

ROMCARBON SA AND SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

(together with Independent Auditor's Report and Administrators' consolidated report)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of,
Romcarbon SA

Report on the Audit of the Consolidated Financial Statements

Opinion

1. We have audited the consolidated financial statements of Romcarbon SA and its subsidiaries ("the Group"), with registered office in Buzau, Str. Transilvaniei, nr. 132, identified by unique tax registration code RO1158050, which comprise the consolidated statement of financial position as at December 31, 2019 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.
2. The consolidated financial statements as at December 31, 2019 are identified as follows:
 - Total equity thousand RON 139,561
 - Net loss for the financial year thousand RON 2,617
3. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Ministry of Public Finance Order no. 2844/2016 for the approval of Accounting regulations conforming with International Financial Reporting Standards as adopted by the European Union, with subsequent amendments.

Basis for Opinion

4. We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and 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 Consolidated Financial Statements* section of our report. We are independent of the Group 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 consolidated financial statements in Romania including the Regulation and the Law and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Aspects

5. We draw attention to the notes 36 from the consolidated financial statements describing the assessment of the current or possible impact of COVID-19 effects on the group. Our opinion is not changed in this respect.

Key Audit Matters

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

| Key audit matter | How our audit addressed the matter |
|--|---|
| <p>Revenue recognition</p> <p>Sale of finished goods is the main activity of the Group. Given the large number of domestic and foreign clients, the diversity of products sold as well as the diversity of the clients' businesses, there is a risk that sale 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. In our opinion, revenue recognition is a key audit matter, given the above-mentioned points.</p> <p>The Group's revenue disclosures are presented in Note 3 of the consolidated 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 Group owns property in Iasi, Stefanesti and Buzau which are not used for its main activity, but are held for long-term capital appreciation or for partial rent towards third parties. In our opinion, investment property is a key audit matter, being valued at fair value subsequent to initial recognition, the gains and losses resulting from fair value estimation being recorded through profit or loss as they arise. Also, the criteria used for classification of a tangible non-current asset as an investment property takes into account management's intention to use each property as well as 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>Investment property is disclosed in Note 32 of the consolidated 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 revaluation method used by the evaluator employed by the Group. |

Other information – Administrators' Consolidated Report

7. The administrators are responsible for preparation and presentation of the other information. The other information comprises the Administrators' consolidated report, which also includes the non-financial information declaration, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements for the year ended December 31, 2019, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

With respect to the Administrators' consolidated 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 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU, article no. 20.

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

- a) the information included in the Administrators' consolidated report for the financial year for which the consolidated financial statements have been prepared is consistent, in all material respects, with these consolidated financial statements;
- b) the Administrators' consolidated 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, article no. 20.

Moreover, based on our knowledge and understanding concerning the Group and its environment gained during the audit on the consolidated financial statements prepared as at December 31, 2019, we are required to report if we have identified a material misstatement of this Administrators' consolidated report. We have nothing to report in this regard.

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

8. Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.
9. In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.
10. Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

11. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 consolidated financial statements.

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

16. We were appointed by the General Meeting of Shareholders on April 26, 2019 to audit the consolidated financial statements of Romcarbon SA and its subsidiaries 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 Group that we issued on March 26, . Also, in conducting our audit, we have retained our independence from the audited entity.
- We have not provided for the Group 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
April 09, 2020

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2019**

| | Note | Year ended December 31, 2019 | Year ended December 31, 2018 |
|---|-------------|---|---|
| | | <i>thousand LEI</i> | <i>thousand LEI</i> |
| Income | 3 | 245,772 | 257,709 |
| Other income | | 3,961 | 3,982 |
| Investment income | 3 | 2,942 | 2,312 |
| Raw materials and consumables used | 4 | (155,174) | (165,723) |
| Changes in finished products and production in progress | | 6,251 | 1,347 |
| Employee salaries and social security | 5 | (67,409) | (64,806) |
| Operational expenses | 6 | (19,729) | (21,049) |
| Other gains and losses | 7 | 117 | 3,304 |
| Depreciation and amortization expense | 8 | (16,304) | (17,112) |
| Finance costs | 9 | (2,702) | (2,925) |
| Share of profit / loss of associates | | (68) | (1,344) |
| Profit / (loss) before taxation | | (2,343) | (4,305) |
| Income tax expense | 10 | (274) | 189 |
| Profit / (loss) for the year from operations | | (2,617) | (4,117) |
| Profit / (loss) for the year | | (2,617) | (4,117) |
| Attributable to: | | | |
| Owners of the parent | | (2,586) | (4,048) |
| Non-controlling interests | | (31) | (69) |
| From core operations: | | | |
| RON (cents per share) | | - | - |
| Average number of shares | | 264,122 | 264,122 |

The consolidated financial statements were approved by the Board of Administration and were authorized for issuance on April 9, 2020.

PREPARED BY,

For signatures, please refer to the original Romanian version.

**HUANG LIANG NENG,
Chairman of the Board
And General Manager**

**VIORICA ZAINESCU,
Financial Manager**

**CARMEN MANAILA,
Deputy General Manager for
Administrative Operations**

The accompanying notes are integral part of these consolidated financial statements.
This is a free translation from the original Romanian version.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019**

| <u>Note</u> | <u>Year ended December 31, 2019</u> <i>thousand LEI</i> | <u>Year ended December 31, 2018</u> <i>thousand LEI</i> |
|---|--|--|
| Comprehensive income | | |
| Other comprehensive income subsequently transferred to profit or loss: | | |
| Exchange differences on translating foreign operations | (1) | (65) |
| Increases from the revaluation of tangible assets | 760 | - |
| Net losses on revaluation of property, plant and equipment | - | - |
| Adjustment of deferred tax for fiscally non-deductible revaluation reserves | 74 | 1,276 |
| Other comprehensive income subsequently transferrable to profit or loss: | | |
| Exchange differences on translating foreign operations | 1 | 1 |
| Comprehensive income of the year | | |
| Attributable to: | | |
| Owners of the parent | 1 | 1 |
| Non-controlling interests | - | - |
| Total comprehensive income | <u>(1,783)</u> | <u>(2,906)</u> |
| Owners of the parent | (1,752) | (2,837) |
| Non-controlling interests | (31) | (69) |

The consolidated financial statements were approved by the Board of Administration and were authorized for issuance on April 9, 2020.

PREPARED BY,

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**HUANG LIANG NENG,
Chairman of the Board
And General Manager**

**VIORICA ZAINESCU,
Financial Manager**

**CARMEN MANAILA,
Deputy General Manager for
Administrative Operations**

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDED DECEMBER 31, 2019**

| | <u>Note</u> | <u>December 31, 2019</u> | <u>December 31, 2018</u> |
|---|-------------|------------------------------|------------------------------|
| | | <i>thousand LEI</i> | <i>thousand LEI</i> |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 11 | 157,094 | 172,357 |
| Investment property | 33 | 13,433 | 18,035 |
| Goodwill | 12 | 143 | 143 |
| Other intangible assets | 13 | 308 | 90 |
| Investment in associates | 14 | 27,034 | 27,103 |
| Financial assets | 14 | 197 | 197 |
| Total non-current assets | | <u>198,208</u> | <u>217,925</u> |
| Current assets | | | |
| Inventories | 15 | 45,929 | 36,548 |
| Trade and other receivables | 16 | 34,461 | 30,295 |
| Other financial assets | 18 | 2,390 | - |
| Other current assets | 17 | 1,472 | 1,002 |
| Cash and bank balances | 32 | 9,764 | 9,791 |
| Assets held for sale | 34 | 6,873 | 16,000 |
| Total current assets | | <u>100,889</u> | <u>93,636</u> |
| Total assets | | <u>299,097</u> | <u>311,560</u> |
| EQUITY AND LIABILITIES | | | |
| Capital and reserves | | | |
| Issued capital | 19 | 26,412 | 26,412 |
| Share premiums | | 2,182 | 2,182 |
| Reserves | 20 | 38,749 | 38,677 |
| Retained earnings | 21 | 71,310 | 74,357 |
| Equity attributable to owners of the parent | | 138,654 | 141,629 |
| Non-controlling interest | 22 | 907 | 939 |
| Total equity | | <u>139,561</u> | <u>142,567</u> |

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This is a free translation from the original Romanian version.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDED DECEMBER 31, 2019**

| | <u>Note</u> | <u>December 31, 2019</u> <i>thousand LEI</i> | <u>December 31, 2018</u> <i>thousand LEI</i> |
|---|-------------|---|---|
| Non-current liabilities | | | |
| Long-term borrowings | 23 | 23,504 | 37,241 |
| Finance lease liabilities | 26 | 9 | 24 |
| Deferred tax liabilities | 10 | 8,364 | 8,902 |
| Other non-current liabilities with provisions | | 249 | 285 |
| Deferred income | 27 | 23,507 | 27,301 |
| Total non-current liabilities | | 55,633 | 73,753 |
| Current liabilities | | | |
| Trade and other liabilities | 25 | 35,231 | 34,353 |
| Short-term borrowings | 23 | 60,411 | 52,593 |
| Finance leases | 26 | 15 | 14 |
| Deferred income | 27 | 3,881 | 3,998 |
| Other current liabilities | 24 | 4,365 | 4,282 |
| Total current liabilities | | 103,903 | 95,240 |
| Total liabilities | | 159,536 | 168,993 |
| Total equity and liabilities | | 299,097 | 311,560 |

The consolidated financial statements were approved by the Board of Administration and were authorized for issuance on April 9, 2020.

PREPARED BY,

For signatures, please refer to the original Romanian version.

**HUANG LIANG NENG,
Chairman of the Board
And General Manager**

**VIORICA ZAINESCU,
Financial Manager**

**CARMEN MANAILA,
Deputy General Manager for
Administrative Operations**

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**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019**

| | <u>Share capital</u> | <u>Share premiums</u> | <u>Revaluation reserves</u> | <u>Other reserves</u> | <u>Exchange differences on translating foreign operations</u> | <u>Retained earnings</u> | <u>Attributable to owners of the parent</u> | <u>Non-controlling interest</u> | <u>Total</u> |
|--|----------------------|-----------------------|-----------------------------|-----------------------|---|--------------------------|---|---------------------------------|----------------|
| Total January 1, 2019 | 26,412 | 2,182 | 39,752 | - | (1,075) | 74,357 | 141,629 | 939 | 142,567 |
| Dividends distributed | - | - | - | - | - | (1,005) | (1,005) | - | (1,005) |
| Increases from revaluation of property, plant and equipment | - | - | 1,197 | - | - | - | 1,197 | - | 1,197 |
| Decreases from revaluation of property, plant and equipment | - | - | (437) | - | - | - | (437) | - | (437) |
| Net profit / (loss) of the period | - | - | - | - | - | (2,586) | (2,586) | (31) | (2,617) |
| Transfer of reserves to retained earnings | - | - | (762) | - | - | 762 | - | - | - |
| Corrections of financial assets disposed and repossessed | - | - | - | - | - | - | - | - | - |
| Exchange differences on translating foreign operations | - | - | - | - | 1 | - | 1 | - | 1 |
| Corrections of ownership interests in associates during the year | - | - | - | - | - | - | - | - | - |
| Decrease of minority interests due to increase of ownership of parent | - | - | - | - | - | - | - | - | - |
| Minority interests from company de-registrations | - | - | - | - | - | - | - | - | - |
| Minority interests from the acquisition of companies | - | - | - | - | - | - | - | - | - |
| Adjustment of deferred tax on fiscally non-deductible revaluation reserves | - | - | 74 | - | - | - | 74 | - | 74 |
| Corrections | - | - | (1) | - | - | (217) | (219) | - | (219) |
| Total December 31, 2019 | 26,412 | 2,182 | 37,823 | - | (1,074) | 71,310 | 138,654 | 907 | 139,561 |

The ordinary general meeting of shareholders' resolution of 29.08.2019 approved the distribution of RON 1,056 thousand as dividends. The amount was entirely transferred to the Central Depository to pay the dividends owed to the shareholders. Further to the sales of certain property investment, the Group adjusted the deferred tax on fiscally non-deductible revaluation reserves by RON 74 thousand.

The consolidated financial statements were approved by the Board of Administration and were authorized for issuance on April 9, 2020.

PREPARED BY,

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**HUANG LIANG NENG,
Chairman of the Board
And General Manager**

**VIORICA ZAINESCU,
Financial Manager**

**CARMEN MANAILA,
Deputy General Manager for Administrative
Operations**

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This is a free translation from the original Romanian version.

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019**

| | <u>Share capital</u> | <u>Share premiums</u> | <u>Revaluation reserves</u> | <u>Other reserves</u> | <u>Exchange differences on translating foreign operations</u> | <u>Retained earnings</u> | <u>Attributable to owners of the parent</u> | <u>Non-controlling interest</u> | <u>Total</u> |
|---|----------------------|-----------------------|-----------------------------|-----------------------|---|--------------------------|---|---------------------------------|----------------|
| Total January 1, 2018 | 26,412 | 2,182 | 39,348 | - | (1,076) | 79,572 | 146,438 | 1,007 | 147,445 |
| Dividends distributed | - | - | - | - | - | (2,007) | (2,007) | - | (2,007) |
| Increases from revaluation of property, plant and equipment | - | - | - | - | - | - | - | - | - |
| Decreases from revaluation of property, plant and equipment | - | - | - | - | - | - | - | - | - |
| Net profit / (loss) of the period | - | - | - | - | - | (4,048) | (4,048) | (69) | (4,117) |
| Transfer of reserves to retained earnings | - | - | (806) | - | - | 806 | - | - | - |
| Corrections of financial assets disposed and repossessed | - | - | - | - | - | - | - | - | - |
| Exchange differences on translating foreign operations | - | - | - | - | 1 | - | 1 | - | 1 |
| Corrections of ownership interests in associates during the year | - | - | - | - | - | - | - | - | - |
| Decrease of minority interests due to increase of ownership of parent | - | - | - | - | - | - | - | - | - |
| Minority interests from company de-registrations | - | - | - | - | - | - | - | - | - |
| Minority interests from the acquisition of companies | - | - | - | - | - | - | - | - | - |
| Adjustment of deferred tax for fiscally non-deductible revaluation reserves | - | - | 1,276 | - | - | - | - | - | 1,276 |
| Corrections | - | - | (65) | - | - | 35 | (30) | - | (30) |
| Total December 31, 2018 | 26,412 | 2,182 | 39,752 | - | (1,075) | 74,357 | 141,629 | 939 | 142,567 |

The ordinary general meeting of shareholders' resolution of 01.08.2018 approved the distribution of RON 2,007 thousand as dividends. The amount was entirely transferred to the Central Depository to pay the dividends owed to the shareholders.

The consolidated financial statements were approved by the Board of Administration and were authorized for issuance on April 9, 2020.

PREPARED BY,

For signatures, please refer to the original Romanian version.

**HUANG LIANG NENG,
Chairman of the Board
And General Manager**

**VIORICA ZAINESCU,
Financial Manager**

**CARMEN MANAILA,
Deputy General Manager for Administrative
Operations**

The accompanying notes are integral part of these consolidated financial statements.
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**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019**

| <u>Note</u> | <u>Year ended December 31, 2019</u> <i>thousand LEI</i> | <u>Year ended December 31, 2018</u> <i>thousand LEI</i> |
|---|--|--|
| Cash flows from operating activities: | | |
| Gross profit / (loss) for the year | (2,343) | (4,306) |
| Finance expenses recognized in profit | 2,702 | 2,925 |
| (Gain) / Loss on sale or disposal of fixed assets | 336 | (52) |
| (Gain) / Loss on sale or disposal of investment property | - | (2,710) |
| (Gain) / Loss on sale or disposal of assets held for sale | (186) | - |
| Income from dividends | - | - |
| Interest income | (6) | - |
| Loss on impairment of stocks | - | - |
| Loss on impairment of trade receivables | 112 | 32 |
| Loss on time-barred receivables | 4 | 207 |
| Loss on impairment of goodwill | - | - |
| Loss on impairment of property, plant and equipment | - | - |
| Amortization / Depreciation of non-current assets | 16,304 | 16,356 |
| Net (gain) / loss on foreign exchange | (206) | 10 |
| (Gain) / Loss on investment | - | (5) |
| (Gain) / Loss on revaluation of tangible assets | 96 | - |
| (Gain) / Loss on revaluation of investment property | 430 | (308) |
| (Gain) / Loss on revaluation of assets held for sale | (71) | 757 |
| (Gain) / Loss from short-term investments | - | - |
| (Gain) / Loss on share of profit of associates | 68 | 1,584 |
| Increase / Decrease in provisions | - | 21 |
| Increases in subsidiaries | (3,794) | (3,982) |
| Movements in working capital: | | |
| (Increase) / Decrease in trade and other receivables | (4,282) | 5,704 |
| (Increase) / Decrease in inventories | (9,380) | 1,685 |
| (Increase) / Decrease in other assets | (2,861) | (410) |
| Increase / (Decrease) in trade and other payables | 842 | (4,540) |
| Increase / (Decrease) in other payables | (38) | (461) |
| Cash generated by/used in operating activities | (2,273) | 12,509 |
| Interest paid | (2,100) | (2,518) |
| Income tax paid | (734) | (146) |
| Bank commissions paid | (603) | (408) |
| Net cash generated by operating activities | (5,710) | 9,438 |
| Cash flows from investing activities: | | |
| Payments for property, plant and equipment | (3,710) | (5,244) |
| Payments for intangible assets | - | - |
| Proceeds from disposal of property, plant and equipment | 161 | 136 |
| Proceeds from subsidiaries | - | - |
| Proceeds from investments in associates | - | - |
| Acquisition of subsidiaries | - | - |
| Payments for investment property | - | - |
| proceeds from sale of investment property | (23) | 18,086 |
| Interest received | 6 | 5 |
| Dividends received | - | - |
| Encashments form the sales of assets held for sales | 16,186 | - |
| Net cash generated by / (used in) investing activities | 12,620 | 12,983 |

The accompanying notes are integral part of these consolidated financial statements.
This is a free translation from the original Romanian version.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019**

| Note | Year ended December 31, 2019 | Year ended December 31, 2018 |
|---|---|---|
| | <i>thousand LEI</i> | <i>thousand LEI</i> |
| Cash flows from financing activities: | | |
| (Repayment) / Drawings of borrowings | (5,919) | (16,571) |
| Lease payments | (13) | (49) |
| Dividends paid for non-controlling interest | (1,005) | (2,007) |
| Net cash generated by financing activities | (6,937) | (18,627) |
| Net decrease / (increase) in cash and cash equivalents | (27) | 3,794 |
| Cash and cash equivalents at the beginning of the year | 9,791 | 5,997 |
| Cash from subsidiaries acquired during the year | - | - |
| Cash and cash equivalents at the end of the year | 9,764 | 9,791 |

The consolidated financial statements were approved by the Board of Administration and were authorized for issuance on April 9, 2020.

PREPARED BY,

For signatures, please refer to the original Romanian version.

**HUANG LIANG NENG,
Chairman of the Board
And General Manager**

**VIORICA ZAINESCU,
Financial Manager**

**CARMEN MANAILA,
Deputy General Manager for
Administrative Operations**

The accompanying notes are integral part of these consolidated financial statements.
This is a free translation from the original Romanian version.

1. GENERAL INFORMATION

ROMCARBON S.A. (the "Parent") 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. As at December 31, 2019 the Parent's shares were traded on the BSE and its main shareholders as at December 31, 2019 were Living Plastic Industry S.R.L., Joyful River Limited Loc. Nicosia CYP, Unitai International Corporation.

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

As at December 31, 2019 the Parent was holding directly or through other subsidiaries, participating interest in the following entities, thus forming Romcarbon Group:

RC ENERGO INSTALL S.R.L. is a company established in 2005, where S.C. Romcarbon S.A. holds 100%. The company's main office is located in Buzău, Str. Transilvaniei, nr. 132. The company was established by outsourcing the maintenance and repair of water installations, sewage and substations; the main object of activity is Plumbing, heat and air conditioning installation (NACE code 4322).

ROMCARBON DEUTSCHLAND GMBH is a company established in 2013, wholly owned by S.C. Romcarbon S.A. The company's main office is located in Bergisch Gladbach, Germany. The company's main object of activity is trade with plastic finished products, recycling of plastic materials and purchase of plastic waste. As at the date of these financial statements, the company is under voluntary liquidation.

LIVINGJUMBO INDUSTRY S.A. is a company established in 2002, where S.C. Romcarbon S.A. has held since 2011 99.86% of the shares and the remaining shares are held by legal persons. The company's main office is located in Buzău, Str. Transilvaniei, nr. 132. The company's main object of activity is Manufacture of plastic packing goods (NACE code 2222).

INFO TECH SOLUTIONS S.R.L. is a company established in 2005, where S.C. Romcarbon S.A. holds 99.00% of the shares and the remaining shares are held by natural persons. The company's main office is located in Buzău, Str. Transilvaniei, nr. 132. The company was established by outsourcing the IT services and its main object of activity is Data processing, hosting and related activities (NACE code 6311) or Computer consultancy activities (NACE code 6202).

YENKI S.R.L. is a company established in 2007, where S.C. Romcarbon S.A. holds 25.00% of the shares and the remaining shares are held by Romanian legal and natural persons. The company's main office is located at Soseaua Nordului, DN2, Buzău. The company's main object of activity is Operation of sports facilities (NACE code 9311).

GRINFILD UKRAINE is a company established in 2007, where SC Romcarbon SA holds 62.62% of the shares and the remaining shares are held by foreign legal persons. The company's main office is located in Ukraine, Odessa region, Krijianivka locality, Str. Mikolayevska, Bl. 2. The company's main object of activity is wholesale.

GRINRUH LLC UKRAINE is a company established in 2007, where SC Romcarbon SA holds 62.62%. The company's main office is located in Ukraine, Odessa region, Krijianivka locality, Str. Mikolayevska, Bl. 2. The company's main object of activity is construction and other wholesale.

"Greenlife" Ecological Association, established in accordance with GO no. 26/2000, is a non-governmental, non-profit and non-political organization. The association's patrimony amounts to RON 1,200. The association's purpose is to represent, promote and support the employer and professional interests of its members in the relationship with public authorities and other legal and natural persons, to consolidate their authority and social renown and to act towards modernizing the developing the field regarding environmental protection according to the international rules and standards. Also, the association sets itself to promote human solidarity, by organizing and supporting humanitarian actions. The association was established by SC Greenfiber International SA, SC Greentech SA and SC Romcarbon SA as founding members, each holding 33.33% of its patrimony.

RECYPLAT LTD is a company established in 2011, wholly owned by SC Romcarbon SA. The company's main office is located in Akropoleos, 59-61, 3rd floor, Nicosia, Cyprus.

1. GENERAL INFORMATION (continued)

The company's main object of activity is the Conduct of activities and business of consultants, experts in all scientific fields, financial, administrative or otherwise, in relation to the setting up, operation, development and improvement of any business, industry, company, partnership or other organization.

ECO PACK MANAGEMENT SA is a company established in 2010, where SC Romcarbon SA directly holds 25.36% and 74.62%, indirectly through LivingJumbo Industry SA. The remaining shares are held by Romanian legal persons. The company's main office is located in Bucharest, sector 2, str. Barbu Vacarescu (formerly, Fabrica de Glucoza 2-4), nr. 164A, etaj 3, within Building C3 – Office Building. The company's main object of activity is - NACE code 8299 - Other business support service activities n.e.c.

PROJECT ADVICE SRL is a company established in 2010, where SC Romcarbon SA indirectly holds 99.86%. The company's main office is located in Iasi, Calea CHISINAULUI, Nr. 29, Pavilion Administrativ A, camera nr. 2, Etaj 1. The company's object of activity is – NACE code 7022 - Business and other management consultancy activities.

In July 2016, the Group sold its ownership of 70% in the share capital of NEXT ECO RECYCLING SA (company established in 2011, whose main object of activity is NACE code 8299 - Other business support service activities n.e.c.).

The group had purchased this company in December 2015.

In October 2016, GREENSORT RECYCLING SRL was de-registered from the Trade Registry. The company had been established in 2012, having as its main object of activity – NACE code 3832 - Recovery of sorted materials.

ROMGREEN UNIVERSAL LTD Cyprus is a company established in 2011, where SC Romcarbon SA indirectly holds 17.5879% through Recyplat LTD Cyprus. The company's main office is located in 2 Prodromou & Dimitrakopoulou, 5th floor, 1090 Cyprus. The company's object of activity is the conduct of activities and business of consultants, experts in all scientific fields, financial, administrative or otherwise, in relation to the setting up, operation, development and improvement of any business, industry, company, partnership or other organization.

GREENFIBER INTERNATIONAL SA is a company established in 2004, where SC Romcarbon SA indirectly holds 17.4681% of the shares. The company's main office is located in Buzău, Aleea Industriilor, no. 17. The company's main object of activity is Manufacture of man-made fibres (NACE code 2060).

GREENTECH DOO SERBIA is a company established in 2005, where SC Romcarbon SA indirectly holds 15.7214% of the shares. The company's main office is located in Serbia, Backa Palanka, str. Zarka Zrenjanina nr. 152. The company's main object of activity is the recycling of non-metallic waste and scraps.

GREENTECH RECYCLING DEUTSCHLAND GMBH is a company established in 2010, where SC Romcarbon SA indirectly holds 17.4681% of the shares. The company's main office is located in Bergisch Gladbach, Germany. The company's main object of activity is trade with plastics and recycling of plastic waste. As at the date of these financial statements, the company is under voluntary liquidation.

GREENTECH DOO MACEDONIA is a company established in 2007, where SC Romcarbon SA indirectly holds 15.6288% of the shares and the remaining shares are held by foreign natural persons. The company's main office is located in Macedonia, Skopje, bd. Romanija b.b Gazela, 1000. The company's main object of activity is Recycling of non-metallic waste and scraps.

GREENTECH SA is a company established in 2002, where SC Romcarbon SA indirectly holds 17.5875% of the shares and the remaining shares are held by foreign and Romanian natural and legal persons. The company's main office is located in Buzău, Aleea Industriilor, nr. 17. The company's main object of activity is Recovery of sorted materials (NACE code 3832).

1. GENERAL INFORMATION (continued)

GREENWEEE INTERNATIONAL SA is a company established in 2007 where SC Romcarbon SA indirectly holds 17.5879% of the shares. The company's main office is located in Buzău, Comuna Tintesti, Str. Ferma Frasinu. The company's object of activity is dismantling of wrecks for materials recovery (NACE code 3831).

At December 31, 2019 GREENWEEE INTERNATIONAL SA (absorbing company) merged with GREENLAMP RECICLARE SA (absorbed company). Further to the merger, the share capital of GREENWEEE INTERNATIONAL SA increased from 26,212,300 lei to 28,827,300 lei, through the issuance of 26,150 new shares at a nominal value of 100 lei.

GREENWEEE INTERNATIONAL HUNGARY KFT is a company established in 2011, where SC Romcarbon SA indirectly holds 17.5879% and the remaining shares are held by foreign natural and legal persons. The company's main office is located in 1051 Budapest, Dorottya utca 9.2. em. 1. The company's object of activity is Management of used waste and treatment of other waste.

TOTAL WASTE MANAGEMENT SRL is a company established in 2005. In 2012, it changed its object of activity from Business and other management consultancy activities (NACE code 7022) to Collection of non-hazardous waste (NACE code 3811). The company's main office is located in Buzău, Str. Aleea Industriilor, nr. 17. As at the date of these financial statements, SC Romcarbon SA was indirectly holding 17.47435% of the share capital.

GREENGLASS RECYCLING SA is a company established in 2013, where SC Romcarbon SA indirectly holds 12.3116% of the shares and the remaining shares are held by natural and legal persons. The company's main office is located in Buzău, Str. Aleea Industriilor, nr. 17, pav. Comercial, Et. 1, Cam. 2. The company's main object of activity is Recovery of sorted materials (NACE code 3832).

In June 2016, GRENFIBER INTERNATIONAL SA sold its 60% holding in GREENFIBER HELLAS (a company established in 2008 whose main object of activity was the recycling of scraps and non-metal waste).

GREEN RESOURCES MANAGEMENT is a company established in 2016 where SC Romcarbon SA indirectly holds 11.68%. The company's main office is located in Buzău, Str. Transilvaniei, nr.132, Remiza PSI Camera 1. The company's object of activity is Business and other management consultancy activities (NACE code 7022).

GREENTECH BALTIC UAB LITUANIA is a company established in 2016 where SC Romcarbon SA indirectly holds 12.79%. The company's main office is located in Vilnius, Sandeliu g.16. The company's object of activity is commercial, economic, financial and industrial activity.

In July 2016, the shareholders of ROMGREEN UNIVERSAL LTD decided to increase the share capital of the company by issuing 11,800 shares (11,252 Class A shares and 548 Class b shares) at a nominal value of EUR 1/share. The capital increase was performed by an issuance premium of EUR 624.7015/share.

RECYPLAT LTD, a company 100% held by ROMCARBON SA, did not participate in this increase, therefore the shareholding in ROMGREEN UNIVERSAL dropped to 17.5879%.

In July 2016, ROMGREEN UNIVERSAL LTD increased its holding in subsidiaries by purchase of shares from minority shareholders. Consequently, the holding shares of RECYPLAT LTD in such companies also changed.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**
1. GENERAL INFORMATION (continued)

| Name | Place of establishment | Object of activity | Interest % | Control % | Cost as at 31.12.2019 (lei) | Interest % | Control % | Cost as at 31.12.2018 (lei) |
|--------------------------------------|-------------------------------|---|-------------------|------------------|------------------------------------|-------------------|------------------|------------------------------------|
| Greenweee International SA | Romania | Dismantling of wrecks for materials recovery | 17.59% | 17.59% | - | 17.59% | 17.59% | - |
| Greenfiber International SA | Romania | Manufacture of man-made fibers | 17.47% | 17.47% | - | 17.47% | 17.47% | - |
| Greenweee International Hungary KFT | Hungary | Management of used waste and treatment of other waste | 17.59% | 17.59% | - | 17.59% | 17.59% | - |
| LivingJumbo Industry SA | Romania | Manufacture of plastic packing goods | 99.86% | 99.86% | 6,477,632 | 99.00% | 99.00% | 1,639,232 |
| Greentech DOO Serbia | Serbia | Recycling of non-metallic waste and scraps | 15.72% | 15.72% | - | 15.72% | 15.72% | - |
| Grinteh MK DOO Macedonia | Macedonia | Recycling of non-metallic waste and scraps | 15.63% | 15.63% | - | 15.63% | 15.63% | - |
| GREENTECH BALTIC UAB Lithuania | Lithuania | Commercial, economic, financial and industrial activity | 12.79% | 12.79% | - | 12.79% | 12.79% | - |
| Grinfeld LLC Ukraine | Ukraine | Wholesale trade | 62.62% | 62.62% | 2,687,755 | 62.62% | 62.62% | 2,687,755 |
| Grinruh LLC Ukraine | Ukraine | Wholesale trade | 62.62% | 62.62% | 4,426,809 | 62.62% | 62.62% | 4,426,809 |
| RC Energo Install SRL | Romania | Plumbing, heat and air conditioning installation | 100.00% | 100.00% | 15,112 | 100.00% | 100.00% | 15,112 |
| Info Tech Solutions SRL | Romania | Consultancy in IT technology | 99.50% | 99.50% | 1,980 | 99.50% | 99.50% | 1,980 |
| Total Waste Management SRL | Romania | Collection of non-hazardous waste | 17.47% | 17.47% | - | 17.47% | 17.47% | - |
| Greentech SA | Romania | Recovery of sorted materials | 17.59% | 17.59% | - | 17.59% | 17.59% | - |
| Greentech Recycling Deutschland GMBH | Germany | Trade with plastics and recycling of plastic waste | 17.47% | 17.47% | - | 17.47% | 17.47% | - |

This is a free translation from the original Romanian version.

1. GENERAL INFORMATION (continued)

| | <u>Place of establishment</u> | <u>Object of activity</u> | <u>Interest %</u> | <u>Control %</u> | <u>Cost as at 31.12.2019 (lei)</u> | <u>Interest %</u> | <u>Control %</u> | <u>Cost as at 31.12.2018 (lei)</u> |
|------------------------------------|-------------------------------|--|-------------------|------------------|------------------------------------|-------------------|------------------|------------------------------------|
| "Greenlife" Ecological Association | Romania | | 33.33% | 45.00% | 400 | 33.33% | 45.00% | 400 |
| Recyplat LTD | Cyprus | Business and other management consultancy activities | 100.00% | 100.00% | 20.261.120 | 100.00 % | 100.00 % | 20.261.120 |
| Romgreen Universal Cipru | Cyprus | Business and other management consultancy activities | 17.59% | 17.59% | - | 17.59% | 17.59% | - |
| Greenlamp Reciclare SA | Romania | Treatment and disposal of hazardous waste | - | - | - | 17.59% | 17.59% | - |
| Eco Pack Management SA | Romania | Other business support service activities n.e.c. | 99.46% | 99.24% | 2.619.254 | 99.46% | 99.24% | 2.619.254 |
| Romcarbon Deutschland GMBH | Germany | Trade with plastic finished products, recycling of plastic materials and purchase of plastic waste | 100.00% | 100.00% | 110.138 | 100.00 % | 100.00 % | 110.138 |
| Project Advice SRL | Romania | Business and other management consultancy activities | 99.86% | 99.86% | 500 | 99.00% | 99.00% | 500 |
| Green Resources Management SA | Romania | Business consultancy and management | 11.68% | 11.68% | - | 11.68% | 11.68% | - |

2. MAIN ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements 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.

Bases of preparation

The consolidated financial statements were prepared on a going concern basis, at historical cost, adjusted to hyperinflation as at December 31, 2003 for fixed assets, share capital and reserves.

The financial statements are prepared based on the statutory accounts kept in accordance with Romanian accounting principles, adjusted for compliance with IFRS.

The main accounting policies are described below.

Bases of consolidation

The consolidated financial statements include the financial statements of the Parent, of its subsidiaries and joint ventures. Control is obtained when the Parent has the power to govern the financing and operating policies of an entity to acquire benefits from the latter's activities.

The profit of the subsidiary acquired during the year is included in the consolidated income statement as at the acquisition date.

Where required, the subsidiary's financial statements are corrected to adjust its accounting policies in accordance with the policies used by the Parent.

All group transactions, balances, income and expenses are completely eliminated from the consolidation.

Non-controlling interests in net assets (excluding goodwill) of the subsidiary are disclosed separately from the Group's equity. Non-controlling interests consist in the sum of interests as at the date of the original business combination (see below) and the non-controlling share in changes in equity starting from the combination date. Losses corresponding to the minority, which exceed the non-controlling interest held in the subsidiary's equity are allocated as compared to the Group's interests, except if the minority holds an obligation and can make additional investments to cover losses.

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),

2. MAIN ACCOUNTING POLICIES (continued)

- **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).

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

At the date of authorization 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 Group 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 Group in the period of initial application.

2. MAIN ACCOUNTING POLICIES (continued)

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),
- **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 Group'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 authorization 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).

2. MAIN ACCOUNTING POLICIES (continued)

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).
- **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 Group 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 Group 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.

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 recognizes 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 recognizes finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognizes 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.

2. MAIN ACCOUNTING POLICIES (continued)

- **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.
- **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 emphasizes 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 amortized 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 to 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.

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.

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 Group has transferred to the buyer all the significant risks and rewards of ownership of the goods;
- The Group 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.

2. MAIN ACCOUNTING PRINCIPLES (continued)

Foreign currency transactions

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

When preparing the financial statements of individual entities and the Group, transactions in currencies other than the functional currency (foreign currencies) are registered at the exchange rates prevailing at the dates 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 in terms of historical cost in a foreign currency are not translated.

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

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.

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 Group will comply with the conditions of such subsidies and the subsidies are received.

Government subsidies whose main condition is that the Group 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 Group, without future related costs, are recognized in the income statement when they become due.

Employee contributions

The Group 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.

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 Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

2. MAIN ACCOUNTING PRINCIPLES (continued)

Provisions for taxes and levies

As at December 31, 2019 the Group's 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 Group's winding up. The Group'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 Group must register an income tax liability in connection with 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 Group 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.

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.

2. MAIN ACCOUNTING POLICIES (continued)**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 historical value adjusted to the effect of hyperinflation as at December 31, 2003, according to IAS 29 Financial Reporting in Hyperinflationary Economies less the subsequently accumulated depreciation and other losses of value.

As of December 31, 2013 the Group companies conducted a valuation of land and buildings based on a valuation report issued by a professional valuer, in order to determine the fair value thereof as at the balance sheet date. The increases in the book values of tangible assets further to valuation were credited to Revaluation reserves under Equity.

As of December 31, 2016 the Group companies conducted a revaluation of land and buildings based on a valuation report issued by a professional valuer, in order to determine the fair value thereof as at the balance sheet date. The increases in the book values of tangible assets further to valuation were credited to Revaluation reserves under Equity. The decreases in the book values were debited to Revaluation reserves under Equity up to the level previously credited and the difference was registered to profit or loss.

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 adjusted to the effect of hyperinflation as at December 31, 2003, in accordance with IAS 29 Financial Reporting in Hyperinflationary Economies less the subsequently accumulated depreciation and 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.

Assets held in financial leasing are amortized over the useful life, similarly to the assets held or, if the lease term is shorter, over the term of the respective leasing contract.

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.

The following useful lives are used in the depreciation calculation:

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

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. 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.

2. MAIN ACCOUNTING POLICIES (continued)**Intangible assets**Intangible assets acquired separately

Intangible assets acquired separately are carried at cost less accumulated amortization. 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, with the effect of any changes in estimate accounted for on a prospective basis.

The calculation of amortization uses the following useful lives:

| | Years |
|----------|--------------|
| Licenses | 1 – 5 |

Impairment of tangible and intangible assets, goodwill exclusively

At each balance sheet date, the Group 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 Group estimates the recoverable amount of the asset in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. 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.

Impairment of property, plant and equipment and intangible assets, excluding goodwill

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.

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.

2. MAIN ACCOUNTING POLICIES (continued)

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 consolidated 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 consolidated financial statements. Resulting gains and losses are included in profit or loss as they arise.

Provisions

Provisions are recognized when the Group 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 Group's obligation.

Financial assets and liabilities

The group applies IFRS 9 – Financial instruments, which became effective as of 1 January 2018 and which uses the entity's business model and the contractual cash flows characteristics of the financial asset to classify financial assets.

Classification of financial assets

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

1. *Financial assets measured at amortized cost if both of the following conditions are met:*
 - the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
 - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
2. *Financial assets measured at fair value through other comprehensive income if both of the following conditions are met*
 - the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
 - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding
3. *Financial assets measured at fair value through profit or loss unless measured at amortized cost in accordance with paragraph 1 or at fair value through other comprehensive income in accordance with paragraph 2.*

Except for trade receivables within the scope of IFRS 15, the Group measures a financial asset or financial liability at its fair value, and in the case of a financial asset or financial liability not 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.

2. MAIN ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

After initial recognition, the Group measures a financial asset:

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

Financial assets include shares in subsidiaries, associates and jointly controlled entities, loans granted to such entities, other investments held as non-current assets and other loans.

In the application of IFRS 9, the Group did not identify any impact on the consolidated financial statements.

The Group presents investments in associates at cost. Given the transition to IFRS 9, while, prior to the initial application of IFRS 9, the Group 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.

In the application of IFRS 9, the Group did not identify any impact on the consolidated financial statements as regards financial assets.

The Group'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 amortized cost. Any difference between the entry value and the repayment value is recognized in the income statement over the borrowing term, using the effective interest method.

Financial liabilities 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 Group 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 Group's right to receive them is established.

2. MAIN ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

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-impaired, are subsequently evaluated for impairment collectively. Objective evidence for the impairment of a portfolio of receivables may include the Group'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 payment incidents regarding receivables.

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.

De-recognition of assets and liabilities

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

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**
3. INCOME

An analysis of the Group's income for 2019 is presented below:

| | Year ended December 31, 2019 | Year ended December 31, 2018 |
|---|---|---|
| | <i>thousand LEI</i> | <i>thousand LEI</i> |
| Income from sale of finished products | 213,204 | 215,451 |
| Income from sale of commodities | 16,873 | 23,047 |
| Income from services delivered | 2,787 | 3,691 |
| Other income (income from sale of semi-finished goods, residual goods, other income) | 12,908 | 15,521 |
| Total | 245,772 | 257,709 |

| Segment reporting | Year ended December 31, 2019 | Year ended December 31, 2018 |
|------------------------------------|---|---|
| | <i>thousand LEI</i> | <i>thousand LEI</i> |
| Sales on domestic market (Romania) | 158,140 | 159,391 |
| Sales on foreign market (Europe) | 86,596 | 95,563 |
| Other (Israel, Taiwan) | 1,036 | 2,755 |
| Total | 245,772 | 257,709 |

| | Segment income | | Segment profit | |
|------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| | December 31, 2019 | December 31, 2018 | December 31, 2019 | December 31, 2018 |
| | <i>thousand LEI</i> | <i>thousand LEI</i> | <i>thousand LEI</i> | <i>thousand LEI</i> |
| Plastics | 192,210 | 192,231 | 17,750 | 12,949 |
| Compound recycled products | 31,193 | 34,512 | 4,528 | 6,503 |
| Other productive sectors | 5,673 | 5,530 | 1,098 | 710 |
| Other | 16,696 | 25,437 | 501 | 763 |
| Total from operations | 245,772 | 257,709 | 23,877 | 20,925 |
| Investment income | | | 2,942 | 2,312 |
| Other income | | | 3,961 | 3,982 |
| Administrative and salary expenses | | | (30,421) | (28,599) |
| Finance expenses | | | (2,702) | (2,925) |
| Profit before taxation | | | (2,343) | (4,305) |

3. INCOME (continued)

| Investment income | Year ended December 31, 2019 | Year ended December 31, 2018 |
|--------------------------------|---|---|
| | <i>thousand LEI</i> | <i>thousand LEI</i> |
| Rental income | 2,936 | 2,306 |
| Dividends from related parties | - | - |
| Interest Income | 6 | 6 |
| Other income | - | - |
| Total | 2.942 | 2.312 |

“**Plastics**” segment include income obtained by the Group 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), PET products (PET trays and multilayer films (lamination, sealing, thermoforming), PVC tubes, etc.

“**Compounds – Recycled products**” segment includes income from sale of compounds and re-granulated materials made of recycled polymers and plastics compounds made of virgin polymers used by the processors of plastics products that manufacture items for various uses in the automotive industry, the electrical and household industry, furniture, constructions, pipes, packaging, etc.

Other productive sectors include the following groups of products:

- “**Materials for respiratory protection and activated coal**” include respiratory protection equipment used by the big chemical and petrochemical plants in the country as well as activated coal applied in different actions of purification of methane in the biodegradation of household waste, pit soil reclamation, retention of toxic gas from incinerators, etc.
- “**Filters**” include sales of oil, fuel and air filters for both motor vehicles and industrial use.
- “**Processed PVC**” includes products made of recycled materials used to produce traffic signs.

3. INCOME (continued)

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

| Assets and liabilities | | Asset segment | | Liability segment | |
|--|--|------------------------------|------------------------------|--|------------------------------|
| | | December 31, 2019 | December 31, 2018 | December 31, 2019 | December 31, 2018 |
| | | <i>thousand LEI</i> | <i>thousand LEI</i> | <i>thousand LEI</i> | <i>thousand LEI</i> |
| Romcarbon, LivingJumbo | Polyethylene + polystyrene + polypropylene plastics + PET products | 141,380 | 137,449 | 131,080 | 126,604 |
| Romcarbon | Compound recycled products | 85,505 | 90,836 | 25,509 | 30,193 |
| Romcarbon | Other productive sectors | 6,908 | 3,844 | 3,606 | 2,411 |
| Romcarbon | Income from sale of goods, sales of utilities, provision of services, other income | 65,303 | 79,429 | (659) | 9,785 |
| Total assets/liabilities | | 299,097 | 311,560 | 159,536 | 168,993 |
| Depreciation and non-current assets additions | | Depreciation segment | | Segment of non-current assets additions * | |
| | | December 31, 2019 | December 31, 2018 | December 31, 2019 | December 31, 2018 |
| | | <i>thousand LEI</i> | <i>thousand LEI</i> | <i>thousand LEI</i> | <i>thousand LEI</i> |
| Romcarbon, LivingJumbo | Polyethylene + polystyrene + polypropylene plastics | 8,919 | 9,045 | 1,539 | 1,733 |
| Romcarbon | Compound recycled products | 5,502 | 5,230 | 637 | 8,039 |
| Romcarbon | Other productive sectors | 382 | 163 | 66 | 15 |
| Romcarbon | Other activities | 1,501 | 2,674 | 619 | 814 |
| Total | | 16,304 | 17,112 | 2,861 | 10,601 |

* *Non-current assets additions represent inflows of fixed assets during the year and do not include inflows from purchases of subsidiaries.*

In "Other activities" segment, the Group has one client (Kasakrom Chemicals SRL) whose turnover represents 5% of the Group's income (7% in 2018).

4. RAW MATERIALS AND CONSUMABLES USED

| | Year ended December 31, 2019 | Year ended December 31, 2018 |
|------------------|------------------------------------|------------------------------------|
| | <i>thousand LEI</i> | <i>thousand LEI</i> |
| Raw materials | 93,803 | 98,660 |
| Commodities sold | 9,393 | 8,911 |
| Energy expenses | 13,206 | 12,383 |
| Goods sold | 37,360 | 44,678 |
| Packaging cost | 1,412 | 1,091 |
| | 155,174 | 165,723 |

5. EXPENSES WITH SALARIES AND SOCIAL LEVIES

| | Year ended December 31, 2019 | Year ended December 31, 2018 |
|----------------------|------------------------------------|------------------------------------|
| | <i>thousand LEI</i> | <i>thousand LEI</i> |
| Salaries | 63,142 | 60,318 |
| Social contributions | 1,774 | 1,765 |
| Meal tickets | 2,494 | 2,724 |
| Total | 67,409 | 64,806 |

6. OPERATING EXPENSES

| | Year ended December 31, 2019 | Year ended December 31, 2018 |
|---|------------------------------------|------------------------------------|
| | <i>thousand LEI</i> | <i>thousand LEI</i> |
| Expenses with repairs | 895 | 797 |
| Expenses with rents | 825 | 452 |
| Expenses with insurance premiums | 489 | 496 |
| Research expenses | - | - |
| Other expenses with commissions | 52 | 206 |
| Protocol, advertising and publicity expenses | 707 | 908 |
| Transport | 7,411 | 7,350 |
| Expenses with travels | 232 | 203 |
| Expenses with postal charges and telecommunications | 196 | 225 |
| Expenses with third party services | 5,861 | 7,219 |
| Other taxes and levies | 2,575 | 2,496 |
| Losses on receivables and sundry debtors | 4 | 207 |
| Expenses with indemnifications, fines and penalties | 106 | 2 |
| Other expenses | 376 | 488 |
| Total | 19,729 | 21,049 |

7. OTHER GAINS AND LOSSES

| | Year ended December 31, 2019 | Year ended December 31, 2018 |
|--|---|---|
| | <i>thousand LEI</i> | <i>thousand LEI</i> |
| Income from the sale of fixed assets | 161 | 136 |
| Other income | 152 | 368 |
| FOREX gains | 1,544 | 1,913 |
| FOREX losses | (3,304) | (1,923) |
| Income / (Expenses) from changes in fair value of investment property | (430) | 3,017 |
| Income / (Expenses) fair value adjustment of assets held for sale | 71 | - |
| Income / (Expenses) from assets disposed and capital operations | 1,815 | (324) |
| Client allowances | (141) | (4) |
| Compensations, fines and penalties | 11 | 99 |
| Net income from provisions | 64 | 36 |
| Other finance expenses | (22) | (23) |
| Other general expenses | - | - |
| Other financial income | 197 | 9 |
| Total | 117 | 3,304 |

8. DEPRECIATION AND AMORTIZATION EXPENSE

| | Year ended December 31, 2019 | Year ended December 31, 2018 |
|---|---|---|
| | <i>thousand LEI</i> | <i>thousand LEI</i> |
| Amortization/depreciation | 16,304 | 17,112 |
| of which: | | |
| Depreciation of property, plant and equipment | 16,161 | 16,929 |
| Amortization of intangible assets | 142 | 183 |

9. FINANCE COSTS

| | Year ended December 31, 2019 | Year ended December 31, 2018 |
|--|---|---|
| | <i>thousand LEI</i> | <i>thousand LEI</i> |
| Interest | 2,100 | 2,518 |
| Bank commissions and assimilated charges | 602 | 408 |
| Total | 2,702 | 2,925 |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**
10. INCOME TAX**Income tax expenses**

| | Year ended December 31, 2019 | Year ended December 31, 2018 |
|---|---|---|
| | <i>thousand LEI</i> | <i>thousand LEI</i> |
| Current income tax expense | 734 | 392 |
| Deferred tax income expense / (income) | (459) | (581) |
| Total expense (income) with income tax | 274 | (189) |

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 |
|---|---|---|
| | <i>thousand LEI</i> | <i>thousand LEI</i> |
| Profit before taxation | (2,343) | (4,306) |
| Tax calculated according to the 16% rate | (375) | (689) |
| Effect of non-taxable income | (1,392) | (237) |
| Sponsorship deductions | 9 | - |
| Exemption of reinvested profit | 37 | (998) |
| Tax loss from previous years | (37) | 513 |
| Effect of deferred tax | (459) | (581) |
| Effect of non-deductible expenses | 2,491 | 1,804 |
| Expense with income tax recognized in income statement | 274 | (189) |

Components of deferred tax liabilities

| | Year ended December 31, 2019 | Year ended December 31, 2018 |
|---|---|---|
| | <i>thousand LEI</i> | <i>thousand LEI</i> |
| Property, plant and equipment | 7,898 | 7,972 |
| Investment property | 836 | 1,293 |
| Inventories | (229) | (229) |
| Trade and other receivables | (137) | (135) |
| Other | - | - |
| Recognized deferred income tax liabilities | 8,369 | 8,902 |
| of which: deferred tax on revaluation reserves from comprehensive income | 8,369 | 8,616 |

10. INCOME TAX (continued)

| | Year ended December 31, 2019 | Year ended December 31, 2018 |
|---|------------------------------------|------------------------------------|
| | <i>thousand LEI</i> | <i>thousand LEI</i> |
| Opening balance as at January 1 | 8,902 | 10,758 |
| (Expense) / Income during the year | | |
| - movement from revaluation reserves | (74) | (1,276) |
| - recognized in income statement | (459) | (581) |
| - from acquisition of subsidiaries | - | - |
| Closing balance as at December 31 | 8,369 | 8,902 |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**
11. PROPERTY, PLANT AND EQUIPMENT

| | <u>Land</u> | <u>Constructions</u> | <u>Plant and equipment</u> | <u>Other fixtures, plant and furniture</u> | <u>Tangible assets in progress and advances</u> | <u>Total</u> |
|--|---------------------|----------------------|--------------------------------|--|---|---------------------|
| | <i>thousand LEI</i> | <i>thousand LEI</i> | <i>thousand LEI</i> | <i>thousand LEI</i> | <i>thousand LEI</i> | <i>thousand LEI</i> |
| COST | | | | | | |
| Balance as at January 1, 2019 | 46,634 | 28,600 | 177,360 | 1,584 | 2,583 | 257,032 |
| Additions, of which | 151 | 1,569 | 2,250 | 79 | 3,068 | 7,117 |
| - Transfers | - | 523 | 1,416 | 4 | - | 2,824 |
| - Revaluation | 151 | 1,046 | - | - | - | 1,197 |
| Disposals, of which | 1,005 | 7,293 | 313 | 766 | 2,833 | 12,210 |
| - Transfers | - | 201 | 313 | 766 | 2,686 | 3,944 |
| - Transfers to assets held for sale | 725 | 1,613 | 21 | - | 147 | 2,506 |
| - Transfers to investment property | - | - | - | - | - | - |
| - Revaluation | 280 | 5,479 | - | - | - | 5,760 |
| Balance as at December 31, 2019 | 45,780 | 22,876 | 179,568 | 897 | 2,818 | 251,939 |
| Balance as at January 1, 2018 | 46.634 | 25.335 | 173.425 | 1.478 | 8.234 | 255.105 |
| Additions, of which | - | 3,266 | 7,221 | 115 | 5,050 | 15,651 |
| - Transfers | - | 3,263 | 7,147 | 111 | - | 10,521 |
| - Revaluation | - | - | - | - | - | - |
| Disposals, of which | - | - | 3,285 | 8 | 10,432 | 13,725 |
| - Transfers | - | - | - | - | 10,432 | 10,432 |
| - Transfers to investment property | - | - | - | - | - | - |
| - Revaluation | - | - | - | - | - | - |
| Balance as at December 31, 2018 | 46,634 | 28,600 | 177,360 | 1,584 | 2,583 | 257,032 |

This is a free translation from the original Romanian version.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**
11. PROPERTY, PLANT AND EQUIPMENT (continued)

| | Land | Buildings | Plant and equipment | Installations and furniture | Tangible assets in progress | Total |
|--|---------------------|---------------------|--------------------------------|--|--|---------------------|
| | <i>thousand LEI</i> | <i>thousand LEI</i> | <i>thousand LEI</i> | <i>thousand LEI</i> | <i>thousand LEI</i> | <i>thousand LEI</i> |
| ACUMULATED DEPRECIATION | | | | | | |
| Balance as at January 1, 2019 | 23 | 4,543 | 78,046 | 877 | - | 83,489 |
| Depreciation charge | 4 | 2,056 | 14,020 | 81 | | 16,161 |
| Disposals from sale of assets | - | 149 | 197 | 419 | | 765 |
| Revaluation decrease | - | 5,226 | - | - | | 5,226 |
| Balance as at December 31, 2019 | 27 | 1,224 | 91,869 | 539 | | 93,659 |
| Balance as at January 1, 2018 | 19 | 2,418 | 67,302 | 765 | - | 70,503 |
| Depreciation charge | 4 | 2,125 | 13,924 | 119 | - | 16,172 |
| Disposals from sale of assets | - | - | 3,179 | 8 | - | 3,187 |
| Revaluation decrease | - | - | - | - | - | - |
| Balance as at December 31, 2018 | 23 | 4,543 | 78,046 | 877 | - | 83,489 |
| IMPAIRMENT | | | | | | |
| Balance as at January 1, 2019 | | | | | | |
| Impairment allowances | | | | | | |
| Balance as at December 31, 2019 | | | | | | |
| Balance as at January 1, 2018 | - | - | - | - | 1,186 | 1,186 |
| Impairment allowances | - | - | - | - | - | - |
| Balance as at December 31, 2018 | - | - | - | - | 1,186 | - |
| NET BOOK VALUE | | | | | | |
| As at December 31, 2019 | 45,753 | 21,652 | 87,699 | 358 | 1,632 | 157,094 |
| As at December 31, 2018 | 46,611 | 24,058 | 99,314 | 708 | 1,667 | 172,357 |

This is a free translation from the original Romanian version.

11. PROPERTY, PLANT AND EQUIPMENT (continued)

As at December 31, 2019 the parent company revalued fixed assets in the category of land and buildings through an independent valuer. Further to revaluation, the value of land and buildings decreased by RON 4,561 thousand (the value of lands decreased by RON 129 thousand and the value of buildings and constructions decreased by RON 4,432 thousand). The revaluation differences were registered as follows: the amount of RON (96) thousand in the income statement and the amount of RON 760 thousand as set up of reserves. The difference of RON (5,225) thousand represents the write-off of the depreciation of the assets revalued at December 31, 2019.

In 2019, addition of non-current assets amounted to RON 2.861 thousand (advances and tangible assets in progress are not included) of which to Romcarbon SA the amount of RON 1.409 thousand, to LivingJumbo Industry the amount of RON 1.421 thousand and to RC Energo Install SRL and Infotech Solutions SRL the amount of RON 31 thousand.

In 2019, the Group transferred from property, plant and equipment to assets held for sale a property consisting of plot of land in surface area of 38,235 sq m and building, located in Campia Turzii, Cluj worth RON 2,608 thousand, owned by Livingjumbo Industry SA and a building composed of land with a total area of 12,774 sqm, of which built area of 1,019.30 sqm, located in Stefanestii village below, Ilfov county, owned by Romcarbon SA.

In 2018 addition of non-current assets amounted to RON 10,601 thousand (advances and tangible assets in progress are not included) of which to Romcarbon SA the amount of RON 9,862 thousand, to LivingJumbo Industry SA the amount of RON 615 thousand and to RC Energo Install SRL and Infotech Solutions SRL the amount of RON 123 thousand.

Pledged and restricted tangible assets**ROMCARBON SA**

Tangible assets having a net book value of RON 101,999 thousand as at December 31, 2019 (December 31, 2018: RON 117,976 thousand) represent security for loans and credit lines contracted from: BRD GSG SA, UniCredit Bank and EXIMBANK SA. Certain commercial banks have issued letters of guarantee in favor of the company's commercial partners. To issue such letters of guarantee, the Company pledged fixed assets at a net carrying amount of RON 0 at December 31, 2019.

Living Jumbo Industry SA

Tangible assets with a net book value of RON 36,411 thousand as at December 31, 2019 (December 31, 2018: RON 40,414 thousand) consisting of technical installations and equipment represent security for loans and credit lines contracted from BRD GSG and UniCredit Bank SA.

ROMCARBON SA is guarantor in the following loans contracted by Group companies.

Guarantees granted to Livingjumbo Industry SA for the following loans contracted from UniCredit Bank SA:

- investment line in amount of EUR 607 thousand (due in February 2024), *ctr.* BUZA/016/2015, secured by an immovable mortgage of subsequent rank over real estate identified by cadastral no. 67264 (having a total surface area of 10,037 sq m), and cadastral number 54304 (having a total surface area of 16,787 sq m) and movable mortgage over inventories having a minimum value of EUR 2,000 thousand and movable mortgage of subsequent rank over 4 machinery having a market value as per the valuation of January 2019 of EUR 391 thousand and a net book value of RON 1,370 thousands as at December 31, 2019 and a movable mortgage on a collateral of EUR 250 thousand;
- non-binding loan – cash line – in amount of EUR 450 thousand (due in February 2024), *ctr.* BUZA/044/2016, secured by mortgage on tangible assets in the form of inventories at a value of maximum EUR 2,000 thousand;
- investment loan at an initial amount of EUR 4,723 thousand (due in February 2024), *ctr.* BUZA/017/2015, secured by movable mortgage on a collateral in amount of EUR 250 thousand.

11. PROPERTY, PLANT AND EQUIPMENT (continued)**Guarantees granted to RC Energo Install SRL for the following loans contracted from EXIMBANK SA:**

- Credit line in amount of RON 1,000 thousand 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 EUR 837 thousand as per the valuation of October 2019 and a net carrying amount of RON 3,628 thousand at December 31, 2019;
- Credit for financing the current activity in amount of RON 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 EUR 837 thousand as per the valuation of October 2019 and a net carrying amount of RON 3,628 thousand at December 31, 2019;

12. GOODWILL

| COST | Year ended December 31, 2019 | Year ended December 31, 2018 |
|---|---|---|
| | <i>thousand LEI</i> | <i>thousand LEI</i> |
| Balance at the beginning of the year | 143 | 143 |
| Additions from acquisition of subsidiaries | - | - |
| Impairment of goodwill | - | - |
| Disposals from sale of subsidiaries | - | - |
| Balance at the end of the year | 143 | 143 |

According to International Financial Reporting Standards, goodwill is reviewed at the end of each reporting period for any impairment.

On December 30, 2015 the Company acquired Next Eco Reciclyng SRL.

Next Eco Recycling SRL is a company established in 2011 in which Romcarbon SA indirectly holds through LivingJumbo Industry SA 69.30%, the remaining being held by Romanian legal entities. The Company's headquarters is located in Buzau, Str. Transilvaniei, nr. 132. The Company's core object of activity is 8299 – Other business support service activities n.e.c.

Further to the acquisition, the Company registered a goodwill of RON 834 thousand, for which it registered an impairment allowance as at December 31, 2015.

On July 14, 2016 the Group lost control over Next Eco Recycling SRL.

In 2016, the Group established Green Resources Management SRL.

In 2017, the Group yielded control on Green Resources Management SRL.

13. OTHER INTANGIBLE ASSETS

| COST | Licenses | Other intangible assets | Intangible assets in progress | Total |
|--|---------------------|--------------------------------|-------------------------------|---------------------|
| | <i>thousand LEI</i> | <i>thousand LEI</i> | <i>thousand LEI</i> | <i>thousand LEI</i> |
| Balance as at January 1, 2019 | 613 | 1,251 | - | 1,865 |
| Additions | 300 | 4 | 308 | 612 |
| Disposals | 11 | - | 251 | 262 |
| Balance as at December 31, 2019 | 902 | 1,255 | 57 | 2,215 |
| Balance as at January 1, 2018 | 579 | 1,240 | - | 1,820 |
| Additions | 34 | 12 | - | 46 |
| Disposals | - | 1 | - | 1 |
| Balance as at December 31, 2018 | 613 | 1,251 | - | 1,865 |
| ACUMULATED AMORTIZATION | Licenses | Other intangible assets | Total | |
| | <i>thousand LEI</i> | <i>thousand LEI</i> | <i>thousand LEI</i> | |
| Balance as at January 1, 2019 | 602 | 1,173 | 1,774 | |
| Expenses with amortization | 59 | 84 | 143 | |
| Write-offs on disposal of assets | 8 | 3 | 11 | |
| Transfer | - | - | - | |
| Balance as at December 31, 2019 | 653 | 1,254 | 1,907 | |
| Balance as at January 1, 2018 | 495 | 1,098 | 1,593 | |
| Expenses with amortization | 107 | 76 | 183 | |
| Write-offs on disposal of assets | - | - | - | |
| Transfer | - | 2 | 2 | |
| Balance as at December 31, 2018 | 602 | 1,173 | 1,774 | |
| NET BOOK VALUE | | | | |
| As at December 31, 2019 | 249 | 1 | 309 | |
| As at December 31, 2018 | 12 | 78 | 90 | |

14. OTHER FINANCIAL ASSETS

Details on the Group's associates are as follows:

| Name of investment | Core activity | Place of establishment and operations | Ownership interest | |
|------------------------------------|---|---------------------------------------|--------------------|-----------|
| | | | 2019 % | 2018 % |
| Kang Yang Biotechnology Co. Ltd | Manufacture of products beneficial for human health | Taiwan | 1.95% | 1.95% |
| Romgreen Universal Ltd | Business and other management consultancy activities, core activity | Cyprus | 17.59% | 17.59% |
| "Greenlife" Ecological Association | Non-profit organization | Romania | 33.33% | 33.33% |
| Registrul Miorita SA | Insurance related to Shareholders' Registry | Romania | 4% | 4% |
| Yenki | | Romania | 33.34% | 33.34% |

Changes of investment regarding associates and financial assets

| | Year ended December 31, 2019 <i>thousand LEI</i> | Year ended December 31, 2018 <i>thousand LEI</i> |
|---|---|---|
| As at January 1 | 27,103 | 28,948 |
| Share of profit / loss of associates (Romgreen) | (68) | (1,344) |
| Additions | - | - |
| Transfer to other comprehensive income | - | (65) |
| Loss on retroactive correction of previous year's profit sharing* | - | (240) |
| Reduction of Romgreen* share premiums | - | - |
| Net loss on the reduction of partial holdings in Romgreen | - | - |
| Others | - | - |
| Total | 27,034 | 27,103 |

15. INVENTORIES

| | Year ended December 31, 2019 <i>thousand LEI</i> | Year ended December 31, 2018 <i>thousand LEI</i> |
|---------------------------------------|---|---|
| Raw materials | 18,320 | 16,032 |
| Consumables | 5,231 | 4,404 |
| Items of inventory | 106 | 130 |
| Packaging | 301 | 328 |
| Finished products | 10,550 | 6,831 |
| Production in progress | 2,162 | 1,727 |
| Semi-finished products | 6,068 | 6,140 |
| Residual products | 165 | 593 |
| Commodities | 4,662 | 2,001 |
| Impairment allowances for inventories | (1,637) | (1,637) |
| Total | 45,929 | 36,548 |

Inventories cost recognized in the income statement in 2019 amounted to RON 166.870 thousand (RON 155.174 thousand in 2018).

In 2018, the Group's average turnover was 60 days, as compared to 52 days in 2018.

16. TRADE AND OTHER RECEIVABLES

| | Year ended December 31, 2019 | Year ended December 31, 2018 |
|---|---|---|
| | <i>thousand LEI</i> | <i>thousand LEI</i> |
| Trade receivables | 35,345 | 29,942 |
| Allowances for doubtful clients | (2,078) | (1,964) |
| Advances to suppliers of fixed assets | - | - |
| Advances to suppliers of inventories | 153 | 34 |
| Advances to services suppliers | 479 | 370 |
| Warranties withheld | 195 | 217 |
| Other receivables | 367 | 1,696 |
| Total | 34,461 | 30,295 |
| | Year ended December 31, 2019 | Year ended December 31, 2018 |
| Changes of allowance for doubtful clients | <i>thousand LEI</i> | <i>thousand LEI</i> |
| Balance at the beginning of the year | 1,964 | 2,407 |
| Receivables transferred to expenses during the year | - | - |
| Decrease of allowance recognized in profit and loss | 112 | (443) |
| Balance at the end of the year | 2,076 | 1,964 |

When determining the recoverability of a receivable, the Group 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 the client portfolio is diverse and clients are independent from each other.

The Company registers adjustments of receivables as per IFRS 9, and specific allowances for doubtful clients.

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

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% | 0.13% | 0.34% | 1.67% | |
| Total gross carrying amount of specific un-provisioned receivables | 26,548 | 3,345 | 392 | 233 | 277 | 2,426 | 32,222 |
| 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% | 0.21% | 1.07% | 2.06% | 6.46% | |
| Total gross carrying amount of specific un-provisioned receivables | 21,543 | 3,718 | 304 | 404 | 96 | 2,422 | 28,487 |

This is a free translation from the original Romanian version.

17. OTHER CURRENT ASSETS

| | Year ended December 31, 2019 | Year ended December 31, 2018 |
|--------------------------------|------------------------------------|------------------------------------|
| | <i>thousand LEI</i> | <i>thousand LEI</i> |
| Suppliers-debtors for services | - | - |
| Pre-paid amounts | 1,018 | 764 |
| Taxes recoverable | 454 | 230 |
| VAT recoverable | - | 7 |
| Total | 1,472 | 1,002 |

18. OTHER CURRENT FINANCIAL ASSETS

| | Year ended December 31, 2019 | Year ended December 31, 2018 |
|--------------------------|------------------------------------|------------------------------------|
| | <i>thousand LEI</i> | <i>thousand LEI</i> |
| Short term bank-deposits | 2.390 | - |
| Total | 2.390 | 2.390 |

At the date of these situations, Livingjumbo Industry SA had set up a bank deposit to guarantee the credit line contracted with BRD GSG. The amount of this deposit is EUR 500 thousand. The deposit can be unblocked by the bank when the company both individually and together with Romcarbon SA meets the level of the indicators stipulated in the credit agreement; the date on which the indicators will be verified is 31.08.2020. Taking these aspects into account, the deposit was classified according to IAS7 in „Other current financial assets“.

19. ISSUED CAPITAL

| | Share capital | |
|---|------------------------------------|------------------------------------|
| | Year ended December 31, 2019 | Year ended December 31, 2018 |
| | <i>thousand LEI</i> | <i>thousand LEI</i> |
| 264,122,096 fully paid ordinary shares (2013: 264,122,096). | | |
| The value of one share is LEI 0.1 | 26,412 | 26,412 |
| Inflation effect according to IAS 29 | - | - |
| Total | 26,412 | 26,412 |

| | December 31, 2019 | | December 31, 2018 | |
|---------------------------------------|---------------------|----------------|---------------------|----------------|
| | Number of shares | % ownership | Number of shares | % ownership |
| Living Plastic Industry SRL | 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 | 18,044,842 | 6.83% | 18,422,952 | 6.98% |
| Other natural persons | 104,492,157 | 39.56% | 104,114,047 | 39.42% |
| 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, at nominal value of LEI 0.1.

20. RESERVES

| | Year ended December 31, 2019 | Year ended December 31, 2018 |
|--|------------------------------------|------------------------------------|
| | <i>thousand LEI</i> | <i>thousand LEI</i> |
| Revaluation reserves | 38,881 | 39,752 |
| Reserves from the application of IAS 29 on items of equity | - | - |
| Translation differences | (1,132) | (1,075) |
| Total | 38,749 | 38,677 |

21. RETAINED EARNINGS

| | Year ended December 31, 2019 | Year ended December 31, 2018 |
|--|------------------------------------|------------------------------------|
| | <i>thousand LEI</i> | <i>thousand LEI</i> |
| Balance at the beginning of the year | 74,357 | 79,572 |
| Net profit / (net loss) attributable to parent | (2,586) | (4,048) |
| Write-off of application of IAS 29 on capital accounts | - | - |
| Reclassification of revaluation reserve to retained earnings | 762 | 806 |
| Corrections of financial assets disposed and repossessed | - | - |
| Dividends paid | (1,005) | (2,007) |
| Decrease of minority holding further to the increase of parent's holding | - | - |
| Other | (217) | 35 |
| Balance at the end of the year | 71,310 | 74,357 |

22. NON-CONTROLLING INTERESTS

| | Year ended December 31, 2019 | Year ended December 31, 2018 |
|--|------------------------------------|------------------------------------|
| | <i>thousand LEI</i> | <i>thousand LEI</i> |
| Balance at the beginning of the year | 938 | 1,007 |
| Share of profit / (loss) for the year | (31) | (69) |
| Share of other items of capital | - | - |
| Decrease of minority holding further to the increase of parent's holding | - | - |
| Dissolution of subsidiaries | - | - |
| Balance at the end of the year | 907 | 939 |

23. BORROWINGS

| Secured borrowings – at amortized cost | Short-term | | Long-term | |
|---|----------------------|----------------------|----------------------|----------------------|
| | December 31, 2019 | December 31, 2018 | December 31, 2019 | December 31, 2018 |
| | <i>thousand LEI</i> | <i>thousand LEI</i> | <i>thousand LEI</i> | <i>thousand LEI</i> |
| Overdraft and Investment loans | 60,411 | 52,593 | 23,504 | 37,241 |
| Lease liabilities | 15 | 14 | 9 | 24 |
| Total | 60,426 | 52,607 | 23,513 | 37,265 |

| Short-term bank loans | Entity | December 31, 2019 | December 31, 2018 |
|--|---------------|----------------------|----------------------|
| | | <i>thousand LEI</i> | <i>thousand LEI</i> |
| Credit line Euro - BRD | Romcarbon | 12,088 | 11,644 |
| | LivingJumbo | | |
| Credit line Euro - BRD | Industry | 8,544 | 8,417 |
| Credit line Euro - UniCredit Tiriac Bank SA | Romcarbon | 25,298 | 20,447 |
| Investment loan Euro-BRD II | Romcarbon | 754 | 736 |
| Investment loan Euro-BRD II | Romcarbon | 597 | 583 |
| Investment loan Euro-BRD I | Romcarbon | - | - |
| Investment loan in Lei - Eximbank SA | Romcarbon | 1,024 | 1,024 |
| Investment loan in Lei II - Eximbank SA | | 597 | 530 |
| Credit line - Eximbank SA | Energoinstall | 332 | - |
| Loan for current activity - Eximbank SA | Energoinstall | 1,250 | - |
| Investment loan Euro - UniCredit Bank SA - CCE 2015 project | Romcarbon | 2,079 | 2,029 |
| | LivingJumbo | | |
| Investment loan I in Euro - BRD | Industry | 514 | 502 |
| | LivingJumbo | | |
| Investment loan II in Euro - BRD | Industry | 59 | 187 |
| | LivingJumbo | | |
| Investment loan Euro - UniCredit Bank SA | Industry | 415 | 405 |
| Investment loan Euro - UniCredit Bank SA - CCE 2015 Project | LivingJumbo | | |
| | Industry | 3,225 | 3,147 |
| Investment loan I in Lei - UniCredit Bank | Romcarbon | - | 500 |
| Investment loan II in Lei - UniCredit Bank | Romcarbon | 306 | 306 |
| Investment loan III in Lei - UniCredit Bank | Romcarbon | 540 | 527 |
| Investment loan IV in Lei - UniCredit Bank | Romcarbon | 1,548 | 1,078 |
| Investment loan V in Lei - UniCredit Bank | Romcarbon | 1,241 | 532 |
| Total | | 60,411 | 52,593 |

23. BORROWINGS (continued)

| <u>Long-term bank loans</u> | <u>Entity</u> | <u>Year ended December 31, 2019</u> | <u>Year ended December 31, 2018</u> |
|---|----------------------|---|---|
| | | <i>thousand LEI</i> | <i>thousand LEI</i> |
| Investment loan in Euro Euro-BRD I | Romcarbon | - | - |
| Investment loan in Euro Euro-BRD II | Romcarbon | 1,095 | 1,651 |
| Investment loan in Euro Euro-BRD III | Romcarbon | 817 | 1,533 |
| Investment loan I in lei - UniCredit Bank | Romcarbon | - | 1,790 |
| Investment loan II in lei - UniCredit Bank | Romcarbon | 230 | 536 |
| Investment loan III in lei - UniCredit Bank | Romcarbon | 405 | 922 |
| Investment loan IV in lei - UniCredit Bank | Romcarbon | 608 | 2,156 |
| Investment loan V in lei - UniCredit Bank | Romcarbon | - | 1,241 |
| Investment loan in Euro - UniCredit Tiriatic Bank SA - CCE project | Romcarbon | 6,822 | 8,686 |
| Investment loan in Lei - Eximbank SA | Romcarbon | 1,536 | 2,559 |
| Investment loan I in Euro - BRD | LivingJumbo Industry | 1,194 | 1,592 |
| Investment loan II in Euro - BRD | LivingJumbo Industry | 814 | 1,297 |
| Investment loan in Euro - UniCredit Tiriatic | LivingJumbo Industry | 49 | 31 |
| Investment loan in Euro - UniCredit Tiriatic Bank SA - CCE 2015 project | LivingJumbo Industry | 9,268 | 12,192 |
| Credit investitii Euro - UniCredit Tiriatic Bank SA - Proiect CCE 2015 | LivingJumbo Industry | 666 | 1,054 |
| Total | | 23,504 | 37,241 |

According to the existing loan contracts, the parent is subject to certain restrictive conditions. Such conditions require the parent, 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.

In the loan contracts, the parent must reach a certain level of the financial covenants, severally and/or together with Livingjumbo Industry SA.

As at December 31, 2019 the parent company did not meet covenant "Total net financial liabilities/EBITDA" either separately, or jointly with Livingjumbo Industry SA, fulfilling covenant "Coverage of debt service" separately, but not together with Livingjumbo Industry SA. In this respect, both the parent and Livingjumbo Industry SA obtained as at the approval date of the financial statements a letter from the bank stipulating that the contractual provisions were not breached and the bank would not demand the early repayment of the loans made available.

23. BORROWINGS (continued)

As at December 31, 2019, the Group had more loans contracted from various banks, the most important of which are presented below.

Romcarbon SA loans**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.

23. 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: October 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 HYPERMARCHE 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;

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:

23. BORROWINGS (continued)

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.

23. 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 16,787 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 8,103 sq m) at a net book value of lei 3,059,838 as at December 31, 2017;
 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.

23. 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 Romcarbon SA with UniCredit Bank – Buzău Branch;
 3. Movable property mortgage over 3 pieces of machinery having a market value as per the valuation of July 2019 of EUR 112,300 and a net carrying amount of lei 464,779 at December 31, 2019;

23. 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".

23. BORROWINGS (continued)**I. 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 flexographic 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.

II. 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.

III. Guarantees granted for loans contracted by Group companies**LivingJumbo Industry SA loans****a) Credit line contracted from BRD GSG within the limit of EUR 2,000,000**

- Outstanding amount as at December 31, 2019: lei 8,543,622 (equivalent of EUR 1,787,628)
- Due on: October 24, 2020
- Securities:
 1. Mortgage without dispossession over the machinery belonging to the company estimated at a market value of EUR 800,150;
 2. Mortgage over the credit balance of the accounts in RON or foreign currency opened by LIVINGJUMBO INDUSTRY SA with BRD-GSG – Buzău Branch;
 3. Assignment of amounts received out of the commercial contracts concluded with clients in amount of minimum EUR 7,000,000;
 4. Mortgage over all the stocks of raw materials, consumables, semi-finished goods, finished goods, etc., property of LivingJumbo Industry SA, located in the production facilities in Buzau, str. Transilvaniei nr. 132, Buzau county, at a minimum value of EUR 720,000;
 5. Mortgage over EUR 500,000 blocked in the borrower's account.

23. BORROWINGS (continued)**LivingJumbo Industry SA loans (continued)****b) Long-term loan contracted from BRD GSG at an initial value of EUR 645,000 (partly contracted)**

- Outstanding amount as at December 31, 2019: LEI 1,328,913 (equivalent of EUR 278,056)
- Due on: July 7, 2022
- Securities:
 1. Mortgage without dispossession over the machinery forming the object of the investment.
 2. Mortgage over the credit balance of the accounts opened in LEI or foreign currency by S.C. LIVING JUMBO INDUSTRY S.A. with BRD-GSG - Buzău Branch.

c) Long-term loan contracted from UniCredit Bank SA at an initial value of EUR 607,200 (partly contracted)

- Outstanding amount as at December 31, 2019: Lei 1,080,466 (equivalent of EUR 226,072)
- Due on: February 15, 2024
- Securities:
 1. Immovable property mortgage of subsequent rank over real estate property of Romcarbon SA identified by cadastral no. 67264 (in surface area of 10,037 sq m) and cadastral no. 54304 (in surface area of 16,787 sq m);
 2. Movable property mortgage over the movable assets in the form of inventory property of Romcarbon SA, having a minimum value of EUR 2,000,000;
 3. Movable property mortgage of subsequent rank over 4 machinery with a market value as per the valuation of January 2018 of EUR 390,500 and a net book value of lei 1,663,971 as at June 30, 2019;
 4. Mortgage over the accounts opened in LEI and foreign currency with UniCredit Bank SA.

d) Long-term loan contracted from UniCredit Bank SA to co-fund investment project "Development of S.C. LIVINGJUMBO INDUSTRY S.A. through the purchase of new equipment" at an initial value of EUR 4,723,205 (partly contracted)

- Outstanding amount as at December 31, 2019: Lei 12,493,300 (equivalent of EUR 2,614,044)
- Due on: February 15, 2024
- Securities:
 1. The machinery funded, the estimated value, without VAT, EUR 8,867,855; the assignment of the insurance policy of the machinery purchased out of the loan to UniCredit Bank SA, which will be the sole beneficiary of the policy;
 2. Mortgage over the accounts and sub-accounts opened in LEI and foreign currency with UniCredit Bank SA.

e) Long-term loan contracted from BRD GSG at an initial value of EUR 160,000 (partly contracted)

- Outstanding amount as at December 31, 2019: LEI 108,844 (equivalent of EUR 22,774)
- Due on: November 1, 2021
- Securities:
 1. Mortgage without dispossession over the machinery forming the object of the investment.
 2. Mortgage over the credit balance of the accounts opened in LEI and foreign currency by LIVING JUMBO INDUSTRY SA with BRD-GSG – Buzău Branch

23. BORROWINGS (continued)**Energo Install SRL loans****a) Credit line in amount of lei 1,000,000 to finance the current operations, contracted from Banca de Export-Import a Romaniei Eximbank SA (partly binding)**

- Outstanding amount as at December 31, 2019: LEI 331,914
- Due on: October 14, 2020
- Securities:
 1. Guarantee issued by EximBank SA in the name and on account of the State, in amount of LEI 500,000, representing 70% of the exposure value;
 2. Movable property mortgage over 8 equipment and machinery with a book value of LEI 424,458;
 3. Mortgage over current and future accounts in lei and foreign currency opened RC Energo Install SRL with Exim Bank;
 4. Movable property mortgage over all of the receivables, except Greentech, Greenfiber International and Greenweee International SA;
 5. Blank promissory note, with the mention "No Protest";
 6. Movable mortgage 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, property of Romcarbon SA.

Credit in amount of lei 1,500,000 to finance the current activity, contracted from Banca de Export-Import a Romaniei Eximbank SA

- Balance at December 31, 2019: lei 1,250,000
- Due date: 28.08.2020.
- Securities:
 1. Movable property mortgage over 8 equipment and machinery with a book value of lei 424,458 at December 31, 2019;
 2. Mortgage over current and future accounts in lei and foreign currency opened RC Energo Install SRL with Exim Bank;
 3. Movable mortgage 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, property of Romcarbon SA;
 4. Movable property mortgage over all of the receivables, except Greentech, Greenfiber International and Greenweee International SA;
 5. Blank promissory note, with the mention "No Protest"

24. OTHER CURRENT LIABILITIES

| | Current | |
|--|------------------------------|------------------------------|
| | December 31, 2019 | December 31, 2018 |
| | <i>thousand LEI</i> | <i>thousand LEI</i> |
| Liabilities to employees | 1,834 | 1,718 |
| Liabilities related social contributions | 1,363 | 1,415 |
| VAT payable | 304 | 707 |
| Income tax | 119 | 31 |
| Tax on salaries | 319 | 289 |
| Other taxes payable | 427 | 122 |
| Other non-trade liabilities | - | - |
| Interest payable | - | - |
| Total | 4,365 | 4,282 |

25. TRADE AND OTHER LIABILITIES

| | December 31, 2019 | December 31, 2018 |
|---------------------------------|------------------------------|------------------------------|
| | <i>thousand LEI</i> | <i>thousand LEI</i> |
| Trade liabilities | 30,133 | 30,244 |
| Suppliers invoices not received | 636 | 683 |
| Advances to clients | 2,536 | 699 |
| Sundry creditors (a) | 1,925 | 2,727 |
| Total | 35,231 | 34,353 |

In 2019, sundry debtors include RON 1,584 thousand, which represents borrowings from natural person shareholders, which will be repaid in 2019 (see note 28).

26. FINANCE LEASE LIABILITIES**Lease contracts**

Finance leases refer to vehicles leased for 5-6 years' term. The Group has the option to purchase the equipment for a nominal amount at the end of the contractual terms. The Group's finance lease obligations are secured by the lessee's ownership right over the assets.

26. FINANCE LEASE LIABILITIES (continued)**Finance lease liabilities**

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|-----------------------------------|------------------------------|--|------------------------------|
| | December 31, 2019 | December 31, 2018 | December 31, 2019 | December 31, 2018 |
| | <i>thousand LEI</i> | <i>thousand LEI</i> | <i>thousand LEI</i> | <i>thousand LEI</i> |
| Present value of finance lease payments | | | | |
| Amounts due within one year | 16 | 14 | 16 | 14 |
| More than one year, but less than 5 years | 9 | 24 | 9 | 24 |
| Total lease liabilities | 25 | 38 | 25 | 38 |
| Less future finance expenses | | - | | - |
| Present value of finance lease payments | | - | | - |
| Included in the financial statements as: | | | | |
| Short-term borrowings | | - | | - |
| Long-term borrowings | | - | | - |

27. DEFERED INCOME

As at December 31, 2017 the value of investment subsidies received from the Group amounts to LEI 35,232 thousand, as follows:

| | |
|--------------------------|---------------------|
| Romcarbon SA: | LEI 19,940 thousand |
| LivingJumbo Industry SA: | LEI 15,259 thousand |
| PROJECT ADVISE SRL: | LEI 33 thousand |

Non-refundable amounts in the form of investment subsidies are transferred to income together with the monthly amortization.

As at December 31, 2018 the value of investment subsidies received from the Group amounts to LEI 31,250 thousand, as follows:

| | |
|--------------------------|---------------------|
| Romcarbon SA: | LEI 17,676 thousand |
| LivingJumbo Industry SA: | LEI 13,574 thousand |
| PROJECT ADVISE SRL: | LEI 0 thousand |

As at December 31, 2019 the value of investment subsidies received from the Group amounts to LEI 27,289 thousand, as follows:

| | |
|--------------------------|---------------------|
| Romcarbon SA: | LEI 15,401 thousand |
| LivingJumbo Industry SA: | LEI 11,887 thousand |
| PROJECT ADVISE SRL: | LEI 0 thousand |

28. FINANCIAL INSTRUMENTS**(a) Capital risk management**

The Group manages its capital to ensure that Group 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 22, 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 Group'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 Group 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 Group'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 Group's operations through reports on internal risks, analysing 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 Group'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 Group's exposure to market risks or in the manner the Group manages and measures risks.

(e) Currency risk management

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

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

28. FINANCIAL INSTRUMENTS (continued)**(g) Other risks regarding prices**

The Group is exposed to risks related to equity, arising from equity investments. Equity investments are held for strategic purposes rather than commercial purposes. The Group 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 Group. The Group 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 Group'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 Group does not have any significant credit risk exposure towards any counterparty or any group of similar counterparties. The Group 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 Administration, which has built a proper liquidity risk management framework regarding the Group funds' short, medium and long term insurance and the liquidity management requirements. The Group 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 32 includes a list of additional facilities not drawn, available to the Group 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 Group's maximum exposure to credit risks related to existing receivables.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**
28. FINANCIAL INSTRUMENTS (continued)

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

| | EUR 1 EUR = LEI 4.7793 <i>thousand LEI</i> | USD 1 USD = LEI 4.2608 <i>thousand LEI</i> | Leu 1 LEI <i>thousand LEI</i> | 31-Dec-2019 Total <i>thousand LEI</i> |
|---|--|--|---|---|
| 2019 | | | | |
| Cash and cash equivalents | 2,073 | 154 | 7,537 | 9,764 |
| Receivables and other current assets | 9,618 | - | 24,843 | 34,461 |
| Other current assets | 244 | 41 | 1,188 | 1,472 |
| LIABILITIES | | | | |
| Trade and other liabilities | 8,500 | 89 | 26,643 | 35,231 |
| Other current liabilities | - | - | 4,365 | 4,365 |
| Short and long-term borrowings | 74,050 | - | 9,865 | 83,915 |
| Short and long-term finance lease liabilities | 31 | - | - | 31 |
| 2018 | | | | |
| | EUR 1 EUR = LEI 4.6639 <i>thousand LEI</i> | USD 1 USD = LEI 4.0736 <i>thousand LEI</i> | Leu 1 LEI <i>thousand LEI</i> | 31-Dec-2018 Total <i>thousand LEI</i> |
| Cash and cash equivalents | 22 | 131 | 9,638 | 9,791 |
| Receivables and other current assets | 4,265 | 227 | 25,802 | 30,295 |
| Other current assets | - | - | 1,002 | 1,002 |
| LIABILITIES | | | | |
| Trade and other liabilities | 5,609 | 6 | 28,738 | 34,353 |
| Other current liabilities | - | - | 4,282 | 4,282 |
| Short and long-term borrowings | 75,989 | - | 13,844 | 89,834 |
| Short and long-term finance lease liabilities | 38 | - | - | 38 |

28. FINANCIAL INSTRUMENTS (continued)

The Group is mainly exposed to EUR and USD exchange rates. The following table details the Group'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 LEI 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.

| | December 31, 2019 | December 31, 2018 |
|------|------------------------------|------------------------------|
| | <i>thousand LEI</i> | <i>thousand LEI</i> |
| Loss | (7,546) | (8,733) |

Tables regarding liquidity and interest rate risks

The following tables present the maturity terms of the Group'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 Group is likely to be claimed payment. The table includes both interest and cash flows related to principal.

| 2019 | Less than 1 year | 1-2 years | 2-5 years | Total |
|---|-----------------------------|---------------------|---------------------|---------------------|
| | <i>thousand LEI</i> | <i>thousand LEI</i> | <i>thousand LEI</i> | <i>thousand LEI</i> |
| Non-interest bearing | | | | |
| Trade liabilities and other | 35,231 | - | - | 35,231 |
| current liabilities | 4,365 | - | - | 4,365 |
| Interest bearing instruments | | | | |
| Short and long-term borrowings | - | - | - | - |
| Short and long-term leases | 60,411 | 18,201 | 5,483 | 83,915 |
| Non-interest bearing | | | | |
| Cash and cash equivalents | 9,764 | - | - | 9,764 |
| Receivables and other current assets | 34,461 | - | - | 34,461 |
| 2018 | | | | |
| | Less than 1 year | 1-2 years | 2-5 years | Total |
| | <i>thousand LEI</i> | <i>thousand LEI</i> | <i>thousand LEI</i> | <i>thousand LEI</i> |
| Non-interest bearing | | | | |
| Trade liabilities and other | 34,353 | - | - | 34,353 |
| current liabilities | 4,282 | - | - | 4,282 |
| Interest bearing instruments | | | | |
| Short and long-term borrowings | 52,593 | 23,619 | 13,622 | 89,834 |
| Short and long-term leases | 14 | 14 | 10 | 38 |
| Non-interest bearing | | | | |
| Cash and cash equivalents | 9,791 | - | - | 9,791 |
| Receivables and other current assets | 31,297 | - | - | 31,297 |

28. FINANCIAL INSTRUMENTS (continued)

The table below present the credit limit and the balance of 10 major counterparties as at the date of the balance sheet, in LEI:

| Company | Counterparty | Turnover 2019 | Value of receivable as at 31.12.2019 | Credit limit | Credit in days |
|----------------------------|---|--------------------------|---|-------------------------|---------------------------|
| Romcarbon SA | KASAKROM CHEMICALS SRL | 11,327 | 490 | NO | 47 |
| Romcarbon SA | DEDEMAN SRL BACAU | 8,068 | 1,980 | NO | 90 |
| Romcarbon SA | COMANDOR IMPEX SRL FOCSANI PH BRATPOL JERZY BRATKOWSKI | 4,778 | 374 | NO | 17 |
| Romcarbon SA | POLONIA - EUR | 4,346 | 918 | NO | 75 |
| Romcarbon SA | GREENFIBER INTERNATIONAL SA | 4,311 | 821 | NO | 60 |
| LivingJumbo Industry SA | POLIMERO Bulgaria | 6,024 | - | NO | 35 |
| LivingJumbo Industry SA | Carlestam Poland Sp. z o.o. | 5,992 | 739 | NO | 60 |
| LivingJumbo Industry SA | BAOBAG France | 5,387 | 493 | NO | 60 |
| LivingJumbo Industry SA | MICRO GRUP BUSINESS SOLUTION SRL | 4,992 | 2,104 | NO | 90 |
| LivingJumbo Industry SA | EXPERGO BUSINESS NETWORK SRL | 4,037 | 437 | NO | 60 |

29. RELATED PARTY TRANSACTIONS

The transactions among the Parent and its subsidiaries – Group’s related parties – were eliminated from the consolidation and are not 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.

Indemnities granted to top management

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

| | December 31, 2019 | December 31, 2018 |
|--------------------------------------|------------------------------|------------------------------|
| | <i>thousand LEI</i> | <i>thousand LEI</i> |
| Executive management salaries | 4,293 | 4,197 |
| Benefits for Board of Administration | 313 | 378 |
| Total | 4,606 | 4,575 |

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

| Shareholder borrowings | December 31, 2019 | December 31, 2018 |
|--|------------------------------|------------------------------|
| | <i>thousand LEI</i> | <i>thousand LEI</i> |
| WU HUI TZU (Living Jumbo Industry SA) | 18 | 18 |
| LIVING PLASTTIC INDUSTRY SRL (Livingjumbo Industry SA) | 1,350 | 1,454 |
| WINPACK INDUSTRY (Eco Pack Management SRL) | 216 | 202 |
| Total | 1,584 | 1,674 |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**
29. RELATED PARTY TRANSACTIONS (continued)
Related party transactions
(all amounts are expressed in thousand LEI)

| | Sales of goods and services | | Purchases of goods and services | | Receivables from related parties | | Payables to related parties | |
|-----------------------------|-----------------------------|----------------|---------------------------------|----------------|----------------------------------|-------------------|-----------------------------|-------------------|
| | 12 months 2019 | 12 months 2018 | 12 months 2019 | 12 months 2018 | December 31, 2019 | December 31, 2018 | December 31, 2019 | December 31, 2018 |
| Greenfiber International SA | 5,021 | 6,268 | 7,501 | 7,199 | 872 | 951 | 8 | 1,402 |
| GREENTEH DOO SERBIA | 218 | 275 | - | 7 | 34 | 66 | - | - |
| Greenglass Recycling SA | - | - | - | - | - | - | - | - |
| Greentech sa | - | 3,478 | - | 1,266 | - | 43 | - | 15 |
| Total Waste Management | 2,583 | 248 | 126 | 4 | 62 | 170 | 35 | - |
| Greenweee International SA | 54 | 490 | - | 174 | - | 132 | 22 | 47 |
| Greenlamp Reciclare SA | 1,043 | 1 | 403 | - | 12 | - | 67 | - |
| TOTAL | 8,982 | 10,765 | 566 | 8,649 | 979 | 1,363 | 28 | 1,465 |

30. ACQUISITION OF SUBSIDIARIES

In 2019 the Group did not purchase new subsidiaries.

31. DISPOSAL OF SUBSIDIARIES

In 2019 the Group did not sell any subsidiaries.

32. 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 |
|------------------|------------------------------|------------------------------|
| | <i>thousand LEI</i> | <i>thousand LEI</i> |
| Cash at banks | 9,700 | 9,756 |
| Cash on hand | 64 | 35 |
| Cash equivalents | - | - |
| Total | 9,764 | 9,791 |

33. INVESTMENT PROPERTY

| | December 31, 2019 | December 31, 2018 |
|----------------------------------|------------------------------|------------------------------|
| | <i>thousand LEI</i> | <i>thousand LEI</i> |
| Land | 6,087 | 8,317 |
| Buildings | 7,346 | 9,718 |
| Total investment property | 13,432 | 18,035 |

As at December 31, 2019, the parent 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.

In December 2019, in accordance with IFRS5, the asset from Stefanesti, consisting of land with an area of 12,774 sqm located in Stefanestii de Jos, Ilfov County and from the buildings erected on this land, an asset that was the object of a purchase contract concluded with GREEN PC AMBALAJE SRL, has been reclassified from «Real estate investments» into «Assets held for sale». The asset (land and buildings) that was the object of this reclassification has a value of RON 4,297 thousand.

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 thousand, 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 3,431 thousand, 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.

34. ASSETS HELD FOR SALE

| Assets held for sale | December 31, 2019 | December 31, 2018 |
|--|------------------------------|------------------------------|
| | <i>thousand LEI</i> | <i>thousand LEI</i> |
| Land | 3.394 | 10,909 |
| Buildings | 3.210 | 5,848 |
| Equipment and non-current assets in progress | 270 | - |
| Impairment allowances | - | (757) |
| Total assets held for sale | 6.873 | 16,000 |

As of December 31, 2018, the property located in Iasi, Calea Chisinaului, no. 26-29, with a total area of 35,451.18 square meters and a net book value of RON 16,000 thousand, was classified as "Assets held for sale".

During the year 2019, several sales-purchase contracts were signed with Office & Logistic SRL Iasi after which the total area of 35,259.48 sqm of this property was transferred to the buyer.

In December 2019, the assets from Campia Turzii, consisting of land with an area of 38,235 square meters and of the buildings built on this land were reclassified from «Property, Plant & Equipment» to «Assets held for sale». The asset (land, buildings and equipment) that was the object of this reclassification has a value of RON 2,506 thousand.

The assets held for sale have the following geographical distribution:

| Assets held for sale | December 31, 2019 | December 31, 2018 |
|-----------------------------|------------------------------|------------------------------|
| | <i>thousand LEI</i> | <i>thousand LEI</i> |
| Iasi | 70 | 16.000 |
| Stefanesti | 4.297 | - |
| Campia Turzii | 2.506 | - |
| Total | 6.873 | 16.000 |

On 31.01.2020, the sale was completed according to the pre-contract of sale purchase no.1830 from 18.12.2019, concluded with GREEN PC AMBALAJE S.R.L. (as buyer) representing the value of a building located in Ilfov, Stefanestii de Jos, Str. Sinaia no.15, with a total area of 12,774 sqm, of which 4,928 sqm built area, according to the purchase agreement no. 183 of 31.01.2020 for which the price of RON 3,987 thousand was cashed (equivalent of EUR 834 thousand).

35. 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 Group is likely to continue to be subject to periodic controls for breaches or alleged breaches of new and existing laws and regulations. Although the Group 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 Group. 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 Group's administrators consider that the Group's tax liabilities have been calculated and recorded according to the legal provisions.

35. COMMITMENTS AND CONTINGENCIES (continued)**Potential tax liabilities (continued)****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.

Environmental matters

The Group's core activity has inherent effects on the environment. The effects of the Group's activities on the environment are monitored by local authorities and the Group's management. Therefore, no provisions have been recorded for any obligations, not measurable at present, regarding the environment or the required remedy works.

36. SUBSEQUENT EVENTS

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

35% of Group's business consist in export to the other European countries and some of these countries have taken drastic measures to close those activities that are not essential. As a result it was a negative impact to companies' business. In response to this impact, two of the companies of the Group, Romcarbon SA and RC Energo Install SRL, have sent around 120 employees for technical unemployment in April from the Compounds and regenerated polymers sector and Plastic processing sector (polypropylene products) and also from the services sector.

The future evolution of the crisis generated by the outbreak of COVID-19 may have an impact in the upcoming months as far as a decrease in sales is concerned, but the percentage is difficult to foresee, as it may vary, and can even reach 20% given the drop of demand in the car industry and construction sector. The supply of raw materials and consumables remain stable and the Group does not expect price increases. There are no concentration risk premises as there is no major reliance on significant suppliers or clients or on the markets highly affected by COVID-19. The company's activity is not affected by restrictions to foreign financing, it has the ability to control its flow of collections and mitigate risks of non-collection. We have not identified any premises of exposure to major risks in terms of cash flows. There will be a pressure on the RON/EUR exchange rate, the level of which we cannot estimate though.

ROMCARBON SA

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 RON 3,987 thousand (equivalent to EUR 834 thousand) 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 mandate of 4 years, starting February 4, 2020, while maintaining the one-tier management system of the company.

36. SUBSEQUENT EVENTS (continued)

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 mandate, 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 mandate, 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 mandate, 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.

LIVINGJUMBO INDUSTRY SA

In 10.01.2020, the company constituted a movable mortgage on a collateral deposit in the amount of EUR 200,000 thousand to guarantee the loans contracted by the company and by Romcarbon SA with UniCredit Bank SA.

Starting with 17.02.2020, the qualities of Deputy General Manager and Administrator held by Mr. Andrei Radu as well as the quality of administrator held by Mr. WU, YU-TE have ceased and Mr. Cretu Victor and Mr. Ungureanu Ion have been appointed for a mandate valid until 31.05.2021 as administrators of Livingjumbo Industry SA.

Starting with the same date, through the agreement of the parties, it ceased the quality of Operations Manager held by Manaila Carmen within Livingjumbo Industry SA and she was appointed to the position of Deputy General Manager for a mandate valid until 17.02.2023.

Also, were appointed Mr. Victor Cretu and Mr. Ion Ungureanu for a mandate valid until 17.02.2023, as Manager of the Profit center Polypropylene, respectively Manager of the Profit center PET.

As of 31.03.2020, the company in compliance with the contractual obligations assumed increased the mortgage established on some bank availability to guarantee the credit line contracted by the company with BRD GSG SA from EUR 500 thousand to EUR 600 thousand.

The consolidated financial statements were approved by the Board of Administration and were authorized for issuance on April 9, 2020.

PREPARED BY,

For signatures, please refer to the original Romanian version.

**HUANG LIANG NENG,
Chairman of the Board
And General Manager**

**VIORICA ZAINESCU,
Financial Manager**

**CARMEN MANAILA,
Deputy General Manager for
Administrative Operations**



S.C. ROMCARBON S.A.

ADMINISTRATORS' REPORT

ACTIVITY OF THE GROUP OF COMPANIES

As at December 31, 2019 ROMCARBON SA Buzau holds participations directly and/or indirectly in 13 companies:

| Company | 31/12/2019 | | Consolidation method |
|--------------------------------|------------|---------|--------------------------------|
| | Interest | Control | |
| RECYPLAT LTD CYPRUS | 100.00% | 100.00% | Global |
| ROMCARBON DEUTSCHLAND GMBH | 100.00% | 100.00% | Global |
| RC ENERGO INSTALL SRL | 100.00% | 100.00% | Global |
| ECO PACK MANAGEMENT SA | 25.36% | 99.24% | Global |
| INFOTECH SOLUTIONS SRL | 99.00% | 99.00% | Global |
| LIVINGJUMBO INDUSTRY SA | 99.86% | 99.86% | Global |
| GRINFILD LLC UKRAINE | 62.62% | 62.62% | Global |
| GRINRUH LLC UKRAINE | 62.62% | 62.62% | Global |
| PROJECT ADVICE STL | 99.00% | 99.00% | Global |
| ASOCIATIA ECOLOGICA GREENLIFE | 44.84% | 44.84% | Equity method |
| YENKI SRL | 33.34% | 33.34% | Equity method |
| KANG YANG BIOTECHNOLOGY CO.LTD | 4.81% | 4.81% | Outside the consolidation area |
| REGISTRUL MIORITA SA | 3.79% | 3.79% | Outside the consolidation area |

As at December 31, 2019, the Group also holds participations according to the table below.

| Company | 31/12/2019 | |
|--------------------------------------|------------|----------|
| | Interest | Control |
| ROMGREEN UNIVERSAL LTD CYPRUS | 17.5879% | 17.5879% |
| GREENWEEE INTERNATIONAL SA | 17.5879% | 17.5879% |
| GREENWEEE INTERNATIONAL HUNGARY KFT | 17.5879% | 17.5879% |
| GREENTECH SA | 17.5875% | 17.5875% |
| GREENGLASS RECYCLING SA | 12.3116% | 12.3116% |
| GREENFIBER INTERNATIONAL SA | 17.4682% | 17.4682% |
| GREENTECH DOO SERBIA | 15.7214% | 15.7214% |
| GREENTECH RECYCLING DEUTSCHLAND GMBH | 17.4682% | 17.4682% |
| GRINTEH MK DOO MACEDONIA | 15.6288% | 15.6288% |
| TOTAL WASTE MANAGEMENT SRL | 17.4743% | 17.4743% |
| GREEN RESOURCES MANAGEMENT S.A. | 11.6839% | 11.6839% |
| GREENTECH BALTIC UAB LITUANIA | 12.7932% | 12.7932% |

These companies have been included in the consolidated financial statements by using the equity method.

PRESENTATION OF THE GROUP AND THE MAIN INDICATORS ACHIEVED IN 2019

PRESENTATION OF THE GROUP'S MEMBER COMPANIES

As at December 31, 2019 the company was holding directly or through other subsidiaries, participating interest in the following entities:

RECYPLAT LTD is a company established in 2011, having a share capital of Lei 112,532 (EUR 26,000) wholly owned by SC Romcarbon SA. The company's main office is located in Akropoleos, 59-61, 3rd floor, Nicosia, Cyprus.

The company's main object of activity is the Conduct of activities and business of consultants, experts in all scientific fields, financial, administrative or otherwise, in relation to the setting up, operation, development and improvement of any business, industry, company, partnership or other organization

ROMCARBON DEUTSCHLAND GMBH is a company established in 2013, with a share capital of Lei 110,138 (EUR 25,000), wholly owned by S.C. Romcarbon S.A. The company's main office is located in Bergisch Gladbach, Germany. The company's main object of activity is trade with plastic finished products, recycling of plastic materials and purchase of plastic waste. As at the date of these financial statements, the company is under voluntary liquidation.

RC ENERGO INSTALL S.R.L. is a company established in 2005, with a share capital of lei 2,000, fully owned by S.C. Romcarbon S.A. The company's main office is located in Buzău, Str. Transilvaniei, nr. 132. The company was established by outsourcing the maintenance and repair of heating, water installations, sewage and substations; the main object of activity is Plumbing, heat and air conditioning installation (NACE code 4322).

ECO PACK MANAGEMENT SA is a company established in 2010, with a share capital of lei 1,446,000, where SC Romcarbon SA directly holds 25.36% and 73.88% indirectly. The remaining shares are held by Romanian legal persons. The company's main office is located in Buzau, Str. Transilvaniei, nr.132, Remiza PSI, camera 6. The company's main object of activity is - NACE code 8299 - Other business support service activities n.e.c.

INFO TECH SOLUTIONS S.R.L. is a company established in 2005, with a share capital of lei 2,000, where S.C. Romcarbon S.A. holds 99.00% of the shares and the remaining shares are held by natural persons. The company's main office is located in Buzău, Str. Transilvaniei, nr. 132. The company was established by outsourcing the IT services and its main object of activity is Other information technology and computer service activities (NACE code 6209).

LIVINGJUMBO INDUSTRY S.A. is a company established in 2002, with a share capital of lei 5,644,800, where Romcarbon SA has held since 2011 99.86% of the shares and the remaining shares are held by Romanian legal persons. The company's main office is located in Buzău, Str. Transilvaniei, nr. 132. The company's main object of activity is Manufacture of plastic packing goods (NACE code 2222).

GRINFILD LLC UKRAINE is a company established in 2007, with a share capital of lei 4,312,062, where SC Romcarbon SA holds 62.62% of the shares and the remaining shares are held by foreign legal persons. The company's main office is located in Ukraine, Odessa region, Krijianivka locality, Str. Mikolayevska, Bl. 2. The company's main object of activity is wholesale. The company does no longer run since 2012.

GRINRUH LLC UKRAINE is a company established in 2007, with a share capital of lei 4,426,809, where SC Romcarbon SA holds 62.62%. The company's main office is located in Ukraine, Odessa region, Krijianivka locality, Str. Mikolayevska, Bl. 2. The company's main object of activity is wholesale. The company does no longer run since 2012.

YENKI S.R.L. is a company established in 2007, with a share capital of lei 328,000, where S.C. Romcarbon S.A. holds 33.34% of the shares and the remaining shares are held by Romanian legal and natural persons. The company's main office is located at Soseaua Nordului, DN2, Buzău. The company's main object of activity is Operation of sports facilities (NACE code 9311).

"Greenlife" Ecological Association, established in accordance with GO no. 26/2000, is a non-governmental, non-profit and non-political organization. The association's patrimony amounts to RON 1,200. The association's purpose is to represent, promote and support the employer and professional interests of its members in the relationship with public authorities and other legal and natural persons, to consolidate their authority and social renown and to act towards modernizing the developing the field regarding environmental protection according to the international rules and standards. Also, the association sets itself to promote human solidarity, by organizing and supporting humanitarian actions. The association was established by SC Greenfiber International SA, SC Greentech SA and SC Romcarbon SA as founding members, each holding 33.33% of its patrimony.

PROJECT ADVICE SRL is a company established in 2010, where SC Romcarbon SA indirectly holds 99.86%. The company's main office is located in Strada Transilvaniei, nr. 132, Pavilion Administrativ, camera nr. 24, Etaj 2, Buzău county. The company's object of activity is – NACE code 7022 - Business and other management consultancy activities.

ROMGREEN UNIVERSAL LTD Cyprus is a company established in 2011, with a share capital of lei 177,858 (EUR 39,800), where SC Romcarbon SA indirectly holds 17.5879% of the shares through Recyplat LTD Cyprus. The company's main office is located in 2 Prodromou & Dimitrakopoulou, 5th floor, 1090, Cyprus. The company's object of activity is the conduct of activities and business of consultants, experts in all scientific fields, financial, administrative or otherwise, in relation to the setting up, operation, development and improvement of any business, industry, company, partnership or other organization.

GREENWEEE INTERNATIONAL SA is a company established in 2007, with a share capital of lei 26,212,300, where SC Romcarbon SA indirectly holds 17.5879% of the shares. The company's main office is located in Buzău, Comuna Tintesti, Str. Ferma Frasinu. The company's object of activity is Dismantling of wrecks for materials recovery (NACE code 3831).

At December 31, 2019 GREENWEEE INTERNATIONAL SA (absorbing company) merged with GREENLAMP RECICLARE SA (absorbed company). Further to the merger, the share capital of GREENWEEE INTERNATIONAL SA increased from 26,212,300 lei to 28,827,300 lei, through the issuance of 26,150 new shares at a nominal value of 100 lei.

GREENWEEE INTERNATIONAL HUNGARY KFT is a company established in 2011, with a share capital of lei 45,563, where SC Romcarbon SA indirectly holds 17.5879%. The company's main office is located in 1051 Budapest, Dorottya utca 9.2. em.1. The company's object of activity is Management of used waste and treatment of other waste.

GREENTECH SA is a company established in 2002, with a share capital of lei 4,649,117, where SC Romcarbon SA indirectly holds LTD 17.5875% of the shares. The company's main office is located in Buzău, Aleea Industriilor, nr. 17. The company's main object of activity is Recovery of sorted materials (NACE code 3832).

GREENFIBER INTERNATIONAL SA is a company established in 2004, with a share capital of lei 35,250,000, where SC Romcarbon SA indirectly holds 17.4682% of the shares. The company's main office is located in Buzău, Aleea Industriilor, nr. 17. The company's main object of activity is Manufacture of man-made fibres (NACE code 2060).

GREENTECH DOO SERBIA is a company established in 2005, with a share capital of lei 2.189.903 (RSD 46,568,790.67), where Romcarbon SA indirectly holds 15.7214% of the shares. The company's main office is located in Serbia, Backa Palanka, str. Zarka Zrenjanina nr. 152. The company's main object of activity is the recycling of non-metallic waste and scraps.

GREENTECH RECYCLING DEUTSCHLAND GMBH is a company established in 2010, with a share capital of lei 108,808 (EUR 25,000), where SC Romcarbon SA indirectly holds 17.4682% of the shares. The company's main office is located in Bergisch Gladbach, Germany. The company's main object of activity is trade with plastics and recycling of plastic waste. As at the date of these financial statements, the company is under voluntary liquidation.

GRINTEH MK DOO MACEDONIA is a company established in 2007, with a share capital of lei 3,238,205 (MKD 46,684,925), where SC Romcarbon SA indirectly holds 15.6288% of the shares and the remaining shares are held by foreign natural persons. The company's main office is located in Macedonia, Skopje, bd. Romanija b.b Gazela, 1000. The company's main object of activity is Recycling of non-metallic waste and scraps.

TOTAL WASTE MANAGEMENT SRL is a company established in 2005. In 2012, it changed its object of activity from Business and other management consultancy activities (NACE code 7022) to Collection of non-hazardous waste (NACE code 3811). The company's share capital is lei 19,442,580. The company's main office is located in Buzău, Str. Aleea Industriilor, nr. 17. As at the date of these financial statements, Romcarbon SA was indirectly holding 17.4743% of its share capital.

GREENGLASS RECYCLING SA is a company established in 2013, where SC Romcarbon SA indirectly holds 12.3116% of the shares. The remaining shares are held by natural and legal persons. The company's share capital is lei 6,750,000. The company's main office is located in Buzău, Str. Aleea Industriilor, nr. 17, pav. Comercial, Et.1, Cam. 2. The company's main object of activity is Recovery of sorted materials (NACE code 3832).

GREEN RESOURCES MANAGEMENT is a company established in 2016 where SC Romcarbon SA indirectly holds 11.68%. The company's main office is located in Str. Barbu Vacarescu, 164A, Clădire de birouri C3, camera 18-22, Bucharest, 2nd District. The company's object of activity is Business and other management consultancy activities (NACE code 7022).

GREENTECH BALTIC UAB LITUANIA is a company established in 2016 where Romcarbon SA indirectly holds 12.79%. The Company's share capital is in amount of LEI 8,444,696 (EUR 1,852,500). The company's main office is located in Vilnius, Sandeliu g.16. The company's object of activity is commercial, economic, financial and industrial activity.

ACTIVITY OF THE GROUP OF COMPANIES

PRESENTATION OF THE GROUP COMPANIES

The following persons ensured the executive management of the group companies in 2019:

ROMCARBON SA – CEO – Radu Andrei
RECYPLAT LTD CYPRUS – Director – Nicos Avraamides
RC ENERGO INSTALL SRL – CEO Duca Eugen Florin
ECO PACK MANAGEMENT SA – sole administrator Ionescu Adin
INFO TECH SOLUTIONS SRL - CEO Hristache Cornel
LIVINGJUMBO INDUSTRY SA – CEO WU,HUI-TZU
PROJECT ADVICE SRL – sole administrator Wei Jinn Shyang
GRINFILD LLC UKRAINE – the company does no longer run since 2012
GRINRUH LLC UKRAINE – the company does no longer run since 2012
YENKI SRL – Administrator Petre Romeo Florinel
ROMCARBON DEUTSCHLAND GmbH – trustee in bankruptcy Franz Fassbender
ROMGREEN UNIVERSAL LTD CYPRUS – Nicos Avraamides, Constantinos Chiotis Grzegorz, Adam Piejka, Nicolaos Koronis, Paulina Anna Pietkiewicz
GREENLAMP REICLARE S.A. – CEO Costache Iulian Marius
GREENGLASS RECYCLING SA – CEO Costache Iulian Marius
GREENWEEE INTERNATIONAL SA – CEO Costache Iulian Marius
GREENWEEE INTERNATIONAL HUNGARY KFT - Managing Director - Costache Iulian Marius
TOTAL WASTE MANAGEMENT SRL – Administrators Damov Constantin - member, Mihai Zamfir – BoA President, Marin Georgian Ionut - member
GREENTECH SA - CEO Genes Alina Elena
GREENFIBER INTERNATIONAL SA – CEO Genes Alina Elena
GREENTECH RECYCLING DEUTSCHLAND GMBH - Trustee in bankruptcy Franz Fassbender
GREENTECH DOO SERBIA – CEO – Mihail Mateski
GRINTEH MK DOO MACEDONIA – CEO – Mihail Mateski and Sofia Mateska
GREEN RESOURCES MANAGEMENT SA – CEO Georgescu Alina
GREENTECH BALTIC UAB LITHUANIA – Administrator VLADAS VENSKUTONIS

The general results of the activity of the company and its subsidiaries in the reporting period

| No. | Indicator [thousand lei] | 31.12.2017 | 31.12.2018 | 31.12.2019 |
|-----|-------------------------------|------------|------------|------------|
| 1 | Net sales | 251,993 | 257,709 | 245,772 |
| 2 | Total income | 276,918 | 286,509 | 281,522 |
| 3 | Total expenses | 278,484 | 290,627 | 284,139 |
| 4 | Net profit of the year | (1,566) | (4,117) | (2,617) |
| 5 | Profit attributable to parent | (1,492) | (4,048) | (2,586) |

ACTIVITY OF THE GROUP OF COMPANIES

The evolution of the subsidiaries' contribution to the consolidated net profit of the group in 2019 is presented in the table below:

| Company | Net profit/loss (thousand lei) | Attributable to parent | Attributable to NCI |
|----------------------------|-----------------------------------|---------------------------|------------------------|
| Romcarbon SA | 370 | 370 | - |
| Living Jumbo Industry SA | (3,154) | (3,150) | (5) |
| RC Energo Install SRL | 305 | 305 | - |
| Infotech Solutions SRL | 78 | 78 | 1 |
| Grinfild Ukraine | - | - | - |
| Grinruh Ukraine | - | - | - |
| Recyplat Ltd Cyprus | (15) | (15) | - |
| Romcarbon Deutschland GmbH | - | - | - |
| Eco Pack Management SA | (75) | (74) | (1) |
| Project Advise SRL | (12) | (12) | - |
| Consolidation adjustments | (116) | (88) | (27) |
| Total | (2,617) | (2,586) | (31) |

Note: Consolidation adjustments include the elimination of intra-group transactions, the shareholders' profit share (Romgreen, Yenki).

FINANCIAL STATEMENTS

A.) STATEMENTS OF THE FINANCIAL POSITION

KRON

| Indicator | 31/12/2017 | 31/12/2018 | 31/12/2019 | 2019 vs. 2018 | |
|--|----------------|----------------|----------------|---------------|-----------------|
| Property, plant and equipment | 183,416 | 172,357 | 157,094 | -15,263 | ▼ -8.86% |
| Investment property | 49,859 | 18,034 | 13,432 | -4,602 | ▼ -25.52% |
| Goodwill | 143 | 143 | 143 | 0 | — 0.00% |
| Other intangible assets | 227 | 90 | 308 | 218 | ▲ 242.22% |
| Investments in associates | 28,752 | 27,103 | 27,034 | -69 | ▼ -0.25% |
| Financial assets | 197 | 197 | 197 | 0 | — 0.00% |
| Total non-current assets | 262,594 | 217,924 | 198,208 | 19,716 | ▼ -9.05% |
| Inventories | 38,234 | 36,548 | 45,929 | 9,381 | ▲ 25.67% |
| Assets classified as held for sale | 0 | 16,000 | 6,873 | -9,127 | ▼ -57.04% |
| Trade and other receivables | 36,237 | 30,295 | 34,461 | 4,166 | ▲ 13.75% |
| Other current financial assets | 0 | 0 | 2,390 | 2,390 | ▲ |
| Other current assets | 591 | 1,001 | 1,472 | 471 | ▲ 47.05% |
| Cash and bank balances | 5,997 | 9,791 | 9,764 | -27 | ▼ -0.28% |
| Total current assets | 81,059 | 93,636 | 100,889 | 7,253 | ▲ 7.75% |
| Total assets | 343,653 | 311,560 | 299,097 | 12,463 | ▼ -4.00% |
| Issued capital | 26,412 | 26,412 | 26,412 | 0 | — 0.00% |
| Share premium | 2,182 | 2,182 | 2,182 | 0 | — 0.00% |
| Reserves | 38,272 | 38,677 | 38,749 | 72 | ▲ 0.19% |
| Retained earnings | 79,571 | 74,357 | 71,310 | -3,047 | ▼ -4.10% |
| Equity attributable to equity holders of the parent | 146,438 | 141,629 | 138,654 | -2,975 | ▼ -2.10% |
| Non-controlling interests | 1,007 | 939 | 907 | -32 | ▼ -3.41% |
| Total Equity | 147,445 | 142,568 | 139,561 | -3,007 | ▼ -2.11% |
| Borrowings [Long-term] | 51,589 | 37,241 | 23,504 | -13,737 | ▼ -36.89% |
| Long term finance leases and other interest bearing obligations | 0 | 24 | 9 | -15 | ▼ -62.50% |
| Deferred tax liabilities | 10,758 | 8,902 | 8,364 | -538 | ▼ -6.04% |
| Non-current provisions | 264 | 285 | 249 | -36 | ▼ -12.63% |
| Deferred income | 31,250 | 27,301 | 23,507 | -3,794 | ▼ -13.90% |
| Total non-current liabilities | 93,861 | 73,753 | 55,633 | 18,120 | ▼ 24.57% |
| Trade and other payables | 38,670 | 34,353 | 35,231 | 878 | ▲ 2.56% |
| Borrowings [Short-term] | 54,816 | 52,593 | 60,411 | 7,818 | ▲ 14.87% |
| Short term finance leases and other interest bearing obligations | 87 | 14 | 15 | 1 | ▲ 7.14% |
| Deferred revenue | 4,058 | 3,998 | 3,881 | -117 | ▼ -2.93% |
| Other current liabilities | 4,717 | 4,282 | 4,365 | 83 | ▲ 1.94% |
| Total current liabilities | 102,348 | 95,240 | 103,903 | 8,663 | ▲ 9.10% |
| Liabilities | 196,209 | 168,993 | 159,536 | -9,457 | ▼ -5.60% |
| Equity and Liabilities | 343,653 | 311,560 | 299,097 | 12,463 | ▼ -4.00% |

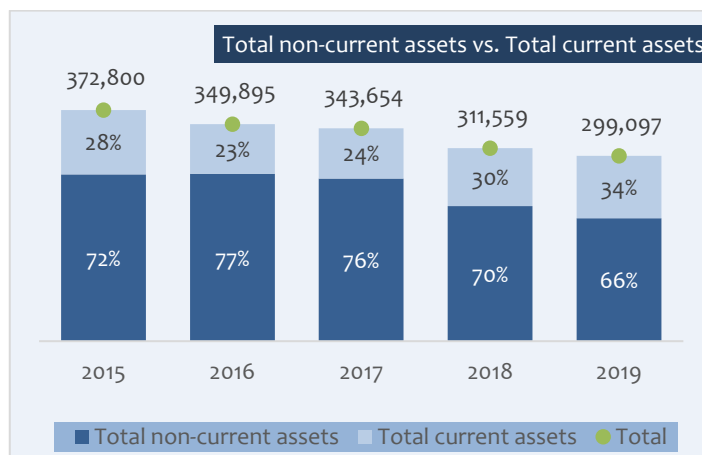
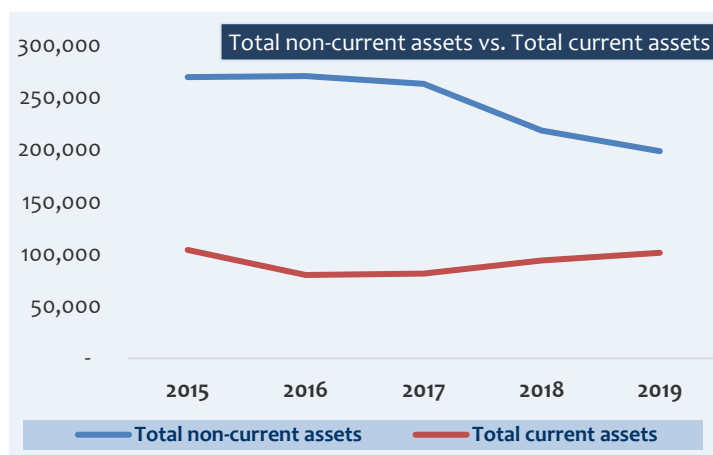
| | 2017 | 2018 | 2019 |
|--------------------------|-------|-------|-------|
| Average no. of employees | 1,672 | 1,661 | 1,569 |

The participation of the consolidated companies in the indicators of the Statement of Financial Position in 2019 is presented in the table below

| Company | Non-current assets | Current assets | Non-current liabilities | Current liabilities |
|----------------------------|--------------------|----------------|-------------------------|---------------------|
| Romcarbon SA | 163,480 | 82,714 | 34,213 | 74,927 |
| LivingJumbo Industry SA | 34,299 | 38,407 | 21,413 | 51,173 |
| RC Energo Install SRL | 375 | 8,089 | 0 | 4,730 |
| InfoTech Solutions SRL | 55 | 216 | 4 | 87 |
| Grinfeld Ucraina | 4,427 | -866 | 0 | 5 |
| Grinruh Ucraina | 1,186 | 1,008 | 0 | 7 |
| Recyplat Limited Cipru | 20,608 | 6 | 0 | 10 |
| Romcarbon Deutschland GmbH | 0 | 9 | 3 | 27 |
| Eco Pack Management SA | 115 | 183 | 0 | 1,199 |
| Project Advice SRL | 0 | 190 | 0 | 102 |
| Ajustari consolidate | -26,338 | -29,069 | 1 | -28,366 |
| Total | 198,208 | 100,888 | 55,634 | 103,903 |

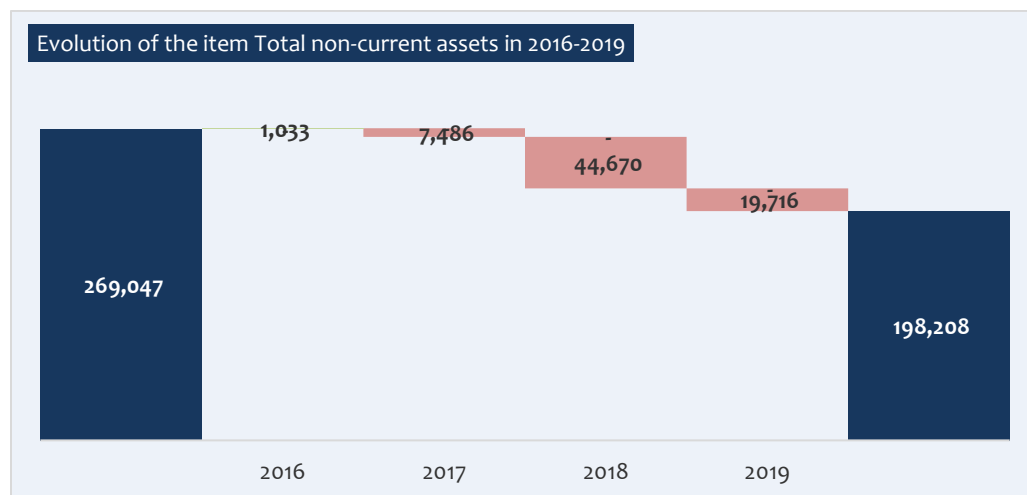
KRON

ASSETS



NON-CURRENT ASSETS

Non-current assets have a weight in Total Assets of 66.27% recording a decrease of LEI 19,716 thousand, i.e. 9.05% ,as compared with the beginning of the year.

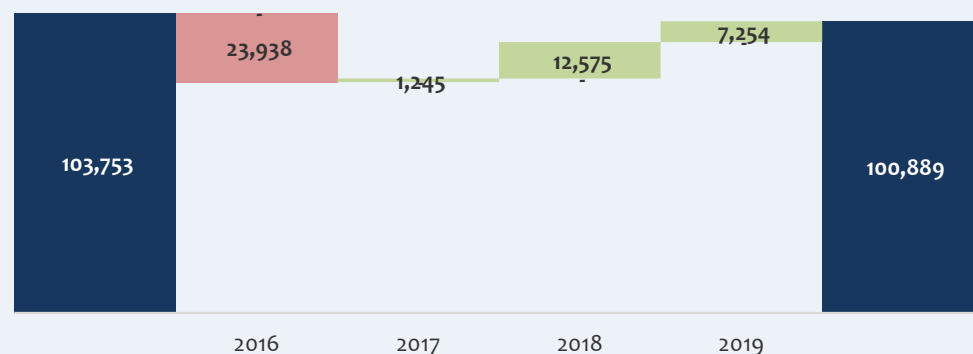


| Non-current assets(NCA) | 31/12/2019 | % in total NCA | % in total Assets | 31.12.19 vs. 31.12.18 |
|---------------------------------|----------------|----------------|-------------------|-----------------------|
| Property, plant and equipment | 157,094 | 79.26% | 52.52% | -8.86% |
| Investment property | 13,432 | 6.78% | 4.49% | -25.52% |
| Goodwill | 143 | 0.07% | 0.05% | 0.00% |
| Other intangible assets | 308 | 0.16% | 0.10% | 242.22% |
| Investments in associates | 27,034 | 13.64% | 9.04% | -0.25% |
| Financial assets | 197 | 0.10% | 0.07% | 0.00% |
| Total non-current assets | 198,208 | 100.00% | 66.27% | -9.05% |

CURRENT ASSETS

Current assets have a weight in Total Assets of 33.73% recording an increase of LEI 7,254 thousand, i.e. 7.75%, as compared with the beginning of the year.

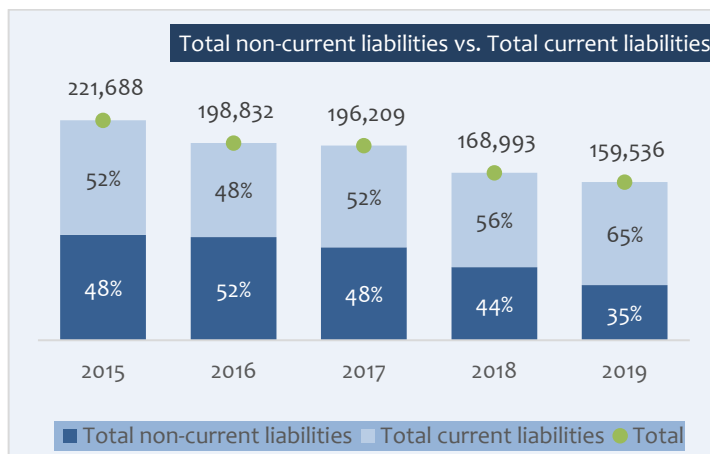
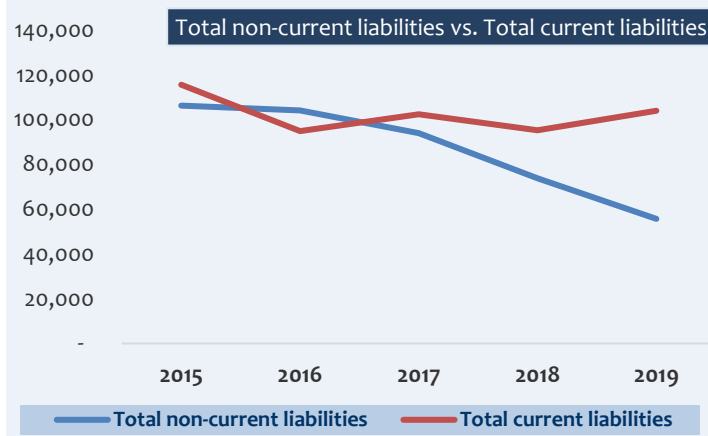
Evolution of the item Total current assets in 2016-2019

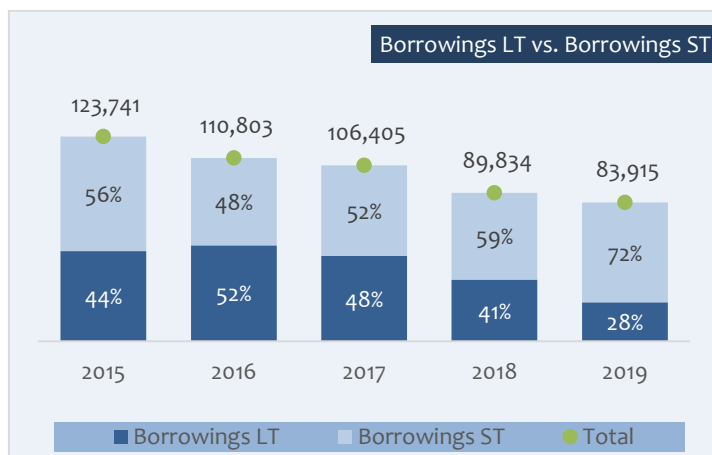
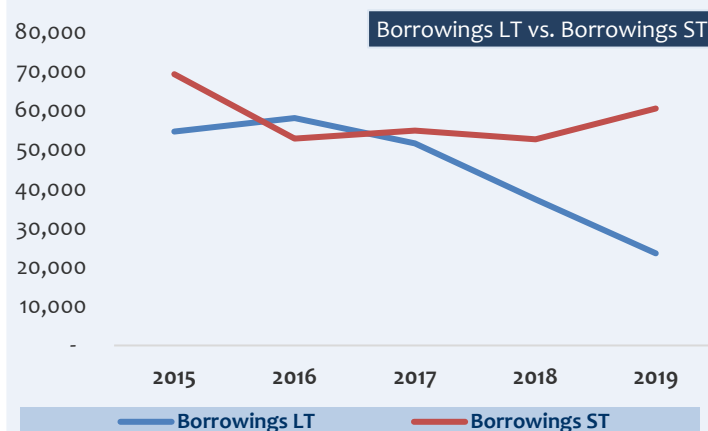


| Current assets | 31/12/2019 | % in total CA | % in Total Assets | 31.12.19 vs. 31.12.18 |
|------------------------------------|----------------|----------------|-------------------|-----------------------|
| Inventories | 45,929 | 45.52% | 15.36% | 25.67% |
| Assets classified as held for sale | 6,873 | 6.81% | 2.30% | -57.04% |
| Trade and other receivables | 34,461 | 34.16% | 11.52% | 13.75% |
| Other current financial assets | 2,390 | 2.37% | 0.80% | 0.00% |
| Other current assets | 1,472 | 1.46% | 0.49% | 47.05% |
| Cash and bank balances | 9,764 | 9.68% | 3.26% | -0.28% |
| Total current assets | 100,889 | 100.00% | 33.73% | 7.75% |

LIABILITIES

Total Liabilities hold 53.34% of the Group 's Equity&Liabilities recording a decrease of lei 9,457 thousand, i.e. 5.60%, as compared with the beginning of the year.



BORROWINGS


Short-term borrowings have the following structure :

KRON

| Company | Type | 31.12.2017 | 31.12.2018 | 31.12.2019 |
|-------------------------|--|---------------|---------------|---------------|
| LivingJumbo Industry SA | Investment loan in euro-BRD [I] | 186 | 187 | 59 |
| LivingJumbo Industry SA | Linie credit in euro- UniCredit Bank SA | 0 | 0 | 0 |
| LivingJumbo Industry SA | Linie credit in euro - BRD | 8,853 | 8,417 | 8,544 |
| LivingJumbo Industry SA | Investment loan in euro - Proiect CCE 2015 - UniCredit Bank SA | 3,144 | 3,147 | 3,225 |
| LivingJumbo Industry SA | Investment loan in euro [2015]-UniCredit Bank SA | 404 | 405 | 415 |
| LivingJumbo Industry SA | Investment loan in euro-BRD [II] | 502 | 502 | 514 |
| Romcarbon SA | Credit line in euro - BRD | 10,979 | 11,644 | 12,088 |
| Romcarbon SA | Credit line in euro - UniCredit Bank SA | 21,828 | 20,447 | 25,298 |
| Romcarbon SA | Credit line in euro - UniCredit Bank SA | 0 | 0 | 0 |
| Romcarbon SA | Investment loan in euro-BRD [I] | 408 | 0 | 0 |
| Romcarbon SA | Investment loan in euro-BRD [II] | 582 | 583 | 597 |
| Romcarbon SA | Investment loan in euro-BRD [III] | 2,099 | 736 | 754 |
| Romcarbon SA | Investment loan in euro - Proiect CCE 2015 - UniCredit Bank SA | 2,027 | 2,029 | 2,079 |
| Romcarbon SA | Investment loan in euro-UniCredit [I] | 500 | 500 | 0 |
| Romcarbon SA | Investment loan in euro-UniCredit [II] | 306 | 306 | 306 |
| Romcarbon SA | Investment loan in euro-UniCredit [III] | 527 | 527 | 540 |
| Romcarbon SA | Investment loan in euro-UniCredit [IV] | 1,078 | 1,078 | 1,548 |
| Romcarbon SA | Investment loan in euro-UniCredit [V] | 369 | 532 | 1,241 |
| Romcarbon SA | Investment loan in lei I - Eximbank SA | 1,024 | 1,024 | 1,024 |
| Romcarbon SA | Investment loan in lei II - Eximbank SA | 0 | 531 | 597 |
| RC Energo Install SRL | Credit line - Eximbank SA | 0 | 0 | 332 |
| RC Energo Install SRL | Credit for current activity - Eximbank SA | 0 | 0 | 1,250 |
| Total | | 54,816 | 52,593 | 60,411 |

Long-term borrowings have the following structure :

| Company | Type | 31.12.2017 | 31.12.2018 | 31.12.2019 |
|-------------------------|--|------------|------------|------------|
| LivingJumbo Industry SA | Investment loan in euro-BRD [I] | 97 | 31 | 49 |
| LivingJumbo Industry SA | Investment loan in euro-BRD [II] | 1,797 | 1,297 | 814 |
| LivingJumbo Industry SA | Investment loan in euro [2015]-UniCredit Bank SA | 15,325 | 12,192 | 9,268 |
| LivingJumbo Industry SA | Investment loan in euro - Proiect CCE 2015 - UniCredit Bank SA | 1,458 | 1,054 | 666 |
| Romcarbon SA | Investment loan in euro-BRD [I] | 2,232 | 1,651 | 1,095 |
| Romcarbon SA | Investment loan in euro-BRD [II] | 6,472 | 1,533 | 817 |

S.C. ROMCARBON SA.- ADMINSTRATORS' REPORT

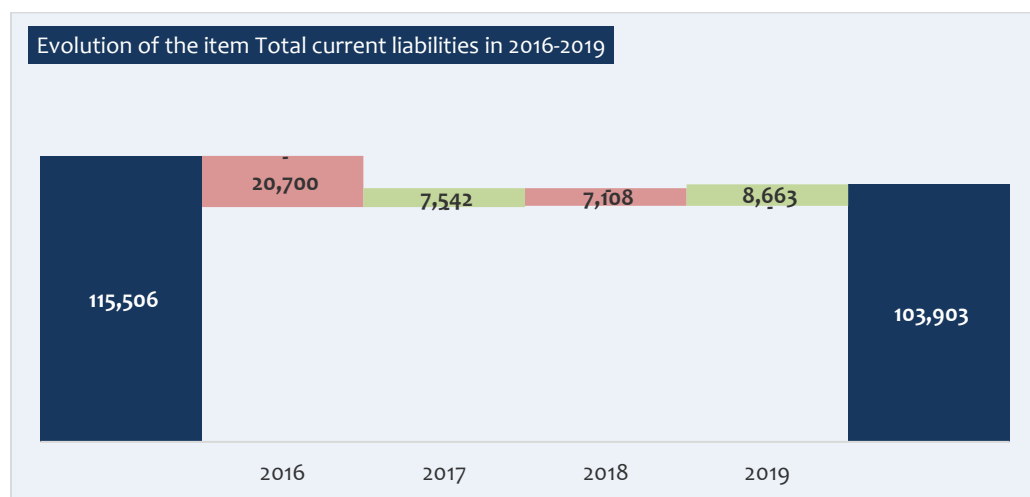
| Company | Type | 31.12.2017 | 31.12.2018 | 31.12.2019 |
|--------------|---|---------------|---------------|---------------|
| Romcarbon SA | Investment loan in euro-UniCredit [I] | 2,290 | 1,790 | 0 |
| Romcarbon SA | Investment loan in euro-UniCredit [II] | 842 | 536 | 230 |
| Romcarbon SA | Investment loan in euro-UniCredit [III] | 1,448 | 922 | 405 |
| Romcarbon SA | Investment loan in euro-UniCredit [IV] | 3,234 | 2,156 | 608 |
| Romcarbon SA | Investment loan in euro-UniCredit [V] | 1,200 | 1,241 | 0 |
| Romcarbon SA | Investment loan in lei I - Eximbank SA | 3,583 | 2,559 | 1,536 |
| Romcarbon SA | Investment loan in lei II - Eximbank SA | 906 | 1,592 | 1,194 |
| Romcarbon SA | Investment loan in euro - Proiect CCE 2015 - UniCredit Bank SA | 10,705 | 8,686 | 6,822 |
| Total | | 51,589 | 37,241 | 23,504 |

The installments of the investment loans due within 12 months are recognized as Short term loans.

These loans are guaranteed by mortgages on land and plants, pledges on equipment and inventories, security mortgage on current bank accounts, receivables assignments.

CURRENT LIABILITIES

Current liabilities of the Group have a weight in Total Liabilities of 65.13% and in Total Equity and Liabilities of 34.74% recording an increase of LEI 8,663 thousand, i.e. 9.10%, as compared with the beginning of the year.



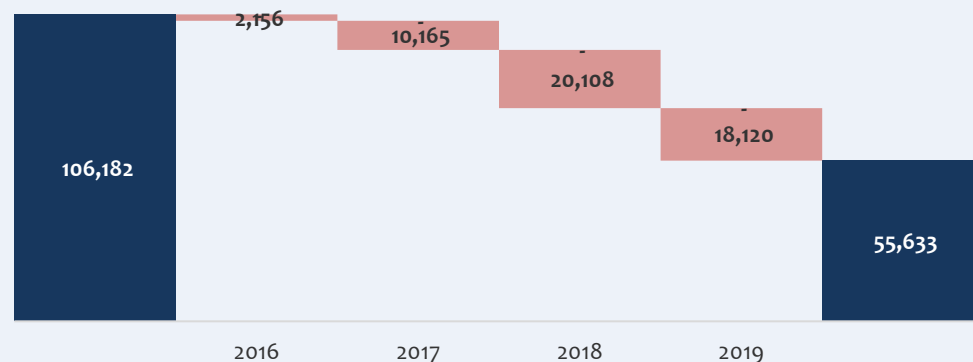
| Current liabilities | 31/12/2019 | % in total liabilities | % in Total current liabilities | % in Total liabilities and Equity | 31.12.19 vs. 31.12.18 |
|--|----------------|------------------------|--------------------------------|-----------------------------------|-----------------------|
| Trade and other payables | 35,231 | 22.08% | 33.91% | 11.78% | 2.56% |
| Borrowings [Short-term] | 60,411 | 37.87% | 58.14% | 20.20% | 14.87% |
| Short term finance leases and other interest bearing obligations | 15 | 0.01% | 0.01% | 0.01% | 7.14% |
| Deferred revenue | 3,881 | 2.43% | 3.74% | 1.30% | -2.93% |
| Other current liabilities | 4,365 | 2.74% | 4.20% | 1.46% | 1.94% |
| Total current liabilities | 103,903 | 65.13% | 100.00% | 34.74% | 9.10% |

NON-CURRENT LIABILITIES

Non-current liabilities

have a weight in Total Equity and Liabilities of 18.60% recording a decrease of LEI 18,120 thousand, i.e. 24.57%, as compared with the beginning of the year.

Evolution of the item Total non-current liabilities in 2016-2019



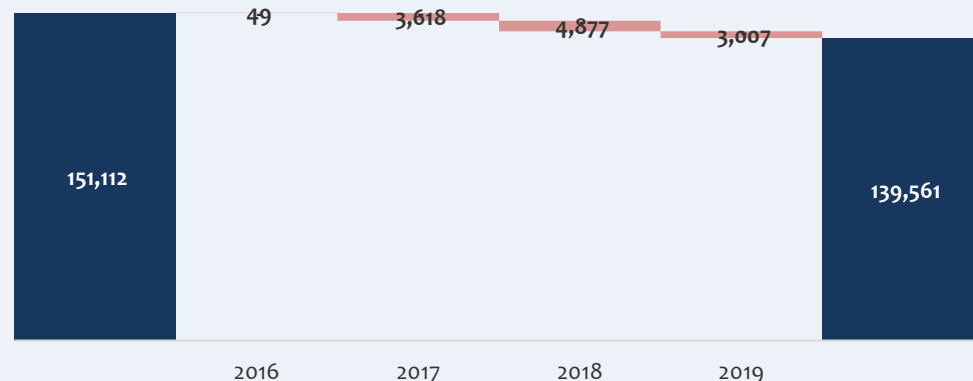
| Non-current liabilities | 31/12/2019 | % in total liabilities | % in Total current liabilities | % in Total liabilities and Equity | 31.12.19 vs. 31.12.18 |
|---|---------------|------------------------|--------------------------------|-----------------------------------|-----------------------|
| Borrowings [Long-term] | 23,504 | 14.73% | 42.25% | 7.86% | -36.89% |
| Long term finance leases and other interest bearing obligations | 9 | 0.01% | 0.02% | 0.00% | -62.50% |
| Deferred tax liabilities | 8,364 | 5.24% | 15.03% | 2.80% | -6.04% |
| Non-current provisions | 249 | 0.16% | 0.45% | 0.08% | -12.63% |
| Deferred income | 23,507 | 14.73% | 42.25% | 7.86% | -13.90% |
| Total non-current liabilities | 55,633 | 34.87% | 100.00% | 18.60% | -24.57% |

EQUITY

The Equity

have a weight in Total Equity and Liabilities of 46.66% recording a decrease of LEI 3,007 thousand, i.e. 2.11%, as compared with the beginning of the year.

Evolution of the item Total equity in 2016-2019



| Equity | 31/12/2019 | 31.12.19 vs. 31.12.18 |
|--|----------------|--------------------------|
| Issued capital | 26,412 | 0.00% |
| Share premium | 2,182 | 0.00% |
| Reserves | 38,749 | 0.19% |
| Retained earnings | 71,310 | -4.10% |
| Equity attributable to equity holders of the parent | 138,654 | -2.10% |
| Non-controlling interests | 907 | -3.41% |
| Total Equity | 139,561 | -2.11% |

B.) STATEMENT OF THE COMPREHENSIVE INCOME

| | 2017 | 2018 | 2019 | | 2019 vs.2018 |
|---|----------------|----------------|----------------|---|-------------------|
| Revenue | 251,993 | 257,709 | 245,772 | ▼ | (11,937) -5% |
| Other income | 3,987 | 3,982 | 3,961 | ▼ | (21) -1% |
| Investment income | 2,430 | 2,312 | 2,942 | ▲ | 630 27% |
| Raw materials and consumables used | (166,870) | (165,723) | (155,174) | ▼ | 10,549 -6% |
| Changes in inventories of finished goods and work in progress | 5,600 | 1,347 | 6,251 | ▲ | 4,904 364% |
| Employee benefits expenses and social charges | (61,681) | (64,806) | (67,409) | ▲ | (2,603) 4% |
| Other expenses | (18,550) | (21,049) | (19,729) | ▼ | 1,320 -6% |
| Other gains and losses | 126 | 3,304 | 117 | ▼ | (3,187) -96% |
| Depreciation and amortisation expenses | (16,226) | (17,112) | (16,304) | ▼ | 808 -5% |
| Finance costs | (2,607) | (2,925) | (2,702) | ▼ | 223 -8% |
| Gain recognized on disposal of interest in former associate | 1,457 | (1,344) | (68) | ▼ | 1,276 -95% |
| Profit (loss) before tax | (341) | (4,305) | (2,343) | ▼ | 1,962 -46% |
| Income tax expense | (1,224) | 189 | (274) | ▲ | (463) -245% |
| Profit (loss) of the year | (1,565) | (4,117) | (2,617) | ▼ | 1,500 -36% |
| Owners of the parent company | (1,492) | (4,048) | (2,586) | ▼ | 1,462 -36% |
| Non-controlling interests | (74) | (69) | (31) | ▼ | 38 -55% |
| Profit/loss of the period | (1,566) | (4,117) | (2,617) | ▼ | 1,500 -36% |
| Exchange difference on translating foreign operations | (76) | (65) | 1 | ▼ | 66 -102% |
| Increase frm revaluation of land and buildings | - | - | 760 | — | 760 |
| Deferred tax allocated to the comprehensive income | - | 1,276 | 74 | ▼ | (1,202) -94% |
| Comprehensive profit/loss, attributable to: | (1,642) | (2,906) | (1,783) | ▼ | 1,123 -39% |
| Owners of the parent company | (1,492) | (2,837) | (1,752) | ▼ | 1,085 -38% |
| Non-controlling interests | (150) | (69) | (31) | ▼ | 38 -55% |

C.) REVENUE

The participation of the consolidated subsidiaries in obtaining the item "Revenues (Net Sales)", in the reporting period is presented in the below table:

| Company | 2017 [KRON] | % in total | 2018 [KRON] | % in total | 2019 [KRON] | % in total | 2019 vs.2018 |
|-----------------------------|----------------|---------------|----------------|----------------|----------------|----------------|-----------------|
| Romcarbon SA | 195,141 | 67.39% | 198,461 | 67.06% | 183,857 | 65.05% | -7.36% |
| LivingJumbo Industry SA | 82,571 | 28.52% | 87,293 | 29.50% | 90,781 | 32.12% | 4.00% |
| RC Energo Install SRL | 10,458 | 3.61% | 8,606 | 2.91% | 7,034 | 2.49% | -18.27% |
| Eco Pack Management SA | 3 | 0.00% | 2 | 0.00% | - | 0.00% | -100.00% |
| Info Tech Solutions SRL | 1,269 | 0.44% | 1,583 | 0.53% | 977 | 0.35% | -38.28% |
| Project Advice SRL | 119 | | 8 | | - | | |
| Total, out of which: | 289,560 | 99.96% | 295,953 | 100.00% | 282,649 | 100.00% | -4.50% |
| Within the group | 37,567 | 12.97% | 38,244 | 12.92% | 36,877 | 13% | -3.58% |
| Outside the group | 251,993 | 87.03% | 257,709 | 87.08% | 245,772 | 87% | -4.63% |

In the reporting period the item «Revenues» have the following structure:

| Revenues (Net sales) | 2017 | % in total | 2018 | % in total | 2019 | % in total | 2019 vs.2018 |
|-------------------------------------|----------------|-------------|----------------|-------------|----------------|-------------|---------------|
| Sales of finished goods (701+709) | 201,488 | 80% | 215,451 | 84% | 213,204 | 87% | -1.04% |
| Sales of intermediary goods | 15,941 | 6% | 14,532 | 6% | 11,994 | 5% | -17.47% |
| Sales of residual products | 64 | 0% | 378 | 0% | 326 | 0% | -13.84% |
| Services rendered | 7,160 | 3% | 3,691 | 1% | 2,787 | 1% | -24.47% |
| Sales of goods purchased for resale | 26,633 | 11% | 23,047 | 9% | 16,873 | 7% | -26.79% |
| Revenues from sundry services | 706 | 0% | 610 | 0% | 588 | 0% | -3.62% |
| Total | 251,993 | 100% | 257,709 | 100% | 245,772 | 100% | -4.63% |

D.) STATEMENT OF THE CASH-FLOW

| Items | 2017 | 2018 | 2019 |
|--|---------------|----------------|----------------|
| Gross profit / (loss) for the year | (341) | (4,305) | (2,343) |
| Finance expenses recognized in profit | 2,607 | 2,925 | 2,702 |
| (Gain) / Loss on sale or disposal of fixed assets | 436 | (52) | 336 |
| (Gain) / Loss on sale or disposal of investment property | (2,386) | (2,710) | (186) |
| (Gain) / Loss on sale or disposal of assets hold for sales | - | - | (186) |
| Income from dividends | - | - | (6) |
| Income from interests | - | - | (6) |
| Loss on impairment of stocks | 349 | - | - |
| Loss on impairment of trade receivables | (343) | 32 | 112 |
| Loss on time-barred receivables | 166 | 207 | 4 |
| Loss on impairment of goodwill | - | - | - |
| Loss on impairment of property, plant and equipment | 1,186 | - | - |
| Amortization / Depreciation of non-current assets | 16,226 | 16,356 | 16,304 |
| Net (gain) / loss on foreign exchange | (28) | 10 | (206) |
| (Gain) / Loss on investment | (26) | (5) | - |
| (Gain) / Loss on revaluation of fixed assets | - | - | 96 |
| (Gain) / Loss on revaluation of investment property | (1,490) | (308) | 430 |
| (Gain) / Loss on revaluation of assets held for sale | - | 757 | (71) |
| (Gain) / Loss from short-term investments | - | - | - |
| (Gain) / Loss on share of profit of associates | (539) | 1,584 | 68 |
| Increase / Decrease in provisions | (1) | 21 | - |
| Increases in subsidies | (3,987) | (3,982) | (3,794) |
| | | - | - |
| Movements in working capital | | | |
| (Increase) / Decrease in trade and other receivables | (6,331) | 5,704 | (4,282) |
| (Increase) / Decrease in inventories | (1,412) | 1,685 | (9,380) |
| (Increase) / Decrease in other assets | 781 | (410) | (2,861) |
| Increase / (Decrease) in trade and other payables | 7,482 | (4,540) | 842 |
| Increase / (Decrease) in other payables | 2,726 | (461) | (38) |
| Cash generated from operations | 15,075 | 12,508 | (2,273) |
| Interest paid | (2,336) | (2,518) | (2,100) |
| Income tax paid | (240) | (146) | (734) |
| Bank commissions paid | (271) | (408) | (603) |
| Net cash generated by operating activities | 12,228 | 9,436 | (5,710) |

| Items | 2017 | 2018 | 2019 |
|--|-----------------|-----------------|----------------|
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | (12,108) | (5,244) | (3,710) |
| Payments for intangible assets | | | |
| Proceeds from disposal of property, plant and equipment | 1,824 | 136 | 161 |
| Proceeds from subsidies | - | - | |
| Proceeds from investments in associates | - | - | |
| Acquisition of subsidiaries | - | - | |
| Payments for investment property | - | - | |
| Proceeds from sale of investment property | - | 18,086 | (23) |
| Interest received | 26 | 5 | 6 |
| Dividends received | - | - | |
| Incasari din vanzarea de active detinute spre vanzare | | | 16,186 |
| Net cash (used in)/generated by investing activities | (10,258) | 12,983 | 12,620 |
| Cash flows from financing activities | | | |
| (Repayment) / Drawings of borrowings | (4,400) | (16,569) | (5,919) |
| Lease payments | (1,110) | (49) | (13) |
| Dividends paid for non-controlling interest | (2,007) | (2,007) | (1,005) |
| Net cash (used in)/generated in financing activities | (7,517) | (18,625) | (6,937) |
| Net increase in cash and cash equivalents | (5,547) | 3,794 | (27) |
| Cash and cash equivalents at the beginning of the year | 11,544 | 5,997 | 9,791 |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | - | - | - |
| Cash and cash equivalents at the end of the year | 5,997 | 9,791 | 9,764 |

E.) FINANCIAL RATIOS

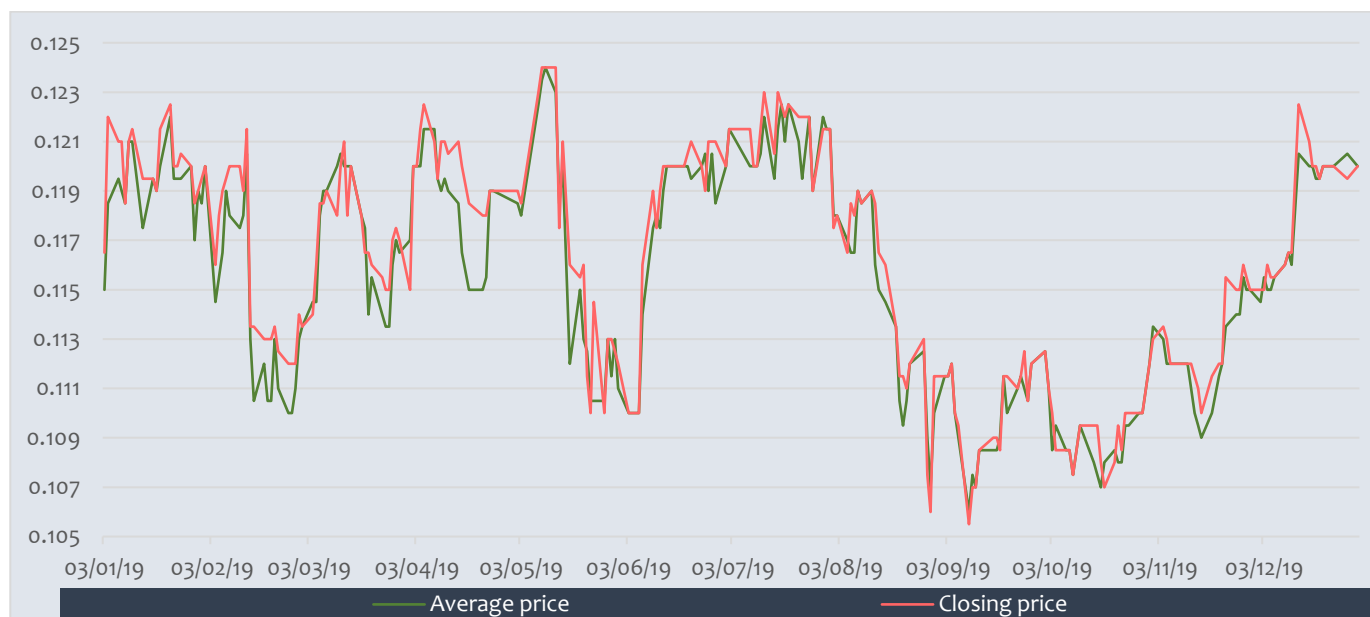
| Indicator | Formula | 2017 | 2018 | 2019 |
|---|---|----------|----------|----------|
| EBIT | Gross profit + Expenses with interests | 1,994 | (1,788) | (243) |
| EBITDA | EBIT + Depreciation-Subsidies for investment | 14,234 | 10,585 | 12,097 |
| Sales | Revenue + Rental and royalty income | 254,397 | 260,016 | 248,708 |
| EBITDA to sales ratio | EBITDA/Sales | 5.60% | 4.07% | 4.86% |
| EBITDA to Equity ratio | EBITDA/Equity | 9.65% | 7.42% | 8.67% |
| Gross profit margin | Gross profit/Sales | -0.13% | -1.66% | -0.94% |
| Current ratio | Current assets/Current liabilities | 0.79 | 0.98 | 0.97 |
| Quick ratio | (Current assets- Inventories)/Current liabilities | 0.42 | 0.60 | 0.53 |
| Non-current liabilities to Equity ratio | Non-current liabilities/Equity | 64% | 52% | 40% |
| Total liabilities to Assets ratio | Total liabilities/Total Assets | 57% | 54% | 53% |
| Interest coverage ratio | EBIT/Interest expenses | 0.85 | (0.71) | (0.12) |
| Account receivable turnover ratio | Average receivables/Sales (days) | 47 | 46 | 47 |
| Account payable turnover ratio | Average payables/Sales (days) | 51 | 51 | 50 |
| Return on assets (ROA) | Net profit/Assets | -0.4557% | -1.3214% | -0.8750% |
| Return on equity (ROE) | Net profit/Equity | -1.0621% | -2.8877% | -1.8752% |
| Return on sales (ROS) | Net profit/Sales | -0.6156% | -1.5834% | -1.0522% |

STRUCTURE OF SHAREHOLDERS

As at 31.12.2019 the SC Romcarbon SA shareholders' structure, according to Depozitarul Central SA was as follows:

| Shareholder | Number of shares | % ownership |
|--|--------------------|----------------|
| LIVING PLASTIC INDUSTRY S.R.L. loc. BUZAU jud. BUZAU | 86,774,508 | 32.85% |
| JOYFUL RIVER LIMITED loc. NICOSIA CYP | 54,195,089 | 20.52% |
| ALTE PERSOANE JURIDICE | 19,038,452 | 7.21% |
| ALTE PERSOANE FIZICE | 104,114,047 | 39.42% |
| Total | 264,122,096 | 100.00% |

Evolution of the price of Romcarbon SA shares in 2019.



*
* *

INTERNAL CONTROL

Internal control aims at ensuring a rigorous and effective management of the Group's activity through the adoption by the Group's member companies 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, the Civil Code.

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

The Boards of Administration are independent of the management at the organization and their members are involved in management activities, which they supervise carefully. The Boards of Administration of the Group's member companies delegates to the managers responsibilities regarding internal control and make systematic and independent assessments of the internal control system established by management.

Internal (financial) audit has an assistance function that must ensure management that each of the companies' internal procedures are implemented and adhered to by all departments involved.

Regular or permanent check and assessment according to the Program approved by each of the Group companies' 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.

Each of the Group companies' 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 Group 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 Group member companies' 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 each Group member company, 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.

THE GROUP'S OBJECTIVES AND POLICIES REGARDING RISK MANAGEMENT

The parent company implemented risk management in accordance with 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.

Capital risks

The management of the Group's risk also consists in a regular review of the capital structure. The Group will balance the general structure of its capital by dividend payment, issuance of new shares and redemption of shares.

Financial risks

The Group'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 Group's operations through reports on internal risks, analyzing exposure by the degree and extent of risks.

Liquidity risk

Liquidity risk, also called funding risks, is the risk for a company to face difficulties in raising funds to fulfill its commitments associated to the financial instruments.

The ultimate responsibility for liquidity risk management rests with the Board of Administration, which has built a proper liquidity risk management framework regarding the Group funds' short, medium and long term insurance and the liquidity management requirements. The Group 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.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group 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 Group's exposure and the credit ratings of its contractual counterparties.

Market risk

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.

NON-FINANCIAL DECLARATION

1. GROUP PROFILE
2. POLICY ON QUALITY
3. POLICY ON ENVIRONMENTAL PROTECTION
4. POLICY ON OCCUPATIONAL HEALTH AND SAFETY
5. ENERGY STRATEGIES
6. SOCIAL AND EMPLOYEE-RELATED POLICY
7. BUSINESS ETHICS, VALUES, FIGHT AGAINST CORRUPTION
8. CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY POLICIES
9. DECLARATION ON PREVENTIVE MEASURES TAKEN TO COUNTERACT THE SPREAD OF CORONAVIRUS (COVID - 19)

This non-financial declaration contains information through which the management of the Group wishes to communicate transparently to the interested parties represented by business partners, employees, investors, the local community in general and any other interested parties the actions undertaken by the two production companies of the Group (ROMCARBON SA and Livingjumbo Industry SA) in terms of continuous improvement of product quality, environmental protection, occupational health and safety, personnel and social issues, social responsibility, ethics and business integrity and the prevention and fight against corruption.

1. Group Profile

Romcarbon Group consists of companies that produce: (i) plastic packaging products, waste recycling (Romcarbon SA and Livingjumbo Industry SA), (ii) plumbing, heating and air conditioning services and works (RC Energo Install SRL), (iii) business and business consulting services (Recyplat LTD), (iv) information technology services (InfoTech Solutions SRL).

The main production companies of the Group are Romcarbon SA and Livingjumbo Industry SA, owning 73% and 15% of the total fixed assets.

This statement of Romcarbon Group refers especially to the two companies with a production profile that hold the largest share in Romcarbon Group, the other companies / subsidiaries having as their object the provision of services specialized in different fields.

The Group's total assets per company in 2019 are as follows: Romcarbon SA (69%), Livingjumbo Industry SA (21%), Recyplat LTD (6%), RC Energo Install SRL (2%).

The areas in which the Group operates are:

- processing of plastics (polyethylene, polystyrene, polypropylene, PET, PVC - Romcarbon SA and Livingjumbo Industry SA);
- recycling of plastic products (Romcarbon SA);
- other productive activities (production of filters for motor vehicles and industrial filters, production of masks for respiratory protection - Romcarbon SA);
- other activities (RC Energo Install SRL, Recyplat LTD, Info Tech Solutions SRL, Eco Pack Management SA, Grinfield Ukraine, Grinruh Ukraine, Romcarbon Deutschland GmbH and Project Advice SRL).

The revenue distribution by field of activity in 2019 was as follows:

- plastics processing (polyethylene, polystyrene, polypropylene, PET, PVC): 78% (75% in 2018);
- recycling of plastic products: 13% (13% in 2018);
- other productive activities (production of filters for motor vehicles and industrial filters, production of respiratory protection masks): 2% (3% in 2018);
- other activities: 7% (14% in 2018).

The distribution of assets by field of activity in 2019 was the following:

- plastic processing (polyethylene, polystyrene, polypropylene, PET, PVC): 47% (44% in 2018);
- recycling of plastic products: 29% (29% in 2018);
- other productive activities (production of filters for cars and industrial filters, production of masks for respiratory protection): 2% (1% in 2018);
- other activities: 22% (26% in 2018).

Parent company Romcarbon SA is a well-known organization on the Romanian and European markets as traditional plastics processor. With 65 years of experience in the processing of polyethylene, polypropylene, PVC and polystyrene packaging, Romcarbon has the reputation of one of the leading plastic packaging manufacturers in Romania and one of the largest employers in Buzau county, currently having about 1000 employees. The organization has operating work points in Bucharest, Stefanesti and Iasi.

Livingjumbo Industry SA is a well-known organization on the Romanian and European markets as a plastic processor in the field of polypropylene packaging.

Beginning in 2002 with the production of flexible packaging (big-bag type), Livingjumbo Industry SA has steadily expanded its capacity - both quantity and assortment - and in 2016 opened a new production sector, that of rigid PET film foils / trays and multilayer barrier films for food packaging. The important investment in the new sector was made taking into account the clear trend on the market for this type of packaging, both in terms of the characteristics of extending the shelf life of products and saving and recycling materials.

The sectors in which the company operates are:

- Polypropylene processing: thread extrusion, weaving and packaging production, the products sold are: flexible containers (big-bag type) in various constructive versions, for bulk packing up to 2000 kg, fabric, thread, string, strap
- PET processing: extrusion and thermoforming, the products sold are rigid thermoforming foils, rolled and un laminated, and trays for modified, transparent and colorful packaging.
- Flexible multilayer film (9 layers) PET sealant barrier seal for fill-form-seal and flow-pack

As of September 2011, Livingjumbo Industry SA is part of Romcarbon Group.

Being aware of the environmental impact of the packaging, we introduce on the market and also because we want to support Romania in meeting the recovery and recycling targets for packaging waste, Romcarbon Group fulfills its recycling obligations through authorized companies for the purpose of taking over the responsibilities of economic operators who place packaging on the market.

Present over the last decade in the green industry through investments made as shareholders in some of the largest waste treatment and recycling plants in central and south-eastern Europe, our Group, through Romcarbon SA, finalized in mid-2012 its investment in the most modern plastic waste recycling plant in Romania, naturally born out of the need to assimilate a technology that integrates and closes the recycling of waste.

The Group's mission is to deliver eco-efficient plastic packaging to serve different industrial and agricultural fields and to close the circle by recycling the resulting plastic waste, turning them into secondary raw materials. The company processes both its own waste and waste on the domestic and foreign markets.

The products manufactured and sold by the Group are in principle single-use packaging for the food industry and with possible multiple uses for the non-food industry. The end-user delivers the used products as waste to collection companies. At the moment, there is no alternative packaging on the market to replace the PP, PE, PSE, PET packaging we produce, so their life cycle is difficult to quantify and is valid until other methods, similar technologies appear.

The production activity of the Group is carried out through Romcarbon SA with 4 sectors of activity, 3 production sites, auxiliary activities (warehouses, transport, maintenance, quality and laboratory) and several cost centers: departments, compartments, offices and services (commercial, legal, financial, accounting, technical investment, human resources, health and safety, emergency services, quality management, supply logistics, transport) and Livingjumbo Industry SA with 2 cost centers corresponding to the activity sectors, 4 production sections, auxiliary activities (warehouses, maintenance, quality and laboratory), departments, compartments, offices and services (commercial, legal, financial, accounting,

technical investment, human resources, health and safety, emergency situations, quality management, logistics supply, transport).

The expectations and relevant needs of stakeholders

Financial Institutions

- compliance with the civil law and the legislation specific to the field of activity of the company;
- compliance with the articles of incorporation of the company;
- compliance with contractual terms;
- responsible use of equipment and buildings subject to insurance;
- identifying and managing risks related to the production of insured events;

Financial Supervisory Authority

- compliance with capital market legislation (Law 24 / 2017);

Bucharest Stock Exchange

- compliance with capital market legislation (Law 24 / 2017);
- compliance with the provisions of the BSE Code;
- implementing the best practices manual in dealing with investors;

Financial analysts

- organizing regular meetings to present the company's strategy and financial results;

Shareholders

- compliance with the provisions of the articles of incorporation of the company, company law and capital market law;
- Group adoption of a dividend policy;
- sharing a portion of the company's profit as dividends;
- transparency about company decisions that may affect the company's stock price;
- good on-line and off-line communication with investors / shareholders (through www.romcarbon.com, as well as social networks like LinkedIn). Respecting the right to information of each shareholder;

Customers and suppliers

- requirements stipulated by the contracts / orders concluded;

Employees

- requirements under the collective employment agreement and individual employment agreements.

Central and local public authorities, control and regulators

- legislative and regulatory requirements specific to the Group's activity and location;
- authorization requirements for products in the regulated areas;
- authorizations, permits and licenses;

The analysis of the external context and of stakeholders is done taking into consideration the issues arising from the legal, technological, competitive, market, cultural, social and economic environments. All of these data were evaluated through SWOT and PESTLE analyzes. The analysis is carried out annually and the data obtained is input to management analysis.

2. Quality policy

According to ROMCARBON's strategic development direction, the Quality, Environment, Occupational Health and Safety Policy is set to track:

- continuously meeting the demands of customers, business partners and other stakeholders, legal and regulatory requirements applicable to the field of activity;
- identifying risk factors and taking actions to eliminate or mitigate risks by complying with the applicable legal requirements in the fields of health and safety at work, environmental protection, and other requirements that the organization adopts, to provide safe and secure jobs for the staff involved in the Group's activities.

- providing customers with safety and confidence in the products made and offered.

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 continuously improve its effectiveness.

The scope of activity of ROMCARBON SA is regulated for AUTO AND INDUSTRIAL FILTERS and individual respiratory protection equipment. For these products, all applicable legal and regulatory requirements are implemented and maintained, we have all the necessary authorizations and certifications.

Also, for plastic products intended for the food industry, the legal requirements in force, including Regulation (EU) no. 10/ 2011 on plastic materials and articles intended to come into contact with food, EC Regulation 1907/2006 of the European Parliament and EU Council on the registration, evaluation, authorization and restriction of chemicals (REACH), are observed.

The ISO 9001: 2015 standard is implemented to demonstrate and maintain the organization's ability to consistently deliver products that meet customer's quality requirements and the requirements of applicable regulations. By ISO 9001: 2015 the company also aims to increase customer satisfaction by effectively enforcing the system, including continuous improvement processes and ensuring compliance with customer requirements and applicable regulations.

The Group implemented ISO 14001-2015 to improve environmental performance and to keep the environmental impact under control, eliminate or minimize environmental hazards and to demonstrate compliance with legal requirements and other requirements in the field. The OH & S 18001-2007 standard has been implemented to eliminate or minimize the threat to employees and other stakeholders who may be exposed to OH & S risks associated with their activities to improve OH & S performance and to demonstrate compliance with legal requirements and other requirements in the field of OH & S to which the organization adheres.

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.

The management of LIVINGJUMBO INDUSTRY SA has pursued the development of the Integrated Management System in accordance with the requirements of the reference standards: ISO 9001: 2015, ISO 14001-2015, ISO 22000 -2005 (polypropylene sector) and BRC GLOBAL STANDARD for PACKAGING AND PACKAGING MATERIALS ISSUE 5: JULY 2015 (rigid PET film and multilayer films) and continuous improvement of its effectiveness.

Integrated Quality Management System, Environment, Food Safety is certified by a Renar accredited body, namely RINA-SIMTEX OC. The Quality Management System of LIVINGJUMBO INDUSTRY SA has been certified since 2003. The management system according to BRC GLOBAL STANDARD for PACKAGING AND PACKAGING MATERIALS ISSUE is certified by Lloyds Register since 2016.

The strategic objectives for quality

The main objectives of the Group in 2020 are:

1. Increasing profitability
 - Efficiency in the realization of offers / orders / contracts
 - Ensuring the collection on time
 - Achieving and exceeding the budgeted sales plan
 - Optimizing the budgeted sales plan in terms of costs and prices
2. Maintaining orientation towards increasing customer satisfaction by meeting their needs and expectations and offering competitive, quality products / Increasing customer satisfaction / Continuous supply of quality and safety for the customer (for food products)
 - Reduced response time to customer requests
 - Ensuring compliance with the delivery terms
 - Increasing the level of use of customer feedback
 - Ensuring compliance with customer requirements
3. Increased labor productivity compared to the previous year
 - Increasing the efficiency of labor force use
 - Providing human resources adequate for the activity
 - Providing working equipment appropriate to the activity
4. Ensuring that the SMI obtains the intended results, the processes and activities of the organization are in accordance with the documented / implemented and certified SMI and the requirements of the SMI are integrated in all the processes and activities of the organization, be they organizational or technical.
 - Maintaining SMI certification,
 - Transition to ISO 45001/2018 standard
 - Continuous improvement of the integrated management system quality, environment, occupational health and safety, according to the requirements of the reference standards: ISO 9001: 2015, ISO 14001: 2015 and OH&S 18001: 2007

The indicators related to the strategic objectives of quality, which relate to increasing customer satisfaction are as follows:

- effectiveness of customer collaboration (Percent of questionnaires returned by clients / total questionnaires sent) = 69.25%;
- number of established / implemented actions that have been identified from customer feed analysis;
- the degree of global customer satisfaction;
- number of justified complaints received from clients

In 2019, the indicators reached the established performance values with a total customer satisfaction of >90% for ROMCARBON and 95.8% for LIVINGJUMBO INDUSTRY.

| | 2018 | 2018 | 2019 |
|---------------------------------|------|------|------|
| Number of aggregated complaints | 62 | 59 | 65 |

Other indicators set for the logistics, production, and sales processes are:

- assurance of raw materials / materials / services corresponding to the activity;
- purchase order execution rate (no. of supply / no. of required supply products * 100) = 100%;
- share of non-compliant products supplied from total supply % = 0;
- making products according to the organization / customer requirements;
- compliance with requirements (no. of non-compliant products / total quantity achieved * 100);
- compliance with requirements (number of quality complaints registered monthly and annually, realised value of losses with complaints);
- degree of achievement of budgeted production (realized value / budget value * 100);
- efficient use of raw materials, consumables and utilities;
- degree of compliance with the specific consumption of raw materials (excess values / raw materials consumed);
- degree of compliance with utility consumption;
- execution of the sales program - degree of realization of the sales program (difference between the sales value and the estimated budget value > 100 000);

- timely analysis of orders and contracts - Promptness to analyze bids / orders / contracts (Number of offers / orders / contracts analyzed in 3 days / no. of offers / orders / contracts to be analyzed / month * 100) = 100%;
- ensuring observance of delivery times - Prompt delivery (no. of deliveries with overdue term / total deliveries = 0%).

All the objectives, indicators and their target performance were analyzed in the management analysis and were within the limits set in the documented procedures.

For indicators with acceptable performance, analyzes and changes have been established in the system.

Potential risks and opportunities identified

According to the requirements of the reference standards, the Group identified and assessed the main risks and opportunities existing within the Group, in a controlled and efficient manner in order to meet the objectives and laid down the control measures and actions aimed at preventing the emergence of new risks, mitigating the risks identified by the established treatment methods.

Depending on the areas in which the Group carries out its activities, the **main risks are:**

Processing of plastics (processed from polyethylene, polystyrene, polypropylene, PVC)

- personnel insufficiently specialized for new equipment brought in;
- lack of qualified personnel;
- increase of number of specialized employees around retirement age;
- some orders are small, they require frequent changes, so they cause losses;
- competition in the field;
- seasonal products;
- price fluctuations in basic raw materials;
- some of the equipment is technologically outdated;
- changes in legal requirements affecting the plastic packaging sector.

Recycling of plastic products

- high costs, logistics for large volumes (both for the acquisition of waste and storage);
- oil price fluctuations, which affect the price of virgin raw materials and may affect us in terms of selling price of recycled material;
- compound raw materials (waste);
- testing and analysis for obtaining competitive products;
- large consumption of utilities;
- large fluctuation of staff;
- no sales in all the technological process;
- the market is not yet sufficiently shaped to meet both the demand for raw materials (recycled waste) and commercialization of recycled finished product;
- it requires extensive storage space for both raw materials and finished products;
- the lack of a well-developed selective collection system upstream (poor recycling of landfill waste);

Other productive activities (production of filters for motor vehicles and industrial filters, production of masks for respiratory protection).

- the range of filters is not complete (air, oil) as required on the market;
- some developed products are already outdated;
- products require a lot of work, possibly resulting in an uncompetitive price;
- it is a highly regulated area and requires costs with homologation and approvals;
- the main raw materials are imported, they are quantity-dependent;
- large expenses with control (destructive laboratory tests);
- high competition with low cost products;
- lack of qualified personnel;
- increase of number of specialized employees around retirement age.

For all the identified risks, the order of priorities has been set in their treatment so that the residual risks are mitigated.

As a result of the measures established and implemented by the two organizations, the risks have been kept to a minimum. Effective risk control has been materialized by:

- implementation measures and compliance with documented procedures of the integrated system;
- internal audits and controls of the integrated management system with verification of compliance with documented procedures;
- providing the necessary human resources necessary for the development of the activities and processes within the two organizations.

3. Environmental Policy

In the field of environmental protection, the management of ROMCARBON SA has adopted an environmental policy specific to the activity of the two production organizations, the size and impact on the environment, which will provide the framework for establishing and analyzing the tactical and strategic environmental objectives. As a result, management has formulated guidelines that provide the framework for setting environmental objectives and targets.

The main objective of the Group is to focus all actions towards meeting the requirements of customers and all stakeholders, protecting the environment, preventing pollution and promoting a safe and healthy working environment, preventing any work accident or professional illness through:

- ensuring that the processes and activities of the organization are in accordance with the requirements of the reference standards: ISO 9001: 2015, ISO 14001, certified / implemented and certified by the maintenance, continuous improvement and certification of the Integrated Quality, Environment, Occupational Health and Safety Management System, in line with the reference standards: ISO 9001 : 2015, ISO 14001 : 2015 si OH&S 18001:2007, as well as compliance with requirements on food safety according to ISO 22000-2005, BRC GLOBAL STANDARD for PACKAGING AND PACKAGING MATERIALS ISSUE 5: JULY 2015;
- compliance with legal and regulatory requirements applicable to products and maintenance of product certifications;
- increasing the general level of compliance with legal requirements and other requirements to which Romcarbon subscribes;
- awareness of own staff and improvement of communication in order to achieve the proposed environmental performance;
- efficient use of raw materials, consumables and utilities by reducing the amount of technological waste generated, quantities of non-compliant products and consumption of utilities;
- pollution prevention - "0" environmental incidents;
- achieving environmental goals by recovering at least 60% of the amount of packaging placed on the market;
- control and monitoring of emergency situations □ "0" real emergency situations.

The indicators related to environmental strategic objectives, which concern environmental protection and pollution prevention are the following:

- preventing pollution and promoting a safe and healthy working environment;
- number of environmental incidents / accidents produced: 0;
- number of environmental complaints by stakeholders: 0;
- number of fines / warnings or other sanctions received: 0;
- preventing any possible emergency situation and ensure the ability to respond;
- emergency response capacity - ICR: 100%
- number of simulations completed / number of planned emergency simulations: 100%;
- actual emergency situations: 0;
- number of fines given by the General Inspectorate for Emergency Situations: 0.

In 2019, the indicators reached the set performance values.

All objectives, related indicators and their target performances were analyzed in the Annual Management Analysis and fell under the limits set in the documented procedures.

Environmental protection is an essential component in the management of the two organizations, representing a social, moral and legal obligation.

The environmental management system, integrated with the general management of the organization, has as main elements:

- The environmental assessment / re-assessment is documented in the specific procedure and has as main elements the determination of the environmental aspects of the activities and products that it can control and the ones it can influence, as well as the associated environmental impacts, from the perspective of the life cycle of the products;
- The following are taken into account when determining environmental issues: air emissions, water leakage, soil flow, use of raw materials or natural resources, energy use, emitted energy (heat, radiation, vibration, noise, light), waste generation, use of space;
- Attention is paid to the stages of the life cycle that can be controlled or influenced by the organization upon supply, storage, handling, production and sale;
- *The list of significant environmental aspects* shall be updated annually or whenever changes occur at organization level, in the applicable legislation or in other requirements to which each organization subscribes;
- The objectives shall be established in accordance with the Quality, Environment and Occupational Safety and Health Policy, and the Policy on Quality, Environment and Food Safety, with the pollution prevention commitments, the compliance and improvement obligations;
- Changes and development of new activities or products may invalidate previously identified issues, or require the addition of new issues to the list, in which case environmental issues are reviewed and updated.

Examples of such changes:

- changing the scope of the Integrated Management System;
- developing new products / services;
- changes in processes / technology / introduction of new processes;
- extending or significantly reducing capacity;
- extending or relocating an activity;
- changes in compliance obligations related to environmental issues;
- emergency situations occurred.

- The process of conforming and assessing compliance with legal requirements is done annually by analyzing all aspects and elements both in the main production processes and the supporting ones: logistics, human resources, etc.
- The water management and environmental permits are reviewed and targeted according to the legislation in force and also the rest of the necessary authorizations for the operation in compliance with the legal requirements.
- All staff are trained in environmental pollution prevention, compliance with applicable legislation, procedures and responsibilities. Annually, the Training Program provides training and assessments on environmental issues, applicable legal and regulatory requirements and waste management.
- Permanent collaboration with environmental authorities: National Agency for Environmental Protection, National Environmental Guard, National Administration of Romanian Waters, etc.
- Annual environmental aspects are reassessed and significant environmental aspects have been reported only under abnormal conditions and in Emergency Situations.

Facilities and equipment for protecting the environment and preventing pollution

- protection of electrical installations against corrosion of acid vapors,
- closed containers are provided with valves for air evacuation at the time of filling,
- storage of fuels arranged for the storage of liquid fuels and oils, provided with a fenced concrete platform, the access being allowed only in the presence of the manager.
- waste storage platform compartmentalised by type and waste sorting;
- emission filtering facility for volatile organic compounds (VOC);
- replacement of condensers in electrical stations containing polychlorinated biphenyls (PCBs) with ecological capacitors

Measures, equipment and arrangements for soil and subsoil protection:

To prevent pollution and protect the soil and subsoil, the following technical and organizational measures are taken:

- collection of domestic, street and industrial waste and its disposal in accordance with the legal provisions
- to prevent soil and subsoil pollution with possible leakage from internal sewage and pre-treatment facilities, they are controlled and maintained properly, intervening immediately to remedy malfunctions (infiltrations, pipe clogging)
- collection of waste oils, degreasing), storage according to legal provisions and their delivery to authorized economic agents for recovery.
- proper handling and storage of fuels and lubricants.
- proper handling and disposal of toxic and hazardous substances.

Water quality protection:

Water is used in the technology of washing / separating plastics, which is provided with a waste water treatment plant with recirculation system.

The water is used for the thermostatic extruder, reggranulating head. Water is recirculated and comes from own sources.

Sources of noise and vibration:

The identified noise sources are:

electrically operated tools, punching presses for the manufacture of sheet metal subassemblies and waste grinding mills, looms. These are located in the premises of buildings, away from protected areas;

- means of transport for the supply of raw materials and delivery of the finished product;
- for excesses of the limits of noxae noise in the area of the looms measures are taken for personnel protection both at ROMCARBON and at LIVINGJUMBO INDUSTRY SA;

Possible sources of soil and subsoil pollution:

- sewerage network in case of leaks and / or damages for various reasons;
- inappropriate disposal of waste of any type and especially household waste.

Established measures

- collection, storage, and proper handling of petroleum products and waste of any kind;
- storage of ferrous metal scrap on concrete platforms for a short period of time until delivery to authorized agents;
- non-ferrous metal waste is stored in the materials warehouse;
- worn tires and accumulators are handed over to authorized economic agents;
- used oil resulting from oil changes in engines and equipment transmission systems is collected and stored, according to GD 235/2007, in the fuel warehouse and handed over to authorized units for recovery;
- ecological solvent SE 80/155 waste from degreasing the metal landmarks are collected in metal containers (barrels), stored in the fuel warehouse and is used by authorized economic agents;
- the extrusion, thermoforming operations cause technological waste that is collected and recycled in our own production process, and the non-recyclable ones are used by authorized economic agents.

4. Occupational Health and Safety Policy

The management of ROMCARBON GROUP is constantly concerned with the creation of safe and healthy jobs, always respecting the requirements of the legislation in force.

As a result, the management of the two organizations formulated guidelines that represent the framework for setting the objectives and targets for Occupational Health and Safety.

The main objective for Occupational Health and Safety is to focus all our actions towards meeting the needs of our clients and all stakeholders, in order to prevent any work accident or occupational disease by:

- ensuring that the processes and activities of the organization are in accordance with the requirements of the IMS certified / implemented and certified by the maintenance, continuous improvement and certification of the Integrated Quality, Environment, Occupational Health and Safety Management System, in line with reference standards ISO 9001: 2015, ISO 14001: 2015 and OH & S 18001 2007, as well as compliance with requirements on food safety according to ISO 22000: 2005; BRC GLOBAL STANDARD FOR PACKAGING AND PACKAGING MATERIALS ISSUE 5: JULY 2015;
- compliance with applicable legal and regulatory requirements;
- prevention of occupational injuries and illnesses, for our own employees and for the staff working under the control of the organization - 30% decrease in the number of labour accidents;
- maintaining the SSO RISK LEVEL for both ROMCARBON and LIVINGJUMBO below 3.5%
- control and monitoring of emergency situations - "0" real emergency situations

In 2019, the number of work-related accidents decreased by 33% compared to the previous year

| | 2017 | 2018 | 2019 |
|---------------------------------------|------|------|------|
| Aggregated number of labour accidents | 8 | 3 | 4 |

Through the policy in this area, the senior management assumes the legal obligations that it has for:

- ensuring the safety and health of staff in all aspects of work;
- consultation, information and training of staff;
- ensuring the organizational framework and means for health and safety at work.

According to the requirements deriving from the legislation in force in the field of health and safety at work, namely Law 319/2006, the Law on Health and Safety at Work and GD 1425/2006 approving the methodological norms for the application of the provisions of the Law 319/2006 on health and safety at work, as revised, the occupational safety and health conditions and the prevention of work accidents and occupational diseases are ensured as follows:

- internal prevention and protection activities are organized internally through the SIPP Internal Prevention and Protection Service;
- the hazards are identified and the risks for each component of the work system are assessed using the National Institute for Labor and Social Protection Research;
- the assessment of job vacancies is constantly updated as required by law;
- the frequency of the risk reassessment is correlated with the established measure programs, after evaluating the effectiveness of the actions undertaken;

- based on the risk assessment, prevention and protection plans are developed for each job;
- instructions (ISSM) for all work equipment and activities carried out are drafted, updated and disseminated taking into account their particularities;
- occupational health and safety responsibilities are established for all staff in the organization, both the management and the executive through the job descriptions;
- areas that require security signalling and types of signaling for each area are identified according to the hazards identified, according to GD 971/2006 regarding the minimum requirements for security signaling / occupational health;
- records are being kept of the work equipment, periodic maintenance that is carried out by the appropriate personnel in compliance with the legal requirements so that the equipment does not pose a danger to the health and safety of the executing personnel;
- personal protective equipment, including noise protection (noise suppression), is provided;
- healthy and sanitary ware and adequate facilities for staff are provided;
- the staff health surveillance is ensured through our own medical practice and contract with an occupational medicine service (MAT CORD);
- checks on the operation of the alarm, warning, emergency signalling, and safety systems.

The two organizations assessed the risks for each job and by implementing the above-mentioned measures, the overall risk level for each organization is below the admissible maximum admission limit of 3.5%.

As a result of the inspections carried out by the labor inspectors, no corrective measures were taken, no deviations from the legal provisions were found, the non-conformities being immediately remedied, some of them even on the spot, no measures / sanctions being necessary.

As regards the management of emergency situations in the field of fire protection and civil protection with implications for the safety and health of the personnel, the preventive measures are ensured through the fulfillment of the applicable legal requirements and fire protection is organized.

- the Private Service for Emergency Situations (SPSU) has been set up with tasks in the field of fire protection through control, verification, simulation;
- a contract has been signed with the authorized fire protection company;
- ISU operating authorizations are obtained for all newly built / refurbished facilities;
- appropriate maintenance / verification of the technical means of fire protection;
- identify, monitor and evaluate specific risk factors, triggers of dangerous events.

5. Energy strategies

ROMCARBON SA is a big consumer of electricity, therefore the efficient use of electricity and in general of all forms of energy is a priority in the production processes.

The main objective of the Energy Management Program consists in the efficient use of energy in the immediate and prospective term, through the efficient use of energy throughout the entire energy cycle of the company, the incorporation of energy efficiency in the existing equipment and in the selection criteria for the acquisition of new equipment and compliance with energy regulations issued country-wide.

In order to evaluate the energy situation of the company, once every 4 years, Romcarbon SA performs an energetic audit on the entire energy flow (with authorized contractors in the field), with clear solutions in the energy economy, with the annual monitoring and reporting of the degree of implementation programs for measures to reduce energy consumption.

In the development program of the two organizations, we are considering the acquisition of high-tech equipment and lines in order to replace the old technologies with new technologies of high technical efficiency and low energy consumption. In the last period (2012-2018), a wide range of modern technological lines have been acquired for the recovery of plastic waste and its re-use as raw material. Also, in order to reduce the energy consumption of large consuming machines, measures have been taken over time to bring the equipment to normal parameters together with the replacement of high power motors with low power motors with variable speed, measures that have led to significant savings of energy.

Through the equipment maintenance plan, our constant wish is to bring the equipment into the parameters and fit into specific consumption.

Energy consumption is measured at each profit center through counters fitted to each consuming unit. Ensuring the proper operation of both measuring and energy equipment is ensured by firm contract with accredited contractors.

The maintenance of the energetic equipment as well as the preventive maintenance is done on the basis of a firm contract with accredited companies in line with the technical specifications of the installations in operation.

For the efficient exploitation of the technological lines, we implement permanent programs of professional training and periodical evaluation of our operators in order to use the production capacities at maximum capacity while always complying with the consumption limits.

In case of electricity cut-offs, there are generating sets that ensure the maintenance of the technological lines in operation. A significant reduction in electricity consumption was achieved through local lighting in the technological flow. Local lighting was sectorized so it would be used only where needed. Another measure of reducing energy consumption is replacing existing lighting appliances with LED lighting both inside and outside the workshops.

For efficient use of compressed air, each workshop has been equipped with compressors, so compressors are used only in the required places. At the same time, variable speed compressors have been purchased that have a much lower specific consumption.

6. Social and Personnel Policy

Romcarbon Group has constantly reconsidered human resources policy and labor value. In this respect, following the permanent assessments of both the employed and the existing personnel on the labor market, an adaptation to the company's requirements was achieved and a supplementation and updating as needed.

Within the two organizations internal procedures were developed and implemented through which the organization of the activity was established and the necessary human resources were allocated efficiently. Social and staff related risks are identified and analyzed and their potential adverse effects are kept to an acceptable level through established objectives, actions taken and appropriate measures to cancel or mitigate them.

The main potential risks in the social and personnel field analyzed within the company are:

- large personnel turnover, lower retention rate of new hired personnel or key positions;
- lack of qualified staff to ensure the continuity of specific company activities;

The effects of these potential risks may consist in increasing absenteeism, lowering efficiency, increasing recruitment costs, employee demotivation, or labor conflicts.

In this respect, the adopted measures have managed to keep the risks in the social and personnel field at a low level.

The main objective in the field of human resources is to provide the proper human resources for the activity.

To achieve the goal, actions have been set up:

- employing staff on the basis of professional competence and experience;
- increasing staff skills through training and development opportunities and allocating sufficient resources to continually train and improve staff;
- performance appraisal based on professional and personal competence criteria;
- correct and timely communication of information;
- compliance with the legal requirements;
- social facilities (financial support for employees and in exceptional situations, their family members (husband, wife, children in their care) who have special medical problems, as well as employees who were severely affected by earthquake, landslides or floods or other natural phenomena, fires, etc.);
- communicating and permanently consulting with the representatives of the employees designated under the law.

Competent, motivated and integrated employees are the key to success in meeting the company's goals, being the most important resource for the proper conduct of the business.

In 2019, given the economic context, labor migration, and the lack of qualified workforce, the company focused its attention to retention of qualified staff and training of new staff.

The training, improvement and professional development of the staff is carried out on the basis of the "Annual Training Plan" elaborated at the level of the two organizations:

During the analyzed period, the level of achievement of the training plan was:

| | 2017 | 2018 | 2019 |
|------------------------|-------------|-------------|-------------|
| Proposed matters | 187 | 245 | 258 |
| Accomplished matters | 168 | 226 | 241 |
| Achievement (%) | 90% | 92% | 93% |

The annual training plan was intended to be a systematic process of changing behavior, knowledge and motivation of staff in order to improve the balance between personal characteristics and job requirements.

Both women and men benefit from equal appreciation and promotion within Romcarbon SA. Internal regulations of companies include provisions for the prohibition of any form of discrimination on grounds of religion, sex, social status, etc.

The distribution of staff by gender is presented in the following table:

| Description | No. of staff | | |
|--|---------------------|--------------|--------------|
| | 2017 | 2018 | 2019 |
| Total number of staff, of which: | 1,728 | 1,626 | 1,554 |
| Men | 769 | 721 | 684 |
| Women | 959 | 905 | 870 |
| <i>% women out of total staff</i> | <i>55%</i> | <i>56%</i> | <i>56%</i> |
| Number of execution staff, of which: | 1,606 | 1,508 | 1,421 |
| Men | 703 | 653 | 608 |
| Women | 903 | 855 | 813 |
| <i>% women out of total execution staff</i> | <i>56%</i> | <i>57%</i> | <i>57%</i> |
| Number of management staff, of which: | 122 | 118 | 133 |
| Men | 66 | 68 | 76 |
| Women | 56 | 50 | 57 |
| <i>% women out of total management staff</i> | <i>46%</i> | <i>42%</i> | <i>43%</i> |

By eliminating any form of discrimination within the company, women are free to choose their occupation, to engage in any vacancy, and at any level of the professional hierarchy. This creates non-discriminatory conditions for career advancement, for remuneration of work in relation to professional competencies and quality of work carried out as well as for participation in vocational qualification / retraining programs, training, specialization.

The company guarantees for all employees, irrespective of gender, the application of the principle of equal pay and the right to other benefits paid by the employer to the employees.

Non-financial statistics and indicators relevant to social and staff policy assessment.

1. Assessment of staff turnover

| Description | Number of staff | | |
|--|-----------------|--------------|--------------|
| | 2017 | 2018 | 2019 |
| Total number of staff | 1,728 | 1,626 | 1,554 |
| Staff increase compared to previous year | 100 | -102 | -72 |
| No. of leavers | 342 | 386 | 419 |
| % out of total number of staff | 20% | 24% | 27% |
| No. of new hires | 451 | 302 | 351 |
| % out of total number of staff | 26% | 19% | 23% |
| No. of hires/leavers | 132% | 78% | 84% |

2. Assessment of the efficiency of recruitments

| Description | Number of staff | | |
|--|-----------------|------------|------------|
| | 2017 | 2018 | 2019 |
| No. of interviewees | 981 | 760 | 728 |
| No. of individuals selected for employment | 451 | 305 | 386 |
| Achievement rate (hires/interviewees) | 46% | 40% | 53% |

3. Disaggregation of staff by sex, age and job

| | | Total, of which: | Processing of plastics | Waste recycling | Other production departments | Support departments |
|------------------------|--------------|------------------------|---------------------------|--------------------|------------------------------------|------------------------|
| Under 18 | Men | 0 | 0 | 0 | 0 | 0 |
| | Women | 0 | 0 | 0 | 0 | 0 |
| 18 -24 years | Men | 80 | 60 | 12 | 0 | 8 |
| | Women | 47 | 45 | 2 | 0 | 0 |
| 25 - 34 years | Men | 106 | 67 | 7 | 3 | 29 |
| | Women | 131 | 106 | 6 | 0 | 19 |
| 35 - 44 years | Men | 149 | 87 | 27 | 2 | 33 |
| | Women | 250 | 207 | 12 | 0 | 31 |
| 45 - 54 years | Men | 246 | 123 | 38 | 10 | 75 |
| | Women | 362 | 291 | 14 | 3 | 54 |
| Over 55 years | Men | 103 | 34 | 3 | 6 | 60 |
| | Women | 80 | 48 | 3 | 7 | 22 |
| Total employees | Men | 684 | 371 | 87 | 21 | 205 |
| | Women | 870 | 697 | 37 | 10 | 126 |
| | Total | 1,554 | 1,068 | 124 | 31 | 331 |

4. Disaggregation of staff by sex and age

| Age | Total, of which: | % | men | % | women | % |
|---------------|---------------------|-------------|------------|-------------|------------|-------------|
| 18 -24 years | 127 | 8% | 80 | 12% | 47 | 5% |
| 25 - 34 years | 237 | 15% | 106 | 15% | 131 | 15% |
| 35 - 44 years | 399 | 26% | 149 | 22% | 250 | 29% |
| 45 - 54 years | 608 | 39% | 246 | 36% | 362 | 42% |
| Over 55 years | 183 | 12% | 103 | 15% | 80 | 9% |
| Total | 1,554 | 100% | 684 | 100% | 870 | 100% |

5. Disaggregation of staff by sex and seniority

| Seniority | Total, of which: | % | Men | % | Women | % |
|--------------------|---------------------|-------------|------------|-------------|------------|-------------|
| Less than 3 years | 481 | 31% | 243 | 36% | 238 | 27% |
| 3 -5 years | 348 | 22% | 192 | 28% | 156 | 18% |
| 5 - 10 years | 310 | 20% | 114 | 17% | 196 | 23% |
| 10 - 15 years | 257 | 17% | 80 | 12% | 177 | 20% |
| 15 - 20 years | 71 | 5% | 15 | 2% | 56 | 6% |
| 20 - 25 years | 1 | 0% | 0 | 0% | 1 | 0% |
| More than 25 years | 86 | 6% | 40 | 6% | 46 | 5% |
| Total | 1,554 | 100% | 684 | 100% | 870 | 100% |

6. Disaggregation of staff by sex, seniority and field of activity:

| Range | Sex | Total, of which: | Processi ng of plastics | Wast e recycl ing | Other production departments | Support departments |
|--------------------|--------------|---------------------|-------------------------------|----------------------------|------------------------------------|------------------------|
| Less than 3 years | Men | 243 | 141 | 40 | 2 | 60 |
| | Women | 238 | 204 | 7 | 1 | 26 |
| 3 -5 years | Men | 192 | 99 | 41 | 4 | 48 |
| | Women | 156 | 104 | 21 | 1 | 30 |
| 5 - 10 years | Men | 114 | 54 | 6 | 3 | 51 |
| | Women | 196 | 165 | 5 | 0 | 26 |
| 10 - 15 years | Men | 80 | 55 | 0 | 0 | 25 |
| | Women | 177 | 158 | 0 | 0 | 19 |
| 15 - 20 years | Men | 15 | 14 | 0 | 0 | 1 |
| | Women | 56 | 56 | 0 | 0 | 0 |
| 20 - 25 years | Men | 0 | 0 | 0 | 0 | 0 |
| | Women | 1 | 0 | 0 | 0 | 1 |
| More than 25 years | Men | 40 | 8 | 0 | 12 | 20 |
| | Women | 46 | 10 | 4 | 8 | 24 |
| | Men | 684 | 371 | 87 | 21 | 205 |
| Total | Women | 870 | 697 | 37 | 10 | 126 |
| | Total | 1,554 | 1,068 | 124 | 31 | 331 |

7. Staff distribution by COR structure

| | Men | Women | Total |
|---|------------|------------|--------------|
| Senior management and officers | 66 | 25 | 91 |
| Specialists in various fields of activity | 8 | 15 | 23 |
| Technicians and other technical specialists | 7 | 38 | 45 |
| Administrative clerks | 32 | 13 | 45 |
| Services workers | 16 | 6 | 22 |
| Qualified workers in agriculture, forestry and fishery qualified and similar workers | 1 | 0 | 1 |
| Operators of installations and machinery; machine and equipment assembler | 179 | 136 | 315 |
| Unqualified workers | 110 | 232 | 342 |
| | 265 | 405 | 670 |
| Total | 684 | 870 | 1,554 |

8. Average monthly salary by sex and field of activity

| | | Processing of plastics | Waste recycling | Other production departments | Support departments |
|--------------------|-------|------------------------|-----------------|------------------------------|---------------------|
| Average gross wage | Men | 2,974 | 2,891 | 2,493 | 2,542 |
| | Women | 2,958 | 2,858 | 2,289 | 2,094 |

7. Business ethics. Values. Fight against corruption

General business ethics principles

The Code of Professional Ethics adopted by the Group includes a minimum set of principles, values and rules of conduct that should be taken as a reference in the activities that the directors, executive management and the functional departments of the companies fulfill.

The Code aims to promote social responsibility, a culture of quality that contributes to the achievement of superior quality products and compliance with business ethics principles. It aims at preventing the occurrence of illegal and unlawful acts that may occur in the course of the company's activities.

We believe that commitment to ethical conduct is one of the essential components of the functioning of each organization in Romcarbon Group. The activities are carried out correctly, based on a culture of ethics and compliance, social satisfaction being a permanent concern for the company's management.

ROMCARBON SA has a policy of zero tolerance to corruption, cartels, human rights violations and violation of health, safety and environmental protection rules.

The group of companies is structured and operates on a set of values whose observance ensures a stable business and development environment:

- honor
- competence
- responsibility
- commitment
- innovation

CODE OF ETHICS

Ethical behavior is the foundation of trust both in business and within the organization. ROMCARBON SA as a company operating on the principles of integrated management has thought and implemented this code that contains guidelines on the need to respect the legal framework, human rights and ethics, as well as the company's commitment to an ethical and socially responsible business environment.

A. Values and principles

Legality: ROMCARBON SA and its subsidiaries are committed to acting in good faith, within the appropriate legal framework. They comply with rules, regulations and regulatory requirements, codes of the industries in the field, organizational standards for business activities. Regulatory measures are considered benchmarks, ethics goes beyond legal compliance, integrating standards of good corporate governance, best practices and community expectations.

Competence: ROMCARBON SA can gain the trust through competence and integrity in its activity, consistency in thinking, words and actions. This implies promoting and respecting professional ethics standards just before individual or organizational goals.

Objectivity: Consider the effect felt by all stakeholders on actions taken from business, social, environmental and health perspectives. Achieving business goals must be done in a way that does not harm the entire value chain promoted in the community, the organization and the environment in general.

Personal and Social Responsibility: ROMCARBON SA assumes responsibility for the impact of its activities and takes into account the needs and expectations of all internal and external parties: employees, shareholders, business partners, competitors, governmental and political stakeholders, non-governmental organizations (NGOs) and local communities.

Professionalism: Recognition and acceptance of corporate and personal responsibility for the ethical quality of the actions and operations undertaken.

Innovation

B. Commitment to this set of values implies that every person involved in securing a proper environment for business development:

- fully knows, understands and complies with applicable laws, regulations and rules. Consistently uses the criteria, standards and performance indicators in conducting the business.
- maintains a high level of professional competence, implying a continuous care for improving knowledge.
- assumes the personal responsibility for the statements and opinions expressed and may at any time prove the compliance thereof with the applicable legal regulations, internal rules, implemented standards. Accepts the obligation to account for the activities undertaken, the opinions and conclusions formulated and to bear the consequences for non-achievements.

C. Applicability of the code in the organization's activities

All managers and employees must act in accordance with the Code of Ethics and respect it. In order to fulfill their duties, the management of each organization, as well as the employees, must constantly be guided by the ethical principles that ensure business performance:

- treatment of employees / colleagues with respect and dignity, not choosing any aggressive physical or mental behavior, no verbal abuse or inhuman treatment;
- maintaining trust and partnership relationships with shareholders / clients / suppliers / employees;
- providing safe, high-quality products;
- respect for the environment through conservation of resources; reuse of waste resulting from production processes, selective collection of waste and waste recovery through specialized units;
- compliance with the laws and internal rules of the organization;
- displaying a proper attitude and language, both in the relationship with clients / suppliers / collaborators / institutions, and in cross-department relationships;
- not to be in a situation of conflict of interest and not to yield to internal and external pressures in any relationship that would contractually bind the organization;
- management awareness to promote social investment programs by joining non-governmental, not-for-profit and apolitical associations that aim to promote human spirit and solidarity by organizing and sustaining humanitarian actions.

D. Ethical deviations

The following acts and attitudes will be considered ethical deviations:

- failure to comply with laws and regulations;
- failure to comply with internal rules and procedures;
- absence of a conflict of interest, any involvement or participation in procedures involving a conflict of interest;
- use of position to obtain personal gains of a material nature or other advantages;
- disclosure of confidential information;
- discretionary treatment of shareholders;
- refusal to cooperate with other institutions, departments or employees;
- intimidation, creating any kind of pressure, visible (bribery, threats) or less visible (blackmail, intercessions / interventions), on the people in management;

Human rights

ROMCARBON SA is committed to respecting human rights in the relationship with each stakeholder and we ask that they, in turn, respect the rights of others. A broad range of civil, political, economic, social and cultural rights are included, including the following (enumeration is not exhaustive):

- the right to human dignity;
- right to life;
- personal freedom and security;
- right to access the highest health standards;
- the right to legal and favorable working conditions;
- right to fair wages and decent living;
- right to an adequate living standard;
- right to form and to join a trade union and the right to collective negotiations;
- prohibition of all forms of forced or compulsory labor;
- prohibition of child labor;
- prohibition of discrimination;
- freedom of opinion.

Equal treatment and chances and protection of privacy

Each member organization of the Group understands the value of diversity. Employees, clients, business partners, suppliers and all other interested third parties are citizens who come from many countries, with different nationalities, beliefs, religions, convictions, cultures. The Group promotes the prohibition and prevention of discrimination of any kind, such as, but not limited to, discrimination based on race, color, gender, age, language, religion, political or other opinion, ethnicity, national or social origin, property, birth, sexual orientation or any other criteria, including marital status or parental status.

ROMCARBON SA is committed to respecting the privacy of individuals and preserving the confidentiality of their personal information.

Fair work practices

Human resources are the most important resources of Romcarbon Group, each organization being dedicated to the growth of their employees and ensuring a good balance between professional and personal life.

ROMCARBON SA does not tolerate any form of forced, compulsory or child labor, nor any other ethical practices such as wage denial, denial of sick leave or daily rest, abusive use of alternative forms of employment. Supporting people with special needs is a priority in the human resources policy.

The organization is committed to implementing a fair employment and remuneration policy in accordance with applicable laws. Disciplinary procedures are exercised fairly, impartially and transparently.

Anti-corruption and anti-fraud

ROMCARBON SA does not engage in or tolerate corruption in any form (including bribery, payments to facilitate certain services, money support, blackmail, abuse of power for personal gains, undue benefits or gifts with intent to influence), regardless of whether it occurs in the public or private sector and irrespective of size.

Fraud, including forgery of financial or non-financial information registers, money laundering and insider trading are forbidden.

ROMCARBON SA and its affiliates fight fraud and do not tolerate fraudulent practices. In order to protect the organization's values, assets and reputation, each member of the organization is responsible for acting in good faith, in accordance with the rules and regulations, and paying attention to any indication of fraud. Even ignoring suspicion of fraud can result in company and employee liability.

FINAL PROVISIONS

The ethical conduct rules presented in the Code of Ethics are mandatory for all members of the management: administrators and managers, as well as other employees, and breaches are not accepted.

Signaling issues helps the company protect the culture of integrity and ethics, reputation and financial health, and ultimately protects employees' jobs and community welfare.

Corporate Governance and Social Responsibility Policies

All shareholders of ROMCARBON SA are equally treated. All shares issued give the holders equal rights.

The General Meeting of Shareholders is the governing body of the company that decides on its activity and ensures its economic and commercial policy.

ROMCARBON SA facilitates and encourages: the participation of the shareholders in the works of the General Meetings of Shareholders (GMS), the full exercise of their rights, the dialogue between the shareholders and the members of the Board of Administration and / or the management.

The duties of the General Meeting of Shareholders are those stipulated in the Articles of Incorporation of ROMCARBON SA being strictly in accordance with the legal provisions, ensuring the presentation of the materials, the recording of the works and the decisions taken.

The general meeting is convened by the board of administration whenever necessary and the shareholders exercise their rights within the meetings in accordance with the legal provisions and the procedure approved by the Board of Administration in this respect.

The members of the Board of Administration guarantee the efficiency of the capacity to supervise, analyze and evaluate the activity of the administrators, as well as the fair treatment of shareholders.

When appointing the members of the Board of Administration, the General Meeting seeks a balanced membership according to the structure and activity of ROMCARBON SA, as well as the experience and personal qualifications of the members of the Board of Administration.

Persons who, under the law, are incapable or have been convicted of fraudulent misconduct, abuse of trust, forgery, deceit, embezzlement, false testimony, bribe giving or taking, and other offenses provided by the law on commercial companies are incompatible with the capacity of member of the Board of Administration.

The decision-making process remains a collective responsibility of the members of the Board of Administration, and they are held jointly and severally liable for all decisions taken in the exercise of their duties.

In addition to the Board of Administration, the 2-member Audit Committee, which carries out an annual assessment of the internal control system, considers the efficiency and scope of the internal audit function, risk management and internal control reporting to the audit committee within the Council, as well as the ability to react to and management's efficiency in solving the deficiencies or weaknesses in the internal control system, identified and presented to the Council through relevant reports. The Audit Committee must reconsider conflict of interest in the transactions of the organization and its subsidiaries with stakeholders. The Audit Committee is responsible for reviewing the Corporate Governance Statement in its Annual Report on Internal Risk and Control as well as for assessing corporate governance and monitoring the application of statutory and generally accepted internal audit standards. The Audit Committee must receive and evaluate the reports of the internal audit team.

The internal auditor participates in the meetings of the Board of Administration and of the General Meeting of Shareholders and informs them about irregularities in the administration, violations of the legal provisions and provisions of the articles of incorporation that they find.

Risk factors include general issues (emerging markets pose a higher risk than developed economies with mature legal and political systems), potential political instability, risks of temporary instability of the legislative framework, risks linked to the instability of the foreign exchange and inflation rates, as well as risks related to the capital market and its liquidity.

ROMCARBON SA addresses the risk prudently, in line with its long-term strategy. Prudent risk management is growing in importance given the prolongation of economic uncertainties at the economic and financial level and the prominent manifestation of market volatility. The strategic vision of risk management is set by the Board of Administration and is implemented through policy actions at the level of executive management of the company. The activity of control and risk management is ensured through a series of specific structures regulated by the specific provisions of the capital market, the articles of incorporation, the collective employment agreement and the organizational structure, as follows:

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

The financial statements of the company are audited, according to law, by an external financial auditor (legal person), member of the Chamber of Financial Auditors of Romania, appointed by the Ordinary General Meeting of Shareholders (OGMS) and operating under a services agreement approved by the Board of Administration.

Each member of the Board of Administration will avoid any direct or indirect conflict of interest with the organization or any subsidiary controlled by it. Each administrator will inform the Board of Administration of any conflict of interest occurred, in which case he will refrain from debating and voting on the issues in question.

It is also forbidden to any person holding inside information:

- to use that information for the acquisition or alienation or intended acquisition or alienation, on its own account or on behalf of a third party, directly or indirectly, of financial instruments to which that information relates;
- to recommend to third parties to carry out transactions with securities held by the company, if it holds information in such respect;
- to disclose internal information for a purpose other than that falling under the realm of his tasks and duties;
- to disseminate information in any way that creates or is likely to create a false or wrong impression;
- to adopt a behavior that creates a false or wrong impression of the demand, offer, price, or value of the investments;
- to engage in market manipulation activities.

These obligations apply to any person who holds inside information in circumstances where those people know or ought to know that such information is sensitive.

Romcarbon Group proposes, through an active Corporate Social Responsibility Policy:

- to support and respect human rights, in particular its own employees. In this respect, the employees benefit from various programs of specialization/professional training, as well as permanent information on the evolution of the organization (presentation of employees' representatives and periodical analysis of the financial statements of the organization). Within their own responsibilities, each organization takes the necessary measures to protect the safety and health of employees, including activities to prevent occupational risks of information and training, as well as to implement the labor protection and the necessary means for it (e.g. periodic training, provision of personal protective equipment, work equipment, hygienic-sanitary materials, periodic medical check-up, etc.). ROMCARBON SA and its subsidiaries do not use child labor, do not engage in trafficking of human beings, nor encourage these ideas in any way. No physical or mental punishment, physical or verbal pressure or any form of inhuman treatment is tolerated in any way;
- to uphold the right to free association. The Romcarbon Group companies respect the legal right of all staff to appoint representatives, who negotiate on behalf of and for them in the periodic negotiations of the/ collective employment agreement at organization level. Employees' representatives are protected by law against any form of conditioning, constraint or limitation of the exercise of their duties;
- to contribute to the elimination of discrimination in employment, the pursuit of the profession, the setting and granting of salaries. Any direct or indirect discrimination against an employee based on sex, sexual orientation, genetic characteristics, age, nationality, race, color, ethnicity, religion, political options, social origin, disability, family status or responsibility, membership in trade unions;
- to combat any form of corruption;
- to support educational activities, both as a partner and as a sponsor, projects and initiatives that have an educational purpose.

8. Statement on preventive measures to counteract the spread of coronavirus – (COVID-19)

Given that the risk of spread of COVID-19 coronavirus is real and increased, WHO officially declaring that the coronavirus outbreak is a pandemic, group companies have established and implemented preventive measures for the protection of both their 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 competent public authorities / international bodies.

The basic preventive measures are:

- watching public information from official / secure sources; requesting directly information and recommendations from the Public Health Directorate in Buzau in concrete situations; permanent assessment of the reaction to the measures taken and their adaptation accordingly;
- intensive and continuous information of the personnel on the preventive measures, by display in multiple visible places and by distributing printed materials containing the official information transmitted by the Ministry of Health, the Ministry of Internal Affairs - the Strategic Communication Group, the Public Health Directorate and, by training the staff collectively and personally, by acknowledgment of the training by the signature of each employee;
- equipping all sectors with hygiene and disinfectant materials - soap, disinfectant, sanitary alcohol - for personal use and for cleaning and disinfecting surfaces; efforts are being made to ensure safety stocks, given the difficulties of supply;
- intensification of the cleaning and disinfection program;
- providing masks and protective gloves for the personnel most exposed to contact with collaborators, meaning the company's personnel that carries out activities in the commercial / procurement, invoicing fields, in warehouses, but also the personnel of the security company with which we collaborate; efforts are being made to ensure safety stocks, given the difficulties of supply
- limiting access to the offices / premises of the company to persons outside the organization;
- implementation of the procedure for measuring the temperature of the employees and visitors before entering the company, as well as the procedure to be followed in case of exceeding the normal temperature and / or identifying / showing other symptoms;

- arranging separate rooms in which people with fever and / or other symptoms will remain isolated with their consent, until being transported to a medical unit in order to assess their health status by specialized medical personnel;
- for drivers of the domestic / international transport companies that come for the delivery / take-over of the goods, there are also established rules for preventing / reducing the risk of contamination with the COVID-19 coronavirus: temperature measurement, filling in and signing a questionnaire regarding travel in risk areas, prohibiting access on suspicion of infection and / or coming from risk areas, equipping them with a protective mask that they are obliged to wear while they are on premises, alerting the company's staff regarding the interaction with the respective drivers (keeping distance, reducing direct interaction, tracking / alerting the drivers regarding the wearing of masks and observing the other preventive measures);
- implementation of remote working procedures by teleworking for the sectors / departments whose activity can be carried out in this way.

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

35% of Group's business consist in export to the other European countries and some of these countries have taken drastic measures to close those activities that are not essential. As a result it was a negative impact to companies' business. In response to this impact, two of the companies of the Group , Romcarbon SA and RC Energo Install SRL, have sent around 120 employees for technical unemployment in April from the Compounds and regenerated polymers sector and Plastic processing sector (polypropylene products) and also from the services sector.

The future evolution of the crisis generated by the outbreak of COVID-19 may have an impact in the upcoming months as far as a decrease in sales is concerned, but the percentage is difficult to foresee, as it may vary, and can even reach 20% given the drop of demand in the car industry and construction sector.

The supply of raw materials and consumables remain stable and the Group does not expect price increases. There are no concentration risk premises as there is no major reliance on significant suppliers or clients or on the markets highly affected by COVID-19. The company's activity is not affected by restrictions to foreign financing, it has the ability to control its flow of collections and mitigate risks of non-collection. We have not identified any premises of exposure to major risks in terms of cash flows. There will be a pressure on the RON/EUR exchange rate, the level of which we cannot estimate though.

ROMCARBON SA, taking into account the current context, uses its know-how in filtering technology to develop a mask for its own use to ensure that its employees and group companies have enough masks during this period when the supply with protective equipment is difficult.

All necessary measures are taken to provide the raw materials needed for production, to ensure the normal flow of production and deliveries.

For signatures, please refer to the original Romanian version.

**HUANG LIANG NENG,
Chairman of the Board
And General Manager**

**VIORICA ZAINESCU,
Financial Manager**

**CARMEN MANAILA,
Deputy General Manager for
Administrative Operations**

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