etc.

In April 2023, the U.S Treasury Department's Office of Foreign Assets Control ("OFAC") has included one of the Group's lenders ("Sanctioned Lender") on the specially designated nationals and blocked persons list ("OFAC Sanctions").

The Group is borrower under two facility agreements ("Facility Agreement") concluded with the Sanctioned Lender, with a total current outstanding principal amount of RON 60.8 million RON.

Unlike sanctions imposed by European Union or by Romanian authorities, OFAC Sanctions are not applicable directly in Romania, in absence of specific Romanian legislation imposing this. To our knowledge, up to the date of these condensed interim financial statements, the Romanian legislation does not include the OFAC Sanctions.

Notwithstanding the OFAC Sanctions not being directly applicable under Romanian law, the Group does not wish its lenders to become directly or indirectly subject to international sanctions or to be exposed in any way to international sanctions.

The Sanctioned Lender, at their own initiative, issued temporary waivers to the Group for the payments due in June, September, and December 2023 under the Facility Agreement to be postponed for payment until 19 June 2024.

Although we expect that the Sanctioned Lender will continue to grant such temporary waivers, if, for whatever reasons and with the observance of international sanctions, the Group will early repay the loans, the management considers that this will not significantly impact the Group's ongoing business.

Issued bonds

During 2021, the Group issued a 40 million EUR fixed rate bond with 5 years maturity. The proceeds were used to finance the loans granting activity of the Agrifinance division. The bond is unsecured and includes certain financial covenants with which the Group or its subsidiaries must comply and which are monitored on the basis of the Group's annual consolidated financial statements or the annual financial statements of the relevant subsidiaries, as appropriate.

Compliance with financial covenants

Under the terms of its major borrowing facilities and of its engagements took under the prospectus of the bonds issued, the Group is required to comply with certain financial covenants.

The financial covenants provided for by the bonds are tested and calculated annually, upon the approval of, and by reference to, the audited consolidated financial statements of the Company, the audited financial statements of Agricover Distribution SA, and the audited consolidated financial statements of Agricover Credit IFN SA.

The financial covenants as at and for the year ended 31 December 2023 are calculated and disclosed as follows:

- *Net financial debt to EBITDA,* and *EBITDA Interest Coverage Ratio* are calculated based on (and presented in Note 14 to) Agricover Distribution 's IFRS financial statements;
- *Capital Adequacy Ratio,* and *Non-performing Loans Ratio* are calculated based on (and presented in Note 22 to) Agricover Credit IFN's IFRS consolidated financial statements;

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

- *Net Financial Debt to Total Equity* is calculated based on these consolidated financial statements (Note 12).

Non-compliance with financial covenants imposed by the bonds allows bondholders the right to early call the bond, at its nominal value plus any accrued interest, provided, however, that at least 25% of the bondholders are in favour of exercising this contingent option. Nevertheless, if any infringement is remedied within 90 calendar days from its occurrence date, and bondholders conclude that the respective obligation was observed, it shall be deemed that the Company and/or its main subsidiaries observed the respective financial covenant on the relevant calculation date as if there had been no failure to fulfil the relevant financial covenant, and the infringement shall be deemed remedied.

Non-compliance with financial covenants imposed by the Group's borrowings or other contractual breaches, including breach of payment terms, would result in the creditors having the right to early call the related facilities. Moreover, some of the Group's funding agreements include customary cross default provisions, including provisions that puts Agricover Distribution or Agricover Credit in default if the other defaults on its funding agreements.

As at 31 December 2023, the Group's subsidiaries have complied with financial covenants imposed by their respective borrowing facilities or, where covenants thresholds were breached, have obtained relevant waivers from their respective lenders, including waivers for applicable cross-default clauses. As at the date of these consolidated financial statements the two-step approach in testing the compliance with the financial covenants provided for by the bonds, namely: i) the calculation of the indicators based on the financial year 2023, and ii) the bondholders' feedback on the remediation measure, is ongoing. During 2022 reporting period all financial covenants were complied with.

Changes in liabilities arising from financing activities

Significant changes in the Group's liabilities as arising from its financing activities are presented here:

	2023		2022	
	Borrowings	**Lease liability**	**Borrowings**	**Lease liability**
at 1 January	**2,572,345**	**20,314**	**1,676,870**	**13,499**
Withdrawals from borrowings	2,935,462	-	5,975,120	-
New lease agreement	-	9,387	-	14,632
Interest accrued during the period	208,452	397	162,594	368
Interest paid	(201,208)	(753)	(151,549)	(366)
Repayments	(2,748,311)	(9,762)	(5,086,743)	(7,745)
Foreign exchange rate effect	(2,670)	18	(3,947)	(74)
at 31 December	**2,764,070**	**19,601**	**2,572,345**	**20,314**

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

17 TRADE AND OTHER PAYABLES

	31 December 2023	31 December 2022
Trade payables	270,606	349,674
Expected commercial discounts	(14,766)	(47,182)
Trade payables, net of expected discounts	**255,840**	**302,492**
Payables to related parties (note 23)	21,457	47,380
Fixed assets suppliers	41	41
Dividends payable	3,595	7,288
Refund liability	7,494	11,654
Personnel and related taxes	18,180	30,349
Total other payables	**50,767**	**96,712**
Total	**306,607**	**399,204**
Other non-financial liabilities		
VAT payable	1,684	2,902
Other current liabilities	137	248
Total trade and other payables, of which	**308,428**	**402,354**
Current	**308,344**	**401,274**
Non-current portion	**84**	**1,080**

Trade and other payables are unsecured and their carrying amounts are considered to be the same as their fair values, due to their short-term nature.

Significant estimate – expected commercial discounts

The Group receives from its suppliers discounts for compliance with contractual payment terms, not granted on a calendar year basis and with payment patterns dependent on collection patterns and resources availability (similar discounts are offered by the Group to its customers – refer to Note 4 for details). Such commercial or settlement discounts received are deducted from the cost of inventories to the extent that it is probable that they will take effect. In its estimation of the such probabilities the management considers past patterns as well as new information available to the treasury and risk teams of the Group. Considering the solid financial position and liquidity of the Group, substantially all commercial invoices in 2023 and 2022 were settled within the payment terms agreed with the suppliers.

Refund liability

The refund liability represents the amount of consideration that the Group expects to refund to its customers. For more details regarding measurement and recognition refer to note 4.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

18 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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.

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 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).

i. *Financial instruments measured at fair value*

The level in the fair value hierarchy into which the recurring fair value measurements are categorized is presented in the table below. 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.

	31 December 2023		**31 December 2022**	
	Level 2	**Total**	**Level 2**	**Total**
Financial liabilities at fair value:				
Derivatives held for risk management	4,983	4,983	4,699	4,699

As at 31 December 2023 the Group had FX Forward contracts outstanding with a total negative fair value of 5 million RON (31 December 2022: 4,7 million RON). The fair value was estimated based on discounted cash flows model, using directly observable inputs (i.e.: market FX and 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. The Group does not take trading or speculative positions when entering into derivative transactions. All such transactions are initiated for risk management purposes.

ii. *Financial instruments not measured at fair value but for which fair value is disclosed*

The level in the fair value hierarchy into which the fair value measurements of financial assets and liabilities not measured at fair value but for which fair value is disclosed is categorized and presented in the table below. Fair value is disclosed for all financial assets and liabilities not measured at fair value and for which fair value is significantly different than the carrying amount.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

31 December 2023	Fair value				Carrying value
	Level 1	Level 2	Level 3	Total	
Loans and advances to customers					
Capex	-	-	183,986	183,986	184,433
Credit lines	-	-	2,454,913	2,454,913	2,467,213
	-	**-**	**2,638,899**	**2,638,899**	**2,651,646**
Trade and other receivables	-	-	953	953	953
Other non-current receivables	-	-	-	-	-
Total assets	**-**	**-**	**2,639,852**	**2,639,852**	**2,652,599**
Borrowings					
From local banks	-	-	1,553,624	1,553,624	1,553,624
From international financial institutions	-	-	990,050	990,050	1,005,693
Issued bonds	-	191,533	-	191,533	204,753
Total liabilities	**-**	**191,533**	**2,543,674**	**2,735,207**	**2,764,070**

Comparative information as at 31 December 2022 is presented below:

31 December 2022	Fair value				Carrying value
	Level 1	Level 2	Level 3	Total	
Loans and advances to customers					
Capex	-	-	198,947	198,947	198,947
Credit lines	-	-	2,515,359	2,515,359	2,531,821
	-	**-**	**2,714,306**	**2,714,306**	**2,730,768**
Trade and other receivables	-	-	1,512	1,512	1,568
Other non-current receivables	-	-	2,486	2,486	2,704
Total assets	**-**	**-**	**2,718,304**	**2,718,304**	**2,735,040**
Borrowings					
From local banks			1,715,034	1,715,034	1,714,900
From international financial institutions			645,371	645,371	654,045
Issued bonds	-	190,921	-	190,921	203,400
Total liabilities		**190,921**	**2,360,405**	**2,551,326**	**2,572,345**

All other financial assets and liabilities in the Group's statement of financial position, those that are not included in the table above and for which the fair value is not disclosed, have their fair values approximated by the carrying value.

Techniques and inputs used to determine level 2 and level 3 fair values

Fair value of **loans and advances to customers** was estimated as follows:

- fair value of floating rate loans and advances was approximated by their gross carrying amount less their lifetimes expected credit losses calculated based on the methodology detailed in Note 18.i;
- in estimating the fair value of fixed rate loans and advances the Group has discounted contractual cash flows. The discount rate was estimated for each exposure individually by adjusting the contractual fixed rate with the change in the relevant floating rate benchmarks (e.g. 3M or 6M ROBOR) between the grant date of each respective loans and

the valuation date. The net present value was adjusted with the credit loss allowance in case of assets impaired at the valuation date.

Fair value of **borrowings** contracted was estimated as follows:

- fair value of floating rate loans and advances was approximated by their net carrying amount;
- in estimating the fair value of fixed rate borrowings, the Group has discounted contractual cash flows. The discount rate was estimated for each borrowing individually by considering: i) the yields on contracted floating rate borrowings with similar risk characteristics (e.g. currency), or firm financing offers received thereof, close to the valuation date; and ii) the interest rate swap curve to convert the floating rates determined at i) above to fixed rates for relevant maturities.

The **issued bonds** were not actively traded close to the end of the reporting period. For disclosure purposes the Company estimated their fair value by:

- ✓ calculating the yield spread over EUR denominated Romanian sovereign bonds with similar maturities and annual coupon, as of the origination date (i.e. February 2021);
- ✓ estimating the yield on the Company issued corporate bonds as of 31 December 2023 by considering:
    i. the evolution of the yield of the respective sovereign bonds between February 2021 and December 2023, and
    ii. constant yield spread between the Company issued corporate bonds and the government bonds with otherwise similar characteristics.

Accordingly, the bonds have been reclassified from Level 1 to Level 2 in the value hierarchy as at 31 December 2023 and 31 December 2022.

Fair value of **non-current trade and other receivables** was estimated by discounting expected cash flows over their expected maturity using a discount rate calculated as the average of market interest rates offered by local banks to their commercial customers for loans with similar characteristics generated in December (based on monthly reports published by the National Bank of Romania) and of interest rates offered by Agricover Credit IFN to its customers during the same period.

For short term **trade and other financial liabilities**, the discounting effect is insignificant hence their carrying amount aproximates their respective fair values.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

This section provides information about the Group's non-financial assets and liabilities, including specific information about:

- Inventories (note 19);
- Other current assets (note 20);
- Intangible assets (note 21);

and related material accounting information, judgements and estimates.

19 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts (refer to Note 17). Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Significant estimate – net realisable value

The Group analyses the net realisable value for those inventories that are damaged, or if their selling prices have declined. Inventories are written down to net realisable value item by item.

Estimates of net realisable value are based on the most reliable evidence available at the time the estimate is made. This estimate takes into consideration fluctuations of price or cost directly relating to events occurring after the end of the period only to the extent that such events confirm conditions existing at the end of the period.

In estimating the net realisable value of inventories as at 31 December 2023, the Group considered sale prices for transactions incurred during December 2023 and January 2024, as well as discount campaigns contemplated and approved during those months. Changes in the value of inventories outside this window, if not specifically linked to conditions existing at or before 31 December 2023, do not impact the carrying amount of inventories presented in these consolidated financial statements.

The net realisable value adjustment is reversed when the inventories are sold or when the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances.

	31 December 2023	**31 December 2022**
Certified seeds	2,188	1,738
Crop nutrition products	2,544	83,489
Crop protection products	59,074	80,671
Drones	339	-
Total carrying amount of goods purchased for resale	**64,145**	**165,898**
Packaging, spare parts and other consumables	878	1,172
	65,023	**167,070**

During 2023, 0.6 million RON (2022: 4.5 million RON) was recognised as an expense for inventories carried at net realisable value. This expense is presented in cost of sales, part of the line *Write-down and losses of inventories.*

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

20 OTHER CURRENT ASSETS

	31 December 2023	31 December 2022
Advances for inventories	11,213	5,626
Right to returned goods	6,096	9,363
Prepayments	4,097	7,348
Advances to suppliers	3,883	2,199
Other current assets	9,798	853
Total other current assets	**35,087**	**25,389**

Right to returned goods

In accounting for the implicit right of return for products sold to customers, the Group recognises the "Right to returned goods" asset (with a corresponding adjustment to cost of sales) representing its right to recover the products when it settles the refund obligation (refer to Note 4 which includes detailed accounting policy for recognizing and measuring the right of return).

21 INTANGIBLES

Intangibles of the Group are represented mainly by software licences acquired and by internally generated software. The Group has no intangibles with indefinite useful life. Licenses and internally generated software are recognised at historical cost less amortisation and are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. No such impairment indicators were identified during the reporting period, except for those described below at Significant judgment – impairment.

Amortisation for software licences and for internally generated software is calculated using the straight-line method to allocate the cost of the assets, net of their residual values, over their estimated useful lives of 3 to 5 years.

The reconciliation of the carrying amount of each significant class of intangibles is presented below:

	Software licences	Internally generated software	Software in progress	Total
Gross book value	33,414	11,070	223	44,707
Accumulated amortisation	(14,950)	(1,835)	-	(16,785)
Net book value at 1 January	**18,464**	**9,235**	**223**	**27,922**
Additions	9,797	-	2,661	12,458
Transfers	-	802	(802)	-
Amortisation charge	(6,812)	(2,510)	-	(9,322)
Net book value at 31 December	**21,449**	**7,527**	**2,082**	**31,058**
Gross book value	43,211	11,872	2,082	57,165
Accumulated amortisation	(21,762)	(4,345)	-	(26,107)

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Comparative information for 2022 is included below:

	Software licences	Internally generated software	Software in progress	Total
Gross book value	22,066	7,690	462	30,218
Accumulated amortisation	(11,748)	(214)	-	(11,962)
Net book value at 1 January	**10,318**	**7,476**	**462**	**18,256**
Additions	11,348	3,140	-	14,488
Transfers	-	239	(239)	-
Amortisation charge	(3,202)	(1,620)	-	(4,822)
Net book value at 31 December	**18,464**	**9,235**	**223**	**27,922**
Gross book value	33,414	11,070	223	44,707
Accumulated amortisation	(14,950)	(1,835)	-	(16,785)

Main additions of licenses are represented by the implementation of SAP 4Hana and Loan Origination Systems in Agricover Credit and the development of the Demetra platform (software under development) in Agricover Technology SRL for digital card sales.

In November 2021 the Group launched an online platform (crop360) with the aim of providing its customers, through digital technologies, access to innovations within the industry. The platform facilitates sale of software as a service to the Group's existing and new customers. It also integrates self-care type modules where the farmer can manage its commercial and financing relationships with the Agribusiness and, respectively, Agrifinance divisions of the Group. An improved version of crop360 was officially launched on 1 November 2023.

Significant judgement – impairment

IAS 36: *Impairment of assets* requires all assets within the standard's scope to be tested for impairment where there is an impairment indicator. The latest such impairment test performed by the management was for the purpose of the financial statements as at and for the year ended 31 December 2022. At that time, the management identified impairment indicators in relation to the Company's investment in Agricover Technology SRL mainly consisting of operating losses and increases in market interest rates. During 2023, in line with approved budgets, crop360 (online platform created with the aim of providing its customers, through digital technologies, access to innovations within the industry) did not generate significant revenue on its own. However, the management continues to believe that, in the foreseeable future, digital and precision agriculture tools in general and crop360 in particular would bring value to the Group at least in the following ways: a) by furthering synergies (mostly data analytics based) and increase efficiencies (risk management) in the Group, b) by separate revenue streams from farmers, and c) by its contribution to the Agricover brand awareness. However, as currently crop360 is not capable of generating cash inflows largely independent from other assets of the Group, for the purpose of the impairment test the related asset was allocated to Agrifinance division and Agribusiness division cash generating units. Moreover, the development and operation of crop360 within a new entity was rather an organisation decision, in substance the tool is expected to benefit the whole Group.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Additional factors with a significant influence on the management's conclusion include:

- the increase in investment during 2023 is mostly linked to the development of a an online tool through which farmers will interact with the Group to obtain financing. It is expected that in April this new module, under the later stages of testing and development at the date of these separate financial statements, will be integrated with crop360 to be fully operational as part of a new "myAgricover" platform (which later in the year will add further online banking and online sales and account management modules);
- a new line of business was set-up at the end of 2023 within Agricover Technology, namely the distribution of agricultural drones. Farmers appear to be open to using this technology, with the first tranches of drones being sold, with positive margins, during December 2023 and January 2024;
- market interest rates had decreased during 2023 vs. 2022.

Considering the above and the historical growth of Agrifinance division and Agribusiness division, and their approved budgets, the management concluded that the Company's investment in Agritech division is not impaired.

Significant judgement – capitalisation of development costs

In accordance with IAS 38, the Group has capitalised development costs and has expensed all other related costs when incurred. The development phase started in March 2021, when mostly all significant characteristics of the platform were clarified based on prior market research and interviews with relevant farmers and other stakeholders. However, all significant types of costs were reviewed and capitalised only to the extent that they are specifically related to the design or development of the platform. Costs with licences of tools and systems used as part of the platform development were capitalised during the development phase and expensed thereafter, if the case. After its launch in November 2021, new functionalities continue to be researched and developed to improve crop360. Related costs are capitalised only to the extent they refer to significant new functionalities, which were not included in prior versions of the platform. Maintenance and bug fixing costs are expensed as incurred. The total value of costs capitalised during 2023 is of 0.6 million Ron (2022: 3.14 million RON).

Significant estimate – useful life of internally generated software

As at 31 December 2023, the carrying amount of the software developed by the Group was of RON 7.5 million RON (31 December 2022: 9.2 million RON). The management estimates the useful life of the software to be at least five years based on the expected technical obsolescence of such assets. However, the actual useful life may be shorter or longer than five years, depending on technical innovations and competitor actions. Improvements capitalised after the launch of the platform are amortised over the remaining useful life of the platform. As the platform was available for use starting end of November 2021, different useful lives would not have had a significant impact on its carrying amount or on the depreciation charged to profit or loss.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

This section provides information on how the Group structure affects the financial position and performance of the Group as a whole. In particular, there is information about changes to the structure that occurred during the year as a result of the distribution of a discontinued operation.

22 NON-CONTROLLING INTERESTS

Material subsidiaries of the Company are presented in Note 1. All the subsidiaries of the Company are incorporated in Romania, which is also their principal place of business.

The following table summarises the information relating to accumulated NCI for each of the Group's subsidiaries:

	31 December 2023	31 December 2022
NCI accumulated in Agricover Distribution SA	11,954	17,454
NCI accumulated in Clubul Fermierilor Romani Broker de Asigurare SRL	1,347	1,990
Total	**13,301**	**19,444**

Set out below is summarised financial information for Agricover Distribution SA, which is the only subsidiary of the Company which has non-controlling interests that are material to the Group. The amounts disclosed are before inter-company eliminations.

Summarised statement of financial position	**31 December 2023**	**31 December 2022**
Current assets	448,110	703,047
Current liabilities	386,601	601,887
Current net assets	**61,509**	**101,160**
Non-current assets	32,587	36,675
Non-current liabilities	5,745	7,576
Non-current net assets	**26,842**	**29,099**
Equity	**88,351**	**130,259**
Accumulated NCI (13.38%)	11,954	17,454

Summarised statement of comprehensive income	**2023**	**2022**
Revenue	1,851,096	2,545,369
Operating profit/ (loss)	(3,912)	54,244
Profit/ (loss) for the year	(17,117)	39,628
Total comprehensive income for the year	(17,117)	39,981
Total comprehensive income allocated to NCI	(2,290)	5,349
Dividends paid to NCI	6,863	68

Summarised statement of cash flows	**2023**	**2022**
Cash flows from/ (used in) operating activities	142,696	(99,653)
Cash flows from investing activities	4,586	944
Cash flows from/ (used in) financing activities	(142,484)	100,553
Net increase / (decrease) in cash and cash equivalents	**4,798**	**1,844**

There were no transactions with non-controlling interests in 2023 or 2022.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to the Group's financial performance, its risk management or to individual line items in the consolidated financial statements.

23 RELATED PARTIES TRANSACTIONS

Significant related party transactions of the Group were conducted on terms judged by management to be equivalent to those prevailing in an arm's length transaction. The Group discloses below its significant transactions, related income, expenses and balances in respect of each of the following categories of related parties:

Category	**Definition**	**Impact on the consolidated financial statements**
Parent of the Group	entity that controls the Group	the Company is controlled by Mr. Kanani Jabbar.
Subsidiaries	entities controlled by the Company (refer to Note 1)	intragroup transactions and outstanding balances are eliminated, they do not form part of the consolidated financial statements; consequently, such related party transactions and outstanding balances between group members are not disclosed under IAS 24 in the consolidated financial statements. They are however disclosed in the separate financial statements of the Company and the subsidiaries.
Associates	entity over which the Company has significant influence	there are no significant transaction between the Group and its associates.
Joint ventures	joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement	not relevant for the consolidated or separate financial statements as the Group has no joint arrangements outstanding.
Key management	persons having authority and responsibility for planning, directing and controlling the activities of the Group and its subsidiaries,	there are no significant transactions between the Group and key management; key management compensation is disclosed below in this note.
Other related parties	related parties that do not fall under any of the above categories	significant transactions with other related parties are disclosed below in this note.

Ultimate controlling party

The ultimate beneficial owner of the Group is Mr. Kanani Jabbar, who owns 87,113% of the share capital of the Company (31 December 2022: 87,269%). EBRD is the other major shareholder of the Company, owning 12.704% of its share capital (31 December 2022: 12.727%).

Key management compensation

During 2023 compensation granted to key management personnel amounts to 16.9 million RON (2022: 18.7 million RON). It represents short term benefits, including monthly salaries and performace bonuses, and share-based compensation. There are no other types of benefits granted by the Group to key management.

Share Option Plan

Starting with 2022, the Group has implemented a share-based compensation program whereby eligible personnel receive conditional rights to acquire shares in the Company under a Share Option Plan ("the SOP"). Share options of the Company are granted to senior managers (including executive directors) of the Group with more than 12 months' service for the Company, at the discretion of the Board of Directors (no individual has a contractual right to participate in the plan or to receive any guaranteed benefits).

The SOP is designed to provide short-term and long-term incentives for senior managers to deliver long-term shareholder returns. It includes two components:

a) short-term component, with options that vest after twelve months depending on the participants' achievements with respect to their individually assigned KPIs (non-market performance condition), and
b) long-term component, with options that vest over a three-year period (graded vesting, one third of the total number of granted options vesting each year) depending on the Group's yearly consolidated net profits over the vesting period (non-market performance condition).

Vesting under both components of the SOP is conditioned upon the participant remaining employed with the Group on such vesting date, and on the achievement of the relevant performance indicators (whereby the maximum number of options that can vest is for a performance level of 130% versus the assigned levels of the performance indicators). The share options granted will not vest if the performance conditions are not met or if the participant leaves the Group before vesting date.

Options are granted under the SOP for no consideration and carry no dividend or voting rights. The share options are exercisable at 0.1 RON/share within five days after vesting.

The service cost is determined with reference to the fair value of the shares. The fair value of the Company share is estimated at the grant date and, respectively, reporting dates by considering the Group's consolidated net profit (as reported in its most recent annual consolidated financial statements) and average market multiples as published by the Bucharest Stock Exchange and / or other third-party data providers. Such multiples include the price-to-earnings ratio (P/E or PER), which measures the share price in relation to the net profits of entities listed on the Bucharest Stock Exchange. In 2022 the multiples used in the valuation also included the market premium for mergers and acquisitions - which measures the degree to which market multiples in private equity transactions (i.e. mergers and acquisitions of companies not listed on the Bucharest Stock Exchange) are higher than the market multiples of public companies. From 2023 onwards, the market premium for M&A is no longer an input in the valuation model.

The performance conditions are only considered in determining the number of instruments that will ultimately vest and have no impact on the value of the equity instrument granted.

The Group provides a redemption mechanism of the SOP-acquired shares as follows:

- Anytime during the holding period, the new shareholder has the right to ask the Company to buy his/her shares and the Company might accept. This action may be initiated by the Company, as well. There is no obligation on either side to accept to buy/sell as a result of the

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

other's party sell/buy initiative.
- The shares are mandatorily redeemable by the Company upon employment termination of the participants to the program.

A liability is recognised for service provided by the employees under SOP. The fair value is measured initially at grant date and at each reporting date up to and including the settlement date (full redemption of the share), with changes in fair value recognised in employee benefits expense. The expense is recognized over the period in which the service and the performance conditions are fulfilled (the vesting period) with recognition of a corresponding liability. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of options that will ultimately vest.

Set out below are summaries of options granted, exercised or expired under the plan:

	2023	2022
1 January	7,488,122	-
Granted during the year	18,271,590	7,488,122
Exercised during the year	(3,389,216)	
Expired during the year	(278,912)	
31 December	**22,091,584**	**7,488,122**

All instruments outstanding are unvested at 31 December 2023 and have an exercise price of 0.1 RON/share. Weighted average remaining contractual life of options outstanding is 0.93 years at 31 December 2023.

Transactions with other related parties

The following transactions were carried out with related parties during 2023 and 2022:

	Note	2023	2022
Sales to other related parties:		**11,341**	**21,939**
Sale of services		754	1,258
Sale of goods	4	10,587	20,681
Acquisitions from other related parties:		**34,915**	**41,613**
Purchase of services		82	117
Purchase of goods	6	34,833	41,496
Loans granted to other related parties:		**829**	**355**
Interest income		829	355

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Outstanding balances arising from transactions with other related parties

The following balances are outstanding at the end of the year in relation to transactions with other related parties:

	Note	31 December 2023	31 December 2022
Receivables from other related parties:		**9,075**	**29,410**
Trade and other receivables	14	6,376	24,385
Finance lease receivable		128	836
Loans and advances to customers		2,571	4,189
Payables to other related parties:		**25,051**	**54,667**
Trade and other payables		21,456	47,379
Dividends payable		3,595	7,288
Commitments to other related parties			
Letters of guarantees issued		4,500	4,000

24 ASSETS PLEDGED AS SECURITY

The carrying amounts of assets pledged as security for current and non-current borrowings related to continued operations are:

	31 December 2023	31 December 2022
Current Assets:	**1,915,921**	**2,060,013**
Loans and advances to customers	1,689,177	1,680,039
Trade and other receivables	162,059	212,904
Inventories	64,685	167,070
Non-current assets:	**328,174**	**340,822**
Loans and advances to customers	328,174	340,822

Pledges on inventories are periodically renewed to include the value of all inventories as at each specific renewal date. In the table above the Group includes the lower of the value of pledged inventories as per the latest renewal agreement and the value of inventories as at the reporting date, as there are no restrictions on the Group's access to such inventories or its right to sell pledged inventories in the normal course of the business.

25 COMMITMENTS AND CONTINGENCIES

Letters of credit and guarantees

Letters of credit and guarantees (including standby letters of credit) commit the Group to make payments on behalf of customers in the event that the customer cannot meets its contractual payment obligations. Guarantees and standby letters of credit carry a similar credit risk to loans. As at 31 December 2023, the Group has issued guarantee letters with expiry period within 1 year with a total nominal value of 4.5 million RON (31 December 2022: 5.5 million RON) and a guarantee letter with a 2-year expiry u with a total nominal value of 10 million RON.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Revocable commitments

To meet the financial needs of customers, the Group enters into various revocable commitments to lend and similar contingent liabilities. Even though these obligations may not be recognised on the statement of financial position, they contain credit risk and, therefore, form part of the overall risk of the Group (qualitative and quantitative details regarding risk management practices of the Group are detailed in note 10.i).

The Group designed for and offers to farmers a new product range consisting of loans with a Mastercard credit card attached, addressed to legal entities active in the agricultural sector. As at 31 December 2023 total irrevocable commitments under the credit cards amounted to 168 million RON, of which 62 million RON were utilised.

Except for the credit card related limits detailed above, the Group does not grant irrevocable commitments. Under uncommitted credit lines it is the Group's policy to approve any withdrawals, based on an analysis of the applicant, including of developments after the initial approval of the limit. The analysis done by the Group for withdrawal purposes is more simplified in extent and nature as compared to the initial granting of the credit line. As at 31 December 2023 the undrawn balance of the credit lines granted by the Group amounts to 354 million RON (31 December 2022: 381 million RON).

Contingent liabilities

The Company operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its general operations and specifically to its investing activity. As a result, it is involved in various litigations and legal proceedings arising in the ordinary course of its business. Management of the Company considers that these litigations will not have a significant impact on the operations or on the financial position of the Company.

26 EVENTS AFTER THE REPORTING PERIOD

During February 2024, as part of the measures taken to address the challenges incurred during 2023 (refer also to Note 2), the Group decided to reorganise its business by discontinuing the distribution of commodity-type products (mostly crop nutrition products and fuel), with lower margins and significant price volatility, through its subsidiary, Agricover Distribution SA.

Because implementing such a decision is a complex process which, if handled improperly, can have negative implications on the Group's client base, ongoing commercial agreements with its commercial partners supplying logistic services, or on its employees, the distribution of such commodity-type products will be carried out, for a limited period, by its subsidiary, Agricover Technology SRL.

The annual report will be presented to the annual general meeting of the shareholders at end of April 2024 with the proposal for dividends distribution in total amount of 30 million RON, representing a dividend per share of 0.01587 RON. The dividend distribution is subject to the approval of the shareholders.

KPMG Audit SRL
DN1, Bucharest - Ploiești Road no. 89A
Sector 1 P.O. Box 18-191
Bucharest 013685
Romania
Tel: +40 (372) 377 800
Fax: +40 (372) 377 700
www.kpmg.ro

Independent Auditors' Report

(free translation[1])

To the Shareholders of Agricover Distribution S.A.
Loc. Voluntari, Oraș Voluntari, Bulevardul PIPERA, Nr. 1B,
Clădirea de Birouri Cubic Center, etaj 8, Judet Ilfov
Unique Registration Code: 13443360

Report on the Audit of the Financial Statements

Opinion

1. We have audited the financial statements of Agricover Distribution S.A. ("the Company"), which comprise the statement of financial position as at 31 December 2023, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policy information and other explanatory information.

   The financial statements have been digitally signed with a qualified electronic signature on 28 March 2024 by Veldtster INC by permanent representative Stefan Doru Bucataru, in its capacity of Administrator of the Company, at hour: 10, min: 8, sec: 43 and Daniela Dumitrache, Chief Financial Officer, at hour: 9, min: 16, sec: 5.

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 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS EU).

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.

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

4. 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.

5. 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.

[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

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

Auditors' Responsibilities for the Audit of the Financial Statements

7. 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.

8. 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.

9. 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.:

Refer to the original signed Romanian version	**Refer to the original signed Romanian version**
ALEXANDRU DANIEL RUSU	**KPMG Audit SRL**
registered in the electronic public register of financial auditors and audit firms under no AF181/262/23	registered in the electronic public register of financial auditors and audit firms under no FA9

Bucharest, 28 March 2024

Autoritatea pentru Supravegherea Publică a Activității de Audit Statutar (ASPAAS)
Auditor financiar: Rusu Alexandru Daniel
Registrul Public Electronic: AF181/262/23

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

AGRICOVER DISTRIBUTION SA

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 December 2023

Prepared in accordance with the
International Financial Reporting Standards
as adopted by European Union

** The original version of the separate financial statements was written in Romanian. This document is an English translation of the original document. In case of any discrepancy between the English text and the Romanian text, the latter will prevail.*

Contents

Statement of Financial Position
as at 31st of December

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

	Notes	2023	2022
ASSETS			
Non-current assets			
Property, plant and equipment		9,592	9,514
Right of use assets	19	10,285	11,929
Intangible assets	20	2,765	4,109
Trade and other receivables	11	953	1,568
Other non-current receivables	11	-	1,793
Deferred income tax assets	6	7,879	6,450
Lease receivable		1,113	1,312
		32,587	**36,675**
Current assets			
Inventories	18	64,685	167,070
Trade and other receivables	11	350,319	511,964
Lease receivable		529	1,031
Other current assets	12	25,488	20,691
Cash and cash equivalents	13	7,089	2,291
		448,110	**703,047**
Total assets		**480,697**	**739,722**
EQUITY AND LIABILITIES			
Equity			
Share capital	8	10,464	10,464
Revaluation reserves	8	1,033	1,033
Other reserves	8	8,405	9,013
Retained earnings		68,449	109,749
Total equity		**88,351**	**130,259**
Non-current liabilities			
Lease liabilities	19	5,745	7,576
		5,745	**7,576**
Current liabilities			
Trade and other payables	16	314,239	393,287
Borrowings	14	51,088	177,432
Contract liabilities	15	11,843	23,382
Lease liabilities	19	5,921	6,347
Current income tax liability		3,510	1,439
		386,601	**601,887**
Total liabilities		**392,346**	**609,463**
Total equity and liabilities		**480,697**	**739,722**

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31st of December

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

	Notes	2023	2022
Revenue	3	1,851,096	2,545,369
Cost of sales	5	(1,797,428)	(2,449,466)
Net credit losses on trade receivables	11	(26,742)	(11,793)
Gross profit		**26,926**	**84,110**
Administrative expenses	5	(33,191)	(33,764)
Other operating income		2,449	5,394
Other operating expenses		(96)	(1,496)
Operating profit/ (loss)		**(3,912)**	**54,244**
Finance income	4	17,627	11,902
Finance costs	4	(27,409)	(19,811)
Net financial result		**(9,782)**	**(7,909)**
Profit/ (loss) before tax		**(13,694)**	**46,335**
Income tax expense	6	(3,423)	(6,707)
Profit/ (loss) for the year		**(17,117)**	**39,628**
Other comprehensive income, net of tax		-	353
Total comprehensive income for the period		**(17,117)**	**39,981**

Approved for issue and signed on behalf of the Board of Directors on 28 March 2024.

Ștefan Doru Bucătaru
permanent representative of Veldtster INC.
Administrator

Daniela Dumitrache
Chief Financial Officer

Statement of Changes in Equity
for the year ended 31st of December

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

	Share capital	Revaluation reserves	Other reserves	Retained earnings	Total Equity
Balance as at 1 January 2023	**10,464**	**1,033**	**9,013**	**109,749**	**130,259**
Loss for the period	-	-	-	(17,117)	(17,117)
Total comprehensive income for the period	**-**	**-**	**-**	**(17,117)**	**(17,117)**
Dividends distribution	-	-	-	(24,016)	(24,016)
Realised revaluation reserve	-	-	-	-	-
Other changes in equity	-	-	(608)	(167)	(775)
Total transactions with owners in their capacity as owners	**-**	**-**	**(608)**	**(24,183)**	**(24,791)**
Balance at 31 December 2023	**10,464**	**1,033**	**8,405**	**68,449**	**88,351**

	Share capital	Revaluation reserves	Other reserves	Retained earnings	Total Equity
Balance as at 1 January 2022	**10,464**	**994**	**7,112**	**114,648**	**133,218**
Profit for the period	-	-	-	39,628	39,628
Increase in revaluation reserve	-	353	-	-	353
Total comprehensive income for the period	**-**	**353**	**-**	**39,628**	**39,981**
Dividends distribution	-	-	-	(43,856)	(43,856)
Realised revaluation reserve	-	(314)	-	314	-
Other changes in equity	-	-	1,901	(985)	916
Total transactions with owners in their capacity as owners	**-**	**(314)**	**1,901**	**(44,527)**	**(42,940)**
Balance at 31 December 2022	**10,464**	**1,033**	**9,013**	**109,749**	**130,259**

Statement of Cash Flows
for the year ended 31st of December

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

	Notes	2023	2022
Cash flows from operating activities			
Profit/ (loss) for the period		(17,117)	39,628
Depreciation and amortization	5	10,399	7,978
Unrealized net foreign exchange differences		(442)	(729)
Net credit losses on trade receivables	11	26,742	11,793
Write-down and losses/ (reversal) of inventories		(3,046)	8,066
(Gain)/ loss from the sale of tangible assets		25	(906)
Income tax expense	6	3,423	6,707
Interest income	4	(17,406)	(11,902)
Factoring expenses	4	11,497	6,782
Interest expense	4	15,925	10,777
Other non-monetary adjustments		645	1,063
Operating profit before changes in working capital		**30,645**	**79,257**
Changes in working capital			
(Increase) / decrease in trade and other receivables and other assets	11	125,566	(63,536)
(Increase)/ decrease in inventories	18	105,431	(57,103)
(Decrease) in trade and other payables	16	(106,352)	(38,418)
Cash (used in)/ generated from operations		**155,290**	**(79,800)**
SOP payments		(1,243)	-
Interest paid		(15,925)	(10,843)
Interest received		18,317	8,950
Factoring expenses paid		(10,962)	(6,634)
Income tax paid		(2,781)	(11,326)
Cash (used in)/ generated from operating activities		**142,696**	**(99,653)**
Cash flows from investing activities			
Payments for acquisitions of property, plant and equipment and intangible assets		(2,429)	(8,318)
Proceeds from sale of Property, plant and equipment and Assets held for sale		5,950	8,022
Receipts from lease receivable		1,065	1,240
Cash generated from investing activities		**4,586**	**944**
Cash flows used in financing activities			
Proceeds from borrowings	14	26,166	145,672
Repayment of borrowings	14	(150,075)	(11,028)
Payments for the reduction of the lease liabilities	19	(7,278)	(6,639)
Dividends paid		(11,297)	(27,452)
Cash (used in)/ generated from financing activities		**(142,484)**	**100,553**
Cash and cash equivalents at the beginning of the period	13	**2,291**	**447**
Increase in cash and cash equivalents		**4,798**	**1,844**
Cash and cash equivalents at the end of the period	13	**7,089**	**2,291**

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

This section includes general information about the Company and its structure as well as material accounting policy information that relate to the financial statements as a whole. Material accounting policy information and related estimates, judgements and assumptions in the application of those policies specific to a particular item are included within the note referring to that specific item. Accounting policies relating to non-material items are not included in these financial statements.

1 GENERAL INFORMATION

AGRICOVER DISTRIBUTION SA ("the Company", formerly named Agricover SA) is a Romanian company established in the year 2000, specialised in the distribution of advanced technological solutions (i.e. crop protection products, certified seeds, crop nutrition products and fuel) to farmers. The Company's head-office is located at 1B Pipera Blvd, Voluntari, Ilfov.

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

2 BASIS OF PREPARATION

Compliance statement

These financial statements as at and for the year ended 31 December 2023 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

Historical cost convention

These financial statements have been prepared under the historical cost convention, except for land and buildings, which are carried at revalued amounts, and derivative financial instruments, which are carried at fair value.

Consistent application of accounting policies

The material accounting policies applied in the preparation of these financial statements are set out below in the relevant Notes to these financial statements and have been consistently applied to all the periods presented, unless otherwise stated. The preparation of financial statements in accordance with IFRS requires the use of judgements and estimates. The areas involving a higher degree of judgment or complexity, or areas where estimates are significant, are disclosed in the relevant Notes to these financial statements, as follows:

- Note 3 – judgement to determine whether transfer of control has occurred in 'bill and hold' arrangements;
- Note 3 – estimation regarding expected commercial discounts promised to customers not granted on a calendar year basis and subject to collection patterns not entirely under the company's control;
- Note 3 – estimation regarding the determination of discount rate used for calculating the financing component for trade and other receivables with maturity over 1 year;
- Note 3 – estimation of refund liability and of the right to receive goods for implied return rights from sales;
- Note 6 – judgements involved in calculating income tax;
- Note 7.i – key assumptions in the estimation of expected credit losses;

- Note 16 – estimation regarding expected commercial discounts receivable from suppliers, accounted and presented for as part of cost of inventories or cost of sales, not granted on a calendar year basis and with payment patterns dependant on collection patterns and resources availability;
- Note 18 – estimation of net realisable value of inventories.

Functional and presentation currency

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

Going concern

In 2023, Romania's gross domestic product increased by 2.0% as compared to 2022, according to the estimate published by the National Institute of Statistics on 14th of February 2024.

Prices of agricultural inputs were influenced by drops in commodity prices, especially natural gas, and supply chains disruptions having a lower impact in 2023. Domestic and international crop nutrition products manufacturers gradually reopened their production facilities after keeping them closed for significant parts of 2022. Market shortages were no longer seen in 2023, with no or low availability risk. In this context, prices of most crop nutrition and some crop protection products have declined during the first half of 2023, reaching levels well below those seen before Russia's invasion of Ukraine. In the second half of 2023 the agricultural inputs market was rather stable, with some increases from the minimum levels reached in June 2023.

In this market context, the Company incurred net losses in the financial year ended 31 December 2023, which led to a decrease in net cash inflows. These losses are mainly linked to the commodities market context during the second half of 2022 and the first half of 2023, including supply chain disruptions and price volatility (further refer to section 7.ii.1 Commodities price risk). Under those circumstances, Agricover Distribution SA incurred losses of about 40 million RON related to crop nutrition, and of about 12 million RON related to glyphosate inventories. As a result of the management's decisive measures to deal with the situation, no similar losses were incurred during the second half of 2023 (substantially all crop nutrition and glyphosate inventories purchases in 2022 were sold or otherwise marked to market in the first half of the year).

To fund its working capital needs, Agricover Distribution has long standing relationships with some of the largest credit institutions active on the Romanian market. While most of the funding attracted is RON denominated, Agricover Distribution has access to multicurrency facilities which allow us to actively manage currency exposures on trade payables. Currently, all ongoing funding contracts agreed by Agricover Distribution are short term, including unconditional early call options in favour of the lenders. This allows the Company to manage financing costs, while its strong financial standing ensures continued access to funds required to cover its working capital needs. Moreover, based on its history and relationships developed with its business partners, the Company concluded that exercising such options is highly unlikely (further refer to Note 7 for details regarding liquidity risk, including available undrawn credit facilities). Under the terms of its major borrowing facilities, the Company is required to comply with certain financial covenants. As at 31 December 2023, the Company has complied with financial covenants imposed by its borrowing facilities or, where covenants thresholds were breached, the Company has obtained relevant waivers from its lenders.

After consideration of the Company's liquidity, gearing level, budgeted cash flows and related assumptions, management believes that the Company has adequate resources to continue as a going concern for the foreseeable future and these financial statements are prepared on this basis.

Standards and amendments newly applicable for periods starting 1st January 2023

The following new and amended standards effective for periods starting 1st January 2023, have been analysed by the Company and do not have a significant impact on the Company's financial statements.

Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction

These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16:

- Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.
- Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.

IFRS 17 'Insurance Contracts'

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts by an insurer and supersedes IFRS 4 Insurance Contracts. The company does not have any contract that falls within the scope of IFRS 17.

New IFRS standards effective on or after 1 January 2024, early adopted by the Company

The Company has early adopted the ***Amendments to IAS 1, 'Presentation of financial statements'***, on classification of liabilities as current or non-current and non-current liabilities with covenants.

These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the Company or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. The Company considered the clarifications brought by these amendments in classifying its liabilities as current or non-current at 31st December 2023. The amendments were applied retrospectively, however they do not have a significant impact on the comparatives presented.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

When non-current liabilities are subject to future covenants, the Company discloses information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.

New IFRS standards effective for annual periods beginning on or after 1 January 2024, not early adopted by the Company

A number of new amendments to the standards are required to be applied for annual periods beginning on or after 1st January 2024 and that are available for early adoption in annual periods beginning on 1st January 2023. The Company has not early adopted the following new or amended standards in preparing these financial statements. Once adopted, the new and amended standards are not expected to have a significant impact on the Company's financial statements:

Amendments to IAS 7 "Statement of cash flows" and IFRS 7 "Financial instruments: Disclosures", regarding supplier financing agreements

The amendments apply to supplier financing arrangements and introduce two new disclosure objectives - one in IAS 7 and one in IFRS 7 - for a company to provide information about its supplier financing arrangements that enables users to assess the effects of these agreements on the company's debt and cash flows, as well as the company's exposure to liquidity risk.

Effective Date: Annual periods beginning on or after 1st January 2024.

Amendments to IAS 21 "Effects of variation in foreign exchange rates", regarding the lack of possibility of foreign exchange

The amendments require the presentation of information to enable users of financial statements to understand the impact of the fact that a currency is not interchangeable.

Effective Date: Annual periods beginning on or after 1st January 2025.

Amendments to IFRS 16 "Leases" regarding lease liabilities in a sale and leaseback

The amendments specify that, in valuing the lease liability following the sale and leaseback, the seller-lessee determines "lease payments" and "revised lease payments" in a manner that does not result in the seller-lessee recognizing any amounts of the right-of-use gain or loss that it retains.

Effective Date: Annual periods beginning on or after 1st January 2024.

Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in associates and Joint Ventures', on sale or contribution of assets between an investor and its associate or joint venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. The effective date of the amendments was deferred indefinitely, however, early application of the amendments is permitted.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

This section provides information about the financial performance of the Company. The section covers material accounting policy information, with a focus on those areas where IFRS either allow a choice or do not deal with a particular type of transaction, and significant judgements and estimates made in relation to particular items. The section concludes with details about the Company's tax result in the year and current and deferred tax assets and liabilities held at the end of the period.

3 REVENUE

The Company generates revenue mainly through distribution of advanced technological solutions (i.e. certified seeds, crop nutrition products, crop protection products and fuel) to farmers.

Sales with standard delivery

Revenue from sales with normal delivery is recognised when control of goods sold has transferred to the buyer, namely when the goods are delivered. Revenue is measured at the fair value of the consideration received or receivable, net of commercial discounts, returns and value added taxes. Depending on the customer's financial situation and existing relationships with the group, and on specific market conditions, the Company may request total or partial advance payments collected based on proforma or advance invoices.

Significant judgement – 'bill and hold' arrangements

At the buyer's request, the Company may enter 'bill and hold' arrangements, whereby delivery is delayed but the buyer takes legal title and accepts billing. Revenue on such arrangements is recognised when control is transferred to the buyer, provided that:

- the reason for the 'bill and hold' arrangements is substantive (e.g. the farmer intends to secure the price and / or quantity of goods – seeds, crop nutrition products, crop protection products – as needed at specific stages of the agricultural season, but has limited storage capacity for immediate delivery);
- the product is identified separately as belonging to the customer;
- the product is ready for physical transfer to the customer; and
- the Company does not have the ability to use the product or to direct it to another customer

As part of 'bill and hold' arrangements, the Company concludes a custody contract with the buyer, who accepts legal ownership of the goods sold. The Company's management is satisfied that control of the goods sold is transferred to the customer (and related revenue is recognized) when the warehouse certificates are issued, confirming separate storage and availability for delivery.

Value of inventories held by the Company on behalf of third parties as part of bill and hold arrangements were as follows:

	31 December 2023	31 December 2022
Crop protection products	163,088	189,152
Crop nutrition products	331	7,958
Certified Seeds	6,182	26,201
TOTAL	**169,601**	**223,311**

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Sale with a right of return

The Company does not grant explicit rights of return for the products it sells. Implied return rights can arise from statements or promises made to customers during the sales process, statutory requirements, or our desire to mitigate the risk of customer dissatisfaction.

A right of return is not a separate performance obligation for the purpose of revenue recognition, but it affects the estimated transaction price for transferred goods. Revenue is only recognised for those goods that are not expected to be returned.

In accounting for its implicit rights of return, a refund liability (with a corresponding adjustment to revenue) and an asset (with a corresponding adjustment to cost of sales) representing its right to recover the products from the customer are recognised.

The refund liability represents the amount of consideration that the Company expects to refund to its customers. The refund liability is remeasured at each reporting date to reflect changes in the estimate of returns, with a corresponding adjustment to revenue (refer to Note 16).

The asset represents the Company's right to receive goods (inventory) back from the customers when it settles the refund obligation. The asset is initially measured at the carrying amount of the goods at the time of sale, less any expected costs to recover the goods and any expected reduction in value. The returns asset is presented separately from the refund liability (refer to Note 12). The amount recorded as an asset is updated for changes in the refund liability and for other changes in circumstances that might suggest an impairment of the asset.

Significant estimate – Sale with a right to return

The Company estimates the amount it expects to credit customers using the expected value method, by considering the returns accepted in the previous two financial years and the respective turnover in the reporting period. Specific conditions related to certain customers, products, promotional campaigns or similar are considered separately in assessing the right of return liability. Following this estimation process the Company assessed that it is highly probable that there will not be a significant reversal of revenue if the estimate of expected returns changes.

Other revenue

Other revenue relates mainly to transportation services and storage services in 'bill and hold' arrangements. Allocation of the consideration between sold goods, transportation services and storage services is based on their standalone selling prices.

Revenue from transportation services is recognized at the point in time when the delivery service is rendered and the goods have been accepted by the clients. Revenue from storage services is recognized over time. Progress is determined based on the duration elapsed out of the total storage period agreed between the Company and its clients or an estimation thereof.

Financing component

Revenue related to sales whereby the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year is adjusted to account for the time value of money. Interest income resulting from this financing component is recognised over the

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

expected maturity of the receivables using the effective interest rate method and is presented as "Finance Income" in the statement of comprehensive income.

Significant estimate – discount rate

The contract consideration is adjusted to reflect the significant financing component using a discount rate that reflects the rate that would be used in a separate financing transaction between the Company and its customers. For invoices financed through intra-group factoring arrangements the financing component is approximated by the factoring costs as the invoices are passed over to the factor, without recourse, without significant delays after their initial recognition.

For other invoices the discount rate was determined by average interest rates offered by local banks to commercial companies for loans with similar characteristics (source: monthly reports issued by the National Bank of Romania) and interest rates offered by Agricover Credit IFN SA to its customers, in the month in which the sale is recognised.

Management considers that the discount rate reflects the credit risk of the relevant receivables portfolio as this is related to a mix of customers that have financing agreements with Agricover Credit IFN SA and others that do not. After contract inception, the Company does not update the discount rate – interest income is recognised based on the effective interest rate method, using the original discount rate.

Singnificant estimate - variable consideration

A variable amount that is promised within a contract is included as consideration when measuring revenue. To this end, the Company estimates the amount of the consideration to which it will be entitled in exchange for transferring the promised goods to the customers. Recognition of such consideration is estimated at contract inception and is constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur or when the associated uncertainty with the variable consideration is subsequently resolved.

Variable consideration includes "*commercial discounts*", namely discounts granted by the Company for compliance with contractual payment terms, based on the agricultural seasons and not on the calendar year. Commercial discounts result in the reduction of sales revenue earned during the period, and are booked at the time of sale according to an estimation. In making this estimation the management considers past collection patterns as well as information available to the commercial and risk teams of the Company, which are in close contact with significant customers. Considering prudent credit limits pre-approvals and most recent collection information, the management expects that substantially all commercial discounts promised will be granted.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Disaggregation of revenue from contracts with customers by product type is presented below.

	2023	2022
Revenue from goods sold		
Crop protection products	556,185	559,238
Fuel	540,130	613,162
Crop nutrition products	489,138	1,081,036
Seeds	248,866	265,486
	1,834,319	**2,518,922**
Other revenue	16,777	26,447
Revenue	**1,851,096**	**2,545,369**

4 NET FINANCIAL RESULT

All interest income and expenses are measured and recognised using the effective interest method, as prescribed by IFRS 9.

Significant components of interest income and expense as included in the profit or loss of 2023 and 2022 are presented below:

	2023	2022
Interest income	17,406	11,902
Net FX gains	221	-
Finance Income	**17,627**	**11,902**
Interest expense	(15,925)	(10,777)
Net FX (losses)/ gains	14	(2,207)
Factoring expense	(11,497)	(6,782)
Net loss from derivative financial instruments	-	(14)
Other finance expense	(1)	(31)
Finance Expense	**(27,409)**	**(19,811)**
Net Finance Result	**(9,782)**	**(7,909)**

The turnover of the invoices to which these commissions refer, for the twelve months period ended 31 December 2023, are in amount of 135,2 million RON (2022: 101,5 million RON).

5 BREAKDOWN OF EXPENSES BY NATURE

In the Statement of profit or loss and other comprehensive income, the Company presents its expenses by function.

All operating expenses of the Company are allocated to cost centres. Separate cost centres exist for regional working points and warehouses and headquarters.

Expenses related to sales, acquisition and distribution process as allocated to regional working points and warehouses (e.g.: inbound and outbound transportation related expenses, salaries of personnel, rent or depreciation, third party storage cost, consumables, etc.) are allocated to Cost of sales. Expenses related to headquarters cost centres incurred to support the functioning of the business and which are not directly related to the distribution process (e.g. support functions including finance or human resources, headquarters rent etc.) are allocated to Administrative expenses. Those expenses related to headquarters cost centres which are directly related to the sales or distribution process (e.g. expenses incurred with or related to purchases, logistics and sales teams) are allocated to Cost of sales. Headquarters rent is allocated between cost of sales and administrative expenses based on the area occupied by respective teams.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

The table below presents the breakdown of expenses by their nature:

	2023	**2022**
Merchandise	(1,729,881)	(2,351,271)
Transportation expenses	(14,803)	(24,026)
Employees costs	(51,672)	(55,888)
Third party services	(9,120)	(16,640)
Software expenses	(1,833)	(1,640)
Maintenance expense	(4,413)	(4,890)
Consumable expense	(3,978)	(4,256)
Protocol and publicity expenses	(3,889)	(4,557)
Depreciation	(10,399)	(7,978)
Write-down and (losses)/ reversal of inventories	3,046	(8,066)
Other	(3,677)	(4,018)
Total, *of which*	**(1,830,619)**	**(2,483,230)**
Cost of sales	(1,797,428)	(2,449,466)
Administrative expenses	(33,191)	(33,764)

6 CURRENT AND DEFERRED INCOME TAX

Current and deferred income tax charges are calculated on the basis of tax rates and tax laws enacted or substantively enacted in Romania at the balance sheet date.

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 the 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 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 utilized.

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.

Significant Judgement – Income tax

Frequent modification of the tax laws applicable in Romania give rise to significant tax uncertainties including but not limited to the tax authorities interpretation of complex tax issues. Differences arising between the results of such interpretations and the assumptions made by the Company's management, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded, together with late payment interest and penalties. In Romania, tax periods remain open for 5 years.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

One of the main sources of tax uncertainy is related to 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 written request of the Romanian tax authorities their transfer pricing documentation file. 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.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and remeasures related liabilities where appropriate on the basis of amounts expected to be paid to the tax authorities. The Company's management considers that the tax liabilities included in these financial statements are fairly stated, and is not aware of any circumstances which may give rise to a potential material liability in this respect.

Significant components of the income tax expense are presented below:

	2023	**2022**
Current tax	(4,852)	(10,372)
Deferred tax	1,429	3,665
Income tax expense	**(3,423)**	**(6,707)**

The income tax rate applicable to the Company's taxable income in 2023 and 2022 is 16%. The reconciliations between the tax expense and the product of accounting profit multiplied by the statutory tax rate for the years ended 31 December 2023 and 31 December 2022 are as follows:

	2023	**2022**
Accounting (loss)/ profit before tax	(13,694)	46,335
Tax charge at the statutory tax rate of 16%	(2,191)	7,414
Tax effect of non-deductible expenses and non-taxable income	**6,384**	**1,243**
Fiscal facilities	**(770)**	**(1,950)**
Sponsorship	(105)	(1,580)
Other	(665)	(370)
Income tax expense	**3,423**	**6,707**
Effective tax rate	-25.00%	14.48%

Other fiscal facilities include a tax credit for reinvested profit and a tax credit for achieving the equity targets set by the fiscal code.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Significant components of deferred tax assets and liabilities as at 31 December 2023, including their movements during the year then ended, are presented below:

	1 January 2023			31 December 2023	
	Deferred tax assets	**Deferred tax liabilities**	**(Expense) / Income in the period**	**Deferred tax assets**	**Deferred tax liabilities**
Expected credit losses	3,598	-	2,725	6,323	-
Other temporary differences	2,852	-	(1,296)	1,556	-
	6,450	**-**	**1,429**	**7,879**	**-**

Significant components of deferred tax assets and liabilities as at 31 December 2022, including their movements during the year then ended, are presented below:

	1 January 2022			31 December 2022	
	Deferred tax assets	**Deferred tax liabilities**	**(Expense) / Income in the period**	**Deferred tax assets**	**Deferred tax liabilities**
Expected credit losses	1,195	-	2,403	3,598	-
Other timing differences	1,590	-	1,262	2,852	-
	2,785	**-**	**3,665**	**6,450**	**-**

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

This section discusses the Company's exposure to various risks, explains how these risks are managed and shows how these could affect the Company's financial position and performance.

7 FINANCIAL RISKS MANAGEMENT

The Company's strategy for growth and development has the farmers and their needs at its core. Our aim is to support our clients in achieving their potential and, in the process, to support the Romanian agriculture in its important role in the European and global food chain. With that in mind we have developed a business model which follows the seasonality of the agricultural year. The Company negotiates payment terms that match its clients' operating cycle.

In this context the trade receivables peak in June and are collected in the second part of the financial year (as the main crops are harvested and sold). Trade receivables are financed through similar agreements with suppliers (trade payables are also peaking around this period) and, where not possible or more costly for the Company, through bank loans (which follow the same seasonality).

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

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company regularly reviews its risk management policies and systems to reflect changes in markets and products with consideration of best market practice.

i. Credit risk

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

Credit risk arises mainly from trade receivables but can also arise from other receivables from sales of non-current assets or from cash equivalents. Credit risk is the single largest financial risk for the Company's business. The Company's maximum exposure to credit risk is reflected by the carrying amounts of financial assets on the statement of financial position.

Significant estimate – expected credit losses

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which requires a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, the Company uses a provision matrix whereby trade receivables and contract assets have been grouped based on the days past due.

The Company also analyses individually the trade receivables from companies within insolvency processes and the trade receivables past due for more than 270 days. This analysis may result in additional allowance related to subject receivables.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2023 or 31 December 2022 respectively and the corresponding historical credit losses experienced within this period. Where material, the historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

On that basis, the expected credit loss allowance as at 31 December 2023, excluding related parties, was determined as follows for trade receivables:

DPD	Not due	1-30	31-60	61-90	91-180	181-365	> 365	Total
ECL rate (%)	0.56%	0.64%	9.37%	23.74%	49.29%	70.08%	100%	
Trade receivables	260,487	11,224	31,437	34,525	38,292	5,256	18,665	399,886
ECL	1,461	72	2,944	8,197	18,874	3,683	18,665	53,896

Comparative information as at 31 December 2022 is included below:

DPD	Not due	1-30	31-60	61-90	91-180	181-365	> 365	Total
ECL rate (%)	0.54%	4.89%	22.94%	41.33%	44.59%	62.32%	100%	
Trade receivables	454,286	11,493	19,582	15,048	7,102	570	10,192	518,273
ECL	2,454	562	4,491	6,219	3,167	355	10,192	27,440

The expected credit loss allowances for trade and other receivables as at 31 December reconcile to the loss allowances as at 1st January as follows:

	2023 Trade receivables	2023 Other receivables	2022 Trade receivables	2022 Other receivables
Opening Balance	(27,440)	(639)	(23,746)	(563)
Amounts written off	822	-	7,558	465
Net Impairment charge	(27,278)	536	(11,252)	(541)
Closing Balance	**(53,896)**	**(103)**	**(27,440)**	**(639)**

Expected credit losses on trade and other receivables are presented as net credit losses, within gross profit.

Collateral is not obtained, and the maximum exposure to credit risk arising from trade and other recievables is equal to their respective carrying amounts.

ii. Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and commodities prices.

The Company is exposed to market risks arising from its open positions in interest rate and currency products. Quantitative and qualitative information about the Company's exposure to these risks as well as related risk management policies and practices withing the Company are discussed in this note.

ii.1. Commodities price risk

The Company is exposed to both deflationary and inflationary commodity price risk.

Even before Ukraine was invaded by Russia, European gas prices had soared. After Russia announced it would cut off gas to the Nord Stream 1 pipeline in August 2022, the benchmark TTF price soared above 300 EUR per MWH, 13 times the average in 2018 to 2021. Since January 2023, however, things have been different. Gas prices in Europe in June 2023, at around 35 EUR per MWH, were 88% below their peak in August 2022. After a stable second half of the year, in December 2023 gas was trading at prices around 11% above June 2023, still below a third of their levels at December 2022.

Contained energy inflation and natural gas prices down to pre-2022 levels, albeit remaining above pre-COVID levels, contribute to reduced pressure on the EU crop nutrition market, although uncertainties remain. Furthermore, high levels of imports of nitrogen fertilisers in the second semester of 2022 and the first months of 2023 compensated for a closure of a significant part of the EU ammonia production capacity in 2022. Finally, declining natural gas prices allows EU domestic ammonia plants to gradually restart.

Such factors ensured good availability of crop nutrition products on the EU markets and to further eased the pressure on agricultural input costs in 2023. On average, agricultural inputs prices declined by 36% during 2023[1].

To mitigate the effects of supply chain disruptions and heightened availability risk, the Company operated with higher commodity inventories, situation which led to an increased level of crop protection products and crop nutrition products inventories as at December 2022. Sharp price drops during the first half of 2023 generated crop nutrition inventories related losses of about 40 million RON. Another 12 million RON losses were incurred due to glyphosate price drops, a commodity crop protection product.

As substantially all crop nutrition and glyphosate inventories purchased in 2022 were sold or otherwise marked to market during the first semester of 2023, the Company did not incur similar loses during the second half of the year. Overall, during the three years period impacted by supply chains disruptions and / or geopolitical instability (i.e. 2021 to 2023), when operating on average with higher-than-normal inventory levels, the Company achieved a total EBITDA of 127,2 million RON and 56.6 million RON total net profits.

ii.2. Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro (“EUR”) and US dollar (“USD”).

The Company’s exposure to foreign currency risk at the end of the reporting period, showing the Company’s monetary financial assets and financial liabilities, at their carrying amounts, by denomination currency, was as follows (amounts are expressed in RON thousand equivalent):

[1] European Commission *Price Dashboard*, No 139, 23 January 2024, page 2

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

	31 December 2023		31 December 2022	
	EUR	**USD**	**EUR**	**USD**
Assets				
Cash and bank balances	11	57	13	7
Trade and other receivables	61	-	61	953
Total assets	**72**	**57**	**74**	**960**
Liabilities				
Borrowings	30,602	17,362	46,642	24,956
Trade and other payables	44,182	11,641	39,898	27,174
Total Liabilities	**74,784**	**29,003**	**86,540**	**52,130**
Derivative financial instruments (notional)	-	-	-	5,881
Net financial position	**(74,712)**	**(28,946)**	**(86,466)**	**(45,289)**

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in EUR and USD exchange rates relative to the functional currency. The sensitivities are calculated by applying the changes in the exchange rates to the above net financial position.

	2023	**2022**
	EUR strengthening by 1.5%	**EUR strengthening by 3.1%**
Gain / (loss) before tax of:	(1,132)	(2,680)
Equity	(951)	(2,252)

	2023	**2022**
	USD weakening by 2.3%	**USD weakening by 1.7%**
Gain / (loss) before tax of:	673	770
Equity	565	647

ii.3. Interest rate risk

The Company’s main interest rate risk arises from borrowings with variable rates, which expose the Company to cash flow interest rate risk. The company’s policy is to attract floating rate borrowings, and all its borrowings as at 31 December 2023 are floating rate.

The Company’s borrowings and receivables are carried at amortised cost. The borrowings are periodically contractually repriced (see below) and to that extent are also exposed to the risk of future changes in market interest rates. The exposure of the Company to interest rate changes and the contractual re-pricing dates of the borrowings at the end of the reporting period are as follows (assets and liabilities are included at carrying amount and categorized by the earlier of contractual repricing or maturity dates).

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

asset / liability class	up to 1 month	1 to 3 months	3 to 12 months	1 year and above	Total
Trade and other receivables	54,548	17,152	278,619	953	351,272
Lease receivable	50	100	379	1,113	1,642
Cash and cash equivalents	7,089	-	-	-	7,089
Total financial assets	**61,687**	**17,252**	**278,998**	**2,066**	**360,003**
Borrowings	7,114	10,656	33,318	-	51,088
Lease liabilities	553	1,084	4,284	5,745	11,666
Trade and other payables	31,620	54,995	227,624	-	314,239
Total financial liabilities	**39,287**	**66,735**	**265,226**	**5,745**	**376,993**
Interest repricing gap	**22,400**	**(49,483)**	**13,772**	**(3,679)**	**(16,990)**

Comparative information as at 31 December 2022 is included below:

Asset / liability class	up to 1 month	1 to 3 months	3 to 12 months	1 year and above	Total
Other non-current receivables	-	-	-	1,793	1,793
Trade and other receivables	54,519	26,171	431,274	1,568	513,532
Lease receivable	88	177	766	1,312	2,343
Cash and cash equivalents	2,291	-	-	-	2,291
Total financial assets	**56,898**	**26,348**	**432,040**	**4,673**	**519,959**
Borrowings	50,943	46,203	80,286	-	177,432
Lease liabilities	563	1,172	4,612	7,576	13,923
Trade and other payables	131,740	40,515	221,032	-	393,287
Total financial liabilities	**183,246**	**87,890**	**305,930**	**7,576**	**584,642**
Interest repricing gap	**(126,348)**	**(61,542)**	**126,110**	**(2,903)**	**(64,683)**

The following table presents sensitivities of profit and loss and equity to reasonably possible changes in interest rates. The sensitivities are calculated by applying the changes in the floating rates to the floating rate financial assets and liabilities outstanding at the reporting date.

	2023 **Interest lower by 151 b.p.**	**2022** **Interest lower by 225 b.p.**
Gain / (loss) before tax of:	3,670	4,314
Equity	3,083	3,624

iii. Liquidity Risk

Liquidity risk is defined as the risk that the Company does not have sufficient liquid financial resources to meet obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company might be unable to meet its payment obligations when they fall due because of mismatches between the timing of the cash flows under normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to the Company on acceptable terms. To limit this risk, management has arranged for diversified funding sources in addition to its core capital base and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

The treasury department of the Company is responsible for working with operational and financial departments to ensure the liquidity risk strategy is executed. This incorporates an assessment of expected cash flows and the availability of high-grade collateral which could be used to secure additional funding, if required.

Prudent liquidity risk management also implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed borrowings facilities to meet obligations when due and to close out market positions. Due to the dynamic nature of the underlying businesses, Company treasury maintains flexibility in funding by maintaining availability under credit lines. The Company had access to the following undrawn borrowing facilities at the end of the reporting period:

	31 December 2023	**31 December 2022**
Undrawn uncommitted facilities, of which:	**404,840**	**262,158**
expiring within one year	161,920	140,772
expiring beyond one year	242,920	121,386
Total available undrawn facilities, of which:	**404,840**	**262,158**
expiring within one year	161,920	140,772
expiring beyond one year	242,920	121,386
Unencumbered eligible assets	**541,071**	**557,510**

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Analysis of financial assets and liabilities

The Company manages its exposure to the liquidity risk using a maturity structure of its monetary assets and liabilities based on remaining contractual maturities of assets and liabilities with set payment terms and on expected cash flows for those assets or liabilities without specific maturities. The table below shows how the Company manages its liquidity risk by presenting the undiscounted cash flows of monetary assets and liabilities on time bands on their contractual maturities. Some of the Company's borrowings are uncommitted, including unconditional early call options in favour of the lender. Based on its history and relationships developed with its business partners, the Company concluded that exercising such options is highly unlikely, thus the early call options are not considered in the analysis below.

31 December 2023	**0 to 6 months**	**6 to 12 months**	**1 to 2 years**	**2 to 5 years**	**Total**
Trade and other receivables	72,522	284,613	1,011	-	358,146
Lease receivables	368	283	546	702	1,899
Cash and cash equivalents	7,089	-	-	-	7,089
Expected inflows on assets	**79,979**	**284,896**	**1,557**	**702**	**367,134**
Borrowings	20,614	32,303	-	-	52,917
Lease liabilities	3,384	2,760	3,540	2,732	12,416
Trade and other payables	141,038	173,201	-	-	314,239
Expected outflows on liabilities	**165,036**	**208,264**	**3,540**	**2,732**	**379,572**
Net gap	**(85,057)**	**76,632**	**(1,983)**	**(2,030)**	**(12,438)**

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Comparative analysis as at 31 December 2022 is presented below:

31 December 2022	**0 to 6 months**	**6 to 12 months**	**1 to 2 years**	**2 to 5 years**	**Total**
Other non-current receivables	-	-	1,793	-	1,793
Trade and other receivables	83,298	437,592	1,819	-	522,709
Lease receivables	520	457	488	814	2,279
Cash and cash equivalents	2,291	-	-	-	2,291
Expected inflows on assets	**86,109**	**438,049**	**4,100**	**814**	**529,072**
Borrowings	139,804	40,979	-	-	180,783
Lease liabilities	3,355	3,035	4,416	3,411	14,217
Trade and other payables	181,978	211,309	-	-	393,287
Expected outflows on liabilities	**325,137**	**255,323**	**4,416**	**3,411**	**588,287**
Off balance sheet items					
Derivative contracts (inflow)	5,881	-	-	-	5,881
Derivative contracts (outflow)	5,913	-	-	-	5,913
Expected outflows on derivatives	**32**	-	-	-	**32**
Total expected out flows	**325,169**	**255,323**	**4,416**	**3,411**	**588,319**
Net gap	**(239,060)**	**182,726**	**(316)**	**(2,597)**	**(59,247)**

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

The table below shows the undiscounted cash flows of its financial liabilities as at 31 December 2023. Repayments on borrowings which include the early repayment option in favour of the lender are treated as if the options was exercised immediately (i.e. as if the Comapny was required to fully reimburse immediately all such borrowings). Such early repayment options may be imposed by several creditors, as a result of non-fulfillment of contractual clauses by companies within the group of which the Company is part of.

31 December 2023	**0 to 6 months**	**6 to 12 months**	**1 to 2 years**	**2 to 5 years**	**total**
Borrowings	52,917	-	-	-	52,917
Lease liabilities	3,384	2,760	3,540	2,732	12,416
Trade and other payables	141,038	173,201	-	-	314,239
Total	**197,339**	**175,961**	**3,540**	**2,732**	**379,572**

Comparative analysis as at 31 December 2022 is presented below:

31 December 2022	**0 to 6 months**	**6 to 12 months**	**1 to 2 years**	**2 to 5 years**	**total**
Borrowings	180,783	-	-	-	180,783
Lease liabilities	3,355	3,035	4,416	3,411	14,217
Trade and other payables	181,978	211,309	-	-	393,287
Total	**366,116**	**214,344**	**4,416**	**3,411**	**588,287**

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

This section includes information about the Company's share capital, the Company's equity, what is managing as capital and capital management practices within the Company.

8 EQUITY

Issued share capital

Issued and paid ordinary shares as well as the shareholding structure of the Company are detailed below:

	2023		2022	
Ordinary shares, issued and fully paid:	**thousand**	**RON'000**	**thousand**	**RON'000**
at 1 January	104,636	10,464	104,636	10,464
issued during the period	-	-	-	-
at 31 December, *of which owned by:*	**104,636**	**10,464**	**104,636**	**10,464**
Agricover Holding SA	90,641	9,064	90,641	9,064
Adama Agriculture B.V	10,464	1,046	10,464	1,046
Agricover Distribution SA (own shares)	216	22	216	22
Others	3,315	332	3,315	332

Ordinary shares have a par value of 0,1RON. They entitle the holder to participate in dividends, and to share in the proceeds of winding up the Company in proportion to the number of the shares held. There are no other classes of equity instruments issued by the Company. The Company distributed dividends in 2023 amounting 24.0 million RON(2022: 43.9 million).

Reserves breakdowns

The following table shows a breakdown of the balance sheet line item "Other reserves" and the movements in reserves during the year, including the revaluation reserve. A description of the nature and purpose of each reserve is provided below the table.

	Revaluation reserve	**Other reserves**
at 1 January 2022	**994**	**7,112**
Revaluation reserves realised	(313)	1,901
Increase in reserves	352	-
at 31 December 2022	**1,033**	**9,013**
Decrease of reserves	-	(608)
at 31 December 2023	**1,033**	**8,405**

Revaluation reserves

The property, plant and equipment revaluation reserves is used to record increments and decrements on the revaluation of non-current assets. In the event of a sale or disposal of an asset, any balance in the reserve in relation to the asset is transferred to retained earnings.

Other reserves

Other reserves include legal reserve, share-based payments reserve, and reinvested profit reserve.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

9 CAPITAL MANAGEMENT

The Company's objectives when managing capital are to:

- safeguard the Company's ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In recent years it has been the Company's practice to distribute around 60% of its net profit as dividends. In order to manage its 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.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

This section provides information about the Company's financial assets and liabilities, including specific information about each type of financial instrument held, related accounting policies for recognising and measuring financial instruments as well as their fair values.

10 OVERVIEW OF FINANCIAL INSTRUMENTS

An overview of the financial instruments held by the Company is presented below:

	Note	31 December 2023	31 December 2022
Financial assets at amortised cost:		**351,272**	**515,325**
Trade and other receivables	11	351,272	513,532
Other non-current assets		-	1,793
Financial liabilities at amortised cost:		**365,191**	**568,216**
Borrowings	14	51,088	177,432
Trade and other payables	16	314,103	390,784
Financial liabilities at fair value:			
Derivatives held for risk management purposes	17	-	14

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset.

Except for trade receivables, at initial recognition the Company measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions.

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business.

Some trade receivables may have maturities higher than twelve months and include a significant financing component. Those are initially recognised at their fair value, estimated by discounting expected cash flows using a discount rate that reflects the rate that would be used in a separate financing transaction between the Company and its customers. Interest income resulting from the financing component is recognised over the expected maturity of the receivables using the effective interest rate method and is presented as "Finance Income" in the statement of comprehensive income.

Trade receivables that do not include a financing component are recognised initially at the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised goods or performing the promised services.

Immediately after initial recognition, an expected credit loss allowance is recognised for financial assets measured at amortised cost, as described in note 7.i, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Classification and subsequent measurement

The Company applies IFRS 9 and classifies its financial assets at amortised cost.

Classification and subsequent measurement depend on:

i. the Company's business model for managing the asset – it reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of asset; and
ii. the cash flow characteristics of the asset – namely whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement.

Based on these factors, the Company the Company classifies its financial assets as follows:

- amortised cost – cash and cash equivalents, trade and other receivables and loans and advances granted are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI') and are measured at amortised cost;
- fair value through profit or loss – derivatives held for risk management purposes which are not designated as part of hedging relationships are measured at fair value through profit or loss. Gain or losses on derivatives held for risk management purposes are presented under finance income or finance cost. For more details refer to note 17.i.

Expected credit loss allowances

The Company assesses on a forward-looking basis the expected credit losses ('ECL') associated with its trade and other receivables and recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money where significant; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Details about the Company's impairment policies and the calculation of the expected credit loss allowance are provided in Note 7.i.

Classification of financial liabilities

Financial liabilities are classified as subsequently measured at amortised cost, except for derivatives held for risk management purposes which are not designated as part of a hedging relationship.

Gains or losses on derivatives held for risk management purposes are presented as net loss from derivative financial instruments in the statement of profit or loss and other comprehensive income. For

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

more details refer to note 17.i.

Derecognition

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Company transfers substantially all the risks and rewards of ownership, or (ii) the Company neither transfers nor retains substantially all the risks and rewards of ownership and the Company has not retained control.

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

11 TRADE AND OTHER RECEIVABLES

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Payment terms depend on type of goods acquired and financing options selected by the client (e.g. own funds, loans from other entities within the Agricover group or commercial credit). Refer to Note 3 for details around the measurement of the variable consideration represented by “commercial discounts”.

	31 December 2023	**31 December 2022**
Trade receivables	578,541	742,606
Expected commercial discounts (note 3)	(178,655)	(224,333)
Trade receivables net of expected discounts	**399,886**	**518,273**
Less: allowance for trade receivables (note 7)	(53,896)	(27,440)
Trade receivables – net	**345,990**	**490,833**
Receivables from related parties (note 21)	5,036	21,672
Other receivables	349	3,459
Total other receivables	**5,385**	**25,131**
Less: allowance for other receivables (note 7)	(103)	(639)
Total other receivables	**5,282**	**24,492**
Total, *of which:*	**351,272**	**515,325**
current portion	350,319	511,964
non-current portion, *of which:*	953	3,361
Trade receivables	953	1,568
Other receivables from related parties	-	1,793

Other receivables classified as at 31 December 2023 and as at 31 December 2022 as a non-current refer mainly to receivables from fixed assets sold with payment term above one year, with final maturity in 2025. The long-term receivables are guaranteed by pledges on the sold assets and in case of default on payments the Company would regain posesion of the respective assets.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

12 OTHER CURRENT ASSETS

	31 December 2023	31 December 2022
Advances for inventories	11,213	5,627
Right to returned goods	6,096	9,363
Prepayments	2,343	2,650
Advances to suppliers	3,883	2,199
Other current assets	1,953	852
Total other current assets	**25,488**	**20,691**

Right to returned goods

In accounting for the implicit right of return for products sold to customers, the Company recognises the "Right to returned goods" asset (with a corresponding adjustment to cost of sales) representing its right to recover the products when it settles the refund obligation refer to Note 3 which includes detailed accounting policy for recognising and measuring the right of return.

13 CASH AND CASH EQUIVALENTS

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand and deposits held at call with financial institutions. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet. As allowed by IAS 7: *Statement of Cash Flows*, the Company presents receipts and payments of interest, receipts of dividends, and income taxes paid within cash flows from operating activities; while payments of dividends are presented within cash flows from financing activities.

As at 31 December 2023 and 31 December 2022 Cash and cash equivalents presented in the Statement of financial position and in the Statement of cash flows are represented by current accounts held with highly reputable local banks.

14 BORROWINGS

Bank borrowings

All bank borrowings bear floating interest rates and are secured by pledges on inventories and on current accounts opened at respective banks and by assignment of receivables. The carrying amounts of assets pledged as security are disclosed in note 22.

Changes in liabilities arising from financing activities

Significant changes in the Company's liabilities as arising from its financing activities are presented here:

Notes to the Financial Statements
Financial assets and liabilities

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

	2023		2022	
	Borrowings	**Lease liability (note 19)**	**Borrowings**	**Lease liability (note 19)**
at 1 January	**177,432**	**13,923**	**43,052**	**10,402**
Withdrawals	26,166	-	145,672	-
new contracts	-	4,951	-	10,224
Repayments	(150,075)	(7,278)	(11,028)	(6,639)
interest accrued in the period	15,529	397	10,522	256
interest paid	(15,529)	(397)	(10,588)	(256)
foreign exchange rate variation effect	(2,435)	70	(198)	(64)
at 31 December	**51,088**	**11,666**	**177,432**	**13,923**

Compliance with covenants

Under the terms of its major borrowing facilities and of its engagements took under the prospectus of the bonds issued by its Parent, the Company is required to comply with certain financial covenants.

The management closely monitors the levels of such covenants, as follows:

#	Covenant	Reference/ Note	31 December 2023	31 December 2022
=A/B	**Current ratio**		**1.16**	**1.17**
A	Current assets	SOFP*	448,110	703,047
B	Current liabilities	SOFP	386,601	601,887
=(C+D)/E	**Short-term borrowing ratio**		**3.08%**	**7.22%**
C	Short Term Borrowing	14	51,088	177,432
D	Current lease liability	19	5,921	6,347
E	Net Turnover	3	1,851,096	2,545,369
=(F+G-H)/K	**Debt ratio**		**8.58**	**3.04**
F	Borrowings	14	51,088	177,432
G	Lease liability	19	11,666	13,923
H	Cash and cash equivalents	SOFP	7,089	2,291
K=I+J	EBITDA		6,487	62,222
I	Operating profit/ (loss)	SOCI*	(3,912)	54,244
J	Depreciation	5	10,399	7,978
=K/L	**EBITDA Interest coverage**		**0.41**	**5.77**
L	Interest expense	4	15,925	10,777
=M/N	**Gearing ratio**		**0.71**	**1.47**
M=F+G	Total Debt		62,754	191,355
F	Borrowings	14	51,088	177,432
G	Lease liability	19	11,666	13,923
N	Total equity	SOFP*	88,351	130,259

* SOFP – Statement of Financial Position as included in these financial statements.
* SOCI – Stamente of Profit or Loss and Other Comprehensive Income as included in these financial

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

statements
As at 31 December 2023, the Company has complied with all financial covenants imposed by its borrowing facilities or, where covenants thresholds were breached, the Company has obtained relevant waivers from its lenders. The Company has complied with all financial covenants during 2022.

15 CONTRACT LIABILITIES

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

	31 December 2023	31 December 2022
Advances from customers	10,390	21,652
Deferred revenues	1,453	1,730
Total	**11,843**	**23,382**

To mitigate price and availability risk farmers chose to secure their acquisitions by placing firm orders backed by prepayments (refer to note 7.ii.1 for commodities price risk details).

16 TRADE AND OTHER PAYABLES

	31 December 2023	31 December 2022
Trade payables	259,792	348,193
Expected commercial discounts	(14,767)	(47,182)
Trade payables net of expected discounts	**245,025**	**301,011**
Payables to related parties (note 21)	24,295	44,901
Refund liability	7,494	11,654
Dividends	31,242	18,523
Salaries and related taxes	6,005	14,654
Fixed assets suppliers	40	41
Derivative liabilities held for risk management	-	14
Total other payables	**69,076**	**89,787**
Total	**314,101**	**390,798**
Other non-financial liabilities		
VAT payable	-	2,255
Other current liabilities	138	234
	138	**2,489**
Total trade and other payables	**314,239**	**393,287**

Trade and other payables are unsecured and their carrying amounts are considered to be the same as their fair values, due to their short-term nature.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Significant estimate – expected commercial discounts

The Company receives from its suppliers discounts for compliance with contractual payment terms not granted on a calendar year basis and with payment patterns dependant on collection patterns and resources availability (similar discounts are offered by the Company to its customers – refer to Note 3 for details). Such commercial or settlement discounts received are deducted from the cost of inventories to the extent that it is probable that they will take effect. In its estimation of the such probabilities the management considers past patterns as well as new information available to the treasury and risk teams of the Company. Considering the solid financial position and liquidity of the Company, substantially all commercial invoices in 2023 and 2022 were settled within the payment terms agreed with the suppliers.

Refund liability

The refund liability represents the amount of consideration that the Company expects to refund to its customers. For more details regarding measurement and recognition refer to note 3.

17 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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.

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 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).

i. *Financial instruments measured at fair value*

The level in the fair value hierarchy into which the recurring fair value measurements are categorized is presented in the table below. 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.

	31 December 2023		**31 December 2022**	
	Level 2	**Total**	**Level 2**	**Total**
Financial liabilities at fair value:				
Derivatives held for risk management	-	-	(14)	(14)

As at 31 December 2023 the Company had no FX Forward contracts outstanding (31 December 2022: total negative fair value of thousand RON 14). The fair value was estimated based on discounted cash flows model, using directly observable inputs (i.e.: market FX and interest rates). As such, the fair value of the derivative is classified as Level 2 in the fair value hierarchy.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Foreign exchange derivative financial instruments entered into by the Comapny are 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. The Company does not take trading or speculative positions when entering into derivative transactions. All such transactions are initiated for risk management purposes.

ii. Financial instruments not measured at fair value but for which fair value is disclosed

Fair value of trade and other receivables

The fair value for current trade receivable is considered to be the same as their carrying amount due to the short-term nature of the current receivables.

Fair value of **non-current trade and other receivables** was estimated by discounting expected cash flows over their expected maturity using the discount rate used in December, calculated as the average of market interest rates offered by local banks to their commercial customers for loans with similar characteristics (based on monthly reports published by the National Bank of Romania) and of interest rates offered by Agricover Credit IFN to its customers during the same period. Fair value computed as mentioned is classified in level 3 of the fair value hierarchy, and is presented below:

	31 December 2023		31 December 2022	
	Level 3	Total	Level 3	Total
Carrying value	953	953	3,360	3,360
Fair value	953	953	3,073	3,073

Fair value of financial liabilities

All Company’s borrowings bear floating interest rates and their carrying amount aproximates their respective fair values. Trade and other financial liabilities are short term, the discounting effect is insignificant hence their carrying amount aproximates their respective fair values.

Notes to the Financial Statements
Non-financial assets and liabilities

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

This section provides information about the Company's non-financial assets and liabilities, including specific information about:

- Inventories (note 18);
- Leases (note 19);
- Intangible assets (note 20);

and related material accounting information, judgement and estimates.

18 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts (refer to Note 16). Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Significant estimate – net realisable value

The company analyses the net realisable value for those inventories that are damaged, or if their selling prices have declined. Inventories are written down to net realisable value item by item.

Estimates of net realisable value are based on the most reliable evidence available at the time the estimate is made. This estimate takes into consideration fluctuations of price or cost directly relating to events occurring after the end of the period only to the extent that such events confirm conditions existing at the end of the period.

In estimating the net realisable value of inventories as at 31 December 2023, the Company considered sale prices for transactions incurred during December 2023 and January 2024, as well as discount campaigns contemplated and approved during those months. Changes in the value of inventories outside this window, if not specifically linked to conditions existing at or before 31 December 2023, do not impact the carrying value of the inventories presented in these financial statements.

The net realisable value adjustment is reversed when the inventories are sold or when the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances.

	31 December 2023	31 December 2022
Certified seeds	2,188	1,738
Crop nutrition products	2,544	83,489
Crop protection products	59,074	80,671
Total carrying amount of goods purchased for resale	**63,806**	**165,898**
Packaging, spare parts and other consumables	879	1,172
Total	**64,685**	**167,070**

During 2023, 0,6 million RON (2022: 4,6 million RON) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales, part of *Write-down and losses of* *inventories*.

In 2022, to mitigate the impact of crop nutrition and crop protection products shortages and to reduce our reliance on specific suppliers or regions, we have significantly expanded our network of suppliers and built-up additional inventories wherever the supply was tight.

19 LEASES

The Company leases various offices, warehouses, equipment and vehicles. The Company acts as a lessee in all its significant leasing agreements. This note details the accounting policy applied by the Company as a lessee, related significant estimates and impact of leases on the Company's financial position, performance and cash flows.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date and subsequently updated based on the index or rate valid at each reporting period;
- amounts expected to be payable by the Company under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option,
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option; and
- payments to be made under reasonably certain extension options.

Contracts to lease buildings and vehicles include non-lease components, such as repair and maintenance, security or management services. Prices of non-lease components are clearly stated in all significant lease agreements of the Company and the management is satisfied that such prices are representatiave of the standalone selling prices for similar services. The Company separates lease and non-lease components.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are initially measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs

Extension and termination options are included in a number of property and equipment leases across the Company. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The majority of extension and termination options held are exercisable only by the lessee and not by the respective lessor. Lease contracts of the Company do not include purchase options. Right of use assets are depreciated over the shortest of the asset's useful life or the

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

lease term (which is impacted by reasonably certain prolongation or early termination options available to the Company).

The lease liability 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 Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company 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.

While the Company revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Company.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company uses as a starting point:

- where possible, recent third-party financing received by the individual lessee; or
- interest rates obtained by the lessee from various external financing sources.

Management then makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Significant inputs used by the Company in measuring lease liabilities and right of use assets are details below:

	Buildings		**Vehicles**	
	2023	**2022**	**2023**	**2022**
Weighted average incremental borrowing rate	3.05%	1.99%	2.83%	2.26%
Weighted average residual lease term	2.53	2.86	2.34	2.70
Weighted average lease term at recognition	3.68	3.64	3.37	3.25

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

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

The balance sheet shows the following amounts relating to leases:

	31 December 2023	31 December 2022
Right of use assets		
Buildings	4,284	4,469
Vehicles	6,001	7,460
	10,285	**11,929**
Lease liabilities		
Current	5,921	6,347
Non-current	5,745	7,576
	11,666	**13,923**

Lease liabilities

Lease liabilities are effectively secured, as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Right of use assets

The reconciliation of opening and closing right of use assets for 2023 is presented below:

	Buildings	Equipment	Vehicles	Total
As at 01 January	4,469	-	7,460	11,929
Additions	2,670	-	2,080	4,750
Derecognition	(75)	-	-	(75)
Depreciation	(2,780)	-	(3,539)	(6,319)
As at 31 December	**4,284**	**-**	**6,001**	**10,285**

Comparative information for 2022 is presented below:

	Buildings	Equipment	Vehicles	Total
As at 01 January	3,382	71	6,440	9,893
Additions	1,706	-	6,749	8,455
Reclassification	2,041	-	(2,041)	-
Derecognition	(44)	(71)	(1,031)	(1,146)
Depreciation	(2,616)	-	(2,657)	(5,273)
As at 31 December	**4,469**	**-**	**7,460**	**11,929**

The statement of profit or loss shows the following amounts relating to leases:

	Note	2023	2022
Depreciation expense for right of use assets:			
Buildings		(2,780)	(2,616)
Vehicles		(3,539)	(2,657)
	5	**(6,319)**	**(5,273)**
Interest expense (included in interest cost)	4	396	257

The total cash outflow for leases in 2023 was 7.3 million RON (2022: 6.6 million RON).

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

20 INTANGIBLES

Intangibles of the Company are represented by software licences acquired. The Company has no intangibles with indefinite useful life. Licenses are recognised at historical cost less amortisation and are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. No such impairment indicators were identified during the reporting period.

Amortisation for software licences is calculated using the straight-line method to allocate the cost or revalued amounts of the assets, net of their residual values, over their estimated useful lives of 3 to 5 years.

The reconciliation of the carrying amount of each significant class of intangibles is presented below:

	2023 **Software licences**	**2022** **Software licences**
Gross book value	13,856	12,957
Accumulated amortisation	(9,747)	(8,425)
Net book value at 1 January	**4,109**	**4,532**
Additions	440	1,199
Disposals	(748)	(300)
Amortisation charge	(1,784)	(1,622)
Accumulated amortisation of disposals	748	300
Net book value at 31 December	**2,765**	**4,109**
Gross book value	13,548	13,856
Accumulated amortisation	(10,783)	(9,747)

Main additions of licenses are represented by the implementation of SAP 4Hana, the migration to the updated version of SAP starting January 2021.

Notes to the Financial Statements
Other information

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to the Company's financial performance, its risk management or to individual line items in the financial statements.

21 RELATED PARTIES TRANSACTIONS

Significant related party transactions of the Company were conducted on terms judged by management to be equivalent to those prevailing in an arm's length transaction. The Company discloses below its significant transactions, related income, expenses and balances in respect of each of the following categories of related parties:

Category	Definition	Impact on the financial statements
Parent	entity that controls the Company	the main shareholder of the Company is Agricover Holding SA.
Key management	persons having authority and responsibility for planning, directing and controlling the activities of the Company and its subsidiaries,	there are no significant transactions between the Company and key management. key management compensation is disclosed below in this note.
Other related parties	related parties that do not fall under any of the above categories, and are not subsidiaries, associates, or joint ventures of the Company	significant transactions with other related parties are disclosed below in this note.

Ultimate beneficial owner

The ultimate beneficial owner of the Company is Mr. Kanani Jabbar, who owns 87.269% of the share capital of the Company's Parent (31 December 2022: 87.269%).

Key management compensation

During 2023 compensation granted to key management personnel amounts to 5,8 million RON (2022: 5,3 million RON). It represents short term benefits, including monthly salaries, performace bonuses and share based payments. There are no other types of benefits or commitments granted by the Company to key management.

Share-based payments

Starting 2022 the Parent Company implemented a Share Option Plan ("the SOP") based on which share options of the Parent are granted to senior managers (including executive directors) of the Company with more than 12 months' service for the Company, at the discretion of the Board of Directors (no individual has a contractual right to participate in the plan or to receive any guaranteed benefits).

The SOP is designed to provide short-term and long-term incentives for senior managers to deliver long-term shareholder returns. It includes two components:

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

a) short-term component, with options that vest after twelve months depending on the participants' achievements with respect to their individually assigned KPIs (non-market performance condition), and
b) long-term component, with options that vest over a three-year period (graded vesting, one third of the total number of granted options vesting each year) depending on the Parent's consolidated net profit (non-market performance condition).

Vesting under both components of the SOP is conditioned upon the participant remaining employed with the Group on such vesting date, and the realization of the relevant performance indicators. (whereby the maximum number of options that can vest is for a performance level of 130% versus the assigned levels of the performance indicators). The share options granted will not vest if the performance conditions are not met or if the participant leaves the Group before vesting date.

Options are granted under the SOP for no consideration and carry no dividend or voting rights. The share options are exercisable at 0.1 RON/share within five days after vesting.

The service cost is determined with reference to the fair value of the shares. The fair value of the share options is estimated at the grant and, respectively, reporting dates by considering the Group's consolidated net profit (as reported in its most recent annual consolidated financial statements) and average market multiples as published by the Bucharest Stock Exchange and / or other third-party data providers. Such multiples include the price-to-earnings ratio (P/E or PER), which measures the share prices relative to the net profits of entities listed on the Bucharest Stock Exchanges. In 2022 multiples used in valuation also included the M&A market premium – which measures the degree with which market multiples in private equity transactions (i.e. mergers and acquisitions of companies which are not listed on the Bucharest Stock Exchanges) are higher than market multiples of public companies. Starting 2023 the M&A market premium is no longer an input in the valuation model.

The performance conditions are only considered in determining the number of instruments that will ultimately vest and have no impact on the value of the options granted.

The Parent provides a redemption mechanism of the SOP-acquired shares as follows:

- Anytime during the holding period, the new shareholder has the right to ask the parent to buy his/her shares and the parent might accept. This action may be initiated by the parent, as well. There is no obligation on either side to accept to buy/sell as a result of the other's party sell/buy initiative.
- The shares are mandatorily redeemable by the parent upon employment termination of the participants to the program.

An equity reserve is recognized for service provided by the employees under SOP. The cost of the equity settled transactions is determined by the fair value at the grant date.

The expense is recognized over the period in which the service and the performance conditions are fulfilled (the vesting period) with recognition of a corresponding liability. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of options that will ultimately vest.

The Company has established a share-based payments reserve used to recognize the grant date fair value of options issued to employees but not exercised. This reserve is transferred to retained earnings on the exercise or lapse of options. Recharges are recognized directly in equity (retained earnings) as

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

transactions with owners in their capacity as owners.

Set out below are details regarding the number of options granted, exercised or expired under the plan:

	2023	2022
Beginning of the year	3,531,431	-
Granted during the period	8,821,508	3,531,431
Exercised during the period	(1,668,246)	-
Expired during the period	(32,889)	-
End of the year	**10,651,804**	**3,531,431**

All instruments outstanding are unvested at 31 December 2023 and have an exercise price of 0.1RON/share. The weighted average remaining contractual life of options outstanding is 0.93 years at 31 December 2023. As at 31 December 2023 and for the year then ended the Company recognized an expense of 0.5 million RON in relation to the SOP (2022: 0.9 million RON).

Transactions with related parties

The following transactions were carried out with related parties during 2023 and 2022:

	2023	2022
Sales to Other related parties:	**10,587**	**20,742**
Sale of services	-	61
Sale of goods	10,587	20,681
Rent revenue from other related parties	1,636	1,678
Acquisitions from other related parties:	**34,947**	**41,656**
Purchase of services	112	160
Purchase of goods	34,835	41,496
Financial expenses with other related parties	11,497	6,782
Interest income from other related parties	-	54

During 2023 AGV Technology SA, wholly owned by the Company's Parent, acted as an agent for the Company in relation to IT licenses and other service acquisitions with a total cost of 0.4 million RON (2022: 1.4 million RON).

Commissions paid by the Company to Agricover Credit IFN (wholly owned by the Company's Parent) for cross-sale transactions are deducted from Revenue and amount to 2.9 million RON in 2023 (2022: 3.7 million RON).

During 2023, the Comapany paid dividends to the Parent amounting 11.3 million RON (2022: 27.5 million RON).

Outstanding balances arising from transactions with related parties

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

	Note	2023	2022
Receivables from other related parties:			
Trade and other receivables	11	6,678	24,015
Payables to related parties:			
Trade and other payables	16	55,536	60,594

22 ASSETS PLEDGED AS SECURITY

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	Note	31 December 2023	31 December 2022
Current Assets:			
Trade and other receivables	11	162,059	212,904
Inventories	18	64,685	167,070

Pledges on inventories are periodically renewed to include the value of all inventories as at each specific renewal date. In the table above the Company includes the lower of the value of pledged inventories as per the latest renewal agreement and the value of inventories as at the reporting date, as there are no restrictions on the Company's access to such inventories or its right to sell pledged inventories in the normal course of the business.

23 COMMITMENTS AND CONTINGENCIES

Contingent liabilities

The Company operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its general operations. As a result, it is involved in various litigations and legal and other proceedings arising in the ordinary course of the its business. Management of the Company considers that these litigations and legal and other proceedings will not have a significant impact on the operations or on the financial position of the Company.

24 EVENTS AFTER THE REPORTING PERIOD

During February 2024, as part of the measures taken to address the challenges incurred during 2023 (refer to Note 2), the Company decided to reorganise its business by discontinuing commodity-type products (mostly crop nutrition products and fuel), with lower margins and significant price volatility.

Because implementing such a decision is a complex process which, if handled improperly, can have negative implications on the Company's and its Parent's client base, ongoing commercial agreements with its commercial partners supplying logistic services, or on its employees, the distribution of such commodity-type products will be carried out, for a limited period, by another entity controlled by the Parent.

KPMG Audit SRL
DN1, Bucharest - Ploiești Road no. 89A
Sector 1, Bucharest
013685, P.O.Box 18 - 191
Tel: +40 372 377 800
Fax: +40 372 377 700
www.kpmg.ro

Independent Auditors' Report

To the Shareholders of Agricover Credit IFN S.A.

1B Pipera Blvd, Cubic Center Office Building, 6th floor, Voluntari, Ilfov, Romania
Unique Registration Code: 22940237

Report on the Audit of the Consolidated Financial Statements

Opinion

1. We have audited the consolidated financial statements of Agricover Credit IFN S.A. and 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 2023, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and material accounting policy information and other explanatory information.

2. The consolidated financial statements as at and for the year ended 31 December 2023 are identified as follows:

- Total equity: Lei 558,047 thousand
- Net profit for the year: Lei 78,041 thousand

3. The consolidated financial statements have been signed with a qualified electronic signature by Mr. Stefan Doru Bucataru, permanent representant of Veldtster INC, in his capacity of Administrator, on Year: 2024, Month: March, Day: 28 Hour: 10, Min: 8 and by Ms. Mihaela-Denisa Manoliu, in her capacity of Chief Financial Officer of Agricover Credit IFN S.A., on Year: 2024, Month: March, Day: 28 Hour: 10, Min: 00.

4. 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 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS EU") and with the National Bank of Romania's Order no. 27/2010 for the approval of the accounting regulations in accordance with IFRS, with subsequent changes ("NBR Order no. 27/2010").

Basis for Opinion

5. 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 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

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

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

6. 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 2023, the consolidated financial statements include gross loans and advances to customers of RON 2,905,709 thousand, related impairment allowances of RON 112,069 thousand and, for the year then ended, net credit losses on loans and advances to customers recognized in the consolidated statement of profit or loss and other comprehensive income of RON 49,351 thousand (31 December 2022: gross loans and advances to customers of RON 2,839,037 thousand, related impairment allowances of RON 80,066 thousand and, for the year then ended, net credit losses on loans and advances to customers recognized in the consolidated statement of profit or loss and other comprehensive income of RON 27,987 thousand).

See Notes 4 Net credit losses, 8 Financial risks management, 11 Overview of financial instruments 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 and assumptions. Pursuant to the relevant standard, IFRS 9 "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) as well as non-performing exposures (Stage 3) are determined by modelling techniques ("collective impairment allowance"), 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") or in default, identification of restructured exposures, and forward-looking information, among other things. Notwithstanding the above, impairment allowances for certain exposures with specific credit risk indicators are determined on an individual basis, by means of a	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 methods and models, and assessing their compliance with the relevant requirements of the financial reporting standards; as part of the above, we identified the relevant methods, assumptions and sources of data, and assessed whether such methods, assumptions, data and their application are appropriate in the context of IFRS 9 requirements; • Assessing the design, implementation and operating effectiveness of selected controls within the Group's lending process. This included in particular testing the controls over: (i) completeness and accuracy of input data (mainly for loan exposure and interest rate data), (ii) approval of loans; • 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

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. Given the volatility in agricultural commodity prices, inflationary pressures, and prolonged period of elevated interest rates, measurement of the collective impairment allowance 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 and advances to customers to be associated with a significant risk of material misstatement in the consolidated financial statements. Therefore, the area required our increased attention in the audit and as such was determined to be a key audit matter.	against the debtors and restructuring status; • Assessing whether the definition of default and the staging criteria of IFRS 9 were consistently applied and are appropriate. As part of this procedure, for a sample of exposures, we critically assessed, by reference to the underlying loan files and through inquiries of responsible loan officers and credit risk management personnel, the existence of any triggers for classification of exposures to stage 2 or 3; • For collectively assessed 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 calculation, by reference to the supporting documentation, such as debt service status, repayment schedules, restructuring operations and underlying data for collections occurring after default; – Challenging management’s judgement in respect of addressing the economic uncertainties by inspecting the underlying documentation, sensitivity analysis, evaluating key underlying assumptions and considering alternative models; – 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 individually assessed impairment allowances: – 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, amicable voluntary cash-flows and recovery period, where relevant; and; – Recomputing the individual ECLs as at reporting date. • Evaluating the ECL-related disclosures in the consolidated financial statements against the qualitative and quantitative requirements of the relevant financial reporting standards.

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

7. The 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. 27/2010, article 32 of the accounting regulations in accordance with International Financial Reporting Standards applicable to credit institutions. 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. 27/2010, article 32 of the accounting regulations in accordance with International Financial Reporting Standards applicable to credit institutions.

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. 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 with NBR Order no. 27/2010 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 governance are responsible for overseeing the Group 's financial reporting process.

Auditors' Responsibilities 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.

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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 29 September 2023 to audit the consolidated financial statements of Agricover Credit IFN S.A. for the year ended 31 December 2023. Our total uninterrupted period of engagement is 4 years, covering the periods ended 31 December 2020 to 31 December 2023.

17. We confirm that:
    - our audit opinion is consistent with the additional report presented to the Audit Committee of the Group, which we issued on the same date as the date of issuance of this independent auditors' report. 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.

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

RUBELI IRINA

KPMG Audit SRL

registered in the electronic public register of financial auditors and audit firms under no AF4092

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

Bucharest, 28 March 2024

Autoritatea pentru Supravegherea Publică a Activității de Audit Statutar (ASPAAS)
Auditor financiar: RUBELI IRINA
Registrul Public Electronic: AF4092

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

AGRICOVER CREDIT IFN SA

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 December 2023

Prepared in accordance with the National Bank of Romania Order No. 27/2010 for the approval of accounting regulations in accordance with the European Directives, and are in compliance with the
International Financial Reporting Standards, as adopted by European Union

** The original version of the consolidated financial statements was written in Romanian. This document is an English translation of the original document. In case of any discrepancy between the English text and the Romanian text, the latter will prevail.*

Contents

Consolidated Statement of Profit or Loss and Other Comprehensive Income
as at 31st of December

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

	Note	2023	2022
Interest income	3	405,734	324,845
Interest and similar expenses	3	(192,503)	(151,845)
Net interest income	3	**213,231**	**173,000**
Net credit losses	4	(50,482)	(28,326)
Net interest income after credit losses		**162,749**	**144,674**
Fee and commission income	5	11,389	11,172
Fee and commission expense		(994)	(527)
Net fee and commission income	5	**10,396**	**10,645**
Other operating income		1,689	996
General and administrative expenses	6	(71,651)	(65,064)
Other operating expenses	5	(8,694)	(6,941)
Net loss from derivative financial instruments		(4,716)	(9,189)
Net foreign exchange result		1,359	717
Profit before tax		**91,130**	**75,838**
Income tax expense	7	(13,089)	(10,485)
Profit for the year		**78,041**	**65,353**
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**78,041**	**65,353**
Profit attributable to:			
- Equity holders of the company		76,839	63,507
- Non controlling interest		1,202	1,846
Profit for the year		**78,041**	**65,353**
Total comprehensive income attributable to:			
- Equity holders of the company		76,839	63,507
- Non controlling interest		1,202	1,846
Total comprehensive income for the year		**78,041**	**65,353**

Consolidated Statement of Financial Position
as at 31st of December

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

	Note	2023	2022
Assets			
Cash and cash equivalents	12	470,227	116,245
Loans and advances to customers	8	2,793,640	2,758,971
Other financial assets		944	2,844
Other assets		10,943	2,646
Current tax assets		1,342	497
Deferred tax assets	7	640	2,731
Intangible assets	18	17,806	13,183
Property, plant and equipment	17,16	10,385	8,775
Total Assets		**3,305,927**	**2,905,892**
Liabilities			
Derivative liabilities held for risk management	11	4,983	4,699
Borrowings	13	2,712,988	2,394,920
Other financial liabilities	0	27,952	23,555
Current tax liabilities		108	-
Provision for off balance sheet commitment		1,849	718
Total Liabilities		**2,747,880**	**2,423,892**
Equity			
Share capital		137,925	137,925
Retained earnings		391,859	319,273
Legal and other reserves		26,916	22,813
		556,700	**480,011**
Non-controlling interests		1,347	1,990
Total equity		**558,047**	**482,000**
Total equity and liabilities		**3,305,927**	**2,905,892**

Approved for issue and signed on behalf of the Board of Directors on 28 March 2024.

Stefan Doru Bucataru permanent representat of Veldtster INC — Administrator

Denisa Manoliu — Chief Financial Officer

Consolidated Statement of Changes in Equity
for the year ended 31st of December

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

	Attributable to owners of Agricover Credit						
	Share capital	Legal reserves	Other reserves	Retained earnings	**Total**	**Non-controlling interest**	**Total equity**
at 1 January 2023	**137,925**	**20,832**	**1,981**	**319,273**	**480,011**	**1,990**	**482,000**
Profit for the period				76,838	76,838	1,202	**78,040**
Total comprehensive income for the period				**76,838**	**76,838**	**1,202**	**78,040**
Share capital increase							
Transfer to legal reserves		4,525		(4,525)			
Share option plan			(421)	295	(126)		**(126)**
Distributed dividends						(1,845)	**(1,845)**
Other changes in equity				(23)	(23)		**(23)**
Total transactions with owners in their capacity as owners		**4,525**	**(421)**	**(4,253)**	**(149)**	**(1,845)**	**(1,994)**
Balance at 31 December 2023	**137,925**	**25,357**	**1,559**	**391,859**	**556,700**	**1,347**	**558,047**

Consolidated Statement of Changes in Equity
for the year ended 31st of December

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

	Attributable to owners of Agricover Credit						
	Share capital	Legal reserves	Other reserves	Retained earnings	**Total**	**Non-controlling interest**	**Total equity**
at 1 January 2022	**117,925**	**17,440**	**938**	**259,158**	**395,461**	**1,507**	**396,968**
Profit for the period				63,507	63,507	1,846	**65,353**
Total comprehensive income for the period				**63,507**	**63,507**	**1,846**	**65,353**
Share capital increase	20,000				20,000		**20,000**
Transfer to legal reserves		3,392		(3,392)			
Share option plan			1,043		1,043		**1,043**
Distributed dividends						(1,362)	**(1,362)**
Total transactions with owners in their capacity as owners	**20,000**	**3,392**	**1,043**	**(3,392)**	**21,043**	**(1,362)**	**19,680**
Balance at 31 December 2022	**137,925**	**20,832**	**1,981**	**319,273**	**480,011**	**1,990**	**482,000**

Consolidated Statement of Cash Flows
for the year ended 31st of December

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

	Note	2023	2022
Operating activities			
Interest received		419,436	256,716
Interest paid		(185,799)	(141,046)
Brokerage fees cashed		10,386	11,565
Staff costs paid		(49,986)	(40,756)
Payments to suppliers		(33,939)	(27,509)
Derivative paid		(2,240)	(5,642)
Other receivables cashed / (payables settled)		8,301	(1,511)
Net disbursements of loans and advances to customers		(113,306)	(778,808)
Net cash flow (used in)/ from operating activities before income tax		**52,853**	**(726,992)**
Income pax paid		(8,530)	(11,772)
Net cash flow (used in)/ from operating activities		**44,323**	**(738,764)**
Investing activities			
Purchases of equipment and intangible assets		(11,727)	(9,544)
Net cash flow used in investing activities		**(11,727)**	**(9,544)**
Financing activities			
Issued capital			20,000
Withdrawals from borrowings		2,919,939	5,829,675
Repayment of borrowings		(2,598,236)	(5,075,718)
Net cash flows generated from financing activities		**321,703**	**773,957**
Exchange (losses)/ gains on cash and cash equivalents		(317)	(103)
Net increase in cash and cash equivalents		353,982	25,545
Cash and cash equivalents at 1 January		116,245	90,699
Cash and cash equivalents at 31 December	**12**	**470,227**	**116,245**

This section includes general information about the Group and its structure as well as material accounting policy information that relate to the consolidated financial statements as a whole. Material accounting policy information and related estimates, judgements and assumptions in the application of those policies specific to a particular item are included within the note referring to that specific item. Accounting policies relating to non-material items are not included in these financial statements.

1 GENERAL INFORMATION

Agricover Credit IFN SA (hereinafter referred to as "the Company") provides 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 2023 the Company owns 51% of the Subsidiary (31 December 2022: 51%).

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.

These consolidated financial statements comprise the Company and its subsidiary. The Company prepares its separate statutory financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and the Order of the National Bank of Romania no. 27/2010 for the approval of Accounting Regulations in compliance with International Financial Reporting Standards. The Subsidiary prepares its statutory financial statements in accordance with the provisions of the Financial Supervisory Authority Norm no. 36/2015 regarding accounting regulation referring to annual individual financial statements and annual consolidated financial statements applicable to the insurance and / or reinsurance brokers. The statutory accounting policies of the Subsidiary have been modified where necessary to ensure compliance with IFRS and consistency with the policies adopted by the Group.

The Company is a joint stock entity and is incorporated and domiciled in Romania, having its registered office at 1B Pipera Blvd, Voluntari, Ilfov, Romania. The Group's shareholders are AGRICOVER HOLDING SA (99.999927%) and AGRICOVER DISTRIBUTION SA (0.0000073 %). The ultimate controlling party of the Group is Mr. Jabbar Kanani.

The Group offers four main categories of financial products: short term credit lines for working capital, discounting operations (denominated in RON), medium- or long-term loans for financing investment projects (capex products denominated in RON or EUR), and medium- or 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 short term but another product with extended maturity of up to 10 years has been launched in March 2017. Factoring operations generally have maturities of less than 12 months while most Capex products have 2 to 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 with the principal instalments – usually two instalments per year).

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.

2 BASIS OF PREPARATION

Compliance statement

These consolidated financial statements as at and for the year ended 31 December 2023 have been prepared in accordance with Order No. 27/2010 issued by the National Bank of Romania for the approval of accounting regulations in accordance with the European Directives, with subsequent amendments and modifications ("Order 27/2010") and are in compliance with the International Financial Reporting Standards as adopted by the European Union ("IFRS").

Historical cost convention

These consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments, which are carried at fair value.

Consistent application of accounting policies

The material accounting policies applied in the preparation of these financial statements are set out below in the relevant Notes to these consolidated financial statements and have been consistently applied to all the periods presented, unless otherwise stated. The preparation of financial statements in accordance with IFRS requires the use of judgements and estimates. The areas involving a higher degree of judgment or complexity, or areas where estimates are significant, are disclosed in the relevant Notes to these consolidated financial statements, as follows:

- judgements involved in calculating income tax – note 7;
- expected credit losses on loans and advances to customers– note 8;
- forward looking scenarios considered in the Group's calculation of expected credit losses on loans and advances to customers – note 8.i;

Functional and presentation currency

These consolidated financial statements are presented in Romanian Lei ("RON"), which is the functional currency of the Company and its subsidiary. All amounts are presented in thousands RON and rounded to the nearest unit, unless otherwise stated.

Going concern

After consideration of the Group's liquidity, capital adequacy ratio, budgeted cash flows and related assumptions, management believes that the Group has adequate resources to continue as a going concern for the foreseeable future and these consolidated financial statements are prepared on this basis.

Standards and amendments newly applicable for periods starting January 1st, 2023

The following new and amended standards effective for periods starting January 1st, 2023, have been implemented by the Group and do not have a significant impact on the Group's consolidated financial statements.

Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction

These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

IFRS 17 'Insurance Contracts'

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts by an insurer and supersedes IFRS 4 Insurance Contracts. The Group has no contracts within the scope of IFRS 17.

Amendment to IAS 12 - International tax reform

These amendments give companies temporary relief from accounting for deferred taxes arising from the Minimum Tax Implementation Handbook (Pillar Two Legislation) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.

The Organisation for Economic Co-operation and Development's („OECD") Directive 2523/2022 for the global minimum top-up tax (Pillar Two model rules) applies to enterprise groups with total consolidated group revenues of EUR 750 million or more in at least two of the four preceding years ("revenue threshold" criterion). The Group is not subject to the top-up tax as the revenue threshold criteria is not met.

New IFRS standards effective on or after 1 January 2024, early adopted by the Group

Amendments to IAS 1, Presentation of financial statements', on classification of liabilities as current or non-current and non-current liabilities with covenants

The Group has early adopted the **Amendments to IAS 1, 'Presentation of financial statements'**, on classification of liabilities as current or non-current and non-current liabilities with covenants.

These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the Group or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. The Group considered the clarifications brought by these amendments in classifying its liabilities as current or non-current at 31st December 2023. The amendments were applied retrospectively, however they do not have a significant impact on the comparatives presented.

When non-current liabilities are subject to future covenants, the Group discloses information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

New IFRS standards effective for annual periods beginning on or after January 1st, 2024, not early adopted by the Group

A number of new amendments to the standards are required to be applied for annual periods beginning on or after January 1st, 2024, and that are available for early adoption in annual periods beginning on or after January 1st, 2023.

The Group has not early adopted any of the forthcoming new amended standards in preparing these consolidated financial statements. Once adopted, the new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in associates and Joint Ventures', on sale or contribution of assets between an investor and its associate or joint venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture.

The effective date of the amendments was deferred indefinitely; however, early application of the amendments is permitted.

Amendments to IFRS 16 "Leases" on lease liability in a sale and leaseback

The amendments specify that, in measuring the lease liability subsequent to the sale and leaseback, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognizing any amount of the gain or loss that relates to the right of use that it retains.

Effective date: annual periods beginning on or after January 1st, 2024.

Amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial instruments: Disclosures", on supplier finance arrangements

The amendments apply to supplier finance arrangements and introduce two new disclosure objectives – one in IAS 7 and another in IFRS 7 – for a company to provide information about its supplier finance arrangements that would enable users to assess the effects of these arrangements on the company's liabilities and cash flows, and the company's exposure to liquidity risk.

Effective date: annual periods beginning on or after January 1st, 2024.

Amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates", on lack of exchangeability

The amendments require disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.

Effective date: annual periods beginning on or after January 1st, 2025.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Consolidation

Subsidiaries are those investees that the Group controls because it has:

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

Subsidiaries are consolidated from the date on which control obtained by the Group and are deconsolidated from the date on which control ceases. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

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. Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

Changes in ownership interests

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 in a separate reserve within equity attributable to owners of Agricover Credit IFN SA.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests 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.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

This section provides information about the financial performance of the Group. The section covers material accounting policy information, with a focus on those areas where IFRS either allow a choice or do not deal with a particular type of transaction, and significant judgements and estimates made in relation to particular items. The section concludes with details about the Group's tax result in the year and current and deferred tax assets and liabilities held at the end of the period.

3 NET INTEREST INCOME

The Group offers a range of financing products, including working capital and investment loans tailored to the needs of the farmers. To finance its loans granting activity, the Group has access to a diverse range of capital sources, including debt agreements with international financial institutions, local banks, and related parties.

All interest income and expenses are measured and recognised using the effective interest method, as prescribed by IFRS 9 *Financial Instruments*.

Significant components of interest income and expense as included in the profit or loss of 2023 and 2022 are presented below:

	2023	2022
Interest Income		
Credit lines	373,703	286,708
Factoring	3,238	16,207
Capex	28,477	21,430
	405,418	**324,345**
Other interest income	315	500
Interest Expense	(192,503)	(151,845)
Net interest income	**213,231**	**173,000**

During 2023 interest income recognised on impaired financial assets amounts to RON 12,1 million (2022: RON 14,9 million).

4 NET CREDIT LOSSES

Credit losses on financial assets are represented by the movements in expected credit losses calculated for existing and new loans, advances to customers (such movements are detailed in Note 8). Net credit losses on financial assets include expected credit losses on off balance sheet commitments and guarantees granted by the Group (refer to Note 21), as follows:

	2023	2022
Net credit losses on loans and advances to customers (note 8)	(49,351)	(27,987)
Net credit losses on commitments and guarantees	(1,131)	(340)
Total net credit losses	**(50,482)**	**(28,326)**

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

5 OTHER SIGNIFICANT EXPENSES AND INCOME

Net fee and commission income

Fee and commission income mainly represents commission income for brokerage of insurance products. Brokerage fees are generally recognised on an accrual basis when the service has been provided, i.e. when the policy is written and the premium is cashed.

	2023	**2022**
Insurance brokerage commission	11,389	11,172
Fee and commission expense	(994)	(527)
Net fee and commission income	**10,396**	**10,645**

Other operating expenses

	2023	**2022**
Other operating expenses	(519)	(187)
Sponsorship expenses	(2,682)	(1,743)
Other taxes except income tax	(5,494)	(5,011)
Other operating expenses	**(8,694)**	**(6,941)**

Other taxes except income tax refer mainly to VAT which is not recoverable as the Group recovers VAT on a pro-rata basis, where the recoverable rate is calculated as a percentage of taxable income divided by total income.

Sponsorship costs are incurred as the Group gives back to the agricultural community by offering financial support to educational programs developed by Clubul Fermierilor Romani pentru Agricultura Performanta (RON 1,3 million in 2023, RON 1,7 million in 2022) and Fundatia Leaders (RON 1.2 million in 2023, RON 1.2 million in 2022). Such programs are tailored to the needs of young farmers and support the generational change within family-owned farms.

6 GENERAL AND ADMINISTRATIVE EXPENSES

Breakdown of significant general and administrative expenses is included below:

	2023	**2022**
Employees' cost	(45,840)	(45,451)
Depreciation	(7,858)	(2,947)
Protocol expenses	(1,285)	(1,537)
Consulting and audit expenses	(3,779)	(1,458)
Fuel expenses and maintenance	(1,244)	(1,432)
Software expenses	(2,144)	(1,407)
Advertising expenses	(952)	(1,405)
Other administrative expenses	(8,550)	(9,428)
Total	**(71,651)**	**(65,064)**

As at 31 December 2023 Agricover Credit IFN S.A. employs 208 people (31 December 2022: 190). As at 31 December 2022 Clubul Fermierilor Romani Broker de Asigurare SRL employs 35 people (31 December 2022: 34).

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

The fee for the audit of the statutory financial statements for the year ended 31 December 2023 has been 84,000 EUR, equivalent plus VAT (2022: 84,000 EUR, equivalent plus VAT). The fee for the non-audit services rendered by the statutory auditor for financial year 2023 has been 11,000 EUR, equivalent plus VAT (2022: 14,000 EUR equivalent, plus VAT). The contractual fee for other agreed procedures relating to the financial year 2023 was EUR 2,000 (2022: EUR 2,000). During 2023 the Company paid 604,585 RON (2022: 704,672 RON) to the statutory financial auditor. At 31 December 2023 expenses accrued in relation to audit and non-audit services provided by the statutory financial auditor amounted to 249,480 RON (31 December 2022: 305,495 RON).

7 CURRENT AND DEFERRRED INCOME TAX

Current and deferred income tax charges are calculated on the basis of tax rates and the tax laws enacted or substantively enacted at the balance sheet date in Romania.

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 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.

Significant Judgement – Income tax

Frequent modification of the tax laws applicable in Romania give rise to significant tax uncertainties including but not limited to the tax authorities interpretation of complex tax issues. Differences arising between the results of such interpretations and the assumptions made by the Group's management, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded, together with late payment interest and penalties. In Romania, tax periods remain open for 5 years.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and recognises related liabilities where appropriate on the basis of amounts expected to be paid to the tax authorities. The Group's management considers that the tax liabilities included in these consolidated financial statements are fairly stated, and is not aware of any circumstances which may give rise to a potential material liability in this respect.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Significant components of the income tax expense are presented below.

	2023	2022
Current tax expense	(10,998)	(9,851)
Deferred tax expense	(2,091)	(634)
Income tax expense	**(13,089)**	**(10,485)**

The income tax rate applicable to the Group's taxable income in 2023 and 2022 is 16%. The reconciliations between the tax expense and the product of accounting profit multiplied by the statutory tax rate for the years ended 31 December 2023 and 31 December 2022 are as follows:

	2023	2022
Accounting profit before tax	**91,130**	**75,838**
Tax charge at the statutory tax rate of 16%	14,581	12,134
Tax effect of non-taxable income	(857)	(260)
Tax effect of non-deductible expense	2,771	897
Other tax deductions, *of which:*	**(3,406)**	**(2,286)**
- legal reserves	*(724)*	*(543)*
- income tax facilities (sponsorship related) (*)	*(2,682)*	*(1,743)*
Income tax expense	**(13,089)**	**(10,485)**
Effective tax rate	*14.36%*	*13.83%*

(*) Companies liable for corporate income tax that make sponsorships (in compliance with the Sponsorship Law 32/1994) for the support of non-profit organisations deduct the related amounts from the corporate income tax due. The available deductions are capped at the minimum of:

- 0.75% of revenue; or
- 20% of the corporation tax due.

Significant components of deferred tax assets and liabilities as at 31 December 2023, including their movements during the year then ended, ar presented below:

	1-Jan-23 Deferred tax assets/liabilities	(Charged) / Credited to profit or loss	31-Dec-23 Deferred tax assets/liabilities
Allowance for loans granted	2,443	(2,443)	-
Allowance for off balance sheet	114	182	296
Leases	(20)	20	-
Share option plan	194	-69	124
Untaken holiday		220	220
Total	**2,731**	**(2,091)**	**640**

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Significant components of deferred tax assets and liabilities as at 31 December 2022, including their movements during the year then ended, ar presented below:

	1-Jan-22		**31-Dec-22**
	Deferred tax assets/liabilities	**(Charged) / Credited to profit or loss**	**Deferred tax assets/liabilities**
Allowance for loans granted	3,315	(871)	2,443
Allowance for off balance sheet	60	54	114
Leases	(9)	(11)	(20)
Share option plan		194	194
Total	**3,365**	**(634)**	**2,731**

This section discusses the Group’s exposure to various financial risks, explains how these risks are managed and shows how these could affect the Group’s financial position and performance.

8 FINANCIAL RISKS MANAGEMENT

The Group’s strategy for growth and development has the farmers and their needs at its core. The Group’s aim is to support its clients in achieving their potential and, in the process, to support the Romanian agriculture in its important role in the European and global food chain. With this in mind, the Group has build a business model which follows the seasonality of the agricultural year and offers a wide range of inputs and technologies, including financing of both working capital and investment needs of the farmers.

This business model involves taking on and managing financial risks in a targeted manner. 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 related 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 and products and with consideration of best market practice.

Under policies approved by the Board of Directors and in collaboration with the Risk and Finance departments, the risk management is carried out by the following 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”)

The Group’s internal audit function, including the audit committee of three independent members all with significant financial experience and at least one with accounting background, is responsible for the independent review of the risk management and the internal control environment.

i. 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 granted by the Group, but may also arise from other sources such as financial guarantees and other transactions giving rise to financial assets.

Credit risk is the largest financial risk to the Group's business. The Group's maximum exposure to credit risk is reflected by the carrying amounts of financial assets in the consolidated statement of financial position and the undrawn amount of credit card facilities in the amount of RON 106 million (31 December 2022: RON 87 million). Other undrawn facilities do not expose the Group to significant credit risk as they are all uncommitted.

i.1. Risk Management Policies and Procedures

The Group uses internal risk gradings that reflect its assessment of the probability of default of individual counterparties. Borrower and loan specific information collected by the relationship managers is fed into this risk grading model. Relationship managers have clear responsibilities concerning health checks and monitoring of farmers' business, as one of their KPIs refers to the collection of installments as due. In practice Agricover teams visit each farmer at least twice a year (when financing autumn main crops, respectively spring main crops). This is supplemented with external data such as credit bureau or payment incidents information or COFACE reports on individual borrowers. In addition, the model enables judgement from the Risk Director to be fed into the final internal grading. This allows for considerations which may not be captured as part of the other data inputs into the model.

Specific monitoring strategies are applied depending on risk information and value of exposure, as follows:

1) **Standard exposure monitoring** –automatic collection process applied to all credit risk exposures. Risk indicators monitored:
   - ✓ Insolvency – based on the public insolvency register;
   - ✓ Breaches of payment terms with third parties – based on information available from the Central Credit Register ("CRC");
   - ✓ Level of debts to state budget – these should not exceed 20% of the Group's exposure to the respective client
2) **Intensive exposure monitoring –** process applied for clients with exposure over 2 million RON or for "orange" or "red" graded exposures; whereby in intensive monitoring the following risk indicators are observed in addition to the standard:
   - ✓ debtor's status at the National Trade Register Office
   - ✓ information from the Office of Payment Incidents for Romanian Companies
   - ✓ significant increase of client's debt to other financial institutions (sensitive threshold: 50% year-on-year increase)

As a result, the early understanding of potential problems that customers may face during the agriculture year allows preventive intervention and, in most cases, the Group team together with the customers identify solutions to resume or potentially restructure payment schedules. At the same time, in situations where the farmers cannot meet their obligations, early identification default risk allows timely initiation of collateral liquidation procedures. Usually the forced execution team identifies potential buyers even among the existing clients with whom the Group has long-lasting business relationships, especially in the case of agricultural land, silos, or agricultural equipment brough as collateral. As a consequence, access to an extended customer base enables a fast and efficient collateral liquidation process, at or close to market prices.

The internal risk grades as monitored by the Risk Director and periodically reported to the Credit Risk Committee are detailed below:

1) **green –** exposures less than 30 days overdue and with no other risk indicators identified based on the standard or intensive monitoring processes (for clients with exposure over 2 million RON);

2) **orange –** exposures past due by 31 to 90 days as well as customers with restructured loans and less than 30 days overdue during the probation period.
3) **red –** exposures with more than 90 days past due where solutions for amiable collection have been identified, or exposure to clients whose financial situation or other risk indicators may lead to the opening of foreclosure procedures; customers with this risk grade are monitored by the legal collection team who accompany the commercial team during the site visits with the objective to identify solutions for collection, such as amicable payment, or existing collateral execution, or consolidation of existing guarantees etc.;
4) **legal –** exposures for which legal proceedings for foreclosure and collateral execution have been initiated via a bailiff. They are monitored by the legal collection team.

For clients under intensive monitoring the relevant indicators are assessed by the risk analyst, the commercial team may be involved in data gathering when relevant, and submitted to the attention of the Collection Committee when indicators of significant increase in credit risk are identified. Based on this analysis the Collection Committee updates or keeps the risk grade of the respective client.

The Group manages limits and controls the concentrations of credit risk both to individual counterparties and to group of related counterparties exposures. Such limits are subject to an annual review process but can be updated more frequently if necessary. Limit updates are initiated in the light of changing market and economic conditions and periodic credit reviews and assessments of probability of default.

i.2. Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group as detailed above.
- If a significant increase in credit risk since initial recognition ('SICR') is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be impaired. Refer to note i.3 for details around SICR identification.
- If the financial instrument is impaired, it is then moved to 'Stage 3'. Refer to note i.4 for details around impairment identification and default definition.
- Financial instruments in Stage 1 have their expected credit losses ("ECL") measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Refer to note i.6 for details around key inputs, assumptions and estimates used by the Group in the measurement of ECL.
- Measuring ECL in accordance with IFRS 9 considers forward-looking information. Refer to note i.7 for details around forward looking information and its impact on the ECL measured by the Group.
- Financial assets impaired at acquisition or inception ("POCI") are those financial assets that are impaired on initial recognition. Subsequent to initial regcognition at fair value, interest income on POCI financial assets is recognized based on a credit- adjusted effective interest rate while their ECL is always measured on a lifetime basis irrespective of whether they are impaired at the reporting date.

- Further explanation is also provided of how the Group determines appropriate groupings when ECL is measured on a collective basis. Refer to note i.5 or details around segmentation of loans and advances as used by the Group for the purposes of measuring ECL.

Significant estimate – expected credit losses

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) and makes certain post-model adjustments to account for existing or expected risks which are not addressed by the statistical model employed. Key judgements, assumptions and techniques used for estimating expected credit losses on loans and advances, loan commitments, as well as financial guarantees issued by the Group are presented below, together with sensitivities of the ECL to relevant inputs..

i.3. Significant increase in credit risk ("SICR")

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 information and including forward looking information. The Group concludes that there has been a significant increase in credit risk whenever one of the following circumstances occurs:

- the asset is more than 30 days past due (backstop),
- different triggers are signaled by the Credit Risk Committee, such as: payment incidents, significant increase in customer debt to other financial institutions, year-on-year increase of indebtedness by 50% or more etc.,
- the debtor exhibits significant financial degradation based on the analysis of its financial reports (i.e. it is classified as "orange" based on the internal risk grades identified above), or
- first restructuring if no amounts are overdue by more than 30 days during the probation period of 24 months.

i.4. Default and credit-impaired loans and advances

For the purpose 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 considers both quantitative and qualitative indicators as appropriate. An asset is marked as in default whenever one of the following circumstances occurs:

- the asset is more than 90 days past due (backstop), or
- the asset was more than 90 days past due anytime in the three months prior to the reporting date,
- the Group concludes that 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 (i.e. it is classified as “red” based on the internal risk grades identified above), or
- Repeated restructuring.

An exposure is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria identified above, subject to a probation period of 12 months in case of borrowers with repeated restructurings, respectively of 3 months in the rest of the cases, depending on applicable default criteria. Subsequent to the probation period, the exposure is classified as 'Stage 1' or 'Stage 2' based on the criteria for identifying a significant increase in credit risk discussed above.

i.5. Grouping of instruments for expected losses measured on a collective basis

For expected credit losses modelled on a collective basis, a grouping of exposures is performed on the basis of shared credit risk characteristics, such that risk exposures within a group are homogeneous. In performing this grouping, there must be sufficient information for the group to be statistically relevant.

The risk drivers applied by the Group refer to:

- Type of client, referring to:
  - the surface of agriculture land worked by the client, i.e. above, respectively below 400 hectares; and to
  - clients that perform other agriculture activities than work of land
- Type of product

i.6. Key inputs, assumptions and estimation techniques

The Expected Credit Loss (“ECL”) is measured:

- on a 12-month (12M) basis for Stage 1 classified exposures, or
- on a Lifetime basis for Stage 2 or Stage 3 classified exposures as well as for exposures purchased or originated credit-impaired.

Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per definition of Default above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation;
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).
- Loss Given Default (LGD) represents the Group’s expectation of the extent of loss on a defaulted exposure. 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. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD).

The ECL is determined by projecting and multiplying the 12M or Lifetime PD, LGD and EAD for each individual exposure or collective segment.

12M PD is calculated considering historical default data, namely following the behaviour of each vintage of performing portfolios, whereby its behavior is followed to identify default at any time during the next 12 month period. In this analyis the default state is non-absorbing, meaning that if a client is marked as default say *n* times during the 12 month period of observation, *n* events of default will be counted. As at 31 December 2023, 12M PDs were estimated using quarterly vintages from the second quarter of 2014 to the third quarter of 2023 including.

The Lifetime PD is calculated based on the PD term structure developed by: i) analysing historical migration to defaul by vintage of performing portfolios, but default is identified at any time during the lifetime of the analysed assets; and ii) extrapolating from the last data available to the longest remaining maturity in the analysed portfolio. In practice, this historical PD term structure looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans and is assumed to be the same across all assets within a group with shared credit risk characteristics.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type. For revolving products, the exposure at default is predicted by taking current undrawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. For loans without a reimbursement schedule or for bullet loans, the EAD is considered constant up to "expected maturity". For installment loans EAD is estimated considering the contractual reimbursement schedule. The prepayment effect was assessed as not significant and not considered in the estimation of EAD.

The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change etc. – are monitored and reviewed on a quarterly basis.

i.7. Forward-looking information incorporated in the ECL model

The Group incorporates forward-looking information into the measurement of ECL. In practice, this translates in the determination of a link between the historical PD term structure determined as details at i.6 above and the relevant macroeconomic factors. Then, based on the forecasts of such macroeconomic factors, the historical PD term structure is adjusted to determine the final PD term structure. External information considered includes the following economic data and forecasts:

- agriculture commodities price index, namely the ratio between the price index of outputs (i.e. grains) and of inputs (i.e. fertilisers, ; with a two quarters lag to account for time need for changes in the costs of inputs to be transmitted to the price of outputs), as based on Word Bank published quarterly data;
- the evolution of agriculture gross domestic product, as based on quarterly data published by the National Institute of Statistics;
- market interest rates (i.e. ROBOR), as based on quarterly data published by the National Bank of Romania.

As part of a risk paramethers recalibration process performed during the fourth quarter of 2023, the Group has identified the above macro-economic key drivers of credit risk using an analysis of most recent nine years historical default data, up to and including the third quarter of 2023. The correlation of default data with a wider range of macro-economic variables was analysed before sellecting the best model in terms of several statistical significance tests performed, as well as in terms of empirical or economic causation.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Forward looking scenarios were built considering outlooks published by several economists based in Romania, and incorporating the management's expectations. The table below includes a summary of the forward looking scenarios used in the calculation of expected credit losses as at 31 December 2023. The forecasted values represent the weighted average of three scenarios used: base scenario with a probability of 60%, optimistic scenario with a probability of 20%, pesimistic scenario with a probability of 20%.

	Q4 2024	Q4 2025	Q3 2026
agriculture commodities price index	-10.34%	-2.53%	+2.75%
yearly agriculture gross domestic product	+5.51%	+11.29%	+4.92%
market interest rates (as at year-end)	4.95%	4.43%	3.96%

As at 31 December 2022 external information considered the contribution of the Agriculture sector in total gross domestic product, with forward looking scenarios built around the forecasts published by the National Commission for Strategy and Prognosis. Scenarios used in the calculation of the expected credit losses were: 9.8 % growth of the contribution of agriculture GDP in total GDP, with a probability of 15%, and, respectively, 14.2 % declide of the contribution of agriculture GDP in total GDP, with a probability of 85%.

Significant estimate – forward looking scenarios

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. Scenarios used in the calculation of expected credit losses as at 31 December 2023 and, respectively, as at 31 December 2022 are presented in this section above.

The following sensitivities of the results to reasonably possible alternatives to the management's best estimates were performed:

1. as at 31 December 2023:
    - if the pessimistic scenario was assigned a probability of 100%, the allowance account would have increased by 3.3 million RON.
    - if the optimistic scenario was assigned a probability of 100%, the allowance account would have decreased by 1.1 million RON.
    - if the base scenario was assigned a probability of 100%, the allowance account would decrease by 0.5 million RON.

2. as at 31 December 2022:
    - if the pessimistic scenario was assigned a probability of 100%, the allowance account would have increased by 0.3 million RON.
    - if the optimistic scenario was assigned a probability of 100%, the allowance account would have decreased by 2.8 million RON.
    - if the base scenario was assigned a probability of 100%, the allowance account would decrease by 1.6 million RON.

The Group constantly monitors the local, regional and global macroeconomic developments and assesses posible impacts of recent or foreseen developments on its business. In the context of the risk parameters recalibration during 2023, following which the ECL calculation model incorporates the impact of three macroeconomic factors (namely: agriculture commodities price index, agriculture gross domestic product, and market interest rate), and in consideration of the comparatively stable macroeconomic environment during the second half of 2023 and the beginning of 2024, no significant post model adjustments were deemed necesecary by the management as at 31 December 2023.

As at 31 December 2022, in order to address the negative efects of general inflation and increased interest rates, both peaking during 2022, the Group recognised the following post model adjustments:

- to account for the impact that increased inflation and interest rates might have on default rates and / or credit losses versus historical trends captured by the statistical model employed by the Goup in 2022, the weights of the forward looking scenarios used in estimating probabilities of default were stressed. Namely the pessimistic scenario was given a weight of 85% while the base scenario was weighted at 15% (with no weight allocated to the optimistic scenario). The additional allowance booked based on the stressed weights (versus weights of 60% for the base scenario and 20% for each of the optimistic and pesimistic scenarios – as based on a normal distribution) amounted to 1.6 million RON. This post-model adjustment was no longer necessary at 31 December 2023 because the statistical model used at that date in the calculation of expected credit losses includes the impact of inflation and interest rates
- to account for the impact that general economic context at the time might have had on the values of assets held as collateral by the Group (refer to note below for the type of assets held as collateral and their valuation), the Group has stressed the haircuts applied to the fair values of collaterals as part of the expected credit losses estimation process. The additional allowance booked based on the weighted average of scenarios considered amounted to 5.9 million RON. This post-model adjustment was no longer necessary on 31 December 2023 because the agricultural sector, including agricultural commodity markets, has adapted to supply chain challenges as well as the regional and global geopolitical climate. Thus, in the second part of 2023 agricultural commodity prices, both inputs and cereals, stabilised at levels seen before December 2021.

Individual analysis of certain exposures classified as stage 3 as per the Group’s methodology, including clients with exposures above 5 million RON and clients with less than 90 days past due as at 31 December 2023 and classified in stage 3 solely due to exceeding 90 days past due anytime in the three months prior to the reporting date, resulted in an 11 million RON decrease in the allowance for credit losses (versus the allowance calculated based on the standard ECL calculation methodology of the Group).

i.8. Collateral and other credit enhancements

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The main collateral types for loans and advances are:

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

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

The valuation methodologies for collaterals, considered in the estimation of expected credit losses is presented below:

- Mortgages: fair value of the collateral is 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 inventories: based on fair value of the collateral estimated and periodically updated by the CARS Committee. Pledged inventories are inspected monthly by a certified external independent expert;

For the purpose of ECL measurment the fair values of collaterals as included in the valuation reports are adjusted with haircuts specific to each type of collateral to reflect the management estimated recoverable amounts in forced sales scenarios and to account for the forward looking macroeconomic scenarios considered within the ECL measurement exercise.

The table below includes information about the fair value of the collaterals considered in the ECL measurement. The values presented represent the fair values of the collaterals as included in the valuation reports (i.e. before haircuts discussed above), capped at level of the exposure (i.e. if the fair value of the collateral is higher than the exposure to which it relates, then the value of the exposure is included in the table), as at 31 December 2023 is as follows:

Collateral \ Loan type	**CAPEX**	**Credit Line**	**Factoring**	**Total**
Loans collateralized by:				
Mortgage	37,961	898,613		**936,574**
Pledge on equipment	47,234	47,691		**94,924**
Pledge on stock		125,630		**125,630**
Total value of collaterals	**85,194**	**1,071,934**		**1,157,128**
Gross loans and advances granted	188,219	2,585,883	131,607	2,905,709

Comparative information as at 31 December 2022 is as follows:

Collateral \ Loan type	**CAPEX**	**Credit Line**	**Factoring**	**Total**
Loans collateralized by:				
Mortgage	81,892	719,989		**801,881**
Pledge on equipment	95,607	14,730		**110,337**
Pledge on stock		509,772		**509,772**
Total value of collaterals	**177,499**	**1,244,491**		**1,421,990**
Gross loans and advances granted	201,991	2,607,777	29,269	2,839,037

As at 31 December 2023, the Group has no asset (land or other) obtained by taking possession of collateral held as security (31 December 2022 nil) as a result of foreclosure procedures. Repossessed assets (generally represented by inventories – agricultural products) are sold as soon as practicable.

i.9. Loss Allowance

The increase in the allowance as of 31 December 2023, compared to 31 December 2022, is mainly linked to higher probabilities of default but also to higher non-performing exposure. Such developments were observed during 2023 as farms experienced challenges such as inflated costs of inputs used to obtain grains later sold at decreasing prices, high interest rates, etc (refer to Note for details around the macroeconomic environment during 2023).

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

The following tables explain the changes in the loss allowance between the beginning and the end of the financial year:

	Stage 1	Stage 2	Stage 3	POCI	Total
ECL at 1 Jan 2023	**18,735**	**6,763**	**51,169**	**3,398**	**80,066**
New assets originated	**38,917**	**6,043**		**1,741**	**46,700**
Increase of existing assets	40.431	16.145	111,685	-	168.260
Assets derecognized or repaid (excluding write off)	(52,431)	(20,433)	(89,175)	(3,398)	(165,437)
Transfers from Stage 1	(617)	353	264		-
Transfers from Stage 2	252	(3,373)	3,121		-
Transfers from Stage 3		1,109	(1,109)		-
Amounts written off			(17,520)		(17,520)
ECL at 31 Dec 2023	**45,287**	**6,608**	**58,434**	**1,741**	**112,069**

Comparative information for the year ended 31 December 2022 is included below:

	Stage 1	Stage 2	Stage 3	POCI	Total
ECL at 1 Jan 2022	**14,015**	**8,559**	**34,289**		**56,864**
New assets originated	35,165			3,398	38,563
Increase of existing assets	12,060	8,444	31,308		51,812
Assets derecognized or repaid (excluding write off)	(42,654)	(9,838)	(9,896)		(62,388)
Transfers from Stage 1	(353)	197	156		-
Transfers from Stage 2	502	(898)	395		-
Transfers from Stage 3		299	(299)		-
Amounts written off			(4,785)		(4,785)
ECL at 31 Dec 2022	**18,735**	**6,763**	**51,169**	**3,398**	**80,066**

Significant changes in the gross carrying amount (“GCA”) of loans and advances that contributed to changes in the respective loss allowance were as follows:

	Stage 1	Stage 2	Stage 3	POCI	Total
GCA at 1 Jan 2023	**2,563,020**	**193,126**	**70,252**	**12,639**	**2,839,037**
New assets originated	849,606	60,153	12,119	2,144	924,022
Increase of existing assets	1,657,782	157,371	35,640		1,850,793
Assets derecognized or repaid (excluding write off)	(2,475,319)	(158,645)	(44,021)	(12,639)	(2,690,623)
Transfers from Stage 1	(66,200)	43,191	23,009		**-**
Transfers from Stage 2	13,684	(47,669)	33,986		**-**
Transfers from Stage 3		3,080	(3,080)		**-**
Amounts written off			(17,520)		(17,520)
GCA at 31 Dec 2023	**2,542,573**	**250,607**	**110,384**	**2,144**	**2,905,708**

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Comparative information for the year ended 31 December 2022 is included below:

	Stage 1	Stage 2	Stage 3	POCI	Total
GCA at 1 Jan 2022	**1,791,695**	**153,089**	**53,225**		**1,998,009**
New assets originated	2,273,051			12,639	2,285,690
Increase of existing assets	1,034,311	23,944	10,023		1,068,278
Assets derecognized or repaid (excluding write off)	(2,353,435)	(125,554)	(29,166)		(2,508,156)
Transfers from Stage 1	(202,464)	165,729	36,735		-
Transfers from Stage 2	19,862	(26,064)	6,203		-
Transfers from Stage 3		1,982	(1,982)		-
Amounts written off			(4,785)		(4,785)
GCA at 31 Dec 2022	**2,563,020**	**193,126**	**70,252**	**12,639**	**2,839,037**

Loans and advances by type of product, stage classification and type of credit risk assessment are detailed below:

31 Dec 2023	Capex		Credit lines		Factoring	
	GCA	**ECL**	**GCA**	**ECL**	**GCA**	**ECL**
Collective analysis						
Stage 1	173,496	1,808	2,240,621	40,534	128,457	2,946
Stage 2	10,111	157	239,505	6,424	991	25
Stage 3	1,238	1,035	80,640	51,510	2,159	2,159
POCI			2,144	1,741		
Individual analysis						
Stage 2						
Stage 3	3,375	785	22,974	2,945		
Total	**188,219**	**3,786**	**2,585,883**	**103,154**	**131,607**	**5,129**

Comparative information for the year ended 31 December 2022 is included below:

31 Dec 2023	Capex		Credit lines		Factoring	
	GCA	**ECL**	**GCA**	**ECL**	**GCA**	**ECL**
Collective analysis						
Stage 1	189,161	938	2,346,923	17,743	26,936	56
Stage 2	7,906	96	162,407	2,291	114	
Stage 3	1,556	1,161	64,515	47,186	2,219	2,219
POCI			12,639	3,398		
Individual analysis						
Stage 2	3,154	715	19,545	3,660		
Stage 3	214	134	1,748	469		
Total	**201,991**	**3,044**	**2,607,777**	**74,747**	**29,269**	**2,275**

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Sections below include a presentation of loans and advances to customers, separately for each significant class of products and type of customers, by credit quality, whereby credit quality is defined as:

- Low risk – loans and advances to customers included in Stage 1;
- Medium risk – loans and advances to customers included in Stage 2;
- Substandard – loans and advances to customers included in Stage 3 with 0-180 days past due;
- Doubtful – loans and advances to customers included in Stage 3 with 181-360 days past due;
- Loss – loans and advances included in Stage 3 with more than 360 days past due.

i.9.1. Credit lines

The table below shows the credit quality and the exposure to credit risk from Credit lines type of loans granted, by the Group's probability of default, as at 31 December 2023.

Internal classification / Stage	Credit quality	Stage 1	Stage 2	Stage 3	POCI	Total
Performing						
below 400HA						
	Low risk	488,812				**488,812**
	Medium risk		65,918			**65,918**
above 400HA						
	Low risk	1,714,609				**1,714,609**
	Medium risk		173,425			**173,425**
others						
	Low risk	37,200				**37,200**
	Medium risk		162			**162**
Non-performing						
below 400HA						
	Substandard			29,085		**29,085**
	Doubtful			1,493		**1,493**
	Loss			5,166		**5,166**
above 400HA						
	Substandard			43,104	2,144	**45,248**
	Doubtful			1,898		**1,898**
	Loss			22,862		**22,862**
others						
	Loss			5		**5**
Total GCA		**2,240,621**	**239,505**	**103,613**	**2,144**	**2,585,883**

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Comparative information for 31 December 2022 is presented below:

Internal classification / Stage	Credit quality	Stage 1	Stage 2	Stage 3	POCI	Total
Performing						
below 400HA						
	Low risk	450,446				**450,446**
	Medium risk		38,824			**38,824**
above 400HA						
	Low risk	1,833,040				**1,833,040**
	Medium risk		140,050			**140,050**
others						
	Low risk	63,437				**63,437**
	Medium risk		3,078			**3,078**
Non-performing						
below 400HA						
	Substandard			12,257		**12,257**
	Doubtful			177		**177**
	Loss			5,343		**5,343**
above 400HA						
	Substandard			35,088	12,639	**47,727**
	Doubtful			80		**80**
	Loss			3,320		**3,320**
others						
	Substandard			328		**328**
	Doubtful			352		**352**
	Loss			9,317		**9,317**
Total GCA		**2,346,923**	**181,952**	**66,263**	**12,639**	**2,607,777**

The tables below summarise the ageing of Stage 2 and Stage 3 Credit lines granted, as follows:

- Stage 2 – loans less than 30 days past due (dpd) irrespective of the criteria that triggered their classification in Stage 2 (see note 9.i.3).
- Stage 3 – loans less than 90 dpd, thus presenting the loans classified as Stage 3 due to criteria other than aging (see note 8 i.4).

31 Dec 2023	**Stage 2**		**Stage 3**	
	GCA	**ECL**	**GCA**	**ECL**
Less than				
Collective analysis				
30 dpd (for Stage 2)	223,085	5,800		
90 dpd (for Stage 3)			24,220	12,918
Individual analysis				
30 dpd (for Stage 2)				
90 dpd (for Stage 3)			17,310	2,005
Total	**223,085**	**5,800**	**41,530**	**14,923**

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Comparative information for the year ended 31 December 2022 is included below:

31 Dec 2022	Stage 2		Stage 3	
	GCA	**ECL**	**GCA**	**ECL**
Less than				
Collective analysis				
30 dpd (for Stage 2)	153,336	2,114		
90 dpd (for Stage 3)			53,562	27,806
Individual analysis				
30 dpd (for Stage 2)	17,623	2,958		
90 dpd (for Stage 3)			1,748	469
Total	**170,959**	**5,072**	**55,310**	**28,275**

i.9.2. Factoring

The table below shows the credit quality and the exposure to credit risk from Factoring type of loans granted, by the Group’s probability of default, as at 31 December 2023.

Internal classification / Stage	Credit quality	Stage 1	Stage 2	Stage 3	Total
Performing					
below 400HA					
	Low risk	24,230			**24,230**
	Medium risk		393		**393**
above 400HA					
	Low risk	94,651			**94,651**
	Medium risk		598		**598**
others					
	Low risk	9,576			**9,576**
Non-performing					
above 400HA					
	Substandard			254	**254**
	Loss			1,905	**1,905**
Total GCA		**128,457**	**991**	**2,159**	**131,607**

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Comparative information for 31 December 2022 is presented below:

Internal classification / Stage	Credit quality	Stage 1	Stage 2	Stage 3	Total
Performing					
below 400HA					
	Low risk	1,213			**1,213**
	Medium risk				
above 400HA					
	Low risk	23,472			**23,472**
	Medium risk		114		**114**
others					
	Low risk	2,251			**2,251**
Non-performing					
below 400HA					
	Loss			92	**92**
above 400HA					
	Substandard			1,946	**1,946**
	Loss			181	**181**
Total GCA		**26,936**	**114**	**2,219**	**29,269**

The tables below summarise the ageing of Stage 2 and Stage 3 Factoring loans granted, as follows:

- Stage 2 – loans less than 30 days past due (dpd) irrespective of the criteria that triggered their classification in Stage 2 (see note 9.i.3).
- Stage 3 – loans less than 90 dpd, thus,presenting the loans classified as Stage 3 due to criteria other than aging (see note 9.0).

31 Dec 2023	Stage 2		Stage 3	
	GCA	ECL	GCA	ECL
Less than				
Collective analysis				
30 dpd (for Stage 2)	991	25		
90 dpd (for Stage 3)			254	254
Individual analysis				
30 dpd (for Stage 2)				
90 dpd (for Stage 3)				
Total	**991**	**25**	**254**	**254**

Comparative information for the year ended 31 December 2022 is included below:

31 Dec 2022	Stage 2		Stage 3	
	GCA	ECL	GCA	ECL
Less than				
Collective analysis				
30 dpd (for Stage 2)	114			
90 dpd (for Stage 3)			1,946	1,946
Individual analysis				
30 dpd (for Stage 2)				
90 dpd (for Stage 3)				
Total	**114**		**1,946**	**1,946**

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

i.9.3. Capex

The table below shows the credit quality and the exposure to credit risk from Capex type of loans granted, by the Group's probability of default, as at 31 December 2023.

Internal classification / Stage	Credit quality	Stage 1	Stage 2	Stage 3	Total
Performing					
below 400HA					
	Low risk	29,082			**29,082**
	Medium risk		2,626		**2,626**
above 400HA					
	Low risk	139,164			**139,164**
	Medium risk		7,469		**7,469**
others					
	Low risk	5,250			**5,250**
	Medium risk		15		**15**
Non-performing					
below 400HA					
	Substandard			701	**701**
	Doubtful			111	**111**
above 400HA					
	Substandard			3,295	**3,295**
	Doubtful			133	**133**
	Loss			354	**354**
others					
	Loss			19	**19**
Total GCA		**173,496**	**10,111**	**4,612**	**188,219**

Comparative information for 31 December 2022 is presented below:

Internal classification / Stage	Credit quality	Stage 1	Stage 2	Stage 3	Total
Performing					
below 400HA					
	Low risk	34,966			**34,966**
	Medium risk		3,161		**3,161**
above 400HA					
	Low risk	130,443			**130,443**
	Medium risk		7,635		**7,635**
others					
	Low risk	23,752			**23,752**
	Medium risk		264		**264**
Non-performing					
below 400HA					
	Substandard			253	**253**
	Doubtful			5	**5**
	Loss			197	**197**
above 400HA					
	Substandard			778	**778**
	Loss			150	**150**
others					
	Substandard			248	**248**
	Loss			138	**138**
Total GCA		**189,161**	**11,060**	**1,770**	**201,991**

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

The tables below summarise the ageing of Stage 2 and Stage 3 Capex loans granted, as follows:

- Stage 2 – loans less than 30 days past due (dpd) irrespective of the criteria that triggered their classification in Stage 2 (see note 8.i.3).
- Stage 3 – loans less than 90 dpd, thus presenting the loans classified as Stage 3 due to criteria other than aging (see note 8.0).

31 Dec 2023	**Stage 2**		**Stage 3**	
	GCA	**ECL**	**GCA**	**ECL**
Less than				
Collective analysis				
30 dpd (for Stage 2)	9,653	145		
90 dpd (for Stage 3)			252	239
Individual analysis				
30 dpd (for Stage 2)				
90 dpd (for Stage 3)			465	48
Total	**9,653**	**145**	**717**	**287**

Comparative information for the year ended 31 December 2022 is included below:

31 Dec 2022	**Stage 2**		**Stage 3**	
	GCA	**ECL**	**GCA**	**ECL**
Less than				
Collective analysis				
30 dpd (for Stage 2)	7,395	90		
90 dpd (for Stage 3)			721	502
Individual analysis				
30 dpd (for Stage 2)	3,154	715		
90 dpd (for Stage 3)			214	134
Total	**10,549**	**805**	**934**	**635**

i.10. Modified 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 management, indicate that collection will most likely continue. These policies are kept under continuous review. Repeated restructuring is one of the Group's impairment indicators. As at 31 December 2023, the modified net exposure was of RON 88.4 million (31 December 2022: RON 29,5 million).

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

An analysis of the restructured loans and advances to customers outstanding as at 31 December 2023 and 31 December 2022, per types of loans, is presented in the table below. The analysis presents the stage where the modified exposure is classified as at the reporting date, irrespective of its initial classification as at the modification date.

	31 December 2023		31 December 2022	
	Capex	**Credit lines**	**Capex**	**Credit lines**
Collective analysis				
Gross Carrying Amount, *of which*:	**633**	**94,523**	**1,211**	**39,525**
Stage 2	633	77,490	819	18,385
Stage 3		17,034	392	11,834
Purchased credit impaired				9,306
Expected Credit Losses, *of which*:	**14**	**11,770**	**344**	**10,890**
Stage 2	14	2,330	10	205
Stage 3		9,440	334	9,278
Purchased credit impaired				1,407
Individual analysis				
Gross Carrying Amount, *of which*:		**5,350**		
Stage 2				
Stage 3		5,350		
Expected Credit Losses, *of which*:		313		
Stage 2				
Stage 3		313		
Totals				
Total gross exposure	633	99,874	1,211	39,525
Total expected credit losses	14	12,083	344	10,890
Total net exposure	**618**	**87,791**	**867**	**28,634**

The Group monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for twelve consecutive months or more.

i.11. Credit risk on financial assets other than loans and advances

Other financial assets which potentially subject the Group to credit risk consist mainly of cash equivalents and other financial assets.

Significant exposures are analysed individually for the purpose of identification of any impairment indicators and / or of measuring the related expected credit losses. Such analyses are based on the age of the receivable balances, external evidence of the credit status of the counterparty and any disputed amounts.

Cash and cash equivalents are analysed individualy. The credit risk on cash and cash equivalents is very small, since cash and cash equivalents are placed on short term with financial institutions which are considered at time of deposit and at each reporting period to have low risk of default.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

ii. Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

The Group is exposed market risks arising from its open positions in interest rate and currency products. Quantitative and qualitative information about the Group's exposure to these risks as well as related risk management policies and practices within the Group are discussed in this note.

ii.1. Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board has set limits on the net positions the Group can hold in foreign currencies, including foreign exchange positions of subsidiaries and both accounting and economic hedges. Such limits are especially relevant for the Group, where part of borrowings from international financial institutions and other debt agreements are EUR denominated. According to the limits set by the Group and to certain financial covenants imposed by borrowing agreements, the open currency position of the Group should not exceed 10% of its Total Capital (see note 10).

The Group's strategy is to monitor open positions on a daily basis and apply risk management strategies to ensure it manages itself against currency risk. Positions are maintained within established limits by either balancing the assets and liabilities in the relevant currencies, or taking out foreign currency swaps or forwards and converting the exposures into RON.

The Group's exposure to foreign currency risk at the end of the reporting period, showing the Group's monetary financial assets and financial liabilities, at their carrying amounts, by denomination currency, was as follows:

	31 December 2022	**31 December 2022**
	EUR	**EUR**
Assets		
Cash and bank balances	13,112	6,021
Loans and advances to customers	324,702	334,278
Total assets	**337,814**	**340,299**
Liabilities		
Borrowings	438,540	432,037
Total Liabilities	**438,540**	**432,037**
Derivative financial instruments (notional)	87,802	86,580
Net financial position	**(12,925)**	**(5,159)**

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in EUR exchange rates relative to the functional currency. The rate used are based on the market estimamtion and the year end rates. The sensitivities are calculated by applying the changes in the exchange rates to the above net financial position, in case of *gain / (loss) before tax of, respectively by considering tax effect in case of equity impact*.

	2023	*2022*
	EUR strengthening by 2%	*EUR strengthening by 3.1%*
Gain / (loss) before tax of:	(258)	(160)
Equity	(217)	(134)

ii.2. Interest rate risk

The Group's main interest rate risk arises from the mismatch between the repricing frequency of loans and advances granted with variable rates, on the asset side, and the repricing frequency of borrowings together with the fixed rate borrowings on the liabilities side. As at 31 December 2023 fixed rate borrowings amounted to 331 million RON (31 December 2022: 321 million RON), represeting 12% of total financial liabilities (31 December 2022: 13 %). Such mismatches expose the Group to cash flow interest rate risk. The Group's strategy is to monitor and, depending on the market conditions and anticipated trends, partly manage the risk of open repricing gap using floating-to-fixed interest rate swaps.

Borrowings contracted by the Group bear fixed or floating interest rate and are measured at amortised cost.

During 2021 the Group contracted a 40 million EUR fixed rate loan with 5 years maturity from Agricover Holding SA, the Company's parent. The loan increases the Group's exposure to both currency and interest rate risks. The following table provides an analysis of the Group's interest rate risk exposure on financial assets and liabilities as at 31 December 2023. The Group's assets and liabilities are included at carrying amount and categorised by the earlier of contractual repricing or remaining maturity dates.

asset / liability class	**up to 1 month**	**1 to 3 months**	**3 to 12 months**	**1 year and above**	**Total**
Loans and advances to customers	1,095,125	4,698	1,654,461	39,356	**2,793,640**
Other financial assets	944				**944**
Cash and cash equivalents	470,227				**470,227**
Total financial assets	**1,566,296**	**4,698**	**1,654,461**	**39,356**	**3,264,811**
Borrowings	926,157	1,310,324	167,762	308,744	**2,712,988**
Lease liabilities	195	396	2,269	6,375	**9,235**
Other financial liabilities	18,717				**18,717**
Total financial liabilities	**945,070**	**1,310,721**	**170,031**	**315,119**	**2,740,940**
Interest repricing gap	**621,226**	**(1,306,022)**	**1,484,430**	**(275,763)**	**523,871**

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Comparative information as at 31 December 2022 is included below:

asset / liability class	up to 1 month	1 to 3 months	3 to 12 months	1 year and above	Total
Loans and advances to customers	1,294,313	12,534	1,391,004	61,120	**2,758,971**
Other financial assets	2,844				**2,844**
Cash and cash equivalents	116,245				**116,245**
Total financial assets	**1,413,401**	**12,534**	**1,391,004**	**61,120**	**2,878,060**
Borrowings	1,041,047	957,029	98,009	298,835	**2,394,920**
Lease liabilities	57	129	1,147	6,230	**7,563**
Other financial liabilities	15,992				**15,992**
Total financial liabilities	**1,057,097**	**957,158**	**99,156**	**305,064**	**2,418,475**
Interest repricing gap	**356,305**	**(944,623)**	**1,291,848**	**(243,944)**	**459,585**

The gaps in up to one year risk bands are explained by the fact that 67% of the the Group's granted loans and advances to the customers bear floating interest with 6M tenor base rates and monthly repricing frequency. Remaining portfolio is either priced at a six months frequence or bears fixed interest rates. The Group's borrowings bear floaring interest with 6M, 1M or 3M tenor base rates with repricing frequencies that match the tenor of the respective base rates. Such risk exposure is in the normal course of business for the Group.

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in interest rates. The sensitivities are calculated by applying the changes in the floating rates to the floating rate financial assets and liabilities outstanding at the reporting date.

	2023 *Interest rate lower by 1.47%*	*2022* *Interest rate lower by 2%*
Gain / (loss) before tax of:	(1,446)	(2,497)
Equity	(1,214)	(2,097)

iii. Liquidity Risk

Liquidity risk is defined as the risk that the Group does not have sufficient liquid financial resources to meet obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Group might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to the Group on acceptable terms. To limit this risk, management has arranged for diversified funding sources in addition to its core capital base, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis.

The treasury departments of the Company are responsible for working with other departments to ensure the liquidity risk strategy is executed. This incorporates an assessment of expected cash flows and the availability of high-grade collateral which could be used to secure additional funding, if required.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Prudent liquidity risk management also implies maintaining sufficient cash and the availability of funding through an adequate amount of committed borrowing facilities to meet obligations when due and to close out market positions. Due to the dynamic nature of the underlying businesses, Group treasury maintains flexibility in funding by maintaining availability under credit lines.

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

	31 December 2022	**31 December 2022**
Undrawn Committed facilities, *of which:*		
expiring within one year	171,033	92,244
expiring beyond one year		
Undrawn Uncommitted facilities, *of which:*		
expiring within one year	251,121	148,938
expiring beyond one year		
Total available undrawn facilities, *of which:*	**422,153**	**241,182**
expiring within one year	422,153	241,182
expiring beyond one year		
Unencumbered eligible assets	919,004	818,176

Unencumbered eligible assets are financial assets, including loans and advances to customers or trade receivables, and non-financial assets, including inventories, eligible for use as collateral under the Group's funding commitments.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Analysis of financial assets and liabilities

The Group manages its exposure to the liquidity risk using a maturity structure of its monetary assets and liabilities based on remaining contractual maturities of assets and liabilities with set payment terms and on expected cash flows for those assets or liabilities without specific maturities. The table below shows how the Group manages its liquidity risk by presenting the undiscounted cash flows of monetary assets and liabilities on time bands based on their remaining contractual maturities. Some of the Group's borrowings and most of its loans and advances granted (except commitments under credit card facilities) are uncommited, including unconditional early repayment options in favour of the lender. Based on its history and relationships developed with its business partners, the Group concluded that exercising such options is highly unlikely, thus the early repayment options are not considered in the analysis below. Derivatives held for risk management purposes are shown remaining contractual maturity at their expected cash flows estimated based on the market conditions at the end of the periods presented. Credit card commitments related outflows are estimated based on the Group's historical credit conversion factor on similar products, and allocated on the earliest timeband.

31 December 2023	**0 to 6 months**	**6 to 12 months**	**1 to 2 years**	**2 to 5 years**	**more than 5 years**	**Total**
Loans and advances to customers	655,086	1,607,239	432,852	716,941	49,244	3,461,361
Other financial assets	944					944
Cash and cash equivalents	470,227					470,227
Expected inflows on assets	**1,126,257**	**1,607,239**	**432,852**	**716,941**	**49,244**	**3,932,532**
Borrowings	801,015	759,820	607,227	815,625	60,701	3,044,388
Lease liabilities	1,290	1,570	2,487	3,888		9,235
Other financial liabilities	2,945					2,945
Net settled derivative liabilities held for risk management						
Expected outflows on liabilities	**805,250**	**761,390**	**609,714**	**819,513**	**60,701**	**3,056,568**
Off balance sheet items						
Derivative contracts (inflow)	18,900		2,124	65,099		86,124
Derivative contracts (outflow)	(19,124)		(4,562)	(68,248)		(91,935)
Financial guarantee	4,000					4,000
Credit cards commitment	13,200					13,200
Expected inflows on off balance sheet items	**16,976**	**-**	**(2,438)**	**(3,149)**	**-**	**11,389**
Net gap	**304,030**	**845,849**	**(174,424)**	**(99,423)**	**(11,457)**	**864,575**

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Comparative analysis as at 31 December 2022 is presented below:

31 December 2022	0 to 6 months	6 to 12 months	1 to 2 years	2 to 5 years	more than 5 years	Total
Loans and advances to customers	968,394	1,452,092	300,918	429,161	151,212	3,301,777
Other financial assets	2,844					2,844
Cash and cash equivalents	116,245					116,245
Expected inflows on assets	**1,087,483**	**1,452,092**	**300,918**	**429,161**	**151,212**	**3,420,866**
Borrowings	532,442	897,349	629,324	611,040	32,405	2,702,560
Lease liabilities	441	892	2,017	4,212		7,563
Other financial liabilities	15,992					15,992
Net settled derivative liabilities held for risk management	437					437
Expected outflows on liabilities	**549,312**	**898,242**	**631,341**	**615,253**	**32,405**	**2,726,552**
Off balance sheet items						
Derivative contracts (inflow)	15,828		2,122	66,492		84,442
Derivative contracts (outflow)	(16,037)		(4,555)	(71,721)		(92,313)
Financial guarantee	4,000					4,000
Credit cards commitment	14,689					14,689
Expected inflows on off balance sheet items	**18,480**		**(2,433)**	**(5,229)**		**10,818**
Net gap	**519,691**	**553,850**	**(327,990)**	**(180,863)**	**118,807**	**683,495**

Except for the credit card related, the Group does not grant any other irrevocable commitments. However, the Group does grant uncommitted, revocable credit line facilities. Any withdrawals from such facilities are based on formal requests forwarded by the Group’s customers, whereby the Group has the unconditional right to deny, in full or in part, any such request received.

As at 31 December 2023 the undrawn balance of the credit line facilities granted by the Group amounts to 354 million RON (31 December 2022: 381 million RON) – further refer to Note 22. No undrawn balances are outstanding as at 31 December 2023 (31 December 2022: zero) related to CAPEX products.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

The table below shows the undiscounted cash flows of its financial liabilities as at 31 December 2023. Repayments on borrowings which include the early repayment option in favour of the lender are treated as if the options was exercised immediately (i.e. as if the Group was required to fully reimburse immediately all such borrowings).

12/31/2023	0 to 6 months	6 to 12 months	1 to 2 years	2 to 5 years	more than 5 years	Total
Borrowings	1,125,838	477,776	532,609	815,625	60,701	3,012,549
Lease liabilities	1,290	1,570	2,487	3,888	-	9,235
Other financial liabilities	2,945	-	-	-	-	2,945
Net settled derivative liabilities held for management						
Off balance sheet items						
Derivative contracts (inflow)	18,900	-	2,124	65,099	-	86,124
Derivative contracts (outflow)	(19,124)	-	(4,562)	(68,248)	-	(91,935)
Financial guarantees granted	4,000					4,000
Credit card commitments	105,827					105,827
Total	**1,239,677**	**479,346**	**532,657**	**816,364**	**60,701**	**3,128,745**

Comparative analysis as at 31 December 2022 is presented below:

12/31/2022	0 to 6 months	6 to 12 months	1 to 2 years	2 to 5 years	more than 5 years	total
Borrowings	1,074,930	608,202	329,793	611,040	32,405	2,656,370
Lease liabilities	441	892	2,017	4,212		7,563
Other financial liabilities	15,992					15,992
Net settled derivative liabilities held for management	437					437
Off balance sheet items						
Derivative contracts (inflow)	15,828		2,122	66,492		84,442
Derivative contracts (outflow)	(16,037)		(4,555)	(71,721)		(92,313)
Financial guarantees granted	4,000					4,000
Credit card commitments	86,915					86,915
Total	**1,182,506**	**609,094**	**329,377**	**610,024**	**32,405**	**2,763,407**

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

This section includes information about the Company's share capital, the Group's equity, what is managing as capital and capital management practices within the Group.

9 EQUITY

Issued share capital

	31-Dec-23	31-Dec-22
Authorised		
ordinary shares of 0,01RON each, *owned by*:	13,792,497	13,792,497
Agricover Holding	13,792,496	13,792,496
Agricover Distribution S.A	1	1

Issued and paid ordinary shares as well as the shareholding structure of the Company are detailed below:

	2023		2022	
Ordinary shared, issued and fully paid:	**#**	**RON'000**	**#**	**RON'000**
at 1 January	13,792,497	137,925	11,792,497	117, 925
issued during the period	-	-	2,000,000	2,000
at 31 December, *of which owned by:*	13,792,497	137,925	13,792,497	137,925
Agricover Holding SA	13,792,496	137,925	13,792,496	137,925
Agricover SA	1	0	1	0

Ordinary shares have a par value of 0,1 RON. They entitle the holder to participate in dividends, and to share in the proceeds of winding up the Company in proportion to the number of the shares held. There are no other classes of equity instruments issued by the Company.

Legal and other reserves

As of 31 December 2023, the Group's legal reserves are constituted within the legal limit of 5% from gross profit.

10 CAPITAL MANAGEMENT

The Group's objectives when managing capital are to:

- comply with the capital requirements set by the National Bank of Romania ("NBR");
- 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
- maintain a strong capital base to support the development of its business.

Regulatory capital is monitored by the Company's management, employing techniques based on the guidelines developed by the National Bank of Romania for supervisory purposes. The required information is filed with the NBR on a monthly basis by the Company at individual Agricover Credit IFN level. The Company has complied with all externally imposed capital requirements throughout 2023 and 2022.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

The table below shows regulatory capital measures of Agricover Credit IFN SA as reported to the NBR and in line with the requirements of the Regulation No 20 issued in 2009 by the National Bank of Romania Regulation regarding non-banking financial institutions, with subsequent ammendments and modifications ("Regulation 20"). Regulation 20 requires non-banking financial institutions to comply to keep the solvency ratio up to 8% from own funds.

Capital management	**2023**	**2022**
Capital and aggregate exposure		
Share capital	137,925	137,925
Legal reserve	25,297	20,776
Other reserves	1,233	938
Retained earnings	330,648	275,359
Net profit	77,509	58,908
1. Available capital	**572,613**	**493,906**
Distribution of profit	4,524	3,395
Intangibles	17,668	12,981
2. Deductions from available capital	**22,192**	**16,376**
I. Total capital	**550,421**	**477,530**
II. Investment capital	150	150
III. Other elements deducted (difference between regulatory credit risk provisions and IFRS 9 expected credit losses)	13,491	18,626
IV. Own funds	**536,780**	**458,755**
Weighted risk	**2,231,842**	**2,194,890**
Solvency: Own Funds to weighted risk exposure	**24,05%**	**20,90%**

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

This section provides information about the Group's financial assets and liabilities, including specific information about each type of financial instrument held, related accounting policies for recognising and measuring financial instruments as well as their fair values.

11 OVERVIEW OF FINANCIAL INSTRUMENTS

An overview of the financial instruments held by the Group is presented below:

	Note	31 December 2023	31 December 2022
Financial assets at amortised cost:		**3,264,811**	**2,878,060**
Loans and advances to customers	8	2,793,640	2,758,971
Other financial assets		944	2,844
Cash and cash equivalents	12	470,227	116,245
Financial liabilities at amortised cost:		**2,731,706**	**2,410,912**
Borrowings	13	2,712,988	2,394,920
Other financial liabilities	0	18,717	15,992
Financial liabilities at fair value:			
Derivatives held for risk management purposes	15	4,983	4,699

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Immediately after initial recognition, an expected credit loss allowance is recognised for financial assets measured at amortised cost, as described in note 8.i, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

Classification and subsequent measurement

The Group applies IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL); and
- Amortised cost.

Classification and subsequent measurement depend on:

i. the Group's business model for managing the asset – it reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of asset; and

ii. the cash flow characteristics of the asset – namely whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement.

Based on these factors, the Group classifies its financial assets as follows:

- amortised cost – cash and cash equivalents, trade and other receivables and loans and advances granted are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI') and are measured at amortised cost;
- fair value through profit or loss – derivatives held for risk management purposes which are not designated as part of hedging relationships are measured at fair value through profit or loss. Gain or losses on derivatives held for risk management purposes are presented as net loss from derivative financial instruments in the Statement of Profit or loss and other comprehensive income.

Significant judgement – modified time value of money element

Revolving credit lines granted by the Group include a modified time value of money element by which the benchmark rate tenor is different from the repricing period. The management used judgement in classifying such loans as at amortised cost. In applying this judgement the management has considered the results of a benchmark test which analysed the spread and correlation between the contractual benchmark rate and the benchmark rate with a tenor that matches the repricing period.

The amortised cost is the amount at which the financial instrument (asset or liability) is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination and/ or administration fees for loans granted. When the Group revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Expected credit losses

The Group assesses on a forward-looking basis the expected credit losses ('ECL') associated with its financial assets carried at amortised cost and with the exposure arising from loan commitments and financial guarantee contracts. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money whereby expected shortfalls are discounted using the original effective interest rate of the financial asset or an approximation thereof; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 8 provides more detail of how the expected credit loss allowance is measured.

Classification of financial liabilities

Financial liabilities are classified as subsequently measured at amortised cost, except for derivatives held for risk management purposes which are not designated as part of a hedging relationship and which are measure at fair value through profit or loss.

Gain or losses on derivatives held for risk management purposes are presented as net loss from derivative financial instruments in the Statement of Profit or loss and other comprehensive income.

Modifications

If the terms of a financial instrument are modified, then the Group evaluates whether the cash flows of the modified instrument are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial instrument (asset or liability) are deemed to have expired. In this case, the original financial instrument is derecognised and a new financial instrument is recognised. Any fees received or paid as part of the modification are accounted for as follows:

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

If cash flows on a financial asset 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 all other cases a gain or loss on the modification of a financial asset is presented as interest income. Gains or losses on the modification of a financial liability are presented as interest expense.

Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

Loans and advances to customers are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of forced execution and a failure to make contractual payments. Any subsequent recoveries of amounts previously written off are credited to net credit losses on financial assets, in profit or loss for the year.

Financial guarantees and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance (calculated as described in note 8.i); and
- The premium received on initial recognition less, when appropriate, income recognised in accordance with the principles of IFRS 15 *Revenue from contracts with customers*, namely linearly over the life of the guarantee.

Loan commitments provided by the Group are measured at the amount of the loss allowance (calculated as described in note 8.i).

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision.

12 CASH AND CASH EQUIVALENTS

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand and deposits held with financial institutions, with maturities of 3 months or less. Bank overdrafts are shown within borrowings in the statement of financial position.

As at 31 December 2023 and 31 December 2022 Cash and cash equivalents presented in the Statement of financial position and in the Statement of cash flows are represented by placements held with highly reputable local banks, as follows:

	31-Dec-23	**31-Dec-22**
Investment grade	84,090	14,721
Non-investment grade	135,316	27,204
Parent investment grade	211,131	48,593
Unrated	39,690	25,726
Total	**470,227**	**116,245**
out of which		
Current account	452,407	111,870
Deposits with banks	17,820	4,375

The investment-grade and parent investment grade categories include exposures to banks with the following Fitch ratings, or their equivalent: AA, A+, A, A-, A1, BBB+, BBB, BBB-. Where the banks are unrated but their parent is rated, the parent rating was used in the above analysis.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

The non-investment-grade category includes exposures to banks with the following Fitch ratings, or their equivalent: BB+, BB and BB-.

The unrated category includes exposures to bank with no rating assigned, to those banks or to their parent, by the any of the biggest three global credit rating agencies.

13 BORROWINGS

	31-Dec-23	31-Dec-22
Borrowings from local banks	1,502,536	1,537,602
Borrowings from international financial institutions	1,005,783	654,045
Borrowings from related parties	204,669	203,273
Total borrowings	**2,712,988**	**2,394,920**

Borrowings from banks and international financial institutions

Borrowings from local banks bear floting interest rate and can be denominated in RON or EUR. Some are secured by assignment of loans granted to customers. The carrying amounts of assets pledged as security are disclosed in note 20.

Borrowings from international financial institutions bear floating or fixed interest rates, can be denominated in RON or EUR and are uncollateralised. Geographical concentration is as follows:

Borrowings from:	31-Dec-23	31-Dec-22
local banks	1,502,536	1,537,602
international financial institutions within European Union	938,014	571,800
International Investment Bank	65,217	69,481
International Finance Corporation	2,552	12,764
related parties (note 19)	204,669	203,273
Total borrowings	**2,712,988**	**2,394,920**

Under the terms of the major borrowing facilities, the Company 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 or currency risk ratios.

In April 2023, the U.S Treasury Department’s Office of Foreign Assets Control (“OFAC”) has included one of the Group’s lenders (“Sanctioned Lender”) on the specially designated nationals and blocked persons list (“OFAC Sanctions”).

The Group is borrower under two facility agreements (“Facility Agreement”) concluded with the Sanctioned Lender, with a total current outstanding principal amount s of RON 60,800 thousand.

Unlike sanctions imposed by European Union or by Romanian authorities, OFAC Sanctions are not applicable directly in Romania, in absence of specific Romanian legislation imposing this. To our knowledge, up to the date of these condensed interim financial statements, the Romanian legislation does not include the OFAC Sanctions.

Notwithstanding the OFAC Sanctions not being directly applicable under Romanian law, the Group does not wish its lenders to become directly or indirectly subject to international sanctions or to be exposed in any way to international sanctions.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

The Sanctioned Lender, at their own initiative, issued temporary waivers to the Group for the payments due in June, September, and December 2023 under the Facility Agreement to be postponed for payment until 19 June 2024.

Although we expect that the Sanctioned Lender will continue to grant such temporary waivers, if, for whatever reasons and with the observance of international sanctions, the Group will early repay the loans, the management considers that this will not significantly impact the Group's ongoing business.

Borrowings from related parties

During 2021, the Company's parent (Agricover Holding SA) issued a 40 million EUR fixed rate bond with 5 years maturity. The proceeds were used to finance the loans granting activity of the Company through an intra-group loan with similar terms and conditions. Both are unsecured and include certain financial covenants that the Company and Agricover Holding SA and its other subsidiaries have to comply with.

Compliance with covenants

The Group and its subsidiaries have complied with all financial covenants imposed by its borrowing facilities during 2023 and 2022 reporting periods.

Non-compliance with financial covenants imposed by the Group's borrowings or other contractual breaches, including breach of payment terms, would result in the creditors having the right to early call the related facilities. Moreover, some of our funding agreements include customary cross default provisions, including provisions that puts the Company in default if Agricover Distribution and / or other entities within the Agricover group defaults / default on its / their funding agreements. With reference to the 2023 financial performance of other entities within the Agricover group, the Company obtained, for the relevant lenders, waivers of the cross-default provisions. All such waivers were obtained prior to 31 December 2023.

Changes in liabilities arising from financing activities

Significant changes in the Group's liabilities as arising from its financing activities are presented here:

	2023		2022	
	Borrowings	Lease Liabilities	Borrowings	Lease Liabilities
at 1 January	2,394,920	7,563	1,633,827	3,096
withdrawals	2,909,296		5,829,675	
new contracts		4,565		5,692
repayments	(2,598,236)	(2,484)	(5,075,718)	(1,105)
interest accrued	192,503		151,845	
interest paid	(185,678)	(356)	(140,960)	(111)
foreign exchange rate effect	184	(53)	(3,749)	(9)
at 31 December	**2,712,988**	**9,235**	**2,394,920**	**7,563**

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

14 OTHER FINANCIAL LIABILITIES

Breakdown of other financial liabilities is included below:

Other financial liabilities	**2023**	**2022**
Employee liabilities	9,068	11,178
taxes and social contributions	1,480	1,910
VAT	1,684	647
others (suppliers)	6,485	2,257
Total other financial liabilities	**18,717**	**15,992**

15 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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.

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 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).

i. Financial instruments measured at fair value

The level in the fair value hierarchy into which the recurring fair value measurements are categorized is presented in the table below. 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.

	31 December 2023		**31 December 2022**	
	Level 2	**Total**	**Level 2**	**Total**
Financial liabilities at fair value:				
Derivatives held for risk management	(4,983)	(4,983)	(4,699)	(4,699)

As at 31 December 20223 the Group had FX Forward contracts outstanding with a total negative fair value of RON 5 milion (31 December 2022: RON 4,7 milion The fair value was estimated based on discounted cash flows model, using directly observable inputs (i.e.: market FX and 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. The Group does not take trading or speculative positions when entering into derivative transactions. All such transactions are initiated for risk management purposes.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

ii. *Financial instruments not measured at fair value but for which fair value is disclosed*

The level in the fair value hierarchy into which the fair value measurements of financial assets and liabilities not measured at fair value but for which fair value is disclosed are categorized and presented in the table below. Fair value is disclosed for all financial assets and liabilities not measured at fair value and for which fair value is significantly different than the carrying amount.

31 December 2023	Level 1	Level 2	Level 3	Total	Carrying value
Loans and advances to customers:					
Capex			183,986	183,986	**184,433**
Credit lines			2,470,429	2,470,429	**2,482,898**
Factoring			127,099	127,099	**126,478**
Total			**2,781,514**	**2,781,514**	**2,793,809**

Comparative information as at 31 December 2022 is presented below:

31 December 2022	Level 1	Level 2	Level 3	Total	Carrying value
Loans and advances to customers:					
Capex			198,947	198,947	198,947
Credit lines			2,516,636	2,516,636	2,533,030
Factoring			26,578	26,578	26,994
Total			**2,742,162**	**2,742,162**	**2,758,971**

31 December 2023	Level 1	Level 2	Level 3	Total	Carrying value
Borrowings:					
from local banks			1,502,536	1,502,536	**1,502,536**
from international financial institutions			990,051	990,051	**1,005,783**
from related parties		191,533		191,533	**204,669**
Total		**191,533**	**2,492,586**	**2,684,119**	**2,712,988**

Comparative information as at 31 December 2022 is presented below:

31 December 2022	Level 1	Level 2	Level 3	Total	Carrying value
Borrowings:					
from local banks			1,537,602	1,537,602	1,537,602
from international financial institutions			645,371	645,371	654,045
from related parties		190,921		190,921	203,273
Total		**190,921**	**2,182,973**	**2,373,895**	**2,394,920**

All other financial assets and liabilities in the Group's statement of financial position, those that are not included in the table above and for which the fair value is not disclosed, have their fair values approximated by the carrying value.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Techniques and inputs used to determine level 2 and level 3 fair values

Fair value of loans and advances to customers was estimated as follows:

- fair value of floating rate loans and advances was approximated by their gross carrying amount less their lifetimes expected credit losses calculated based on the methodology detailed in Note 8.i;
- in estimating the fair value of fixed rate loans and advances the Group has discounted contractual cash flows. The discount rate was estimated for each exposure individually by adjusting the contractual fixed rate with the change in the relevant floating rate benchmarks (e.g. 3M or 6M ROBOR) between the grant date of each respective loans and the valuation date. The net present value was adjusted with the credit loss allowance in case of assets impaired at the valuation date.

Fair value of borrowings contracted was estimated as follows:

- fair value of floating rate loans and advances was approximated by their net carrying amount;
- in estimating the fair value of fixed rate borrowings, the Group has discounted contractual cash flows. The discount rate was estimated for each borrowing individually by considering: i) the yields on contracted floating rate borrowings with similar risk characteristics (e.g. currency), or firm financing offers received thereof, close to the valuation date; and ii) the interest rate swap curve to convert the floating rates determined at i) above to fixed rates for relevant maturities.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

This section provides information about the Group’s non-financial assets and liabilities, including specific information about:

- Leases (note 16);
- Property, plant and equipment(note 17) ;
- Intangible assets (note 18);

and related key accounting policies, judgement and estimates.

16 LEASES

The Group leases various offices, working points and vehicles. The Group acts as a lessee in all its significant leasing agreements. This note details the accounting policy applied by the Group as a lessee, related significant estimates and impact of leases on the Group’s financial position, performance and cash flows.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date and subsequently updated based on the index or rate valid at each reporting period;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option,
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option; and
- payments to be made under reasonably certain extension options.

Contracts to lease buildings and vehicles include non-lease components, such as repair and maintenance, security or management services. Prices of non-lease components are clearly stated in all significant lease agreements of the Group and the management is satisfied that such prices are representatiave of the standalone selling prices for similar services. The Group separates lease and non-lease components.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the lessee and not by the respective lessor. Lease contracts of the Group do not include purchase options.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Right of use assets are depreciated over the shortest of the asset's useful life or the lease term (which is impacted by reasonably certain prolongation or early termination options available to the Group).

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group uses as a starting point:

- where possible, recent third-party financing received by the individual lessee; or
- interest rates obtained by the lessee from various external financing sources.

Management then makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Significant inputs used by the Group in measuring lease liabilities and right of use assets are details below:

	Buildings		**Vehicles**	
	2023	**2022**	**2023**	**2022**
Weighted average incremental borrowing rate	4.36	3.02	4.49	2.65
Weighted average residual lease term	2,55	3.26	2.55	3.26
Weighted average lease term at recognition	4	4	4	4

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

The balance sheet shows the following amounts relating to leases:

	31-Dec-23	**31-Dec-22**
Right of use assets		
Buildings	6,174	4,931
Vehicles	2,833	2,632
Total	**9,006**	**7,563**
Lease liabilities		
<1 year	2,860	1,333
> 1 year	6,375	6,230
Total	**9,235**	**7,563**

Lease liabilities

Lease liabilities are effectively secured, as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Right of use assets

The reconciliation of opening and closing right of use assets for 2023 is presented below:

	Buildings	Vehicles	Total
As at 01 January	**4,931**	**2,632**	**7,563**
Additions	2,729	1,364	4,093
Depreciation	(1,486)	(1,164)	(2,650)
As at 31 December	**6,174**	**2,832**	**9,006**

Comparative information for 2022 is presented below:

	Buildings	Vehicles	Total
As at 01 January	**1,531**	**1,565**	**3,096**
Additions	3,959	1733	5,692
Depreciation	(559)	(666)	(1,225)
As at 31 December	**4,931**	**2,632**	**7,563**

The statement of profit or loss shows the following amounts relating to leases:

	Note	2023	2022
Depreciation charge for right of use assets:			
Buildings		(1,486)	(559)
Vehicles		(1,164)	(666)
Total		**(2,650)**	**(1,225)**
Interest expense (Included in interest cost)	**3**	**356**	**111**

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

17 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recognised at historical cost less accumulated depreciation and impairment losses, if any. Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. No such impairment indicators were identified during the reporting period.

Depreciation is calculated using the straight-line method to allocate the cost or revalued amounts of the assets, net of their residual values, over their estimated useful lives as follows:

- Motor vehicles 4 years;
- Buildings (improvements) 5 years

The reconciliation of the carrying amount of each significant class of property plant and equipment is presented below:

	Equipment	Buildings improvement	Total
Gross book value	2,904	1,886	4,790
Accumulated depreciation	(2,084)	(1,493)	(3,577)
Net book value at 1 January 2023	**820**	**393**	**1,213**
Additions	648	221	869
Depreciation charge	(571)	(136)	(707)
Net book value at 31 December 2023	**897**	**479**	**1,376**
Gross book value	3,552	2,107	5,659
Accumulated depreciation	(2,655)	(1,628)	(4,283)

Comparative information for 2022 is included below:

	Equipment	Buildings improvement	Total
Gross book value	2,481	1,595	4,076
Accumulated depreciation	(1,776)	(1,438)	(3,214)
Net book value at 1 January 2022	**705**	**157**	**862**
Additions	423	291	714
Depreciation charge	(308)	(55)	(363)
Net book value at 31 December 2022	**820**	**393**	**1,213**
Gross book value	2,904	1,886	4,790
Accumulated depreciation	(2,084)	(1,493)	(3,577)

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

18 INTANGIBLES

Intangibles of the Group are represented mainly by software licences acquired and by internally generated software. The Group has no intangibles with indefinite useful life. Licenses and internallly generated software are recognised at historical cost less amortisation and are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. No such impairment indicators were identified during the reporting period.

Amortisation for software licences is calculated using the straight-line method to allocate the cost or revalued amounts of the assets, net of their residual values, over their estimated useful lives of 3 to 5 years.

The reconciliation of the carrying amount of each significant class of intangibles is presented below:

	2023 Software licensees	**2022 Software licensees**
Gross book value	17,700	8,874
Accumulated amortization	(4,518)	(3,156)
Net book value at 1 January	**13,182**	**5,718**
Additions	9,285	8,826
Amortisation charge	(4,662)	(1,362)
Gross book value	26,985	17,700
Accumulated amortization	(9,180)	(4,518)
Net book value at 31 December	**17,805**	**13,183**
Gross book value	26,985	17,700
Accumulated amortization	(9,180)	(4,518)

Main additions of licenses are represented by the implementation of SAP 4Hana and LOS 2.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to the Group's financial performance, its risk management or to individual line items in the financial statements.

19 RELATED PARTIES TRANSACTIONS

Significant related party transactions of the Group were conducted on terms equivalent to those prevailing in an arm's length transaction. The Group discloses below its significant transactions, related income, expenses and balances in respect of each of the following categories of related parties:

Category	**Definition**	**Impact on the consolidated financial statements**
Parent	entity that controls the Group	the main shareholder of the Company is Agricover Holding SA.
Subsidiaries	entities controlled by the Company (refer to Note 1)	intragroup transactions and outstanding balances are eliminated, they do not form part of the consolidated financial statements; consequently, such related party transactions and outstanding balances between group members are not disclosed under IAS 24 in the consolidated financial statements. They are however disclosed in the separate financial statements of the Company.
Associates	entity over which the Company has significant influence	there are no significant transaction between the Group and its associates.
Joint ventures	joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement	not relevant for the consolidated or separate financial statements as the Group has no joint arrangements outstanding.
Key management	persons having authority and responsibility for planning, directing and controlling the activities of the Group and its subsidiaries,	there are no significant transactions between the Group and key management. key management compensation is disclosed below in this note.
Other related parties	related parties that do not fall under any of the above categories	significant transactions with other related parties are disclosed below in this note.

Ultimate controlling party

The ultimate beneficial owner of the Company is Mr. Kanani Jabbar, who owns 87,269% of the share capital of the Company's Parent (31 December 2022: 87,269%).

Key management compensation

During 2023 compensation granted to key management personnel amounts to RON 7,3 million (2022: RON 9,8 million). It represents short term benefits, including monthly salaries and performace bonuses. There are no other types of benefits or commitments granted by the Group to key management.

Share Option Plan

Under the Share Option Plan ("the SOP") approved by shareholders at the 2022 annual general meeting, share options of the Parent are granted to senior managers (including executive directors) of the Company with more than 12 months' service for the Company, at the discretion of the Board of Directors (no individual has a contractual right to participate in the plan or to receive any guaranteed benefits).

The SOP is designed to provide short-term and long-term incentives for senior managers to deliver long-term shareholder returns. It includes two components:

a) short-term component, with options that vest after twelve months depending on the participants' achievements with respect to their individually assigned KPIs (non-market performance condition), and
b) long-term component, with options that vest over a three-year period (graded vesting, one third of the total number of granted options vesting each year) depending on the Parent's consolidated net profit (non-market performance condition).

Vesting under both components of the SOP is conditioned upon the participant remaining employed with the Group on such vesting date, and on the achievement of the relevant performance indicators (whereby the maximum number of options that can vest is for a performance level of 130% versus the assigned levels of the performance indicators). The share options granted will not vest if the performance conditions are not met or if the participant leaves the Group before vesting date.

Options are granted under the SOP for no consideration and carry no dividend or voting rights. The share options are exercisable at 0.1 RON/share within five days after vesting.

The service cost is determined with reference to the fair value of the shares at the grant date. The fair value of the share options is estimated at the grant date by considering the Group's consolidated net profit (as reported in its most recent annual consolidated financial statements) and average market multiples as published by the Bucharest Stock Exchange and / or other third-party data providers. Such multiples include the price-to-earnings ratio (P/E or PER), which measures the share prices in relation to the net profits of entities listed on the Bucharest Stock Exchange. In 2022 multiples used in valuation also included the market premium for mergers and acquisitions – which measures the degree to which market multiples in private equity transactions (i.e. mergers and acquisitions of companies not listed on the Bucharest Stock Exchange) are higher than the market multiples of public companies. From 2023 onwards, the market premium for M&A is no longer an input in the valuation model.

The performance conditions are only considered in determining the number of instruments that will ultimately vest and have no impact on the value of the options granted.

The Parent provides a redemption mechanism of the SOP-acquired shares as follows:

- Anytime during the holding period, the new shareholder has the right to ask the parent to buy his/her shares and the parent might accept. This action may be initiated by the parent, as well. There is no obligation on either side to accept to buy/sell as a result of the other's party sell/buy initiative.
- The shares are mandatorily redeemable by the parent upon employment termination of the participants to the program.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

The Company accounts for the SOP as an equity-settled plan. The cost of equity settled transactions is determined by the fair value at the date when the grant is made and is recognized in employee benefits expense, together with a corresponding increase in equity, over the period in which the service and the performance conditions are fulfilled (the vesting period). The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of options that will ultimately vest.

The Company has established a share-based payments reserve used to recognize the grant date fair value of options issued to employees but not exercised. This reserve is transferred to retained earnings on the exercise or lapse of options. Recharges are recognized directly in equity (retained earnings) as transactions with owners in their capacity as owners.

Set out below are details regarding the number of options granted, exercised or expired under the plan:

	2023	2022
Outstanding beginning of year	3,956,691	-
Granted during the period	6,794,271	3,956,691
Exercised during the period	1,098,597	
Expired during the period	1,419,324	
Outstanding end of the year	**8,233,041**	**3,956,691**

All instruments outstanding are unvested at 31 December 2023 and have an exercise price of 0.1RON/share. The weighted average remaining contractual life of options outstanding is 0.94 years at 31 December 2023. As at 31 December 2023 and for the year then ended the Company recognized an expense of million RON 0,8 in relation to the SOP (2022: million RON 1,2).

Transactions with related parties

The following transactions were carried out during 2023 and 2022:

	2023	2022
Transactions with parent		
Interest expense	6,875	6,923
Transactions with other relates parties		
Interest income	8,556	19,211

During 2023 Agricover Distribution SA, wholly owned by the Company's Parent, acted as an agent for the Company in relation to marketing, communication and other service with a total cost of thousand Ron 1,697 (2022: thousand RON 1,208).

Outstanding balances arising from transactions with related parties

The following balances are outstanding at the end of each the reporting periods in relation to transactions detailed above:

	2023	2022
Balances with parent		
Borrowings received	204,760	203,407
Balances with other relates parties		
Other financial assets	3,122	921

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Other financial liabilities	1,605	367
Loans and advances to customers	18,752	7,639
Commitments to other related parties		
Letters of guarantees issued	4,500	4,000

20 ASSETS PLEDGED AS SECURITY

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	31-Dec-22	31-Dec-22
Pledge Assets with residual maturity lower than 1 year:		
Loans and receivables	1,689,177	1,680,039
Pledge Assets with residual maturity greater than 1 year:		
Loans and receivables	328,174	340,822

21 COMMITMENTS AND CONTINGENCIES

Letters of credit and guarantees

Letters of credit and guarantees (including standby letters of credit) commit the Group to make payments on behalf of customers in the event that the customer cannot meets its contractual payment obligations. Guarantees and standby letters of credit carry a similar credit risk to loans. As at 31 December 2023, the Group has issued guarantee letters with expiry period within 1 year with a total nominal value of RON 4,500 (31 December 2022: RON 4,000) and a guarantee letters with expiry period of 2 years with a total nominal value of RON 10,000.

Revocable commitments

To meet the financial needs of customers, the Group enters into various revocable and irevocable commitments to lend and similar contingent liabilities. Even though these obligations may not be recognised on the statement of financial position, they contain credit risk and, therefore, form part of the overall risk of the Group (qualitative and quantitative details regarding risk management practices of the Group are detailed in note 9.i)

The Group designed for and offers to farmers a new product range consisting of loans with a Mastercard credit card attached, addressed to legal entities active in the agricultural sector. As at 31 December 2023 total irrevocable commitments under the credit cards amounted to 168 million RON, of which 62 million RON were utilised.

Except for the credit card related limits detailed above, the Group does not grant irrevocable commitments. Under uncommitted credit lines it is the Group's policy to approve any withdrawals, based on an analysis of the applicant, including of developments after the initial approval of the limit. The analysis done by the Group for withdrawal purposes is more simplified in extent and nature as compared to the initial granting of the credit line. As at 31 December 2023 the undrawn balance of the credit lines granted by the Group amounts to 354 million RON (31 December 2022: 381 miilion RON).

Contingencies

The Group operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its general operations and specifically to its financing activity. As a result, it is involved in various litigations and legal proceedings arising in the ordinary course of the its business. Management of the Group considers that these litigations will not have a significant impact on the operations or on the financial position of the Group

The agriculture financing market continued its upward trend, increasing by 13.6% at the end of December 2023 compared to December 2022 (after it increased by 19.4% at December 2022 compared with December 2021)[1]. As at 31 December 2023, our share of the agricultural loans market reached 6.4% versus 5.7% as at 31 December 2021[2].

Prices of agricultural inputs were influenced by drops in commodity prices, especially natural gas, and supply chains disruptions having a lower impact in 2023. In this context, prices of most crop nutrition and some crop protection products have declined during the first half of 2023, reaching levels well below those seen before Russia's invasion of Ukraine. In the second half of 2023 the agricultural inputs market was rather stable, with some increases from the minimum levels reached in June 2023.

Price declines, although less dramatic, were seen in the agricultural soft commodities (i.e. outputs) market as well. Price volatility of agricultural commodities (both inputs and outputs) can have an indirect impact on our result by influencing the profitability of farms which, in turn, is one of the main drivers of the expected credit losses.

Although lower in 2023, the inflation remained above central banks' 2% targets. The National Bank of Romania kept the policy interest rate at 7% during 2023, after a 25bps increase at the beginning of January 2023, from 6.75% as at the end of 2022. In this context, market interest rates have decreased by more than 150bps as compared to December 2022, with most of the drop (around 100bps) in the first half of the year. Market interest rates influence the net interest income of the Group.

Overall, the Group adapted well to the challenges posed by the macroeconomic and geopolitical environment. However, all these risk factors, individually or combined, may continue to exacerbate price volatility and impact farmers' profitability, which may negatively influence the Group's financial performance.

[1] as based on Monthly Bulletins published by the National Bank of Romania
[2] calculation based on the Group's exposure and the market data in the Monthly Bulletins published by the National Bank of Romania

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

This section includes certain performance measures that are monitored by its management, the regulator or its creditors. The section then concludes with significant events which have occurred after the yearend and have not impacted these consolidated financial statements but which have or might impact the financial performance of the Group in subsequent periods.

22 ALTERNATIVE PERFORMANCE MEASURES

The performance measures presented below, together with details of their calculation, are considered key performance indicators monitored by the Group.

Capital Ratio

The capital ratio refers exclusively to Agricover Credit IFN SA and is derived from the regulatory capital measures (i.e. Own Funds and Total Aggregated Exposure) of the Company. Such regulatory capital measures are based on the provisions of Regulation 20. These measure are then used to calculate the capital ratio, as detailed in the table below.

#	performance indicator	Reference/ Note	31 December 2023	31 December 2022
=A/B*100%	**Capital ratio***		**24.06%**	**20.90%**
A	Own funds	10	537,085	458,755
B	Total aggregate exposure	10	2,231,842	2,194,890

Other performance indicators

#	performance indicator	Reference/ Note	31 December 2023	31 December 2022
=C/D*100%	**Non-Performing Loan ratio**		**3.87%**	**2.92%**
C	Gross carrying amount “GCA” Stage 3	8	112,528	82,891
D	Total gross carrying amount “GCA”	8	2,905,709	2,839,037
=F/E*100%	**Risk to earnings ratio**		**23.67%**	**16.37%**
E	Net interest income	SOCI*	213,231	173,000
F	Net expense from impairment losses on loans and advances to customers	SOCI	50,482	28,326
=(G+H)/(E+I +J)*100%	**Cost income ratio**		**35.66%**	**39.00%**
E	Net interest income	SOCI	213,231	173,000
G	General and administrative expenses	SOCI	71,651	65,064
H	Other operating expenses	SOCI	8,694	6,941
I	Net fee and commission income	SOCI	10,396	10,645
J	Other operating income	SOCI	1,689	996

* SOCI – Consolidated Statement of Profit or Loss and Other Comprehensive Income

KPMG Audit SRL
DN1, Bucharest - Ploiești Road no. 89A
Sector 1, Bucharest
013685, P.O.Box 18 - 191
Tel: +40 372 377 800
Fax: +40 372 377 700
www.kpmg.ro

Independent Auditors' Report

(free translation[1])

To the Shareholders of AGRICOVER HOLDING S.A.

B-dul. Pipera 1B, etaj 8, Cladirea de Birouri Cubic Center, Oras Voluntari, Romania
Unique Registration Code: 36036986

Report on the Audit of the Separate Financial Statements

Opinion

1. We have audited the separate financial statements of AGRICOVER HOLDING S.A. ("the Company"), which comprise the separate statement of financial position as at 31 December 2023, the separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policy information and other explanatory information.

2. The separate financial statements as at and for the year ended 31 December 2023 are identified as follows:

   - Total equity: Lei 377,744 thousand
   - Profit for the year: Lei 12,444 thousand

   The separate financial statements have been signed with a qualified electronic signature on 28 March 2024 by Veldtster INC by permanent representative Stefan Doru Bucataru, in its capacity of Administrator of the Company, at hour: 15, min: 00, sec: 21 and Liviu Dobre, General Manager, at hour: 14, min: 56, sec: 18.

3. In our opinion, the accompanying separate financial statements give a true and fair view of the unconsolidated financial position of the Company as at 31 December 2023, and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with the Order of Minister of Public Finance No. 2844/2016 for approval of accounting regulations in accordance with International Financial Reporting Standards and subsequent ammendments ("OMPF no. 2844/2016") and with International Financial Reporting Standards, as adopted by the European Union ("IFRS EU") .

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 Separate 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 separate financial statements in Romania,

[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 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 separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no Key audit matters to be communicated in our audit report.

Other information

6. The Board of Directors is responsible for the preparation and presentation of other information. The other information comprises the Board of Directors' Report (but does not include the separate financial statements and our auditors' report thereon) which we obtained prior to the date of this auditor's report and the additional information which will be included in the Annual Report in accordance with section II from Annex 15 of the FSA Regulation 5/2018 on issuers of financial instruments and market operations ("additional information"), which is expected to be made available to us after that date.

   Our opinion on the separate 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 separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. When we read the additional information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

   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. 2844/2016, articles 15 – 19 of the accounting regulations in accordance with International Financial Reporting Standards.

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

   a) The information given in the Board of Directors' Report for the financial year for which the separate financial statements are prepared is consistent, in all material respects, with the separate financial statements;

   b) The Board of Directors' Report has been prepared, in all material respects, in accordance with OMPF no. 2844/2016, articles 15 – 19 of the accounting regulations in accordance with International Financial Reporting Standards.

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

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

7. Management of the Company is responsible for the preparation of separate financial statements that give a true and fair view in accordance with OMPF no. 2844/2016 and with IFRS EU and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

8. In preparing the separate 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' Responsibility for the Audit of the Separate Financial Statements

10. Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate 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 separate 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 separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

12. 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.

13. 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.

14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate 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 - Report on Compliance with the ESEF Regulation

15. In accordance with Law no. 162/2017 on statutory audits of annual financial statements and consolidated financial statements and amendment of certain regulations, we are required to express an opinion on compliance of the separate financial statements, included as Appendix 6 to the Board of Directors' Report, with the requirements of the Commission Delegated Regulation (EU) 2018/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "RTS on ESEF").

Responsibilities of Management

16. Management is responsible for the preparation of the separate financial statements in a digital format that complies with the RTS on ESEF. This responsibility includes the preparation of the separate financial statements in the applicable xHTML format, including ensuring consistency between the digital format and the electronically signed separate financial statements and the design, implementation and maintenance of internal controls relevant to the application of the RTS on ESEF.

Auditors' Responsibilities

17. Our responsibility is to express an opinion on whether the separate financial statements included as Appendix 6 to the Board of Directors' Report comply, in all material respects, with the RTS on ESEF, based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

    A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with the RTS on ESEF. The nature, timing and extent of procedures selected depend on the auditor's judgment, including the assessment of the risks of material departures from the requirements set out in the RTS on ESEF, whether due to fraud or error. Our procedures included evaluating the appropriateness of the digital format of the separate financial statements and assessing consistency between the digital format and the electronically signed and audited separate financial statements, stamped by us for identification purposes.

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

Opinion

18. In our opinion, the separate financial statements of the Company, included as Appendix 6 to the Board of Directors' Report, as at and for the year ended 31 December 2023 have been prepared, in all material respects, in accordance with the requirements of the RTS on ESEF.

Report on Other Legal and Regulatory Requirements

19. We were appointed by the General Shareholders' Meeting on 29 September 2023 to audit the separate financial statements of AGRICOVER HOLDING S.A. for the year ended 31 December 2023. Our total uninterrupted period of engagement is 4 years, covering the periods ended 31 December 2020 to 31 December 2023.

20. We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company, which we issued on the same date as the date of issuance of this independent auditors' report. We also remained independent of the audited entity in conducting the audit.
- we have not provided to the Company 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 ALEXANDRU DANIEL RUSU.

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

Refer to the original signed Romanian version	**Refer to the original signed Romanian version**
ALEXANDRU DANIEL RUSU	**KPMG Audit SRL**
registered in the electronic public register of financial auditors and audit firms under no AF181/262/23	registered in the electronic public register of financial auditors and audit firms under no FA9

Bucharest, 28 March 2024

Autoritatea pentru Supravegherea Publică a Activității de Audit Statutar (ASPAAS)
Auditor financiar: Rusu Alexandru Daniel
Registrul Public Electronic: AF181/262/23

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

AGRICOVER HOLDING SA

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 December 2023

Prepared in accordance with the Order of the Ministry of Public Finance no. 2844/2016 approving the accounting regulations compliant with the **International Financial Reporting Standards, as adopted by the European Union**

** The original version of the separate financial statements was written in Romanian. This document is an English translation of the original document. In case of any discrepancy between the English text and the Romanian text, the latter will prevail.*

Contents

Separate Statement of Financial Position as at 31st of December

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

	Notes	2023	2022
ASSETS			
Non-current assets			
Property, plant and equipment		25	-
Investments	15	354,497	354,227
Other receivables	11	-	972
Loans granted	12	198,130	196,677
		552,652	**551,876**
Current assets			
Other receivables	11	28,575	13,071
Other current assets		58	478
Loans granted	12	6,316	6,281
Cash and cash equivalents	12	100	1,005
		35,049	**20,835**
Total assets		**587,701**	**572,711**
EQUITY AND LIABILITIES			
Equity			
Share capital and share premium	8	194,900	193,418
Treasury shares	8	(2,542)	-
Other reserves	8	32,838	32,216
Retained earnings		152,548	140,726
		377,744	**366,360**
Non-current liabilities			
Borrowings	12	198,437	197,119
Other payables	16	83	1,080
		198,520	**198,199**
Current liabilities			
Trade and other payables	16	899	1,871
Borrowings	12	10,538	6,281
		11,437	**8,152**
Total liabilities		**209,957**	**206,351**
Total equity and liabilities		**587,701**	**572,711**

Separate Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31st of December

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

	Notes	2023	2022
Dividend income	3	20,847	38,069
Administrative expenses	5	(8,375)	(1,804)
Other income		-	33
Operating profit		**12,472**	**36,298**
Finance income	4	7,310	7,270
Finance costs	4	(7,338)	(7,132)
Profit before tax		**12,444**	**36,436**
Income tax expense	0	-	-
Profit for the year		**12,444**	**36,436**
Total comprehensive income for the year		**12,444**	**36,436**

Approved for issue and signed on behalf of the Board of Directors on 28 March 2024.

Ștefan Doru Bucătaru, permanent representative of Veldtster INC — Liviu Dobre

Administrator — General Manager

Separate Statement of Changes in Equity

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

	Share capital and share premium	Treasury shares	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2023	**193,418**	**-**	**32,216**	**140,726**	**366,360**
Profit for the year	-	-	-	12,444	**12,444**
Total comprehensive income for the year	**-**	**-**	**-**	**12,444**	**12,444**
Treasury shares acquired	-	(2,542)	-	-	**(2,542)**
Increase in share capital and share premium	1,482	-	-	-	**1,482**
Transfer to legal reserve	-	-	622	(622)	**-**
Total transactions with owners of the Company	**1,482**	**(2,542)**	**622**	**(622)**	**(1,060)**
Balance as at 31 December 2023	**194,900**	**(2,542)**	**32,838**	**152,548**	**377,744**

	Share capital and share premium	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2022	**220,748**	**30,394**	**106,112**	**357,254**
Profit for the year	-	-	36,436	**36,436**
Total comprehensive income for the year	**-**	**-**	**36,436**	**36,436**
Transfer to legal reserve	-	1,822	(1,822)	**-**
Cancellation of shares during the year (Note 15)	(27,330)	-	-	**(27,330)**
Total transactions with owners of the Company	**(27,330)**	**1,822**	**(1,822)**	**(27,330)**
Balance as at 31 December 2022	**193,418**	**32,216**	**140,726**	**366,360**

Separate Statement of Cash Flows
for the year ended 31st of December

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

	Notes	2023	2022
Cash flows from operating activities			
Profit for the year		12,444	36,436
Unrealised foreign exchange differences, net		(26)	(169)
Dividend income	3	(20,847)	(38,069)
Interest income	4	(7,310)	(7,270)
Interest expense	4	7,335	7,131
Operating loss before changes in working capital		**(8,404)**	**(1,941)**
Changes in working capital			
(Increase) / Decrease in trade receivables and other current assets		2,300	(428)
Increase in the trade and other liabilities balance		162	263
Cash used in operations		**(5,942)**	**(2,106)**
Dividends received	3	4,435	27,385
Cash generated from / (used in) operating activities		**(1,507)**	**25,279**
Cash flows from investing activities			
Payments for increase of investments in subsidiaries	15	(3,500)	(26,000)
Payments for acquisitions of fixed assets		(25)	-
Interest received	12,16	6,840	6,923
Cash generated from / (used in) investing activities		**3,315**	**(19,077)**
Cash flows from financing activities			
Proceeds from issue of share capital	8	339	-
Cash from subsidiaries on account of the SOP programme		2,078	-
Repurchase of treasury shares	8	(2,542)	-
Proceeds from borrowings	12	4,600	-
Repayment of borrowings	12	(500)	-
Interest paid	12	(6,688)	(6,747)
Cash used in financing activities		**(2,713)**	**(6,747)**
Cash and cash equivalents at the beginning of the year		**1,005**	**1,550**
Net (decrease) in cash and cash equivalents		(905)	(545)
Cash and cash equivalents at the end of the year		**100**	**1,005**

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

This section includes general information about the Company and its structure as well as material accounting policy information that relate to the separate financial statements as a whole. Material accounting policy information and estimates, judgements and assumptions used in the application of those policies which are specific to a particular item are included within the note referring to that specific item. Accounting policies relating to non-material items are not included in these financial statements.

1 GENERAL INFORMATION

Agricover Holding SA ('the Company") is a holding entity, incorporated in 2018 being registered at Trade Register with the fiscal number J23/447/2018. The Company and its subsidiaries detailed in Note 15 (together referred to as "the Group") are incorporated and are domiciled in Romania.

The Company's headquarter is located at 1B Pipera Blvd, Voluntari, Ilfov, Romania.

The Group carries out activities in the agricultural, financial and information technology sectors. The Company is an investment vehicle that owns:

- Agricover Distribution SA ("Agribusiness division"), specialized in the distribution of agricultural inputs – seeds, crop protection products, crop nutrition products or diesel;
- Agricover Credit IFN SA ("Agrifinance division"), non-banking financial institution specialized in financing farmers; currently with a portfolio of three main categories of products: capex, credit lines and factoring; all designed with the needs of the farmers in mind, having tailored maturities which are usually correlated with the harvesting and sale of crops seasons;
- Agricover Technology SRL ("Agritech division"), software as a service aimed at providing farmers with access to the innovations within the industry through digital technologies.

In a highly integrated business model, tools offered by Agritech are used to efficiently and effectively manage farming activities, machinery and inputs while part of the sales of the Agribusiness segment are financed through loans granted by the Agrifinance segment of the Group. Together with the resulting synergies, this represents a unique differentiating factor and competitive market advantage for each of these business segments in achieving its growth targets but also for the Group as a whole.

As of December 31st, 2023, the Group prepared consolidated financial statements which are available on the Company's website: www.agricover.ro/relatii-investitori.

2 BASIS OF PREPARATION

Compliance statement

These separate financial statements as at and for the year ended 31 December 2023 have been prepared in accordance with Order no. 2844 for the approval of accounting regulations in accordance with the International Financial Reporting Standards issued by the Romanian Ministry of Finance on 12th of December 2016, with subsequent amendments and modifications ("Order 2844") and are in compliance with the International Financial Reporting Standards as adopted by the European Union ("IFRS").

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Historical cost convention

These separate financial statements have been prepared under the historical cost convention.

Consistent application of accounting policies

The material accounting policies applied in the preparation of these separate financial statements are set out below in the relevant Notes to these separate financial statements and have been consistently applied to all the periods presented, unless otherwise stated. The preparation of financial statements in accordance with Order no. 2844 and with IFRS requires the use of judgements and estimates. The areas involving a higher degree of judgment or complexity, or areas where estimates are significant, are disclosed in the relevant Notes to these separate financial statements (for further detail please refer to note 6 and note 15).

Functional and presentation currency

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

Going concern

After consideration of the Company's liquidity, gearing level, budgeted cash flows and related assumptions, management believes that the Company has adequate resources to continue as a going concern for the foreseeable future and these separate financial statements are prepared on this basis.

Standards and amendments newly applicable for periods starting January 1st, 2023

The following new and amended standards effective for periods starting January 1st, 2023, have been implemented by the Company and do not have a significant impact on the Company's separate financial statements.

- ✓ ***Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction***

These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

- ✓ **IFRS 17 'Insurance Contracts'**

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts by an insurer and supersedes IFRS 4 Insurance Contracts. The Company has no contracts within the scope of IFRS 17.

- ✓ **Amendment to IAS 12 - International tax reform**

These amendments give companies temporary relief from accounting for deferred taxes arising from the Minimum Tax Implementation Handbook (Pillar Two Legislation) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.

The Organisation for Economic Co-operation and Development's („OECD") Directive 2523/2022 for the global minimum top-up tax (Pillar Two model rules) applies to enterprise groups with total consolidated group revenues of EUR 750 million or more in at least two of the four preceding years ("revenue threshold" criterion. The Group is not subject to the top-up tax as the revenue threshold criteria is not met.

New IFRS standards effective on or after 1 January 2024 early adopted by the Company

- ✓ ***Amendments to IAS 1, Presentation of financial statements', on classification of liabilities as current or non-current and non-current liabilities with covenants***

The Company has early adopted the Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities as current or non-current and non-current liabilities with covenants.

These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the Company or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. The Company considered the clarifications brought by these amendments in classifying its liabilities as current or non-current at 31st December 2023. The amendments were applied retrospectively, however they do not have a significant impact on the comparatives presented.

When non-current liabilities are subject to future covenants, the Company discloses information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.

New IFRS standards effective for annual periods beginning on or after January 1st, 2024, not early adopted by the Company

A number of new amendments to the standards are required to be applied for annual periods beginning on or after January 1st, 2024, and that are available for early adoption in annual periods beginning on or after January 1st, 2023. The Company has not early adopted any of the forthcoming new amended standards in preparing these separate financial statements. Once adopted, the new and amended standards are not expected to have a significant impact on the Company's separate financial statements:

- ✓ **Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in associates and Joint Ventures', on sale or contribution of assets between an investor and its associate or joint venture**

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture.

The effective date of the amendments was deferred indefinitely, however, early application of the amendments is permitted.

- ✓ ***Amendments to IFRS 16 "Leases" on lease liability in a sale and leaseback transaction***

The amendments specify that, in measuring the lease liability subsequent to the sale and leaseback, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognizing any amount of the gain or loss that relates to the right of use that it retains.

Effective date: annual periods beginning on or after January 1st, 2024.

- ✓ ***Amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial instruments: Disclosures", on supplier finance arrangements***

The amendments apply to supplier finance arrangements and introduce two new disclosure objectives – one in IAS 7 and another in IFRS 7 – for a company to provide information about its supplier finance arrangements that would enable users to assess the effects of these arrangements on the company's liabilities and cash flows, and the company's exposure to liquidity risk.
Effective date: annual periods beginning on or after January 1st, 2024.

- ✓ ***Amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates", on lack of exchangeability***

The amendments require disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.
Effective date: annual periods beginning on or after January 1st, 2025.

Notes to the Separate Financial Statements
Financial Performance

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

This section provides information about the financial performance of the Company. The section covers material accounting policies and significant judgements and estimates made in relation to particular items of income or expense. The section concludes with details about the Company's tax result in the year and current and deferred tax assets and liabilities at the end of the year.

3 DIVIDEND INCOME

Dividend income is recognised in profit or loss on the date on which the Company's right to receive payment is established.

During 2023 the Company recognised dividends from its subsidiary, Agricover Distribution SA in amount of RON 20.8 million (2022: RON 38.1 million).

4 FINANCE INCOME AND FINANCE COSTS

The Company offers loans to the other companies within the Group. To finance its loans granting activity, during 2021 the Company issued bonds – for more details please refer to Note 12. Additionally, towards the end of 2023, the Company contracted a short-term loan from one of its subsidiaries - for more details please refer to Note 12.

Interest income and expenses are measured and recognised using the effective interest method, as prescribed by IFRS 9 Financial Instruments. Interest income and expense, as gained or incurred, are included in the statement of profit or loss within "Finance income" and "Finance costs".

The table below presents the breakdown of finance income and finance costs:

	2023	2022
Interest income	7,310	7,270
Finance income	**7,310**	**7,270**
Interest costs	(7,283)	(7,131)
Exchange rate differences, net	(17)	(1)
Other financial losses	(38)	-
Finance cost	**(7,338)**	**(7,132)**
Total, net	**(28)**	**138**

5 ADMINISTRATIVE EXPENSES

The table below presents the breakdown of administrative expenses:

	2023	2022
Commission and fees	(4,798)	(1,250)
Salaries and related contributions	(2,196)	(340)
Other expenses	(1,381)	(214)
Total	**(8,375)**	**(1,804)**

Administrative expenses include remuneration of management and Board members, marketing, consultancy, legal or audit services. These expenses were higher in 2023 compared to 2022 due to the Company's intention to list on the capital market.

6 CURRENT AND DEFERRED INCOME TAX

Current and deferred income tax charges are calculated on the basis of tax rates and tax laws enacted or substantively enacted in Romania at the balance sheet date.

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 separate financial statements. Deferred income tax is not accounted for if it arises from the 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 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.

Significant Judgement – Income tax

Frequent modification of the tax laws applicable in Romania give rise to significant tax uncertainties including but not limited to the tax authorities interpretation of complex tax issues. Differences arising between the results of such interpretations and the assumptions made by the Company’s management, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded, together with late payment interest and penalties. In Romania, tax periods remain open for 5 years.

One of the main sources of tax uncertainy is related to 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 written request of the Romanian tax authorities their transfer pricing documentation file. 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.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and remeasures related liabilities where appropriate on the basis of amounts expected to be paid to the tax authorities.

The Company’s management is not aware of any circumstances which may give rise to a potential material liability in this respect.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

As of 31 December 2023 the Company has cummulative fiscal losses amounting to RON 7.7 million (31 December 2022: RON 7.4 million) for which no deferred tax has been recognised. Following the Emergency Ordinance 115/2023, starting from the fiscal year 2024 the Company may recover up to 70% of its taxable profits. Fiscal losses accumulated until 31 December 2023 may be recovered within a maximum of 7 years from the date of the loss. Fiscal losses incurred after 31 December 2023 may be recovered within a maximum of 5 years from the date of the loss.

The expiration dates for the fiscal losses are presented below:

		Expiring date						
		31 Dec 2024	**31 Dec 2025**	**31 Dec 2026**	**31 Dec 2027**	**31 Dec 2028**	**31 Dec 2029**	**31 Dec 2030**
Fiscal losses as at 31 Dec 2023	**7,735**	1,348	206	1,513	1,701	1,074	1,535	358
		31 Dec 2023	**31 Dec 2024**	**31 Dec 2025**	**31 Dec 2026**	**31 Dec 2027**	**31 Dec 2028**	**31 Dec 2029**
Fiscal losses as at 31 Dec 2022	**7,377**	-	1,348	206	1,513	1,701	1,074	1,535

The Company is an investment vehicle that controls three entities (refer to Note 15). In both 2023 and 2022 financial years, the Company received dividends from its subsidiaries. While the Company expects to continue to receive dividends in the future, dividend income is a non-taxable income. Similar fiscal treatment applies to capital gains that might be obtained by the Company when selling all or part of its investments. Moreover, interest income currently is and is expected to be in the future substantially similar to the related interest expense (main objective of the Company in attracting funds is to finance its subsidiaries and it does so generally by offering loans with similar characteristics or by share capital increases).

In this context and considering that the Company did not and does not plan to engage in other significant taxable revenue generating activities, as of 31 December 2023 no deferred tax asset is recognised for fiscal losses carried forward (31 December 2022: 0).

This section discusses the Company's exposure to various risks, explains how these risks are managed and shows how these could affect the Company's financial position and performance.

7 FINANCIAL RISKS MANAGEMENT

The Company's activity is restricted to managing its investments and accessing the capital markets to attract funds for the entities within the Group (for further details please refer to Note 12).

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

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company regularly reviews its risk management policies and systems to reflect changes in markets and products and with consideration of best market practice.

i. CREDIT RISK

Credit risk is the risk of suffering financial loss should any of the Company's debtors or market counterparties fail to fulfill their contractual obligations towards the Company.

a) Credit risk on loans granted and other financial assets

Credit risk arises mainly from loans granted by the Company to its subsidiaries.

Other financial assets which potentially subject the Company to credit risk consist mainly of cash equivalents, trade and other current and non-current receivables.

Other receivables refer mainly to dividend receivables and receivables from the sale in 2019 of a 10% participation in Agricover Distribution SA, one of the Company's subsidiaries. Part of the consideration from this sale was collected at the transaction date, while the remaining amount is to be collected by the end of 2024.

The Company's maximum exposure to credit risk is reflected by the carrying amounts of financial assets on the statement of financial position.

As at 31 December 2023 the Company assesses the exposure to credit risk as minimal considering the credit quality of its subsidiaries and the financial standing of the banks where it holds current accounts or deposits. Expected credit losses under weighted average forward looking scenarios were assessed as immaterial and were not recognised in these separate financial statements.

ii. Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

The Company is exposed to market risks arising from its open positions in interest rate and currency products. Quantitative and qualitative information about the Company's exposure to these risks as well as related risk management policies and practices within the Company are discussed in this note.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

a) *Currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company's exposure to foreign currency risk at the end of each reporting period, showing the Company's monetary financial assets and financial liabilities, at their carrying amounts, by denomination currency, was as follows (amounts are expressed in RON thousand equivalent):

	31 December 2023	**31 December 2022**
	EUR	EUR
Assets		
Cash and bank balances	4	909
Loans granted	204,446	202,958
Other receivables	926	2,808
Total assets	**205,376**	**206,675**
Liabilities		
Issued bonds	(204,753)	(203,400)
Trade and other payables	-	(124)
Total Liabilities	**(204,753)**	**(203,524)**
Net financial position	**623**	**3,151**

The following table presents sensitivities of profit and loss and equity to reasonably possible changes in EUR exchange rates relative to the functional currency. The sensitivities are calculated by applying the changes in the exchange rates to the above net financial position.

	2023	**2022**
	EUR strengthening by 1.5%	EUR strengthening by 3.1%
Gain before tax	9	97

b) *Interest rate risk*

During 2021, the Company issued a 40 million EUR fixed rate bond with 5 years maturity. The proceeds were used to finance the loans granting activity of Agricover Credit IFN.

The following table provides an analysis of the Company's interest rate risk exposure on financial assets and liabilities. The Company's assets and liabilities are included at carrying amount and categorised by the earlier of contractual repricing or maturity dates.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

asset / liability class	up to 1 month	1 to 3 months	3 to 12 months	1 year and above	Total
Loans granted	6,316	-	-	198,130	**204,446**
Other receivables	27,649	-	926	-	**28,575**
Cash and cash equivalents	100	-	-	-	**100**
Total financial assets	**34,065**	**-**	**926**	**198,130**	**233,121**
Issued bonds	-	(6,316)	-	(198,437)	**(204,753)**
Borrowings	-	-	(4,222)	-	**(4,222)**
Trade and other payables	(722)	-	(177)	(83)	**(982)**
Total financial liabilities	**(722)**	**(6,316)**	**(4,399)**	**(198,520)**	**(209,957)**
Interest repricing gap	**33,343**	**(6,316)**	**(3,473)**	**(390)**	**23,164**

Comparative information as at 31 December 2022 is presented below:

asset / liability class	up to 1 month	1 to 3 months	3 to 12 months	1 year and above	Total
Loans granted	6,281	-	-	196,677	**202,958**
Other receivables, non-current	-	-	-	972	**972**
Other receivables, current	-	1,153	11,918	-	**13,071**
Cash and cash equivalents	1,005	-	-	-	**1,005**
Total financial assets	**7,286**	**1,153**	**11,918**	**197,649**	**218,007**
Issued bonds	-	(6,281)	-	(197,119)	**(203,401)**
Trade and other payables	(553)	(1,317)	-	-	**(1,870)**
Total financial liabilities	**(553)**	**(7,598)**	**-**	**(197,119)**	**(205,271)**
Interest repricing gap	**6,733**	**(6,446)**	**11,918**	**530**	**12,736**

Substantially all financial assets and liabilities of the Company bear fixed interest rate or are interest free. The Company's exposure to cash flow interest rate risk is minimal.

iii. Liquidity Risk

Liquidity risk is defined as the risk that the Company does not have sufficient liquid financial resources to meet obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to the Company on acceptable terms. To limit this risk, management has matched the terms of loans and advances granted with the issued bonds and has arranged for funding sources in addition to its core capital base.

The management of the Company is responsible to ensure the liquidity risk strategy is executed.

Prudent liquidity risk management also implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Analysis of financial assets and liabilities

The Company manages its exposure to the liquidity risk using a maturity structure of its monetary assets and liabilities based on contractual maturities of assets and liabilities with set payment terms and on expected cash flows for those assets or liabilities without specific maturities. The table below shows how the Company manages its liquidity risk by presenting the undiscounted cash flows of monetary assets and liabilities on time bands, based on their contractual maturities.

31 December 2023	**0 to 6 months**	**6 to 12 months**	**1 to 2 years**	**2 to 5 years**	**more than 5 years**	**total**
Other receivables	27,649	926	-	-	-	**28,575**
Loans granted	6,964	-	6,964	205,948	-	**219,877**
Cash and cash equivalents	100	-	-	-	-	**100**
Expected inflows on assets	**34,713**	**926**	**6,964**	**205,948**	**-**	**248,552**
Issued bonds	(6,964)	-	(6,964)	(205,948)	-	**(219,877)**
Other payables, non-current	-	-	(83)	-	-	**(83)**
Borrowings	-	(4,668)	-	-	-	**(4,668)**
Trade and other payables	(899)	-	-	-	-	**(899)**
Expected outflows on liabilities	**(7,863)**	**(4,668)**	**(7,047)**	**(205,948)**	**-**	**(225,527)**
Net gap	**26,850**	**(3,742)**	**(83)**	**-**	**-**	**23,025**

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Comparative analysis as at 31 December 2022 is presented below:

31 December 2022	0 to 6 months	6 to 12 months	1 to 2 years	2 to 5 years	more than 5 years	total
Other receivables, non-current	-	-	972	-	-	**972**
Other receivables	12,366	705	-	-	-	**13,071**
Loans granted	6,926	-	6,926	211,749	-	**225,601**
Cash and cash equivalents	1,005	-	-	-	-	**1,005**
Expected inflows on assets	**20,298**	**705**	**7,898**	**211,749**	**-**	**240,650**
Issued bonds	(6,926)	-	(6,926)	(211,749)	-	**(225,601)**
Other payables, non-current	-	-	(1,080)	-	-	**(1,080)**
Trade and other payables	(1,870)	-	-	-	-	**(1,870)**
Expected outflows on liabilities	**(8,797)**	**-**	**(8,006)**	**(211,749)**	**-**	**(228,552)**
Net gap	**11,501**	**705**	**(108)**	**-**	**-**	**12,098**

All financial assets and liabilities of the Company are commited (i.e. the creditor does not have an unconditional right to request settlement before respective maturities).

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

This section includes information about the Company's share capital, the Company's equity, what it manages as capital and capital management practices.

8 EQUITY

Issued and paid ordinary shares as well as the shareholding structure of the Company are detailed below:

	31 December 2023	31 December 2022
at 1 January	1,890,671,063	2,163,968,075
changes during the year	3,389,240	(273,297,012)
at 31 December, *of which owned by:*	**1,894,060,303**	**1,890,671,063**
ordinary shares of 0,1RON each, *owned by:*		
Mr. Kanani Jabbar	1,649,966,127	1,649,966,127
EBRD	240,630,848	240,630,848
Others	74,088	74,088
Treasury shares	3,389,240	-

Issued share capital amount, as well as the shareholding structure of the Company, and the share premium balances are detailed below:

	31 December 2023		31 December 2022	
	%	**RON thousands**	**%**	**RON thousands**
Mr. Kanani Jabbar	87.113	164,997	87.269	164,997
EBRD	12.704	24,063	12.727	24,063
Others	0.004	7	0.004	7
Treasury shares	0.179	339	-	-
Total	**100**	**189,406**	**100**	**189,067**
Share premium		5,494		4,351
Share capital and share premium		**194,900**		**193,418**

Other reserves

The following table shows a breakdown of the balance sheet line item 'other reserves' and the movements in reserves during the years.

	Total	Legal reserves	Other reserves
As of 1 January 2022	**30,394**	**5,108**	**25,286**
Transfer from accounting profit	1,822	1,822	-
As of 31 December 2022	**32,216**	**6,930**	**25,286**
Transfer from accounting profit	622	622	-
As of 31 December 2023	**32,838**	**7,552**	**25,286**

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Legal reserves: legal provisions require the Company that, at the end of each financial year, at least 5% of its accounting profit to be transferred to legal reserves until the balance of legal reserves reaches 20% of the Company's share capital. As of 31 December 2023, the balance of non-distributable legal reserve of the Company amounted to RON 7.6 million (31 December 2022: RON 6.9 million).

Other reserves: profit carried forward by some of the Company's subsidiaries at the date when these where transferred to the Company through spin-offs from entities under common control with the Company.

9 CAPITAL MANAGEMENT

The Company's objectives when managing capital are to:

- safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In recent years it has been the Company's practice not to distribute dividends, except for specific instances mostly related to group restructuring activities. As the Company is more and more active on the capital markets and in order to manage its capital structure, it may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors capital on the basis of the Net Debt Ratio, which shall be equal to or lower than 6.00. The Net Debt Ratio or gearing ratio is computed based on the consolidated financial statements and represents Total borrowings (including lease liabilities) less Cash and cash equivalents over Total equity (refers to the consolidated financial statements as at and for the year ended 31 December 2023 for further details and calculation of the Ned Debt Ratio).

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

This section provides information about the Company's financial assets and liabilities, including specific information about each type of financial instrument held, related accounting policies for recognising and measuring financial instruments as well as their fair values.

10 OVERVIEW OF FINANCIAL INSTRUMENTS

An overview of the financial instruments held by the Company is presented below:

	Note	31 December 2023	31 December 2022
Financial assets at amortised cost:			
Other receivables non-current	11	-	972
Loans granted	12	204,446	202,958
Other receivables	11	28,575	13,071
Cash and cash equivalents	12	100	1,005
Financial liabilities at amortised cost:			
Borrowings	12	(208,975)	(203,400)
Trade and other payables		(982)	(2,951)

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset.

At initial recognition, the Company measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions.

Classification and subsequent measurement

Classification and subsequent measurement depend on:

i. the Company's business model for managing the asset – it reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of asset; and
ii. the cash flow characteristics of the asset – namely whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test').

Based on these factors, the Company classifies its financial assets as at amortised cost, cash and cash equivalents, receivables and loans and advances granted are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI').

The amortised cost is the amount at which the financial instrument (asset or liability) is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Classification of financial liabilities

Company's financial liabilities are classified as subsequently measured at amortised cost.

Modifications

If the terms of a financial instrument are modified, then the Company evaluates whether the cash flows of the modified instrument are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial instrument (asset or liability) are deemed to have expired. In this case, the original financial instrument is derecognised and a new financial instrument is recognised. Any fees received or paid as part of the modification are accounted for as follows:

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

If cash flows on a financial asset 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 Company 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 all other cases a gain or loss on the modification of a financial asset is presented as interest income. Gains or losses on the modification of a financial liability are presented as interest expense.

Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Company transfers substantially all the risks and rewards of ownership, or (ii) the Company neither transfers nor retains substantially all the risks and rewards of ownership and the Company has not retained control.

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

Loans granted, investments and other receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of forced execution and a failure to make contractual payments for a period of greater than three years. Any subsequent recoveries of amounts previously written off are credited to net credit losses on financial assets, in profit or loss for the year.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

11 OTHER RECEIVABLES

	31 December 2023	31 December 2022
Other receivables	28,575	14,044
Total, *of which:*	**28,575**	**14,044**
Receivables from related parties (*)	*27,647*	*11,235*
Other receivables	*928*	*2,809*
current portion	**28,575**	**13,071**
non-current portion	**-**	**972**

(*) Receivables from related parties represent dividends to be received from Agricover Distribution SA. For balances and transactions with related parties please refer to Note 16.

In addition to receivables from related parties, Other receivables also contain the remaining consideration to be received following the sale in 2019 of a 10% participation in Agricover Distribution SA (refer to Note 7 i.a) for further details.

12 CASH AND CASH EQUIVALENTS

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand and deposits held with financial institutions, with maturities of 3 months or less.

As at 31 December 2022 and 31 December 2021, Cash and cash equivalents presented in the Statement of financial position and in the Statement of cash flows are represented by placements held with highly reputable local banks.

13 BORROWINGS CONTRACTED AND LOANS GRANTED

	31 December 2023	31 December 2022
Non-current		
Issued bonds	198,437	197,119
Total long-term borrowings	**198,437**	**197,119**
Current		
Isued bonds	6,316	6,281
Borrowings	4,222	-
Total short-term borrowings	**10,538**	**6,281**
Total borrowings	**208,975**	**203,400**

Borrowing contracted from a subsidiary

In September 2023, the Company contracted a loan from Agricover Credit IFN, amounting to RON 8 million with variable interest rate (ROBOR 6M plus 7%) for a period of 1 year. As at 31 December 2023 the balance of the borrowing is RON 4.2 million.

Issued bonds

During 2021, the Company issued a EUR 40 million fixed rate bond with 5 years maturity. The bond is unsecured and includes certain financial covenants that the Company or its subsidiaries have to comply with.

Loan granted to a subsidiary

The proceeds from bonds were used to finance the loans granted by Agricover Credit IFN. An intra-group loan was granted by the Company in this respect, which mirrors the terms and conditions of the issued bonds. Namely, the Company granted to Agricover Credit IFN a credit facility of EUR 40 million to be repayed in full on 31 January 2026. The interest amounting to EUR 1.4 million is annually due on 31st of January. The Company paid fees and commissions directly related to the bond issued of EUR 241 thousands which were capitalized and will be expensed during the facility agreement period through the effective interest rate method.

Compliance with financial covenants

Under the terms of its engagements took under the prospectus of the bonds issued, the Company and its subsidiaries are required to comply with certain financial covenants.

The financial covenants provided for by the bonds are tested and calculated annually, upon the approval of, and by reference to, the audited consolidated financial statements of the Company, the audited financial statements of Agricover Distribution, and the audited consolidated financial statements of Agricover Credit IFN.

The financial covenants as at and for the year ended 31 December 2023 are calculated and disclosed as follows:

- *Net financial debt to EBITDA,* and *EBITDA Interest Coverage Ratio* are calculated based on (and presented in Note 14 to) the Agricover Distribution 's IFRS financial statements;
- *Capital Adequacy Ratio,* and *Non-performing Loans Ratio* are calculated based on (and presented in Note 22 to) the Agricover Credit IFN's IFRS consolidated financial statements;
- *Net Financial Debt to Total Equity* is calculated based on (and presented in Note 12 to) the Agricover Holding's IFRS consolidated financial statements.

Non-compliance with any financial covenant allows bondholders the right to early call the bond, at its nominal value plus any accrued interest, provided, however, that at least 25% of the bondholders are in favour of exercising this contingent option. Nevertheless, if any infringement is remedied within 90 calendar days from its occurrence date, and bondholders conclude that the respective obligation was observed, it shall be deemed that the Company and/or its main subsidiaries observed the respective financial covenant on the relevant calculation date as if there had been no failure to fulfil the relevant financial covenant, and the infringement shall be deemed remedied.

As at the date of these separate financial statements the two-step approach in testing the Company's compliance with the financial covenants provided for by the bonds, namely: i) the calculation of the indicators as at and for the year ended 31 December 2023, and ii) the bondholders' feedback on the remediation measure, is ongoing. During 2022 reporting period the financial covenants provided for by the bonds were complied with.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Significant changes in the Company's liabilities as arising from its financing activities are presented here:

	2023	2022
at 1 January	**203,400**	**203,205**
Withdrawals	4,600	-
Interest accrued during the year	7,283	7,131
Interest paid during the year	(6,688)	(6,747)
Repayments	(500)	-
Foreign exchange rate effect	880	(189)
at 31 December	**208,975**	**203,400**

14 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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.

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 Company'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).

Financial instruments not measured at fair value but for which fair value is disclosed

The level in the fair value hierarchy into which the fair value measurements of financial assets and liabilities not measured at fair value but for which fair value is disclosed are categorized is presented in the table below. Fair value is disclosed for all financial assets and liabilities not measured at fair value and for which fair value is significantly different than the carrying amount.

During 2021, the Company issued a EUR 40 million fixed rate bond with 5 years maturity. Starting with March 31st, 2021, the bonds are listed on the Stock Exchange Bucharest. The proceeds from bonds were used to finance the loans granting activity of Agricover Credit IFN.

The issued bonds were not actively traded during the financial year. For disclosure purposes the Company estimated their fair value by:

- ✓ calculating the yield spread over EUR denominated Romanian sovereign bonds with similar maturities and annual coupon, as of the origination date (i.e. February 2021);
- ✓ estimating the yield on the Company issued corporate bonds as of 31 December 2023 by considering:
  - i. the evolution of the yield of the respective sovereign bonds between February 2021 and December 2023, and
  - ii. constant yield spread between the Company issued corporate bonds and the government bonds with otherwise similar characteristics.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

The valuation was accordingly presented at level 2 in the fair value hierarchy as at 31 December 2023 and 31 December 2022.

The carrying amounts and fair values of the bonds and the loan are presented below:

31 December 2023	**Level 1**	**Level 2**	**Level 3**	**Total**	**Carrying Value**
Loans granted	-	191,533	-	**191,533**	**204,446**
Issued bonds	-	(191,533)	-	**(191,533)**	**204,753**

31 December 2022	**Level 1**	**Level 2**	**Level 3**	**Total**	**Carrying Value**
Loans granted	-	190,921	-	**190,921**	**202,958**
Issued bonds	-	(190,921)	-	**(190,921)**	**203,400**

All other financial assets and liabilities presented on the Company's statement of financial position and measure at amortised cost have their fair values approximated by the carrying value.

Techniques and inputs used to determine level 2 fair values

As the terms and conditions of the loan granted mirrors the terms and conditions of issued bonds, the fair value of the bonds was assessed as a reasonable approximation of the fair value of the loan.

This section includes information about the Company's investments, includind related accounting policies for recognising and measuring investments .

15 INVESTMENTS

Subsidiaries are those investees that the Company controls because it has:

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

Associates are entities over which the Company has significant influence.

In its separate financial statements, the Company measures its investments in subsidiaries and associates at cost less impairment.

Significant judgement – impairment

IAS 36: *Impairment of assets* requires all assets within the standard's scope to be tested for impairment where there is an impairment indicator. The latest such impairment test performed by the management was for the purpose of the financial statements as at and for the year ended 31 December 2022. At that time, the management identified impairment indicators in relation to the Company's investment in Agricover Technology SRL mainly consisting of operating losses and increases in market interest rates. During 2023, in line with approved budgets, crop360 (online platform created with the aim of providing its customers, through digital technologies, access to innovations within the industry) did not generate significant revenue on its own. However, the management continues to believe that, in the foreseeable future, digital and precision agriculture tools in general and crop360 in particular would bring value to the Group at least in the following ways: a) by furthering synergies (mostly data analytics based) and increase efficiencies (risk management) in the Group, b) by separate revenue streams from farmers, and c) by its contribution to the Agricover brand awareness. However, as currently crop360 is not capable of generating cash inflows largely independent from other assets of the Group, for the purpose of the impairment test the related asset was allocated to Agrifinance division and Agribusiness division cash generating units. Moreover, the development and operation of crop360 within a new entity was rather an organisation decision, in substance the tool is expected to benefit the whole Group.

Additional factors with a significant influence on the management's conclusion include:

- the increase in investment during 2023 is mostly linked to the development of a an online tool through which farmers will interact with the Group to obtain financing. It is expected that in April this new module, under the later stages of testing and development at the date of these separate financial statements, will be integrated with crop360 to be fully operational as part of a new "myAgricover" platform (which later in the year will add further online banking and online sales and account management modules);
- a new line of business was set-up at the end of 2023 within Agricover Technology, namely the distribution of agricultural drones. Farmers appear to be open to using this technology, with the first tranches of drones being sold, with positive margins, during December 2023 and January 2024;

- market interest rates had decreased during 2023 vs. 2022.

Considering the above and the historical growth of Agrifinance division and Agribusiness division, and their approved budgets, the management concluded that the Company's investment in Agritech division is not impaired.

The Company was part of a litigation whereby the majority shareholders of Danube Grain Services SRL, associated entity of the Company, requested the Company's forced exit from the shareholding structure of Danube Grain Services. The court instance rejected the claim on 17 May 2022, as a final decision. As a result of this litigation or otherwise, the Company's loss cannot be greater than the carrying amount of its investment, investment for which a loss was recognized in the past.

In August 2022 the Company started as plaintiff a litigation with Danube Grain Services SRL requesting its insolvency. The litigation is ongoing, the next hearing being set for 4 April 2024.

Company's investments in subsidiaries are detailed in the below table.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

The table below presents details of investments in subsidiaries and investments in associated entities:

			% participation as at		thousand RON as at	
Entity name	**Country**	**Relationship**	**31-Dec-23**	**31-Dec-22**	**31-Dec-23**	**31-Dec-22**
Agricover Credit IFN (*)	Romania	Subsidiary	99.99%	99.99%	150,386	151,820
Agricover Distribution SA (*)	Romania	Subsidiary	86.62%	86.62%	181,566	183,362
Agricover Technology SRL (*) (**)	Romania	Subsidiary	100%	100%	22,545	19,045
Agroadvice SRL	Romania	Subsidiary	50%	50%	0	-
Investments in subsidiaries					**354,497**	**354,227**

(*) During 2022 a Share Option Plan was implemented (for more details please refer to Note 16).

(**) On 3rd October 2023 the share capital of Agricover Technology SRL was increased by RON 3.5 million.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to the Company's financial performance, its risk management or to individual line items in the separete financial statements.

16 RELATED PARTIES TRANSACTIONS

Significant related party transactions of the Company were conducted on terms equivalent to those prevailing in an arm's length transaction. The Company discloses below its significant transactions, related income, expenses and balances in respect of each of the following categories of related parties:

Category	Definition	Impact on the separate financial statements
Parent	Entity / individual that controls the Company	the Company is controlled by Mr. Kanani Jabbar.
Subsidiaries	entities controlled by the Company (refer to Note 15)	significant transactions with subsidiaries are disclosed below in this note.
Associates	entity over which the Company has significant influence	there are no significant transactions between the Company and its associates.
Key management	persons having authority and responsibility for planning, directing and controlling the activities of the Company and its subsidiaries	there are no significant transactions between the Company and key management. Key management compensation is disclosed below in this note.
Other related parties	related parties that do not fall under any of the above categories	significant transactions with other related parties are disclosed below in this note.

Ultimate controlling party

Mr. Kanani Jabbar, the ultimate beneficial owner of the Company, owns 87.113% of the share capital of the Company (31 December 2022: 87.269%). EBRD is the other significant shareholder of the Company, owning 12.704% of its share capital (31 December 2022: 12.727%).

Key management compensation

During 2023 compensation granted to key management personnel amounts to RON 3,584 thousands (2022: RON 732 thousands). It represents short term benefits, including monthly salaries and performance bonuses, and share-based compensation. There are no other types of benefits granted by the Company to key management.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Transactions

The following transactions with related parties were carried out during 2023 and 2022:

	Note	2023	2022
Transactions with subsidiaries			
Dividend income	3	20,847	38,069
Interest income	4	7,310	7,270
Interest costs	3	(121)	-
Purchase of goods / services		(7)	(7)

Outstanding balances

The following balances are outstanding at the end of each the reporting periods in relation to transactions above:

	Note	31 December 2023	31 December 2021
Balances with subsidiaries:		***232,093***	***214,193***
Other receivables	11	27,647	11,235
Loans granted	12	204,446	202,958
Borrowings	12	(4,222)	-

Share Option Plan

Starting with 2022, the Group has implemented a share-based compensation program whereby eligible personnel receive conditional rights to acquire shares in the Company under a Share Option Plan ("the SOP"). Share options of the Company are granted to senior managers (including executive directors) of the Group with more than 12 months' service at the approval date, at the discretion of the Board of Directors (no individual has a contractual right to participate in the plan or to receive any guaranteed benefits).

The SOP is designed to provide short-term and long-term incentives for senior managers to deliver long-term shareholder returns. It includes two components:

a) short-term component, with options that vest after twelve months depending on the participants' achievements with respect to their individually assigned KPIs (non-market performance condition), and
b) long-term component, with options that vest over a three-year period (graded vesting, one third of the total number of granted options vesting each year) depending on the Group's yearly consolidated net profits over the vesting period (non-market performance condition).

Vesting under both components of the SOP is conditioned upon the participant remaining employed with the Group on such vesting date, and on the achievement of the relevant performance indicators (whereby the maximum number of options that can vest is for a performance level of 130% versus the assigned levels of the performance indicators). The share options granted will not vest if the performance conditions are not met or if the participant leaves the Group before vesting date.

Options are granted under the SOP for no consideration and carry no dividend or voting rights. The share options are exercisable at 0.1 RON/share within five days after vesting.

The service cost is determined with reference to the fair value of the shares. The fair value of the share options is estimated at the grant and, respectively, reporting dates by considering the Group's consolidated net profit (as reported in its most recent annual consolidated financial statements) and average market multiples as published by the Bucharest Stock Exchange and / or other third-party data providers. Such multiples include the price-to-earnings ratio (P/E or PER), which measures the share prices relative to the net profits of entities listed on the Bucharest Stock Exchanges. In 2022 multiples used in valuation also included the M&A market premium – which measures the degree with which market multiples in private equity transactions (i.e. mergers and acquisitions of companies which are not listed on the Bucharest Stock Exchanges) are higher than market multiples of public companies. Starting 2023 the M&A market premium is no longer an input in the valuation model.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

The performance conditions are only considered in determining the number of instruments that will ultimately vest and have no impact on the value of the equity instrument granted.

The Group provides a redemption mechanism of the SOP-acquired shares as follows:

- Anytime during the holding period, the new shareholder has the right to ask the Company to buy his/her shares and the Company might accept. This action may be initiated by the Company, as well. There is no obligation on either side to accept to buy/sell as a result of the other's party sell/buy initiative.
- The cost of any such repurchase might be recovered by the Company from its subsidiaries through a recharge.
- The shares are mandatorily redeemable by the Company upon employment termination of the participants to the program.

A liability is recognised for service provided by the employees of the subsidiaries under SOP. The fair value is measured initially at grant date and at each reporting date up to and including the settlement date (full redemption of the share), with changes in fair value recognised to investments. The fair value is adjusted over the period in which the service is rendered, and the performance conditions are fulfilled (the vesting period) with recognition of a corresponding liability. The cumulative liability recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of options that will ultimately vest.

A liability is recognised for service provided by the Company's employees under SOP. The cost of the cash-settlement option plan is determined by reference to fair value as of the reporting date.

The cost is recognised over the period in which the service is rendered, and the performance conditions are fulfilled (the vesting period) with recognition of a corresponding liability. The cumulative liability recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of options that will ultimately vest.

Set out below are summaries of options granted under the plan:

	2023	2022
In balance at the beginning of the financial year	**7,488,122**	-
Granted during the year	18,271,590	7,488,122
Exercised during the year	(3,389,216)	-
Expired during the year	(278,912)	-
In balance at the end of the financial year	**22,091,584**	**7,488,122**

All instruments have an exercise price of 0.1 RON/share. Weighted average remaining contractual life of options outstanding is 0.93 years at 31 December 2023 (31 December 2022: 0.91 years).

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

The liability related to the SOP recognized as at 31 December 2023 amounting to RON 0.3 million (31 December 2022: RON 2.4 million) was presented in the separate statement of financial position: RON 0.1 million (31 December 2022: RON 1.1 million thousands) as non-current liabilities, line “Other payables”, and RON 0.2 million (31 December 2022: RON 1.3 million) as current liabilities, line “Trade and other payables”.

17 COMMITMENTS AND CONTINGENCIES

Contingent liabilities

The Company operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its general operations and specifically to its investing activity. As a result, it is involved in various litigations and legal proceedings arising in the ordinary course of the its business. Management of the Company considers that these litigations will not have a significant impact on the operations or on the financial position of the Company.

18 EVENTS AFTER THE REPORTING PERIOD

The annual report will be presented to the annual general meeting of the shareholders at end of April 2024 with the proposal for dividends distribution in total amount of 30 million RON, representing a dividend per share of 0.01587 RON. The dividend distribution is subject to the approval of the shareholders.

Appendix 6: **Agricover Holding:**

The xHTML format IFRS separate financial statements for the year ended 31 December 2023.

Appendix 7: **Agricover Holding's Articles of Association**

ACT CONSTITUTIV al Societatii AGRICOVER HOLDING SA

CAPITOLUL I. DENUMIREA, FORMA JURIDICA, SEDIUL SI DURATA DE FUNCTIONARE A SOCIETATII

Art. 1 Denumirea societatii

Denumirea societatii este AGRICOVER HOLDING SA („**Societatea**").

Denumirea societatii va putea fi schimbata in baza hotararii Adunarii Generale a Actionarilor.

In toate inscrisurile, facturile, anunturile, publicatiile sau in alte documente utilizate in activitatea comerciala ce emana de la societate se va inscrie denumirea acesteia, care va fi urmata de initialele S.A. („societate pe actiuni"), cu sediul social in Romania, judetul Ilfov, Oras Voluntari, Bd. Pipera, nr. 1B, Clădirea de Birouri Cubic Center, etaj 8, cod unic de înregistrare **36036986**, numar de ordine in registrul comertului **J23/447/2018**, identificator unic la nivel european (EUID) **ROONRC.J23/447/2018**, naționalitate română, capital social subscris si varsat 189.406.030,30 lei.

Art. 2 Forma juridica

Societatea AGRICOVER HOLDING SA este persoana juridica, cu capital integral privat, care isi desfasoara activitatea in conformitate cu dispozitiile cuprinse in prezentul act constitutiv, cat si al legislatiei aplicabile.

Societatea AGRICOVER HOLDING SA este o societate pe actiuni de tip inchis.

Art. 3 Sediul social

Sediul social al societatii este in **Romania,**

ARTICLES OF ASSOCIATION of AGRICOVER HOLDING SA

CHAPTER I COMPANY NAME, LEGAL FORM, REGISTERED OFFICE AND DURATION

Art. 1 Company Name

The name of the Company is AGRICOVER HOLDING SA (the "**Company**").

The Company's name can be changed by resolution of the General Meeting of Shareholders.

All deeds, invoices, adverts, publications, or other documents used in business, issued by the company, the name of the Company shall be followed by the initials S.A. („societate pe acțiuni") with its registered office at no. 1B, Pipera Blvd., 8th floor, Cubic Center Office Building, Voluntari, Ilfov County, Romania, sole registration number **36036986**, registered with the trade registry under no. **J23/447/2018**, European unique identifier (EUID) **ROONRC.J23/447/2018**, Romanian nationality, with a subscribed and paid-up share capital of RON 189,406,030.30.

Art. 2 Legal form of the Company

AGRICOVER HOLDING SA is a private legal entity, which carries out its activity in accordance with the applicable legislation and these Articles of Incorporation.

AGRICOVER HOLDING SA is set up as a private joint-stock company.

Art. 3 Registered head office of the Company

The registered head office of the Company is

judetul Ilfov, Oras Voluntari, Bd. Pipera, nr. 1B, Clădirea de Birouri Cubic Center, etaj 8. Adunarea Generala a Actionarilor va hotari mutarea sediului social al societatii, infiintarea de sucursale, filiale, reprezentante, agentii, puncte de lucru sau alte asemenea unitati cu sau fara personalitate juridica, situate in tara sau strainatate. Societatea poate infiinta, de asemenea asociatii, fundatii sau alte persoane juridice.

Art. 4 Durata de functionare

Durata de functionare a societatii este nedeterminata.

CAPITOLUL II. SCOPUL SI OBIECTUL DE ACTIVITATE ALE SOCIETATII

Art. 5 Scopul societatii

Societatea este infiintata si organizata pentru organizarea si gestionarea participatiilor la capitalul social al tuturor societatilor membre ale Grupului Agricover.

Art. 6 Obiectul de activitate

Domeniul principal de activitate „642 - Activitati ale holdingurilor".

Obiectul principal de activitate „6420 - Activitati ale holdingurilor";

CAPITOLUL III. CAPITALUL SOCIAL SI ACTIUNILE

Art. 7 Capitalul social

Capitalul social subscris si varsat al Societatii este de 189.406.030,30 lei, din care 24.409.417,60 lei aport in numerar si 164.996.612,70 lei aport in natura, împărțit în 1.894.060.303 acțiuni nominative, fiecare în valoare nominala de 0,10 lei.

located **at no. 1B, Pipera Blvd., 8th floor, Cubic Center Office Building, Voluntari, Ilfov County, Romania**. The General Meeting of Shareholders shall decide upon changing the registered office to another address, set up branches, agencies, representative offices, work points, or any other such units with or without legal personality, both in the country, or abroad. The Company can set up associations, foundations, or any other legal entities.

Art. 4 Duration of the Company

The duration of the Company is indefinite.

CHAPTER IIBUSINESS SCOPE AND OBJECT OF THE COMPANY

Art. 5 Purpose of the business

The Company is incorporated and organised to administer and manage participations to the share capital of all Agricover Group member companies.

Art. 6 Object of the business

The main domain of activity is: „642 – Activities pertaining to holdings"

The main object activity is: „6420 – Activities pertaining to holdings".

CHAPTER III SHARE CAPITAL AND SHARES

Art. 7 Share capital

The subscribed and paid-up share capital of the Company is RON 189,406,030.30, of which RON 24,409,417.60 as contribution in cash and RON 164,996,612.70 as contribution in kind, divided into 1,894,060,303 nominative shares, with a nominal value of RON 0.10 each.

Aportul actionarilor la constituirea capitalului subscris si varsat, numarul de actiuni, participarea la profit si pierderi se prezinta dupa cum urmeaza:

- domnul **KANANI JABBAR**, CNP 1620928400625, născut la data de 28.09.1962 în localitatea Mianeh, Iran, domiciliat în Municipiul București, sector 1, Bld. Agronomiei, nr. 1-5, vila N.2_2, sc. Corp B, et. 4. ap. 26, cetățean român, identificat cu CI seria RX nr. 559501, eliberat de SPCEP Sector 1 la data de 25.08.2014, valabila până la data de 28.09.2024 („**Actionarul Majoritar**"), detine un numar de 1.649.966.127 actiuni nominative, cu valoarea nominala de 0,10 lei fiecare, echivalentul a 164.996.612,70 lei, aport in natura, reprezentand **87,113%** din capitalul social al Societatii;
- **BANCA EUROPEANA PENTRU RECONSTRUCTIE SI DEZVOLTARE**, o organizatie internationala infiintata in baza unui tratat („**BERD**"), detine un numar de 240.630.848 actiuni nominative, cu valoarea nominala de 0,10 lei fiecare, echivalentul a 24.063.084,80 lei, aport in numerar, reprezentand **12,704%** din capitalul social al Societatii;
- **ALTI ACTIONARI** care detin 3.463.328 actiuni nominative, cu valoarea nominala de 0,10 lei fiecare, echivalentul a 346.332,80 lei, aport in numerar, reprezentand **0,183%** din capitalul social al Societatii.

Beneficiarul real al Societății este domnul **KANANI JABBAR**, CNP 1620928400625, născut la data de 28.09.1962 în localitatea Mianeh, Iran, domiciliat în Municipiul

The shareholders' contribution to the creation of the subscribed and paid-up share capital, the number of shares, the profit and loss share are as follows:

- Mr. **KANANI JABBAR**, CNP (Personal Numeric Code) 1620928400625, born on 28.09.1962 in Mianeh, Iran, domiciled in Bucharest, 1st District, 1-5 Agronomiei Blvd., villa N.2_2, entrance B, 4th floor, apt. 26, a Romanian citizen, identified by identity document series RX no. 559501, issued by SPCEP 1st District on 25.08.2014, valid until the date of 28.09.2024 (the "**Main Shareholder**"), holds 1,649,966,127 nominal shares, with a nominal value of RON 0.10 each, amounting to RON 164,996,612.70 as contribution in kind, standing for **87.113%** of the share capital of the Company;
- **EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT**, an international organisation formed by treaty ("**EBRD**"), holds 240,630,848 nominal shares, with a nominal value of RON 0.10 each, amounting to RON 24,063,084.80 as contribution in cash, standing for **12.704%** of the share capital of the Company;
- **OTHER SHAREHOLDERS** that hold 3,463,32 nominal shares, with a nominal value of RON 0.10 each, amounting to RON 346,332.80 as contribution in cash, standing for **0.183%** of the share capital of the Company.

The ultimate beneficial owner of the Company is Mr. **KANANI JABBAR**, CNP (Personal Numeric Code) 1620928400625, born on 28.09.1962 in Mianeh, Iran, domiciled

București, sector 1, Bld. Agronomiei, nr. 1-5, vila N.2_2, sc. Corp B, et. 4. ap. 26, cetățean român, identificat cu CI seria RX nr. 559501, eliberat de SPCEP Sector 1 la data de 25.08.2014, valabila până la data de 28.09.2024, deținând un procent de 87,113% din capitalul social total al Societății. Modalitatea în care se exercită controlul Societății este modalitate directă.

in Bucharest, 1st District, 1-5 Agronomiei Blvd., villa N.2_2, entrance B, 4th floor, apt. 26, a Romanian citizen, identified by identity document series RX no. 559501, issued by SPCEP 1st District on 25.08.2014, valid until the date of 28.09.2024, holding 87.113% of the total share capital of the Company. The control of the Company is exercised in a direct manner.

Majorarea sau reducerea capitalului social va fi facuta cu aprobarea Adunarii Generale a Actionarilor.

The share capital shall be increased or decreased subject to the approval of the General Meeting of Shareholders.

Art. 8 Actiunile

Actiunile Societatii sunt nominative, indivizibile, dematerializate si vor fi evidentiate in registrul actionarilor Societatii („**Registrul Actionarilor**") tinut de Registrul Miorita S.A. cu sediul social in Romania, Judetul Cluj, Mun. Cluj Napoca, Str. Onisifor Ghibu, nr. 20A, cod unic de inregistrare RO 9599222, numar de ordine in registrul comertului J12/1267/1997.

Art. 8 Shares

The shares of the Company are nominal, indivisible, dematerialized, and shall be recorded in the Company's register of shareholders (the "**Register of Shareholders**"), kept by Registrul Miorita S.A., with its registered office at no. 20A, Onisifor Ghibu, Cluj Napoca, Cluj County, sole registration number RO 9599222, registered with the trade registry under no. registered with the trade registry under no. J12/1267/1997.

Art. 9 Drepturi si obligatii ce decurg din detinerea actiunilor

Fiecare actiune confera detinatorului un vot in Adunarea Generala a Actionarilor precum si dreptul de a alege si a fi ales in organele de conducere ale Societatii.

Fiecare actionar este proprietar pe actiunile pe care le detine la Societate, acestea sunt indivizibile. Cand o actiune nominativa devine proprietatea mai multor persoane, Societatea nu este obligata sa inscrie transmiterea atata timp cat nu va fi desemnat un reprezentant unic.

Art. 9 Rights and obligations arising from holding shares

Each share grants its holder one vote at the General Meeting of Shareholders, as well as the right to elect and be elected in the management bodies of the Company.

Each shareholder is the owner of the shares it holds in the Company, and the shares are indivisible. If a nominal share is owned by several persons, the Company is not obliged to record the transfer, insofar as no sole representative is designated.

Drepturile si obligatiile decurgand din detinerea actiunilor il urmeaza pe titular.

Obligatiile Societatii sunt garantate cu capitalul social al acesteia, iar actionarii raspund exclusiv in limita valorii actiunilor pe care le detin.

Patrimoniul Societatii nu poate fi grevat de datorii sau alte obligatii personale ale actionarilor. Un creditor al unui actionar poate formula pretentii asupra partii din profitul Societatii ce i se va repartiza, ca dividente, de catre Adunarea Generala a Actionarilor sau a cotei parti cuvenite acestuia la lichidarea Societatii, efectuate in conditiile prezentului Act Constitutiv si legii aplicabile.

Art. 10 Transferul actiunilor

Dreptul de proprietate asupra actiunilor Societatii se transmite prin declaratie facuta in Registrul Actionarilor, semnata de vanzator si de cumparator sau de mandatarii lor printr-un contract de vanzare-cumparare de actiuni.

Constituirea de garantii reale mobiliare asupra actiunilor Societatii se va face prin inscris sub semnatura privata in care se va arata cuantumul datoriei, valoarea si categoria actiunilor. Garantia se inregistreaza in Registrul Actionarilor. Creditorului in favoarea caruia s-a constituit garantia reala mobiliara asupra actiunilor i se elibereaza o dovada a inregistrarii acesteia. Garantia devine opozabila tertilor de la data inregistrarii ei la Registrul National de Publicitate Mobiliara de catre creditor.

The rights and obligations arising from shareholding stay with the holder.

The obligations of the Company are secured against its share capital, and shareholders are solely liable within the limit of the value of the shares they hold.

The property of the Company may not be burdened by the shareholders' personal debts or other obligations. A creditor of a shareholder may raise claims against the share of the Company's profit to be allotted to that shareholder, by way of dividends, by the General Meeting of Shareholders, or against the shares due to that shareholder upon the liquidation of the Company carried out under the conditions of these Articles of Incorporation and the applicable law.

Art. 10 Transfer of shares

The ownership title to the Company's shares shall be passed under a statement made in the Register of Shareholders, signed by the seller and by the purchaser or by their proxies under a share sale-purchase contract.

The creation of security interest on the Company's shares shall be done under a private deed, mentioning the debt amount and the value and class of shares. The security interest is to be recorded in the Register of Shareholders. The creditor for the benefit of whom the security interest was created shall be issued a proof of its registration. The security interest becomes binding on third parties starting from the date of its registration with the National Registry of Movable Property by the creditor.

CAPITOLUL IV. CONDUCEREA SI ADMINISTRAREA SOCIETATII

Art. 11 Organele de conducere ale societatii

Conducerea si administrarea societatii sunt asigurate de Adunarea Generala a Actionarilor, care este Ordinara si Extraordinara, si de Consiliul de Administratie, alcatuit dintr-un numar impar de cel putin 3 administratori.

Adunarile Generale ale Actionarilor, atat cele Ordinare cat si cele Extraordinare, se vor tine la sediul Societatii sau in locul ce se va indica in convocator.

Art. 12 Atributiile Adunarii Generale Ordinare

Adunarea Generala Ordinara se intruneste cel putin o data pe an in cel mult 5 luni de la incheierea exercitiului financiar. In afara de dezbaterea altor probleme inscrise pe ordinea de zi, Adunarea Generala Ordinara este obligata:

- Sa discute, sa aprobe sau sa modifice situatiile financiare anuale pe baza rapoartelor prezentate de Consiliul de Administratie si auditorii finanicari si sa stabileasca dividendul;
- Sa desemneze, sa demita si sa stabileasca remuneratia membrilor Consiliului de Administratie;
- Sa se pronunte asupra gestiunii Consiliului de Administratie;
- Sa numeasca si sa demita auditorul finanaciar si sa fixeze durata minima a contractului de audit finanaciar;
- Sa stabileasca bugetul de venituri si cheltuieli si, dupa caz, programul de activitate,

CHAPTER IV MANAGEMENT AND ADMINISTRATION OF THE COMPANY

Art. 11 The management bodies of the company

The management and administration of the company are provided by the General Meeting of Shareholders, Ordinary and Extraordinary, and by a Board of Directors, comprising an odd number of at least 3 directors.

The General Meeting of Shareholders, either Extraordinary or Ordinary, shall be held at the Company's registered head office, or at the location indicated in the convening notice.

Art. 12 Duties of the Ordinary General Meeting

The Ordinary General Meetings of Shareholders shall be convened at least once a year, within no later than 5 months after the end of the financial year. Besides debating other items on the agenda, the Ordinary General Meeting of Shareholders shall:

- Discuss, approve or modify the annual financial statements, based on reports submitted by the Board of Directors and the financial auditors and set the dividend;
- Appoint, dismiss and set the remuneration of the members of the Board of Directors;
- Assess the activity of the Board of Directors;
- Appoint and dismiss the financial auditor, as well as establish the minimum term of the financial audit contract;
- Establish the budget of revenue and expenses and, if applicable, the program of

pe exercitiul finanaciar urmator;

- Sa hotarasca gajarea, inchirierea sau desfiintarea uneia sau a mai multor unitati ale Societatii.

Cu respectarea dispozitiilor Art. 14, pentru validitatea deliberarilor Adunarii Generale Ordinare este necesara prezenta actionarilor care sa detina cel putin o patrime din numarul total de drepturi de vot.

Cu respectarea dispozitiilor Art. 14, hotararile Adunarii Generale Ordinare se iau cu majoritate de voturi exprimate.

Cu respectarea dispozitiilor Art. 14, daca Adunarea Generala Ordinara nu poate lucra din cauza neindeplinirii conditiilor de cvorum, se va intruni la o a doua convocare care poate sa delibereze asupra punctelor de pe ordinea de zi a celei dintai adunari, indiferent de cvorumul intrunit, lunad hotarari cu majoritatea voturilor exprimate.

Art. 13 Atributiile Adunarii Generale Extraordinare

Adunarea Generala Extraordinara se intruneste ori de cate ori este necesar a se lua o hatarare asupra:

- Schimbarea formei juridice;
- Mutarea sediului Societatii;
- Schimbarea obiectului de activitate al Societatii;
- Infiintarea si desfiintarea unor sedii secundare;
- Majorarea capitalului social, reducerea capitalului social sau emiterea de noi actiuni;
- Fuziunea cu alte societati sau divizarea Societatii;

activity for the following financial year;

- Decide on pledging, renting or removing one or several units of the Company.

Subject to Art. 14, for the decisions of the Ordinary General Meeting of Shareholders to be valid, the presence of the shareholders holding at least one fourth of the total number of voting rights is required.

Subject to Art. 14, the decisions of the Ordinary General Meeting are adopted with the majority of the votes cast.

Subject to Art. 14, if the Ordinary General Meeting may not work because the quorum conditions are not met, the Ordinary General Meeting shall reconvene upon a second call and debate on the items on the agenda of the first meeting, notwithstanding the quorum, taking decisions with the majority of the votes cast.

Art. 13 Duties of the Extraordinary General Meeting

The Extraordinary General Meeting meets whenever required to make a decision on:

- Changing the legal form;
- Relocating the registered office of the Company;
- Changing the object of activity of the Company;
- Setting up and discontinuing secondary offices;
- Increasing, decreasing the share capital, or issuing new shares;
- Merger with other entities or demerger of the Company;

- Dizolvarea anticipata a Societatii;
- Conversia actiunilor dintr-o categorie intr-alta;
- Emisiunea de obligatiuni;
- Orice alta modificare a Actului Constitutiv sau oricare alta hotarare pentru care este ceruta aprobarea Adunarii Generale;

Cu respectarea dispozitiilor Art. 14, pentru validitatea deliberarilor Adunarii Generale Extraordinare este necesara la prima convocare prezenta actionarilor detinand cel putin o patrime din numarul total al drepturilor de vot, iar la convocarile urmatoare, prezenta actionarilor detinand cel putin o cincime din numarul total al drepturilor de vot.

Cu respectarea dispozitiilor Art. 14, hotararile sunt luate cu majoritate de voturi detinute de actionarii prezenti sau reprezentati.

Art. 14 Drepturile de veto ale BERD in cadrul Adunarii Generale a Actionarilor

Independent de dispozitiile de mai sus, cat timp BERD detine actiuni reprezentand cinci procente (5%) sau mai mult din capitalul subscris si varsat al Societatii, nicio hotarare a Adunarii Generale Ordinare a Actionarilor sau a Adunarii Generale Extraordinare a Actionarilor, dupa caz, in legatura cu urmatoarele aspecte nu va putea produce efecte juridice fara votul „pentru" al BERD:

i. orice hotarare de modificare sau completare semnificativa a Actului Constitutiv al Societatii, inclusiv insa fara a se limita la sediul social al Societatii, denumirea Societatii, exercitiul financiar al Societatii, prerogativele Consiliului de Administratie, durata de

- The early dissolution of the Company;
- The conversion of shares from one class into another;
- The issuance of bonds;
- Any other amendment to the Articles of Incorporation or any other decision requiring the approval of the General Meeting;

Subject to Art. 14, for the decisions of the Extraordinary General Meeting to be valid, the presence upon the first call of the shareholders holding at least one fourth of the total voting rights is required, while upon the following calls, the presence of the shareholders holding at least one fifth of the total number of voting rights is required.

Subject to Art. 14, the decisions of the Extraordinary General Meeting are adopted with the majority of votes cast by the present or represented shareholders.

Art. 14 EBRD's veto rights in the General Meeting of Shareholders

Notwithstanding the above, for as long as EBRD holds shares representing five percent (5%) or more of the Company's subscribed and paid up share capital, no resolution of the Ordinary General Meeting of Shareholders or the Extraordinary General Meeting of Shareholders, as the case may be, in respect of the following shall become effective without the affirmative („in favour") vote of EBRD:

i. any resolution to materially amend or supplement the Company's Articles of Association, including without limitation with respect to the registered office of the Company, the Company's name, the financial year of the Company, the powers of the Board of functionare a Societatii, filiale care, pentru evitarea oricarui dubiu, nu vor include „puncte de lucru", „agentii", „reprezentante" sau "sucursale" si cotele de participare la profit si/sau pierderi;

ii. orice modificare survenita in activitatile Societatii fata de cele mentionate in obiectul principal de activitate si incluse in Actul Constitutiv al Societatii si care sunt declarate si autorizate la data inregistrarii prezentului Act la Registrul Comertului;

iii. orice hotarare de majorare sau de reducere a capitalului social al Societatii ori de conversie a actiunilor Societatii dintr-un tip, forma ori categorie in alta ori crearea de noi clase sau tipuri de actiuni ale Societatii si orice hotarare de aprobare a unei oferte publice initiale sau listarea la bursa a actiunilor Societatii;

iv. orice hotarare de a transforma, fuziona, consolida, diviza, dizolva sau lichida Societatea sau de a o reorganiza intr-o alta forma juridica;

v. orice hotarare de a aproba Situatiile Financiare anuale ale Societatii;

vi. orice hotarare de aprobare a dividendelor, rascumpararea actiunilor, divizarea actiunilor sau acordarea de dividende sub forma de actiuni de catre Societate;

vii. orice hotarare de a desemna, de a reinnoi sau demite auditorii sau (dupa caz, in situatia unei lichidari voluntare a Societatii) lichidatorii Societatii;

viii. orice hotarare referitoare la desemnarea, eliberarea din functie sau remunerarea membrilor Consiliului de Administratie sau

Directors, the duration of the Company, branches (in Romanian "filiale", which for the avoidance of doubt shall not include "puncte de lucru", "agentii", "reprezentante" or "sucursale") and the participation quotas to benefits and/or losses;

ii. any change to the Company's activities from those set out in its main object of activity as set forth in the Company's Articles of Association and which are declared and authorised as of the date of registration of this Agreement with the Trade Registry;

iii. any resolution to increase or decrease the Company's share capital or to change the type, rights or form or any class of shares or create a new class or type of shares of the Company and any resolution to approve an initial public offering or listing of the Company's shares on a stock exchange;

iv. any resolution to transform, merge, amalgamate, demerge, wind up or liquidate the Company or to reorganise the Company into another corporate form;

v. any resolution to approve the annual Financial Statements of the Company;

vi. any resolution to approve a dividend, share redemption, share split or share dividend by the Company;

vii. any resolution to appoint, renew or dismiss the auditors or (as applicable, in the case of a voluntary liquidation of the Company) the liquidators of the Company;

viii. any resolution regarding the appointment, dismissal or remuneration of the members of the Board of Directors or any orice modificare cu privire la numarul membrilor Consiliului de Administratie sau cu privire la orice alte reguli care guverneaza aceste organisme (inclusive reguli privind procedura de vot);

ix. introducerea oricarei restrictii cu privire la posibilitatea de transmitere a actiunilor Societatii;

x. orice anulare sau limitare a drepturilor preferentiale de subscriere ale actionarilor;

xi. orice hotarare de anulare sau de modificare a Politicii privind Dividendele;

xii. orice hotarare necesara in conformitate cu art. 153^{22} din Legea 31/1990, fiind o hotarare cu privire la achizitia sau instrainarea de bunuri de catre Societate a caror valoare depaseste cincizeci de procente (50%) din valoarea contabila a tuturor bunurilor din portofoliul Societatii.

Art. 15 Delegarea unor atributii Consiliului de Administratie

Sunt delegate Consiliului de Administratie atributiile Adunarii Generale a Actionarilor cu privire la schimbarea obiectului de activitate, altul decat cel principal, infiintarea sau desfiintarea de sucursale, reprezentante, agentii, puncte de lucru si alte asemenea dezmembraminte ale societatii, cu sau fara personalitate juridica, situate in tara sau strainatate;

Art. 16 Convocarea Adunarilor Generale ale Actionarilor

Adunarea Generala a Actionarilor este convocata de Consiliul de Administratie ori de cate ori este necesar, dar cel putin o data pe an,

change in the number of members of the Board of Directors or any other rules governing such bodies (including voting rules);

ix. the introduction of any restriction on the transferability of the Company's shares;

x. any cancellation or limitation on the shareholders' preferential rights of subscription;

xi. any resolution to void or amend the Dividend Policy;

xii. any resolution required in accordance with art. 153^{22} of Law 31/1990, being a resolution on an acquisition or disposal of assets by the Company which exceeds fifty per cent (50%) of the book value of all the Company's assets.

Art. 15 Delegation of some duties to the Board of Directors

The following duties of the General Meeting of Shareholders are delegated to the Board of Directors: changing the object of activity, other the main object of activity, setting up or discontinuing branches (in Romanian "sucursale"), "puncte de lucru" "agentii", "reprezentante" or or any other similar units of the company, with or without legal personality, located in the country of abroad;

Art. 16 Convening the General Meeting of Shareholders

The General Meeting of Shareholders is convened by the Board of Directors whenever necessary, but at least once a year, within at in cel mult 5 luni de la terminarea exercitiului finanaciar.

Modul si termenul de convocare vor fi conform prevederilor legale.

Au dreptul de a cere introducerea unor noi puncte pe ordinea de zi unul sau mai multi actionari reprezentand individual sau impreuna cel putin 5,0% din capitalul social. Cererile se inainteaza Consiliului de Administratie in cel mult 15 zile de la publicarea convocarii in vederea publicarii si aducerii acestora la cunostinta actionarilor. Ordinea de zi completata cu punctele propuse de actionari va fi publicata cu cel putin 10 zile inaintea Adunarii Generale, la data mentionata in convocator.

Art. 17 Organizarea Adunarii Generale a Actionarilor

Adunarea Generala a Actionarilor este prezidata de Presedintele Consiliului de Administratie.

Presedintele Consiliului de Administratie desemneaza dintre actionarii prezenti un secretar care sa verifice lista de prezenta a actionarilor, formalitatile de convocare si intocmeste procesul verbal al sedintei.

Art. 18 Exercitarea Dreptului de vot in Adunarea Generala a Actionarilor

Hotararile se iau prin vot deschis.

Votul secret este obligatoriu pentru alegerea membrilor Consiliului de Administratie si desemnarea auditorului, pentru revocarea acestora si pentru luarea hotararilor referitoare la raspunderea administratorilor.

Hotararile Adunarii Generale luate in limitele

most 5 months since the end of the financial year.

This shall be convened in the manner and within the term set forth by legal provisions.

One or several shareholders holding, individually or collectively, at least 5% of the share capital are entitled to request the introduction of new items on the agenda. The requests shall be submitted to the Board of Directors, within at most 15 days since the publication of the call, for their being published and communicated to the shareholders. The agenda supplemented with the items proposed by shareholders shall be published within at least 10 days before the general Meeting, on the date mentioned in the call notice.

Art. 17 Organization of the General Meeting of Shareholders

The General Meeting of Shareholders is chaired by the President of the Board of Directors.

The president of the Board of Directors designates from among the present shareholders a secretary, to check the shareholders' attendance list, the convening formalities and draw up the minutes of the meeting.

Art. 18 Exercising the right to vote at the General Meeting of Shareholders

Decisions are made by open vote.

Secret vote is mandatory for the election of the members of the Board of Directors and for designating the auditor, for revoking them and for making decisions regarding the directors' liability.

The decisions of the General Meeting made legii si conform actului constitutiv sunt obligatorii chiar si pentru actionarii absenti, nereprezentati sau care au votat impotriva ori s-au abtinut.

Art. 19 Reprezentarea in Adunarile Generale

Actionarii pot fi reprezentati in Adunarile Generale in baza unei imputerniciri, iar persoanele juridice vor fi reprezentate de imputernicitii acestora. In procesul verbal al Adunarii Generale se va face mentiune despre reprezentare.

Art. 20 Consiliul de Administratie

Adunarea Generala a Actionarilor alege Consiliul de Administratie compus dintr-un numar impar de cel putin 3 membri, cu puteri exercitate impreuna, pentru o perioada de 4 ani. Membrii Consiliului de Administratie pot fi si actionari. Oricare dintre administratori poate fi si director.

BERD are dreptul sa nominalizeze o (1) persoana care sa actioneze in calitate de membru al Consiliului de Administratie („**Administratorul BERD**").

Durata mandatului unui administrator nu poate fi mai mare de 4 ani, dar el este reeligibil de catre Adunarea Generala a Actionarilor.

Administratorii sunt solidar raspunzatori fata de societate pentru:

- Realitatea varsamintelor efectuate de actionari;
- Existenta reala a dividentelor platite;
- Existenta registrelor cerute de lege si corecta lor completare;
- Exacta indeplinire a hotararilor Adunarii Generale a Actionarilor;

according to law and to the Articles of Incorporation are mandatory even for absent or not represented shareholders, or shareholders who voted against or abstained from voting.

Art. 19 Representation at the General Meeting

Shareholders may be represented at the General Meeting under a power of attorney, and the legal entities shall be represented by their proxies. The minutes of the General Meeting shall mention the representation.

Art. 20 The Board of Directors

The General Meeting of Shareholders elects the Board of Directors, comprising an odd number of at least 3 members, with powers exercised collectively, for a period of 4 years. The members of the Board of Directors can be shareholders. Any director can be a manager.

EBRD shall be entitled to nominate one (1) person to act as a member of the Board of Directors (the "**EBRD Director**").

The mandate of a director may not exceed 4 years and a director can be re-elected by the General Meeting of Shareholders.

The directors are jointly liable to the company for the:

- Reality of payments made by shareholders;
- Actual existence of the dividends paid;
- Existence of legal records and their correct completion;
- Accurate implementation of the General Meeting of Shareholders' decisions;

- Stricta indeplinire a indatoririlor pe care prevederile legale si actul constitutiv le impun.

Fiecare membru al Consiliului de Administrație își va accepta în mod expres mandatul și va încheia cu Societatea, reprezentată prin persoana desemnată de acționari, un contract de administrație pe durata mandatului, care prevede drepturile, obligațiile și sarcinile respectivului membru față de Societate și remunerația primită pentru respectiva funcție.

Prin semnarea contractului de mandat, fiecare Administrator declara pe proprie răspundere, cunoscând dispozițiile art. 326 Cod Penal Român privind falsul în declarații, ca:

(a) îndeplinește condițiile legale, prevăzute de legislația română în vigoare, pentru deținerea și exercitarea calității de Administrator al Societății;

(b) nu are fapte sau debite înscrise în cazierul fiscal, în țara de domiciliu sau reședință, neînregistrând niciun fel de datorii fiscale către bugetele de stat sau locale;

(c) nu a săvârșit fapte de natura celor care se trec în cazierul judiciar;

(d) acceptă în mod expres mandatul de Administrator încredințat.

Art. 21 Activitatea Consiliului de Administratie

Consiliul de Administratie se intruneste cel putin o data la trei luni.

Presedintele convoaca Consiliul de Administratie, stabileste ordinea de zi, vegheaza asupra informarii adecvate a membrilor Consiliului de Administratie cu privire la punctele aflate pe ordinea de zi si prezideaza

- Strict fulfilment of their duties under the law and the Constitutive Act.

Each member of the Board of Directors shall expressly accept its mandate and enter into a mandate agreement with the Company (represented by the person designated by the shareholders), providing the duration of the mandate, setting out the rights, obligations and duties of such member towards the Company and the remuneration received for this position.

By signing the Mandate Agreement, each Director, fully aware of the provisions of art. 326 of the Romanian Criminal Code in connection with false statements, hereby declares that:

(a) He's fully compliant with all legal conditions, as per applicable Romanian legislation, to hold and exercise the capacity of Director of the Company;

(b) He hasn't facts or debts recorded in its fiscal record in country of domicile or residence, not registering any fiscal debts to the state or local budgets;

(c) He hasn't committed deeds which fall among those to be recorded in criminal record;

(d) He expressly accepts the granted mandate of Director.

Art. 21 The activity of the Board of Directors

The Board of Directors meet at least once every three months.

The president convenes the board of directors, establishes the agenda, oversees the proper information of the Board members regarding the items on the agenda and chairs the meeting.

intrunirea.

Participarea la intrunirile Consiliului de Administratie se poate face si prin corespondenta.

Members can participate to meetings of the Board of Directors by correspondence.

Consiliul de Administratie este convocat si la cererea motivata a cel putin 2 membrii ai Consiliului de Administratie. In acest caz, ordinea de zi este stabilita de acestia. Presedintele este obligat sa dea curs unei astfel de cereri. Asupra punctelor care nu sunt prevazute pe ordinea de zi se pot lua decizii numai in cazuri de urgenta. La fiecare sedinta se va intocmi un proces verbal, care va cuprinde numele participantilor, ordinea deliberarilor, deciziile luate, numarul de voturi intrunite si opiniile separate. Procesul verbal este semnat de presedinte si de cel putin un alt administrator.

The Board of Directors is convened also upon the justified request of at least 2 members of the Board of Directors. In such a case, the agenda is established by them. The president is obliged to meet such a request. Only in emergencies, decisions may be made on items that are not on the agenda. Minutes shall be drawn up at each meeting, containing the names of attendants, sequence of debates, decisions made, number of votes cast and individual opinions. The minutes shall be signed by the president and by at least one other director.

Consiliul de Administratie este insarcinat cu indeplinirea tuturor actelor necesare si utile pentru realizarea obiectului de activitate al Societatii, cu exceptia celor rezervate pentru Adunarea Generala a Actionarilor.

The Board of Directors is responsible with the performance of any acts required and useful for achieving the object of activity of the Company, except for the ones reserved to the General Meeting of Shareholders.

Cu respectarea dispozitiilor Art. 23, deciziile Consiliului de Administratie se adopta cu majoritatea voturilor exprimate de membrii prezenti ai acestuia.

Subject to Art. 23, the decisions of the Board of Directors are adopted with the majority of votes cast by the present members of the Board.

In absenta unei intruniri efective a Consiliului de Administratie, deciziile scrise ale acestuia pot fi aprobate prin semnarea lor, prin corespondenta, de catre toti membrii Consiliului de Administratie.

In the absence of an actual meeting, the written decisions of the Board of Directors shall be approved by their execution by all members of the Board of Directors, by correspondence.

Art. 22 Atributiile Consiliului de Administratie

Art. 22 Duties of the Board of Directors

Consiliul de Administratie are urmatoarele competente care nu pot fi delegate directorilor:

- Stabilirea directiilor principale de

The Board of Directors has the following duties which cannot be delegated to managers:

- Establishing the main directions of

activitate si de dezvoltare a societatii;

- Stabilirea sistemului contabil si de control financiar si aprobarea planificarii financiare;
- Numirea, revocarea, supravegherea activitatii si stabilirea remuneratiei directorilor;
- Pregatirea raportului anual, organizarea Adunarii Generale a Actionarilor si implementarea hotararilor acesteia;
- Aprobarea planului de afaceri;

Nu pot fi delegate directorilor atributiile primite punctual de Consiliul de Administratie de la Adunarea Generala a Actionarilor.

Consiliul de Administratie reprezinta Societatea in relatia cu directorii societatii.

Consiliul de Administratie deleaga conducerea Societatii unuia sau mai multor directori, numind pe unul dintre ei Director General. Directorii pot fi desemnati din randul administratorilor.

Directorii reprezinta societatea, atat in relatiile cu tertii, cat si in justitie, in limitele legii, ale Actului constitutiv si ale mandatului lor.

Modul de organizare a activitatii directorilor va fi stabilit de Consiliul de Administratie.

Directorii pot transmite dreptul de a reprezenta Societatea cu privire la aspecte punctuale catre salariatii/colaboratorii Societatii, in baza unei decizii, delegatii sau a unei procuri.

Prin semnarea contractului de mandat, fiecare Director declara pe proprie răspundere, cunoscând dispozițiile art. 326 Cod Penal Român privind falsul în declarații, ca:

activity and development of the company;

- Setting up the accounting and financial control systems and the approval of financial planning;
- Appointing, dismissing, supervising the activity of the managers and establishing their remuneration;
- Drawing up the annual report, the organization of the General Meeting of Shareholders and implementing its decisions;
- Approval of the business plan;

The duties received separately by the Board of Directors from the General Meeting of Shareholders may not be delegated to the managers.

The Board of Directors represents the Company in relation to managers.

The Board of Directors may delegate the management of the Company to one or several managers, appointing one of them as General Manager. Managers can be appointed from among the directors.

Managers represent the company both in relation to third parties and in courts, within the limits set by law, the Articles of Association and their mandate.

The managers' activity shall be organised by the Board of Directors.

Managers can delegate the representation of the Company for individual matters to employees/third parties of the Company by way of powers of attorney or decisions.

By signing the Mandate Agreement, each Manager, fully aware of the provisions of art. 326 of the Romanian Criminal Code in connection with false statements, hereby

(a) îndeplinește condițiile legale, prevăzute de legislația română în vigoare, pentru deținerea și exercitarea calității de Director al Societății;

(b) nu are fapte sau debite înscrise în cazierul fiscal, în țara de domiciliu sau reședință, neînregistrând niciun fel de datorii fiscale către bugetele de stat sau locale;

(c) nu a săvârșit fapte de natura celor care se trec în cazierul judiciar;

(d) acceptă în mod expres mandatul de Director încredințat.

Art. 23 Drepturile de veto ale BERD in cadrul Consiliului de Administratie

Independent de dispozitiile de mai sus, cat timp BERD detine actiuni reprezentand cinci procente (5%) sau mai mult din capitalul social subscris si varsat al Societatii, nu se va adopta nicio decizie a Consiliului de Administratie cu privire la urmatoarele aspecte in cadrul niciunei sedinte a acestuia decat daca toti membrii Consiliului de Administratie sunt prezenti pe intreaga durata a sedintei si au votat toti in mod unanim in favoarea respectivei decizii, inclusiv Administratorul BERD:

i. aprobarea Planului de Afaceri al Societatii;

ii. majorarea sau reducerea capitalului social sau conversia actiunilor Filialelor Societatii dintr-un tip, forma ori categorie in alta ori crearea de noi clase sau tipuri de actiuni;

iii. orice hotarare de a transforma, fuziona,

declares that:

(a) He's fully compliant with all legal conditions, as per applicable Romanian legislation, to hold and exercise the capacity of Manager of the Company;

(b) He hasn't facts or debts recorded in its fiscal record in country of domicile or residence, not registering any fiscal debts to the state or local budgets;

(c) He hasn't committed deeds which fall among those to be recorded in criminal record;

(d) He expressly accepts the granted mandate of Manager.

Art. 23 EBRD's veto rights in the Board of Directors

Notwithstanding the above, for as long as EBRD holds shares representing five percent (5%) or more to the subscribed and paid up share capital of the Company, no resolution of the Board of Directors in respect of the following matters shall be adopted at any meeting of the Board of Directors unless all the members of the Board of Directors shall have been present throughout the entire meeting and not less than all members of the Board of Directors shall have voted unanimously in favour of such resolution including the EBRD Director:

i. approval of the Company's Business Plan;

ii. increasing or decreasing the share capital, or changing the type, rights or form or any class of shares or creating a new class or type of shares of any of of the Company's Subsidiaries;

iii. any resolution to transform, merge, consolida, diviza, dizolva sau lichida oricare dintre Filialele Societatii sau de a le reorganiza intr-o alta forma juridica sau cumpararea de actiuni de catre Societate sau de catre orice Filiala a Societatii in orice alta entitate juridica;

iv. anularea sau limitarea drepturilor preferentiale de subscriere ale actionarilor Filialelor Societatii;

v. crearea ori desfiintarea de noi Filiale ale Societatii sau crearea ori participarea in orice asocieri in participatiune;

vi. introducerea unor restrictii cu privire la posibilitatea de transfer a actiunilor oricarora dintre Filialele Societatii;

vii. mutarea sediului social al Filialelor Societatii;

viii. orice modificare survenita in activitatile Filialelor Societatii fata de (i) cele mentionate in obiectul principal de activitate si incluse in Actul Constitutiv al fiecareia dintre Filialele Societatii (inclusiv al Agricover) si care sunt declarate si autorizate la data inregistrarii prezentului Act Constitutiv la Registrul Comertului; si (ii) doar in cazul Agricover, fata de activitatea de procesare a carnii mentionata in Actul Constitutiv al Agricover (Coduri CAEN 1011, 1013, 4632 si 4722);

ix. desemnarea, demiterea sau remunerarea administratorilor Filialelor Societatii sau orice schimbare cu privire la numarul membrilor Consiliului de Administratie al Filialelor Societatii sau la orice alte reguli care guverneaza activitatea Consiliului de

amalgamate, demerge, wind up or liquidate any of the Company's Subsidiaries, or to reorganise any of the Company's Subsidiaries into another corporate form or the acquisition of shares by the Company or any of the Company's Subsidiaries in any other person;

iv. cancelling or limiting the Company's Subsidiaries' shareholders preferential rights of subscription;

v. the creation or discontinuation of any new Subsidiaries of the Company or the creation of, or participation in, any joint-venture;

vi. introducing any restriction on the transferability of the shares of any of the Company's Subsidiaries;

vii. relocating the registered office of the Company's Subsidiaries;

viii. any change to the Company's Subsidiaries activities from (i) those set out in its main object of activity as set forth in each of the Company's subsidiaries' Articles of Association (including Agricover) and which are declared and authorised as of the date this present Articles of Association is registered with the Trade Registry, and (ii) in the case of Agricover only, the activity of the abattoir business as set forth in Agricover's Articles of Association (NACE codes 1011, 1013, 4632 and 4722);

ix. the appointment, dismissal or remuneration of the directors of the Company's Subsidiaries or any change in the number of directors of the Company's Subsidiaries or any other rules governing the board of directors of a Company's Subsidiary (including voting

Administratie al Filialelor Societatii (inclusiv regulile de vot);

x. formarea sau dizovarea comitetelor Consiliului de Administratie, cu exceptia celor cerute de lege;

xi. aprobarea Situatiilor Financiare anuale ale Filialelor Societatii;

xii. stabilirea dividendului, rascumpararea actiunilor sau distribuirea unui dividend sub forma de actiuni de catre oricare dintre Filialele Societatii;

xiii. numirea, reinnoirea mandatelor sau demiterea auditorilor sau a lichidatorilor (in cazul lichidarii voluntare) oricareia dintre Filialele Societatii;

xiv. schimbarea Politicii privind Dividendele a Filialelor Societatii;

xv. numirea, revocarea sau remunerarea Directorului General al Societatii sau al oricaruia dintre Filialele Societatii;

xvi. aprobarea oricaror angajamente financiare sau cheltuieli, precum si orice act de dispozitie (vanzare, locatiune sau alt fel de tranzactie) cu privire la orice activ al unei Societati a Grupului (altul decat vanzarea Activelor Excluse in termeni de buna-credinta si la nivelul pietei), care, in fiecare caz, cumulat sau individual depasesc 5 milioane euro (cinci milioane) indiferent daca acest nivel de angajamente financiare si cheltuieli a fost inclus sau nu in Bugetul Anual, cu mentiunea ca nu va mai fi necesara nicio alta aprobare cu privire la nici un fel de angajamente financiare si cheltuieli aprobate in mod special in Bugetul

rules);

x. Creation or dissolution of committees of the Board of Directors, except for those committees required by law;

xi. approving the annual Financial Statements of any of the Company's Subsidiaries;

xii. approving a dividend, share redemption or a share dividend by any of the Company's Subsidiaries;

xiii. appointing, renewing or dismissing the auditors or the liquidators (in the case of a voluntary liquidation), of any of the Company's Subsidiaries;

xiv. amending the Dividend Policy of the Company's Subsidiaries;

xv. the appointment, dismissal or remuneration of the General Manager of the Company, or any of the Company's Subsidiaries;

xvi. approval of any financial commitment or expenditure as well as approval of any disposal (through sale, lease or other transaction) of any asset of a Group Company (other than the sale of the Excluded Assets on bona fide arm's length terms), in each case in excess of EUR 5 million (five million) in one or a series of related transactions, whether or not included generally in the Annual Budget, provided, however, that no further approval will be required for any financial commitment or expenditure specifically approved as a line item of the Annual Budget;

Anual ca o cheltuiala distincta;

xvii. aprobarea oricarui contract incheiat de Societate sau de catre oricare dintre Filialale sale cu Actionarul Majoritar, BERD sau oricare dintre Afiliatii sai cumulat sau individual. Administratorul (Administratorii) nominalizati de respectivul actionar interesat nu va/vor participa la sedinta (daca se va considera necesar) si se va/vor abtine de la vot cu privire la respectiva hotarare;

xvii. approval of any agreement by the Company or any of its Subsidiaries with the Main Shareholder, EBRD or any of his/its Affiliates in one or more series of related transactions. The director(s) nominated by the relevant interested shareholder shall not participate in the meeting (if deemed necessary) and shall abstain from voting on such resolution;

xviii. aprobarea oricaror acte juridice cu privire la utilizarea proprietatii intelectuale/intangibile a oricarei Societati a Grupului (in alte scopuri decat pentru vanzarea de produse ale oricarei Societati a Grupului);

xviii. approval of any agreement for the use of the intellectual/intangible property of any Group Company (other than for the sale of the products of any Group Company);

xix. aprobarea oricarui proiect de hotarare privind acordarea de dividende, rascumparare de actiuni sau orice alta forma de repartizare a profitului pentru a fi inaintat Adunarii Generale a Actionarilor;

xix. approval of any draft resolution on a dividend, share redemption, share dividend or any other distribution of profit for submission to the General Meeting of Shareholders;

xx. aprobarea oricaror proiecte de hotarari cu privire la majorarea capitalului social al Societatii sau conversia actiunilor Societatii dintr-un tip, forma ori categorie in alta ori crearea de noi clase sau tipuri de actiuni ale Societatii pentru a fi inaintate Adunarii Generale a Actionarilor;

xx. approval of any draft resolution on increasing the Company's share capital or changing the type, rights or form of any class of shares or creating any new class or type of shares of the Company for submission to the General Meeting of Shareholders;

xxi. aprobarea oricaror proiecte de hotarari pentru a fi inaintate Adunarii Generale a Actionarilor cu privire la modificarea Politicii privind Dividendele;

xxi. approval of any draft resolution amending the Dividend Policy for submission to the General Meeting of Shareholders;

xxii. dobandirea sau instrainarea, in baza art. 153^{22} din Legea 31/1990, de bunuri ale Filialelor Societatii a caror valoare depaseste cincizeci de procente (50%) din valoarea neta contabila a tuturor bunurilor Filialei Principale;

xxii. acquiring or disposing of, in accordance with art. 153^{22} of Law 31/1990, assets of the Company's subsidiaries which exceed fifty per cent (50%) of the book value of all such Main Subsidiary's assets;

xxiii. aprobarea oricaror acte juridice de catre orice Societate a Grupului cu privire la imprumutarea, garantarea de Datorii ale oricarei alte persoane (in afara unei Societati a Grupului, intelegeri (conditionate sau altfel) de rascumparare sau de dobandire in alt mod de Datorii sau despagubire a creditorilor impotriva pierderilor, cu exceptia actelor juridice, imprumuturilor, garantiilor sau obligatiilor cu privire la o Societate a Grupului asumate in baza Bugetului Anual;

xxiv. aprobarea Bugetului Anual al oricareia dintre Principalele Filiale ale Societatii, intocmit cu privire la fiecare Exercitiu Financiar, in conformitate cu IFRS, trimis spre aprobare Consiliului de Administratie pana la data de 20 noiembrie a fiecarui an.

Art. 24 Membrii Consiliului de Administratie in Agricover si IFN

BERD va putea nominaliza o (1) persoana care sa actioneze in calitate de membru in consiliul de administratie al Agricover si o (1) persoana care sa actioneze in calitate de membru in consiliul de administratie al IFN. Calitatea de membru al consiliului de administrație al Agricover sau al IFN, poate fi exercitată de aceeași persoană fizică sau juridică, care indeplineste si calitatea de Administrator BERD, sau de persoane fizice sau juridice diferite, după cum decide BERD, la libera sa apreciere.

CAPITOLUL V. CONTROLUL SOCIETATII

Art. 25 Auditul Societatii

Societatea organizeaza auditul intern si extern in conditiile legii.

xxiii. approval of any agreement by any Group Company to make a loan to or guarantee any Debt of any other person (other than another Group Company) or agree (on a contingent basis or otherwise) to purchase or otherwise acquire such Debt or assume or agree to indemnify a creditor against loss, except for any such agreement, loan, guarantee or obligation with respect to a Group Company and undertaken in accordance with the Annual Budget;

xxiv. approval of the Annual Budget of any of the Company's Main Subsidiaries to be prepared for each Financial Year, in compliance with IFRS, for consideration by the Board of Directors no later than November 20 of each Financial Year.

Art. 24 Board members in Agricover and IFN

EBRD shall be entitled to nominate one (1) person to act as a member of the board of directors of Agricover and one (1) person to act as a member of the board of directors of IFN. The capacity of member of the board of directors of Agricover or of IFN can be exercised by the same individual or legal person or by different individuals or legal persons, exercising the capacity of EBRD director, as EBRD shall, in its sole discretion, decide.

CHAPTER V CONTROL OF THE COMPANY

Art. 25 Audit of the Company

The Company shall organise internal and external audit in accordance with the law.

Prin semnarea contractului de audit financiar, fiecare Auditor declara pe proprie răspundere, cunoscând dispozițiile art. 326 Cod Penal Român privind falsul în declarații, ca:

(a) îndeplinește condițiile legale, prevăzute de legislația română în vigoare, pentru deținerea și exercitarea calității de Auditor financiar al Societății;

(b) nu are fapte sau debite înscrise în cazierul fiscal, în țara de domiciliu sau reședință, neînregistrând niciun fel de datorii fiscale către bugetele de stat sau locale;

(c) nu a săvârșit fapte de natura celor care se trec în cazierul judiciar;

(d) acceptă în mod expres mandatul de Auditor financiar încredințat.

CAPITOLUL VI. TRANSFERUL ACTIUNILOR

Art. 26 Restrictii privind Transferul Actiunilor

Pana la data la care toate obligatiile si pasivele prezente si viitoare (existente sau potentiale) ale Societatii fata de BERD in baza sau in legatura cu contractele incheiate intre BERD, Actionarul Majoritar si Societate nu vor fi platite in mod neconditionat si irevocabil si BERD nu mai detine actiuni in Societate si daca BERD nu decide in alt mod, Actionarul Majoritar:

(i) va fi in continuare proprietarul real si efectiv al unui procent de saizeci la suta (60%) sau mai mult din capitalul social al Societatii;

(ii) se va asigura ca Societatea va fi in continuare proprietarul real si efectiv al actiunilor detinute in Filialele sale conform

Prin semnarea contractului de audit financiar, fiecare Auditor declara pe proprie răspundere, cunoscând dispozițiile art. 326 Cod Penal Român privind falsul în declarații, ca:

(a) He's fully compliant with all legal conditions, as per applicable Romanian legislation, to hold and exercise the capacity of financial Auditor of the Company;

(b) He hasn't facts or debts recorded in its fiscal record in country of domicile or residence, not registering any fiscal debts to the state or local budgets;

(c) He hasn't committed deeds which fall among those to be recorded in criminal record;

(d) He expressly accepts the granted mandate of financial Auditor.

CHAPTER VI TRANSFER OF SHARES

Art. 26 Share Transfer Restrictions

Until the date on which all present and future obligations and liabilities (whether actual or contingent) of the Company to EBRD under or in connection with the agreements concluded between EBRD, the Main Shareholder and the Company have been unconditionally and irrevocably paid and EBRD no longer owns any shares in the Company and unless otherwise agreed by EBRD, the Main Shareholder shall:

(i) maintain and retain legal and beneficial ownership of sixty per cent (60%) or more of the Company's share capital;

(ii) procure that the Company maintains and retains legal and beneficial ownership of the shares in its Subsidiaries as stated against its celor mentionate in dreptul numelui sau;

(iii) cu respectarea dispozitiilor de la alineatul (a) de mai sus, va transfera exclusiv orice actiuni in Societate sau participatii doar catre (i) BERD, sau (ii) catre un cumparator sau un cesionar cu integritate si reputatie acceptabile pentru BERD si care sa aiba o pozitie financiara solida pentru a putea sustine in continuare dezvoltarea Societatii; si

(iv) va instraina sau va greva de sarcini orice actiuni detinute in Filialele Societatii, in fiecare caz, cele detinute in prezent sau pe care le poate dobandi pe viitor.

Art. 27 Drept de Prima Oferta

(a) Daca in orice moment BERD („**Ofertantul**") doreste sa transfere toate sau doar o parte dintre actiunile sale in Societate, acesta va oferi aceste actiuni prima data Actionarului Majoritar („**Destinatarul Ofertei**"). Ofertantul va notifica Destinatarul Ofertei („**Notificarea privind Oferta**") in care va preciza (i) numarul de actiuni oferite („**Actiunile Oferite**"); (ii) termenii si conditiile propuse privind vanzarea, inclusiv pretul per actiune; (iii) data pana la care Destinatarul Ofertei trebuie sa accepte oferta, aceasta data survenind in termen de minim treizeci (30) zile de la data Notificarii privind Oferta („**Data Acceptarii**"); si (iv) data inchiderii pentru cumpararea actiunilor, aceasta data survenind in termen de minim nouzeci (90) zile de la data Notificarii privind Oferta.

(b) Destinatarul Ofertei va putea cumpara toate, insa nu mai putin de toate Actiunile Oferite prin transmiterea unei notificari irevocabile de acceptare („**Notificarea de Acceptare**") catre

name;

(iii) subject to paragraph (a) above, only transfer any shares in the Company or interest therein only to (i) EBRD, or (ii) a purchaser or transferee with integrity and reputation acceptable to EBRD, and a solid financial position to support further the development of the Company; and

(iv) dispose of or encumber any shares in the Company's Subsidiaries, in each case which he now owns or which it may acquire in the future.

Art. 27 Right of First Offer

(a) If at any time EBRD (the "**Offeror**") desires to transfer all or a portion of its shares in the Company, it shall first offer such shares to the Main Shareholder (the "**Offeree**"). The Offeror shall give notice to the Offeree (the "**Offer Notice**") setting forth (i) the number of shares being offered (the "**Offered Shares**"); (ii) the proposed terms and conditions of the sale including the price per share; (iii) the date by which the Offeree must accept the offer, such date being not less than thirty (30) days from the date of the Offer Notice (the "**Acceptance Date**"); and (iv) the closing date for the purchase of the shares, such date being not less than ninety (90) days from the date of the Offer Notice.

(b) The Offeree shall be entitled to purchase all, but not less than all, of the Offered Shares by delivery of an irrevocable notice of acceptance (the "**Acceptance Notice**") to the Offeror on or

Ofertant la Data Acceptarii sau anterior acestei date. Inchiderea procedurii de cumparare si vanzare va avea loc la data specificata in Notificarea privind Oferta.

(c) Daca se produce oricare dintre evenimentele de mai jos (fiecare fiind denumit un **„Eveniment de Renuntare la Dreptul de Prima Oferta**"):

(i) destinatarul Ofertei refuza Notificarea privind Oferta sau Ofertantul nu a primit o Notificare de Acceptare pana la Data Acceptarii;

(ii) Ofertantul a primit Notificarea de Acceptare pentru o parte, insa nu pentru toate Actiunile Oferite;

(iii) in urma emiterii unei Notificari de Acceptare, Destinatarul Ofertei nu cumpara si nu plateste pentru Actiunile Oferite la data si in locul mentionate in Notificarea privind Oferta din orice considerent care nu este imputabil Ofertantului,

in aceste conditii, Ofertantul va putea vinde Actiunile Oferite unui tert in termeni si conditii care sa nu fie mai favorabili cumparatorului pentru o perioada de una suta optzeci (180) zile calendaristice de la producerea Evenimentului de Renuntare la Dreptul de Prima Oferta. Dispozitiile acestui Art. 27 se vor aplica mutatis mutandis cu privire la orice incercare de vanzare de catre BERD ulterior datei care survine in termen de una suta optzeci (180) zile calendaristice de la producerea Evenimentului de Renuntare la Dreptul de Prima Oferta.

Art. 28 Drept de Co-Vanzare

(a) In conditiile respectarii restrictiilor privind transferul actiunilor din prezentul CAPITOLUL

prior to the Acceptance Date. The closing of the purchase and sale shall take place on the date specified in the Offer Notice.

(c) If any of the following occurs (each a **"ROFO Waiver Event**"):

(i) the Offeree declines the Offer Notice or the Offeror has not received an Acceptance Notice by the Acceptance Date;

(ii) (ii) the Offeror has received Acceptance Notice for a portion but not all of the Offered Shares;

(iii) (iii) after issuing of Acceptance Notice, the Offeree fails to purchase and pay for the Offered Shares on the date and place specified in the Offer Notice for any reason not due to the fault of the Offeror,

then the Offeror shall be free to sell the Offered Shares to a third party on terms and conditions no more favourable to the purchaser for a period of one hundred and eighty (180) calendar days from the occurrence of the ROFO Waiver Event. The provisions of this Art. 27 shall apply mutatis mutandis for any attempted sales of EBRD after the date falling one hundred and eighty (180) calendar days after the ROFO Waiver Event.

Art. 28 Tag Along Right

(a) Subject to the share transfer restrictions in this Art. 25CHAPTER VI (Transfer of Shares)

VI(Transferul Actiunilor) (inclusiv, insa fara a se limita la Art. 26(i), daca Actionarul Majoritar propune transferul unui anumit numar dintre actiunile sale in Societate catre orice tert intr-o singura tranzactie sau in cadrul a mai multor tranzactii, Actionarul Majoritar ii va oferi BERD oportunitatea de a vinde toate sau doar o parte dintre Actiunile BERD, in conformitate cu prezentul Art. 28

(b) BERD va putea transfera, la acelasi pret per actiune si in aceiasi termeni si aceleasi conditii propuse si cu priviere la transferul de catre Actionarul Majoritar, toate sau doar o parte dintre actiunile Societatii detinute de BERD, dupa caz. Cu cel putin nouazeci (90) zile inainte de orice astfel de propunere de transfer a Actionarului Majoritar, acesta va notifica BERD cu privire la intentia sa de a transfera Actiunile in temeiul respectivului document („**Notificarea privind Dreptul de Co-Vanzare**"), in care va preciza (i) cumparatorul propus; (ii) numarul de actiuni propus a fi transferate de catre Actionarul Majoritar, (iii) pretul de transfer agreat; si (iv) orice alti termeni si alte conditii semnificative in legatura cu transferul propus. Notificarea privind Dreptul de Co-Vanzare va mai contine si o confirmare din partea Actionarului Majoritar care sa mentioneze ca toti termenii si toate conditiile semnificative ale transferului propus au fost dezvaluiti BERD in totalitate. Actionarul Majoritar va anexa o copie a ofertei scrise din partea cumparatorului propus.

(c) In termen de treizeci (30) zile de la transmiterea unei Notificari privind Dreptul de Co-Vanzare, BERD poate alege sa participe la

(including, without limitation, Art. 26(i), if the Main Shareholder proposes to transfer some of his shares in the Company to any third party in any transaction or series of related transactions, the Main Shareholder shall afford EBRD the opportunity to sell all or a portion of EBRD's Shares in accordance with this Art. 28.

(b) EBRD shall have the right to transfer, at the same price per share and upon identical terms and conditions as the proposed transfer by the Main Shareholder, all or part of the Company's shares held by EBRD, as the case may be. At least ninety (90) days prior to any such proposed transfer by the Main Shareholder, the Main Shareholder shall give notice to EBRD of his intention to transfer Shares hereunder (the "**Tag-along Notice**"), setting forth (i) the proposed purchaser; (ii) the number of shares proposed to be transferred by the Main Shareholder, (iii) the agreed consideration for transfer; and (iv) any other material terms and conditions of the proposed transfer. The Tag-along Notice shall also contain a certification by the Main Shareholder stating that all material terms and conditions of the proposed transfer have been fully disclosed to EBRD. The Main Shareholder shall attach a copy of the written offer from the proposed purchaser.

(c) Within thirty (30) days of the delivery of a Tag-along Notice, EBRD may elect to participate in such transfer and sell pursuant to acest transfer si sa vanda in termenii si conditiile inscrise in aceasta Notificare privind Dreptul de Co-Vanzare prin transmiterea unei notificari („**Notificarea de Acceptare a Dreptului de Co-Vanzare**") catre Actionarul Majoritar, acel numar de actiuni dintre actiunile Societatii detinute de BERD egal cu produsul dintre (a) numarul total al actiunilor Societatii detinute de BERD inmultit cu (b) Procentul Relevant, unde termenul „**Procent Relevant**" va insemna acel numar egal cu (x) numarul total al actiunilor mentionate in Notificarea privind Dreptul de Co-Vanzare ca facand obiectul respectivei oferte, impartit la (y) numarul total al actiunilor Societatii detinute de Actionarul Majoritar la data Notificarii privind Dreptul de Co-Vanzare, in conditiile dispozitiilor Art. 28(d). Termenii si conditiile aplicabile BERD nu vor fi mai putin favorabile decat termenii si conditiile respectivei Notificari privind Dreptul de Co-Vanzare. BERD se angajeaza sa finalizeze aceasta vanzare a actiunilor Societatii detinute de BERD catre cumparatorul propus si mentionat in cuprinsul Notificarii privind Dreptul de Co-Vanzare in termen de saizeci (60) zile calendaristice de la data Notificarii de Acceptare a Dreptului de Co-Vanzare. BERD nu va avea nicio obligatie de a face niciun fel de declaratii sau de a acorda niciun fel de garantii niciunei persoane in legatura cu respectivul transfer, exceptie facand existenta titlului sau de proprietate asupra actiunilor si absenta garantiilor constituite de BERD asupra actiunilor care urmeaza a fi transferate de BERD, autoritatea si valabilitatea precum si efectul obligatoriu impotriva BERD al oricaror

the terms and conditions of such Tag-along Notice by delivery of a notice (the "**Tag-along Acceptance Notice**") to the Main Shareholder such number of Company's shares held by EBRD equal to the product of (a) the total number of Company's shares held by EBRD multiplied by (b) the Relevant Proportion, where the term "**Relevant Proportion**" shall mean such number equal to (x) the total number of shares indicated in the Tag-along Notice as subject to the relevant offer divided by (y) the total number of Company's shares owned by the Main Shareholder at the time of the Tag-along Notice, subject to the provisions of Art. 288(d). The terms and conditions applicable EBRD shall be no less favourable than the terms and conditions of such Tag-along Notice. EBRD's undertakes to complete such sale of Company's shares held by EBRD to the proposed purchaser indicated in the Tag-along Notice within sixty (60) calendar days of the date of the Tag-along Acceptance Notice. EBRD will not be required to make any representations and warranties to any person in connection with such transfer except as to the existence of its legal title in, and the absence of security interests created by EBRD in the shares to be transferred by EBRD and the authority for and the validity and binding effect against EBRD of any normal and customary agreement entered into by EBRD in connection with such transfer. EBRD shall bear the legal fees and other customary transaction costs incurred by it in connection with its shares sold in such transaction.

acorduri normale si uzuale incheiate de BERD in legatura cu respectivul transfer. BERD va suporta onorariile aferente serviciilor de asistenta juridica precum si alte costuri uzuale referitoare la tranzactie care ii revin cu privire la actiunile sale vandute in cadrul tranzactiei respective.

(d) Daca la data primirii unei Notificari privind Dreptul de Co-Vanzare, actiunile Societatii detinute de BERD reprezinta mai putin de opt procente (8%) din capitalul social al Societatii sau ar reprezenta mai putin de opt procente (8%) din capitalul social al Societatii dupa aplicarea dispozitiilor Art. 28(c), in aceasta situatie, BERD poate alege sa participe la acest transfer si sa vanda in termenii si conditiile mentionate in respectiva Notificare privind Dreptul de Co-Vanzare, un numar mai mare dintre actiunile Societatii detinute de BERD pana la numarul total de actiuni pe care il detine la acea data.

(d) If at the time of receipt of a Tag-along Notice, the Company's shares held by EBRD represent less than eight per cent (8%) of the Company's share capital or would represent less than eight per cent (8%) of the Company's share capital after applying the provisions of Art. 28(c), then EBRD may elect to participate in such transfer and sell pursuant to the terms and conditions of such Tag-along Notice such greater number of the Company's shares held by EBRD up to its total holding of shares at that time.

Art. 29 Optiune de Vanzare in vederea Retragerii

BERD va putea sa-si exercite („**Optiunea de Vanzare in vederea Retragerii**"), la libera sa alegere, in orice moment in Perioada Optiunii de Vanzare in vederea Retragerii, in baza transmiterii unei Notificari privind Optiunea de Vanzare in vederea Retragerii catre Actionarul Majoritar, dreptul de a vinde Actionarului Majoritar toate sau doar o parte dintre actiunile Societatii detinute de BERD la Data Decontarii („**Actiunile de Vanzare in vederea Retragerii**") la un pret stabilit in conformitate cu prevederile unui acord separat incheiat de parti („**Pretul de Vanzare in vederea Retragerii**"), si Actionarul Majoritar este de

Art. 29 Exit Put Option

EBRD shall have the right (the "**Exit Put Option**"), exercisable in its sole discretion, at any time during the Exit Put Period, upon delivery to the Main Shareholder of an Exit Put Notice, to sell to the Main Shareholder all or part of the Company's shares held by EBRD on the Settlement Date (the "**Exit Put Shares**") at a price determined in accordance with the provisions of a separate agreement entered into by the parties (the "**Exit Put Price**"), and the Main Shareholder hereby agrees to purchase all the Exit Put Shares and pay for the Exit Put Shares in accordance with the provisions of a separate agreement entered into by the parties.

acord sa cumpere toate Actiunile de Vanzare in vederea Retragerii si sa plateasca pentru acestea in conformitate cu prevederile unui acord separat incheiat de parti. Pentru evitarea oricarui dubiu, BERD va putea beneficia de orice dividende declarate, care insa nu au fost inca primite de BERD inainte de Data Decontarii, acordate in baza Actiunilor de Vanzare in vederea Retragerii sau in legatura cu acestea.

For the avoidance of doubt, EBRD shall be entitled to any dividend declared, but not yet received by EBRD prior to the Settlement Date, on or with respect to the Exit Put Shares.

Pentru evitarea oricarui dubiu, prevederile referitoare la Optiunea de Vanzare in vederea Retragerii se vor aplica in continuare chiar daca se finalizeaza o OPI inainte de inceperea Perioadei de Vanzare in vederea Retragerii, mai putin in situatia in care aceasta ar fi interzisa prin legea aplicabila sau in conformitate cu reglementarile unei burse de valori sau in cazul in care BERD convine sa renunte la acest drept.

For avoidance of doubt, the Exit Put Option provisions shall remain applicable even if an IPO is completed before the commencement of the Exit Put Period, unless such would be prohibited by applicable law or stock exchange rules or unless EBRD agrees to waive such right.

Actionarul Majoritar va cumpara la Data Decontarii acel numar din actiunile Societatii mentionat in Notificarea privind Optiunea de Vanzare in vederea Retragerii si va plati Pretul de Vanzare in vederea Retragerii adecvat in euro sau lei in fonduri disponibile imediat prin transfer bancar catre BERD sau conform instructiunilor acesteia, iar BERD si Actionarul Majoritar vor lua toate masurile necesare pentru realizarea transferului Actiunilor de Vanzare in vederea Retragerii, inclusiv (i) semnarea unui act de transfer si (ii) semnarea Registrului Actionarilor Societati.

The Main Shareholder, shall, on the relevant Settlement Date, purchase the number of Company's shares set forth in the Exit Put Notice and pay the appropriate Exit Put Price in EUR or in RON in immediately available funds by wire transfer to EBRD or as EBRD may direct, and EBRD and the Main Shareholder take all steps necessary to effect the transfer of the Exit Put Shares, including (i) execution of a transfer deed and (ii) signing in the Company's Register of Shareholders.

CAPITOLUL VII. ACTIVITATEA ECONOMICO – FINANCIARA

Art. 30 Exercitiul economico-financiar

Exercitiul economico- financiar incepe la 1 ianuarie si se termina la 31 decembrie ale

CHAPTER VII ECONOMIC – FINANCIAL ACTIVITY

Art. 30 Economic-financial year

The economic-financial year starts on 1 January and ends on 31 December every year.

fiecarui an. Societatea va tine toate registrele financiar - contabile in conformitate cu prevederile legale in vigoare.

Art. 31 Personalul Societatii

Personalul societatii este angajat si concediat de catre Directori, care stabilesc si remuneratia acestuia.

Art. 32 Amortizarea mijloacelor fixe

Consiliul de Administratie stabileste in conditiile legii, modalitatile de amortizare a fondurilor fixe.

Art. 33 Evidenta contabila si bilantul contabil

Societatea va tine evidenta contabila, in lei, va intocmi anual bilantul si contul de profit si pierderi, in conformitate cu dispozitiile legale in vigoare.

Bilantul se aproba de Adunarea Generala a Actionarilor si se depune prin grija administratorilor la Registrul Comertului in termen de 30 de zile, pentru a fi mentionat in Registrul Comertului si publicat in Monitorul Oficial.

Aprobarea bilantului contabil de catre Adunarea Generala a Actionarilor nu impiedica exercitarea actiunilor de raspundere impotriva administratorilor.

Art. 34 Calculul si repartizarea profitului

Adunarea Generala, pe baza bilantului, aproba repartizarea sau reinvestirea profitului Societatii in conditiile legii aplicabile.

Cel putin 5% din totalul profitului va fi afectat in fiecare an fondului de rezerva pana ca acesta din urma va atinge cel putin 20% din valoarea

The Company shall keep any financial-accounting records according to the legal provisions in force.

Art. 31 Personnel of the Company

The personnel of the Company are employed, dismissed and have their remuneration established by the Managers.

Art. 32 Depreciation of fixed assets

The Board of Directors establishes, according to law, the modes of depreciation of fixed assets.

Art. 33 The accounts and balance sheet

The Company shall keep the accounts in RON, shall draw up the balance sheet and the profit and loss account annually, according to the legal provisions in force.

The balance sheet is approved by the General Meeting of Shareholders and submitted by care of the directors to the Trade Registry, within 30 days, for it to be mentioned in the Trade Register and published in the Official Gazette.

The approval of the balance sheet by the General Meeting of Shareholders does not prevent taking actions for liability against the directors.

Art. 34 Calculation and distribution of profit

The General Meeting, based on the balance sheet, approves the reinvestment or distribution of the Company's profit, observing the applicable law.

At least 5% of the total profit shall be allocated every year to the reserve fund, until it reaches at least 20% of the value of the Company's capitalului social al Societatii.

In cazul inregistrarii de pierderi, Adunarea Generala a Actionarilor va analiza cauzele si va hotari in consecinta.

CAPITOLUL VIII. RETRAGEREA ACTIONARILOR

Art. 35 Retragerea actionarilor

Actionarii care nu au votat in favoarea unei hotarari a Adunarii Generale au dreptul de a se retrage din Societate si de a solicita cumpararea actiunilor lor de catre Societate, doar daca respectiva hotarare a Adunarii Generale are ca obiect:

- schimbarea obiectului principal de activitate;
- mutarea sediului social Societatii in strainatate;
- schimbarea formei juridice;
- fuziunea sau divizarea Societatii.

Dreptul de retragere poate fi exercitat intr-un termen de 30 de zile de la data publicarii hotararii Adunarii Generale in Monitorul Oficial al Romaniei, Partea a IV-a avand ca obiect schimbarea obiectului principal de activitate, mutarea sediului in strainatate sau schimbarea formei juridice.

In cazul in care s-a hotarat fuziunea sau divizarea Societatii, termenul de 30 de zile curge de la data adoptarii hotararii.

Actionarii vor depune la sediul Societatii declaratia scrisa de retragere.

Pretul platit de Societate pentru actiunile actionarului care exercita dreptul de retragere va fi stabilit de un expert autorizat independent, ca valoare medie ce rezulta din aplicarea a cel

share capital.

In the event of losses, the General Meeting of Shareholders shall review the causes and decide accordingly.

CHAPTER VIII WITHDRAWAL OF SHAREHOLDERS

Art. 35 Withdrawal of shareholders

The shareholders that did not vote in favour of a decision of the General Meeting have the right to withdraw from the Company and to request the acquisition of their shares by the Company, only if the relevant decision of the General Meeting refers to:

- changing the main object of activity;
- the relocation of the registered office of the Company abroad;
- changing the legal form;
- the merger or demerger of the Company.

The right of withdrawal may be exercised within 30 days since the date when the decision of the General Meeting is published in the Official Gazette of Romania, Part IV, with the scope of changing the main object of activity, the relocation of the registered office abroad, or changing the legal form.

If the merger or demerger of the company was decided, the term of 30 days starts from the date when the decision is adopted.

The shareholders shall submit at the office of the Company a written statement of withdrawal.

The price paid by the Company for the shares of the shareholder exercising its right to withdraw shall be established by an independent licensed expert, as the means putin doua metode de evaluare recunoscute de legislatia in vigoare la data evaluarii. Expertul este numit in conformitate cu legea aplicabila.

CAPITOLUL IX.
MODIFICAREA FORMEI JURIDICE, FUZIUNEA, DIZOLVAREA, LICHIDAREA, LITIGII

Art. 36 Modificarea formei juridice si fuziunea

Societatea va putea fi transformata in alta forma de societate prin hotararea Adunarii Generale a Actionarilor. Noua societate va fi continuatoarea in drepturi si obligatii a actualei societati si va indeplini formalitatile legale de inregistrare.

Prin hotararea Adunarii Generale a Actionarilor, Societatea va putea fuziona cu alta societate cu personalitate juridica sau straina. Noua societate va fi continuatoarea in drepturi si obligatii a actualei societati si va indeplini formalitatile legale de inregistrare.

Art. 37 Dizolvarea Societatii

Urmatoarele situatii duc la dizolvarea societatii:

- imposibilitatea realizarii obiectului de activitate;
- hotararea Adunarii Generale a Actionarilor;
- faliment;
- hotararea tribunalului la cererea oricarui actionar, pentru motive temeinice, precum neintelegerile grave dintre asociati, care impiedica functionarea Societatii;

resulted from using at least two valuation methods recognized by the legislation in force as of the valuation date. The expert shall be appointed in accordance with the applicable law.

CHAPTER IX
CHANGING THE LEGAL FORM, MERGER, DISSOLUTION, LIQUIDATION, DISPUTES

Art. 36 Changing the legal form and merger

The Company may be transformed into another form of company, by a decision of the General Meeting of Shareholders. The new company shall be the successor in rights and obligations of the existing company, and shall fulfil the legal registration formalities.

Pursuant to a decision of the General Meeting of Shareholders, the Company shall be able to merge with another legal entity or foreign entity. The new company shall be the successor in rights and obligations of the existing company, and shall fulfil the legal registration formalities.

Art. 37 Dissolution of the Company

The following situations result in the dissolution of the Company:

- the impossibility of achieving the object of activity;
- the decision of the General Meeting of Shareholders;
- bankruptcy;
- the decision of the tribunal, upon the request of any shareholder, for judicious reasons, such as serious disagreements between associates, preventing the operation of

the Company;

- orice alte situatii prevazute de lege.

Dizolvarea societatii trebuie sa fie inregistrata in Registrul Comertului si apoi publicata in Monitorul Oficial.

- any other situations set forth by law.

The dissolution of the Company should be registered with the Trade Register and, afterwards, published in the Official Gazette.

Art. 38 Lichidarea Societatii

In caz de dizolvare, Societatea va fi lichidata.

Lichidarea Societatii si repartitia patrimoniului se fac in conditiile si cu respectarea procedurii prevazute de legea aplicabila.

Art. 38 Liquidation of the Company

In the event of dissolution, the Company shall be liquidated.

The liquidation of the Company and the distribution of its assets are performed under the conditions and following the procedure set forth by applicable law.

Art. 39 Litigii

Litigiile Societatii cu persoane fizice si/sau juridice romane sunt de competenta instantelor judecatoresti din Romania.

Litigiile nascute din raporturi contractuale dintre societati si persoane juridice romane si/sau straine pot fi solutionate si prin arbitraj, potrivit legii.

Art. 39 Disputes

The disputes between the Company and Romanian individuals and/or legal entities are within the jurisdiction of the Romanian courts of law.

The disputes arising from contractual relationships between Romanian and/or foreign companies and legal entities may be settled also through arbitrage, according to law.

CAPITOLUL X. DISPOZITII FINALE

Art. 40 Prevederile prezentului Act Constitutiv se completeaza cu dispozitiile legale referitoare la societati.

Art. 41 Ori de câte ori sunt utilizați în prezentul Act Constitutiv, dacă contextul nu necesită diferit, termenii următori au înțelesurile de mai jos:

„**Afiliat**" inseamna, in legatura cu orice persoana, orice alta persoana care, in mod direct sau indirect, controleaza, este controlata sau se afla sub control comun impreuna cu respectiva persoana si, in legatura cu orice persoana fizica, va insemna, de asemenea, sotul sau sotia, copiii sau fratii ori surorile si orice persoana controlata

CHAPTER X FINAL PROVISIONS

Art. 40 The provisions of these Articles of Incorporation are supplemented by the legal provisions regarding the companies.

Art. 41 Wherever used in this Articles of Incorporation, unless the context otherwise requires, the following terms shall have the following meanings:

"**Affiliate**" means, with respect to any person, any other person directly or indirectly, controlling, controlled by, or under common control with, such person, and with respect to any physical person it shall also mean his/her spouse, children or siblings and any person controlled by any of the foregoing or any group de oricare dintre cele mentionate mai sus sau de mai multe persoane dintre cele mai sus mentionate;

„**Agricover**" inseamna AGRICOVER DISTRIBUTION SA, societate pe actiuni infiintata si care isi desfasoara activitatea in conformitate cu legile romane, cu sediul social la adresa Bd. Pipera nr. 1B, Cubic Center Office Building, Etaj 8, Voluntari, sectorul Ilfov, Romania, inregistrata la Registrul Comertului sub nr. J23/2344/2017, avand codul unic de inregistrare 13443360;

„**Bugetul Anual**" inseamna cu privire la orice an fiscal, bugetul anual aferent acelui an intocmit de conducere si aprobat de Consiliul de Administratie al Societatii si de catre consiliile de administratie ale Principalelor Filiale care include, printre altele, indicatorii cheie de performanta, o descriere a principalelor ipoteze care au stat la baza proiectiilor si declaratiile estimative privind profitul si pierderile, declaratiile privind bilantul contabil si declaratiile de trezorerie ale Societatii si ale Principalelor Filiale, pe baza consolidata si neconsolidata, in conformitate cu standardele IFRS;

„**Planul de Afaceri**" inseamna planul de afaceri pe o perioada de cinci ani al Societatii astfel cum a fost agreat intre Societate si BERD si care include, printre altele, indicatorii cheie de performanta, o descriere a principalelor ipoteze care au stat la baza proiectiilor si declaratiile estimative (anuale) privind profitul si pierderile, declaratiile privind bilantul contabil si declaratiile de trezorerie ale Societatii si ale Principalelor Filiale pe baza consolidata si

of the foregoing;

"**Agricover**" means AGRICOVER DISTRIBUTION SA, a joint stock company organised and existing under the laws of Romania, with its registered office at 1B Pipera Blvd., Cubic Center Office Building, 8th floor, Voluntari, Ilfov county, Romania, registered with the Trade Registry under no. J23/2344/2017, sole registration number 13443360;

"**Annual Budget**" means for any fiscal year, the annual budget for that year prepared by management and approved by the Board of Directors of the Company and by the board of directors of the Main Subsidiaries which annual budget includes, among others, key performance indicators, a description of the key assumptions behind the projections, and projected profit and loss statements, financial position and cash-flow statements of the Company and its Main Subsidiaries, on a consolidated and unconsolidated basis, in compliance with IFRS;

"**Business Plan**" means the five-year business plan of the Company as agreed between the Company and EBRD, which business plan includes, among others, key performance indicators, a description of the key assumptions behind the projections, and projected (on a yearly basis) profit and loss statements, financial position and cash-flow statements of the Company and its Main Subsidiaries on a consolidated and unconsolidated basis, in neconsolidata, in conformitate cu standardele IFRS, astfel cum acest plan de afaceri poate fi revizuit si/sau actualizat la o anumita data de catre Consiliul de Administratie al Societatii si de catre consiliile de administratie ale Principalelor Filiale, in conformitate cu acordul BERD si al Principalului Actionar;

„**Lichiditati**" inseamna, in legatura cu Agricover, valoarea totala a lichiditatilor detinute de Agricover si orice numerar aflat in contul Agricover existent la banci sau la alte institutii financiare la data respectiva, exclusiv orice numerar restrictionat (i.e. numerar care nu este imediat disponibil Agricover si care include, insa nu se limiteaza la numerarul depus cu titlul de garantie pentru imprumuturi bancare), numerar in tranzit de la clientii Agricover si Creante Intra-Grup, in fiecare caz astfel cum se prezinta la data respectiva.

„**Datorie**" inseamna, in legatura cu orice persoana, toate obligatiile unei astfel de persoane, inregistrate ca principal sau garantie, prezente, viitoare sau potentiale, pentru plata sau rambursarea unor sume de bani, inclusiv, insa fara a se limita la:

(a) orice sume datorate de o astfel de persoana in baza unor contracte de inchiriere sau a unor acorduri similare pentru respectivele perioade de timp;

(b) orice credit fata de persoana respectiva datorat de un furnizor de bunuri sau rezultat in baza oricarei achizitii in rate sau a unui alt aranjament similar; si

(c) orice pasive si obligatii ale unor terti in masura in care sunt garantate de respectiva persoana sau aceasta si-a asumat raspunderea

compliance with IFRS, as such business plan may be revised and/or updated from time to time by the Board of Directors of the Company and by the board of directors of the Main Subsidiaries, in accordance with the agreement of EBRD and the Main Shareholder;

"**Cash**" means, in respect of Agricover, the aggregate of all cash held by Agricover, and any cash balances credited to the account of Agricover with banks or other financial institutions at the relevant time, excluding any restricted cash (i.e. cash not freely available to Agricover, which includes, but is not limited to, cash collateral for bank loans), cash in transit from the clients or customers of Agricover and the Intra-Group Receivables, in each case at the relevant time

"**Debt**" means, with respect to any person, all obligations of such person, whether incurred as principal or surety and whether present, future, actual or contingent, for the payment or repayment of money, including, without limitation:

(a) any amounts payable by such person under leases or similar arrangements over their respective periods;

(b) any credit to such person from a supplier of goods or under any instalment purchase or other similar arrangement; and

(c) any liabilities and obligations of third parties to the extent that they are guaranteed by such person or such person has otherwise ori este tinuta raspunzatoare in alt mod pentru plata acestor pasive sau obligatii sau in masura in care acestea sunt garantate in baza oricarei Sarcini constituite asupra proprietatii respectivei persoane, indiferent daca aceasta si-a asumat raspunderea sau este tinuta raspunzatoare pentru plata respectivelor pasive sau obligatii.

„**Politica privind Dividendele**" inseamna politica cu privire la declararea si plata dividendelor care va fi adoptata in unanimitate de Consiliul de Administratie in termen de sase (6) luni de la data inregistrarii subscrierii BERD la Registrul Comertului;

„**Active Excluse**" inseamna acele active care nu sunt destinate a fi parte din activitatea continua a Grupului (terenuri cu destinatie Agricola);

„**Notificarea privind Optiunea de Vanzare in vederea Retragerii**" inseamna o notificare transmisa de BERD Actionarului Majoritar in conformitate cu dispozitiile Art. 29, care va contine cel putin urmatoarele informatii:

(a) numarul Actiunilor care urmeaza a fi vandute de BERD si cumparate de Actionarul Majoritar; si

(b) Data Decontarii.

„**Perioada de Vanzare in vederea Retragerii**" inseamna perioada care incepe la data de 1 ianuarie 2021 si se incheie la data la care BERD nu mai detine actiuni in Societate sau, daca aceasta survine anterior acestei date, la data de 30 septembrie 2027;

„**Situatiile Financiare**" inseamna situatiile financiare consolidate si neconsolidate (inclusiv bilantul, contul de profit si pierdere, situatia fluxurilor de trezorerie si situatia modificarilor

assumed or become liable for the payment of such liabilities or obligations or to the extent that they are secured by any Lien upon property owned by such person whether or not such person has assumed or become liable for the payment of such liabilities or obligations.

"**Dividend Policy**" means the policy regarding the declaration and payment of dividends to be unanimously adopted by the Board of Directors within six (6) months from the date the EBRD sucscription is registered with the Trade Registry;

"**Excluded Assets**" means those assets which are not intended to form part of the ongoing business of the Group (agricultural land);

"**Exit Put Notice**" means a notice delivered by EBRD to the Main Shareholder pursuant to the provisions of Art. 29, which shall set forth as a minimum:

(a) the number of Shares to be sold by EBRD and purchased by the Main Shareholder; and

(b) the Settlement Date.

"**Exit Put Period**" means the period commencing on 1 January 2021 and ending on the date when EBRD ceases to hold any shares in the Company or, if earlier, 30 September 2027;

"**Financial Statements**" means the consolidated and unconsolidated financial statements (including a statement of financial position, statement of profit and loss, statement capitalului propriu, precum si anexele la acestea) ale Societatii si ale Filialelor sale intocmite in conformitate cu standardele IFRS;

„**Exercitiul Financiar**" inseamna perioada care incepe in fiecare an la data de 1 ianuarie si se incheie la 31 decembrie sau o alta astfel de perioada pe care Societatea o poate stabili la o anumita data cu acordul BERD ca reprezentand anul contabil al Societatii;

"**Societate a Grupului**" inseamna oricare dintre Societate si Filialele acesteia;

„**IFN**" inseamna AGRICOVER CREDIT IFN SA, societate pe actiuni infiintata si care isi desfasoara activitatea in conformitate cu legile romane, cu sediul social in Bd. Pipera nr. 1B, Cubic Center Office Building, Etaj 8, Voluntari, sectorul Ilfov, Romania, inregistrata la Registrul Comertului sub nr. J23/3261/2011, avand codul unic de inregistrare 22940237;

„**Creantele Intra-Grup**" inseamna, in legatura cu Agricover, valoarea totala a sumelor datorate Agricover de alte Societati ale Grupului la data respectiva, excluzand Valoarea Tranzactiilor Intra-Group;

„**Valoarea Tranzactiilor Intra-Group**" inseamna in legatura cu Agricover, valoarea totala a sumelor datorate de Agricover sau care ii sunt datorate acesteia in cursul obisnuit al activitatii sale de care beneficieaza sau care sunt datorate de alte Societati ale Grupului la data respectiva inclusiv, insa fara a se limita la sumele datorate cu privire la salarii sau alte beneficii salariale, asigurari (inclusiv asigurari de sanatate si asigurari auto), plati privind pensiile sau beneficii in baza planului de pensii,

of cash flows and statement of changes in equity, and notes thereon) of the Company and its Subsidiaries prepared in accordance with IFRS;

"**Financial Year**" means the period commencing each year on 1 January and ending on the following 31 December, or such other period as the Company may, with the EBRD's consent, from time to time designate as the accounting year of the Company;

"**Group Company**" means any of the Company and each of its Subsidiaries;

"**IFN**" means AGRICOVER CREDIT IFN SA, a joint stock company organised and existing under the laws of Romania, with its registered office at 1B Pipera Blvd., Cubic Center Office Building, 8th floor, Voluntari, Ilfov county, Romania, registered with the Trade Registry under no. J23/3261/2011, sole registration number 22940237;

"**Intra-Group Receivables**" means in respect of a Agricover, the aggregate of the amounts owing from other Group Companies to Agricover at the relevant time, excluding Intra-Group Trading Amounts;

"**Intra Group Trading Amounts**" means in respect of Agricover, the aggregate of the amounts owed by or to Agricover in the ordinary and normal course of business to or by other Group Companies at the relevant time including, without limitation, amounts owed in respect of salaries or other employee benefits, insurance (including health and motor insurance), pension or retirement benefit payments, management training and car rental payments paid or provided by or to any other cursuri de pregatire profesionala pentru angajatii cu rol executiv si plati cu inchirierea de autoturisme efectuate sau acordate de orice alta Societate a Grupului sau oferite acesteia precum si bunuri sau servicii furnizate oricarei alte Societati a Grupului in conditii standard;

„Sarcina" inseamna orice ipoteca, gaj, garantie, privilegiu, prioritate, gaj fara deposedare, sarcina, cesiune, sechestru, drept de compensare sau alt drept de garantie de orice fel sau orice alt contract sau aranjament al carui efect este de a garanta orice active, venituri sau drepturi, prezente sau viitoare, sau orice separare a celor mai sus mentionate ori un alt aranajment preferential in legatura cu acestea, inclusiv, insa fara a se limita la orice desemnare a beneficiarilor sau la orice aranjament similar in baza oricarei polite de asigurare;

„Data Decontarii" inseamna o zi lucratoare care va surveni ultima dintre urmatoarele date: (i) data mentionata in Notificarea privind Optiunea de Vanzare in vederea Retragerii pentru plata si transferul Actiunilor de Vanzare in vederea Retragerii, care va surveni in termen de minim 30 zile consecutive si maxim 60 zile consecutive de la transmiterea unei astfel de Notificari privind Optiunea de Vanzare in vederea Retragerii; (ii) daca sunt necesare potrivit legii romane aprobari guvernamentale sau renuntari prealabile din partea organismelor guvernamentale sau a autoritatilor bursiere pentru realizarea vanzarii mentionate in Notificarea privind Optiunea de Vanzare in vederea Retragerii, aceasta data va fi data care va surveni in termen de minim 15 zile si maxim 30 zile de la acordarea respectivelor aprobari

Group Company and goods or services supplied to any other Group Company on standard terms;

"Lien" means any mortgage, pledge, charge, privilege, priority, hypothecation, encumbrance, assignment, lien, attachment, set-off or other security interest of any kind or any other agreement or arrangement having the effect of conferring security upon or with respect to, or any segregation of or other preferential arrangement with respect to, any present or future assets, revenues or rights, including, without limitation, any designation of loss payees or beneficiaries or any similar arrangement under any insurance policy;

"Settlement Date" means a business day which shall be the latest of the following: (i) the date specified in the Exit Put Notice for paying for and transferring the Exit Put Shares, which shall be no less than 30 consecutive days nor more than 60 consecutive days after delivery of such Exit Put Notice; (ii) if prior governmental consents or waivers from governmental bodies or securities exchange authorities are required under the laws of Romania to effect the sale contemplated in the Exit Put Notice, it shall be the date that is no less than 15 days nor more than 30 days after such consents or waivers from governmental bodies or securities exchange authorities have been granted (as selected by EBRD); or (iii) such other date as may be agreed between EBRD and the Main Shareholder;

sau renuntari din partea organismelor guvernamentale sau a autoritatilor bursiere (conform optiunii BERD); sau (iii) o alta astfel de data care poate fi convenita intre BERD si Actionarul Majoritar;

„**Filiala**" inseamna, cu privire la o entitate, orice alta entitate al carei capital este detinut in procent mai mare de 50%, in mod direct sau indirect de respectiva entitate sau care este controlata efectiv in alt mod de entitatea in cauza. La data inregistrarii prezentului Act Constititiv la Registrul Comertului, Societatea are urmatoarele Filiale: Societatea AGRICOVER DISTRIBUTION SA (J23/2344/2017; CUI RO 13443360), Societatea AGRICOVER CREDIT IFN SA (J23/3261/2011 ; CUI RO22940237), Societatea AGRICOVER TECHNOLOGY SRL (J23/4637/2020; CUI RO43154623).

"**Subsidiary**" means, with respect to any entity, any other entity over 50% of whose capital is owned, directly or indirectly by such entity or which is otherwise effectively controlled by such entity. As of the date of registration of these Articles of Association with the trade registry, the Company has the following Subsidiaries: AGRICOVER DISTRIBUTION SA (J23/2344/2017; CUI RO 13443360), AGRICOVER CREDIT IFN SA (J23/3261/2011; CUI RO22940237), AGRICOVER TECHNOLOGY SRL (J23/4637/2020; CUI RO43154623).

„**Principalele Filiale**" inseamna Agricover si IFN;

"**Main Subsidiaries**" means Agricover and IFN;

Art. 42 Prezentul Act Constitutiv a fost redactat si semnat astazi 29.06.2023, intr-un exemplar original, in limbile engleza si romana; în caz de neconcordanță textul în limba română va prevala.

Art. 42 These Articles of Association have been drawn up and signed this day, 29.06.2023, in one original, in English and Romanian; in case of discrepancy the Romanian version shall prevail.

PRESEDINTELE CONSILIULUI DE ADMINISTRATIE/
CHAIRMAN OF THE BOARD OF DIRECTORS
KANANI JABBAR

SOCIETATEA AGRICOVER HOLDING S.A. 2

Appendix 8: **Related Parties List**

1. Abatorul Peris SA
2. Adama Agricultural Solutions SRL
3. Adama Agriculture B.V
4. Agricola Cornatelu SRL
5. Agricover Credit IFN SA
6. Agricover Distribution SA
7. Agricover Holding SA
8. Agricover Technology SRL
9. Agriland Company SRL
10. Agriland Ferme SRL
11. Agroadvice SRL
12. Akbari Payam
13. Almado Total Distribution SRL
14. Anton Camelia Georgiana
15. Art Writing SRL
16. Asociatia Eco Natura Comunitatii Baicoi
17. Berechet Music SRL
18. Bucataru Andrada Ioana
19. Bucataru Marilena
20. Bucataru Stefan Doru
21. Bucataru Tudor George
22. Cam Ada
23. Cam Gurhan
24. Cam Ruzgar
25. Carpatina Beverages SA
26. Casa Leia SRL
27. Cathedral Distribution SRL
28. CCI Cardinal Equity SRL
29. Ciuca Dana Maria
30. Clubul Fermierilor Romani Broker de Asigurare SRL
31. Covera Distribution SRL
32. Cristocea Bogdan
33. Cristocea David Andrei
34. Cristocea Sara Andreea
35. Cristocea Simona Cristina
36. Danube Grain Services SRL
37. Deniz Asset Management
38. Dimcea Andrei
39. Dimcea Bogdan
40. Dimcea Ramona Nicoleta
41. Dobre Liviu
42. Dobre Matei Alexandru
63. Hacisuleyman Kemal
64. Hacisuleyman Serhan
65. Idealasig Asistent in Brokeraj SRL
66. Ionescu Berechet Andreea Gabriela
67. Kanani Jabbar
68. Kanani Kyia
69. Kanani Parsa
70. Kurci Elena
71. Kurci Valentin
72. Lipomin SA
73. Madeline-Dalila Alexander
74. Manolache Carol Mihai
75. Manolache Sorin Lucian
76. Manolache Vlad Gabriel
77. Manoliu Cosmin Paul
78. Manoliu Dan Stefan
79. Manoliu Mihaela Denisa
80. Markovits Paul Stefan
81. Martens Ben
82. Martens Giulia
83. Martens Jack
84. Martens Sofia
85. Moayed Cyrus
86. Moayed Flora
87. Moayed Valeria Arnaut
88. Moayed Vargha
89. Neagu Andreea Adina
90. Neagu Crina
91. Neagu Lucian Ion
92. Neohub A.S.
93. Net Farming SRL
94. Pietroiu Eva
95. Pietroiu Luca
96. Pietroiu Miltiade
97. Pietroiu Oana Roxana
98. Pinca Gheorghe Eugen
99. Pinca Lara
100. Pinca Marinela Liliana
101. Platinum Advisory Services SRL
102. Policalita SRL
103. Priceputu Matei
104. Prodal 94 SRL

43. Domniteanu Alex Razvan
44. Domniteanu Anisoara
45. Domniteanu Dan Laurentiu
46. Dumitrache Constantin
47. Dumitrache Daniela Elena
48. Dumitrache Radu Andrei
49. Dumitrache Vlad Stefan
50. Dumitrescu Adara
51. Dumitrescu Aura Elena
52. Fastpay
53. Fedorovici Ionita Elena Ioana
54. Fedorovici Liliana
55. Fedorovici Mihail
56. GP Servicess & Commerce SRL
57. Granddis SRL
58. Greenfield Ventures SRL
59. Grigorescu Codruta
60. Grigorescu Laurentiu Sorin
61. Grigorescu Vlad Andrei
62. Hacisuleyman Karya
105. Radian Business SRL
106. Rekkers Ariane Elizabeth
107. Rekkers Ines Sabrina
108. Rekkers Marc Alexander Tudor
109. Rekkers Mariana Sabina
110. Rekkers Raissa Elena
111. Rekkers Ralph Willem
112. Rekkers Robert Cornelis
113. Rekkers Sophie Ana
114. Rusu Alexandra Elena
115. Rusu Georgeta Eleonora
116. Rusu Mihnea Stefan
117. Rusu Silviu Daniel
118. Tatar Alexandra Ilinca
119. Tatar Oana Georgeta
120. Tatar Tudor Ioan
121. Tatar Valentin Ionut
122. Unik Advisors SRL
123. Veldtster Inc
124. Vezentan Ioan Stelian