

COMCEREAL SA TULCEA

Tulcea, Isacsei Street, no. 73; Ph./Fax: 0240/534061/534069; e-mail: comcereal_tulcea@yahoo.com
Unique Registration Code: RO8392201; Trade Register Registration no. J 36/165/1996; LEI Code:
254900R1D1AN3UY3Q040; Share Capital: 8,177,652.50 ron
TRANSILVANIA BANK ACCOUNT: RO88BTRL03701202E10399XX
RAIFFEISEN BANK ACCOUNT: RO47 RZBR 0000 0600 0035 2530
BRD TULCEA ACCOUNT: RO13 BRDE 370S V016 7740 3700
UNICREDIT BANK ACCOUNT: RO26 BACX 0000 0005 2325 5000

ADMINISTRATOR'S REPORT ON THE FINANCIAL YEAR 2019, ACCORDING TO THE FINANCIAL SURVEILLANCE AUTHORITY REGULATION NO. 5/2018

Name of the issuing entity	COMCEREAL SA Tulcea
Registered office	Isacsei Street, no. 73, 3 rd fl., Tulcea
Ph./Fax	0240534061 / 0240534069
Unique Registration Code / Fiscal Registration Code	RO 8392201
Number in the Trade Register Office Tulcea	J 36 / 165 /1996
LEI Code	254900R1D1AN3UY3Q040
Subscribed and paid-up share capital	8,177,652.50 ron
The regulated market on which securities are traded	Bucharest Stock Exchange - Alternative Trading System - AeRO
Market symbol	CTUL

2. ANALYSIS OF THE COMPANY'S ACTIVITY

1.1. Analysis of the company's activity

a) Description of the company's main activity

The Company COMCEREAL SA TULCEA is a joint stock company, with private share capital, which operates in the agriculture and food industry.

The main activity of the company is the conditioning, storage and selling of agricultural products. With a total storage capacity of approximately 137,000 tons of cereals and a capacity authorized by the Directorate for Agriculture and Rural Development Tulcea of 111,100 tons, the company occupies one of the top places in Tulcea district in this domain, having the capacity to receive up to 2/3 of the agricultural production of the district.

b) Specification of the incorporation date of the company

The company Comcereal was established by the Government Decision 1054/1995, upon the reorganization of the former Romcereral – Autonomous Administration of Tulcea and its

transformation into two economic agents, namely the Company Comcereal S.A. Tulcea and the National Agency for Agricultural Products – Autonomous Administration Tulcea.

c) Description of any significant merger or reorganization of the company, of the subsidiaries or of the controlled companies, during the financial year

- Not applicable.

d) Description of assets acquisitions and/or sales

In 2019 investments were made in the amount of 211,029 ron.

Regarding the sales/disposals of fixed assets, in 2018, fully depreciated fixed assets were disposed, with an inventory value of 36,142 ron, which had a degree of wear and tear that could no longer allow their use, and following the inventory made on 31.12.2018, in 2019 fully depreciated fixed assets and with an advanced degree of wear were proposed to be taken out of use, these having an inventory value of 56,370 ron.

e) Description of the main results of the company's activity evaluation

The CAEN (T.N.: Activities Classification in the National Economy) code based on which the annual reports were made is 5210 "Storage".

The main object of our company is the storage and preservation of the cereals.

The technological process for the conservation of cereals includes the following stages:

- the quantitative reception (weighing) and qualitative reception (laboratory analysis of the samples taken from the means of transport). The net quantity, moisture content, hectolitre weight and cereals' foreign bodies content from that means of transport are determined. There is also aimed at checking the presence or absence of pests and disease attacks;
- cereals cleaning/selection, the stage in which the foreign bodies, dust and weed seeds are removed;
- vertical transport (with elevators) and horizontal transport (with conveyor belts or with drag conveyor belts) for storage in cells or warehouses;
- if the humidity does not allow the storage (being too high), the cereals are subjected to the artificial drying process (in drying columns-dryers), by successive passes, for the extraction of the excess water. When the humidity reaches the values recommended by the standards, the cereals are stored for preservation;
- the storage for the preservation and monitoring of cereal parameters (humidity, temperature and the presence of infections or not). Maintaining the parameters within the limits recommended by norms and standards is done by measuring the temperature in the product mass, periodically, eliminating excess heat by forced aeration (ventilation), observing the presence of pests and applying phytosanitary treatments (disinsection, disinfection, deratization);
- the delivery of cereals is done by weighing, laboratory analyses of the delivered cereals and preparation of necessary documentation.

In the last 3 years, the share of the revenues generated from the basic activity in the total turnover is presented below:

Name	2017	2018	2019
	Turnover 100%	Turnover 100%	Turnover 100%
Revenues from services rendered depositing% :	2.99	1.45	1.97
- Revenues from sale of goods and finished products %	96.40	98.18	97.46
- Other revenues from the turnover %	0.61	0.37	0.57

The evolution of the quantities received during the last 3 years is presented in the table below:

-tons-			
RECEIVED PRODUCT / YEAR	2017	2018	2019
TOTAL - Tons	61,134	98,056	58,185

The year 2019, for the south-east area of the country and especially for Tulcea district area where Comcereal SA operates, was a year marked by prolonged drought and extreme weather phenomena that generated partial or even total disasters at times for certain cultures. This led to a significant decrease in the quantities of purchased agricultural goods.

1.1.1. General evaluation elements

Compared to the indicators proposed for the year 2019, the company achieved the following:

-ron-				
No.	EXPLANATION	Made in 2017	Made in 2018	Made in 2019
1.	Net profit/loss in the financial year	1 104 831	1 491 319	1 218 683
2.	Turnover, of which:	65 791 467	114 041 060	78 945 211
	Deliveries in the exterior	1 362 588	1 988 387	4 682 290
3.	Cost of sold goods and rendered services	63 506 073	110 202 921	75 566 720
4.	Liquidity (cash and accounts in banks)	3 092 057	4 662 553	2 369 027

a) Profit

The company COMCEREAL SA TULCEA recorded in year 2019 a gross accounting profit of 1,610,938 ron, out of which 2,423,173 ron profit from exploitation and 812,235 ron profit from the financial activity. As a result of the taxation, a net profit of 1,218,683 ron resulted.

b) Turnover

In 2019 the company recorded a turnover of 78,945,211 ron. The turnover realized in 2019 represents approximately 54% of the budget provisions for 2019:

-ron-						
Name	2017		2018		2019	
	Made	Expected	Made	Expected	Made	Expected
Turnover	65,791,467	109,940,000	114,041,060	91,365,900	78,945,211	146,282,900

c) External deliveries

In 2019, Comcereal made intra-community sales of goods in total amount of 4,682,290 ron.

d) Costs

The total expenditures incurred in 2019 in the amount of 72,222,636 ron represent approximately 53% of the total expenses provided in the BVC (T.N.: Budget of Revenues and Expenses) 2019.

-ron-			
EXPLANATION	Made 2017	Made 2018	Made 2019
Total expenditure, of which:	69,849,854	115,171,691	72,222,636
Exploitation expenses, of which :	69,503,655	114,318,175	71,260,467
Expenses with raw materials	4,376,780	15,357,810	2,499,797
Expenses with materials, energy, consumed materials	465,990	552,715	536,066
Expenses with goods	58,167,681	89,232,294	61,528,013
Expenses with the staff	2,080,650	2,332,885	2,347,028
Expenses with the amortization	576,528	830,236	790,008
Expenses with taxes	225,626	307,257	293,364

Other expenditure	3,450,516	5,515,017	2,961,778
Expenses with provisions	159,884	189,961	304,413
Financial expenses	346,199	853,516	962,169

The expenditure on materials and energy recorded slight decreases compared to the year 2018, because of the decrease of the quantities of traded goods.

The expenses on the staff are 12% higher compared to those in 2017, an increase due to the rise in the minimum wage from 1,450 to 1,900 ron.

The personnel expenses are relatively constant compared to 2018. The slight increase occurred due to the fact that in 2019 Comcereal could no longer benefit from the possibility to use the seasonal workforce of daily type as they carry out the activities corresponding to CAEN (Translator's Note: NACE = Nomenclature of Economic Activities) code 5210 Depositors and 4621 Trade with wholesale of cereals, seeds, fodder and raw tobacco that are not included in the Government's Emergency Order 26/2019 as activities in which this facility can be used starting with 01.01.2019.

As far as goods expenses are concerned, they are lower than in 2018 by about 31%. This was possible as a result of:

- cereal and oilseed products greatly diminished compared to the campaigns of 2018;
- the purchase of a smaller quantity of cereals compared to the year 2018, by about 40%;
- the fierce competition on the cereals transactions in the area;

With regard to "Other Expenses", this indicator includes: repair costs, insurances, paid rent, collaborators expenses (workers by day), transportation costs, IT services, telephony, internet, legal services, laboratory analyzes, grading fees, etc. Their volume decreased compared to the previous years, due to the transport expenses, which have a significant share in "other expenses" due to trading a smaller quantity of cereals.

e) Market percentage held

The crops set up in the agricultural basins adjacent to the subdivisions of Comcereal SA Tulcea represent a percentage of about 25% of the crops of cereals and oilseeds sown in the district.

The received amount of product is influenced by the company's desire to buy each product, by the price, the cash availability and the competition on the market during that period.

f) Liquidity

-ron-

I. Liquidity indicators	<i>Current liquidity indicator</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>
	Current assets (A)	23,114,201	40,816,587	30,685,315
	Current debts (B)	9,869,616	26,596,588	16,020,080
	<i>A/B- in number of times</i>	<i>2,34</i>	<i>1,53</i>	<i>1,92</i>
	<i>Immediate liquidity indicator</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>
	Current assets (A)	23,114,201	40,816,587	30,685,315
	Stocks (B)	11,874,814	22,525,269	15,169,452
	Current debts (C)	9,869,616	26,596,588	16,020,080
	<i>(A-B)/C – in number of times</i>	<i>1,14</i>	<i>0,69</i>	<i>0,97</i>

The practice suggests that the current liquidity is appropriate for most businesses when it would ensure that all current debts are covered by current assets at least once.

The security value of the fast liquidity indicator is between 0.6 and 1. In our case, a value of 0.97 expresses the ability of an enterprise to meet its short-term debt from receivables, cash and short-term financial investment, excluding the stocks, which have the slowest potential for liquidity conversion, the account available shown above provides a comfort in this respect.

1.1.2. Assessment of the technical level of the company

a) sales markets for each product, service and the distribution methods;

The trade activity for agricultural products, as well as of the finished products obtained pursuant to oleaginous processing was carried out in 2018 and in 2019 respectively both on the domestic market as well as on the foreign market by the intra-community transactions made by Comcereal. The purchased products are sold both to the cereals traders and to the commercial agents from the agricultural products processing industry (beer, oil, bakery products).

The services provision activity is mainly addressed to the domestic producers who do not have storage facilities or have, but they are not properly equipped to preserve the products in good condition (so as to reach the quality required to obtain an attractive price).

b) the share of the commercial activity and services provision in the total turnover for the last 3 years.

In the last years, a change in the revenue structure of the turnover has been attempted, so as to achieve a balance of the revenues from services (decreasing) towards the revenues from the marketing of the agricultural products, the trade revenues reaching 97.46% of the total revenues.

The evolution of these indicators is presented below:

Name	2017		2018		2019	
	Value	Percentage of total revenues	Value	Percentage of total revenues	Value	Percentage of total revenues
Total revenues, of which:	71,041,829	100	117,029,201	100	78,833,574	100.00
a) The turnover, of which:	65,791,467	92.61	114,041,060	97.45	78,945,211	100.14
Revenues from services provision	1,964,082	2.76	1,647,883	1.41	1,557,538	1.97
Revenues from the sale of finished goods and products	63,429,045	89.29	111,967,171	95.68	76,941,811	97.46
Other revenues from the turnover	398,340	0.56	426,007	0.36	445,862	0.57
b) Other revenues	5,250,362	7.39	2,988,141	2.55	-111,637	-0.14

c) the new products taken into account for which a substantial volume of assets will be given in the next financial year and the stage of development of these products.

In 2019, an amount of 581 tons of sprat was sold, 1,421 to crude oil and 1,552 to degummed oil, and in addition to agricultural commodities, Comcereal SA also sold chemical fertilizers, seeds for seedlings, herbicides for agriculture. It is hoped that this kind of trade will be developed in the next years, at a significant level compared to the previous years.

1.1.3. Assessment of the technical-material supply activity (indigenous sources, import sources).

The technical-material basis is generally provided from the domestic market and consists mainly of materials, spare parts and components for the technical facilities afferent to the reception bases and to Baia Silo.

1.1.4. Assessment of the sale activity

a) Description of the sequential evolution of the sales on the domestic and/or foreign market and of the sales prospects on medium and long term;

The situation of the sales of agricultural products on the internal and foreign market during the year 2019, compared to 2018 is presented below

DELIVERED AGRICULTURAL PRODUCTS (wheat, corn, sunflower, rapeseed, barley, etc)	2017		2018		2019	
	Quantity -tons-	Value -ron-	Quantity -tons-	Value -ron-	Quantity -tons-	Value -ron-
TOTAL DELIVERED PRODUCTS	60,919	59,378,418	87,287	106,703,117	58,928	60,462,592

For 2020 there are assumptions for increasing the quantities of received and purchased agricultural products, which would allow also the substantial increase in the volume of the agricultural products delivered on the internal and foreign market, there being implicitly an increase in the utilization degree of the available storage capacities. Everything depends on the evolution of cereals prices in the world market.

b) The description of the competitive situation in the company's field of activity, the market share of the products or services of the company and of the main competitors.

In the last 5 years, the number of companies buying cereals in Tulcea district has increased considerably. Either there are companies from Constanta harbour, who have given up to intermediaries and make purchases directly from the producers (from the field, at the time of the harvesting – Company Ameropa Grains S.A., Company Bunge S.A., Company ADM Romania S.R.L., Company Cargill Agricultura S.R.L., Brise Group) or there are companies that sell seeds, fertilizer, herbicide together with agricultural products (Company Agricover S.A.), or there are companies that use cereals and oilseeds as raw material in the production process (Company Dobrogea Grup S.A., Company LTA Mondial S.R.L., Company Prutul Galati S.A., etc.). This has led to the increase of competition on our acquisition market.

The Company Comcereal SA Tulcea has the capacity to adapt to the new market conditions, as we have qualified personnel, with experience in the field, an appropriate infrastructure and a flexible pricing policy, adapted to the market requirements at a given moment.

Thus, in 2019, new commercial contacts were established with the big operators on the cereals market, for the capitalization of the purchased products: Cofco International Romania S.R.L., Argus S.A. Constanta, Glencore Agriculture Romania, Ameropa Grains SA, Cargill Agricultura S.R.L., etc.

c) The description of any significant dependence of the company towards a single customer or to a group of clients of which loss would have a negative impact on the company's revenues.

The company is directly dependent on the agricultural producers, on their vitality, on their ability to produce goods to condition, store, sell on an organized market, so as to make a profit which would be reintroduced in the economical-financial circuit.

On the other hand, the company sells its products to a diverse clientele. Comcereal is not dependent on a single client or on a group of clients, the management's policy being to ensure the profitability of the performed activity, based on the market criteria.

1.1.5. **Assessment of the aspects regarding the employees/staff of the company.**

a) Specifying the number and level of training of the employees of the issuer, as well as the degree of unionisation of the workforce.

The company carries out the aforementioned activities with a staff of 59 employees, of which 20 with TESA (T.N.: Technical, Economic and Socio-Administrative) qualifications (1 general manager with mandate contract, 2 directors with individual employment contract, 7 TESA persons at the headquarters, 6 heads of subunits who are also managers, 1 accountant at the subunits, 3 auxiliary staff at headquarters - secretary/cashier). Of the 39 workers, 29 are skilled in the professions specific to our activities, and 10 are unqualified.

Of the 59 employees, 9 are graduates of higher education, 17 with secondary education and 23 professionally qualified and 10 are unqualified employees.

The workforce is not registered in any union, the employees have no affiliations to any union block.

b) Description of the relationships between the manager and the employees, as well as any other conflicting elements which characterize these relationships

The employees' relationships with the managers are normal, without stress, based on mutual respect.

Taking into account the diversification and development plans of the company's operations, it is intended to employ qualified and specialized personnel to carry out these activities within the limit of the available resources.

1.1.6. **Assessing the issues related to the impact of the issuer's basic activity on the environment.**

As a result of the technological conditioning process (removal of foreign bodies, vegetable and mineral powders by suction from the product mass) it results:

- non-valuable technological wastes, which are transported by own means to the waste dumps from the localities where the reception bases operate
- valuable technological wastes that are capitalized by resale or restitution to the agricultural producers.

At the reception bases belonging to our company, no sources of soil and subsoil pollution have been identified, there are no sources of radiation, the noise and vibrations levels are within the permissible limits.

There are concluded contracts with sanitation companies at each reception base: Edilitar Salub Term – Reception Base of Macin, JT Grup – Reception Base of Mahmudia, Servicii Publice Tulcea – Tulcea, Star Eco Salubris S.R.L. – Baia Silo.

The company has no litigation regarding to the breach the legislation on the environment protection.

In the course of the activity of storage and preservation of agricultural products there have been no events that would have had any impact on the environment. At the same time, there were no violations of the legal provisions regarding the environment, health, safety at work, DSVSA (T.N.: Sanitary-Veterinary and Food Safety Directorate), safety at work, fires prevention and extinguishing.

We mention that the company holds all the operating permits and authorizations required by the legislation in force.

During the year 2019, the inspections carried out by the specialized control bodies did not reveal any deviations or violations of the legal provisions.

1.1.7. Assessment of the development & research activity

The company does not have a distinct department for the research and development activities, but it has particular concerns in the field of the market research, as well as the evolution of the cereals storage and handling technologies.

1.1.8. Evaluating the company's activity on the risk management

Due to the nature of the activities it performs, the Company is exposed to various risks including: the credit risk, foreign exchange risk, interest rate risk and liquidity risk. The management aims to reduce the potential adverse effects associated with these risk factors on the Company's financial performance.

1. The credit risk

The Company is subject to credit risk due to its commercial receivables and to other types of receivables. The references on the clients' creditworthiness are normally obtained for all new customers, the receivables due date is carefully monitored, and the amounts due after the deadline are promptly tracked.

2. Foreign exchange risk

The company may be exposed to the exchange rate fluctuations through the debt generated by any foreign currency loans or commercial debts. Due to the high associated costs, the Company's policy is not to use financial instruments to mitigate this risk.

3. The interest rate risk

The Company's cash flows are affected by the rate fluctuations of the interests.

4. The liquidity risk

The prudent management of the liquidity risk involves maintaining sufficient cash and available credit lines.

1.1.9. Prospective elements regarding the activity of the company

a) Presenting and analyzing the trends, elements, events or uncertainty factors that affect or could affect the liquidity of the company compared to the same period of the previous year.

In the activity that the company carries out, the advancement of inputs allows to contract goods in advance, which is an advantage.

However, the granting of these inputs presents a risk of exposure in respect of the recovery of the amounts paid in advance. In the year 2019, the company provided inputs, by the contracts concluded increasing the conditions for guaranteeing these advances.

In order to diminish such risks, there were stipulated contractual clauses that set up a pledge on the crop, pledge on the bank account, promissory notes are required as a guarantee of a good execution of the contract and securities guarantees.

b) Presentation and analysis of the effects of current or anticipated capital expenditures, on the financial situation of the company compared to the same period of the previous year.

In 2019 investments were made in the amount of 211,029 RON, which reached the target for which they were provided.

c) Presentation and analysis of the events, transactions and economic changes that significantly affect the revenues from the main business.

A fact that significantly affects the revenues from services provision in the last years is the increased competition related to the storage services, due to the fact that the agricultural producers, benefiting from the offered economic facilities, have purchased their own storage facilities.

Regarding the important events that occurred in 2019, we mention the re-registration in the organic farming system regarding the production, processing, marketing and storage of organic agro-food products. This will allow the marketing of organic agricultural products with better economic results.

2. TANGIBLE ASSETS OF THE COMPANY

2.1. Specifying the characteristics of the main production capacities owned by the company.

The Company COMCEREAL S.A. TULCEA has 7 active and authorized work points and two mobile bases, which are in conservation. These are spread all over the district so as to cover an area as large as possible to collect and receive the cereals in quantities as large as possible. The work points belonging to the Company COMCEREAL S.A. can be presented as follows:

- Baia Silo – Baia village, Tulcea district, 65 km. distance from Tulcea, on the European Road 87, Tulcea – Constanta), with two grain silos (type Froment Clavier – PIF 1946, 5000 tons, with annex – PIF 1968, 5500 tons and type I.P.S.C.A.I.A. – PIF 1975, 44000 tons). The silo benefits from an inner railway, with a length of approx. 1,400 m., with two lines, connected to the Baia station at the Tulcea-Medgidia railroad line. Also included in the work point's endowment there are sheds, concrete platforms, interior roads, an electrical energy transformation and supply network, water supply network and hydrants network. In the premises there is a mechanical workshop where works of turning, welding, locksmithing, painting, etc. can be done, a cereals analysis laboratory with modern equipment: remote sampling probe, humidity, temperature, weight hectolitre electronic analyzer, mechanical foreign matter analyzer, etc.).

The other working points are cereals reception centres, with horizontal storage spaces (grain storehouses), equipped with laboratories, weighing systems, mechanized cereals taring/selection and transportation systems (horizontally and vertically), storage areas, concrete platforms, premises interior roads and electricity and water supply networks.

As peculiarities, the cereals reception bases are presented as follows:

- The Mahmudia reception base is located in the east of the district, on the District Road 222C, about 35 km from Tulcea and about 3 km from the Danube;
- The Isaccea reception base, located halfway between Tulcea and Galati ferry crossing (National Road 22, 37 km from Tulcea), situated on the Danube bank, with a platform (elevation quota + 5.5m) and an arranged pier, with the possibility of ships operation, with draught up to 3.5 m;
- The Macin reception base, located in the western part of the district, is about 80 km from Tulcea, and about 20 km from the Braila ferry crossing point;
- The Peceneaga reception base, located at about 300 m from the Danube bank, on the District Road 222 F, about 80 km from Tulcea;
- Casimcea reception base, located in the southern part of the district, on the District Road 222 E, about 85 km from Tulcea;
- Mihai Kogalniceanu reception base, located on Tulcea – Constanta road, E 87, about 30 km from Tulcea, in the vicinity of the station of the Romanian Railway Company, is endowed with a railroad of about 900 m, but is not connected to the main line as it is in conservation.
- Topolog Mobile Base – Topolog village, Tulcea district
- Horia Mobile Base – Horia village

- Isaccea Bakery – Isaccea town, Vidin Street, no. 32, Tulcea district

The management of the company ensures the maintenance and repair of the tangible assets in order to keep the operating parameters within normal limits.

2.2 Description and analysis of the degree of wear and tear of the company's properties

The properties of the trading company are in a state of functioning and fully operational.

The last assessment of the lands, buildings and special constructions belonging to the company was made on 31.12.2014, the values set for each asset, taking into account the degree of their wear.

2.3 Indication of the potential problems related to the ownership of the tangible assets of the issuing company

Our company owns 40.66 hectares of land, and for the subunits where we do not have land ownership (Macin, Peceneaga), it is leased from the Local Councils.

There are no problems related to the ownership of the company's tangible assets

3. MARKET OF THE SECURITIES ISSUED BY THE COMPANY

3.1. Specification of the markets from Romania and from other countries where the securities issued by the company are negotiated

The Romanian market on which the securities issued by the company are negotiated is the Bucharest Stock Exchange through the alternative trading system AeRO. The symbol of company is CTUL.

3.2. Description of the company's dividends policy. Specification of the dividends due/paid/accumulated in the last 3 years and, if applicable, of the reasons for the possible diminishing of the dividends over the last 3 years

For the year 2017, the net result obtained amounted to 1,104,830.61 ron and 60,123 ron was assigned to the legal reserve, and the difference in the amount of 1,044,707.61 was divided as follows: 30,678.70 ron to be used for the provision of reserves at the disposal of the company and 1,014,028, 91 ron was distributed for the distribution of dividends, i.e. 0.31 ron gross dividend / share.

In 2018, Comcereal SA achieved a net profit of 1,491,319.30 ron and was distributed as follows: constitution of legal reserves in the amount of 7,414.50 ron, and the difference in the amount of 1,483,904.80 divided as follows: 175,480.40 ron to be used to make reserves at the disposal of the company, and the amount of 1,308,424.40 ron to be let for the distribution of dividends, namely 0.40 ron gross dividend / share.

In 2019, Comcereal SA achieved a net accounting profit of 1,218,683.25 ron. The Sole Administrator of the company proposes to the shareholders that it be distributed for the creation of reserves available to the company.

3.3. Description of any activities of the company to purchase its own shares

Not applicable

3.4. The number and the nominal value of the shares issued by the mother company owned by the subsidiaries

Not applicable

3.5. The manner in which the company ensures its financial obligations towards the bondholders and/or other debt securities

Not applicable, the company has no issued bonds.

4. THE MANAGEMENT OF THE COMPANY

4.1. The administrators of the company:

In the year 2019, the management of the company was provided by Mr. Ioan Pauna, as the Sole Administrator, appointed on the basis of the Shareholders' General Ordinary Meeting Decision no. 3/20.12.2017.

There are no agreements, understanding or family relationships of the administrator with any other person in the firm.

The administrator of the company does not own shares in the share capital of the company.

The administrator's term of office is valid until 23.01.2022.

During 2019, 27 meetings of the Board of Directors were convened and held.

4.2. The executive management of the company

For the period 01.01.2019-31.12.2019, the executive management of the company was provided by:

No.	Last and first name	The function held in the company	Mandate Contract (CM)/ Individual Employment Contract (CIM)	Qualification
1.	Niculescu Emilian	General manager	Mandate Contract 3088/08.11.2013 and additional acts	engineer
2.	Monea Aurora	Economic manager	Individual Labour Contract 266/28.08.2015	economist
3.	Cernat Corneliu	Technical manager	Individual Labour Contract 290/06.09.2018	engineer

No member of the executive management of the company has any agreement, understanding, or family relationship with any other person in the company.

The technical director of the company in the person of Mr. Cernat Corneliu owns 83 shares in the share capital of Comcereal SA Tulcea.

4.3. Litigations or administrative proceedings in which the company's administrators or members of the executive management have been involved in the past 5 years in relation to their activity within the issuing company, as well as those concerning the capacity of those persons to perform their duties within the issuing company

Not applicable

5. THE FINANCIAL-ACCOUNTING SITUATION

The financial statements for the financial year 2019, prepared and presented by the unit management, are audited by the external financial auditor JPA & Consultanta SRL Bucuresti.

a) Balance sheet items

-ron-			
Patrimonial elements	31.12.2017	31.12.2018	31.12.2019
A. Fixed assets – TOTAL	19,262,250	18,713,302	18,134,323
Of which			
Intangible assets	32,190	26,070	12,147
Tangible assets	18,195,573	17,652,745	17,087,689
Financial assets	1,034,487	1,034,487	1,034,487
B. Current assets – TOTAL	23,114,201	40,816,587	30,685,315
Of which			
Stocks	11,874,814	22,525,269	15,169,452
Receivables	8,147,330	13,628,765	13,146,836
Cash and bank accounts	3,092,057	4,662,553	2,369,027
C. Expenses in advance	0	0	0
TOTAL ACTIVE (I+II+III+IV)	42,376,451	59,529,889	48,819,638
D. Debts to be paid in a period of up to one year	9,869,616	26,596,588	16,020,080
E. Debts to be paid in a period of more than one year	104,045	54,449	0
F. Provisions	27,846	35,025	21,631
G. Unearned incomes	311,693	303,286	283,883
H. Equity	32,063,251	32,540,541	32,494,044
Of which			
Paid subscribed capital	8,177,653	8,177,653	8,177,653
Reserves from reassessment	16,280,773	16,280,773	16,280,773
Reserves	6,628,204	6,598,211	6,773,691
Reported result of previous loss	68,087	0	43,244
Profit distribution	60,123	7415	0
Result of the financial year	1,104,831	1,491,319	1,218,683
TOTAL PASSIVE (I+II+III+IV)	42,376,451	59,529,889	48,819,638

From the analysis of the balance sheet items on 31.12.2019, we can see that the net fixed assets show changes compared to the year 2018 on the investments made in 2019 but also on the cumulative annual depreciation.

Current assets diminished in 2019 compared to 2018, as well as short-term debts.

In 2019, Comcereal SA does not record long-term debts following the payment of the instalments for long-term loans.

Equity shows a constant evolution in 2019 compared to 2018.

At the end of 2019, the share capital of Comcereal SA Tulcea is 8,177,652.50 RON divided into 3,271,061 shares with a nominal value of 2.5 RON.

b) The profit and loss account

The company performances are presented in the profit and loss account.

-ron-			
Criteria	2017	2018	2019
Turnover	65,791,467	114,041,060	78,945,211
Incomes from exploitation	70,452,354	116,671,445	73,683,640
Expenses from exploitation	69,271,247	114,318,175	71,260,467

Result from exploitation	1,181,107	2,353,270	2,423,173
Financial incomes	357,067	357,756	149,934
Financial expenses	346,199	853,516	962,169
Financial result	10,868	-495,760	-812,235
Total incomes	70,809,421	117,029,201	73,833,574
Total expenses	69,617,446	115,171,691	72,222,636
Gross result	1,191,975	1,857,510	1,610,938
Tax on profit	87,144	366,191	392,255
Net result	1,104,831	1,491,319	1,218,683

The company COMCEREAL SA TULCEA obtained in 2019 a profit from the exploitation in the amount of 2,423,173 RON, comparable to the one obtained in 2018, registering a favourable difference of 3%, instead, the financial result resulted in a loss in the amount of 812,235 rum, about 64% higher than the financial loss obtained in 2018. This was generated by the increase of ROBOR 3M index values according to which the interest on loans was calculated as well as the fact that in 2019, the income from collected dividends has been diminished compared to 2018. Thus, the gross result registered in 2019 amounts to 1,610,938 ron and the net one has a value of 1,218,683 ron.

c) Situation of treasury cash flows

The cash flow statement for 2018 and 2019 is set out in the annexes to this report.

Cash Flow 01.01.2019 : 4,662,553 ron

Cash Flow 31.12.2019 : 2,369,027 ron

In order to diversify the range of purchased products and to complete the performed activity, the company also needs in 2019 a working capital with a maximum value of up to 40,000,000 ron.

For this reason, we submit for approval to the shareholders the involvement of a loan of up to a maximum of 40,000,000 ron and to guarantee it up to 100% of the total assets of the patrimony as well as the mortgage on the stocks and receivables of the company.

6. Participations held by the company

Following the decision no. 1/30.08.2006 of the Shareholders' Extraordinary General Meeting regarding the participation of the Company Comcereal S.A. Tulcea on the establishment of a limited liability company, with the activity object of cultivating cereals (except rice), leguminous plants and oleaginous seeds producing plants, there started the approaches for the establishment of the Company CEREAL PREST S.R.L, which were finalized in October 2006.

The Company Cereal Prest SRL has a share capital subscribed and fully paid up at the date of the incorporation, amounting to 1,033,600 ron, divided into 103,360 shares, with a value of 10 ron each.

The company Cereal Perst SRL registered at the end of 2019 a loss in value of 557,061 ron.

7. Important events happened after closing the financial year

Not applicable.

8. The total revenues of the Board members and of the general manager

The remuneration received for the activity performed and for the degree of fulfilment of the indicators and the performance criteria by the sole administrator and by the general manager of the company was in the net amount of 145,142 ron in 2019.

9. Financial instruments

The company did not use such instruments to influence the valuation of assets, liabilities, financial position or performance of the company.

Sole Administrator,
PAUNA IOAN

General Manager,
NICULESCU EMILIAN
MIHAI

Economic Manager
MONEA AURORA

STATEMENT OF EQUITY CHANGES
on 31st December 2019

ron -

Element of equity		Balance on 01 st January 2019	Increases		Reductions		Balance on 31 st December 2019
			Total	By	Total	By	
			of which	Transfer	of which	Transfer	
0		1	2	3	4	5	6
Subscribed capital		8 177 653	0	0	0	0	8 177 653
Administration patrimony		0	0	0	0	0	0
Capital premiums		0	0	0	0	0	0
Reserves from reassessment		16 280 773	0	0	0	0	16 280 773
Legal reserves		1 635 531	0	0	0	0	1 635 531
Statutory or contractual reserves		347 987	0	0	0	0	347 987
Reserves representing the surplus realized from revaluation reserves		0	0	0	0	0	0
Other reserves		4 614 693	175 480	175 480	0	0	4 790 173
Own shares		0	0	0	0	0	0
Earnings related to equity instruments		0	0	0	0	0	0
Losses related to equity instruments		0	0	0	0	0	0
The result carried forward representing the not distributed profit/loss	D Balance	0	1 483 905	1 483 905	1 483 905	1 483 905	0
	C Balance	0	0	0	0	0	0
Result carried forward pro-income from the first adoption of IAS-IAS 29	D Balance	0	0	0	0	0	0
	C Balance	0	0	0	0	0	0
Result brought forward arising from the correction of accounting errors and from revaluation reserves	D Balance	0	0	0	0	0	0
	C Balance	0	-564 914	-564 914	-521 670	-521 670	43 244
Result brought forward from the transition to the application of the Accounting Regulation in accordance with the 4 th Directive of the EEC	D Balance	0	0	0	0	0	0
	C Balance	0	0	0	0	0	0
Profit or loss of the financial year	D Balance	0	0	0	0	0	0
	C Balance	1 491 319	1 218 683	1 218 683	1 491 319	1 491 319	1 218 683
Profit distribution	D Balance	7 415	0	0	7 415	7 415	0
	C Balance	0	0	0	0	0	0
TOTAL Equities		32 540 541	-654 656	-654 656	-521 671	-521 671	32 494 044

Administrator,
Ioan Pauna

General Manager
Niculescu Emilian Mihai

Economic Manager
Monea Aurora

COMCEREAL S.A. TULCEA**INFORMATION ON THE STATEMENT OF EQUITY CHANGES**

The equity was influenced as follows:

Element al capitalului propriu		2018		2019	
Subscribed capital		8 177 653		8 177 653	
Administration patrimony		0		0	
Capital premiums		0		0	
Reserves from reassessment		16 280 773		16 280 773	
Legal reserves		1 635 531		1 635 531	
Reserves for own shares		347 987		347 987	
Reserves representing the surplus realized from revaluation reserves		0		0	
Other reserves		4 614 693		4 790 173	
Own shares		0		0	
Earnings related to equity instruments		0		0	
Losses related to equity instrument		0		0	
Reported result	D Balance	0	0	0	0
	C Balance	0	0	0	0
Result carried forward pro-income from the first adoption of IAS-IAS 29	D Balance	0	0	0	0
	C Balance	0	0	0	0
Result brought forward arising from the correction of founding errors	D Balance	0	0	0	0
	C Balance	0	43 244	0	43 244
Result brought forward from the transition to the application of the Accounting Regulation in accordance with the 4 th Directive of the EEC	D Balance	0	0	0	0
	C Balance	0	0	0	0
Profit or loss of the financial year	D Balance	0	0	0	0
	C Balance	1 491 319	1 218 683	1 491 319	1 218 683
Profit distribution	D Balance	7 415	0	7 415	0
	C Balance	0	0	0	0
TOTAL Equities		32 540 541		32 494 044	

Administrator,
Ioan Pauna

General Manager
Niculescu Emilian Mihai

Economic Manager
Monea Aurora

COMCEREAL. S.A. TULCEA

SITUATION OF TREASURY CASH FLOWS
On 31st Decembrie 2019

Item name	Financial year	
	Previous	Current
	2018	2019
Treasury flows from operating activities		
Receipts from customers	105 039 521	74 455 081
Miscellaneous receipts (VAT to recover, sums of medical leave etc.)	730 028	192 331
Payments to suppliers, employees, taxes	117 496 096	64 650 503
Paid interests and exchange rate differences	844 443	941 547
Tax on paid profit	410 491	42 844
Receipts from insurance against earthquakes	0	0
Net treasury cash from operating activities	-12 981 481	9 012 518
Treasury cash flows from investment activities		
Payments for the purchase of shares	0	0
Payments for the purchase of tangible assets	374 156	255 328
Receipts from the sale of tangible assets	0	0
Earned interests and exchange rate differences	22 366	37 383
Received dividends	428	382 766
Net treasury from the investment activities	-351 362	164 821
Treasury flows from financing activities		
Receipts from shares issue	0	0
Receipts from loans	96 082 855	60 013 456
Paid loans	80 197 530	70 175 897
Paid dividends	981 986	1 308 424
Net treasury from financing activities	14 903 339	-11 470 865
Net increase of the treasury and treasury equivalents	1 570 496	-2 293 526
Treasury and treasury equivalents at the beginning of the financial year	3 092 057	4 662 553
Treasury and treasury equivalents at the end of the financial year	4 662 553	2 369 027

Administrator
Ioan Pauna

General Manager
Niculescu Emilian Mihai

Economic manager
Monea Aurora

**Annex to the Annual Report
related to the financial year 2019**

Statement on the Corporate Governance

Sections	Provisions to be replaced	YES	NO	If NO, then Explain
A.1.	The company must have an Internal Regulation of the Board of Directors that includes terms of reference related to the Board and the key management functions of the company. The administration of the conflict of interests at the Board level should also be dealt with in Board Regulation.	YES		
A.2.	Any other professional engagements of the Board members, including the position of executive or non-executive Board member in other companies (excluding affiliated companies) and non-profit institutions, will be brought to the attention of the board prior to the appointment and during the term of the mandate.	YES		
A.3.	Each member of the board shall inform the Board of any relationship with a shareholder who directly or indirectly has shares representing not less than 5% of the total voting rights.	YES		
A.4.	The annual report must inform whether an evaluation of the Board has taken place under the chairmanship of the President. It must also contain the number of meetings of the Board.		NO	In the course of 2020, the evaluation criteria will be developed by the Board of Directors
A.5.	The procedure on the cooperation with the Authorized Consultant for the period during which this cooperation is imposed by the Bucharest Stock Exchange shall contain at least the following:			
A.5.1.	The contact person with the Authorized Consultant	YES		
A.5.2.	The frequency of the appointments with the Authorized Consultant that will be at least once a month and whenever events or new information involve the submission of current or periodic reports so that the Authorized Consultant can be consulted.	YES		

A.5.3.	Obligation to provide the Authorized Consultant with all relevant information and any information that is reasonably required by the Authorized Consultant or is necessary to the Authorized Consultant in fulfilling his/her responsibilities;	YES		
A.5.4.	Obligation to inform the Bucharest Stock Exchange about any malfunction occurring in the framework of the cooperation with the Authorized Consultant.	YES		
B.1.	The Board will adopt a policy so that any transaction of the company with a subsidiary representing 5% or more of the net assets of the company, according to the most recent financial reports, is approved by the Board.		NO	The company has no subsidiaries. If they shall be set up, the Board will adopt a policy in this respect.
B.2.	The internal audit must be carried out by a separate organizational structure (internal audit department) within the company or by the services of a third independent party, who will report to the Board and within the company will report directly to the General Manager.	YES		
C.1.	The Company will publish in the annual report a section that will include the total revenues of the members of the Board and of the general manager for the respective financial year and the total value of all bonuses or of any variable compensation and, as well as the key assumptions and principles for calculating the incomes mentioned above.	YES		
D.1.	In addition to the information provided in the legal provisions, the company's website will contain a section dedicated to the Relation with the Investors, both in Romanian and English languages, with all relevant information of interest to the investors, including:	YES		
D.1.1.	The main regulations of the company, in particular the constitutive act and the internal regulations of the statutory bodies;	YES		
D.1.2.	The CVs of statutory body members	YES		
D.1.3.	The current reports and the periodical reports;	YES		
D.1.4.	Information on shareholders' general meetings; the agenda and the related materials; decisions of general meetings.	YES		

D.1.5.	Information on the corporate events such as the payment of dividends or other events that result in obtaining or limiting the rights of a shareholder, including deadlines and the principles of such operations;	YES		
D.1.6.	Other extraordinary information that should be made public: cancellation / modification / initiation of cooperation with an Authorized Consultant: signing / renewing / terminating an agreement with a Market Marker.	YES		
D.1.7.	The company must have a function of Relations with the Investors and to include in the dedicated section of this function, on the Company's website, the names and contact details of a person who is able to provide the appropriate information upon request.	YES		
D.2.	A company must have adopted a company's dividends policy as a set of directives relating to the distribution of the net profit that the company claims to respect. The principles of the dividend policy should be published on the company's website.		NO	This provision is due to be fulfilled in the year 2020
D.3.	A company must have adopted a policy on forecasts to be published on the company's website.		NO	This provision is due to be fulfilled in the year 2020
D.4.	A company must set the date and place of a general meeting so as to allow the participation of as many shareholders as possible.	YES		
D.5.	The financial reports will include information in both Romanian and English languages on the main factors which are influencing changes in sales, operating profit, net profit or any other relevant financial indicator.	YES		
D.6.	The company will hold at least one meeting / telephone conference with analysts and investors each year. The information presented on these occasions will be published in the Relations with the Investors section from the company's website at the time of that meeting / telephone conference.		NO	It was considered that the continuous and periodic reports prepared by the company for the disclosure of the financial items were relevant from the point of view of the information necessary for the investors.

**SOLE ADMINISTRATOR
IOAN PAUNA**

COMCEREAL SA TULCEA

Tulcea, Isacsei Street, no. 73; Ph./Fax: 0240/534061/534069; e-mail: comcereal_tulcea@yahoo.com
Unique Registration Code: RO8392201; Trade Register Registration no. J 36/165/1996; LEI Code:

254900R1D1AN3UY3Q040; Share Capital: 8,177,652.50 ron

TRANSILVANIA BANK ACCOUNT: RO88BTRL03701202E10399XX

RAIFFEISEN BANK ACCOUNT: RO47 RZBR 0000 0600 0035 2530

BRD TULCEA ACCOUNT: RO13 BRDE 370S V016 7740 3700

UNICREDIT BANK ACCOUNT: RO26 BACX 0000 0005 2325 5000

STATEMENT

We, the undersigned: Ioan Pauna – Sole Administrator, Niculescu Emilian-Mihai – General Manager and Monea Aurora – Economic Manager, declare that the annual financial – accounting statements on 31.12.2019 was prepared in accordance with the applicable accounting standards and provides a fair and conforming with the reality image of the assets, liabilities, financial position, profit and loss account of the company Comcereal S.A. Tulcea, and that the Administrator's Report includes a correct analysis of the development and performance of the company, as well as a description of the main risks and uncertainties specific to the activity carried out by the company Comcereal SA Tulcea.

Sole Administrator

IOAN PAUNA

General Manager:

NICULESCU EMILIAN-MIHAI

Economic Manager:

MONEA AURORA

STATEMENT

In accordance with the provisions of article 30 of the Accounting law no. 82/1991

The annual financial statements on 31/12/2019 were prepared for the:

Entity: COMCEREAL SA TULCEA

District: 36-- TULCEA

Address: ISACCEI STREET, NO. 73, TULCEA

Number in the trade register: J36/165/1996

Ownership type: 34 – JOINT STOCK COMPANY

Main activity (CAEN (T.N.: Activities Classification in the National Economy) class name and code): 5210 – STORAGE

Unique registration code: RO 8392201

LEI Code: 254900R1D1AN3UY3Q040

The undersigned IOAN PAUNA assumes the responsibility for the preparation of the annual financial statements on 31/12/2019 and confirms that:

- a) The accounting policies used to prepare the annual financial statements are in accordance with the applicable accounting regulations.
- b) The annual financial statements provide a true picture of the financial position, financial performance and of other information about the performed activity.
- c) The legal persons carry on their activity in conditions of continuity.

Administrator:

IOAN PAUNA

EXPLANATORY NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the financial year ended on 31st December 2019

(all amounts are expressed in "RON", unless otherwise specified)

The individual financial statements of the Company Comcereal SA Tulcea for the financial year ended on 31st December 2019 were prepared in accordance with the Accounting Law no. 82/1991 republished in 2008, Order of the Public Finances Ministry no. 1802/2014 for the approval of the accounting regulations in compliance with the European directives and with the requirements of Order of the Public Finances Ministry 10/2019 – on the main aspects regarding the preparation and submission of the annual financial statements and of the annual accounting reports of the economic operators to the territorial units of the Ministry of Public Finances.

These financial statements refer only to Comcereal SA.

NOTE 1: Information about the company

The Company COMCEREAL SA TULCEA is a joint stock company, with private share capital, which operates in the field of agriculture and food industry.

The main activity of the company is the represented by the conditioning, storage and selling of agricultural products. With a total storage capacity of approximately 137,000 tons of cereals and a capacity authorized by the Directorate for Agriculture and Rural Development Tulcea of 111,100 tons, the company occupies one of the leading places in Tulcea district in this domain, having the capacity to receive up to 2/3 of the agricultural production of the district.

The company Comcereal was established by the Government Decision 1054/1995, upon the reorganization of the former Romcereral – Autonomous Administration of Tulcea and its transformation into two economic agents, namely the Company Comcereal S.A. Tulcea and the National Agency for Agricultural Products – Autonomous Administration Tulcea.

The Company COMCEREAL SA TULCEA, has legal office in *Isacsei street, no. 73, 3rd fl., Tulcea, Unique Registration Code: RO 8392201*, registration no. in the Trade Register of Tulcea J36/165/1996, LEI Code 254900R1D1AN3UY3Q040 .

The company operates at its main headquarters and at the following work points:

1. *Company Comcereal SA Tulcea – Entity without legal personality – Reception Base of Mihail Kogalniceanu – M. Kogalniceanu Commune, Tulcea District, Fiscal Registration Code: 24302014;*
2. *Company Comcereal SA Tulcea – Entity without legal personality – Silo of Baia – Baia Commune, Tulcea District, Fiscal Registration Code: 24302057;*
3. *Company Comcereal SA Tulcea – Entity without legal personality – Reception Base of Casimcea – Casimcea Commune, Tulcea District, Fiscal Registration Code: 24302065;*
4. *Company Comcereal SA Tulcea – Entity without legal personality – Reception Base of Macin - Petru Rares Street, No. 1, Macin Town, Tulcea District, Fiscal Registration Code: 24302030;*
5. *Company Comcereal SA Tulcea – Entity without legal personality – Reception Base of Isaccea – Isaccea Town, Tulcea Tulcea;*
6. *Company Comcereal SA Tulcea – Entity without legal personality – Reception Base of Peceneaga – Peceneaga Commune, Tulcea District, Fiscal Registration Code: 24302049;*

EXPLANATORY NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the financial year ended on 31st December 2019

(all amounts are expressed in "RON", unless otherwise specified)

7. *Company Comcereal SA Tulcea – Entity without legal personality – Reception Base of Mahmudia – Mahmudia Commune, Tulcea District, Fiscal Registration Code: 24302006;*
8. *Company Comcereal SA Tulcea – Entity without legal personality – Mobile Base of Topolog – Topolog Village, Topolog Commune, Tulcea District;*
9. *Company Comcereal SA Tulcea – Entity without legal personality – Mobile Base of Horia – Horia Village, Horia Commune, Tulcea District.*

The Company has a share capital of 8,177,652.50 RON divided into 3,271,061 shares with a nominal value of 2.5 RON.

The consolidated annual financial statements are prepared by Argus SA Constanta.

The shares of the company are traded under the alternative trading system administered by the Bucharest Stock Exchange - AeRo, the trading symbol being CTUL.

NOTA 2: Accounting principles, policies and methods

The items presented in the annual financial statements are assessed in accordance with the following general accounting principles, in accordance with accrual accounting. These principles are presented below.

1. Principle of continuity of business – a principle that assumes that the unit normally continues its operation without going into a state of liquidation or significant reduction of the activity.

2. The principle of permanence of the methods – a principle which presupposes the continuity of applying the same rules and norms regarding the evaluation, the recording in the accounting and the presentation of the patrimonial elements and of the results, ensuring the comparability in time of the accounting information.

3. The principle of prudence – a principle which requires that the assessment be made on a prudent basis and in particular:

- only the profit made at the balance sheet date may be included;
- account must be taken of all debts incurred during the current financial year or during a previous year, even if they become apparent only between the balance sheet date and the date of its drawing;
- account must be taken of all foreseeable liabilities and potential losses incurred during the current financial year or during a previous year even if they become apparent only between the balance sheet date and the date of its drawing;
- all adjustments due to impairment must be taken into account, even if the result of the financial year is loss or profit.

4. The principle of independence of the year. Account must be taken of all revenue and expenditure corresponding to the financial year, regardless of the date of payment of the sums or expenditures.

5. The principle of separate valuation of assets and liabilities. According to this principle, the components of the asset or liability items must be valued separately.

EXPLANATORY NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the financial year ended on 31st December 2019

(all amounts are expressed in “RON”, unless otherwise specified)

6. *The principle of intangibility.* The opening balance for each financial year must correspond to the closing balance sheet of the previous year.

7. *Principle of non-compensation.* Any compensation between the assets and debts elements or between items of income and expense is prohibited. Possible compensations between the receivables and debts of the entity to the same economic agent may be made, subject to legal provisions compliance, only after the income and expenses have been recorded in the accounts at full value.

8. *Principle of prevalence of the economic over the legal.* The disclosure of the values from the items in the balance sheet and the profit and loss account is made taking into account the economic substance of the transaction or of the reported operation and not only by their legal form.

9. *Principle of significance threshold.* Any item that has a significant value should be presented separately in the financial statements. The balance items and profit and loss account items that are preceded by Arabic figures can be combined if:

- these represent an insignificant amount;
- and such a combination offers a higher level of clarity, provided that the items so combined are presented separately in the explanatory notes.

The financial statements have been prepared and presented in accordance with the principles outlined above.

The company has prepared the annual financial statements based on the resulting verification balance based on the above-mentioned regulations.

These financial statements refer only to Comcereal SA.

The main accounting policies adopted in the preparation of these financial statements are presented below.

A. The basics of the financial statements preparation

(1) General information

These financial statements have been prepared in accordance with:

- the Order of the Public Finances Minister of Romania 1802/2014 regarding the approval of the accounting regulations in compliance with the European directives;
- the Accounting Law no. 82/1991 republished and amended.
- Order of the Public Finances Minister 3781/23.12.2019 – on the main aspects related to the preparation and submission of the annual financial statements and the annual accounting reports of the economic operators to the territorial units of the Ministry of Public Finances.

(2) Continuity of the activity

These financial statements have been prepared based on the activity continuity principle, which implies that the Company will continue its activity in the foreseeable future. In order to assess the applicability of this assumption, the management examines the projections referring to future cash inflows.

Based on these analyses, the management believes that the Company will be able to continue its activity in the foreseeable future and therefore applying the activity continuity principle in the preparation of the financial statements is justified.

EXPLANATORY NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the financial year ended on 31st December 2019

(all amounts are expressed in "RON", unless otherwise specified)

B. The conversion of transactions in foreign currency

1) Currency of the measurement of financial statements

The financial statements are presented in RON, which is also the Company's measurement currency.

The rounding of amounts was made to plus or minus 1 leu, after the first two decimals.

The financial statements include:

- Balance sheet
- Profit and loss account
- Situation of changes in equity
- Situation of cash flows
- Explanatory notes to the annual financial statements.

2) The transactions and balances in foreign currency

The transactions of the Company in foreign currency are recorded at the exchange rates communicated by the National Bank of Romania ("BNR") for the transaction date. The foreign currency balances are converted into lei at the exchange rates communicated by the BNR for 31.12.2019, respectively 1 euro = 4.7793 lei, 1 usd = 4.2608 lei. The gains and losses arising from the settlement of the transactions in a foreign currency and from the conversion of assets and monetary liabilities expressed in foreign currency are recognized into the account of profit and loss, within the financial result.

C. Intangible assets

(1) Cost

1.1 Goodwill

The goodwill represents the difference between the cost of a purchase and the value at the date of the transaction of the share held by the Company in the subsidiary/purchased associate enterprise, at the acquisition date. The goodwill is amortized over a five-year period.

1.2 Computer programs

The software and computer licenses are recorded at the cost of acquisition and amortized on a period of maximum 3 years.

1.3 Research and development expenses

The research expenses are recorded in the profit and loss account when they are incurred. The expenditure afferent to the development programs (related to the design and testing of new or improved products) are recognized as intangible assets when it is probable that the project will be successfully launched taking into account the commercial and technical feasibility and the cost can be measured reliably. The development expenses that do not meet the above criteria are recorded at expenses when they occur. The development expenditures that have been recorded as expenses are not capitalized in later periods.

1.4 Other intangible assets

The patents, trademarks and other intangible assets are recognized at acquisition cost. The intangible assets are not re-valued.

(2) Amortization

2.1 Goodwill

EXPLANATORY NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the financial year ended on 31st December 2019

(all amounts are expressed in "RON", unless otherwise specified)

The goodwill is amortized over a five-year period.

2.2 Computer programs

The expenditures for the development of capitalized software programs are amortized using the straight-line method on a period of maximum 5 years.

2.3 Development expenses

The capitalized development expenditures are amortized on a straight-line basis starting with the date of initiation of the product's commercial production for as long as the product generates economic benefits but not for more than five years.

2.4 Other intangible assets

The patents, trademarks and other intangible assets are amortized using the straight-line method over their useful lives, but not for more than 20 years. The licenses afferent to the computer software usage rights are amortized on a period of 3 years.

(3) Profit/(loss) from the sale of some entities

The gain or loss resulting from the sale of an entity includes the accounting value of the goodwill afferent to the sold entity.

D. Tangible assets

(1) Cost/measurement

The tangible assets are initially measured at the acquisition cost. The Company opted for the treatment of the periodic assessment of the tangible assets. A depreciation test of tangible assets is made annually according to which the decision to re-evaluate a group or the entire estate is made. The last re-evaluation was on 31 December 2014.

The fixed asset maintenance and repairs are recorded as expenses when they occur, and the improvements to the assets that increase their value or their useful lives are capitalized. The significant upgrades are capitalized only if they extend the life of the asset or significantly increase the ability to generate future economic benefits.

The fixed assets that are unaffected by the nature of the inventory items, including the utensils and tools, are recorded as expenses at the acquisition date and are not included in the accounting value of the tangible assets.

(2) Amortization

The amortization is calculated at the assessed value using the straight-line method over the estimated useful life of the assets, as follows:

<u>Assets</u>	<u>Years</u>
Constructions	10 - 40
Technical installations and machinery	2 - 12
Other installations, machinery and furniture	3 - 15

The land is not amortized because it is considered to have an indefinite life.

(3) Sale/disposal of the tangible assets

The tangible assets that are disposed or sold are removed from the balance sheet together with the amortization appropriately accumulated. Any profit or loss resulting from such an operation is included in the current profit and loss account.

EXPLANATORY NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the financial year ended on 31st December 2019

(all amounts are expressed in “RON”, unless otherwise specified)

(4) The costs of indebtedness

The expenses on interests afferent to all loans are recorded as expenses when they are incurred, except for the loans for the acquisition or construction of tangible assets, which are included in the value of the assets until the date of entry into service of the respective tangible assets. The subsequent interests are recorded as expenses.

E. Financial assets

The participation titles are classified as held until the non-defined maturity, not being available for sale in order to meet the company's temporary liquidity needs.

F. Stocks

The stocks are recorded at the date of entry into the company at acquisition cost. On exiting from the accounting, the cost is determined based on the specific identification method. The cost of services and the ongoing execution includes the materials, manpower and afferent indirect production expenses. Where necessary, provisions are made for slow-moving stocks (older than 3 years from the date of acquisition) physically or morally used in accordance with the accounting policies adopted in COMCEREAL SA. The net realizable value is estimated on the basis of the sale price less the finalization costs and the expenses for the sale.

G. Commercial receivables

The commercial receivables are recorded at the invoiced amount less the provision for the depreciation of these receivables. The provision for the depreciation of the commercial receivables is constituted if there is objective evidence that the Company will not be in a position to collect all the amounts at the initial terms. The provision is calculated as the difference between the value recorded in the accounting and the recoverable value, which is the present value of the future cash flows using the actual current rate afferent to a similar financial instrument.

H. Short-term financial investment

These include the short-term deposits with banks and other short-term high liquidity-providing investments as well as treasury bills.

I. Cash and cash equivalents

The cash and the cash equivalents are recorded in the balance sheet at costs. For the cash flow situation, its cash and cash equivalents include cash in hand, bank accounts, short-term financial investments, treasury advances and net of overdraft. In the balance sheet, the overdraft is shown in debts to be paid over a period of one year – amounts due to credit institutions.

J. Share capital

The ordinary shares are classified in own equity.

K. Dividends

The dividends afferent to ordinary shares are recognized in equity during the period in which they are declared.

EXPLANATORY NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the financial year ended on 31st December 2019

(all amounts are expressed in "RON", unless otherwise specified)

L. Loans

The short-term and long-term loans are initially recorded at the amount received, net of transaction costs.

The short-term portion of the long-term loans is classified in "Liabilities payable over a one-year period" and included with the interest accrued at the balance sheet date in "Amounts owed to credit institutions" in the current debts.

M. The accounting of leasing contract in which the Company is a lessee

(1) Financial leasing contracts

The leasing contracts for tangible assets in which the Company assumes all the risks and benefits related to the property are classified as finance leasing contracts. The financial leases are capitalized at the estimated current value of payments. Each payment is split between the capital element and interest element to obtain a constant interest rate during the reimbursement. The amounts payable are included in short or long term debts. The interest element is recorded into the profit and loss account over the life of the contract. The assets held under financial leasing contracts are capitalized and amortized over their useful lives.

(2) Operational leasing contract

The leasing contracts in which a significant portion of the risks and benefits associated to the property are retained by the lessor, are classified as operating leasing contracts. The payments made under such a contract (net of any facilities granted by the lessor) are recognized in profit and loss account on a straight line basis over the life of the contract.

N. Commercial payables

The short-term commercial payables (maturing in less than 12 months) are recorded at the nominal value, approximating the fair value of the amounts to be paid for the goods or services received.

O. Affiliated parties

The parties are considered affiliated if one party, either through ownership, contractual rights, family relationships or relationships of other nature, has the possibility to directly control or significantly influence the other party. Entities that meet the conditions set out in Sub-chapter 1, Section 1(2) paragraph 12 of the Accounting Regulations, an integral part of Order of the Ministry of Public Finances 1802/2014 are considered affiliated entities. The affiliated parties of Comcereal SA:

- ARGUS SA CONSTANTA
- CEREAL PREST SRL

P. Provisions for risks and expenses

The provisions for risks and expenses are recognized when the Company has a legal or implicit obligation arising from past events when for the settlement of the obligation an outflow of resources embodying economic benefits is required and when a credible estimate of the value of the obligation can be made.

Q. Employees' benefits

Pensions and other benefits after retirement

EXPLANATORY NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the financial year ended on 31st December 2019

(all amounts are expressed in "RON", unless otherwise specified)

In the normal course of the activity, the Company makes payments to the social insurances budgets, to special state funds for its employees at the statutory rates. All the employees of the Company are members of the Romanian state pension plan. These costs are recognized in the profit and loss account together with the recognition of salaries. The company does not operate any other pension or retirement benefits plan and therefore has no other obligations regarding the pensions.

R. Taxation

The Company records the current profit tax based on the taxable profit in the fiscal reports, according to the relevant Romanian legislation.

S. Recognition of revenue

The revenues refer to the sold goods and to the provided services. The revenues from the sale of goods are recognized when the Company transferred to the buyer the principal risks and benefits associated to the ownership of the goods. The revenues from royalties and rents are recognized on the basis of the engagement accounting principles according to the economic substance of the related contracts. The dividends are recognized as revenues when the legal right to receive these amounts is established.

T. Turnover

The turnover represents the invoiced amounts and amounts to be invoiced, net of VAT and commercial rebates, for delivered goods or services rendered to third parties.

U. Debts and contingent assets

The Company has no debts and contingent assets at 31 December 2019.

V. Events after the balance sheet date

For the preparation of the financial statements, the management of the company makes certain estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date as well as the income and expenses of the reported period. Actual results may differ from what you expected.

W. Estimates

The effect of the change in accounting estimates is calculated in advance and is included in the determination of the related net result:

- the period in which the change occurred, if it is the only affected period;
- the period of change and subsequent periods, if change affects all.

X. Management of the financial risk

Financial risk factors

Due to the nature of the activities it performs, the Company is exposed to various risks including: the credit risk, foreign exchange risk, interest rate risk and liquidity risk. The management aims to reduce the potential adverse effects associated with these risk factors on the Company's financial performance.

EXPLANATORY NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the financial year ended on 31st December 2019

(all amounts are expressed in "RON", unless otherwise specified)

1. The credit risk

The Company is subject to credit risk due to its commercial receivables and to other types of receivables. The references on the clients' creditworthiness are normally obtained for all new customers, the receivables due date is carefully monitored, and the amounts due after the deadline are promptly tracked.

2. Foreign exchange risk

The company may be exposed to the exchange rate fluctuations through the debt generated by any foreign currency loans or commercial debts. Due to the high associated costs, the Company's policy is not to use financial instruments to mitigate this risk.

3. The interest rate risk

The Company's cash flows are affected by the rate fluctuations of the interests.

4. The liquidity risk

The prudent management of the liquidity risk involves maintaining sufficient cash and available credit lines.

NOTE 3: Fixed assets

Name of the fixed asset element	Gross value			
	Balance on 31.12.2018	Increases	Discounts	Balance on 31.12.2019
0	1	2	3	4
I. Intangible fixed assets				
Other intangible fixed assets	43,336			43,336
Total intangible fixed assets	43,336			43,336
II Tangible assets				
Lands and land developments	2,709,099			2,709,099
Constructions	15,738,796	73,063		15,811,895
Technological equipment and machine	3,169,524	105,215	56370	3,218,369
Other installations, equipment, furnitu	9,021	14,348		23,369
Fixed assets in progress	0	176,899	158,495	18,404
Total tangible assets	21,626,440	369,525	214,865	21,781,100
III Financial fixed assets	1,034,487			1,034,487
GENERAL TOTAL	22,704,263	369,525	214,865	22,858,923

Name of the fixed asset element	Value adjustment (amortizations and adjustments for the depreciation or loss of value)			
	Balance on 31.12.2018	Increases	Discounts	Balance on 31.12.2019
0	1	2	3	4
I. Intangible fixed assets				
Other intangible fixed assets	17,266	13,923		31,189
Total intangible fixed assets	17,266	13,923		31,189
II Tangible assets				

EXPLANATORY NOTES TO THE ANNUAL FINANCIAL STATEMENTS**for the financial year ended on 31st December 2019***(all amounts are expressed in "RON", unless otherwise specified)*

	Lands and land developments				
	Constructions	1,795,019	597,814		2,392,833
	Technological equipment and machines	2,171,330	175,694	56,370	2,290,654
	Other installations, equipment, furniture	7,346	2,578		9,924
	Total tangible assets	3,973,695	776,086	56,370	4,693,411
	GENERAL TOTAL	3,990,961	790,009	56,370	4,724,600

At 31st December 2019, the net accounting value of the intangible assets is 12,147 ron, representing mainly software licenses. These intangible assets are amortized over a three-year period starting the month following the commissioning by using the straight-line amortization method.

The last evaluation of the lands, buildings and special constructions belonging to the company was made on 31.12.2014 by an independent evaluator member of ANEVAR (TN: National Association of Authorized Evaluators in Romania), the values set for each asset taking into account their degree of wear and tear. The next valuation will be in 2020. During 2019, the straight-line method was used as the amortization method, the amortizable value of the tangible assets being allocated systematically over the useful life of the asset, there being no special situation requiring change the amortization method.

The tangible assets under execution in the amount of 18,404 lei represent works for the expansion of the storage capacity in the Reception Base of Macin and in the Reception Base of Mihail Kogalniceanu, not finalized at 31.12.2019.

The financial assets consist of 103,360 shares held at Cereal Prest SRL, with a total value of 1,033,600 ron and other fixed receivables amounting to 887 ron.

NOTE 4: Stocks

On 31st December 2019 the stock situation is as follows:

<i>Name</i>	31 st Dec.	31 st Dec.
	2018	2019
Raw materials, materials and inventory objects (class 3 - 30)	9 967	9 589
Finished products and goods (3 - 37)	18 503 981	6 667 350
Advances for purchases of stocks (4091)	4 011 321	8 492 513
Total stocks	22 525 269	15 169 452

Comcereal SA does not have hard-to-sell stocks, has not recorded perishables and did not constitute adjustments on 31.12.2019.

Comcereal SA Tulcea carried out in 2019 the patrimony inventory according to the Order 2861/2009, Order of the Ministry of Finances 1802/2014 and Law 82/1991.

NOTE 5: The receivables situation

RECEIVABLES	Balance on	Balance on	Term of liquidity	
	31.12.2018	31.12.2019	under 1 year	over 1 year
0	1 = 2 + 3		2	3
Total, of which:	13 628 765	13 146 836	13 146 836	0
internal clients (cat. 4111)	13 298 312	12 357 097	12 357 097	0
Advances for services provision (cat. 4092)	49 352	46 089	46 089	0
Clients invoices to be drawn up (cat. 418)	-101 369	5688	5 688	0
Non-payable VAT (on receipt)	255	8	8	0
Various debtors (cat. 461)	382 215	569 701	569 701	0

EXPLANATORY NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the financial year ended on 31st December 2019

(all amounts are expressed in "RON", unless otherwise specified)

Settlements from ongoing operations	0	0	0	0
VAT to be recovered	0	168 253	168 253	0

ADJUSTMENTS	Balance on	T R A N S F E R S		Balance on
	31.12.2018	Into the account	From the account	31.12.2019
0	1	2	3	4 = 1 + 2 - 3
Adjustments for depreciation of receivables (cat. 491)	1 728 828	370 580	164 880	1 934 727
TOTAL	1 728 828	370 580	164 880	1 934 727

Following the inventory of receivables it was found that there was a risk of non-payment for three of the clients in the balance at the end of 2019: Ada Greline SRL, Crypton PMV SRL and Baca Trans Eurofrig SRL for which a provision in the amount of 370,580 lei was established. The provisions for unsecured clients of the balance come from previous years and amount to 1,728,828 lei. Most of this value, 1,523,725 lei, represents the debts of the debtor Cereal Impex SRL.

The receipt of the adjustments constitutes for the uncertain, bad-payer clients or clients in litigation was made in accordance with the rules in force for the amounts registered in the previous years.

NOTE 6: Available money

Ron	31 st December	31 st December
	2017/8	2019
Bank accounts	4 646 607	2 350 494
Cash in hand	10 447	14 185
Cash at the end of the period	4 657 054	2 364 679
Other values	5 499	4 348
Assimilated accounts	5 499	4 348
Cash and assimilated accounts	4 662 553	2 369 027

"Other values" represents the sum of fuel vouchers unused until 31.12.2019.

NOTE 7: Situation of Debts

DEBTS *)	Balance on 31.12.2018	Balance on 31.12.2019	Term of chargeability		
			under 1 year	1-5 years	over 5 years
0		1 = 2 + 3 + 4	2	3	4
Total, of which:	26 651 037	16 020 080	16 020 080	0	0
internal suppliers (cat. 401)	869 721	533 685	533 685	0	0
suppliers invoices to arrive (cat. 408)	30 490	24 570	24 570	0	0
due salaries (cat. 421)	75 804	78 424	78 424		
Staff-due matured aids (cat. 423)	0	0	0		
other debts regarding the staff (cat. 4281)	62 340	67 214	67 214	0	0
deductions from salaries (cat. 427,431,436,447)	78 340	70 695	70 695	0	0
tax on profit (cat. 441)	42 844	327 044	327 044	0	0
tax on salaries (cat. 444)	14 292	12 662	12 662	0	0
other taxes (cat. 446)	0	0	0	0	0
other debts to the state budget (cat. 4481)	0	0	0		
VAT to be paid (cat. 4423)	103 514	0	0	0	0

EXPLANATORY NOTES TO THE ANNUAL FINANCIAL STATEMENTS**for the financial year ended on 31st December 2019***(all amounts are expressed in "RON", unless otherwise specified)*

advances not used by mandate contract (cat. 419)	0	0	0		
Various creditors and dividends (cat. 462, 457)	326 320	69 198	69 198	0	0
Credits, leases (cat. 1621,167, 5191)	25 047 372	14 836 588	14 836 588	0	0

In 2019, the company involved a short-term loan revolving limit in the amount of 40,000,000 lei, and on 31.12.2019 the amount to be reimbursed from this limit was of 14,767,141 ron. A contract was signed in 2016 for a lease for the acquisition of analyzers on the quality of purchased agricultural goods worth 46,984 euro, reimbursable in 8 instalments, the balance on 31.12.2019 being of 11,675 euro.

NOTE 8: Incomes in advance

The incomes in advance in the amount of 14,188 ron (31st December 2018: 11,619 ron), represents rent in advance for ongoing contracts.

The amount for investments of 269,695 RON (31st December 2018: 291,667 ron), to be resumed at incomes in a period of more than one year, represents the value of some fixed assets reinstated in operation upon the re-assessment made in 2011.

NOTE 9: Provisions for risks and expenses

Name of the provision *)	Balance at the beginning of the financial year	Transfers **)		Balance at the end of the financial year
		into the account	from the account	
0	1	2	3	4 = 1+2-3
Provisions for employees' benefits	0	0	0	0
Provisions for taxes	0	0	0	0
Other provisions	35 025	21 631	35025	21 631

"Other provisions" represent amounts to be distributed to the company's management according to Shareholders' Ordinary General Meeting Decision 1/23.01.2014 and the provision constituted for days of rest leave not performed on 31.12.2019 in the amount of 8,821 lei

NOTE 10: Equities and reserves

The equity capital of the company in value of 32,494,044 ron, registered a growth on 31st December 2019 a slight decrease compared to the end of the previous year, when the value was of 32,540,541 ron, in the amount of 46,497 ron, as presented in the "Statement of equity changes on 31.12.2019", annex to the balance sheet.

Comcereal SA Tulcea operates as a joint-stock company, according to Law 31/1990.

The Company has not issued participation certificates, bonds or other securities other than its own common shares.

The subscribed and paid-up share capital amounts to 8,177,652.50 lei on 31.12.2019, the equivalent of 3,271,061 shares with a nominal value of 2.5 ron/share, values unchanged compared to the end of the previous year.

All shares are common, they were subscribed and are fully paid on 31st December 2019.

EXPLANATORY NOTES TO THE ANNUAL FINANCIAL STATEMENTS**for the financial year ended on 31st December 2019***(all amounts are expressed in "RON", unless otherwise specified)*

The shares give the same voting right and are traded on the securities market Bucharest Stock Exchange – AeRO.

The shareholding structure on 31st December 2018 and 2019 is as follows:

Shareholder	31.12.2018			31.12.2019		
	Number of shares	Value	%	Number of shares	Value	%
Argus SA Constanta	3 119 210	7 798 025.00	95.3577	3 119 210	7 798 025.00	95.3577
Other shareholders – natural and legal persons	151 851	379 627.50	4.6423	151 851	379 627.50	4.6423
TOTAL	3 271 061	8 177 652.50	100	3 271 061	8 177 652.50	100

NOTE 11: Distribution of profit

On 31st December 2019, the Company recorded a net profit of 1,218,683.25 ron.

DESTINATION	AMOUNT ON 31.12.2018 -Ron-	AMOUNT ON 31.12.2019 -Ron-
NET PROFIT TO BE DISTRIBUTED :	1 491 319.30	1 218 683.25
legal reserve	7 414.50	0.00
covering of the accounting loss	0.00	0.00
dividends, etc.	0.00	0.00
NON-DISTRIBUTED PROFIT:	1 483 904.80	1 218 683.25

Comcereal SA TULCEA recorded a net accounting profit of 1,281,683.25 lei in 2019, out of which will be distributed according to the Decision of the Shareholders' Ordinary General Meeting. The administrator of the company proposes that the full amount of 1,218,683.25 lei as well as the amount resulted from corrections registered in the account 1174 "Result carried forward from accounting corrections" amounting to 43 244,26 lei, be distributed to the reserve fund at the disposal to the company.

It is worth mentioning that the amounts registered in the 1174 account "The result carried forward from the accounting corrections" are generated by differences in quantity and quality for the goods invoiced on a certificate of deposit in 2018 and delivered after the balance sheet was prepared on 31.12.2018, as well as by the Decision of adjusting the income of one of the affiliated persons no. 103128.03.2018 issued by General Regional Directorate of Public Finances of Galati, which was finalized in July 2019.

NOTE 12: Analysis of the result from exploitation

The result from exploitation of the year is realized in the current year in operating profit in value of 2,423,173 ron.

– ron -

No.	Indicator name	Financial year	
		2018	2019
0	1	2	3
1.	Production of the year	116 391 797	72 786 557
	1.1 Net turnover	114 041 060	78 945 211
	1.2 Variation of stocks	2 350 737	-6 158 654
2.	Cost of sold goods and rendered services	112 553 658	69 408 066

EXPLANATORY NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the financial year ended on 31st December 2019

(all amounts are expressed in "RON", unless otherwise specified)

	2.1 Expenses for the main activity	108 285 165	65 940 068
	2.2 Expenses for the auxiliary activities	3 762 931	2 851 398
	2.3 Indirect production expenses	505 562	616 600
3.	Gross result afferent to the net turnover (1-2)	3 838 139	3 378 491
4.	Selling expenses	0	0
5.	General administration expenses	1 267 236	1 205 890
6.	Adjustments regarding the current assets and provisions	-189 961	-304 413
7.	Other revenues from exploitation	279 648	897 083
8.	Other expenses from exploitations	307 320	342 098
9.	Result from exploitations (3 - 4 - 5 + 6+7-8)	2 353 270	2 423 173

Based on the results obtained in 2019, compared to the same period of 2018 was the more advantageous commercial margin obtained at a turnover of the much lower commodity fund in 2019 compared to 2018, this was possible due to the increase of the accessed credit limit, which allowed the sale at the spot, which ensures a very small commercial margin, in order to capitalize, to be smaller.

The prolonged drought and the extreme weather phenomena caused a drastic decrease of the average cereal and oilseed production per hectare in the south-east area of the country and implicitly the decrease of the volume of purchases/sales of agricultural products which generated a decrease of the income as well as of expenditure on goods. The operating expenses are influenced in an increasing way by the imposed wage increases as well as by increases in energy prices, fuels, all external benefits as well as local taxes and duties.

NOTE 13: Expenses and information with staff, administrators and executive management

In 2019, Comcereal SA Tulcea paid the following net indemnities to the members of the administrative bodies and the executive management:

- ron -

	2018	2019
Administrative and executive management indemnities	258 386	252 942

No advances or credits were granted to the administrators of the company or to the directors of the company.

At the end of the financial year there are no future guarantees or obligations assumed by the Company on behalf of the directors or directors.

Number of employees

The average number and the actual number of employees in the year 2019 and 2018 is the following:

	Previous	Current
Workers	36	36
Technical, economic and administrative staff	21	20
Total	57	58
Actual number of employees at the end of the financial year	56	59
Men	41	44
Women	15	15

Information on staff expenses

The expenses on salaries and related taxes recorded in the year 2018 as well as in 2019 are as follows:

EXPLANATORY NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the financial year ended on 31st December 2019

(all amounts are expressed in "RON", unless otherwise specified)

- ron -

Expenses on salaries	Previous	Current
Salaries and gross indemnities related to the exercise	2 234 423	2 259 490
Expenses on insurances and social protection	98 462	87 538
TOTAL	2 332 885	2 347 028

Administrators and executive management

Comcereal SA has a unitary management system, the statutory management bodies being:

- General Meeting of Shareholders;
- Sole Administrator;
- General Manager.

The General Meeting of Shareholders represents the entire shareholders of the company, its competencies being those provided by the law and by the constitutive act.

According to the Constitutive Act, the company is managed by the Sole Administrator in the person of Mr. Ioan Pauna, for a four-year mandate, being re-electable. In this sense, a mandate contract was concluded with him.

The executive management is provided by a general manager in the person of Mr. Niculescu Emilian Mihai, the relations being based on a mandate contract, seconded by an economic director in the person of Mrs. Monea Aurora and a technical manager in the person of Mr. Cernat Corneliu, with whom the company has labour relations based on individual labour contracts.

NOTE 14: Information on the transactions with affiliated parties

At 31.12.2019, the majority shareholding of Comcereal SA Tulcea, respectively 95.3577%, is held by the company Argus SA Constanta.

Comcereal SA Tulcea holds as of 31.12.2019 shares of 100% of the share capital of the Company Cereal Prest SRL, worth 1,033,600 ron, for which no value adjustments have been registered.

In 2019, compared to year 2018, Comcereal SA carried out the following transactions with affiliated parties including VAT:

- ron -

Type of transaction with affiliated parties	Argus SA		Cereal Prest SRL	
	2018	2019	2018	2019
Sale of goods	56 356 919	24 242 598	195 335	455 962
Goods sales adjustments from the previous year	0	-521 669	0	0
Sale of services	1 108 791	1 704 616	1 428	1 428
Purchases of goods	1 149 887	773 050	1 057 808	409 360
Advance for purchases of goods	0	284 490	0	360 000
Purchases of services	0	0	0	0
Assignment of assigned receivables	0	0	0	0
Assignment of taken-over receivables	0	0	0	0
Paid dividends	966 955	1 247 684	0	0
Dividends to cash in	0	0	334 769	112 000
Cashed-in dividends	0	0		334 769
Type of balance	Balances		Balances	
	2018	2019	2018	2019
Commercial receivables	4 894 019	1 498 819	60 187	579 025

EXPLANATORY NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the financial year ended on 31st December 2019

(all amounts are expressed in "RON", unless otherwise specified)

Other receivables	0	0	382 215	112 000
Commercial debts	0	0	0	0
Other debts	0	0	0	0

NOTE 15: Analysis of the main economical-financial indicators

<i>Economical – financial indicators</i>		2018	2019
I. Liquidity indicators	<i>Current liquidity indicator</i>		
	Current assets (A)	40 816 587	30 685 315
	Current debts (B)	26 596 588	16 020 080
	<i>A/B- in number of times</i>	1.53	1.92
	<i>Immediate liquidity indicator</i>		
	Current assets (A)	40 816 587	30 685 315
	Stocks (B)	22 525 269	15 169 452
	Current debts (C)	26 596 588	16 020 080
	<i>(A-B)/C - in number of times</i>	0.69	0.97
	<i>Indicator of indebtedness degree</i>		
II. Risk indicators	Borrowed capital (A)	54 449	0
	Committed capital (B)	32 921 682	32 785 370
	<i>A/B (if negative, it is not calculated)</i>	0.0017	0.0000
	<i>Indicator regarding the interests coverage</i>		
	Profit before payment of the interest and the profit tax (A)	2 707 806	2 554 370
	Interest expenses (B)	850 296	943 563
	<i>A/B – in number of times, if negative, it is not calculated)</i>	3.18	2.71
III. Activity indicators	<i>Number of storage days</i>		
	Average stock (A)	17 200 042	18 847 361
	Cost of sales (B)	104 891 079	64 514 641
	<i>(A/B)*365 – in number of days</i>	59.85	106.63
	<i>Speed of stocks rotations</i>		
	Cost of sales (A)	104 891 079	64 514 641
	Average stock (B)	17 200 042	18 847 361
	<i>(A/B) – in number of times</i>	6.10	3.42
	<i>Speed of debts rotation - clients</i>		
	Clients' average balance (A)	10 183 197	12 827 585
	Net turnover (B)	114 041 060	78 945 211
	<i>(A/B)*365 – in number of days</i>	32.60	59.31
	<i>Speed of credits rotation – suppliers</i>		
	Suppliers' average balance (A)	501 933	729 233
	Cost of sales (B)	104 891 079	64 514 641
	<i>(A/B)*365 – in number of days</i>	1.75	4.12
	<i>Speed of fixed assets rotation</i>		
	Net turnover (A)	114 041 060	78 945 211
	Fixed assets (B)	18 713 302	18 134 323
	<i>(A/B) – in number of times</i>	6.09	4.35
	<i>Speed of rotation of total assets</i>		
	Net turnover (A)	114 041 060	78 945 211
	Total assets (B)	59 529 889	48 819 638
	<i>(A/B) - in number of times</i>	1.92	1.62
IV. Profitability indicators	<i>Profitability of involved capital</i>		
	Profit before the payment of the interest and of the profit tax (A)	2 707 806	2 554 501
	Total assets minus current debts (B)	32 921 682	32 785 370
	<i>A/B (if negative, it is not calculated)</i>	0.08	0.08
	<i>Gross margin on sales</i>		

EXPLANATORY NOTES TO THE ANNUAL FINANCIAL STATEMENTS**for the financial year ended on 31st December 2019***(all amounts are expressed in "RON", unless otherwise specified)*

	Gross profit from exploitation (A)	2 353 270	2 423 173
	Net turnover(B)	114 041 060	78 945 211
	(A/B) - in percentages	2.06%	3.07%

NOTE 15: Other information**1. Method for converting the assets, liabilities, incomes and expenses from currencies into local currency**

Description in Note 2, point B, "Conversion of transactions in foreign currency".

2. Information related to the tax on profit

The reconciliation between the result of the year and the fiscal result as presented in the tax return:

Indicator	2018	2019
Gross result	1 491 319	1 218 683
Total elements similar to the incomes	535 660	578 900
Total elements similar to the expenses	0	0
Total deductions	837 651	888 488
Total of non-taxable incomes	370 544	312 456
Total of non-deductible expenses	1 469 906	2 042 452
Total of taxable income	2 288 690	2 639 091
Tax on calculated profit	366 191	422 255
Amounts representing sponsorship	0	30 000
Total taxable profit	366 191	392 255
Tax on profit reported by the form 100	323 347	0
Difference of tax on profit	42 844	392 255

The tax on profit declared by the company for the reported year and owed by the company is of 392,255 lei according to the annual statement 101.

3. Turnover**- ron -**

* on segments of activities	2018	2019
* Sold production	15 470 631	9 704 672
* Provision of services	2 073 890	2 003 400
* Revenues from the commodities sale	96 496 539	67 237 139
* on geographical markets.	2018	2019
* Romania	112 052 673	74 262 921
* Internationally	1 988 387	4 682 290

4. Subsequent events

No events occurred after the balance sheet date that may influence the ability of users of the financial statements to make evaluations and make correct decisions or adjust the figures presented for the year 2019.

5. Audit costs

The Company has concluded contracts for the statutory audit in 2019 with the Company JPA Audit & Consultanta SRL and for internal audit with the company CIPL Expert Audit SRL. The fees are set based on the contracts concluded and are presented as follows (the amounts include VAT):

- ron -

	2018	2019
fees paid to auditors	28 277	29 074

EXPLANATORY NOTES TO THE ANNUAL FINANCIAL STATEMENTS**for the financial year ended on 31st December 2019***(all amounts are expressed in "RON", unless otherwise specified)***6. Expenses on rents and leasing**

On 20.05.2016 there was concluded a financial leasing contract no. 3010244/20.05.2016 for the financing of the acquisition of 5 (five) portable analyzers totalling 41,950 euro, of which an advance of 8390 euro was paid, the financing value was of 33,560 euro. Subsequently, the number of portable analyzers was increased with 2 (two) more pieces for the financing of which the financial leasing contract no. 30106876/06.07.2016 was concluded, having a total value of 16,780 euro, of which an advance of 3,356 euro was paid, the value being of 13,424 euro. Both contracts have the same reimbursement terms in 8 instalments, payable twice a year in September and December, the balance at 31.12.2019 being 8,354.15 euro and 3,320.42 euro, respectively. The interest payable for future periods is of 416,75 euro.

The expenses with the registered rents are amounts related to the land lease agreements from local authorities on which the Reception Base of Peceneaga and the Reception Base of Macin operate, the values in 2019 compared to 2019 are: - ron -

Rent of leased land	2018	2019
Local Council of Macin	78 066	81 695
Local Council of Peceneaga	1 643	1 960

7. Commitments

There are no commitments in the relationship with affiliated parties.

On 31st December 2019, Comcereal SA has the following commitments:

- guarantees of BO type advanced by Comcereal SA Tulcea in order to execute and fees for the payment obligations resulting from the concluded Leasing Contracts.

No.	Series and number	Beneficiary	CONTRACT	instalment value (credit+ interest) in euro	instalment value in lei
	BTRL3BS 2246073	Unicredit Leasing IFN	30102444/20.05.2016	4 939.74	23 608.50
2	BTRL3BS 2246074	Unicredit Leasing IFN	30102444/20.05.2016	4 939.74	23 608.50
3	BTRL3BS 2246075	Unicredit Leasing IFN	30102444/20.05.2016	4 939.74	23 608.50
4	BTRL3BS 2246076	Unicredit Leasing IFN	30102444/20.05.2016	4 939.74	23 608.50
5	BTRL3BS 2246077	Unicredit Leasing IFN	30102444/20.05.2016	4 939.74	23 608.50
6	BTRL3BS 2246078	Unicredit Leasing IFN	30102444/20.05.2016	4 939.74	23 608.50
7	BTRL3BS 2246079	Unicredit Leasing IFN	30102444/20.05.2016	4 939.74	23 608.50
8	BTRL3BS 2246080	Unicredit Leasing IFN	30102444/20.05.2016	4 939.74	23 608.50
9	BTRL3BS 2246081	Unicredit Leasing IFN	30106876/13.07.2016	1 962.68	9 380.23
10	BTRL3BS 2246082	Unicredit Leasing IFN	30106876/13.07.2016	1 962.68	9 380.23
11	BTRL3BS 2246083	Unicredit Leasing IFN	30106876/13.07.2016	1 962.68	9 380.23
12	BTRL3BS 2246084	Unicredit Leasing IFN	30106876/13.07.2016	1 962.68	9 380.23
13	BTRL3BS 2246085	Unicredit Leasing IFN	30106876/13.07.2016	1 962.68	9 380.23
14	BTRL3BS 2246086	Unicredit Leasing IFN	30106876/13.07.2016	1 962.68	9 380.23
15	BTRL3BS 4279977	Unicredit Leasing IFN	30106876/13.07.2016	1 962.68	9 380.23
16	BTRL3BS 4279978	Unicredit Leasing IFN	30106876/13.07.2016	1 962.68	9 380.23
Total				55 219.36	263 909.84

- real estate mortgage type guarantees committed under the short-term credit contract of 30,000,000 lei concluded with Transilvania Bank:

EXPLANATORY NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the financial year ended on 31st December 2019

(all amounts are expressed in "RON", unless otherwise specified)

Real estate	Value
land and constructions at Baia Silo	6 405 410 RON
land and constructions at Reception Base of Mihail Kogalniceanu	2 337 562 RON
land and constructions at Reception Base of Mahmudia	2 120 989 RON
land and constructions Comcereal headquarters on Isacsei street, no. 73	953 520 RON
Total	11,817,481 RON

8. Contingencies

The Company has not recorded any contingent assets or contingent liabilities.

9. The environment

As a result of the technological conditioning process (removal of foreign bodies, vegetable and mineral powders by suction from the product mass) it results:

- non-valuable technological wastes, which are transported with their own means to the waste dumps in the localities where the reception bases operate
- valuable technological waste that is redeemed by resale or restitution to agricultural producers.

At the reception bases belonging to our company, no sources of soil and subsoil pollution have been identified, there are no sources of radiation, the noise and vibration levels are within the permissible limits.

There are contracts with sanitation companies at each reception base: Edilitar Salub Term-Reception Base of Macin, JT Grup - Reception Base of Mahmudia, Tulcea Public Services - Tulcea, Star Eco Salubris SRL – Baia Silo.

The company has no litigation about breaches of environmental legislation.

In the course of the storage and preservation of the agricultural products there have been no events that have any impact on the environment.

10. Risk management

By the nature of its activity, the company is primarily exposed to the risk of natural phenomena manifestations. Other risks specific to the company's activity are the ones regarding the prices or the liquidity.

Taking into account the financial results of the company registered in the year 2019, as well as the company's perspective, there are created the premises of attracting liquidities from the crediting institutions, which would reduce the liquidity risk, would increase the company's turnover and company's performance.

From a fiscal point of view, Romanian legislation has undergone continuous changes in recent years. Interpreting the text of the law and the practical implementation of fiscal procedures may vary and there is a risk that in some transactions the interpretation of fiscal authorities will be different from that of the company. Following the transactions with the affiliated parties, the company has drafted the transfer pricing file but the fiscal authorities may have different interpretations on the transactions and may impose additional tax obligations as a result of the transfer pricing adjustment materialized in the increase of the incomes, the reduction of the deductible expenses, which can generate an increase in the taxable calculation base from the point of view of tax on profit and of the VAT.

Sole Administrator,
IOAN PAUNA

General Manager,
NICULESCU EMILIAN MIHAI

Economic Manager
MONEA AURORA

COMCEREAL S.A.

73 Isaceei Street,
Tulcea

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of COMCEREAL SA.

Report on the Audit of the Financial Statements

Opinion on the Individual Financial Statements

We have audited the financial statements of the COMCEREAL S.A. (Comcereal or the "Company"), which comprise the statement of financial position as at December 31, 2019, and the statement of comprehensive income and statement of changes in equity statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

These financial statements include:

Shareholder's Equity	32.494.044 Lei
Profit	1.218.683 Lei

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Company as at December 31, 2019 and its financial performance and its cash flows for the year then ended in accordance with the Order No. 1802/2014 of the Ministry of Public Finances for the approval of the accounting regulations on the individual and consolidated annual financial statements, along with subsequent changes.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA), EU Regulation no. 537 of the European Parliament and the European Council (hereafter "the Regulation") and the Law no. 162/2017 ("the Law"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company within the meaning of the Ethics Code for Professional Accountants (IESBA Code) issued by the International Ethics Standards Board for Accountants, according to ethical requirements relevant to the audit of the financial statements in Romania and have fulfilled our other responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information – Administrators' Report

The administrators are responsible for the preparation and presentation of the directors' report in accordance with the Order no. 1802/2014 of the Ministry of Public Finances

on the approval of the accounting regulations of the individual and consolidated annual financial statements, as such as this report is free from material misstatements and for such internal control as management determines is necessary to enable the preparation of the directors' report that is free from material misstatement, whether due to fraud or error.

Our opinion on the financial statements does not cover these other information, and unless is expressly stated in our report, we do not express any assurance conclusion about them.

Regarding the audit of the financial statements for the financial year ended December 31, 2019, it is our responsibility to read that other information and to assess whether that other information is materially inconsistent with the financial statements or knowledge, we obtain during the audit, or if they appear to be material misstatement.

With respect to the Administrators' Report, we have read it and we report on whether it was prepared, in all material aspects, in accordance with OMFP no. 1802/2014 for the approval of the accounting regulations on the individual and consolidated annual financial statements.

On the sole basis of the activities which shall be performed during the audit of the financial statements, in our opinion:

- a) Nothing was identified by us that make us believe that the information presented in the Administrators' Report, in material respects, is not in accordance with the financial statements.
- b) The Administrators' Report mentioned above includes, in all material respects, the information requested by the OMFP no. 1802/2014 (accounting regulations on the individual and consolidated annual financial statements).

In addition, based on our knowledge and understanding of the Company and its environment, acquired during the audit of the financial statements for the year ended December 31, 2019, we are required to report whether we have identified significant misstatements in the Administrators' Report. We have nothing to report on this issue.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Order no. 1802/2014 and for such internal control as management determines is necessary to enable the preparation of individual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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 auditor's 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.

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 auditor's 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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 provisions

We have been appointed as auditors by the Shareholder's Assembly dated April 11, 2019 for the year ended December 31, 2019, December 31, 2020 and December 31, 2021.

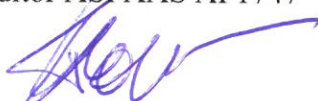
We confirm that in conducting our audit, we have retained our independence with the audited entity.

We confirm that we have not provided for the Company non-audit services prohibited under Article 5 (1) of the EU Regulation no. 537/2014.

March 9th, 2020

In the name of
JPA Audit și Consultanta S.R.L.
Registered Auditor ASPAAS FA319

Florin Toma
Registered Auditor ASPAAS AF1747



Autoritatea pentru Supravegherea Publică a
Activității de Audit Statutar (ASPAAS)
Firma de Audit:
JPA AUDIT & CONSULTANȚĂ S.R.L.
Registrul Public Electronic: **FA 319**

Autoritatea pentru Supravegherea Publică a
Activității de Audit Statutar (ASPAAS)
Auditor financiar: **FLORIN TOMA**
Registrul Public Electronic: **AF 1747**