

ROMCARBON SA

**SEPARATE FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**

FOR THE YEAR ENDED DECEMBER 31, 2019

Prepared in accordance with Ministry of Public Finance Order no. 2844/2016 approving the Accounting regulations compliant with International Financial Reporting Standards as adopted by the European Union, as amended

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of,
Romcarbon SA

Report on the Audit of the Separate Financial Statements

Opinion

1. We have audited the separate financial statements of Romcarbon SA (the Company), with registered office in Buzau, Str. Transilvaniei, nr. 132, identified by the unique tax registration code RO1158050, which comprise the separate statement of financial position as at December 31, 2019, and the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, including a summary of significant accounting policies and notes to the separate financial statements.
2. The separate financial statements as at December 31, 2019 are identified as follows:

• Net assets / Equity	RON	137,054,252
• Net profit for the financial year	RON	370,098
3. In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion" section of our report, the accompanying separate 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 Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU.

Basis for Qualified Opinion

4. As of December 31, 2019, the Company held interest in participating in Living Jumbo Industry S.A. with a total net book value in the amount of RON 6,477,632, as presented in note 14 in the annexed financial statements, and trade receivables in the amount of RON 27.974.239 RON, as presented in note 26 in the annexed financial statements, for which at this date there were indications of impairment. According to the provisions of the Order of the Minister of Public Finance no. 2844/2014 with the subsequent changes, in this situation the Company should have performed on the balance sheet date an analysis of the recoverable amount of these financial assets. As of December 31, 2019, this analysis was not performed due to the lack of necessary information, and we were not able to determine during our audit any corrections that may have been needed on the Company's financial position and equity at December 31, 2019, respectively on its financial performance and cash flows for the financial year ended at this date, if such an analysis would have been performed.
5. We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and the Council (forth named The "Regulation") and Law 162/2017 ("the Law"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), in accordance with ethical requirements relevant for the audit of the financial statements in Romania including the Regulation and the Law and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Aspects

6. We draw attention to Note 2 of the separate financial statements, which states that the consolidated financial statements of the Company prepared in accordance with Order 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU have not been issued yet. Note 2 to the separate financial statements clarifies details in respect of the publication date of the consolidated financial statements. Our opinion is not qualified in this respect.

Key Audit Matters

7. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	Audit response to Key Audit Matters
<p>Revenue recognition</p> <p>Sale of finished goods is the main activity of the Company. Given the large number of domestic and foreign clients, the diversity of products sold as well as the diversity of the client's businesses, there is a risk that revenue is not properly and accurately recognised. That is, revenue may not be recognised in the correct accounting year, taking into account the transfer of main risks and rewards associated with the product, or may represent fictitious sales for which the delivery has not taken place, or sales towards bad debtors, that are insolvent or bankrupt. We consider that, revenue recognition is a key audit matter, given the above mentioned points.</p> <p>Revenue is disclosed in Note 3 to the separate financial statements.</p>	<p>Our audit procedures performed to address the risk of material misstatement for revenue recognition included:</p> <ul style="list-style-type: none"> - evaluating the internal controls which addresses the risks described in "Key audit matters" regarding occurrence of sales based on valid shipments; - assessing the proper booking of sales in the appropriate accounting periods in accordance with the transfer of main risks and rewards for sales occurring around year-end; - tests of detail regarding revenues, by preparing a statistical selection of clients and obtaining confirmation letters for the revenue booked during the year, as well as selecting of individual sales to clients for which confirmation letters were not sent and obtaining the supporting documents for these transactions; - analysis of revenues based on client, product and main markets in order to understand the evolution of revenue, as well as comparing revenues with the figures from prior period.
<p>Investment property</p> <p>The Company owns property in Iasi, Stefanesti and Buzau which are not used for its main activity, but are held for future capital appreciation or for partial rent towards third parties. We consider that, investment property is a key audit matter, being measured at fair value subsequent to initial recognition, the resulting gains and losses being stated to profit and loss as incurred. Also, the criteria used for classification of a tangible non-current asset as investment property takes into account management intention to use each property as well as the percentage of it being rented, both of which may vary from financial year to another. As a result, there is a risk of improper classification of these properties, as well as valuation of the investment property, as the fair value considered is a management estimate.</p> <p>The Company's disclosures regarding investment property are included in Note 12 to the separate financial statements.</p>	<p>Our audit procedures performed to address the risk of material misstatement of investment property included:</p> <ul style="list-style-type: none"> - analysing the proper classification of property, plant and equipment based on the investment property list and based on rental agreements in force at the audit date; - obtaining the valuation reports prepared at year-end and verification thereof. Evaluate whether the gains and losses resulting from the valuation are booked in accordance with international reporting standards. - Involvement of internal valuation experts for verification of fair value as at December 31, 2019, to provide us support in the analysis of the reevaluation method used by the evaluator employed by the Company.

Other information – Administrators’ Report

8. The administrators are responsible for preparation and presentation of the other information. The other information comprises the Administrators’ report but does not include the separate financial statements and our auditor’s report thereon, nor the non-financial information declaration which is presented in a separate report.

Our opinion on the separate financial statements does not cover the other information and, unless otherwise explicitly mentioned in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the separate financial statements for the year ended December 31, 2018, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

With respect to the Administrators’ report, we read and report if this has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU.

On the sole basis of the procedures performed within the audit of the financial statements, in our opinion:

- a) the information included in the Administrators’ report for the financial year for which the financial statements have been prepared is consistent, in all material respects, with these separate financial statements;
- b) the Administrators’ report has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU.

Moreover, based on our knowledge and understanding concerning the Company and its environment gained during the audit on the separate financial statements prepared as at December 31, 2018, we are required to report if we have identified a material misstatement of this Administrators’ report. We have nothing to report in this regard.

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

9. Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.
10. In preparing the separate financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
11. Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor's Responsibilities for the Audit of the Separate Financial Statements

12. Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 separate financial statements.
13. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
 - Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
 - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
14. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
15. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
16. 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 Requirements

17. We were appointed by the General Meeting of Shareholders on July 9, 2019 to audit the separate financial statements of Romcarbon SA for the financial year ended December 31, 2019. The uninterrupted total duration of our commitment is 1 year, covering the financial year ended December 31, 2019.

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Company that we issued the same date we issued and this report. Also, in conducting our audit, we have retained our independence from the audited entity.
- We have not provided for the Company the prohibited non-audit services referred to in Article 5(1) of EU Regulation No. 537/2014.

The engagement partner on the audit resulting in this independent auditor's report is Corina Dimitriu.

Ana-Corina Dimitriu, Audit Partner

For signature, please refer to the original signed Romanian version.

Registered in the Electronic Public Register of Financial Auditors and Audit Firms under no. AF 3677

On behalf of:

DELOITTE AUDIT SRL

Registered in the Electronic Public Register of Financial Auditors and Audit Firms under no. FA 25

The Mark Building, 84-98 and 100-102 Calea Grivitei,
8th Floor and 9th Floor, District 1
Bucharest, Romania
March 27, 2020

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019**
(all amounts are expressed in lei, unless specified otherwise)

	Note	Year ended:	
		December 31, 2019	December 31, 2018
Net sales	3	183,857,280	198,460,719
Investment property income	3	1,951,422	3,464,433
Income from subsidies		2,275,213	2,263,169
Raw materials and consumables used	4	(123,157,911)	(136,656,677)
Changes in inventories		3,560,611	372,436
Employee salaries and benefits	5	(37,440,065)	(35,940,642)
Social security expenses	5	(1,153,670)	(1,139,629)
Operational expenses	6	(15,482,186)	(16,247,641)
Other gains or losses	7	(1,334,935)	3,388,764
Depreciation/amortisation and impairment expense	8	(10,634,489)	(11,553,840)
Net finance cost	9	(1,853,730)	(1,945,033)
Profit before taxation		587,540	4,466,059
Income tax	10	(217,442)	334,297
Net profit		370,098	4,800,356
Comprehensive income			
Other comprehensive income			
Net loss on revaluation of tangible assets		-	-
Adjustment of deferred tax on fiscally non-deductible revaluation reserves	10	74,009	1,275,648
Total comprehensive income		444,107	6,076,004
Earnings per share		0.0017	0.023
Number of shares		264,122,096	264,122,096

The separate financial statements were approved by the Board of Directors and were authorised for issuance on March 27, 2020.

**ADMINISTRATOR,
HUANG LIANG NENG**

**FINANCIAL MANAGER,
VIORICA ZAINESCU**

**DEPUTY GENERAL MANAGER,
CARMEN MANAILA**

For signatures, please refer to the original Romanian version.

**STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDED DECEMBER 31, 2019**
(all amounts are expressed in lei, unless specified otherwise)

	<u>Note</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
ASSETS			
Non-current assets			
Property, plant and equipment	11	122,648,084	130,049,723
Investment property	12	13,432,444	18,033,515
Intangible assets	13	314,136	78,269
Financial assets	14	27,085,581	22,247,181
Total non-current assets		<u>163,480,245</u>	<u>170,408,688</u>
Current assets			
Inventories	15	25,346,355	20,695,918
Trade and other receivables	16	45,865,813	35,722,416
Related party loans	26	335,912	6,174,452
Taxes receivable		-	-
Other assets	17	1,249,969	1,007,913
Cash and cash equivalents	27	5,549,445	3,331,011
Non-current assets held for sale	12	4,367,166	16,000,390
Total current assets		<u>82,714,660</u>	<u>82,932,100</u>
Total assets		<u>246,194,905</u>	<u>253,340,788</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	18	26,412,210	26,412,210
Share premiums		2,182,283	2,182,283
Reserves	19	58,845,305	58,492,792
Retained earnings	20	49,614,454	50,103,010
Total equity		<u>137,054,252</u>	<u>137,190,295</u>
Non-current liabilities			
Loans from banks	21	12,705,852	22,666,821
Finance leases and other interest-bearing liabilities	24	-	-
Deferred tax liabilities	10	8,368,626	8,902,075
Deferred income	28	13,138,559	15,413,305
Total non-current liabilities		<u>34,213,037</u>	<u>46,982,201</u>

The accompanying notes are integral part of these separate financial statements in accordance with IFRS.
This is a free translation from the original Romanian version.

**STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

	<u>Note</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Current liabilities			
Trade and other payables	23	23,643,049	24,537,065
Loans from banks	21	46,071,939	39,935,675
Finance leases and other interest-bearing liabilities	24	-	-
Deferred income	28	2,345,590	2,265,476
Other liabilities	22	2,867,038	2,430,076
Total current liabilities		<u>74,927,616</u>	<u>69,168,292</u>
Total liabilities		<u>109,140,653</u>	<u>116,150,493</u>
Total equity and liabilities		<u>246,194,905</u>	<u>253,340,788</u>

The separate financial statements were approved by the Board of Directors and were authorised for issuance on March 27, 2020.

**ADMINISTRATOR,
HUANG LIANG NENG**

**FINANCIAL MANAGER,
VIORICA ZAINESCU**

**DEPUTY GENERAL MANAGER,
CARMEN MANAILA**

For signatures, please refer to the original Romanian version.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)

	<u>Share capital</u>	<u>Share premiums</u>	<u>Revaluation reserves</u>	<u>Legal reserves</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>
January 1, 2019	<u>26,412,210</u>	<u>2,182,283</u>	<u>39,808,428</u>	<u>4,115,011</u>	<u>14,569,353</u>	<u>50,103,010</u>	<u>137,190,295</u>
Increases from revaluation of property, plant and equipment	-	-	1,197,466	-	-	-	1,197,466
Decreases from revaluation of property, plant and equipment	-	-	(437,206)	-	-	-	(437,206)
Dividends declared	-	-	-	-	-	(1,056,488)	(1,056,488)
Net profit of the period	-	-	-	-	-	370,098	370,098
Transfer to reserves	-	-	-	18,505	261,695	(280,200)	-
Transfer of reserves to retained earnings	-	-	(761,956)	-	-	761,956	-
Adjustment of material errors	-	-	-	-	-	(283,922)	(283,922)
Adjusted deferred tax related to fiscally non-deductible revaluation reserves	-	-	74,009	-	-	-	74,009
December 31, 2019	<u>26,412,210</u>	<u>2,182,283</u>	<u>39,880,741</u>	<u>4,133,516</u>	<u>14,831,048</u>	<u>49,614,454</u>	<u>137,054,252</u>

As at December 31, 2019, the Company allocated the tax exempt profit for reinvested profit, less the legal reserve portion in amount of RON 18,505 for setting up reserves in amount of RON 261,695.

The total amount of RON 14,831,048 of such reserves is not subject to allocations to other destinations.

The resolution of the General Meeting of Shareholders of 29.08.2019 approved the dividend allocation in amount of RON 1,056,488. The full amount was transferred to the Central Depository to pay dividends owed to shareholders.

Further to the sale of investment property, the Company adjusted the deferred tax related to fiscally non-deductible revaluation reserves by RON 74,009.

The separate financial statements were approved by the Board of Directors and were authorised for issuance on March 27, 2020.

**ADMINISTRATOR,
HUANG LIANG NENG**

**FINANCIAL MANAGER,
VIORICA ZAINESCU**

**DEPUTY GENERAL MANAGER,
CARMEN MANAILA**

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The accompanying notes are integral part of these separate financial statements in accordance with IFRS.
This is a free translation from the original Romanian version.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED DECEMBER 31, 2019
 (all amounts are expressed in lei, unless specified otherwise)

	<u>Share capital</u>	<u>Share premiums</u>	<u>Revaluation reserves</u>	<u>Legal reserves</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>
January 1, 2018	<u>26,412,210</u>	<u>2,182,283</u>	<u>39,338,852</u>	<u>3,874,993</u>	<u>10,009,015</u>	<u>51,304,266</u>	<u>133,121,619</u>
Distribution of dividends	-	-	-	-	-	(2,007,328)	(2,007,328)
Net profit of the period	-	-	-	-	-	4,800,356	4,800,356
Transfer to reserves	-	-	-	240,018	4,560,338	(4,800,356)	-
Transfer of reserves to retained earnings	-	-	(806,072)	-	-	806,072	-
Adjusted deferred tax related to fiscally non-deductible revaluation reserves	-	-	1,275,648	-	-	-	1,275,648
December 31, 2018	<u>26,412,210</u>	<u>2,182,283</u>	<u>39,808,428</u>	<u>4,115,011</u>	<u>14,569,353</u>	<u>50,103,010</u>	<u>137,190,295</u>

As at December 31, 2018, the Company allocated the tax exempt profit for reinvested profit, less the legal reserve portion in amount of RON 240,018 for setting up reserves in amount of RON 4,560,338.

The total amount of RON 14,569,353 of such reserves is not subject to allocations to other destinations.

The resolution of the General Meeting of Shareholders of 01.08.2018 approved the dividend allocation in amount of RON 2,007,328. The full amount was transferred to the Central Depository to pay dividends owed to shareholders.

Further to the sale of investment property, the Company adjusted the deferred tax related to fiscally non-deductible revaluation reserves by RON 1,275,648.

The separate financial statements were approved by the Board of Directors and were authorised for issuance on March 27, 2020.

**ADMINISTRATOR,
HUANG LIANG NENG**

**FINANCIAL MANAGER,
VIORICA ZAINESCU**

**DEPUTY GENERAL MANAGER,
CARMEN MANAILA**

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The accompanying notes are integral part of these separate financial statements in accordance with IFRS.
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**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

As at December 31, 2013, the Company revalued tangible assets from the land and buildings category, using the services of an independent valuator. The differences in value reflected in the financial statements ended December 31, 2013 amounted to lei 29,100,504 as a result of the revaluation of Romcarbon S.A.'s assets.

As at December 31, 2013, the Company reclassified the revaluation reserves to retained earnings, in amount of lei 4,024,653.

Following the application of IFRS from the financial year 2012, financial statements were restated resulting from application of IAS 29 an adjustment to inflation of total equity in amount of lei 202,092,991 as follows: adjustment to inflation of share capital of lei 201,639,749, adjustment to inflation for the legal reserve in amount of lei 150,141, adjustment to inflation for Other reserves in amount of lei 303,101.

In 2013, the loss registered as loss carried forward was covered by such adjustments in amount of RON 202,092,991, which was approved by the shareholders.

By the shareholders' decision of April 29, 2015 the followings were approved:

- distribution of the net profit registered in 2014, in amount of lei 36,213,237.28 as follows: lei 1,810,662 to legal reserve and lei 127,129 to other reserves, lei 2,007,328 to dividends and lei 32,268,118.28 as retained earnings in the form of profit not distributed.

During 2015, the Company reclassified the revaluation reserve to retained earnings in amount of lei 462,087.

As at December 31, 2015 the legal reserve was established, according to art. 183 of Law 31/1990, with subsequent amendments, which provides as follows: "From the Company's profit at least 5% shall be transferred each year, for the setup of the reserve fund, until the reserve reaches at least one fifth of the share capital", in amount of lei 319,596.

At the end of 2015, an amount of lei 4,099,203 (representing accounting profit that benefits from the exemption of the tax, less the related legal reserve), was transferred to "Other reserves": (According with art 19⁴. (Reinvested profit tax exemption (effective 1 July 2014) in conjunction with HG 571/2003 Law 44/2004 on Fiscal Code Methodological Norms).

As at December 31, 2016 the Company established the legal reserve, according to Art.183 of Law no. 31/1990, as revised, which stipulates: "From the Company's profit at least 5% shall be transferred each year, for the setup of the reserve fund, until the reserve reaches at least one fifth of the share capital", in amount of RON 245,174.

At the end of 2016, the amount of RON 3,258,617 (representing profit which was tax exempt, less the legal reserve portion) was allocated to „Other reserves": (according to Art. 22: Tax exemption of reinvested profit of Law 227/2015 corroborated with GR 1/2016 on the Tax Code and the Application Rules thereof).

As at December 31, 2016 the Company revalued non-current assets in the form of land, buildings and investment property, using the services of an independent valuer.

The differences in value reflected in the financial statements as at December 31, 2016 totaled RON 1,987,613 corresponding to the revaluation of the assets of Romcarbon S.A, the revalued amount of land dropped by RON 6,239,033, and the revalued amount of buildings and constructions increased by RON 4,251,420 (net).

In 2016, the Company reclassified the revaluation reserve to retained earnings in amount of RON 385,388.

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

As at December 31, 2017 the legal reserve was established, according to art. 183 of Law 31/1990, with subsequent amendments, which provides as follows: "From the Company's profit at least 5% shall be transferred each year, for the setup of the reserve fund, until the reserve reaches at least one fifth of the share capital", in amount of lei 239,903.

At the end of 2017, the amount of lei 1,487,753 (representing tax exempt accounting profit, less the related legal reserve), was transferred to "Other reserves" (according to Art. 22: Tax exemption of reinvested profit according to Law 227/2015 corroborated with GR 1/2016 on the Tax Code and the Application Rules thereof).

In 2017, the Company reclassified the revaluation reserve to retained earnings in amount of RON 3,011,094.

As at December 31, 2018 the Company established the legal reserve, as per article 183 of Law 31/1990, as amended, according to which: "Out of the company's profit, entities shall use at least 5% to set up the reserve fund, until it reaches at least one fifth of the share capital", in amount of RON 240,018.

At the end of 2018, the amount of RON 4,560,338 (representing tax exempt accounting profit, less the related legal reserve), was transferred to "Other reserves" (according to Art. 22: Tax exemption of reinvested profit according to Law 227/2015 corroborated with GR 1/2016 on the Tax Code and the Application Rules thereof).

In 2018, the Company reclassified the revaluation reserve to retained earnings in amount of RON 806,072.

The adjustment of deferred tax on fiscally non-deductible revaluation reserves is explained in Note 10.

As at December 31, 2019 the Company established the legal reserve, as per article 183 of Law 31/1990, as revised, according to which: " Out of the company's profit, entities shall use at least 5% to set up the reserve fund, until it reaches at least one fifth of the share capital", in amount of RON 18,505.

At the end of 2019, the RON 261,695 (representing tax exempt accounting profit, less the related legal reserve), was transferred to "Other reserves" (according to Art. 22: Tax exemption of reinvested profit according to Law 227/2015 corroborated with GR 1/2016 on the Tax Code and the Application Rules thereof).

At December 31, 2019 the Company revalued non-current assets in the form of land, buildings and investment property, using the services of an independent valuer.

The differences of value, reflected in the financial statements for the year ended December 31, 2019 were in total amount of RON 664,528 resulting from the revaluation of the assets of Romcarbon SA, the revalued amount of land dropped by RON 129,275, and the revalued amount of land and buildings grew by RON 793,803 (net).

In 2019, the Company reclassified the revaluation reserve to retained earnings in amount of RON 761,956.

The adjustment of deferred tax on fiscally non-deductible revaluation reserves is explained in Note 10.

The separate financial statements were approved by the Board of Directors and were authorised for issuance on March 27, 2020.

**ADMINISTRATOR,
HUANG LIANG NENG**

**FINANCIAL MANAGER,
VIORICA ZAINESCU**

**DEPUTY GENERAL MANAGER,
CARMEN MANAILA**

For signatures, please refer to the original Romanian version.

**STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in RON, unless specified otherwise)**

	2019	2018
Net profit for the year	370,098	4,800,356
Income tax expense / (income)	676,882	246,375
Deferred income tax expense / (income)	(459,440)	(1,856,320)
Non-current asset depreciation/(impairment)	10,634,489	10,797,119
(Gain) / Loss on sale of fixed assets	330,904	(11,254)
(Gain) / Loss on changes in fair value of investment property	429,524	(307,659)
(Gain) / Loss on disposal of investment property	-	(2,709,699)
(Gain) / Loss on changes in fair value of assets held for sale	795,624	756,722
Gains on internal set-up of fixed assets	(244,040)	(635,401)
Expenses / (Revenues) regarding value adjustments for clients and inventories	19,414	(36,085)
Loss on receivables and sundry debtors	4,006	206,804
(Gain) / Loss on disposal of held-for-sale assets	(185,760)	-
Expenses / (Revenues) regarding allowances for financial assets	-	-
Interest expense	1,472,607	1,702,834
Interest income	(86,264)	(91,477)
Income from dividends	-	(1,117,270)
Income from subsidiaries	(2,275,213)	(2,263,169)
Unrealised foreign exchange gain / (loss)	600,347	(88,767)
Movements in working capital:		
(Increase) / Decrease in trade and other receivables	(10,166,817)	(3,399,869)
(Increase) / Decrease in inventories	(4,650,437)	3,128,998
(Increase) / Decrease in other assets	(242,056)	-
Increase / (Decrease) in trade payables	894,016	(4,034,378)
Increase / (Decrease) in deferred income	(467)	(39,774)
Increase / (Decrease) in other liabilities	(3,388,503)	264,222
Cash used in operating activities	(5,471,085)	5,312,308
Income tax paid	(491,719)	(212,766)
Interest paid	(1,472,607)	(1,702,834)
Net cash generated in operating activities	(7,435,411)	3,396,708
Cash flows from investing activities:		
Payments for purchases of financial assets	-	-
Interest received	86,264	91,477
Dividends received	-	1,117,270
Payments for tangible assets	(2,189,850)	(3,091,315)
Payments for investment property	-	-
Proceeds from sale of investment property	-	18,086,180
Proceeds from disposal of tangible assets	157,638	94,612
Proceeds from sale of held-for-sale assets	16,186,151	-
Related party loans (granted)/received	-	(6,174,452)
Payments for intangible assets	-	(19,139)
Payments for dividends	(1,032,280)	(1,961,297)
Net cash generated by/(used in) investing activities	13,207,922	8,143,336

The accompanying notes are integral part of these separate financial statements in accordance with IFRS.
This is a free translation from the original Romanian version.

**STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in RON, unless specified otherwise)**

	<u>2019</u>	<u>2018</u>
Cash flows from financing activities:		
Cash payments of lessee to reduce a finance lease liability	-	(86,797)
Proceeds from bank loans	4,778,586	2,602,061
Repayments of bank loans	(9,769,474)	(13,253,314)
Proceeds from loans to affiliates	1,436,811	-
Repayments of related party borrowings	-	-
Proceeds from subsidies	-	-
Net cash generated by/(used in) financing activities	<u>(3,554,077)</u>	<u>(10,738,050)</u>
Net increase/(decrease) in cash and cash equivalents	<u>2,218,434</u>	<u>801,994</u>
Cash and cash equivalents at the beginning of the year	<u>3,331,011</u>	<u>2,529,017</u>
Cash and cash equivalents at the end of the year	<u>5,549,445</u>	<u>3,331,011</u>

The separate financial statements were approved by the Board of Directors and were authorised for issuance on March 27, 2020.

**ADMINISTRATOR,
HUANG LIANG NENG**

**FINANCIAL MANAGER,
VIORICA ZAINESCU**

**DEPUTY GENERAL MANAGER,
CARMEN MANAILA**

For signatures, please refer to the original Romanian version.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)****1. GENERAL INFORMATION**

ROMCARBON S.A. has its main office in Buzău, Str. Transilvaniei, nr. 132 and is organised as a joint-stock company with the following identification details: registered with the Registry of Commerce under no. J10/83/1991, Fiscal Code RO1158050. The Company's shares are traded on the BSE, and its main shareholders as at December 31, 2019 are Living Plastic Industry S.A., Joyful River Limited Loc. Nicosia – Cyprus.

The Company's main field of activity is the manufacture of plastic.

2. MAIN ACCOUNTING POLICIES**Statement of compliance**

The separate financial statements were prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

Basis of preparation

These separate financial statements of the Company were prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS") effective on the Company's reporting date, i.e. December 31, 2019 and in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016 approving the Accounting regulations compliant with International Financial Reporting Standards, applicable to companies whose securities are admitted to trading on a regulated market, with subsequent amendments and clarifications. Such provisions are consistent with the requirements of the International Financial Reporting Standards adopted by the European Union.

The accounting regulations in accordance with the Fourth EEC Directive, approved by NSC Order 13/2011 are applied together with Accounting Law no. 82/1991 (republished).

The separate financial statements were prepared at historical cost adjusted to hyperinflation as at December 31, 2003 for fixed assets, share capital and reserves. NSC Order 13/2011 on the approval of accounting regulations in accordance with the Fourth Directive of the European Economic Community applicable to entities authorised, regulated and supervised by the National Securities Commission provides the preparation of financial statements at historical cost.

The Company has the obligation to prepare separate and consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS"). The Romcarbon group, which includes Romcarbon S.A. and its subsidiaries, will prepare a set of consolidated financial statements in accordance with IFRS as adopted by EU, for the financial year ended December 31, 2019, which will be published in accordance with the legislation in force.

The consolidated financial statements will be published after the separate annual financial statements, within maximum 30 days.

The separate financial statements were prepared on the going concern basis. The financial statements are prepared based on the statutory accounts kept in accordance with Romanian accounting principles, adjusted for the transition to IFRS as adopted by EU.

The main accounting policies are described below.

Basis of preparation of the separate financial statements

These financial statements are Separate financial statements prepared in accordance with IAS 27. According to this standard, separate financial statements are the statements disclosed by a parent, by an investor in an associate or by an associate in a jointly controlled entity, where investment is accounted for based on the direct participation in equity rather than the reported results and net assets of investees.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

Basis of preparation of the separate financial statements (continued)

The financial statements of an entity that does not have a subsidiary, associate or interest in a jointly controlled entity are not separate financial statements.

When an entity prepares separate financial statements, investments in subsidiaries, jointly controlled entities and associates must be accounted for either:

- a. at cost, or
- b. in accordance with IFRS 9.

The Company presents investments in associates at cost. Given the transition to IFRS 9, while, prior to the initial application of IFRS 9, the Company accounted for such investments as per IAS 27.10a or IAS 27.10c (cost or equity method), the same accounting treatment is applied after the transition to IFRS 9. Thus, they continue to be accounted for at cost.

The entity must apply the same accounting for each category of investments. Investment accounted at cost must be accounted in accordance with IFRS 5 Non-current assets held for sale and discontinued operations when classified as held for sale (or included in a disposal group that is classified as held for sale). The accounting of investments in accordance with IFRS 9 does not change in these circumstances.

An entity must recognize in its separate financial statements dividends from a subsidiary, jointly controlled entity or associate when the entity's right to receive such dividend is established.

The Company's direct holdings as at December 31, 2019 and December 31, 2018 in subsidiaries or associates, which were not consolidated in these separate financial statements, are presented in Note 14. Investments in such subsidiaries or associates were disclosed in these separate financial statements at cost.

The Company will issue for 2019 consolidated financial statements in accordance with IFRS as adopted by the European Union.

Initial application of new amendments to the existing standards effective for the current reporting period

The following new standards, amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **IFRS 16 "Leases"** – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IFRS 9 "Financial Instruments"** - Prepayment Features with Negative Compensation – adopted by the EU on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IAS 19 "Employee Benefits"** - Plan Amendment, Curtailment or Settlement – adopted by the EU on 13 March 2019 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IAS 28 "Investments in Associates and Joint Ventures"** - Long-term Interests in Associates and Joint Ventures – adopted by the EU on 8 February 2019 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to various standards due to "Improvements to IFRSs (cycle 2015 -2017)"** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 14 March 2019 (effective for annual periods beginning on or after 1 January 2019),

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

- **IFRIC 23 "Uncertainty over Income Tax Treatments"** – adopted by the EU on 23 October 2018 (effective for annual periods beginning on or after 1 January 2019).

New standards and amendments to existing standards in issue not yet adopted

At the date of authorisation of these financial statements, the following new standards, amendments to existing standards and new interpretation were in issue, but not yet effective:

- **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2021),
- **Amendments to IFRS 3 "Business Combinations"** - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period),
- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures"** - Interest Rate Benchmark Reform - adopted by the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded).
- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** - Definition of Material - adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IAS 1 "Presentation of Financial Statements"** - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to References to the Conceptual Framework in IFRS Standards** (effective for annual periods beginning on or after 1 January 2020),

The company anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the company in the period of initial application.

Initial application of new amendments to the existing standards effective for the current reporting period

The following new standards, amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **IFRS 16 "Leases"** – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IFRS 9 "Financial Instruments"** - Prepayment Features with Negative Compensation – adopted by the EU on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019).
- **Amendments to IFRS 9 "Financial Instruments"** - Prepayment Features with Negative Compensation – adopted by the EU on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019),

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

Initial application of new amendments to the existing standards effective for the current reporting period (continued)

- **Amendments to IAS 19 "Employee Benefits"** - Plan Amendment, Curtailment or Settlement – adopted by the EU on 13 March 2019 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IAS 28 "Investments in Associates and Joint Ventures"** - Long-term Interests in Associates and Joint Ventures – adopted by the EU on 8 February 2019 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to various standards due to "Improvements to IFRSs (cycle 2015 -2017)"** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 14 March 2019 (effective for annual periods beginning on or after 1 January 2019),
- **IFRIC 23 "Uncertainty over Income Tax Treatments"** – adopted by the EU on 23 October 2018 (effective for annual periods beginning on or after 1 January 2019).

The adoption of these new standards, amendments to the existing standards and interpretation has not led to any material changes in the company's financial statements.

Standards and amendments to the existing standards issued by IASB and adopted by the EU, but not yet effective

At the date of authorisation of these financial statements, the following new standard, amendments to the existing standard and interpretation issued by IASB and adopted by the EU are not yet effective:

- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** - Definition of Material - adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures"** - Interest Rate Benchmark Reform - adopted by the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to References to the Conceptual Framework in IFRS Standards** adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020).

New standards and amendments to the existing standards issued by IASB, but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU:

- **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2021),
- **Amendments to IFRS 3 "Business Combinations"** - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period),

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU (continued)

- **Amendments to IAS 1 "Presentation of Financial Statements"** - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2022).
- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded).

The Company anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Company in the period of initial application.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated.

According to the company's estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to **IAS 39: "Financial Instruments: Recognition and Measurement"** would not significantly impact the financial statements, if applied as at the balance sheet date.

More details about individual standards, amendments to existing standards and interpretations that can be used as appropriate:

- **IFRS 14 "Regulatory Deferral Accounts"** issued by IASB on 30 January 2014. This standard is intended to allow entities that are first-time adopters of IFRS, and that currently recognise regulatory deferral accounts in accordance with their previous GAAP, to continue to do so upon transition to IFRS.
- **IFRS 16 "Leases"** issued by IASB on 13 January 2016. Under IFRS 16 a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate. As with IFRS 16's predecessor, IAS 17, lessors classify leases as operating or finance in nature. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease. For finance leases a lessor recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognises operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis.
- **IFRS 17 "Insurance Contracts"** issued by IASB on 18 May 2017. The new standard requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 "Insurance Contracts" and related interpretations while applied.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

- **Amendments to IFRS 3 “Business Combinations”** - Definition of a Business issued by IASB on 22 October 2018. Amendments were introduced to improve the definition of a business. The amended definition emphasises that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. In addition to amending the wording of the definition, the Board has provided supplementary guidance.
- **Amendments to IFRS 9 “Financial Instruments” - Prepayment Features with Negative Compensation** issued by IASB on 12 October 2017. The amendments modifies the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. Under the amendments, the sign of the prepayment amount is not relevant, i.e. depending on the interest rate prevailing at the time of termination, a payment may also be made in favour of the contracting party effecting the early repayment. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of a early repayment gain. Moreover, amendments contain clarification regarding the accounting for a modification of a financial liability that does not result in derecognition. In this case, carrying amount is adjusted with the corresponding result recognized in comprehensive income. The effective interest rate is not recalculated.
- **Amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement” and IFRS 7 “Financial Instruments: Disclosures”** - Interest Rate Benchmark Reform issued by IASB on 26 September 2019. The changes in Interest Rate Benchmark Reform:
 - a) modify specific hedge accounting requirements so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform;
 - b) are mandatory for all hedging relationships that are directly affected by the interest rate benchmark reform;
 - c) are not intended to provide relief from any other consequences arising from interest rate benchmark reform (if a hedging relationship no longer meets the requirements for hedge accounting for reasons other than those specified by the amendments, discontinuation of hedge accounting is required); and
 - d) require specific disclosures about the extent to which the entities' hedging relationships are affected by the amendments.
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** issued by IASB on 11 September 2014. The amendments address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" - Definition of Material** issued by IASB on 31 October 2018. The amendments clarify the definition of material and how it should be applied by including in the definition guidance.
- **Amendments to IAS 1 "Presentation of Financial Statements"** issued by IASB on 23 January 2020. The amendments provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date.
- **Amendments to IAS 19 "Employee Benefits"** - Plan Amendment, Curtailment or Settlement issued by IASB on 7 February 2018. The amendments require to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.
- **Amendments to IAS 28 "Investments in Associates and Joint Ventures" - Long-term Interests in Associates and Joint Ventures** issued by IASB on 12 October 2017. Amendments were introduced to clarify that an entity applies IFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. Amendments also delete paragraph 41 because the Board felt that it merely reiterated requirements in IFRS 9 and had created confusion about the accounting for long-term interests.
- **Amendments to various standards due to "Improvements to IFRSs (cycle 2015 -2017)"** issued by IASB on 12 December 2017. Amendments to various standards resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording. The amendments clarify that: a company remeasures its previously held interest in a joint operation when it obtains control of the business (IFRS 3); a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business (IFRS 11); a company accounts for all income tax consequences of dividend payments in the same way (IAS 12); and a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale (IAS 23).
- **Amendments to References to the Conceptual Framework in IFRS Standards** issued by IASB on 29 March 2018. Due to the fact that Conceptual Framework was revised, the IASB updated references to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. This was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction.
- **IFRIC 23 "Uncertainty over Income Tax Treatments"** issued by IASB on 7 June 2017. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income tax.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)****2. MAIN ACCOUNTING POLICIES (continued)****Income recognition**

The Company has applied IFRS 15 for the first time effective from January 1, 2018.

Under the new standard, revenue is recognized when or as the customer acquires control of the goods or services at the value that reflects the price that the Company expects to be entitled to receive in exchange for those goods and services. Income is recognized at the fair value of the services rendered or the goods delivered, net of VAT, excise duties and other sales taxes.

IFRS 15 "Revenue from contracts with customers"

IFRS 15 "Revenue from contracts with customers" introduces a comprehensive model for the recognition and measurement of income. The standard replaces the existing income recognition criteria, replacing IAS 18 "Revenue", IAS 11 "Construction Contracts" and IFRIC 13 "Customer Loyalty Programs". Under the new standard, revenue is recognized when or as the customer acquires control of the goods or services at the value that reflects the price that the Company expects to be entitled to receive in exchange for those goods and services.

Being permitted by the standard, the Company adopted IFRS 15 as of January 1, 2018 using the revised retrospective method with cumulative adjustments from the initial application recognized as at 1 January 2018 in equity and without altering the figures for prior periods. Initial application has no impact on the Company's retained earnings.

In applying IFRS 15, the Company has not identified any impact on the financial statements.

Income is measured at the fair value of amounts received or receivable. Income is reduced by the value of returns, commercial rebates and other similar costs.

Sale of goods

Income from sale of goods is recognized when the following conditions are met:

- The Company has transferred to the buyer all the significant risks and rewards of ownership of the goods;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The value of the income can be measured reliably.

Dividend and interest income

Income from dividends related to investments is recognized when the shareholders' right to receive them is established.

Interest income is recognized on a timely basis, by reference to the outstanding capital and the actual applicable interest rate, which is the exact discount rate of future cash received estimated throughout the life of the financial asset, within the limit of the net book value of such asset.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)****2. MAIN ACCOUNTING POLICIES (continued)****Foreign currency transactions**

The Company operates in Romania and its functional currency is the Romanian leu.

When preparing the financial statements of individual entities and the Company, transactions in currencies other than the functional currency (foreign currencies) are registered at the exchange rates prevailing at the date of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing at the balance sheet date.

Non-monetary items that are measured at historical cost in a foreign currency are not translated again.

Foreign exchange differences are recognized in profit or loss as they arise.

The official translation rates to convert the balance sheet lines expressed in foreign currency at the end of reporting periods were as follows:

- December 31, 2016: RON 4.3033/ USD 1 and RON 4.5411 / EUR 1
- December 31, 2017: RON 3.8915/ USD 1 and RON 4.6597 / EUR 1
- December 31, 2018: RON 4.0736/ USD 1 and RON 4.6639 / EUR 1
- December 31, 2019: RON 4.2608/ USD 1 and RON 4.7793 / EUR 1

Costs related to long-term borrowings

Costs related to long-term borrowings directly attributable to the acquisition, construction or production of assets, which require a substantial amount of time to be used or for sale are added to the cost of such assets, until such assets are ready to be used according to their purpose or for sale. Income from temporary investments from borrowings, until such borrowings are spent on assets, is deducted from the costs related to long-term borrowings eligible for capitalization.

All the other borrowing costs are recognized in the income statement as incurred.

Government subsidies

Government subsidies are not recognized until there is reasonable assurance that the Company will comply with the conditions of such subsidies and the subsidies are received.

Government subsidies whose main condition is that the Company acquire, build or otherwise obtain non-current assets are recognized as deferred income in the balance sheet and are transferred to the income statement systematically and rationally throughout the useful life of such assets.

Other Government subsidies are systematically recognized as income in the same period as the costs they are intended to offset. Government subsidies received as compensation for expenses or losses already recorded or intended to grant immediate financial support to the Company, without future related costs, are recognized in the income statement when they become due.

Employee contributions

The Company makes payments to the State budget for social insurance, pension and unemployment benefits at the rates provided by law and in force during the year, calculated based on gross salaries. The cost of these contributions is charged to the income statement in the same period as the related salary costs.

The Company pays its employees retirement benefits. Such benefits are defined in the Company's collective labour agreement.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Provisions for taxes and levies

As at December 31, 2019 the Company's separate financial statements include revaluation reserves. Based on the latest provisions of current legislation, such reserves may become taxable if their destination changed, by using them to cover accounting losses or by the Company's winding up.

The Company's management considers that there is no intention to use such reserves to cover accounting losses. Nevertheless, if such reserves are used to cover losses, the Company must register an income tax liability in connection with such reserves. These financial statements do not include such provision for deferred income related to such reserves.

Deferred tax

Deferred tax is recognized on the difference between the carrying amounts of assets and liabilities in the separate financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than from a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for temporary taxable differences associated with investments in subsidiaries and associates, and interests in joint ventures, except if the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from temporary deductible differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set them off similarly to current tax assets and liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

Current and deferred tax for the period

Current and deferred taxes are recognized as expense or income in statement of comprehensive income, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is considered when calculating goodwill or when determining the excess of the acquirer's interests in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired company on cost.

Property, plant and equipment

Land and buildings held to be used in the production or delivery of goods or services or for administrative purposes are recorded in the balance sheet at fair value, less the subsequently accumulated depreciation and accumulated impairment losses.

The Company conducted a valuation of land and buildings based on a valuation report issued by a professional valuator, in order to determine the fair value thereof as at the balance sheet date. The revaluations are made with sufficient regularity so that the book value should not differ substantially from that determined using the fair value at the end of the reporting period. The increases in the book values of tangible assets further to valuation were credited to Revaluation reserves under Equity. The last revaluation of tangible assets in the form of land and buildings was registered as at December 31, 2019.

Gains and losses on the sale or disposal of an asset are determined as difference between income from the asset sale and their net book value. Gains and losses are recognized in the Income Statement.

The buildings' depreciation is charged to the income statement.

Assets under construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at historical cost. Depreciation of these assets, on the same basis as other tangible assets, commences when the assets are ready for their intended use.

Plant and equipment are recorded in the balance sheet at historical cost less the subsequently accumulated depreciation and accumulated impairment losses.

Depreciation is registered so as to diminish the cost other than the cost of land and buildings under construction, throughout their estimated useful life, on a straight line basis. The estimated useful lives, residual values and depreciation method are reviewed at the end of each year, with the effect of any changes in estimate accounted for on a prospective basis.

The expenses incurred with significant improvements are capitalized, if such extend the service life of the fixed asset or lead to a significant increase in its capacity to generate income. The costs incurred with maintenance, repairs and minor improvements are charged against expenses as incurred.

Subsequent expenses

Expenses incurred with replacing a component of a plant, property and equipment item, which is accounted separately, is capitalized, and the carrying amount of the initial component is written off. Other subsequent expenses are capitalized only when they generate future economic benefits by virtue of the use of such non-current asset. All other expenses are accounted for in the income statement as expenses as they are incurred.

Assets held under finance lease are depreciated over their useful life, similarly to assets held or, if the lease is shorter, throughout such lease term.

Losses or gains from selling or disposing a tangible asset are computed as difference between sale revenues and the net book value of the asset and are recognized in the income statement.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

The following useful lives are used in the depreciation calculation:

Buildings	5 – 45 years
Plant and equipment	3 – 20 years
Other installations, office equipment	3 – 30 years
Vehicles in finance lease	5 – 6 years

Intangible assets

Intangible assets acquired separately

Intangible assets with definite useful life which are acquired separately are accounted at cost less accumulated amortization and impairment. Amortization is calculated on a straight-line basis throughout their useful life. The estimated useful life and method of amortization are reviewed at the end of each reporting period. Intangible assets with indefinite useful lives, which are acquired separately, are accounted at cost less cumulated impairment losses.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the Company estimates the recoverable amount of the asset in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment of tangible and intangible assets

Where a reasonable and consistent basis of allocation cannot be identified, tangible assets are allocated to the smallest group of cash-generating units for which a consistent and reasonable allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)****2. MAIN ACCOUNTING POLICIES (continued)*****Investment property***

Investment property are properties held to earn rentals and/or for future capital appreciation. They are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value each year. Gains and losses arising from changes in the fair value of investment properties are included in the profit or loss in the period in which they arise.

The Company classifies a property (land or building and land) as investment property when:

- a. it is held for future capital appreciation;
- b. at least 50% of its total useful surface area is rented; or
- c. it is not used in the Company's administrative or productive activity and less than 50% of its total useful surface area is/is not rented.

Since the Company discloses at the balance sheet date the investment property using the fair value model, buildings in this category are not depreciated.

Assets held for sale

Assets held for sale are represented by real estate held by the Company, which forms the object of a selling plan as at the date of the separate financial statements. Such assets are not depreciated and are carried at the lower of carrying amount and fair value, less costs to sell and are presented separately in the separate financial statements. Resulting gains and losses are included in profit or loss as they arise.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs, including a portion corresponding to indirect fixed and variable expenses are allocated to inventories held according to the most suitable method to that class of inventory, most of them being measured using the weighted average. The net realizable value represents the estimated selling price for inventories less all estimated completion costs and costs necessary to make the sale.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive), as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

The amount recognized as provision is the best estimate of the required amount to settle the obligation at the balance sheet date, considering the risks and uncertainties related to the obligation. If a provision is measured using estimated cash flows to settle the current obligation, then the carrying value is the current value of such cash flows.

Warranties

Provisions for warranties are recognized on the selling date of the products, according to the managements' best estimate regarding the expenditure required to settle the Company's obligation.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

Financial assets and liabilities

The Company applies IFRS 9 - Financial Instruments that came into effect starting January 1, 2018 and uses for the classification of financial assets, the business model of the entity and the cash flow characteristics of the financial asset under the contract.

Classification of financial assets

According to IFRS 9 Financial Instruments, the financial assets are classified into:

1. *financial asset measured at depreciation cost if both conditions below are met:*
 - the financial asset is held in a business model whose objective is to hold the financial assets to collect the contractual cash flows, and
 - the contractual terms of the financial asset generate at certain dates cash flows that are exclusively payments of principal and interest related to the principal owed.
2. *financial asset measured at fair value through other comprehensive income if both conditions below are met:*
 - the financial asset is held in a business model whose objective is met both through the collection of contractual cash flows and sale of financial assets, and
 - the contractual terms of the financial asset generate at certain dates cash flows that are exclusively payments of principal and interest related to the principal owed
3. *a financial asset measured at fair value through profit or loss, unless measured at depreciation cost in accordance with point or at fair value through other comprehensive income in accordance with item*

Except for trade receivables that fall under IFRS 15, a financial asset or a financial liability is initially measured at fair value and, in the case of a financial asset or financial liability that is not stated at fair value through profit or loss, plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

After initial recognition, the subsequent valuation of financial assets is performed at:

- depreciation cost
- fair value through other comprehensive income or
- fair value through profit or loss

Financial assets comprise shares held in subsidiaries, associates and jointly controlled entities, loans to these entities, other investments held as property, plant and equipment and other loans.

The Company presents investments in associates at cost. Given the transition to IFRS 9, while, prior to the initial application of IFRS 9, the Company accounted for such investments as per IAS 27.10a or IAS 27.10c (cost or equity method), the same accounting treatment is applied after the transition to IFRS 9. Thus, they continue to be accounted for at cost.

**NOTES TO THE FINANCIAL STATEMENTS
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(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

The Company's financial assets include cash and cash equivalent, trade receivables and long-term investments. Financial liabilities include finance lease liabilities, interest bearing bank loans, overdrafts, trade liabilities and other liabilities. For each element, the accounting policies on recognition and measurement are presented in this note. The management considers that the estimated fair values of such instruments approximate their carrying values.

Borrowings are initially recognized at fair value less costs incurred with such operation. Subsequently, they are registered at depreciation cost. Any difference between the entry value and the repayment value is recognized in the income statement over the term of the loan, using the effective interest method.

Financial instruments are classified as liabilities or equity according to the substance of the contractual arrangements. Interest, dividends, gains and losses related to a financial instrument classified as debt are reported as expense or income. Distributions to equity holders are directly recorded to equity. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on net basis, or to realize the asset and simultaneously write off the obligation.

The classification of investments depends on their nature and scope and is determined on the initial recognition date.

Financial assets available for sale (AFS)

Shares held in an unlisted capital instruments are classified as AFS and are registered at fair value. Gains and losses arising from changes in fair value are directly recognized in equity, in investment revaluation reserves, except for impairment losses, interest calculated using the effective interest method and gains and losses from the exchange rate of monetary assets, which are recognized directly in profit and loss. If the investment is sold or it is found impaired, then the gain or loss previously cumulated previous recognized in the investment revaluation reserve, is included in the profit and loss of the period.

Dividends from AFS capital instruments are recognized in profit and loss when the Company's right to receive them is established.

Impairment of financial assets

Financial assets, other than the ones recognized at fair value through the profit and loss account, are measured for impairment on each balance sheet date.

Financial assets are impaired when there is objective evidence that one or more of the events occurring after initial recognition have affected future cash flows related to the investment.

For shares available for sale, a significant or extended decline of the fair value of the security below its cost is considered objective evidence of impairment.

Certain categories of financial assets, such as receivables, assets evaluated as individually non-impairable, are subsequently evaluated for impairment collectively. Objective evidence for the impairment of a portfolio of receivables may include the Company's past experience in collective payments, an increase of delayed payments beyond the credit period, as well as visible changes of national and local economic conditions correlated with the expected credit loss.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)****2. MAIN ACCOUNTING POLICIES (continued)*****Impairment of financial assets (continued)***

The carrying value of a financial asset is reduced by impairment loss, directly for all financial assets, except for trade receivables, in which case the carrying value is reduced by using a provision account. If a receivable is considered non-recoverable, it is eliminated and deducted from the provision. Subsequent recoverable of amounts previously eliminated are credited in the provision account. Changes in the carrying value of the provision account are recognized in the profit and loss account.

Derecognition of assets and liabilities

The Company derecognizes financial assets only when the contractual rights over cash flows related to the assets expire; or when it transfers the financial asset and substantially all risks and rewards related to the asset to another entity.

The Company derecognizes financial liabilities when and only when the Company's liabilities have been paid, written off or expired.

Earnings per share

IAS 33 - Earnings per share provides that, if an entity presents consolidated financial statements and separate financial statements, the presentation of earnings per share is based on consolidated disclosures only. If it chooses to disclose earnings per share based on its separate financial position, it must disclose such information on earnings per share only in the statement of comprehensive income.

The Company has chosen to disclose earnings per share in these separate financial statements.

Use of estimates

The preparation of the financial information requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the end of reporting date, and the reported amounts of revenue and expenses during the reporting period. Actual results could vary from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Comparatives

For each item of the statement of financial position, the statement of comprehensive income and, where is the case, for the statement of changes in equity and for the statement of cash flows, for comparative information purposes is presented the value of the corresponding item for the previous year ended.

**NOTES TO THE FINANCIAL STATEMENTS
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3. INCOME

An analysis of the Company's income for 2018 is presented below:

	Year ended December 31, 2019	Year ended December 31, 2018
Net sales		
Income from sale of finished products	140,648,530	148,975,617
Income from sale of commodities	37,898,369	44,718,309
Income from services delivered	286,433	226,336
Other income	5,023,948	4,540,460
	183,857,280	198,460,719

	Year ended December 31, 2019	Year ended December 31, 2018
Investment income		
Income from renting investment property	1,865,024	2,255,686
Income from interest on bank deposits	86,398	91,477
Dividends received from participations (Note 26)	-	1,117,270
	1,951,422	3,464,433

Segment reporting:

Income by geographical areas:	Year ended December 31, 2019	Year ended December 31, 2018
Sales on domestic market (Romania)	136,738,171	145,566,788
Sales on foreign market (Europe)	46,119,954	50,139,425
Other (Israel, Taiwan, UAE)	999,155	2,754,506
Total	183,857,280	198,460,719

	Segment income		Segment profit	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Segment income and profit				
Polyethylene + polystyrene + polypropylene plastics	105,481,233	109,555,816	16,241,278	13,371,901
Compound recycled products	31,193,048	34,511,720	4,528,351	6,502,561
Other productive sectors	5,673,155	5,529,657	1,097,947	710,457
Income from sale of commodities and other activities	41,509,843	48,863,526	(467,059)	3,949,686
Total from operations	183,857,280	198,460,719	21,400,517	24,534,605
Investment income	-	-	1,951,422	3,464,433
Administrative and salary expenses	-	-	(20,910,669)	(21,587,946)
Finance expenses	-	-	(1,853,730)	(1,945,033)
Profit before tax	-	-	587,540	4,466,059

**NOTES TO THE FINANCIAL STATEMENTS
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(all amounts are expressed in lei, unless specified otherwise)**

3. INCOME (continued)

Plastics include income obtained by the Company from selling polyethylene products (agriculture foils and thermo-contractible foils, polyethylene bags of different thicknesses and sizes, covers), polypropylene products (polypropylene bags for the milling and bakery industry, the chemical industry, sugar industry, etc. and big-bags), polystyrene products (expanded polystyrene trays - standard and catering, expanded polystyrene boards for floor insulation), etc.

Other productive sectors include income obtained by the Company from selling auto and industrial filters, respiratory protection equipment, activated charcoal, PVC pipes and tubes, recycled PVC bases for traffic signs.

Compounds include income obtained by the Company from selling plastic compounds made of virgin polymers and compounds and re-granulated materials made of recycled polymers.

Other activities include income obtained from other activities representing sales of commodities, rentals and other services delivered.

	Asset segment		Liability segment	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Asset and liability segment				
Polyethylene + polystyrene + polypropylene plastics	68,674,613	67,697,203	58,619,175	55,183,358
Compound recycled products	85,495,772	90,826,596	25,478,979	30,163,062
Other productive sectors	6,908,247	3,844,099	3,605,878	2,410,916
Commercial assets, real estate and financial investments and other assets	85,116,273	90,972,889	21,561,563	28,393,158
Total assets/liabilities	246,194,905	253,340,788	109,265,596	116,150,493
Depreciation and of non-current assets additions	Depreciation segment		Segment of non-current assets additions*	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Polyethylene + polystyrene + polypropylene plastics	3,470,057	3,738,653	117,870	1,116,724
Compound recycled products	5,501,823	5,230,409	637,145	8,038,732
Other productive sectors	381,777	162,763	66,071	15,392
Other activities	1,280,833	1,665,294	610,947	691,271
Total	10,634,489	10,797,119	1,432,033	9,862,122

* Segment of non-current assets additions represents inflows of fixed assets during the year and does not include inflows from purchases of subsidiaries.

The client portfolio related to the company's production is diverse; it does not depend on certain clients. Nevertheless, as regards the sale of commodities, S.C Romcarbon SA has two clients (Kasakrom Chemicals SRL and LivingJumbo Industry SA). From the relation with such clients, the Company registered in 2019 a Turnover of 6% and 18% of Total turnover. Sales to LivingJumbo Industry SA in 2019 also contained sales of finished goods, rental of production spaces and income from other activities, which account for 5% of the turnover.

**NOTES TO THE FINANCIAL STATEMENTS
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(all amounts are expressed in lei, unless specified otherwise)**

4. RAW MATERIALS AND CONSUMABLES USED

	Year ended December 31, 2019	Year ended December 31, 2018
Raw materials	67,266,522	75,230,048
Commodities sold	37,493,305	44,035,878
Energy and water	13,109,724	12,374,842
Expenses with consumables	5,288,360	5,015,909
Total	123,157,911	136,656,677

5. EXPENSES WITH SALARIES AND SOCIAL LEVIES

	Year ended December 31, 2019	Year ended December 31, 2018
Salaries	36,333,967	34,700,286
Social contributions	1,153,670	1,139,629
Meal tickets	1,106,098	1,240,356
Total	38,593,735	37,080,271

Expenses with salaries and social levies increased as compared to the previous year, due to the increase in the number of employees and increase in the average salary in the company as a result of the minimum salary on economy increase.

Indemnities granted to top management

The remuneration of managers and other top management members was the following:

	Year ended December 31, 2019	Year ended December 31, 2018
Management salaries	2,631,957	2,345,237
Benefits for Board of Directors	252,501	321,643
Total	2,884,458	2,666,880

The remuneration of managers and executive personnel is determined by the shareholders, depending on individual performances and market conditions.

**NOTES TO THE FINANCIAL STATEMENTS
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(all amounts are expressed in lei, unless specified otherwise)**

6. OPERATING EXPENSES

	Year ended December 31, 2019	Year ended December 31, 2018
Expenses with transport and logistics	5,379,810	5,319,016
Other expenses with third party services*	5,353,584	6,205,293
Protocol and marketing	275,614	466,099
Expenses with repairs	1,433,588	1,157,805
Taxes and levies	1,814,900	1,790,122
Losses on receivables	4,006	206,804
Expenses with insurances	409,228	420,863
Expenses with postal charges and telecommunications	122,187	134,388
Expenses with travels	115,891	108,416
Expenses with rentals	200,380	241,756
Expenses with commissions and fees	8,030	5,893
Expenses with fines and penalties	106,077	312
Other expenses	258,891	190,874
Total	15,482,186	16,247,641

(*) Operating expenses with third party services include legal advisory services, financial audit, security, occupational medicine, technical consultancy, IT services, maintenance services, etc.

7. OTHER GAINS AND LOSSES

	Year ended December 31, 2019	Year ended December 31, 2018
Income from penalties charged	10,395	86,671
Gain / (Loss) on sale of non-current assets	(223,239)	11,254
Losses on calamities (net of insurance indemnities)	-	-
Gain / (Loss) on adjustment of investment property at fair value	(429,524)	307,659
Gain / (Loss) on disposal of investment property	256,605	2,709,699
FOREX gain / (loss)	(1,081,651)	114,221
Gain / (Loss) on disposal of finance investments	-	-
Gain / (Loss) on changes in inventory	(19,414)	36,085
Other gains	151,894	123,175
Total	(1,334,935)	3,388,764

8. DEPRECIATION AND AMORTIZATION EXPENSES

	Year ended December 31, 2019	Year ended December 31, 2018
Total amortization expenses, of which:	10,634,489	11,553,840
Depreciation of fixed assets	10,529,053	10,696,166
Amortization of intangible assets	105,436	100,952
Impairment allowance for assets held for sale	-	756,722
Financial assets impairment	-	-
	10,634,489	11,553,840

This is a free translation from the original Romanian version.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

9. NET FINANCE COST

	Year ended December 31, 2019	Year ended December 31, 2018
Bank interest and leases expenses	1,438,751	1,664,212
Bank commissions and assimilated charges	414,979	280,821
Total	1,853,730	1,945,033

10. INCOME TAX

	Year ended December 31, 2019	Year ended December 31, 2018
Income tax expenses		
Current income tax expense	676,882	246,375
Deferred income tax expense / (income)	(459,440)	(580,672)
	217,442	(334,297)

The tax rate applied for the reconciliation above related to 2019 and 2018 is 16% and is due by all Romanian legal persons.

The total expense of the year may be reconciled with the accounting profit as follows:

	Year ended December 31, 2019	Year ended December 31, 2018
Reconciliation of actual income tax rate		
Gross income before taxation	587,540	4,466,059
Tax calculated according to the 16% rate	94,006	714,569
Effect of non-taxable income	(233.384)	(237,052)
Effect of non-deductible expenses	333.008	767,349
Effect (tax loss) / tax profit	(459.440)	(580,672)
Effect of temporarily non-deductible expenses / deferred tax	-	-
Deductions related to reinvested profit	483.252	(998,491)
	217,442	(334,297)

**NOTES TO THE FINANCIAL STATEMENTS
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(all amounts are expressed in lei, unless specified otherwise)**

10. INCOME TAX (continued)

Components of deferred tax liabilities	Year ended December 31, 2019	Year ended December 31, 2018
Trade and other receivables	(136,871)	(134,697)
Inventories	(228,841)	(228,841)
Investment property	835,991	1,293,258
Property, plant and equipment	7,898,347	7,972,355
Recognised income tax liabilities	8,368,626	8,902,075
of which deferred tax on revaluation reserves from comprehensive income	8,542,292	8,616,301
	Year ended December 31, 2019	Year ended December 31, 2018
Opening balance as at January 1	8,902,075	10,758,395
Movement from revaluation reserves	(74,009)	(1,275,648)
Recognised in income statement	(459,440)	(580,672)
Closing balance as at December 31	8,368,626	8,902,075

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
 (all amounts are expressed in lei, unless specified otherwise)

11. PROPERTY, PLANT AND EQUIPMENT

	<u>Land</u>	<u>Buildings</u>	<u>Plant and equipment</u>	<u>Installations and furniture</u>	<u>Tangible assets in progress and advances</u>	<u>Total</u>
COST						
Balance as at January 1, 2019	45,876,831	24,343,213	116,870,655	1,465,542	208,678	188,764,919
Additions, of which	151,209	1,573,843	808,733	72,680	2,952,427	5,558,892
Transfers	-	527,587	808,733	72,680	-	1,409,000
Revaluation increases	151,209	1,046,256	-	-	-	1,197,465
Disposals, of which	(280,484)	(5,679,552)	(220,056)	(766,330)	(1,409,000)	(8,355,422)
Disposals from revaluation	(280,484)	(5,478,388)	-	-	-	(5,758,872)
Balance as at December 31, 2019	45,747,556	20,237,504	117,459,332	771,891	1,752,105	185,968,388
COST						
Balance as at January 1, 2018	45,876,831	21,079,948	111,567,980	1,362,753	6,977,944	186,865,456
Additions, of which	-	3,263,265	6,487,874	110,983	3,092,856	12,954,978
Transfers	-	3,263,265	6,487,874	110,983	-	9,862,122
Revaluation increases	-	-	-	-	-	-
Disposals, of which	-	-	(1,185,199)	(8,194)	(9,862,122)	(11,055,515)
Disposals from revaluation	-	-	-	-	-	-
Balance as at December 31, 2018	45,876,831	24,343,213	116,870,655	1,465,542	208,678	188,764,919

Further to revaluation, the value of assets in the form of land and buildings dropped by RON 4,561,407 (the value of land dropped by RON 129,275 and the value of buildings and construction dropped by RON 4,432,132). The revaluation differences were registered as follows: the RON (95,732) in the income statement and the RON 760,260 as set up of reserves. The difference of RON (5,225,935) represents the write-off of the depreciation of the assets revalued at December 31, 2019.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
 (all amounts are expressed in lei, unless specified otherwise)

11. PROPERTY, PLANT AND EQUIPMENT (continued)

	<u>Land</u>	<u>Buildings</u>	<u>Plant and equipment</u>	<u>Installations and furniture</u>	<u>Tangible assets in progress and advances</u>	<u>Total</u>
CUMULATED DEPRECIATION						
Balance as at January 1, 2019	-	3,593,604	54,314,139	807,452	-	58,715,195
Expenses with depreciation	-	1,775,867	8,685,579	67,606	-	10,529,052
Decrease from sale of assets	-	(143,536)	(135,915)	(418,558)	-	(698,008)
Revaluation decreases	-	(5,225,935)	-	-	-	(5,225,935)
Balance as at December 31, 2019	-	-	62,863,804	456,500	-	63,320,305
CUMULATED DEPRECIATION						
Balance as at January 1, 2018	-	1,745,879	46,652,965	708,677	-	49,107,521
Expenses with depreciation	-	1,847,725	8,741,473	106,969	-	10,696,167
Decrease from sale of assets	-	-	(1,080,299)	(8,194)	-	(1,088,493)
Revaluation decreases	-	-	-	-	-	-
Balance as at December 31, 2018	-	3,593,604	54,314,139	807,452	-	58,715,195
NET BOOK VALUE						
As at December 31, 2019	45,747,556	20,237,504	54,595,529	315,391	1,752,105	122,648,084
As at December 31, 2018	45,876,831	20,749,609	62,556,516	658,090	208,678	130,049,723

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

11. PROPERTY, PLANT AND EQUIPMENT (continued)

As at December 31, 2019 the Company revalued tangible assets from the land and buildings category using the services of an independent valuer.

Further to revaluation, the valued of land and buildings decreased by lei 4,561,407 (the value of lands decreased by lei 129,275 and the value of buildings and constructions decreased by lei 4,432,132).

In 2018, the Company paid and closed the pending lease agreements.

Pledged and restricted tangible assets

Tangible assets with a net book value of lei 101,999,180 as at December 31, 2019 (lei 117,976,120 as at December 31, 2018) represent security for loans and credit lines contracted from: BRD GSG SA, UniCredit Bank SA and Eximbank SA. Some of the commercial banks issued letters of guarantee in favor of the Company's commercial partners. To issue such letters of guarantee, the Company pledged fixed assets with a net book value as at December 31, 2019 of lei 0.

In 2015, the Company purchased production equipment totaling lei 29,988,347 based on a grant under Sectoral Operational Program "Increase of Economic Competitiveness" (SOP IEC) 2007 – 2013 - co-funded from the European Regional Development Fund, Priority Axis 1, generically called – "Development of S.C. ROMCARBON S.A. through the purchase of new equipment".

The net book value of the equipment purchased under this project is lei 22,811,183 as at December 31, 2019 and lei 24,603,345 as at December 31, 2018.

12. INVESTMENT PROPERTY

	December 31, 2019	December 31, 2018
Balance as at January 1	18,033,515	49,859,449
Total additions, out of which:	702,518	339,043
Revaluation increases	679,485	339,043
Total disposals, of which:	(5,303,589)	(32,164,977)
Revaluation decreases	(1,109,008)	(31,384)
Balance as at December 31	13,432,444	18,033,515

As at December 31, 2019, the Company owns in its locations in Iasi, Stefanesti and Buzau non-current assets that are not used for its core activity. They are held to acquire future appreciation and to be partly rented to third parties. Based on such criteria, in accordance with IAS 40 "Investment Property", the Company decided to classify such non-current assets as investment property.

On April 23, 2018 the Company signed two undertakings for the sale of assets with Office&Logistic SRL as follows:

- Sale undertaking for the promise to sell a plot of land in surface area of 39,269.50 sq m located in Iasi, Calea Chisinaului, nr. 29 and the buildings erected on such land; the sale under such undertaking, for which a total price of EUR 3,900,000 EUR, without VAT, was received, was done in two stages, on 10.05.2018 and on 30.07.2018;
- Sale undertaking for the promise to sell a plot of land in surface area of 35,192.48 sq m located in Iasi, Calea Chisinaului, nr. 29 and the buildings erected on such land for which a total price of EUR 3,430,689, without VAT will be received, which will be done in three stages, for which ownership will be transferred on 30.07.2019, 29.11.2019 and 30.03.2020.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)****12. INVESTMENT PROPERTY (continued)**

From the sale performed on 10.05.2018 and 30.07.2018, the Company obtained a profit of lei 2,709,753 registered in the statement of comprehensive income under "Other gains or losses".

In December 2018, in accordance with IFRS 5, the asset consisting of land in surface area of 35,192.48 sq m located in Iasi, Calea Chisinaului, nr. 29 and the buildings erected on such land, was reclassified, which will form the object of the second sale undertaking, from "Investment property" to "Assets held for sale". The asset (land and buildings) which formed the object of such reclassification is worth lei 16,757,112. Further to reclassification, the Company registered a loss of lei 756,722 on the recognition of such asset in accordance with IFRS 5. The value at December 31, 2018 is lei 16,000,390.

In May 2019, an intermediary phase of the sale transaction with Office&Logistic SRL was undertaken, whose aim was to sell a plot of land of 1,289 sqm for which a price of lei 600,566 (euro 126,322) was cashed.

On August 13, 2019 the first phase as per sale undertaking no. 2, entered into with OFFICE & LOGISTIC SRL (as buyer) was completed, representing the counter value of a property located in Iasi, Calea Chisinaului, nr. 29 in total surface area of 17,569 sqm, of which 1,906 sqm built surface area, according to sale agreement no. 2917 of 13.08.2019 for which a price of lei 5,435,475 was cashed (the equivalent of euro 1,150,000).

On November 28, 2019 the second phase agreed upon according to sale undertaking no. 2, entered into with OFFICE & LOGISTIC SRL (as buyer) was completed, represented the counter value of a property located in Iasi, Calea Chisinaului, nr. 29 in total surface area of 11,061 sqm, of which 5,830 sqm built surface area, according to sale agreements nos. 4364 and 4365 of November 28, 2019 for which a price of lei 5,496,080 was cashed (the equivalent of euro 1,150,000).

On November 28, 2019 the third phase agreed upon according to sale undertaking no. 2, entered into with OFFICE & LOGISTIC SRL (as buyer) was completed at an earlier stage (initial term was March 30, 2020) represented the counter value of a property located in Iasi, Calea Chisinaului, nr. 29 in total surface area of 5,340.48 sqm, of which 1,609.85 sqm built surface area, according to sale agreement no. 4366 of 28.11.2019 for which a price of lei 4,654,029 was cashed (the equivalent of euro 977,666.59).

At December 31, 2019, the Stefanesti asset, with a net value of lei 4,194,581, was reclassified from "Investment property" to "Current assets held for sale". On January 31, 2020 the sale was completed (as per the sale undertaking entered into on December 18, 2019, with GREEN PC AMBALAJE SRL – promissory buyer) for the property located in Ilfov, Stefanestii de Jos, Str. Sinaia nr. 15, in total surface area of 12,774 sqm, of which 4,928 sqm built surface, further to the signing of the sale agreement under which the price of lei 3,987,387.32 was cashed (the equivalent of euro 834,356).

As at December 31, 2019, the Company performed the valuation of the investment property and the result, in amount of lei (429,524) was charged to profit and loss.

If the Company had valued the investment property and the assets held for sale at cost, then the value as of December 31, 2019 would have been lei 17,523,480.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
 (all amounts are expressed in lei, unless specified otherwise)

13. OTHER INTANGIBLE ASSETS

	<u>Licenses</u>	<u>Other intangible assets</u>	<u>Intangible assets in progress</u>	<u>Total</u>
COST				
Balance as at January 1, 2019	730,196	592,467	-	1,322,662
Additions	284,422	-	308,003	592,425
Transfers	-	-	-	-
Disposals	(2,291)	-	(250,923)	(253,213)
Balance as at December 31, 2019	1,012,327	592,467	57,080	1,661,874
Balance as at January 1, 2018	711,057	592,467	-	1,303,523
Additions	19,139	-	-	19,139
Transfers	-	-	-	-
Disposals	-	-	-	-
Balance as at December 31, 2018	730,196	592,467	-	1,322,662
ACCUMULATED AMORTIZATION				
Balance as at January 1, 2019	674,351	570,042	-	1,244,393
Expenses with amortization	83,012	22,424	-	105,436
Write-offs on disposal of assets	(2,091)	-	-	(2,091)
Balance as at December 31, 2019	755,272	592,466	-	1,347,738
Balance as at January 1, 2018	600,298	543,143	-	1,143,442
Expenses with amortization	74,053	26,899	-	100,952
Write-offs on disposal of assets	-	-	-	-
Balance as at December 31, 2018	674,351	570,042	-	1,244,393
NET BOOK VALUE				
As at December 31, 2019	257,056	-	57,080	314,136
As at December 31, 2018	55,845	22,424	-	78,269

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)
14. OTHER FINANCIAL ASSETS

Details on the Company's investments in subsidiaries and associates are as follows:

Name of investment	Core activity	Place of establishment and operations	%	31-Dec-19	31-Dec-18
				RON	RON
RECYPLAT LTD CYPRUS	Business and other management consultancy activities	Nicosia	100.00%	20,261,120	20,261,120
ROMCARBON DEUTSCHLAND GmbH	Trade of plastics finished goods, recovery of plastics materials and purchase of plastics waste	Germany	100.00%	110,138	110,138
RC ENERGO INSTALL SRL	Plumbing, heat and air conditioning installation (NACE code 4322)	Buzau	100.00%	15,112	15,112
INFO TECH SOLUTIONS SRL	Other information technology and computer service activities (NACE code 6209)	Buzau	99.00%	1,980	1,980
LIVING JUMBO INDUSTRY SA	Manufacture of plastic packing goods (NACE code 2222).	Buzau	99.86%	6,477,632	1,639,232
GRINFILD LTD	Retail trade	Odessa	62.62%	2,687,755	2,687,755
ECO PACK MANAGEMENT SA	Other business support service activities n.e.c. (NACE code 8299)	Bucharest	25.36%	586,625	586,625
ASOCIATIA ECOLOGICA GREENLIFE (Non-Profit Organization)	The scope of the association is to represent, promote and support the employer and professional interests of its members	Buzau	33.33%	400	400
YENKI SRL	Activities of sports facilities (NACE code 9311)	Buzau	33.34%	100,000	100,000
KANG YANG BIOTECHNOLOGY CO. LTD	Manufacture of products beneficial for the human health	Taiwan	4.81%	203,963	203,963
Registrul Miorita SA	Other financial service activities, except insurance and pension funding n.e.c. (NACE code 6499)	Cluj	3.79%	5,000	5,000
			TOTAL	30,449,725	25,611,325
Financial assets impairment					
GRINFILD LTD				(2,687,755)	(2,687,755)
ROMCARBON DEUTSCHLAND GmbH				(110,138)	(110,138)
ECO PACK MANAGEMENT SA				(554,263)	(554,263)
YENKI SRL				(11,988)	(11,988)
				(3,364,144)	(3,364,144)
Net book value				27,085,581	22,247,181

This is a free translation from the original Romanian version.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)****14. OTHER FINANCIAL ASSETS (continued)**

Details on changes in subsidiaries and associates investments in 2019 and 2018 are as follows:

In 2013, S.C. ROMCARBON S.A participated in the share capital of ROMCARBON DEUTSCHLAND GmbH with an amount of lei 110,138, the equivalent of EUR 25,000, holding 100% of its share capital. The field of activity of ROMCARBON DEUTSCHLAND GmbH is "Trade with plastic finished products, recycling of plastic materials and purchase of plastic waste".

In 2016, ROMCARBON DEUTSCHLAND GmbH initiated the voluntary liquidation proceedings.

In March 2013, S.C. ROMCARBON S.A. purchased 139,000 shares in KANG YANG BIOTECHNOLOGY CO.LTD TAIWAN for which it paid lei 203,963, the equivalent of EUR 46,500. The field of activity of the company is the manufacture of products beneficial for human health. Between May 22, 2013 and May 21, 2016 SC POLYMASTER CHEMICALS SA is suspended pursuant to Art. 237 of Law 31/1990.

On August 1, 2013 SIGUREC INTERNATIONAL SA started the voluntary dissolution proceedings according to the Decision of the GMS of August 1, 2013 according to Art. 113 letter i) and Art. 227 letter d) of Law 31/1990. In February 2014, the company was de-registered from the Registry of Commerce.

In December 2013, SC Romcarbon SA participated to the increase of the share capital of SC Eco Pack Management SA with an amount of lei 166,950, by converting the shareholder loan granted based on contract no. 8870/20.12.2012.

Between November and December 2013, SC ROMCARBON SA sold its participation in Grinfield Ukraine to Recyplat LTD Cyprus. In exchange for such participation, it received EUR 709,000.

In November 2014, S.C. ROMCARBON S.A. reduced its holding in the share capital of SC ECO PACK MANAGEMENT S.A. from 49.966% to 25.3597%, by not participating in the increase of such company's share capital.

In December 2014, S.C. ROMCARBON S.A. increased its holding in Yenki SRL from 25% to 33.33% by purchasing 2,734 share parts against lei 18,000.

As at December 31, 2014, the Company recorded an impairment for financial assets in amount of lei 1,178,369, broken down as follows: Eco Pack Management SA lei 554,263, Taipei Cimeo SRL lei 491,040, Romcarbon Deutschland GMBH lei 110,138, other investments lei 22,929.

In 2015, Taipei Cimeo S.R.L, Polymasters Chemicals S.A. and Total Commercial Management S.R.L were shut down.

In 2016, sale-purchase contract no. 9690 of 26.11.2013 between Romcarbon SA and Recyplat LTD for the assignment of 62.62% of the share capital of Grinfield LLC Ukraine to Recyplat LTD was terminated as the buyer could not register its title in the relevant registries of Ukraine. Following the termination of the contract, the parties were reinstated to their condition prior to 25.11.2013, as a result of which SC Romcarbon SA had to repay the price received, EUR 709,000.

On 04.10.2016, Greensort Recycling S.R.L. was deregistered from the Trade Registry.

On 17.10.2016, Arch Development Associates S.R.L. was incorporated, having a share capital of lei 2,000, in which Romcarbon S.A. holds 51%. The company's object of activity is Developing of building projects, NACE code 4110. On 12.12.2016, the company's shareholders decided to increase the share capital by lei 450,000, by issuing 45,000 share parts at a nominal value of lei 10/share part, in which Romcarbon S.A. did not participate. Further to such capital increase, Romcarbon S.A. reduced its holding in the share capital of Arch Development Associates S.R.L. from 51% to 0.23%.

In June 2017, the reduction of Recyplat LTD equity was approved, namely share premiums, by RON EUR 130,000. In the same month, Recyplat LTD returned EUR 130,000 (equivalent of lei 596,167) to Romcarbon SA.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)
14. OTHER FINANCIAL ASSETS (continued)

On September 27, 2017 Arch Development Associates SRL was deregistered from the Trade Registry.

On June 1, 2019, Romcarbon SA took part in the increase of share capital of LivingJumbo Industry SA by lei 4,834,400 (1,200 shares * lei 4.032 /share) through the conversion into shares of the loans granted and part of the related interest, as follows:

- lei 4,740,000 (euro 1,000,000 * lei 4.74 /euro) represented the loan granted;
- lei 94,800 (euro 20,759.49 * lei 4.74 /euro) representing the interest on the loan.

15. INVENTORIES

	December 31, 2019	December 31, 2018
Raw materials	11,393,277	10,140,307
Consumables	3,636,550	3,045,873
Items of inventory	92,376	112,158
Packaging	189,478	226,298
Finished products	7,094,415	4,618,155
Unfinished products	1,865,324	1,711,621
Semi-finished products	1,847,960	2,055,979
Residual products	17,074	2,734
Commodities	531,766	187,924
Advances for purchases of inventory	108,391	25,125
Allowance for obsolete inventories	(1,430,256)	(1,430,256)
Total	25,346,355	20,695,918

16. TRADE AND OTHER RECEIVABLES

	December 31, 2019	December 31, 2018
Trade receivables	46,642,677	36,394,466
Allowances for doubtful clients	(1,222,066)	(1,202,652)
Taxes to recover/(paid)	90,324	118,587
Other receivables	354,878	412,015
Subsidies receivable	-	-
Total	45,865,813	35,722,416

When determining the recoverability of a receivable, the Company takes into account any change in the receivable's crediting capacity from the date the loan was granted, until the reporting date. The level of credit risk is limited given that the client basis is large and clients are not related to each other.

The company records debt adjustment values in accordance with IFRS 9, as well as specific provisions for the clients in dispute.

Therefore, the Company's management considers that there is no need for an additional provision exceeding the allowance for doubtful debts.

Out of the total receivables older than 60 days at December 31, 2019, 84% are held by the Romcarbon Group companies.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
 (all amounts are expressed in lei, unless specified otherwise)

16. TRADE AND OTHER RECEIVABLES (continued)

31/12/2019	Not past due	Trade receivables – days past due					Total
		<30	31-60	61-90	91-120	>120	
Expected loss rate	0.02%	0.03%	0.10%	0.12%	0.31%	1.53%	
Total estimated default gross carrying amount	19.610.137	5.004.676	3.351.672	3.751.552	3.684.302	8.164.290	43.566.628
Lifetime expected loss rate							

31/12/2018	Not past due	Trade receivables – days past due					Total
		<30	31-60	61-90	91-120	>120	
Expected loss rate	0.02%	0.04%	0.22%	1.07%	2.06%	6.46%	
Total estimated default gross carrying amount	20.847.607	6.675.651	3.549.575	2.805.502	96.242	74.392	34.048.970
Lifetime expected loss rate							

This is a free translation from the original Romanian version.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
 (all amounts are expressed in lei, unless specified otherwise)

17. OTHER CURRENT ASSETS

	December 31, 2019	December 31, 2018
Prepaid expenses	965,731	839,094
Advances to services suppliers	284,238	168,819
Total	1,249,969	1,007,913

18. ISSUED CAPITAL

	Share capital	
	December 31, 2019	December 31, 2018
264,122,096 fully paid ordinary shares (2013: 264,122,096). The value of one share is RON 0.1 Inflation effect according to IAS 29	26,412,210	26,412,210
	-	-
Total	26,412,210	26,412,210

	December 31, 2019		December 31, 2018	
	Number of shares	% ownership	Number of shares	% ownership
Living Plastic Industry SA	86,774,508	32.85%	86,774,508	32.85%
Unitai International Corporation	615,500	0.23%	615,500	0.23%
Joyful River Limited Loc. Nicosia CYP	54,195,089	20.52%	54,195,089	20.52%
STICHTING BEWAARDER OVERLEVINGSFONDS	-	0%	-	0%
BRAICONF SA	-	0%	-	0%
Other legal persons	18,422,952	6.98%	18,044,842	6.83%
Other natural persons	104,114,047	39.42%	104,492,157	39.56%
Total	264,122,096	100%	264,122,096	100%

The main characteristics of the securities issued by the company: 264,122,096 nominal shares, dematerialized, having a nominal value of RON 0.1.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)

19. RESERVES

	December 31, 2019	December 31, 2018
Legal reserves	4,133,516	4,115,011
Other reserves	14,831,048	14,569,353
Revaluation reserves	39,880,741	39,808,428
Total	58,845,305	58,492,792

REVALUATION RESERVES

	December 31, 2019	December 31, 2018
Opening balance	39,808,428	39,338,852
Increases from revaluation of property, plant and equipment	760,260	
Decreases from revaluation of property, plant and equipment		
Transfer of reserves to retained earnings	(761,956)	(806,072)
Adjustment of deferred tax on fiscally non-deductible revaluation reserves	74,009	1,275,648
Closing balance	39,880,741	39,808,428

The legal reserve is used to transfer profits from retained earnings. According to Romanian legislation, it is necessary a transfer of the net profit of the Company. The transfer can be of up to 5% of the profit before tax, until the reserve reaches 20% of the share capital. The value as per the IFRS of reserves includes statutory legal reserves in amount of lei 4,133,516.

The reserve cannot be distributed to shareholders, but it can be used to cover operating losses.

20. RETAINED EARNINGS

	December 31, 2019	December 31, 2018
Balance at the beginning of the year	50,103,010	51,304,266
Net profit	370,098	4,800,356
Transfer to legal reserves	(18,505)	(240,018)
Write-off of IAS 29 application on items of equity	-	-
Transfer to other reserves*	(261,695)	(4,560,338)
Reclassification of revaluation reserve to retained earnings	-	-
Transfers from revaluation reserves	761,956	806,072
Other changes – correction of material errors**	(283,922)	-
Dividend allocation	(1,056,488)	(2,007,328)
Balance at the end of the year	49,614,454	50,103,010

* Transfer of reinvested profit to Other reserves according to the Fiscal Code.

** The (283,922) represents the income tax difference for 2018, recalculated in 2019.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)
21. BORROWINGS

Borrowings – short-term	December 31, 2019	December 31, 2018
Credit line in Euro – BRD	12,088,156	11,643,846
Investment loan in Euro - BRD	-	-
Investment loan in Euro II - BRD	597,194	582,774
Investment loan in Euro III - BRD	754,023	735,816
UniCredit Tiriac (object loan)	25,297,660	20,447,388
UniCredit Tiriac – VAT facility - CCE 2015	2,078,996	2,028,797
Eximbank SA	509,250	509,253
Eximbank SA	514,500	514,500
Investment loan I - Eximbank SA	596,833	530,753
Investment loan I - UniCredit Bank	-	499,579
Investment loan II - UniCredit Bank	306,263	306,263
Investment loan III - UniCredit Bank	540,102	527,061
Investment loan IV - UniCredit Bank	1,547,751	1,077,878
Investment loan V - UniCredit Bank	1,241,211	531,947
Total	46,071,939	39,935,675

Borrowings – long-term	December 31, 2019	December 31, 2018
Investment loan in Euro II - BRD	1,094,854	1,651,193
Investment loan in Euro III – BRD	816,859	1,532,951
UniCredit Tiriac	6,822,067	8,686,140
Investment loan I - UniCredit Bank	-	1,790,158
Investment loan II - UniCredit Bank	229,698	535,961
Investment loan III - UniCredit Bank	405,077	922,357
Investment loan IV - UniCredit Bank	608,007	2,155,758
Investment loan V - UniCredit Bank	-	1,241,211
Investment loan S1 - Eximbank SA	763,875	1,273,123
Investment loan S2 - Eximbank SA	771,750	1,286,250
Investment loan II - Eximbank SA	1,193,665	1,591,719
Total	12,705,852	22,666,821

According to the existing loan contracts, the Company is subject to certain restrictive conditions. Such conditions require, inter alia, to maintain certain financial covenants including the DSCR ratio, total financial liabilities/ EBITDA, financial liabilities, current liquidity and net financial assets to equity.

According to the loan contracts, the Company must meet the financial covenants to a certain level, separately and/or jointly with LivingJumbo Industry SA.

As at December 31, 2019 the Company did not meet covenant “total net financial liabilities/equity” either separately, or jointly with LivingJumbo Industry SA. Also, the Company fulfilled separately covenants “Current liquidity” and “Total net financial liabilities/EBITDA”, but did not meet such covenants together with LivingJumbo Industry SA.

„Service debt coverage ratio” was not fulfilled either separately, or together with LivingJumbo Industry SA at the date of these financial statements.

In this respect, the Company obtained as at the approval date of the separate financial statements a letter from the banking institutions stipulating that the contractual provisions were not breached, as the conditions were calculated based on the statements submitted, and it would not demand the early repayment of the loans made available.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

21. BORROWINGS (continued)

The Company has contracted the following short-term loans as at December 31, 2019:

a) credit line contracted from UniCredit Bank SA in amount of EUR 5,450,000 (contract BUZA/014/2012)

- Outstanding amount as at December 31, 2019: lei 25,297,660 (equivalent of EUR 5,293,173)
 - Due on: April 10, 2020
 - Securities:
1. Mortgage on the following immovable assets (land + constructions), identified as follows:
 - cadastral no. 67264 (having a total surface area of 10,037 sq m) located at Str. Transilvaniei, 132, Buzău;
 - cadastral no. 54304 (having a total surface area of 16,787 sq m) located at Str. Transilvaniei, 132, Buzău;
 - cadastral no. 67301, having a surface area of 3,348 sq m, resulting from joining cadastral no. 64699, having a surface area of 3,308 sq m with cadastral no. 67265 having a total surface area of 40 sq m) located at Str. Transilvaniei, 132, Buzău;
 - cadastral no. 64371, having a total surface area of 22,830 sq m, resulting from the division of the area holding cadastral no. 54553, formerly 18335 (having a total surface area of 23.451 sq m) located at Str. Transilvaniei, 132, Buzău;
 - cadastral no. 52784, formerly 344/1/5 (having a total surface area of 7,659 sq m) located at Str. Transilvaniei, 132, Buzău;
 - cadastral no. 52768, formerly 344/1/7 (having a total surface area of 10,191 sq m) located at Str. Transilvaniei, 132, Buzău;
 - cadastral no. 54575, formerly 344/1/1 (having a total surface area of 9,814 sq m) located at Str. Transilvaniei, 132, Buzău;
 2. Mortgage over the credit balance of the accounts in RON or foreign currency opened by S.C. Romcarbon S.A. with UniCredit Bank – Buzău Branch;
 3. Mortgage over the credit balance in lei or foreign currency opened by Livingjumbo Industry SA with UniCredit Bank Suc. Buzau;
 4. Mortgage over the monetary receivables and accessories thereto from current and prospective contracts and/or the firm orders and/or invoices executed/issued by ROMCARBON SA with its clients, in their capacity of assigned debtors, with possibility of sending accepted or non-accepted notices to assigned debtors in accordance with the negotiations held with the Bank;

Currently, the following debtors are notified: LivingJumbo Industry SA, P.H. Bratpol Poland, Yugosac D.O.O.Serbia, KASAKROM Chemicals SRL Bucharest, Arpa SA Logistics Greece, Metro Cash & Carry Romania SRL, Comandor Impex SRL Focșani, Auchan Romania SA, Snick Ambalaje si Consumabile Magura BZ, Carrefour Romania SA, Horeca Distribution SRL Bucharest, V&T Trade Ltd Sofia Bulgaria.

The list will be supplemented/revised by inclusion / exclusion of new data.
 5. Mortgage over movable assets in the form of inventory having a minimum value of EUR 2,000,000;
 6. Real estate mortgage of subsequent rank over 4 machinery with a market value as per the valuation of January 2019 EUR 390,500 and a net book value of lei 1,369,682 as at December 31, 2019.
 7. Blank promissory note, with the mention "No Protest";
 8. LivingJumbo Industry SA as co-borrower;
 9. Mortgage over a collateral deposit in amount of euro 250,000 established by Romcarbon SA.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

21. BORROWINGS (continued)

b) credit facility contracted from BRD GSG in amount of EUR 2,550,000 (contract 134/11.05.2007)

- Outstanding amount as at December 31, 2019: lei 12,088,156 (equivalent of EUR 2,529,273)
- Due on: September 29, 2020
- Type and limit of facilities:
 - sub-limit of credit line facility: euro 2,550,000;
 - sub-limit of bank letters of guarantee: euro 500,000;
 - sub-limit of facility of letters of credit: euro 500,000.
- Securities:
 1. Security interest in real estate over immovable assets (land + constructions) bearing the following cadastral numbers:
 - 61094 (344/1/6) having a total surface area of 8,922 sq m, 52789 (344/1/8) having a total surface area of 17,922 sq m, 65873 (344/1/9) having a total surface area of 5,950sq m, 52777 (344/1/10) having a total surface area of 3,720 sq m, 52808 (344/1/11/1) having a total surface area of 4,561 sq m located at Strada Transilvaniei, nr. 132, Buzău.
 2. Mortgage without dispossession over 31 machinery with a net book value of lei 77,462 as at December 31, 2019;
 3. Mortgage over the credit balance of the accounts opened by Romcarbon SA with BRD GSG - Buzău Branch;
 4. Mortgage over receivables with a minimum balance of 30% of the credit balance, resulting from the commercial contracts concluded with its partners: DUCTIL SA, DEDEMAN SRL, NENEA SRL, AGRANA ROMANIA SRL, ROMANIA HYPERMARCHÉ SA, HITEXIM SRL, MAGIC SERV SRL, SAPTE SPICE SA, ROCA OBIECTE SANITARE, GD AGRO COM SRL, M&V SRL, AUTONET IMPORT SRL, SUBANSAMBLE AUTO SA, FABRYO CORPORATION SRL.

As at February 29, 2020, the Company contracted the following long-term loans:

a) Investment loan II in amount of EUR 1,000,000 (withdrawn in part) contracted from BRD GSG (contract 148007/9022/03.11.2014):

- Outstanding amount as at December 31, 2019: lei 1,692,048 (equivalent of EUR 354,037)
- Due on: 03.09.2022
- Securities:
 1. Mortgage over the credit balance of present and prospective accounts/sub-accounts in lei and foreign currency opened by Romcarbon SA with BRD GSG – Buzău Branch;
 2. Mortgage over the credit balance of present and future accounts/sub-accounts in lei and foreign currency opened by LivingJumbo Industry SA, as co-debtor, with BRD GSG – Buzău Branch;
 3. Mortgage without dispossession over 4 machinery having a net book value of lei 3,017,948 as at December 31, 2019;

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)

21. BORROWINGS (continued)

b) Investment loan III in amount of EUR 3,153,160 contracted from BRD GSG (contract 150819/9022/19.12.2014)

- Outstanding amount as at December 31, 2019: lei 1,570,881 (equivalent of EUR 328,684)
- Due on: 03.02.2022
- Securities:
 1. Mortgage over the credit balance of present and future accounts/sub-accounts in lei and foreign currency opened by S.C. Romcarbon S.A. with BRD GSG – Buzău Branch;
 2. Mortgage over the credit balance of present and future accounts/sub-accounts in lei and foreign currency opened by S.C. LivingJumbo Industry S.A, as co-debtor, with BRD GSG – Buzău Branch;
 3. First rank mortgage over real estate having a total surface area of **35,159 sq m**, identified by the following cadastral numbers: 65984 with a surface area of 17,373 sq m, 54582 with a surface area of 4,108 sq m and 64815 with a surface area of 13,678 sq m;

c) Investment loan for the purchase of equipment and financing and re-financing of construction and fit-out works of shop floors in amount of lei 6,142,500 contracted from Banca de Export-Import a Romaniei Eximbank SA (contract 1-ABZ/21.07.2015)

- Outstanding amount as at December 31, 2019: lei 2,559,375
- Due on: 20.06.2022
- Securities:
 1. Mortgage over real estate having a total surface area of **23,001 sq m**, identified by the following cadastral numbers: 52853 with a surface area of 1,323 sq m, 52837 with a surface area of 1,907 sq m, 54576 with a surface area of 380 sq m, 54588 with a surface area of 4,882 sq m, 54558 with a surface area of 152 sq m, 54430 with a surface area of 1,320 sq m, 60631 with a surface area of 911 sq m, 64035 with a surface area of 601 sq m, and 56197 with a surface area of 11,525 sq m;
 2. Mortgage without dispossession over 2 machinery having a market value of EUR 742,390 as per the valuation of May 2019 and July 2019 and a net book value of lei 3,585,257 as at December 31, 2019;
 3. Mortgage over current accounts in lei and foreign currency opened with EximBank SA by Romcarbon SA;
 4. Blank promissory note, with the mention "No Protest".

d) Investment loan to co-fund project "Development of Romcarbon SA" worth EUR 2,967,420 contracted from UniCredit Bank SA (contract BUZA/010/2015)

- Outstanding amount as at December 31, 2019: lei 8,901,063 (equivalent of EUR 1,862,420)
- Due on: 04.12.2023
- Securities:
 1. Mortgage over the goods purchased in project "Development of Romcarbon SA", having a market value as per the valuation of May 2019 of EUR 4,475,100 and a net book value of lei 22,724,601 as at December 31, 2019;
 2. Mortgage over all the future accounts/sub-accounts opened by Romcarbon SA with UniCredit Bank SA;
 3. Mortgage over a collateral deposit in amount of euro 250,000 established by Romcarbon SA.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)

21. BORROWINGS (continued)

e) *Investment loan II in amount of lei 2,500,000 contracted from UniCredit Bank SA for the co-financing of the 2016 investment plan (contract BUZA/023/2016)*

- Outstanding amount as at December 31, 2019: lei 535,961
- Due on: 19.09.2021
- Securities:
 1. Immovable property mortgage over real estate identified by cadastral number 67264 ((in total surface area of 10,037 sq m) located at Str. Transilvaniei, 132, Buzau;
 2. Immovable property mortgage over real estate identified by cadastral number 54304 ((in total surface area of 16.787 mp) located at Str. Transilvaniei, 132, Buzau;
 3. Movable property mortgage over the movable assets in the form of inventory having a minimum value of EUR 2,000,000;
 4. Movable property mortgage of subsequent rank over 4 machinery with a market value as per the valuation of January 2019 of EUR 390,500 and a net book value of lei 1,369,682 as at December 31, 2019;
 5. Movable property mortgage over 3 pieces of machinery having a market value as per the valuation of September 2019 of euro 642,600 and a net carrying amount of lei 3,105,476 at December 31, 2019;
 6. Movable property mortgage over all the present and future accounts and sub-accounts opened by Romcarbon SA with UniCredit Bank SA;
 7. Mortgage over a collateral deposit in amount of euro 250,000 established by Romcarbon SA.

f) *Investment loan III in amount of lei 442,500 from UniCredit Bank SA to co-fund the 2016 investment plan (contract BUZA/024/2016)*

- Outstanding amount as at December 31, 2019: lei 945,179 (equivalent of EUR 197,765)
- Due on: 19.09.2021
- Securities:
 1. Immovable property mortgage over real estate identified by cadastral no. 67264 (in total surface area of 10.037 sq m) located at Str. Transilvaniei, 132, Buzau;
 2. Immovable property mortgage over real estate identified by cadastral no. 54304 (in total surface area of 16.787 sq m) located at Str. Transilvaniei, 132, Buzau;
 3. Movable property mortgage over the movable assets in the form of inventory having a minimum value of EUR 2,000,000;
 4. Movable property mortgage of subsequent rank over 4 machinery with a market value as per the valuation of January 2019 of EUR 390,500 and a net book value of lei 1,369,682 as at December 31, 2019;
 5. Movable property mortgage over 3 pieces of machinery having a market value as per the valuation of September 2019 of euro 642,600 and a net carrying amount of lei 3,105,476 at December 31, 2019;
 6. Movable property mortgage over all the present and future accounts and sub-accounts opened by Romcarbon SA with UniCredit Bank SA;
 7. Mortgage over a collateral deposit in amount of euro 250,000 established by Romcarbon SA.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)

21. BORROWINGS (continued)

g) Investment loan IV in amount of lei 5,400,000 from UniCredit Bank SA to refinance self-funded investments in 2016 (contract BUZA/038/2016)

- Outstanding amount as at December 31, 2019: lei 2,155,758
- Due on: 01.12.2021
- Securities:
 1. Movable property mortgage over 35 machinery with a market value as per the valuation of October 2019 of EUR 775,100 and a net book value of lei 1,778,474 as at December 31, 2019;
 2. Immovable property mortgage over real estate identified by cadastral no. 67264 (in total surface area of 10,037 sq m) located at Str. Transilvaniei, 132, Buzau;
 3. Immovable property mortgage over real estate identified by cadastral no. 54304 (in total surface area of 16,787 sq m) located at Str. Transilvaniei, 132, Buzau;
 4. Immovable property mortgage over real estate located in Stefanestii de jos, Str. Sinaia nr. 15, Ilfov, identified by cadastral/topographic no. 50009, in total surface area of 12,774 sq m;
 5. Movable property mortgage over the movable assets in the form of inventory having a minimum value of EUR 2,000,000;
 6. Movable property mortgage of subsequent rank over 4 machinery with a market value as per the valuation of January 2019 of EUR 390,500 and a net book value of lei 1,369,682 as at December 31, 2019;
 7. Movable property mortgage over all the present and future accounts and sub-accounts opened by Romcarbon SA with UniCredit Bank SA;
 8. Mortgage over a collateral deposit in amount of euro 250,000 established by Romcarbon SA.

h) Investment loan V in amount of lei 2,250,000 from UniCredit Bank SA to refinance self-funded investments in 2016 (contract BUZA/004/2017)

- Outstanding amount as at December 31, 2019: lei 1,241,212
- Due on: 06.04.2022
- Securities:
 1. Movable property mortgage over the following immovable assets (land and buildings), identified as follows:
 - cadastral no. 67301 in surface area of 3,348 sq m resulting from joining cadastral no. 64699 in surface area of 3,308 sq m to cadastral no. 67265 in surface area of 40 sq m, located at Str. Transilvaniei, 132, Buzau;
 - cadastral no. 64371 in total surface area of 22,830 sq m resulting from the division of cadastral no. 54553 formerly 18335 (in total surface area of 23,451 sq m) located at Str. Transilvaniei, 132, Buzau;
 - cadastral no. 54575 formerly 344/1/1 (in total surface area of 9,814 sq m) located at Str. Transilvaniei, 132, Buzau;
 - cadastral no. 67264 (in total surface area of 10,037 sq m) located at Str. Transilvaniei, 132, Buzau;
 - cadastral no. 54304 (in total surface area of 16,787 sq m) located at Str. Transilvaniei, 132, Buzau.
 2. Mortgage over the credit balance of the accounts in RON or foreign currency opened by S.C. Romcarbon S.A. with UniCredit Bank – Buzău Branch;
 3. Movable property mortgage over 34 pieces of machinery having a market value as per the valuation of July 2019 of euro 112,300 and a net carrying amount of lei 464,779 at December 31, 2019;

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)

21. BORROWINGS (continued)

h) Investment loan V in amount of lei 2,250,000 from UniCredit Bank SA to refinance self-funded investments in 2016 (contract BUZA/004/2017) (continued)

4. Mortgage over movable assets in the form of inventory having a minimum value of EUR 2,000,000;
5. Movable property mortgage of subsequent rank over 4 machinery with a market value as per the valuation of January 2019 of EUR 390,500 and a net book value of lei 1,369,682 as at December 31, 2019;
6. Blank promissory note, with the mention "No Protest";
7. LivingJumbo Industry SA as guarantor.

i) Investment loan II in amount of lei 2,432,500 to finance and re-finance objectives included in the 2017 investment plan contracted from Banca de Export-Import a Romaniei Eximbank SA (contract 7-ABZ/18.12.2017)

- Outstanding amount as at December 31, 2019: lei 1,790,498
- Due on: 16.12.2022
- Securities:
 1. Mortgage of subsequent rank over equipment (PE plastic film washing, sorting and grinding line) with a market value of EUR 587,700 as per the valuation report of May 2019 and a net book value of lei 2,763,904 as at December 31, 2019;
 2. Mortgage without dispossession over an equipment (filtering line, grinding and production of compounds in the form of grains) with a market value of EUR 836,500 as per the valuation report of October 2019 and a net book value of lei 3,628,403 as at December 31, 2019;
 3. Mortgage without dispossession over 3 forklifts with a market value of EUR 47,400 as per the valuation of October 2019 and a net book value of lei 233,065 as at December 31, 2019;
 4. Immovable mortgage without dispossession over 9 machinery purchased under this project with a market value of EUR 115,300 as per the valuations of May 2019 and October 2019 and a net book value of lei 589,811 as at December 31, 2019;
 5. First rank mortgage over present and future receivables arising from the commercial relationship with Toro Manufacturing and Sales SRL;
 6. Mortgage over current accounts in lei and foreign currency opened with EximBank SA by Romcarbon SA;
 7. Blank promissory note, with the mention "No Protest".

Line of letters of guarantee

Line of letters of guarantee contracted from UniCredit Bank SA Buzau Branch, in amount of lei 500,000 (contract BUZA/002/2009).

- Due date: 01.07.2022
- Guarantees:
 1. Movable asset mortgage over two pieces of production equipment: extruder PP line (inventory no. 24078) with a market value of euro 44,400 at April 22, 2019 and a net carrying amount of lei 0 at February 28, 2019 and a floexographic printing machine (inventory no. 24075) with a market value of euro 22,700 at April 22, 2019 and a net carrying amount of lei 0 at February 28, 2019.
 2. Movable property mortgage over all the present and future accounts and sub-accounts opened by Romcarbon SA with UniCredit Bank SA Buzau Branch in lei and in foreign currency.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**21. BORROWINGS (continued)****Treasury line**

Non-binding loan – treasury line - in amount of eur 300,000, contracted from UniCredit Bank SA (contract BUZA/15/2016) to hedge against interest rate risk caused by loan agreement BUZA/010/2015.

- Due date: 15.02.2024
- Guarantees:
 1. Movable property mortgage over the movable assets in the form of inventory having a minimum value of EUR 2,000,000;
 2. Movable property mortgage over all the present and future accounts and sub-accounts opened by Romcarbon SA with UniCredit Bank SA Buzau Branch in lei and in foreign currency.

Guarantees granted for loans contracted by Group companies**Guarantees granted to LivingJumbo Industry SA for the following loans contracted from UniCredit Bank SA:**

- Investment loan in amount of EUR 607,200 (due in February 2024), contract BUZA/016/2015 secured by an immovable property mortgage of subsequent rank identified by cadastral no. 67264 (in total surface area of 10,037 sq m) and cadastral no. 54304 (in total surface area of 16.787 sq m) and movable mortgage over movable assets in the form of form of inventory having a minimum value of EUR 2,000,000 and movable mortgage of subsequent rank over 4 machinery with a market value as per the valuation of January 2019 of EUR 390,500 and a net book value of lei 1,369,682 as at December 31, 2019) and movable mortgage over a collateral deposit in amount of euro 250,000;
- Non-binding loan – cash line – in amount of EUR 450,000 (due in February 2024), contract BUZA/044/2016 secured by mortgage on inventories, having a minimum value of EUR 2,000,000;
- Investment loan with an initial value of euro 4,723,205 (due in February 2024), contract BUZA/017/2015, guaranteed by movable mortgage over a collateral deposit in amount of euro 250,000;

Guarantees granted to RC Energo Install SRL for the following loans contracted from EXIMBANK SA:

- Credit line in amount of lei 1,000,000 for financing the current activity (due on 14/10/2020), guaranteed by movable mortgage of subsequent rank over the movable asset Coperion line (line for filtering, regrinding and production of compounds in the form of ZSK 70 mc 18 grains), inventory no. 24781, having a market value of euro 836,500 as per the valuation of October 2019 and a net carrying amount of lei 3,628,403 at December 31, 2019;
- Credit for financing the current activity in amount of lei 1,250,000 (due on 14/10/2020), guarantees by movable mortgage of subsequent rank over the movable asset Coperion line (line for filtering, regrinding and production of compounds in the form of ZSK 70 mc 18 grains), inventory no. 24781, having a market value of euro 836,500 as per the valuation of October 2019 and a net carrying amount of lei 3,628,403 at December 31, 2019.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)
21. BORROWINGS (continued)

As at December 31, 2019, Romcarbon SA has contracts for the followings loans:

Such loans bear Euribor (1M) or Euribor (3M) and Robor (1M) + bank margin ranging from 1.50 to 2.50%.

Bank	Type of facility	Initial value	Balance as at 31.12.2019		Due on	less than 1 year	more than 1 year
			in euro	in lei			
UniCredit Bank	Credit line	€ 5,450,000	€ 5,293,173	25,297,660 lei	10/04/2020	25,297,660 lei	- lei
BRD GSG	Credit line	€ 2,550,000	€ 2,529,273	12,088,156 lei	29/10/2020	12,088,156 lei	- lei
UniCredit Bank	Investment loan (III)	€ 442,500	€ 197,765	945,179 lei	19/09/2021	540,102 lei	405,077 lei
BRD GSG	Investment loan (II)	€ 1,000,000	€ 354,037	1,692,048 lei	03/09/2022	597,194 lei	1,094,854 lei
BRD GSG	Investment loan (III)	€ 3,153,160	€ 328,684	1,570,881 lei	03/02/2022	754,023 lei	816,859 lei
UniCredit Bank	Investment loan - CCE 2015	€ 3,042,240	€ 1,862,420	8,901,063 lei	04/12/2023	2,078,996 lei	6,822,067 lei
TOTAL loans in euro		€ 15,637,900	€ 10,565,352	50,494,987 lei		41,356,130 lei	9,138,857 lei
Eximbank SA	Investment loan (I) (Lei)	6,142,500 lei		2,559,375 lei	20/06/2022	1,023,750 lei	1,535,625 lei
Eximbank SA	Investment loan (II) (Lei)	2,432,500 lei		1,790,498 lei	16/12/2022	596,833 lei	1,193,665 lei
UniCredit Bank	Investment loan (II) (Lei)	2,500,000 lei		535,961 lei	19/09/2021	306,263 lei	229,698 lei
UniCredit Bank	Investment loan (IV) (Lei)	5,400,000 lei		2,155,758 lei	01/12/2021	1,547,751 lei	608,007 lei
UniCredit Bank	Investment loan (V) (Lei)	2,250,000 lei		1,241,212 lei	06/04/2022	1,241,212 lei	0 lei
Total loans in lei		21,925,000 lei		8,282,802 lei		4,715,808 lei	3,566,995 lei
Total				58,777,790 lei		46,071,938 lei	12,705,852 lei

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)
22. OTHER BORROWINGS

	December 31, 2019	December 31, 2018
Liabilities to employees	1,013,477	1,004,630
Liabilities related to social contributions	769,921	865,863
Other tax liabilities	1,083,640	559,483
	<u>2,867,038</u>	<u>2,430,076</u>

23. TRADE LIABILITIES

	December 31, 2019	December 31, 2018
Trade liabilities	23,031,597	23,166,515
Other liabilities	80,474	793,136
Suppliers invoices not received	256,350	359,085
Advances from clients	274,628	218,329
Total	<u>23,643,049</u>	<u>24,537,065</u>

24. FINANCE LEASE LIABILITIES
Finance lease liabilities
Reconciliation of minimum lease payments at net present value

	December 31, 2019	December 31, 2018
Amounts due within one year	-	-
Due in more than one year, but less than 5 years	-	-
Less future finance expenses	-	-
Total	<u>-</u>	<u>-</u>

	December 31, 2019	December 31, 2018
Present value of future finance lease payments		
Amounts due within one year	-	-
Due in more than one year, but less than 5 years	-	-
Total	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**25. FINANCIAL INSTRUMENTS****(a) Capital risk management**

The Company manages its capital to ensure that Company entities will be able to continue as a going concern while maximizing revenues for shareholders, by optimizing the debt and equity balance.

The Company's capital consists of liabilities, which include the borrowings presented in note 21, cash and cash equivalent and equity attributable to the company. Equity comprises the share capital, reserves and retained earnings as presented in notes 18, 19 and 20.

The management of the Company's risk also consists in a regular review of the capital structure. As part of this review, the management takes into account the cost of capital and risks associated with each class of capital. Based on the management's recommendations, the Company will balance the general structure of its capital by dividend payment, issuance of new shares and redemption of shares, as well as by contracting new debts or settling existing debts.

(b) Main accounting policies

Details of the main accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2 to the financial statements.

(c) Objectives of financial risk management

The Company's treasury function supplies services necessary to the business, coordinates access to national and international financial market, monitors and manages financial risk related to the Company's operations through reports on internal risks, analyzing exposure by the degree and extent of risks. Such risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

(d) Market risk

The Company's activities expose it firstly to financial risks regarding the fluctuation of the foreign exchange rate (see (e) below) and interest rate (see (f) below).

There has been no change in the Company's exposure to market risks or in the manner the Company manages and measures risks.

(e) Currency risk management

The Company undertakes transactions denominated in various foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policies.

(f) Interest rate risk management

The Company is exposed to interest rate risk given that Company entities borrow funds both at fixed and at variable interest. The risk is managed by the Company by maintaining a balance between fixed rate and variable rate borrowings.

The Company's exposures to interest rates over financial assets are presented in the section regarding liquidity risk management under this note.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**25. FINANCIAL INSTRUMENTS (continued)****(g) Other risks regarding prices**

The Company is exposed to risks related to equity, arising from equity investments. Equity investments are held for strategic purposes rather than commercial purposes. The Company does not actively trade such investments.

(h) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The management monitors the Company's exposure and the credit ratings of its contractual counterparties.

Trade receivables consist of a large number of clients from various industries and geographical areas. Credits are constantly assessed as regards the clients' financial status and, if applicable, credit insurance is concluded.

The Company does not have any significant credit risk exposure towards any counterparty or any group of similar counterparties. The Company defines counterparties as having similar characteristics when they are related entities. At no time during the year has the credit risk percentage exceeded 5% of the gross monetary assets.

(i) Liquidity risk management

The ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built a proper liquidity risk management framework regarding the Company funds' short, medium and long term insurance and the liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, backup banking facilities and loan facilities, by continually monitoring cash flows and matching the maturity profiles of financial assets and liabilities. Note 26 includes a list of additional facilities not drawn, available to the Company in order to further mitigate liquidity risk.

(j) Fair value of financial instruments

The fair values of financial assets and liabilities are determined as follows:

- the fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined by reference to quoted market prices;
- the fair value of other financial assets and liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The financial statements include unlisted share holdings, measured at fair value. The best estimate for fair value is determined using the historical cost of shares.

The financial instruments in the balance sheet include trade receivables and other receivables, cash and cash equivalents, short and long term borrowings and other liabilities. The estimated fair values of such instruments approximate their carrying values. The carrying values represent the Company's maximum exposure to credit risks related to existing receivables.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)
25. FINANCIAL INSTRUMENTS (continued)

The carrying values of the Company's currencies expressed in monetary assets and liabilities as at the reporting date are as follows:

	EUR 1EUR = lei 4.7793	USD 1USD = lei 4.2608	lei 1 lei	December 31, 2019 Total
	<i>lei</i>	<i>lei</i>	<i>lei</i>	<i>lei</i>
2018				
Assets				
Cash and cash equivalents	1,231,555	153,664	4,164,226	5,549,445
Receivables and other current assets	5,077,232	-	40,788,582	45,865,813
Loans granted to Group companies	335,912	-	-	335,912
Other assets	243,505	40,733	965,731	1,249,969
Liabilities				
Trade and other liabilities	6,026,129	88,525	17,528,395	23,643,049
Short and long-term borrowings	50,494,989	-	8,282,802	58,777,791
Short and long-term finance lease liabilities	-	-	-	-
Other liabilities	-	-	2,458,532	2,458,532
2017				
Assets				
Cash and cash equivalents	22,083	131,034	3,177,893	3,331,011
Receivables and other current assets	4,265,368	227,779	31,229,269	35,722,416
Other assets	6,174,452	-	-	6,174,452
	-	-	1,007,913	1,007,913
Liabilities				
Trade and other liabilities	4,767,409	6,013	19,763,644	24,537,065
Short and long-term borrowings	48,758,323	-	13,844,172	62,602,494
Short and long-term finance lease liabilities	-	-	-	-
Other liabilities	-	-	2.430.076	2.430.076

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)
25. FINANCIAL INSTRUMENTS (continued)

The Company is mainly exposed to EUR and USD exchange rates. The following table details the Company's sensitivity to a 10% increase and decrease in the lei against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to top management and represents management's estimate of the reasonably possible changes in foreign exchange rates. The vulnerability analysis includes only outstanding foreign currency denominated in monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. In the following table, a negative number below indicates a decrease in profit, whereas the lei weaken 10% against the EUR/USD. For a 10% strengthening of the Leu against the EUR/USD, there would be an equal and opposite impact on the profit and other equity, and the balances below will be positive. Changes will be attributable to the exposure related to EUR borrowings at the end of the year.

	<u>31-Dec-2019</u>	<u>31-Dec-2018</u>
Loss	(5,877,779)	(6,260,250)

Tables regarding liquidity and interest rate risks

The following tables present the maturity terms of the Company's financial liabilities.

The tables have been prepared based on the cash flows, not current, of the financial liabilities on the nearest date when the Company is likely to be claimed payment. The table includes both interest and cash flows related to principal.

2019	<u>Less than 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Total</u>
Non-interest bearing				
Trade liabilities	23,643,049	-	-	23,643,049
Other current liabilities	2,458,532	-	-	2,458,532
Interest bearing instruments				
Short and long-term leases	-	-	-	-
Borrowings from financial institutions	46,071,940	10,041,775	2,664,076	58,777,791
Non-interest bearing				
Cash and cash equivalents	5,549,445	-	-	5,549,445
Receivables and other current assets	45,865,813	-	-	45,865,813
Interest bearing				
Loans to Group companies	335,912	-	-	335,912

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
 (all amounts are expressed in lei, unless specified otherwise)

25. FINANCIAL INSTRUMENTS (continued)
Tables regarding liquidity and interest rate risks (continued)

2018	<u>Less than 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Total</u>
Non-interest bearing				
Trade liabilities	24,537,065	-	-	24,537,065
Other current liabilities	2,430,076	-	-	2,430,076
Interest bearing instruments				
Short and long-term leases	-	-	-	-
Borrowings from financial institutions	39,935,673	15,480,548	7,186,273	62,602,494
Non-interest bearing				
Cash and cash equivalents	3,331,011	-	-	3,331,011
Receivables and other current assets	35,722,416	-	-	35,722,416
Interest bearing				
Loans to Group companies	6,174,452	-	-	6,174,452

26. RELATED PARTY TRANSACTIONS

The transactions among the Company and its subsidiaries – Company's related parties - are presented under this note. Companies and individuals may be deemed related parties if one party holds control or exercises significant influence over the other party.

Dividends received

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
YENKI SRL BUZAU	-	-
LIVING JUMBO INDUSTRY SA	-	-
RECYPLAT LIMITED	-	-
INFO TECH SOLUTION SRL BUZAU	-	117,270
RC ENERGO INSTALL SRL	-	1,000,000
TOTAL	<u>-</u>	<u>1,117,270</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
 (all amounts are expressed in lei, unless specified otherwise)

26. RELATED PARTY TRANSACTIONS (continued)

	Sales of goods and services		Purchases of goods and services	
	2019	2018	2019	2018
Eco Pack Management SA	3,598	-	-	-
Info Tech Solution SRL	25,196	23,281	547,539	409,721
LivingJumbo Industry SA	33,335,125	35,662,974	1,310,145	1,050,808
RC Energo Install SRL	92,315	86,463	2,520,394	1,980,447
Yenki SRL Buzau	2,521	1,765	-	-
Total	33,458,755	35,774,482	4,378,078	3,440,976

	Receivables from related parties		Payables to related entities	
	2019	2018	2019	2018
Eco Pack Management SA	616	-	-	-
Info Tech Solution SRL	-	-	86,685	30,532
LivingJumbo Industry SA	27,974,239	23,000,525	65,239	242,854
RC Energo Install SRL	(49,526)	1,422,490	67,587	197,659
Yenki SRL Buzau	-	-	-	-
Total	27,925,329	24,423,015	219,511	471,045

As at 31 December, the Company has outstanding receivables in amount of RON 334,551 from RC Energo Install SRL represented by a loan granted, due in June 2020.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)
26. RELATED PARTY TRANSACTIONS (continued)

Transactions with companies where Romcarbon SA indirectly holds less than 25% of the shares:

	Sales of goods and services		Purchases of goods and services	
	2019	2018	2019	2018
Greenfiber International SA	4,460,487	5,107,220	56,157	111,556
Greenlamp Reciclare SA	-	533	-	-
Greentech SA	29,062	71,570	119,659	415,100
Greenweee International SA	6,789	193,080	403,323	174,101
Greentech d.o.o Serbia	-	-	-	6,805
Total Waste Management SRL	34,797	247,560	-	3,836
Next Eco Reciclyng SA	-	-	-	416,837
Green Resources Management SA	62,761	6,109	-	-
	4,593,896	5,626,071	579,139	1,128,236
	Receivables from related parties		Payables to related entities	
	2019	2018	2019	2018
Greenfiber International SA	821,166	836,113	7,902	4,564
Greenlamp Reciclare SA	-	-	-	-
Greentech SA	5,866	5,833	35,206	15,444
Greenweee International SA	963	56,690	67,117	47,418
Greentech d.o.o Serbia	-	-	-	-
Total Waste Management SRL	(22,290)	27,358	-	123
Next Eco Reciclyng SA	-	-	-	-
Green Resources Management SA	-	-	-	-
	805,705	925,994	110,225	67,549

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)
27. CASH ON HAND AND AT BANKS

Within the meaning of statement of cash flows, cash and cash equivalent include petty cash and bank accounts. Cash and cash equivalents at the end of the financial year, as presented in the statement of cash flows, may be reconciled with the corresponding elements of balance sheet, as follows:

	December 31, 2019	December 31, 2018
Cash at banks	5,433,668	3,197,884
Cash on hand	30,237	24,317
Cash equivalents	85,540	108,810
Total	5,549,445	3,331,011

28. DEFERRED INCOME

	December 31, 2019	December 31, 2018
Grants Unido funds and car scrap program	2,980	6,125
Grants – project co-funded by European funds for 2011	5,518,135	6,589,359
Grants – project co-funded by European funds for 2015	9,880,146	11,068,373
Inventory surpluses in the form of non-current assets	-	12,617
Total	15,401,261	17,676,474

As at December 31, 2019, the Company registered investment subsidies and other amounts in the form of investment subsidies, not transferred to income, totaling lei 15,401,261. They are recognized as income on a monthly basis, in line with the depreciation of property, plant and equipment purchased throughout the useful life.

29. COMMITMENTS AND CONTINGENCIES
Potential tax liabilities

In Romania, there are agencies authorized to conduct controls (audits). Such controls are to a great extent similar to those conducted in other countries by tax authorities, but may extend to other legal or regulatory fields in which the Romanian authorities may become interested. The Company is likely to continue to be subject to periodic controls for breaches or alleged breaches of new and existing laws and regulations. Although the Company may challenge the alleged breaches and penalties when the management considers that it is entitled to, the adoption or implementation of laws and regulations in Romania might have a significant effect on the Company. The tax system in Romania is under continual development, being subject to constant interpretations and changes, often retroactive. In Romania, the fiscal year remains open for fiscal verification for 5 years.

The Company's administrators consider that the Company's tax liabilities have been calculated and recorded according to the legal provisions.

Transfer pricing

The Romanian fiscal legislation has provided rules on transfer prices between related parties ever since 2000. The current legislative framework defines "market value" for transactions between related parties, as well as the methods to establish transfer prices. Therefore, the fiscal authorities are expected to initiate thorough verifications of transfer prices, in order to make sure that the fiscal result and/or the customs value of imported assets are not distorted by the effect of prices practiced in connection to related parties. The Company may not quantify the outcome of such verification.

29. COMMITMENTS AND CONTINGENCIES (continued)
Environmental matters

The Company's core activity has inherent effects on the environment. The effects of the Company's

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)

activities on the environment are monitored by local authorities and the Company's management. Therefore, no provisions have been recorded for any obligations, not measurable at present, regarding the environment or the required remedy works.

30. SUBSEQUENT EVENTS

On 31.01.2020 the sale (according to the sale undertaking concluded on 18.12.2019 with GREEN PC AMBALAJE SRL - promissory buyer) of the building located in Ilfov, Stefanestii de Jos, Str. Sinaia nr.15, with a total surface area of 12,774 sqm, of which 4,928 sqm built area, further to the signing of the sale agreement on the basis of which the price of lei 3,987,387.32 (equivalent to euro 834,356) was cashed.

The Ordinary General Meeting of Shareholders dated 23.01.2020 approved the new component of the Board of Directors of Romcarbon SA for a term of 4 years, starting February 4, 2020, while maintaining the one-tier management system of the company.

Therefore, starting February 4, 2020, the Board of Administration of Romcarbon SA consists of:

Huang Liang Neng - Chairman of the Board of Administration, appointed based on the Decision of the Ordinary General Meeting of ROMCARBON SA from 23.01.2020 for a 4-year term, which expires on 04.02.2024, aged 49;

Wang Yi Hao - Vice President of the Board of Administration, appointed based on the Decision of the Ordinary General Meeting of ROMCARBON SA from 23.01.2020 for a 4-year term, which expires on 04.02.2024, aged 34;

Toderita Stefan Alexandru - Member of the Board of Administration, appointed based on the Decision of the Ordinary General Meeting of ROMCARBON SA from 23.01.2020 for a 4-year term, which expires on 04.02.2024, aged 25.

The mandate entrusted to the new members of the Board of Administration will be exercised free of charge, in accordance with the vote expressed by shareholders within the OGMS of 23.01.2020.

In the international context regarding the evolution of the epidemiological situation caused by the spread of coronavirus COVID-19, as well as the declaration of the state of emergency in Romania for a period of 30 days, the Company's management has established and implemented preventive measures for the protection of both its employees and collaborators (delegates, drivers, couriers, etc.). The measures are constantly reassessed and adapted according to the evolution of the situation and the official communications / measures ordered by the public authorities / competent bodies.

At the date of this Report, no major difficulties and risks were identified in the activity of supply, production and sale that would significantly affect the economic activity of the Company. The Company is elaborating a Risk Plan in case of cessation of production and establishment of quarantine or other future events that would require measures to temporarily interrupt the economic activity of the Company. The future evolution of the crisis generated by the expansion of COVID-19 can have an impact in the coming months as regards the decrease of sales with a difficult percentage to estimate, which can vary, reaching up to 20% due to the decrease in demand in the automotive industry and in the construction sector.

The supply of raw materials and materials remains stable with no anticipated price growth trends. There are no conditions for concentration risk as there are no major dependencies on significant suppliers or customers or the markets affected to a large extent by COVID-19. The activity of the company is not affected by the restrictions on external financing, it has the ability to control its cash flow and minimizes the risks of non-collection. We have not identified the premises for the exposure to major risks in terms of cash flows. There will be pressure on the RON / EUR exchange rate, but we cannot estimate its level.

The separate financial statements were approved by the Board of Directors and were authorised for issuance on March 27, 2020.

**ADMINISTRATOR,
HUANG LIANG NENG**

**FINANCIAL MANAGER,
VIORICA ZAINESCU**

**DEPUTY GENERAL MANAGER,
CARMEN MANAILA**

For signatures, please refer to the original Romanian version.



BOARD OF DIRECTORS' REPORT FOR THE PERIOD ENDED DECEMBER 31, 2019

ROMCARBON S.A., a legal entity with headquarters in Buzau, str. Transilvaniei nr. 132, registered at the Buzau Trade Registry under no. J10/83/1991, recorded in accounting balance sheet for the year ended December 31, 2019, the amount of 26,412,209.60 lei as subscribed and paid in share capital representing a number of 264,122,096 shares of 0.10 lei each share.

The regulated market for trading securities issued is the Bucharest Stock Exchange, Standard category, the main characteristics of which being: 264,122,096 ordinary shares, dematerialized, having a nominal value of lei 0.1.

Data and information from the following sources have been used for the present Report:

- the internal audit reports drawn up in 2019 in various audit missions made according to the Internal Audit Plan;
- the separate financial statements drawn for the year ended December 31, 2019 in accordance with applicable accounting regulations for the companies whose securities are admitted to trading on a regular market, i.e. International Financial Reporting Standards (IFRS) which comprise:
 - a) Statement of financial position
 - b) Statement of profit or loss
 - c) Statement of comprehensive income
 - d) Statement of changes in shareholders' equity
 - e) Statement of cash flows
 - f) Policies and explanatory notes to the annual financial statements.

Also, it had been used information resulting from internal controls implemented by the management of the company through specific procedures performed in order to draw up financial statements covering the occurrence of any error or fraud.

In preparing the separate financial statements as at 2019, the Company complied with Accounting Law no. 82/1991, republished, Ministry of Public Finance Order no. 2844/2016 approving the Accounting regulations compliant with International Financial Reporting Standards, MoPFO no. 881/2012 on the application by the companies whose securities are admitted to trading on a regulated market of International Financial Reporting Standards - standards adopted under the procedure provided in art. 6 para. (2) of Regulation (EC) no. 1606 /2002 of the European Parliament and of the Council of 19 July 2002 on the application of international standards of accounting. The Company will issue for 2019 consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU.

Annual financial statements prepared in accordance with Financial Reporting Standards present fairly the assets, liabilities, equity, financial position, income and expenses and cash flows of the company.

In the process of drawing the 2019 financial statements of Romcarbon SA Buzau it had been fully applied the principles and accounting policies, the evaluation methods, and the provisions of accounting regulations.

ASSESSMENT OF THE COMPANY'S ACTIVITY

1) The assessment of the technical level of the company

The activity profile of S.C. Romcarbon S.A. Buzau is manufacturing of polymer products, filters and filter elements, protective materials, active carbon for the food, chemical and pharmaceutical industry, plastic waste recovery, regranulation and manufacture of compounds.

The company has the following working points:

- Working point - Bucharest – Here the main activity is commercial operations and management;
- Working point - Stefanesti – The main activity is renting the assets for production purpose;
- Working point - Iasi - The main activity is renting the assets for production purpose.

In 2019, the production activity was carried out in 7 profit centers as follows:

- **Profit Center no. 1 – Car and industrial filters.** In this center are manufactured air, oil and fuel filters for cars, trucks and tractors, railway equipment and also industrial and agriculture filter;
- **Profit Center no. 2 with 2 workshops:**
 - Workshop of Protective equipment that produce personal protective respiratory equipment - masks and cartridges - for chemical industry, mining industry, for the Ministry of National Defense, civil defense and collective protective equipment;
 - Workshop of Active Carbon that manufactures charcoal - semi finished necessary for protective equipment, as well as coal used in the oil industry, food, chemical and pharmaceutical industries.
- **Profit Center no. 3** with Polyethylene workshop where are manufactured different sizes of polyethylene packaging (little bags, bags, pouches by extrusion, printing, welding), general purpose film, foil for greenhouse, thermo foil and photopolymer clichés.
- **Profit Center no. 4 with two workshops:**
 - PVC pipes workshop is engaged in the production of PVC pipes as semi –finished products for domestic use.
 - PVC bases workshop is engaged in the production of PVC bases used as road traffic signs.
- **Profit Center no. 5** with expanded Polystyrene Workshop, consisting of extrusion and thermoforming sector, where are manufactured casseroles and trays for food industry and products for constructions as plates and rolls.
- **Profit Center no. 6** with 2 workshops - Polypropylene - where are manufactured polypropylene products: laminated and non-laminated woven bags in different sizes for packaging products used in agriculture, food and chemical industry.
- **Profit center no. 7** with two activities:
 - Treating of plastic scraps by separating the recyclable fractions, grinding, extruding and filtering the separated fractions. The finished products are plastics regranulated products, compounds and composites plastic products.
 - Treating the postproduction Polyethylene foil scraps by washing, extruding and filtering/separating. The finished products are PE and PP regranulated products and compounds.

The main groups of products and their share in the total turnover:

Group of products	2017	2018	2019
Total revenues from sales of finished products, of which:	71.81%	74.77%	76.10%
CP1~ Auto and industrial filters,	1.96%	1.32%	1.40%
CP2~ Respiratory protective equipment and Active Carbon	1.29%	1.00%	1.15%
CP3~ Polyethylene products	14.00%	16.40%	14.72%
CP4~ PVC products	0.30%	0.40%	0.50%
CP5~ Polystyrene products	18.66%	19.06%	21.87%
CP6~ Polypropylene products	19.17%	19.23%	19.62%
CP7~Compounds	16.42%	17.35%	16.84%

The difference up to 100% represents the sales of merchandises, services, rents and other sales.

New products developed in 2019

In 2019 the range of industrial filters was enlarged with 7 new items. Also 15 new air filters and railway engine filters were developed.

In the Compound sector, 25 new recipes of compounds manufactured from recycled and virgin plastic were developed, and the new products that were fit were sent to beneficiaries for testing. Other 13 products were optimised in order to decrease costs or the stock of semi-finished products

In the polyethylene sector, new products were developed: PS panel packaging film for automated installations, batch film for automated installations; thermos foil for packaging of XPS panels or mineral wool for automated installations, 5-season greenhouse film, mulch film, impact resistant > 500 g liner, biodegradable film and packaging, film for packaging of pallets.

In the field of polypropilene, the Company aimed at optimising costs by increasing the filler content in the thread/fabric from 7% to 10%, and to obtain a 400 Den fabric.

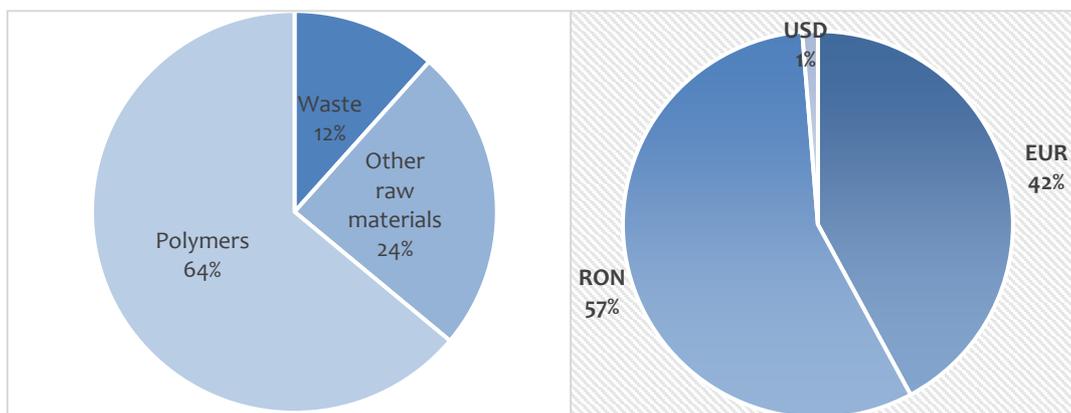
2) Assessment of procurement activity (domestic and import)

The supply of raw materials, consumables and services is carried out according to the specific internal procedures. Further to the assessment of at least 3 commercial offers, the best alternative is selected, which then turns into an acquisition. The collaboration with these suppliers is based on the contracts signed with them or on confirmed spot orders. The portfolio of suppliers of raw materials for most of the production sectors includes 57% Romanian companies, and 43% companies in the foreign market. For the Compounds sector, the raw material supplied comes 81% from Romania, while the difference is ensured by the quantities offered by foreign collaborators.

The most important share (64%) in the total value of acquisitions of raw materials is represented by polymer granules (polypropylene, polyethylene, polystyrene), which represents the basic raw materials. They are provided by various companies with which Romcarbon SA has developed strong partnerships over the years.

In order to ensure the best price-to value products to its clients, Romcarbon is permanently involved in developing new projects and is open to new collaborations.

Depending on the supplier's currency, the acquisitions of raw materials and materials had the following structure:



3) Assessment of sales

The evolution of sales of finished products between 2017 and 2019 is presented in the following table:

Group of products	2017		2018		2019		2019 vs. 2018		
	Value	% in total	Value	% in total	Value	% out of total			
CP1~ Auto and industrial filters	3,830,438	3%	2,623,159	2%	2,579,380	2%	▼	(43,779)	-2%
CP2~ Respiratory protective equipment and active carbon	2,514,286	2%	1,994,419	1%	2,111,661	2%	▲	117,242	6%
CP3~ Polyethylene products	27,326,932	20%	32,556,680	22%	27,058,540	19%	▼	(5,498,140)	-17%
CP4~ PVC products	582,367	0%	784,529	1%	916,070	1%	▲	131,541	17%
CP5~ Polystyrene products	36,420,305	26%	37,832,816	25%	40,214,038	29%	▲	2,381,222	6%
CP6~ Polypropylene products	37,408,712	27%	38,163,803	26%	36,075,081	26%	▼	(2,088,722)	-5%
CP7~Compounds	32,045,842	23%	34,431,228	23%	30,961,367	22%	▼	(3,469,861)	-10%
TOTAL	140,128,883	100%	148,386,635	100%	139,916,138	100%	▼	(8,470,497)	-6%

The following table present the turnover from the sale of finished products, depending on its allocation to the domestic/foreign market:

Sales of finished products	2017		2018		2019	
	Value	%	Value	%	Value	%
Domestic	90,478,709	64.57%	96,001,772	64.70%	92,908,312	66.40%
Foreign	49,650,174	35.43%	52,384,863	35.30%	47,007,826	33.60%
Total	140,128,883	100.00%	148,386,635	100.00%	139,916,138	100.00%

The turnover resulting from the sale of finished products in 2019 according to the foreign markets is presented in the following table.

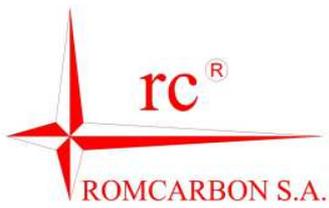
Country	2018	% in 2018	2019	% in 2019
Bulgaria	12,321,732	23.52%	11,625,599	24.73%
Germany	12,042,150	22.99%	7,353,121	15.64%
Poland	4,517,145	8.62%	6,007,414	12.78%
Serbia	5,031,717	9.61%	5,185,035	11.03%
Hungary	2,482,621	4.74%	2,939,186	6.25%
Spain	2,039,302	3.89%	2,887,636	6.14%
Italy	2,795,920	5.34%	2,319,937	4.94%
China	1,596,481	3.05%	1,383,285	2.94%
France	1,437,220	2.74%	1,373,322	2.92%
Greece	920,346	1.76%	1,226,578	2.61%
Slovakia	2,025,882	3.87%	855,715	1.82%
Moldova	1,347,909	2.57%	719,486	1.53%
The Netherlands	543,909	1.04%	627,048	1.33%
Ukraine	312,269	0.60%	664,917	1.41%
Switzerland	284,111	0.54%	260,029	0.55%
Czech Republic	321,988	0.61%	252,954	0.54%
Croatia	699,199	1.33%	236,085	0.50%
Bosnia and Herzegovina	1,200	0.00%	201,503	0.43%
Non-EU	147,627	0.28%	178,453	0.38%
Macedonia	571,134	1.09%	167,130	0.36%
Belgium	97,324	0.19%	95,301	0.20%
Morocco	95,818	0.18%	92,152	0.20%
Other	751,860	1.44%	355,939	0.76%
Total	52,384,863	100.00%	47,007,826	100.00%

4) Assessment of aspects related to the personnel of the company

The number of Romcarbon SA employees as at 31.12.2019 was 940, grouped according to the level of education as follows:

Total number of employees, of which:	940	%
· higher education*	103	11%
· post-high school education	12	1%
· technological foremen school	10	1%
· high school education	407	43%
· vocational education	222	24%
· 9 – 11 grades/apprenticeship	108	11%
· on-the-job qualification	0	0%
· secondary education	78	8%

*Out of the total higher education staff, 59 fill positions that require higher education.



The relationships between managers and employees are relations of subordination according to the Company's organizational chart, job descriptions and individual labor contract. Each employee is directly subordinated to their superior. Superiors are responsible for the legality and validity of the instructions they issue, and the consequences of these instructions. There were no conflicts in the relations between managers and employees. Employees are not organized in a trade union.

5) Assessment of the research and development activity

The research - development activity carried out by the Technical and Investment Department in collaboration with internal departments involved and with agreed service providers, includes:

- Product certification according to the national and European regulations:

In 2019, the certifications of the Filter and Protection Equipment Workshop were extended for oil filters, fuel filters, car filters, multi-gas filters:

- re-certification of packaging manufactured from polypropylene, polyethylene and polystyrene in terms of compatibility with food, in accordance with regulations in force;
- obtaining annual health certificate required for expanded polystyrene packaging for export to non-EU countries;
- development of new products and technologies while developing existing ones;
- acquisition of the new equipment in order to increase the company productivity and the products quality;
- updating the technical documentation of the PSE and Compound products.

The cost of research and development activity in 2019 was 970,906 lei, while for 2020 it was budgeted a cost of 1,040,996 lei.

6) The assessment of the impact of the company's activity on the environment

ROMCARBON S.A. holds the new environmental permit in accordance with the new NACE codes Classification of Activities of National Economy, Revised Edition, NACE Rev. 2 according to INS Order 337/2007, published in Official Gazette of Romania, Part I, no. 293 / 03.05.2007.

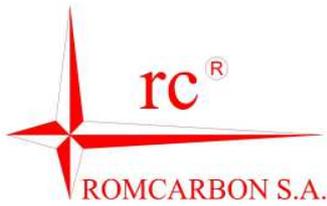
ROMCARBON S.A. complies with environmental protection legislation, not being involved in litigation regarding infringement legislation. The company periodically evaluates compliance with laws, regulations and other requirements to which the organization subscribes.

ROMCARBON S.A. has implemented and certified an integrated quality management system - environment - occupational health and safety standards ISO 9001: 2008; ISO 14001: 2005; OHSAS 18001: 2007, applicable to the design and manufacture of protective equipment airway - SRAC certificate.

The evaluation/re-evaluation of environmental aspects is documented in the internal procedure entitled PS-03-Environment. This procedure documents the process whereby the organization establishes the environmental implications of its activities and products, which it can control and influence, as well as the related environmental impact on their life cycle.

The Company takes into account the following when it assesses environmental aspects: air emissions, leaks into the water, soil, use of raw materials or natural resources, use of energy, the energy discharged (heat, radiations, vibrations (noise), light), waste generations, use of space.

The Company takes into account the life stages that may be controlled or influenced by the organization.



The list of significant environmental aspects is updated annually or any time changes occur in the organization, the applicable legislation or other requirements to which the organization subscribes.

Depending on the significant environmental aspects, top management and the responsible with the environment and MCM (Quality and Environmental Management) Department lay down the strategic objectives (Level 1) and the tactic operational objectives (Level 2) documented in the *Management Program*.

The objectives are set in accordance with the Quality, Environment and Occupational Health and Security Policy, with the commitments to prevent pollution and the compliance and improvement obligations.

Change and the development of new activities or products may invalidate aspects previously identified or require the introduction of new aspects in the list, in which cases the Company reassesses and revises the environmental aspects. Examples of such changes include:

- change of scope of SMI;
- development of new products/services;
- changes in processes/technology/introduction of new processes;
- significant extension or reduction of capacity;
- extension or relocation of an activity;
- changes in environmental compliance obligations;
- emergency situations.

At the beginning of 2019, the Company reassessed the environmental aspects and established that it might face significant environmental aspects only in abnormal conditions or in emergency situations.

7) Assessment of the management system

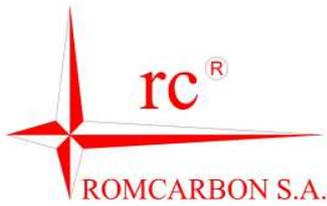
SC ROMCARBON Buzau holds certifies for integrated management system assessment according to the following standards:

- Quality management system as per the requirements of SR EN ISO 9001:2015, whereby management is engaged in a policy of continuous improvement of organizational quality and implicitly the quality of the products and services offered;
- Environmental management system as per the requirements SR EN ISO 14001: 2015, whereby management is engaged in a policy of continuous improvement of environmental conditions and pollution prevention;
- The management of the organization's occupational health and safety OHSAS 18001: 2007, the company is engaged in a process of continuous improvement in the workplace health and safety conditions and prevention of accidents and occupational diseases throughout the organization.

The Quality, Environment, Health and Occupational Safety Integrated Management System is certified by a RENAR accredited body, namely SRAC ROMANIA. The Quality Management System of ROMCARBON SA has been certified since 1994.

No certification audits or supervision visits from the qualified company or audits from our clients have registered non-conformities with the standards no observations; during these visits, only suggestions were made for improving the company's activity.

The top-level management aims to develop the Integrated Management System in line with the requirements of the reference standards: ISO 9001: 2015, ISO 14001-2015 and OH & S 18001-2007 and to continuously improve its effectiveness and guarantee customer satisfaction.



8) Assessment of the company's activity related to risk management

SC ROMCARBON SA implemented the risk management in accordance with the requirements of Standard SR EN ISO 31010 – Risk Management, which includes risk assessment techniques, identifying and assessing risks involving every operating department in the organization. The Company drafted a Risk Register for every operating department, the Organization's Risk Register and the Risk Treatment Action Plan.

Given the global financial and economic crisis, SC Romcarbon SA had to adapt to new conditions and constraints coming from the market facing with these risks:

Market risk

In 2019, the company recorded a decrease of total turnover by 7%, reaching a total of 185,722,304 lei (2018: 200,716,405 lei). Sales of finished products decreased by 6%. The largest increase was accounted by CP5 – Polystyrene products with 2,381,222 lei (6%), and major decreases were registered by CP3- Polyethylene -5,498,140 lei (-17%) and CP7-Compounds -3,469,861 lei (-10%).

Romcarbon's main selling market is the domestic one, with a share in turnover resulting from the core activity (Income from sale of finished products) of 66% in 2019 (64% in 2018).

The clients portfolio for the company's production activity is diversified, there is no clear dependence on certain clients. However, for the activity of sales of goods SC Romcarbon SA has two clients (Kasakrom Chemiclas SRL and Livingjumbo Industry SA) that in 2019 had a turnover represented 13% and 6% of total turnover. The sales to Livingjumbo Industry SA in 2019 included the sales of finished products, rents and income from other activities, which accounted for 3% of turnover.

As an element of novelty, with impact on the activity of this center, in 2019 the EU adopted the Directive of the European Parliament and of the Council on reduction of the impact of certain plastic products on the environment.

According to the definition above, the ban will apply to the subgroup of catering casseroles, produced in Profit Center no. 5 (expanded polystyrene products). They are delivered and resold / used by our clients for the purposes listed in the text of the Directive. In 2019, catering casseroles have a share of 34% in CP5 sales, distributed by market, as follows: domestic market and EU - 88%; non-EU market - 12%.

Some of the measures envisaged to replace the market segment that will be lost, are the increase of sales of catering casseroles on non-EU markets and the increase of sales of other product groups where there are possibilities of growth: standard trays and XPS plates.

Exchange rate risk

Currency exposure of SC Romcarbon SA is generated mainly by the loans denominated in euro. As at 31.12.2019 the balance of this loan was EUR 10,565,352 (EUR 10,454,410 at December 31, 2018).

In 2019, the financial result generated by the fluctuation of foreign currencies rate was -1,061,793 lei (+ lei 88,767 in 2018).



Cash flow in foreign currencies in 2019 has the following structure:

Item	EURO	USD	GBP
Proceeds from foreign clients	9,557,358	245,486	0
Proceeds from credit lines	941,674	0	0
Other proceeds	26,566	0	0
Payment to the foreign suppliers (raw materials and equipment)	-8,727,436	-221,630	0
Payments of credits, interest, bank fees	-1,063,065	0	0
Other currency payments	-63,445	-17,967	-48
Net cash flow	671,653	5,889	-48

Liquidity risk

Current liquidity of SC Romcarbon SA (calculated as the ratio between current assets and current debts) registered a slight decrease from 1.20 in 2019 to 1.11 in 2019.

Cash flow risk

SC Romcarbon SA is not exposed to a high risk in terms of cash flow as the company cash management is very rigorous; by forecasting cash inflows and outflows over a period of three months and daily tracking performance of this projection, surplus cash is placed in term deposits, aiming at getting the best interest rates on the market. Regarding loans to finance production activity, they are contracted for a period of 12 months with the possibility of extending the due date for a similar period, and in this sense are not anticipated higher cash outflow during 2020.

9) Internal control of the company - aims at ensuring a rigorous and effective management of the entity's activity through the management's adoption of policies and procedures which ensure consistency of objectives, identify the key factors of success and communicate to the entity's managers in real-time information on performance and perspectives.

Internal control is organized so as to comply not only with financial-accounting regulations, but with all regulations, such as Environmental, Occupational Health and Safety, Emergency Situations, applicable to products, the Civil Code.

The Company's organization chart establishes the hierarchical levels of responsibility and authority existing and allows knowledge of functional and managerial aspects of the organization.

The Board of Directors is independent of management at the organization and its members are involved in management activities, which they supervise carefully. The Board of Directors delegates to the managers the responsibilities regarding internal control and makes systematic and independent assessments of the internal control system established by management.

Internal audit has an assistance function that must ensure management that internal procedures are implemented and adhered to by all departments involved.

Regular or permanent check and assessment according to the Program approved by the Company's management of the quality operation of internal control is performed to determine whether internal controls are applied according to the procedures and if they are modified appropriately when the situation requires.

Internal control establishes methods by which employees are assessed, trained, promoted and rewarded as staff represents an essential component of internal control. The organizational chart, the internal regulations (IR), job descriptions are updated according to the modifications.

The organization's management has taken action *in order to remove or reduce incentives that could cause employees to engage in dishonest, illegal or immoral activities*. They are found in the Internal Regulations and other regulations issued but also in personal examples.

Management is in charge of the filling of specific positions by *competent personnel* who has the knowledge and skills to perform the tasks characteristic of each function.

The organization *faces various risks* arising from the external or the internal environment that must be managed appropriately by management. Risk identification and analysis is an ongoing process and a critical component of an effective internal control. Some of the *examples* are the company's inability to achieve the set objectives, staff quality, importance and complexity of basic economic processes, introduction of new information technologies, entry of new competitors on the market etc.

Management identifies and assesses these risks and formulates specific measures to reduce the risk at an acceptable level.

For an adequate split of the responsibilities (tasks) in order to prevent significant frauds and errors, the Company applies:

- The division of the administration of assets to avoid the risk of theft;
- The division of the authorization of the operations of assets administration;
- The separation of the IT tasks from the tasks of the persons outside the IT system (the tasks related to the design and control of accounting software are separated from the ones related to the update of information)

Inside the organization, there are three different functions, whose separation (their aggregation is not admitted) represents the grounds for mutual control between departments and performers, namely:

- achievement of the objectives of the organization
- preservation of the assets of the organization
- the accounting function.

For an efficient internal control, the same person cannot fulfill all such roles. If any two of such roles are fulfilled by the same person, the risk of error and fraud is higher.

Most of the operations and transactions involve at least two of the presented roles; as result, errors and frauds can be easily detected, because they result in a lack of correlation between the statements, between the departments or performers.

The internal accounting and financial control is a major element of internal control inside the entity and it relates to the entire processes of obtaining and communicating the accounting and financial information in order to obtain reliable information and in accordance with legal requirements.

The internal accounting and financial control focuses on providing:

- compliance of the accounting and financial information with the applicable rules;
- application of the management instructions according to this information;
- protection of the assets;
- prevention and detection of accounting and financial frauds and irregularities;
- reliability of the information disseminated and used internally for controlling purposes, to the extent it contributes to preparing published accounting and financial information;
- reliability of the annual published financial statements and other information communicated to the market.

All intern control activities seek to perform a permanent and periodical review of activities, in order for the management to identify the best solutions for its decisions for increasing the performance of the company and become more competitive on the market.

REVIEWING THE ECONOMIC AND FINANCIAL SITUATION OF THE COMPANY

1) Statement of financial position

The statement of financial position for the years 2018 and 2019 is shown in the following table.

Items	2018	2019	2019 vs. 2018	
Property, plant and equipment	130,049,723	122,648,084	-7,401,639	▼ -5.69%
Investment property	18,033,515	13,432,444	-4,601,071	▼ -25.51%
Intangible assets	78,269	314,136	235,868	▲ 301.36%
Financial assets	22,247,181	27,085,581	4,838,400	▲ 21.75%
Total non-current assets	170,408,688	163,480,245	-6,928,443	▼ -4.07%
Non-current assets held for sale	16,000,390	4,367,166	-11,633,224	▼ -72.71%
Inventories	20,695,918	25,346,355	4,650,437	▲ 22.47%
Trade and other receivables	35,722,416	45,865,813	10,143,397	▲ 28.40%
Financial amounts receivable from affiliates	6,174,452	335,912	-5,838,540	▼ -94.56%
Other assets	1,007,913	1,249,969	242,057	▲ 24.02%
Cash and bank balances	3,331,011	5,549,445	2,218,435	▲ 66.60%
Total current assets	82,932,100	82,714,660	-217,440	▼ -0.26%
Total assets	253,340,788	246,194,905	-7,145,884	▼ -2.82%
Issued capital	26,412,210	26,412,210	-	— 0.00%
Share premium	2,182,283	2,182,283	-	— 0.00%
Reserves	58,492,792	58,845,305	352,513	▲ 0.60%
Retained earnings	50,103,010	49,614,454	-488,556	▼ -0.98%
Total equity	137,190,295	137,054,252	-136,043	▼ -0.10%
Long-term borrowings	22,666,822	12,705,852	-9,960,970	▼ -43.95%
Long-term finance leases and other interest bearing obligations	-	-	-	—
Deferred tax liabilities	8,902,075	8,368,626	-533,449	▼ -5.99%
Long-term deferred income	15,413,305	13,138,559	-2,274,746	▼ -14.76%
Total non-current liabilities	46,982,202	34,213,037	12,769,165	▼ -27.18%
Trade and other payables	24,537,065	23,643,049	-894,017	▼ -3.64%
Financial amounts payable to affiliates	-	-	-	—
Short-term borrowings	39,935,674	46,071,939	6,136,265	▲ 15.37%
Short-term finance leases and other interest bearing obligations	-	-	-	—
Short-term deferred income	2,265,476	2,345,590	80,114	▲ 3.54%
Other liabilities	2,430,076	2,867,038	436,962	▲ 17.98%
Total current liabilities	69,168,292	74,927,616	5,759,324	▲ 8.33%
Total liabilities	116,150,493	109,140,653	-7,009,841	▼ -6.04%
Total equity and liabilities	253,340,788	246,194,905	-7,145,884	▼ -2.82%

In 2019, non-current assets hold 66.40% of the company's assets, decreasing by lei 6,928,442, namely 4.07% compared to the beginning of the year.

The structure of non-current assets is presented in the below table:

Non-current assets (NCA)	2019	% in total NCA	% in total asset	2019 vs. 2018
Property, plant and equipment	122,648,084	75.02%	49.82%	-5.69%
Investment property	13,432,444	8.22%	5.46%	-25.51%
Intangible assets	314,136	0.19%	0.13%	301.36%
Financial assets	27,085,581	16.57%	11.00%	21.75%
Total non-current assets	163,480,245	100.00%	66.40%	-4.07%

The inputs of "Property, plant and equipment" (except advances and non-current assets in progress) during the reporting period had the following structure:

· Constructions (including developments and upgrades)	:	527,586 lei
· Equipment and machinery	:	808,733 lei
· Furniture and office equipment	:	72,680 lei
Total		1,408,999 lei

The inflows of fixed assets in 2019 had the following destinations: CP7-Compounduri: 661,416 lei; CP5-PSE: 40,100 lei; Administrative and other sectors: 707,483 lei.

In 2019, outflows of property, plant and equipment at registration price were in amount of lei 1,018,537, out of which sales lei 971,043 and cash in lei 47,494.

Investment property (land and buildings) are broken down by geographical area as follows:

Investment property	Total
Iasi	7,430,161
Buzau	6,002,283
Total	13,432,444

As at December 31, 2019, the Company performed the valuation of the investment property and it resulted a decrease of net carrying amount of lei 429,524, which was charged to the 2019 profit or loss.

Financial assets account for 11% out of total assets, and 16.57% out of total non-current assets.

As at December 31, 2019, Romcarbon SA held direct ownership in other companies worth lei 30,449,725, as follows:

Company	Total shares	Nominal value (lei)	Share capital (lei)	Share capital held (lei)	No. of shares held	Acquisition/investment value	Holding (%)
RECYPLAT LTD CIPRU	26,000	4.3521	113,154	113,154	26,000	20,261,120	100.00 %
ROMCARBON DEUTSCHLAND GmbH			110,138	110,138		110,138	100.00 %
RC ENERGO INSTALL SRL	200	10	2,000	2,000	200	15,112	100.00 %
INFO TECH SOLUTIONS SRL	200	10	2,000	1,980	198	1,980	99.00%
LIVINGJUMBO INDUSTRY SA	1,400	4,032	5,644,800	5,636,736	1,398	6,477,632	99.8571 %
GRINFILD LLC UCRAINA						2,687,755	62.62%
YENKI SRL	32,800	10	328,000	109,340	10,934	100,000	33.34%
ASOCIATIA ECOLOGICA GREENLIFE (Non-Profit Organization)				0	1,200	400	33.33%
ECO PACK MANAGEMENT SA	144,600	10	1,446,000	366,700	36,670	586,625	25.36%
KANG YANG BIOTECHNOLOGY CO.LTD	2,889,993			0	139,000	203,963	1.95%
REGISTRUL MIORITA SA	10,500	10	105,000	3,980	398	5,000	3.79%
TOTAL						30,449,725	

On June 1, 2019, Romcarbon SA took part in the increase of share capital of Livingjumbo Industry SA by lei 4,834,400 (1,200 shares * lei 4.032 /share) through the conversion into shares of the loans granted and part of the related interest, as follows:

- lei 4,740,000 (euro 1,000,000 * lei 4.74 /euro) represented the loan granted;
- lei 94,800 (euro 20,759.49 * lei 4.74 /euro) representing the interest on the loan.

As at 31.12.2018, the Company registered impairment of financial assets as follows:

Company	Interest quota	Adjustment
ROMCARBON DEUTSCHLAND GmbH	100.00%	110,138
GRINFILD LLC UCRAINA	62.62%	2,687,755
YENKI SRL	33.34%	11,989
ECO PACK MANAGEMENT SA	25.36%	554,262
Total		3,364,144

Current assets account for 33.60% of total assets recording a decrease of 217,440 lei, i.e. 0.26% as compared with the beginning of the year.

Current assets	31.12.2019	% out of total current assets	% out of total assets	31.12.2019 vs. 31.12.18
Non-current assets held for sale ^{2 3 4 5 6}	4,367,166	5.28%	1.77%	-72.71%
Inventories	25,346,355	30.64%	10.30%	22.47%
Trade and other receivables	45,865,813	55.45%	18.63%	28.40%
Financial amounts receivable from affiliates ⁷	335,912	0.41%	0.14%	-94.56%
Tax recoverable	-	0.00%	0.00%	0.00%
Other assets	1,249,969	1.51%	0.51%	24.02%
Cash and cash equivalents	5,549,445	6.71%	2.25%	66.60%
Total current assets	82,714,661	100.00%	33.60%	-0.26%

*In December 2018, in accordance with IFRS 5, the asset consisting of land in surface area of 35,192.48 sq m located in Iasi, Calea Chisinaului, nr. 29 and the buildings erected on such land, was partially reclassified, which will form the object of the second sale undertaking, from "Investment property" to "Assets held for sale". The asset (land and buildings) which formed the object of such reclassification is worth lei 16,757,112. Further to reclassification, the Company registered a loss of lei 756,722 on the recognition of such asset in accordance with IFRS 5.

² In May 2019, an intermediate phase of the sale transaction with Office & Logistic SRL was carried out, which aimed to sell a land of 1,289 sqm for which the price of 600,566 lei (126,322 euro) was collected.

³ On 13.08.2019, the first stage agreed according to sale undertaking no. 2, concluded with OFFICE & LOGISTIC S.R.L., was completed (as buyer), representing the value of a building located in Iasi, Calea Chisinaului, nr. 29, with a total area of 17,569 sqm, of which 1,906 sqm built area, according to the purchase agreement no. 2917 from 13.08.2019 for which the price of 5,435,475 lei (equivalent of 1,150,000 euro) was collected.

⁴ On 28.11.2019, the second stage was agreed, according to sale undertaking no. 2, concluded with OFFICE & LOGISTIC S.R.L. (as buyer) representing the value of a building located in Iasi, Calea Chisinaului, nr. 29, with a total area of 11,061 sqm, of which 5,830 sqm built area, according to the sale contracts no. 4364 and 4365 from 28.11.2019 for which the price of 5,496,080 lei (equivalent of 1,150,000 euro) was collected.

⁵ On 28.11.2019, the third stage agreed according to the undertaking for sale purchase no. 2, concluded with OFFICE & LOGISTIC S.R.L., was finalized in advance (initial term was 30.03.2020). (as buyer) representing the value of a building located in Iasi, Calea Chisinaului, no.29, with a total area of 5,340.48 sqm, of which 1,609.85 sqm built area, according to sale contract no. 4366 from 28.11.2019 for which the price of 4,654,029 lei (equivalent of 977,666.59 euro) was collected.

⁶ At December 31, 2019, the Stefanesti asset having a net value of 4,194,581 lei was reclassified from "Investment property" to "Fixed assets held for sale".

⁷ Loans granted to affiliated parties

Group companies loans	Contract value	Outstanding loan as at December 31, 2019		Interest	Total
RC Energo Install SRL	€ 250,000	€ 70,000	334,551 lei	1,361 lei	335,912 lei
Total	€ 250,000	€ 70,000	334,551 lei	1,361 lei	335,912 lei

Total liabilities hold 44.33% of the company's total Equity and liabilities recording a decrease of 7,009,841 lei, i.e. 6.04% as compared with the beginning of the year.

Current liabilities of the Company, representing 68.65% of Total Liabilities and 30.43% of Total equity, have increased by 5,759,324 lei as compared with 31.12.2018, i.e. 8.33%.

Total Equity holds 55.67% out of Total Equity and Liabilities and registered a decrease of 136,043 lei, compared with the beginning of the year.

Equity	31.12.2019	% of Total equity and liabilities
Subscribed and paid in share capital (representing the counter value of 264,122,096 shares at a nominal value of lei 0.1/share)	26,412,210	10.73%
Share premium	2,182,283	0.89%
Reserves	58,845,305	23.90%
Retained earnings	49,614,454	20.15%
Total equity	137,054,252	55.67%

The subscribed and paid in capital of the company amounting to lei 26,412,209.60 in 2019 is divided into 264,122,096 registered shares, dematerialized, with a nominal value of 0.10 lei per share.

As at 31.12.2019 the structure of the company shareholding according to Depozitarul Central SA is the following:

Shareholder	No. of shares	% quota
Living Plastic Industry S.R.L., Buzau county	86,774,508	32.85%
Joyful River Limited, Nicosia, Cyprus	54,195,089	20.52%
Other legal entities	19,038,452	7.21%
Other individuals	104,114,047	39.42%
Total	264,122,096	100.00%

2) ***Statement of profit and loss and comprehensive income statement' items***

Income statement	2018	2019	2019 vs. 2018	
Revenue	198,460,719	183,857,280	▼	(14,603,439) -7%
Investment income ¹¹	3,464,433	1,951,422	▼	(1,513,011) -44%
Other gains and losses ¹²	3,388,764	(1,334,935)	▼	(4,723,698) -139%
Changes in inventories of finished goods and work in progress	372,436	3,560,611	▲	3,188,175 856%
Raw materials and consumables used	(136,656,677)	(123,157,911)	▼	13,498,766 -10%
Depreciation and amortisation expenses	(11,553,840)	(10,634,489)	▼	919,351 -8%
Employee benefits expenses and social charges	(35,940,642)	(37,440,065)	▲	(1,499,423) 4%
Tax contributions related to employee benefits	(1,139,629)	(1,153,670)	▲	(14,041) 1%
Finance costs	(1,945,033)	(1,853,730)	▼	91,303 -5%
Other income	2,263,169	2,275,213	▲	12,044 1%
Other expenses	(16,247,641)	(15,482,186)	▼	765,455 -5%
Profit (loss) before tax	4,466,057	587,540	▼	(3,878,517) -87%
Income tax expense	334,297	(217,442)	▼	- 551,739 n/a
Profit (loss) of the year	4,800,354	370,098	▼	(4,430,256) -92%
Deferred tax adjustment related to the re-evaluation reserves fiscal unallowable	1,275,648	74,009	▼	(1,201,639)
Total comprehensive income	6,076,002	444,107	▼	(5,631,895) -93%
EBITDA operational	11,384,243	12,316,630	▲	932,387 8%

The item "Investment income" has the following structure:

Indicator	12-month 2018	12-month 2019	2019 v 2018		
Rental income	2,255,686	1,865,024	▼	(390,662)	-17%
Interest income	91,387	86,398	▼	(4,989)	-5%
Investment income (dividends) - Infotech Solutions	117,360	-	▼	(117,360)	-100%
Investment income (dividends) - RC Energio Install	1,000,000	-	▼	(1,000,000)	-
Total	3,464,433	1,951,422	▼	(1,513,011)	-44%

The item "Other gains or losses" has the following structure:

Indicator	12-month 2017	12-month 2018	12-month 2019	2019 vs. 2018		
Gains/loss on disposal of assets held for sale	-	-	256,605	▲	256,605	0%
Gains/loss on fair value measurement of investment property	1,490,374	307,659	(429,524)	▲	(737,183)	-240%
Gains/loss on disposal of investment property	2,385,785	2,709,699	-	▼	(2,709,699)	-100%
income from compensations, fines and penalties	668,728	86,671	10,395	▼	(76,276)	-88%
Gains/loss on sale of assets and other capital operations	(424,790)	11,254	(223,239)	▲	(234,493)	-2084%
Other operating revenues	137,362	123,175	140,829	▲	17,654	14%
Loss on receivables with investments	(1,020)	-	-	—	-	0%
Gains/loss on FX differences	59,713	25,454	(19,851)	▼	(45,304)	-178%
Income from discounts obtained	-	-	11,065	▲	11,065	0%
Gains/loss on FX differences (end of month)	(1,502,395)	88,767	(1,061,801)	▲	(1,150,568)	-1296%
Gains/loss on impairment of current assets	(16,976)	36,085	(19,414)	▼	(55,499)	-154%
Total	2,796,780	3,388,764	(1,334,935)	▼	(4,723,698)	-139%

Note: According to MoPFO no. 1286/2012 for the approval of the Accounting regulations compliant with International Financial Reporting Standards, applicable to commercial companies whose securities are admitted to trading on a regulated market, entities must measure on a daily basis their cash, receivables and liabilities in foreign currency, at the exchange rate of the market communicated by the NBR on the last banking day of the month. From the revaluation of cash, receivables and liabilities in foreign currency in 2019, the Company registered favorable differences of 752,073 lei (financial income from exchange rate differences) and unfavorable differences of 1,813,866 lei (financial expenses from foreign exchange differences), resulting in a loss of 1,061,793 lei.

During the similar period of 2018 further to the measurement of the availability, receivables and debts in foreign currency at the exchange rate of the foreign exchange market communicated by the NBR on the last banking day of the month, a profit of 88.767 lei was registered.

“Net sales” had the following trend in the reporting period:

Indicator			2019 vs. 2018		
	2018	2019			
Total sales of finished goods, of which	148,386,635	139,916,138	▼	(8,470,497)	-6%
- Sales of intermediary goods	10,205	18,643	▲	8,438	83%
- Services rendered	226,336	286,433	▲	60,097	27%
- Sale of goods purchased for resale	45,297,333	38,612,118	▼	(6,685,215)	-15%
- Revenues from sundry services	4,540,210	5,023,948	▲	483,738	11%
Total, of which:	198,460,719	183,857,280	▼	(14,603,439)	-7%

Indicator	31.12.2018	31.12.2019	31.12.2019 vs.31.12.2018		
Net sales	198,460,719	183,857,280	▼	(14,603,439)	-7%
Rental income	2,255,686	1,865,024	▼	(390,662)	-17%
Total turnover, of which:	200,716,405	185,722,304	▼	(14,994,101)	-7%
- Domestic market	147,822,224	138,603,195	▼	(9,219,029)	-6%
- Foreign market	52,894,181	47,119,109	▼	(5,775,072)	-11%

Note: Turnover includes “Net sales” in the Statement of comprehensive income, plus “Rental income” generated by investment property.

3) Statement of cash flows

Cash and cash equivalents at the end of 2019 have increased from lei 3,310,010 (31.12.2018) to 5,549,444 lei.

4) Financial ratios

In the reporting period the main financial indicators and ratios had the following evolution:

Ratio	Formula	2018	2019
EBIT	Gross profit + interest expenses	6,168,891	2,060,147
EBITDA	EBIT + amortization – income from subsidies	14,702,841	10,419,424
Turnover		200,716,405	185,722,304
EBITDA in total sales	EBITDA/Turnover	7.33%	5.61%
EBITDA in equity	EBITDA/Equity	10.72%	7.60%
Gross profit	Gross profit /turnover	2.23%	0.32%
Current liquidity ratio	Current assets/current liabilities	1.20	1.10
Immediate liquidity ratio (acid test)	(Current assets -Inventories)/Current liabilities	0.90	0.77
Gearing ratio (1)	Long-term liabilities/Equity	0.34	0.25
Gearing ratio (2)	Total liabilities/Total assets	0.46	0.44
Interest coverage ratio	EBIT/Interest expenses	3.62	1.40
Turnover of trade receivables	Average balance of trade receivables /Turnover	61	79
Turnover of trade liabilities	Average balance of trade liabilities /Turnover	48	47
Turnover of non-current assets	Turnover/non-current assets	1.18	1.14
Return on assets (ROA)	Net result /Total assets	1.89%	0.15%
Return on equity (ROE)	Net result/Equity	3.50%	0.27%
Return on sales (ROS)	Net result/Turnover	2.39%	0.20%



SECURITIES MARKET ISSUED BY THE COMPANY

Company shares are traded on the Bucharest Stock Exchange SA, Section Equities, Standard category.

In order to ensure transparency in the capital market and a permanent information both for shareholders and potential investors in the Extraordinary General Meeting of Shareholders dated 20.11.2007, the shareholders decided admission to trading of the company on BSE, Equities Section, Category II. At the hearing dated 11.03.2008, National Securities Commission decided, by Decision no. 469 / 11.03.2008, the approval of the Prospectus prepared for admission to trading on the regulated market administered by SC Bucharest Stock Exchange S. A. of the shares issued by SC ROMCARBON S.A.

The main characteristics of the securities issued by the company: 264,122,096 shares, dematerialized, at a nominal value of 0.1 lei.

As at 31.12.2019, SC ROMCARBON SA holds shares in the following legal entities:

Company	Acquisition/investment value	Participation quota (%)
RECYPLAT LTD CIPRU	20,261,120	100.00%
ROMCARBON DEUTSCHLAND GmbH	110,138	100.00%
RC ENERGO INSTALL SRL	15,112	100.00%
INFO TECH SOLUTIONS SRL	1,980	99.00%
LIVINGJUMBO INDUSTRY SA	6,477,632	99.8571%
GRINFILD LLC UCRAINA	2,687,755	62.62%
YENKI SRL	100,000	33.34%
ASOCIATIA ECOLOGICA GREENLIFE (Non-Profit Organization)	400	33.33%
ECO PACK MANAGEMENT SA	586,625	25.36%
KANG YANG BIOTECHNOLOGY CO.LTD	203,963	1.95%
REGISTRUL MIORITA SA	5,000	3.79%
TOTAL	30,449,725	

ASPECTS REGARDING CORPORATE GOVERNANCE

This chapter summarizes the Company's Corporate Governance main rules, structures, procedures and decision-making practices within the company, governance standards that ensure the general principles of management and effective control of the activities of the company according to the object of activity, for the benefit of shareholders and for increase investor confidence. The entire set of standards of corporate governance provides the structure through which the company objectives are set, the means of achieving them and to monitor the performance and aims to promote fairness, transparency and accountability in the society.

ROMCARBON SA is a legal Romanian entity that operates as a joint stock company, in accordance with legal provisions in force. It operates in accordance with the Romanian laws and the company's Articles of incorporation.

The company was founded in 1952, originally under the name "Intreprinderea de mase plastice". The company is headquartered in Romania, Buzau, Transilvania Street no. 132, is organized as a joint-stock company and is subject to Romanian law.



The main activity domain of the company is: 222 - Manufacture of plastic and the main activity, according to the encoding - 2221 Manufacture of plates, sheets, tubes and profiles in plastic.

In 2005, the company implemented a modern ERP system for enterprise resource planning (ERP - Enterprise Resource Planning), in order to optimize the decision process.

Investments made by the company targeted expansion of production activities by land acquisition, modernization and acquisition of equipment, expansion and introduction of new products in line with the regulations in force (including alignment with EU norms).

In the meeting of 11.03.2008, the National Securities Commission decided, by Decision no. 469 / 11.03.2008, the approval of the Prospectus prepared for admission to trading on the regulated market of BURSA DE VALORI BUCURESTI S.A. of the shares issued by ROMCARBON S.A.

Thus, starting from 30.05.2008 until 05.01.2015 the shares of ROMCARBON S.A. were traded on the regulated market of the Bucharest Stock Exchange, Equities Sector, Second category of Shares.

Starting with 05.01.2015 the shares of ROMCARBON S.A. are traded on the regulated market of the Bucharest Stock Exchange, Equity Sector, Standard category, according to the new market segmentation introduced by Bucharest Stock Exchange.

Prior to the trading on the Bucharest Stock Exchange, the company was listed on Second category of the RASDAQ market.

The main features of the shares issued by ROMCARBON S.A. are:

- Number of shares – 264,122,096
- a) nominal value – lei 0,1
- b) ISIN code: ROROCEACNOR1
- symbol: ROCE

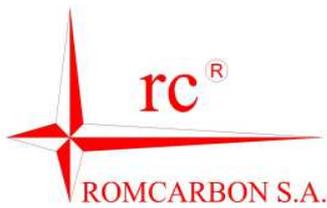
Although new on the Bucharest Stock Exchange regulated market, ROMCARBON S.A. has planned to implement both a policy oriented towards profit for shareholders and one of corporate responsibility and ethics, with significant impact on the environment and consequently the community.

In this respect, the management of ROMCARBON S.A. states that voluntarily adopts the Bucharest Stock Exchange Code of Corporate Governance, as adopted by the Board of Bucharest Stock Exchange in December 2007, as amended, with the sole purpose of its implementation in the company, by assuming its corporate governance policies.

A first step in implementing a corporate governance policy was to adopt and implement the Code of Corporate Governance of Bucharest Stock Exchange, at company level, which can be accessed in Romanian language and English on Bucharest Stock Exchange site - www.bvb.ro.

Implementation of the Code in ROMCARBON S.A. consisted primarily in the adoption by the Board of Directors of Corporate Governance Regulation, Regulation that can be accessed on the company's website www.romcarbon.com.

The regulations which we comply with in the preparation of this chapter of Corporate Governance: **Law no. 31/1990 on companies**, republished in 2004, as amended and supplemented, **Law no. 297/2004 on the capital market** and Law no. 24/2017 on issuers of financial instruments and market operations, as amended and supplemented, the regulations issued by FSA to regulate the capital market (Regulation no. 5 of 21/06/2018 on issuers of financial instruments and market operations, Regulation no. 10/2016 on the organization and operation of the Financial Supervisory Authority, etc.), accounting regulations, regulations on Audit, Law no. 82/1991 for Accounting, republished with subsequent modifications, Corporate Governance Code of the Bucharest Stock Exchange adopted by the Council of the Bucharest Stock Exchange in December 2007, the Articles of incorporation of ROMCARBON SA, the Collective Labour Agreement and the Internal Regulation, concluded at the level of the company and the Code of Ethics hereinafter generically referred to as "Legal provisions".



II. STRUCTURE AND CORPORATE GOVERNANCE ASPECTS

1. The General Meeting of Shareholders

The General Meeting of Shareholders (GMS) includes all shareholders and meets in ordinary meetings (OGMS) and extraordinary meetings (EGM), each with competencies established by law. The call, organization and conduct of works for GMS are in strict accordance with the law, ensuring materials presentation, recording the works and decisions taken.

2. Board of Directors

Currently, the Company's management system is **one-tier**. ROMCARBON S.A. is administered by the Board of Directors consisting of 3 members, elected or appointed by the General Meeting of Shareholders in accordance with the law, by secret vote, for a term of four years, with the possibility of re-election.

Members of the Board of Directors ensure an effective capacity to monitor, analyze and evaluate the work of directors and fair treatment of shareholders. The election of members of the Board of Directors is done between the persons appointed by the shareholders. In appointing members of the Board of Directors, the General Meeting has sought a balanced structure according to the structure and activity of ROMCARBON S.A. as well as the personal experience and qualifications of board members.

The Board of Directors meets at the company's headquarters or elsewhere, monthly and whenever necessary, convoked by the Chairman at the grounded request of at least 2 of its members or the CEO. The Chairman must honor such request. The Board of Directors is chaired by the Chairman and in his absence, by the Deputy Chairman.

For the validity of the decisions it is required the presence of at least half of the members of the Board and decisions are taken by a simple majority of the members present. In the case of parity of votes, the Chairman of the Board of Directors (who is not at the same time officer of the company) will have the decisive vote. If the Chairman in office of the Board of Directors cannot or is not allowed to vote, the other members of the Board of Directors may elect a chairman of the meeting, having the same rights as the chairman in office. In case of parity of votes and if the president does not have a decisive vote, the voted proposal is considered rejected.

Decision-making process remains a collective responsibility of board members they are held jointly responsible for all decisions adopted in exercise of the powers.

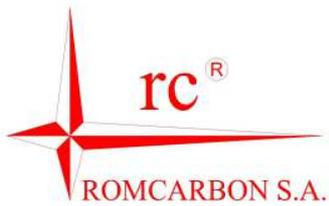
The Board of Directors' duties are stipulated in the Article of incorporation of ROMCARBON S.A., being in strict accordance with the law, ensuring the presentation of materials, recording of the works and the decisions taken.

Chairman of the Board, Board members, general manager, directors, respond individually or jointly, as appropriate, to the company for damages resulting from criminal offenses or violations of legal provisions for deviations from the article of association, as well as mistakes in administrating and management of the company. In such situations, they may be revoked by the decision of the General Meeting of Shareholders respectively the decision of the Board of Directors.

Compliance with the provisions of art. 138² of Law 31/1990 of Principle VI (CGC) respectively with the recommendation no.16 from the Implementation Guide Corporate Governance Code, we mention that the administrators meet the condition of independence partly because only Mr. SIMIONESCU DAN and Mr. WANG YI -HAO are independent administrators.

At the date of the annual report, the Board of Directors of ROMCARBON SA is formed of the following directors who have a mandate of 4 years, which expires on 04.02.2020: HUANG, LIANG - NENG - Chairman, Mr. Simionescu Dan – Deputy Chairman and Mr. Wang Yi Hao – Member.

In the company there is also an Audit Committee composed of the following directors: SIMIONESCU DAN and WANG, YI -HAO.



Regarding the existence of a Remuneration Committee, we specify that the company does not intend to establish such advisory committee, the competence for establishing and application of the remuneration policy in the company belongs exclusively to the General Meeting of Shareholders (pay/fee for the board members) or the Board of Directors (remuneration of executive management staff respectively), within legal limitations conferred by the Act of incorporation and companies legislation referring to these bodies.

Currently, directors' remuneration is performed in accordance with the Articles of Association and the Decision of the Ordinary General Meeting of Shareholders of 27.04.2012.

In 2019, the Board of Directors met in 15 meetings, decisions being taken either with the vote of the majority of those present, or by unanimity and in accordance with the legal provisions regarding the convocation and quorum for conducting the meetings and legally adopt decisions.

The Ordinary General Meeting of Shareholders dated 23.01.2020 approved the new structure of the Board of Directors of Romcarbon SA for a term of 4 years, starting February 4, 2020, with the consequent maintenance of the one-tier management system of the company.

Therefore, starting February 4, 2020, the Board of Directors of Romcarbon SA consists of:

Huang Liang Neng - Chairman of the Board of Directors, appointed based on the Decision of the Ordinary General Meeting of ROMCARBON S.A. from 23.01.2020 for a 4-year term, which expires on 04.02.2024, aged 49;

Wang Yi Hao - Vice President C.A. named on the basis of the Decision of the Ordinary General Assembly of S.C ROMCARBON S.A. from 23.01.2020 for a 4-year term, which expires on 04.02.2024, aged 34;

Toderita Stefan Alexandru - Member of the BoD appointed on the basis of the Decision of the Ordinary General Meeting of ROMCARBON SA from 23.01.2020 for a 4-year term, which expires on 04.02.2024, aged 25;

The exercise of the mandate entrusted to the new members of the Board of Directors will be done free of charge, in accordance with the vote expressed by shareholders within the Ordinary General Meeting of Shareholders of 23.01.2020.

The General Meeting of Shareholders dated 23.01.2020 approved the structure of the Board of Directors for a 4-year term starting February 4, 2020, with the consequent maintenance of the one-tier system of company management:

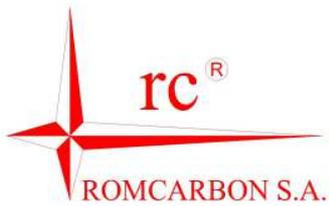
Huang Liang Neng - Chairman of the Board of Directors, appointed based on the Decision of the Ordinary General Assembly of ROMCARBON S.A. from 23.01.2020 for a 4-year term, which expires on 04.02.2024, 49 years;

Wang Yi Hao - Vice President of the BoD, appointed on the basis of the Decision of the Ordinary General Meeting of ROMCARBON S.A. from 23.01.2020 for a 4-year term, which expires on 04.02.2024, aged 34;

Toderita Stefan Alexandru - Member of the BoD, appointed on the basis of the Decision of the Ordinary General Meeting of ROMCARBON SA from 23.01.2020 for a 4-year term, which expires on 04.02.2024, aged 25.

The exercise of the mandate entrusted to the new members of the Board of Directors will be done free of charge, according to the vote expressed by the shareholders who have expressed their vote within the General Meeting of Shareholders of 23.01.2020.

At company level, the new Audit Committee consists of the following directors: WANG, YI -HAO and Toderita Stefan Alexandru.



3. Executive management

The executive management of ROMCARBON S.A. is provided by the following persons, whom have been delegated the powers for the management of the company:

- Andrei Radu- Chief Executive Officer starting on 01.09.2013
- Manaila Carmen – Chief of Operations starting 01.10.2017
- Cretu Victor - Chief of Operations Polypropylene Section starting 01.10.2017
- Pindaru Marina Alina - Chief of Operations Polyethylene Section starting 01.10.2017
- Voicheci Neli - Chief of Operations Compounds Section starting 01.10.2017
- Ungureanu Ion - Chief of Operations PSE Section starting 01.10.2017
- Titi Mihai - Technical Deputy General Manager starting on 30.06.2018
- Zainescu Viorica Ioana - Chief Financial Officer starting on 15.01.2010
- Duracu Gheorghe - Quality Manager starting on 05.01.2004

The Board of Directors delegates the company's management to the General Manager and the Chief of Operations, who act independently of one another and are liable to take all the adequate measures for the Company's management, within the limits of the Company's scope and in compliance with the exclusive duties provided by law or the Constitutive Act, to the Board of Directors or the General Meeting of Shareholders.

In this regard, in its relations with third parties, the company is represented by the General Manager and the Chief of Operations under the provisions of art. 143 para. 4 in conjunction with Art. 143² para. 4 of Law 31/1990, who act independently within the limit of the mandate entrusted to them.

The company's officers are appointed or revoked by the Board of Directors, which sets their duties, responsibilities and powers, the company's officers being able to delegate the powers to represent the Company to a third party only with the written consent of the Board of Directors.

Remuneration of directors of the company is in accordance with the articles of association.

The remuneration policy of the Company, based solely on professional and ethically irreproachable profile of the administrators or directors, consisted of the following gross compensation - total 2019:

- a) Directors – allowance according to OGMS Decision of 27.04.2012 – lei 252,501;
- b) Executive management – lei 2,631,957.

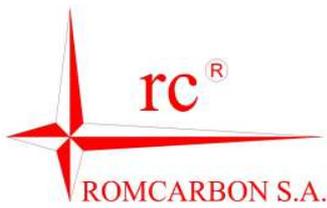
Starting 17.02.2020 the management of the company is secured by the following persons:

a.1) Specific period (mandate contract):

Huang Liang Neng - CEO (17.02.2020- 17.02.2024)

a.2) Indefinite period:

Manaila Carmen – Administrative Deputy General Manager starting 17.02.2020;
Dobrota Cristinel - Development Deputy General Manager starting 17.02.2020;
Cretu Victor- Manager of Profit Center no. 6 - Processed Polypropylene starting 17.02.2020;
Pindaru Marina Alina - Manager of Profit Center no. 3 - Processed Polyethylene starting 17.02.2020;
Ungureanu Ion - Manager of Profit Center no.3 - Processed PSE starting 17.02.2020;
Constantinescu Gabriel - Manager of Profit Centers no. 1 and 2 - Automotive and industrial filters and Personal Protective Equipment starting 17.02.2020;
Titi Mihai - Chief Technology Officer starting 21.01.2019;
Zainescu Viorica Ioana - CFO since 15.01.2010



4. Internal auditor

The company organizes its internal audit in accordance with the legal provisions, which are also included in the company's constitutive act. Internal audit is provided to the company by "Stefanoiu Vasile - Financial Auditor Office".

The internal auditor attends meetings of the Board and General Meetings of Shareholders and notifies management irregularities, and if applicable, breaches of the legal provisions and of the provisions of the constitutive act.

The mission, powers and responsibilities of the internal audit are defined in an Internal Audit Charter approved by the Board of Directors of the Company; the Internal Audit Charter sets out the internal audit position in the company, determines how to access the company documents for the proper performance of audits, defines the scope of internal audit.

5. Risk management

Risk factors include general matters (emerging markets present a higher risk than countries with developed economies and mature political and legal systems), a potential political instability, risks arising from a temporary instability of the legislative, fluctuation of interest rate and inflation rate, and risks related to capital market and its liquidity.

SC ROMCARBON S.A. approaches risk prudently, in accordance with its long-term strategy. Prudent risk management becomes more important in the context of an extension of the economic and financial uncertainties and obvious market volatility. Strategic vision on risk management is determined by the Board of Directors and is applied through actions taken by the executive management of the company.

SC ROMCARBON SA implemented the risk management in accordance with the requirements of Standard SR EN ISO 31010 – Risk Management. Risk Assessment Techniques, identifying and assessing risks involving every operating department in the organization. The Company drafted a Risk Register for every operating department, the Organization's Risk Register and the Risk Treatment Action Plan.

Control and risk management are ensured through a number of specific structures governed by the provisions of the capital market, the company's constitutive act, the collective labour contract and organizational structure of the company, as follows:

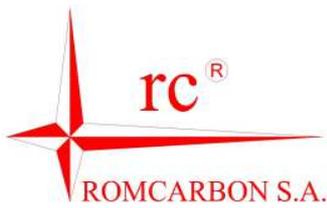
- financial auditor;
- internal auditor;
- configuration of the organisational and functional structure.

The financial statements of the company are, by law, audited by an external auditor (legal entity), member of the Chamber of Financial Auditors of Romania, appointed by the Ordinary General Meeting of Shareholders, which operates under a services supply contract approved by the Board of Directors of the company.

Currently, the external financial auditor of ROMCARBON SA is DELOITTE AUDIT SRL and was appointed for a period of 1 year based on the OGMS Decision of 24.04.2019.

CORPORATE RIGHTS OF SHAREHOLDERS

The company' shareholders are natural or legal persons who have acquired or will acquire ownership of one or more shares in the company and who have registered the acquired right in the shareholder register kept by the company named in the contract, according to the law S.C. DEPOZITARUL CENTRAL S.A. The acquisition, in any form, of the company's shares, involves from shareholders an unreserved adherence to all provisions of the articles of association in force at the date of acquisition.



SC ROMCARBON S.A. respects the rights of securities holders and ensures an equal treatment for all holders of securities of the same type and class, providing all relevant information so that they may exercise all rights. Securities holders must exercise the rights conferred by them in good faith, respecting the rights and legitimate interests of other shareholders and the priority interest of the company, otherwise being liable for damages. Each share subscribed and paid by shareholders gives them the right to one vote at the general meeting of shareholders, the right to vote and to be elected to the governing bodies of the company, the right to participate in profit sharing, according to the articles of association of the Company and social asset to dissolve the company and other rights provided by law. All holders of shares issued by ROMCARBON S.A. are treated fairly. All issued shares confer equal rights to holders.

SC ROMCARBON S.A. facilitates and encourages: participation of shareholders at the General Meetings of Shareholders (AGA), the full realization of their rights, the dialogue between shareholders and members of the Board and / or management. At the General Meeting of Shareholders are entitled to attend and vote shareholders registered in the Register of Shareholders (issued by the Central Depository) at the reference date established/ approved by the Board of Directors.

To make available to shareholders relevant information in real-time, ROMCARBON S.A. created on www.romcarbon.com a special section called Shareholders, Investor Relations, accessible and constantly updated. This section is structured to contain all information necessary to securities holders: Board of directors' meeting information, the general meetings of shareholders, financial calendar, periodic and current reports, dividends, corporate governance etc.

Also, ROMCARBON S.A. has internal structures specialized for investor relations and relationship with their shareholders. Persons appointed to stay in contact with investors and shareholders will attend periodically training courses.

Regarding the **relationship with shareholders and investors**, ROMCARBON S.A. is subject to corporate discipline by making suitable ongoing periodic reporting on all major events, including the financial situation, performance, ownership and management.

For purposes of capital adequacy to corporate governance rules and discipline, the Company set up the Investor Relations Department, which ensures compliance with corporate rules according to the Corporate Governance Code of the Bucharest Stock Exchange.

Above mentioned reports are transmitted Bucharest Stock Exchange, the Financial Supervisory Authority, published in a national and local newspaper and posted on the Company's website at www.romcarbon.com.

ROMCARBON S.A. develops and disseminates relevant information periodic and continuous, in accordance with International Financial Reporting Standards (IFRS) and other reporting standards or environmental, social and leadership (ESG - Environment, Social and Governance).

In terms of managing conflict of interest in case of transactions with parties, corporate behavior of board members is: avoid any conflict of interest directly or indirectly with the company or any subsidiary controlled by it, by informing the Board of Directors on conflicts of interest occurred, in which case it will refrain from discussions and voting on such matters.

SOCIAL RESPONSIBILITY

The company's strategy in terms of social responsibility is based on a set of principles that define its relationship with partners - employees, creditors, suppliers, customers, investors (stakeholders).

The management team of ROMCARBON S.A. believes that development is not possible without the contribution of each employee and the company as a whole.

The company aims, through an active policy of **CSR**:

* **to support and respect the human rights of its employees in particular.** In this respect, the employees benefit from various specialized programs / professional training and a constant awareness of the evolution of the company (presentation by the representatives of the employees, i.e. periodic review of the financial statements of the Company). In the framework of their responsibilities, the company took the steps necessary to protect the safety and health of employees, including occupational risk prevention activities and training information, as well as the implementation of labor protection and means of organizing it. (e.g. periodic training, provision of personal protective equipment, working equipment, sanitary materials, periodic medical examination, etc.). ROMCARBON SA does not use child labor, does not engage in trafficking and does not in any way encourage these ideas. The company has zero tolerance under any circumstances for corporal punishment or mental pressure, physical or verbal or any form of inhuman treatment.

* **to support freedom of association.** The Company respects the legal right of all staff to appoint representatives who negotiate on behalf and for them in regular negotiations collective bargaining agreement at company level. Employee representatives to ensure their protection of the law against all forms of conditioning, constraint or limitation of exercising their functions.

* **Contribute to the elimination of discrimination in employment jobs, profession, and the wage determination.** Any direct or indirect discrimination against an employee based on sex, sexual orientation, genetic characteristics, age, national origin, race, color, ethnicity, religion, social origin, handicap, family status or responsibility, trade union membership or activity is prohibited in the Company.

* **To combat any form of corruption.**

* **To support educational activities.**

* **to support different social groups** (young deserving, sick or disabled people) through humanitarian actions that include sponsorships /charity work, assistance in extreme cases, and aid to vulnerable persons or in distress. Under this active CSR policy, in 2019, ROMCARBON SA granted sponsorships in amount of lei 9,450 to NGOs and financial aid in amount of lei 59,395 to its employees affected by various events with strong social and human impact (child birth, death of family members, fire, floods, etc.).

The company is a founding member of **GREENLIFE ENVIRONMENTAL ASSOCIATION**. The purpose of the ASSOCIATION is to represent, promote and support employers and professional interests of its members in relations with public authorities and other legal entities and individuals, to strengthen their authority and social prestige and act to modernize and develop the field of the protection environment in the international norms and standards. The ASSOCIATION aims to promote the spirit of human solidarity by organizing and supporting humanitarian actions.

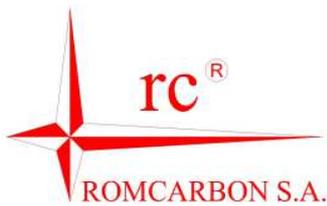
The organization runs the program for the support of employees and relatives of 1st degree for serious diseases and merit scholarships for the children of employees

* **to support sport activities in the city of Buzau, by financial aids**

In the local community in which it operates, the company takes an active role by supporting community initiatives through financial and human resources.

* **Proactively address environmental issues and promote responsibility towards the environment.**

In this regard, ROMCARBON S.A. aims to improve the quality of environmental factors and biodiversity conservation by promoting awareness of environmental issues and health issues.



ROMCARBON S.A. complies with environmental protection legislation. The company is not involved in litigation regarding the infringement of the environmental legislation. It periodically evaluates compliance with laws, regulations and other requirements to which the organization subscribes.

ROMCARBON S.A. has implemented and certified an integrated quality management system - environment-occupational health and safety standards ISO 9001: 2008; ISO 14001: 2005; OHSAS 18001: 2007 applicable for the design and production of individual protective breathing equipment – SRAC certified.

ROMCARBON S.A. identifies all actual and potential environmental issues, including positive and negative aspects arising from indirect and companies that operate at the company and may affect environmental performance. Identification of environmental issues is based on systematic analysis of each process / sub-process (including their inputs and outputs) according to the procedure of system "PS 03 Environmental aspects" in situations of normal operation, abnormal (including starting and stopping) and emergency, accident.

In normal operating conditions, the company's activity does not cause significant environmental impacts. Following the identification and evaluation of environmental aspects were developed management programs to improve the environmental performance of the company.

For a better quality of life, ROMCARBON S.A. has developed in recent years a number of social responsibility actions and punctual sponsorship were directed to different areas: education, health, social issues, environmental protection, such as participating in various events / campaigns / contests on the **Environmental International Day** celebrated on the 5th of June under the title "for a cleaner world!" / "We have only one Earth. Let's give it priority!".

Partners of these events are constantly the Environmental Protection Agency in Buzau, Buzau Prefect's Office and Municipality of Buzau.

In fact, environmental protection is an absolute priority, because ROMCARBON S.A. supports, in a decisive way, the development in Buzau of "an industry" which proves more and more that the economy and the environment can survive together without compromise - "Green Industry".

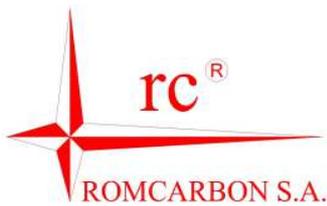
Since 2012 in the Center for profit no. 7 - Compound is pursuing Waste plastics recycling by separating recyclable fractions and milling, extrusion, filtration, these separated fractions to obtain composite materials.

Starting from September 4th 2014, Romcarbon SA became a member of the Romanian Association of Sanitation, which became in the meantime the Romanian Association for Waste Management – A.R.M.D.; as final waste recycling body, Romcarbon supports the actions of this entity:

- Sustained promotion of its members' interests;
- Permanent involvement in the process of preparing the legislation in the waste management field in Romania;
- Dynamic involvement of the Association in the waste management in Romania, by studies and market researches;
- Initiation of contracts with the organizations in order to attract funds and grants, both for members and for sustainable development of the association's activities;

ROMCARBON SA aims not only at increasing the satisfaction of employees, commercial partners and own shareholders but also at increasing the efficiency of its activity and the level of professional competence of the human resources, including those available in the community.

Romcarbon will continue to develop the Integrated Management System and increase its efficiency, will undertake actions to eliminate or mitigate risks of non-compliance with applicable legal provisions in the field of occupational security and health, environmental protection and will secure the resources needed to achieve the objectives laid down in its internal policies.



For 2020, the Company aims at consolidating its position on the markets where it operates, streamlining the investments implemented in previous years meant to ensure a range of products as diverse as possible and at the highest standards.

The main objectives in 2020 are the manufacturing of products and implementing new technologies that will ensure the growth of the company both on domestic and foreign markets in the next years.

For 2020, the company budgeted the following financial indicators:

- a total turnover of lei 214,587,796 (up by 16% as compared with 2019) of which the turnover related to the sales of finished products is budgeted at the level of lei 161,086,298 (15% higher as compared with 2019);
- a gross operating profit in amount of lei 3,068,443.

In the international context regarding the evolution of the epidemiological situation caused by the spread of coronavirus COVID-19, as well as the declaration of the state of emergency in Romania for a period of 30 days, the Company's management has established and implemented preventive measures for the protection of both its employees and collaborators (delegates, drivers, couriers, etc.). The measures are constantly reassessed and adapted according to the evolution of the situation and the official communications / measures ordered by the public authorities / competent bodies.

At the date of this Report, no major difficulties and risks were identified in the activity of supply, production and sale that would significantly affect the economic activity of the Company. The Company is elaborating a Risk Plan in case of cessation of production and establishment of quarantine or other future events that would require measures to temporarily interrupt the economic activity of the Company.

The future evolution of the crisis generated by the spread of COVID-19 may have an impact in the coming months as regards the decrease of sales by about 20%, in light of the decrease of the demand in the automotive industry and in the construction sector.

The supply of raw materials and consumables remains stable with no anticipated price growth trends. There are no premises of concentration risk because there are no major dependencies on significant suppliers or customers or the markets affected to a large extent by COVID-19. The activity of the company is not affected by the restrictions on external financing, it has the ability to control its cash flows and mitigate risks of non-collection. We have not identified any premises for the exposure to major risks in terms of cash flows. There will be pressure on the RON / EUR exchange rate, but we cannot estimate the extent.

As at the date of preparation of this report, the Company's management is not aware of other events, economic changes or other uncertainties that might affect significantly the company's income or liquidities.

HUANG LIANG NENG,
Chairman of the BoD

VIORICA ZAINESCU,
CFO

CARMEN MANAILA,
Deputy CEO

For signatures, please refer to the original Romanian version.