



**Norofert S.A.**

**Preliminary Financial Results  
Full Year 2019**

*Report date: 2.03.2020*



## Information about the issuer

Company name	Norofert S.A.
Fiscal Code	12972762
Registry Number	J40/4222/2000
Registered office	Str. Petrache Poenaru nr. 26, room 8 Bucharest, sector 5
Point of business conduct	Str. Radu Voda 17 Bucharest, sector 4
Telephone number	+40 721 461 289
E-mail address	investitori@norofert.ro
Symbol	Shares: NRF Bonds: NRF25
Market	SMT segment of the Bucharest Stock Exchange
Subscribed and paid-up capital	802,394 RON
Main characteristics of the shares	2.005.985 shares with a nominal value of 0.4 RON

## Letter from the CEO

Dear Shareholders,

We are publishing this financial report a day before the first day of trading of Norofert's shares on the AeRO market of the Bucharest Stock Exchange. In the first place, I would like to thank you all for contributing to the success and development of the Norofert Group in 2019. Without your support and involvement in the private placement for Norofert shares which took place in July 2019, we would not have been able to reach the results we are presenting to you today.

We are publishing this report today because we want to provide to all the investors a transparent view of where Norofert Group is today and what is our current financial position, before they have an opportunity to buy the NRF shares. We hope that this document, alongside the listing memorandum which you can find on our as well as BVB's website, will provide all our stakeholders a clear overview of where we are as a company and about the projects we have realized in the course of past year.

We have ended 2019 with a consolidated turnover of 14.8 million lei, an increase of 59% compared to the 2018 result. We are pleased with the increase, which has been a result primarily of the efforts of the sales team that has joined us in August 2019, as well as the enlarged range of products – both of these developments being possible because of the July private placement. Today, Norofert has a portfolio of over 60 different products, grouped into 3 main lines. As a comparison, before the private placement, we had a total of 24 products, which means that in less than a half of the year, we have managed to more the double the offer that we put at the disposal of our clients. What is important, however, is the fact that we can now offer a full range of products for different types of farmers, starting from medium- to large-scale organic agriculture farmers (Norofert Organics), conventional agriculture farmers (Norofert Karisma) as well as hobby farmers and gardeners (Norofert Fito). This means that the potential of the market which we can target, both in Romania and abroad, has significantly increased.

As the growth in the revenues been directly related to the investments made, the latter also led to a foreseeable increase in consolidated expenses, from 4,6 million lei recorded in 2018, to 9.5 million lei in 2019. The increase in the costs has been anticipated by us and has been previously communicated during the private placement as well as the report we published as of 31.10.2019, and has been primarily supported by the investments made in the following directions:

- Expansion of the sales team by 15 new team members;
- Expansion of the back-office team with 18 new team members (including support, credit risk analysis, logistics, marketing, and accounting personnel);
- Renting and equipping a new factory in Filipestii de Padure, with 2,400 m2 of production and 800 m2 of storage space (currently the largest organic fertilizers production facility in Romania) with 4 production lines, for organic liquid fertilizers, conventional liquid fertilizers, the effervescent tablet, granular soil fertilizer;
- Developing a product analysis laboratory;
- Developing bacterial and microorganism multiplication line;
- Leasing of 14 automobiles, with GPS tracking, for the sales team;
- Purchasing of CRM system (pending implementation);
- Full automatization of the Norofert FITO production line;
- Purchasing raw materials for the 2019-2020 production cycle;
- Purchasing wheat seeds, nitrogen fertilizers (3<sup>rd</sup> party produced) and herbicides (3<sup>rd</sup> party produced) needed for marketing the Karisma line to conventional farmers.

All of the investments have set a ground for a performance in the coming years, allowing us to expand not only our production capacity, but also our sales capacity by significantly increasing our headcount, which has been of strategic importance to us ever since we decided to list on the AeRO market. With all the heavy investments carried out in 2019, we still managed to end the year with an 12% increase of the gross profit, of 5.2 million lei, and a net profit of 4.62 million lei. This means that taking into consideration the valuation of the company at the time of private placement, Norofert shares have a very attractive PER ratio of just 4.5, which is one of the lowest currently recorded amongst the companies listed on the Bucharest Stock Exchange.

We are very pleased with the final result however we would like to underline that 2019, more specifically the second half of the year, has been very difficult in Romanian agriculture, issue which we have already signalled to investors on the occasion of publishing the report as of October 31<sup>st</sup>, 2020. Period between October and December 2019 have been exceptionally warm, which has had a direct, negative impact on the local agricultural sector as well as the sales generated by the fertilizer producers and distributors, including Norofert. Should the weather conditions been favourable, the seeding should have taken place in September or October 2019. As this was not the case, the majority of farmers have pushed the seeding to November or even December, causing our overall sales in 2019 to be lower than we initially expected. Unfortunately, the atypical winter has continued well into 2020. Since there it has not snowed and it has rained very little in the course of the past 5 months, there has been no humidity in the soil and the crops have not grown, which in turn means that the farmers were also less inclined to purchase fertilizers and other products that are aimed to support the development of the crops. In this context, we expect the first half of this year to present some uncertainties regarding the sales, which may impact the margin at the year level provided that in the past, during the first half of the year, we have always sold products with higher profit margins than the products sold in the second half of the year. However, we maintain our estimates for the current year and are determined to reach our operational and strategic objectives and to continue our development policy both internally and externally.

The aspect related to the seasonality of the margins is caused by the fact that the Romanian agricultural cycle is divided into two main seasons, each having a different influence on the financial performance of Norofert:

- Period of February-May, with peak activity in March-April, is the season for seeding sunflower, corn and applying treatments for already planted wheat and rapeseed that have gone out of winter (meaning, they have grown and survived the winter season). For cultivating and treating these crops, Norofert sells its proprietary products which have the highest profitability margin. Thus, in the first half of each year, the Company generates the majority of its profit.
- Period of August-October, with peak activity in September-mid-October, is the season for seeding wheat and rapeseed. During this campaign, Norofert sells primarily specially designed packages that contain seeds, herbicides, and fertilizers. These packages, alongside products from Karisma line, include 3<sup>rd</sup> party products (wheat seeds, an herbicide and a nitrogen fertilizer, which are not produced by Norofert) and have thus a lower profitability margin. Because of that, in the second half of the year, Norofert generally registers high revenues and a smaller profit compared to the first half of the year.

Depending on the weather, the cycles can extend over the above-specified period, thus impacting the sales of Norofert Organics and Norofert Karisma lines. The line for small farmers and hobby gardeners, Norofert FITO, is the only one that is not significantly influenced by the agricultural seasons and therefore it will remain a priority for us to develop it in 2020 to ensure a good cash flow of the Group as the payment term is also more favourable (90 days for Fito versus 280-360 days for Karisma and Organics). In the course of 2019, we have managed to sign two significant distribution agreements in Romania with Agrii (former Redoxim) and RodBun, which have laid good foundations for further growth. Additionally, at the end of February 2020, the first fertilizers from our newest line, Norofert Organics for Horticulture, have left the production line. We plan to officially launch the new line, which will consist of 12 products specially developed for cultivating trees, in the coming weeks. We have high expectation

of this line which targets primarily the growing sector of EU-financed orchards of fruit trees as well as vegetable farms, which we consider will generate attractive returns for the Group in the years to come.

In terms of the Karisma line, our goal for 2020 will be the consolidation of the line for conventional farming. The second half of the year has brought satisfactory results for this newly launched line, which we consider a good start. For 2020, the target for the members of the sales team for Karisma has increased, therefore we expect the revenues to also grow next year. Last but not least, this coming year we have a target to introduce 16,000 new hectares of farmland into organic farming, thus increasing our sales as well as growing our market share on the local market. We believe we have all the premises to accomplish these goals.

Another important development in the coming period will be the planned expansion, which we expect to accelerate in 2020, having benefitted in January 2020 from raising 11.5 million lei by selling corporate bonds of Norofert, which will be soon tradable on the AeRO-Bonds market under the NRF25 symbol. As already previously communicated, our goal for the next 5 years, is for 50% of Norofert's revenues to be generate through sales of products on the foreign markets. While we have already taken the steps to begin selling Norofert products to farmers and distributors in countries such as Jordan, Morocco, Kazakhstan or South Korea, our biggest ambition is to enter the USA. We very much believe in the potential of the American market, which is the largest market for organic farming in the world. We are, at the same time aware that this step will require significant investments that will have to be made by the company, in order to cover the homologation costs of all the products that we wish to sell in the States. Nonetheless, we are dedicated to this step as we believe entering foreign markets, especially the US, will allow to us exponentially grow Norofert's revenues as well as profitability, which will in translate into higher gains for our investors.

In conclusion, we are much satisfied with the results registered by Norofert Group especially given the unfavourable weather conditions which have impacted the whole agricultural sector in Romania as well as in our part of Europe and we are excited about the opportunities that 2020 brings. I would like now to invite you to go through our financial results, which we present to you on the following pages, but at consolidated as well as individual level. Since this is the first time that we are publishing the preliminary financial results for full year, should you have any questions or suggestions on the manner in which we report, please do not hesitate to reach out to for further explanations. You can reach the IR team at [investitori@norofert.ro](mailto:investitori@norofert.ro) or you can also get in touch with me directly by emailing [vlad.popescu@norofert.ro](mailto:vlad.popescu@norofert.ro).

We look forward to the first day of trading of NRF shares on AeRO market; we hope you do too!

Vlad Popescu  
CEO & President of the Board  
Norofert SA

# Financial Results

Consolidated Financial Results for Norofert Group, which include Norofert SA, Norofert Fitofarma SRL and Norofert Organics SRL

<b>Profit &amp; Loss Account Indicators (lei), consolidated</b>	<b>31.12.2019</b>	<b>31.12.2018</b>	<b>Change (%)</b>
<b>Operating Income, out of which:</b>	<b>14,798,106 lei</b>	<b>9,297,971 lei</b>	<b>59%</b>
Turnover	14,859,551 lei	9,057,921 lei	64%
Change in inventories	(106,655 lei)	201,448 lei	-153%
Other operating revenues	45,210 lei	38,602 lei	17%
<b>Operating Expenses, out of which:</b>	<b>9,511,107 lei</b>	<b>4,625,955 lei</b>	<b>106%</b>
Costs of Materials, out of which:	5,209,635 lei	1,223,002 lei	326%
<i>Costs of Raw Materials</i>	573,468 lei	279,039 lei	106%
<i>Costs of Goods</i>	4,606,531 lei	827,830 lei	456%
<i>Other materials-related expenses</i>	29,636 lei	116,133 lei	-74%
Personnel Expenses	1,964,869 lei	695,254 lei	183%
Depreciation expenses and value adjustments	(124,006 lei)	518,853 lei	-124%
Other operating expenses	2,460,609 lei	2,188,846 lei	12%
<b>Operating Result</b>	<b>5,286,999 lei</b>	<b>4,672,016 lei</b>	<b>13%</b>
<b>Financial Income</b>	<b>34,489 lei</b>	<b>39,340 lei</b>	<b>-12%</b>
<b>Financial Expenses</b>	<b>110,399 lei</b>	<b>69,912 lei</b>	<b>58%</b>
<b>Financial Result</b>	<b>(75,910 lei)</b>	<b>(30,572 lei)</b>	<b>148%</b>
Total Revenues	14,832,595 lei	9,337,311 lei	59%
Total Expenses	9,621,506 lei	4,695,867 lei	105%
<b>Gross Result</b>	<b>5,211,089 lei</b>	<b>4,641,444 lei</b>	<b>12%</b>
Profit tax / other taxes	588,672 lei	170,447 lei	245%
<b>Net Result</b>	<b>4,622,417 lei</b>	<b>4,470,997 lei</b>	<b>3%</b>

Comments on the evolution of the P&L Account:

- **Cost of goods:** for the purpose of promoting the newly launched Karisma line amongst the conventional farmers, Norofert has developed special packages, which are sold directly to farmers, through the sales team, which consist of wheat grains, Karisma fertilizers (5 products), as well as herbicide and a nitrogen fertilizer produced by a third party. Norofert does not produce herbicides or nitrogen fertilizer, but they are essential in conventional farming thus they had to be included in the package for it to be successful. The increase in the costs of goods thus represents the wheat seeds, herbicides and nitrogen fertilizers from third party producers, which Norofert has purchased for the purpose of promoting the Karisma line.
- **Personnel expenses:** the significant increase in the personnel expenses has been caused by the fact that following the private placement, the Norofert team has grown by +177%, which is 32 new team members.
- **Operating result:** the increase of the expenses, more specifically the costs of goods and personal expenses, represents the change in the business model following the implementation of the development plan for which Norofert has raised money during the private placement in July 2019. The operational profit margin has lowered primarily because of the investments carried out starting from August 2019. As previously mentioned, second half of the year is for Norofert a season when primarily products with low profit margin are sold (versus first half of the year when high-profit

margin products are sold), which was further accentuated by the fact that Norofert introduced Karisma line which being a completely new line in the market, has increased the costs.

- **Net result:** following the change of the business structure as well as increased sales at the Group and individual level, the taxes paid by the company has significantly increased (+245%), thus lowering the net result registered at the consolidated level. More specifically, Norofert Organics and Norofert Fitofarma has increased revenues over the threshold allowed for companies benefit from 1% tax on revenue and migrated to the 16% of tax on the profit.

## Individual Financial Results

Please note that the results recorded in 2018 at the individual level by the companies from the Group should not be of reference because, for fiscal optimization purposes, some sales activity has been transferred between the companies, for example some of sales activity of Norofert Organics SRL has been transferred to Norofert Fitofarma SRL in 2018. Additionally, there has been intra-group activity between the three companies in the course of 2018 and 2019, which is the reason why there is a difference in the revenues recorded at individual and consolidated level.

### *i. Norofert SA*

Profit & Loss Account (lei)	31.12.2019	31.12.2018	Change (%)
Turnover	14.608.427 lei	5,921,009 lei	147%
Operating Expenses	11.082.711 lei	5,248,394 lei	111%
Operating Result	3.525.716 lei	672,615 lei	424%
Financial Result	(54.964 lei)	(30,572 lei)	80%
Gross Result	3.470.752 lei	642,043 lei	441%
Net Result	2.927.181 lei	513,994 lei	469%

### *ii. Norofert Fitofarma SRL*

Profit & Loss Account (lei)	31.12.2019	31.12.2018	Change (%)
Turnover	2.417.287 lei	2,164,990 lei	12%
Operating Expenses	1.004.651 lei	164,544 lei	511%
Operating Result	1.412.636 lei	2,000,446 lei	-29%
Financial Result	(61 lei)	0 lei	-
Gross Result	1.412.575 lei	2,000,446 lei	-29%
Net Result	1.395.684 lei	1,978,796 lei	-29%

### *iii. Norofert Organics SRL*

Profit & Loss Account (lei)	31.12.2019	31.12.2018	Change (%)
Turnover	2,800,323 lei	2,074,791 lei	35%
Operating Expenses	2,451,676 lei	75,836 lei	3133%

Operating Result	348,647 lei	1,998,955 lei	-83%
Financial Result	(20,885 lei)	0 lei	-
Gross Result	327,762 lei	1,998,955 lei	-84%
Net Result	299,552 lei	1,978,207 lei	-85%

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## Financial Position

Consolidated Statement of Financial Position of Norofert Group (Norofert SA, Norofert Fitofarma SRL and Norofert Organics SRL)

Balance Sheet (lei), consolidated	31.12.2019	31.12.2018	Change (%)
<b>Fixed Assets, out of which:</b>	<b>2,083,592 lei</b>	<b>635,251 lei</b>	<b>228%</b>
Intangible assets	221 lei	461 lei	-52%
Property, plant and equipment	1,703,519 lei	383,557 lei	344%
Financial Assets	58,601 lei	9,002 lei	551%
Assets under investment	321,251 lei	242,231 lei	33%
<b>Current Assets, out of which:</b>	<b>24,658,333 lei</b>	<b>8,595,181 lei</b>	<b>187%</b>
<b>Inventories</b>	<b>4,830,478 lei</b>	<b>1,612,969 lei</b>	<b>199%</b>
Raw materials and consumables	394,590 lei	537,781 lei	-27%
Inventory Items	- lei	- lei	-
Finished Products	37,142 lei	143,797 lei	-74%
Goods	4,333,892 lei	817,981 lei	430%
Packaging	29,410 lei	71,141 lei	-59%
Biological assets of stock nature	- lei	- lei	-
Advances for the stock acquisitions	35,444 lei	42,269 lei	-16%
<b>Receivables</b>	<b>18,981,863 lei</b>	<b>6,895,117 lei</b>	<b>175%</b>
Trade Receivables	17,475,963 lei	6,064,350 lei	188%
Receivables from Affiliated Companies	- lei	- lei	-
Due from Shareholders	- lei	- lei	-
Other	1,505,900 lei	830,767 lei	81%
<b>Short-term investments</b>	<b>- lei</b>	<b>- lei</b>	<b>-</b>
<b>Cash and cash equivalents</b>	<b>845,992 lei</b>	<b>87,095 lei</b>	<b>871%</b>
<b>Pre-paid expenses</b>	<b>59,218 lei</b>	<b>3,505 lei</b>	<b>1590%</b>
<b>Total Assets</b>	<b>26,801,143 lei</b>	<b>9,233,937 lei</b>	<b>190%</b>
<b>Current liabilities, out of which:</b>	<b>9,925,234 lei</b>	<b>4,172,824 lei</b>	<b>138%</b>
Third-party providers	8,147,010 lei	2,935,889 lei	177%
Debts with affiliated companies	- lei	- lei	-
Bank debt	203,967 lei	866,774 lei	-76%
Debt to shareholders	25,600 lei	26,500 lei	-3%
Financial leasing	- lei	- lei	-
Other short-term debts	1,548,657 lei	343,661 lei	351%
<b>Non-current liabilities, out of which:</b>	<b>1,011,265 lei</b>	<b>196,498 lei</b>	<b>415%</b>
Bank debt	- lei	- lei	-
Financial leasing	1,011,265 lei	196,498 lei	415%
<b>Provisions</b>	<b>- lei</b>	<b>387,167 lei</b>	<b>-100%</b>
<b>Advance Income</b>	<b>21,322 lei</b>	<b>- lei</b>	<b>-</b>
<b>Total Liabilities</b>	<b>10,957,821 lei</b>	<b>4,756,489 lei</b>	<b>130%</b>
<b>Equity, out of which:</b>	<b>15,843,322 lei</b>	<b>4,477,448 lei</b>	<b>254%</b>

Subscribed and paid-up capital	802,794 lei	3,800 lei	21026%
Issue Premium	6,458,456 lei	- lei	-
Legal reserves	150,399 lei	760 lei	19689%
Other Reserves	8,240 lei	8,240 lei	0%
Retained profit or losses	3,950,655 lei	(6,269 lei)	-63119%
Profit or loss for the financial year	4,622,417 lei	4,470,997 lei	3%
Profit distribution	(149,639 lei)	(80 lei)	186949%
<b>Total Equity and Debt</b>	<b>26,801,143 lei</b>	<b>9,233,937 lei</b>	<b>190%</b>

Comments on the evolution of the Balance Sheet:

- **Fixed Assets:** following the private placement, the company has invested capital in developing the factory in Filipești de Padure as well as the automatization of the production facility for Fito line, which is the reason why fixed assets have increased significantly compared to 2018.
- **Inventories:** the inventory has increased primarily because of the sales strategy adopted by Norofert for the Karisma line, which includes selling third party produced products. Additionally, the above inventory also includes some goods that were already sold but were not yet sent to the clients and under the custody contract, they are still in our stock rather than client. The reason for this is because some of the clients request such operation in case when they do not have sufficient storage capacity.
- **Receivables:** the standard payment term in the agricultural sector is between 280 to 360 days and this is the payment term that applies to all products sold from Organics and Karisma line. The only exception are products from FITO line, which have an average payment term of 90 days. The increase in the receivables is directly related to the increase of the revenues in the course of 2019. The reason why receivables for 2019 are higher than the revenues registered by the company are caused by the fact that some unsettled receivables from 2018 from non-performing customers were carried into 2019. In order to mitigate this risk in the future, in the course of 2019, Norofert has dispersed its customer base significantly in order not to depend on individual clients (39 clients as of July 1st, 2019 compared to 402 clients as of December 31st, 2019). Additionally, the company has hired a risk manager who analyses the client's payment capacity before establishing relationship with them.

## Individual Statements of Financial Position

iv. Norofert SA

Assets	31.12.2019	31.12.2018	Change (%)
Fixed Assets	908,433 lei	635,251 lei	43%
Current Assets	19,838,674 lei	4,499,232 lei	341%
Pre-paid expenses	48,309 lei	3,505 lei	1278%
<b>Total Assets</b>	<b>20,795,416 lei</b>	<b>5,137,988 lei</b>	<b>305%</b>
Liabilities	31.12.2019	31.12.2018	Change (%)
Equity	10,196,951 lei	526,314 lei	1837%
Debt:	10,598,465 lei	4,611,674 lei	130%
- Current liabilities	10,443,659 lei	4,028,009 lei	159%
- Non-current liabilities	133,484 lei	196,498 lei	-32%

Provisions	- lei	387,167 lei	-100%
Advance income	21,322 lei	- lei	-
<b>Total Equity and Debt</b>	<b>20,795,416 lei</b>	<b>5,137,988 lei</b>	<b>305%</b>

v. *Norofert Fitofarma SRL*

<b>Assets</b>	<b>31.12.2019</b>	<b>31.12.2018</b>	<b>Change (%)</b>
Fixed Assets	- lei	- lei	-
Current Assets	4,816,530 lei	2,124,279 lei	127%
Pre-paid expenses	- lei	- lei	-
<b>Total Assets</b>	<b>4,816,530 lei</b>	<b>2,124,279 lei</b>	<b>127%</b>

<b>Liabilities</b>	<b>31.12.2019</b>	<b>31.12.2018</b>	<b>Change (%)</b>
Equity	3,391,346 lei	1,975,862 lei	72%
Debt:	<i>1,425,184 lei</i>	<i>148,417 lei</i>	<i>860%</i>
- <i>Current liabilities</i>	<i>1,425,184 lei</i>	<i>148,417 lei</i>	<i>860%</i>
- <i>Non-current liabilities</i>	- lei	- lei	-
Provisions	- lei	- lei	-
Advance income	- lei	- lei	-
<b>Total Equity and Debt</b>	<b>4,816,530 lei</b>	<b>2,124,279 lei</b>	<b>127%</b>

vi. *Norofert Organics SRL*

<b>Assets</b>	<b>31.12.2019</b>	<b>31.12.2018</b>	<b>Change (%)</b>
Fixed Assets	1,214,759 lei	- lei	-
Current Assets	5,300,131 lei	2,728,276 lei	94%
Pre-paid expenses	10,909 lei	- lei	-
<b>Total Assets</b>	<b>6,525,799 lei</b>	<b>2,728,276 lei</b>	<b>139%</b>

<b>Liabilities</b>	<b>31.12.2019</b>	<b>31.12.2018</b>	<b>Change (%)</b>
Equity	2,294,625 lei	1,975,272 lei	16%
Debt:	4,231,174 lei	753,004 lei	462%
- <i>Current liabilities</i>	<i>3,353,393 lei</i>	<i>753,004 lei</i>	<i>345%</i>
- <i>Non-current liabilities</i>	<i>877,781 lei</i>	- lei	-
Provisions	- lei	- lei	-
Advance income	- lei	- lei	-
<b>Total Equity and Debt</b>	<b>6,525,799 lei</b>	<b>2,728,276 lei</b>	<b>139%</b>

 **NOROFERT GROUP** **NOROFERT ORGANICS** **KARISMA** **NOROFERT FITO****Investor Relations Contact:**

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