

ROMCARBON SA

AUDITED SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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

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**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021**
(all amounts are expressed in lei, unless specified otherwise)

| | Note | Year ended: | |
|--|------|----------------------|----------------------|
| | | December 31, 2021 | December 31, 2020 |
| Revenues | 3 | 264,737,646 | 181,146,472 |
| Other income | 4 | 4,459,406 | 3,967,550 |
| Changes in inventories | | 872,218 | (843,348) |
| Raw materials and consumables used | 5 | (197,945,281) | (117,623,988) |
| Employee salaries and benefits | 6 | (40,568,395) | (37,639,734) |
| Depreciation and amortization expenses | 7 | (9,977,583) | (10,202,833) |
| Operational expenses | 8 | (15,900,694) | (15,084,038) |
| Other gains or losses | 9 | 1,883,115 | (524,438) |
| Profit from operating activities | | 7,560,432 | 3,305,780 |
| Finance income | 10 | 128,719 | 105,139 |
| Finance cost | 11 | (1,769,890) | (2,303,519) |
| Gains/(Loss) on impairment of financial assets | 12 | (6,477,632) | 110,138 |
| Profit before tax | | (558,371) | 1,107,401 |
| Income tax | 13 | (889,087) | (238,297) |
| Net profit of the year | | (1,447,458) | 869,104 |
| Comprehensive income | | | |
| Other comprehensive income | | - | - |
| Net loss on revaluation of tangible assets | | - | - |
| Adjustment of deferred tax on fiscally non-deductible revaluation reserves | | 21,017 | 289,186 |
| Total comprehensive income | | (1,426,441) | 1,158,290 |
| Earnings per share | | (0,0054) | 0,0044 |
| Number of shares | | 264,122,096 | 264,122,096 |

The separate financial statements were approved by the Board of Directors and were authorised for issuance on March 28, 2022.

ADMINISTRATOR,

HUANG LIANG NENG

FINANCIAL MANAGER,

VIORICA ZAINESCU

DEPUTY ADMINISTRATIVE GENERAL
MANAGER,

CARMEN MANAILA

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**STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDED DECEMBER 31, 2021
(all amounts are expressed in lei, unless specified otherwise)**

| | <u>Note</u> | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--|-------------|------------------------------|------------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 14 | 106,567,874 | 113,644,666 |
| Investment property | 15 | 10,894,586 | 11,885,346 |
| Intangible assets | 16 | 294,483 | 302,737 |
| Financial assets | 17 | 20,607,559 | 27,085,181 |
| Total non-current assets | | 138,364,502 | 152,917,930 |
| Current assets | | | |
| Inventories | 18 | 27,647,515 | 22,285,773 |
| Trade and other receivables | 19 | 57,463,153 | 36,839,898 |
| Taxes recoverable | | - | - |
| Other current financial assets | 20 | 1,265,317 | 570,774 |
| Other current non-financial assets | 21 | 2,187,278 | 1,080,363 |
| Cash and cash equivalents | 22 | 12,798,377 | 17,588,598 |
| Total current assets other than non-current assets or disposal groups classified as held for sale or as held for distribution to owners | | 101,361,640 | 78,365,406 |
| Non-current assets held for sale | 23 | 3,760,155 | 70,845 |
| Total current assets | | 105,121,795 | 78,436,251 |
| Total assets | | 243,486,297 | 231,354,181 |
| EQUITY AND LIABILITIES | | | |
| Capital and reserves | | | |
| Issued capital | 24 | 26,412,210 | 26,412,210 |
| Retained earnings | 25 | 47,008,179 | 50,151,453 |
| Share premiums | | 2,182,283 | 2,182,283 |
| Other reserves | 26 | 58,542,209 | 59,466,597 |
| Total equity | | 134,144,881 | 138,212,543 |
| Non-current liabilities | | | |
| Other provisions | | 400,000 | 200,000 |
| Total non-current provisions | | 400,000 | 200,000 |
| Deferred tax liabilities | 13 | 8,012,574 | 7,857,468 |
| Other non-current financial liabilities | 27 | 4,017,590 | 6,420,472 |
| Deferred income | 28 | 8,619,928 | 10,879,379 |
| Total non-current liabilities | | 20,650,092 | 25,157,319 |

STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDED DECEMBER 31, 2021
(all amounts are expressed in lei, unless specified otherwise)

| | <u>Note</u> | <u>December 31,</u> <u>2021</u> | <u>December 31,</u> <u>2020</u> |
|---|-------------|------------------------------------|------------------------------------|
| Current liabilities | | | |
| Trade and other payables | 29 | 37,161,910 | 26,129,532 |
| Other current financial liabilities | 30 | 46,860,194 | 37,277,228 |
| Other current non-financial liabilities | 31 | 4,269,220 | 4,377,559 |
| Total current liabilities | | 88,291,324 | 67,784,319 |
| Total liabilities | | 109,341,416 | 93,141,638 |
| Total equity and liabilities | | 243,486,297 | 231,354,181 |

The separate financial statements were approved by the Board of Directors and were authorised for issuance on March 28, 2022.

ADMINISTRATOR,

HUANG LIANG NENG

FINANCIAL MANAGER,

VIORICA ZAINESCU

DEPUTY ADMINISTRATIVE GENERAL
MANAGER,
CARMEN MANAILA

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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED DECEMBER 31, 2021
 (all amounts are expressed in lei, unless specified otherwise)

| | <u>Share capital</u> | <u>Share premiums</u> | <u>Revaluation reserves</u> | <u>Legal reserves</u> | <u>Other reserves</u> | <u>Retained earnings</u> | <u>Total</u> |
|---|----------------------|-----------------------|-----------------------------|-----------------------|-----------------------|--------------------------|--------------------|
| January 1, 2021 | 26,412,210 | 2,182,283 | 39,632,928 | 4,176,971 | 15,656,697 | 50,151,453 | 138,212,543 |
| Increases from revaluation of property, plant and equipment | - | - | - | - | - | - | - |
| Decreases from revaluation of property, plant and equipment | - | - | - | - | - | - | - |
| Dividends declared | - | - | - | - | - | (2,641,221) | (2,641,221) |
| Net profit of the period | - | - | - | - | - | (1,447,458) | (1,447,458) |
| Transfer to reserves | - | - | - | - | - | - | - |
| Transfer of reserves to retained earnings | - | - | (945,405) | - | - | 945,405 | - |
| Adjustment of material errors | - | - | - | - | - | - | - |
| Adjusted deferred tax related to fiscally non-deductible revaluation reserves | - | - | 21,017 | - | - | - | 21,017 |
| December 31, 2021 | 26,412,210 | 2,182,283 | 38,708,540 | 4,176,971 | 15,656,697 | 47,008,179 | 134,144,881 |

As at December 31, 2021, the Company distributed dividends in amount of lei 2,641,221.

The total amount of lei 15,656,697 of such reserves is not subject to allocations to other destinations.

Further to the sale of investment property, the Company adjusted the deferred tax related to fiscally non-deductible revaluation reserves by lei 21,017.

The separate financial statements were approved by the Board of Directors and were authorised for issuance on March 28, 2022.

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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED DECEMBER 31, 2021
 (all amounts are expressed in lei, unless specified otherwise)

| | <u>Share capital</u> | <u>Share premiums</u> | <u>Revaluation reserves</u> | <u>Legal reserves</u> | <u>Other reserves</u> | <u>Retained earnings</u> | <u>Total</u> |
|---|----------------------|-----------------------|-----------------------------|-----------------------|-----------------------|--------------------------|--------------------|
| January 1, 2020 | 26,412,210 | 2,182,283 | 39,880,741 | 4,133,516 | 14,831,048 | 49,614,454 | 137,054,252 |
| Increases from revaluation of property, plant and equipment | - | - | - | - | - | - | - |
| Decreases from revaluation of property, plant and equipment | - | - | - | - | - | - | - |
| Dividends declared | - | - | - | - | - | - | - |
| Net profit of the period | - | - | - | - | - | 869,104 | 869,104 |
| Transfer to reserves | - | - | - | 43,455 | 825,649 | (869,104) | - |
| Transfer of reserves to retained earnings | - | - | (536,999) | - | - | 536,999 | - |
| Adjustment of material errors | - | - | - | - | - | - | - |
| Adjusted deferred tax related to fiscally non-deductible revaluation reserves | - | - | 289,186 | - | - | - | - |
| December 31, 2020 | 26,412,210 | 2,182,283 | 39,632,928 | 4,176,971 | 15,656,697 | 50,151,453 | 138,212,543 |

As at December 31, 2020, the Company allocated the tax exempt profit for reinvested profit, less the legal reserve portion in amount of lei 43,455 for setting up reserves in amount of lei 825,649. In 2020, the Company did not distribute dividends.

The total amount of lei 15,656,697 of such reserves is not subject to allocations to other destinations.

Further to the sale of investment property, the Company adjusted the deferred tax related to fiscally non-deductible revaluation reserves by lei 289,186.

The separate financial statements were approved by the Board of Directors and were authorised for issuance on March 28, 2022.

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**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED DECEMBER 31, 2021
(all amounts are expressed in lei, unless specified otherwise)**

At December 31, 2020, the legal reserve was established, according to article 183 of Law 31/1990, revised, which provides: "From the company's profit, at least 5% shall be subtracted each year for the establishment of the reserve fund, until it reaches at least one fifth of the share capital", in amount of lei 43,455.

Also at the end of 2020, the amount of lei 825,649 (representing profit tax exempt profit, less the portion related to the legal reserve) was distributed to "Other reserves" (According to article 22: Tax Exemption for Reinvested Profit, as per Law 227/2015 in conjunction with GD 1/2016 on the Fiscal Code with the Application Rules).

In 2020, the Company reclassified the revaluation reserve to retained earnings in amount of lei 869,104.

The adjustment of deferred tax on fiscally non-deductible revaluation reserves is explained in Note 12.

In 2021 the Company reclassified lei 2,641,221 to dividends from retained earnings.

The adjustment of deferred tax on fiscally non-deductible revaluation reserves is explained in Note 13.

The separate financial statements were approved by the Board of Directors and were authorised for issuance on March 28, 2022.

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**STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED DECEMBER 31, 2021
(all amounts are expressed in lei, unless specified otherwise)**

| | 2021 | 2020 |
|---|--------------------|--------------------|
| Net profit for the year | (1,447,458) | 869,104 |
| Income tax expense / (income) | 712,964 | 460,269 |
| Deferred income tax expense / (income) | 176,123 | (221,972) |
| Non-current asset depreciation/(impairment) | 9,977,583 | 10,202,833 |
| Provisions for untaken leaves | 200,000 | 200,000 |
| (Gain) / Loss on sale of fixed assets | (21,280) | 72,556 |
| (Gain) / Loss on changes in fair value of investment property | (1,377,918) | 278,663 |
| (Gain) / Loss on disposal of investment property | (411,233) | 69,662 |
| (Gain) / Loss on changes in fair value of assets held for sale | - | - |
| (Gain) / Loss on disposal of assets held for sale | - | 234,171 |
| Gains on internal set-up of fixed assets | (327,189) | - |
| Expenses / (Revenues) regarding value adjustments for clients and inventories | 13,642 | 282,705 |
| Loss on receivables and sundry debtors | 45,827 | 22,272 |
| Loss on write-off of investments in subsidiaries | - | 110,538 |
| Expenses / (Revenues) regarding allowances for financial assets | 6,477,632 | (110,138) |
| Interest expense | 1,149,746 | 1,159,858 |
| Interest income | (128,719) | (105,139) |
| Income from dividends | - | - |
| Income from subsidiaries | (2,259,451) | (2,262,431) |
| Unrealised foreign exchange gain / (loss) | 654,632 | 445,797 |
| Movements in working capital: | | |
| (Increase) / Decrease in trade and other receivables | (20,576,749) | 9,486,747 |
| (Increase) / Decrease in inventories | (5,375,385) | 2,774,909 |
| (Increase) / Decrease in other assets | (1,106,915) | 64,467 |
| Increase / (Decrease) in trade payables | 11,032,378 | 1,787,618 |
| Increase / (Decrease) in deferred income | - | - |
| Increase / (Decrease) in other liabilities | (129,356) | 431,252 |
| Cash used in operating activities | (2,721,126) | 26, 253,741 |
| Income tax paid | (712,964) | (830,406) |
| Interest and bank charges paid | (1,149,747) | (1,159,858) |
| Net cash used in operating activities | (4,583,837) | 24,263,477 |
| Cash flows from investing activities: | | |
| Interest received | 128,719 | 105,139 |
| Payments for tangible assets | (3,657,008) | (1,148,664) |
| Proceeds from sale of investment property | 2,862,617 | 1,191,675 |
| Proceeds from sale of tangible and intangible assets | 525,994 | 2,436 |
| Proceeds from sale of held-for-sale assets | - | 4,062,150 |
| Payments for assets held for sale | (3,164,051) | - |
| Related party loans granted | (694,513) | (258,311) |
| Proceeds from loans granted | - | 47,768 |
| Payments for intangible assets | - | (215,514) |
| Dividends received | - | - |
| Net cash generated by/used in investing activities | (3,998,272) | 3,786,679 |

**STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED DECEMBER 31, 2021
(all amounts are expressed in lei, unless specified otherwise)**

| | <u>2021</u> | <u>2020</u> |
|---|--------------------|---------------------|
| Cash flows from financing activities: | | |
| Cash payments of lessee to reduce a finance lease liability | - | - |
| Proceeds from bank loans | | |
| Repayments of bank loans | - | - |
| Proceeds from loans to affiliates | (6,240,840) | (16,011,003) |
| Repayments of related party borrowings | 12,673,948 | - |
| Dividends paid | (2,641,221) | - |
| Proceeds from subsidies | - | - |
| | <u>3,791,887</u> | <u>(16,011,003)</u> |
| Net cash generated by/(used in) financing activities | | |
| | <u>(4,790,221)</u> | <u>12,039,153</u> |
| Net increase/(decrease) in cash and cash equivalents | | |
| | <u>17,588,598</u> | <u>5,549,445</u> |
| Cash and cash equivalents at the beginning of the year | | |
| | <u>12,798,377</u> | <u>17,588,598</u> |

The separate financial statements were approved by the Board of Directors and were authorised for issuance on March 28, 2022.

ADMINISTRATOR,

HUANG LIANG NENG

FINANCIAL MANAGER,

VIORICA ZAINESCU

DEPUTY ADMINISTRATIVE GENERAL
MANAGER,
CARMEN MANAILA

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2021
(all amounts are expressed in lei, unless specified otherwise)****1. GENERAL INFORMATION**

ROMCARBON S.A. (the "Company") has its main office in Buzău, Str. Transilvaniei, nr. 132 and is organised as a joint-stock company with the following identification details: registered with the Registry of Commerce under no. J10/83/1991, Fiscal Code RO1158050. The Company's shares are traded on the BSE, and its main shareholders as at December 31, 2021 are Living Plastic Industry S.A., Joyful River Limited Loc. Nicosia – Cyprus.

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

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

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

Basis of preparation

These separate financial statements of the Company were prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS") effective on the Company's reporting date, i.e. December 31, 2021 and in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016 approving the Accounting regulations compliant with International Financial Reporting Standards, applicable to companies whose securities are admitted to trading on a regulated market, with subsequent amendments and clarifications. Such provisions are consistent with the requirements of the International Financial Reporting Standards adopted by the European Union.

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

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

Given Commission Delegated Regulation (EU) 2018/815 (hereinafter referred to as ESEF RTS) which provides for a single electronic reporting format (ESEF) where all financial reporting is done, the Company deemed necessary to align the presentation of comprehensive income and financial position to the ESEF taxonomy.

The Company has the obligation to prepare separate and consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS"). The Romcarbon group, which includes Romcarbon S.A. and its subsidiaries, will prepare a set of consolidated financial statements in accordance with IFRS as adopted by EU, for the financial year ended December 31, 2021, which will be published in accordance with the legislation in force.

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

The main accounting policies are described below.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2021
(all amounts are expressed in lei, unless specified otherwise)****2. MAIN ACCOUNTING POLICIES (continued)****Basis of preparation of the separate financial statements**

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

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

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

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

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

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

The Company's direct holdings as at December 31, 2021 and December 31, 2020 in subsidiaries or associates, which were not consolidated in these separate financial statements, are presented in Note 29. Investments in such subsidiaries or associates were disclosed in these separate financial statements at cost.

The Company will issue for 2021 consolidated financial statements in accordance with IFRS as adopted by the European Union.

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

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

- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases" - Interest Rate Benchmark Reform — Phase 2** adopted by the EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021),
- **Amendments to IFRS 16 "Leases" - Covid-19-Related Rent Concessions beyond 30 June 2021** adopted by the EU on 30 August 2021 (effective from 1 April 2021 for financial years starting, at the latest, on or after 1 January 2021),
- **Amendments to IFRS 4 Insurance Contracts "Extension of the Temporary Exemption from Applying IFRS 9"** adopted by the EU on 16 December 2020 (the expiry date for the temporary exemption from IFRS 9 was extended from 1 January 2021 to annual periods beginning on or after 1 January 2023).

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2021
(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

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

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

- **Amendments to IAS 16 “Property, Plant and Equipment”** - Proceeds before Intended Use adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”** - Onerous Contracts - Cost of Fulfilling a Contract adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IFRS 3 “Business Combinations”** - Reference to the Conceptual Framework with amendments to IFRS 3 adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **IFRS 17 “Insurance Contracts”** including amendments to IFRS 17 issued by IASB on 25 June 2020 - adopted by the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to various standards due to “Improvements to IFRSs (cycle 2018 -2020)”** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 28 June 2021 (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated).

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 as at the date of publication of financial statements (the effective dates stated below is for IFRS as issued by IASB):

- **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 IAS 1 “Presentation of Financial Statements”** - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 1 “Presentation of Financial Statements”** - Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”** - Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 12 “Income Taxes”** - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023),
- **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 IFRS 17 “Insurance contracts”** - Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective for annual periods beginning on or after 1 January 2023).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2021
(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

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

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

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

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

- **IFRS 14 "Regulatory Deferral Accounts"** issued by IASB on 30 January 2014. This standard is intended to allow entities that are first-time adopters of IFRS, and that currently recognise regulatory deferral accounts in accordance with their previous GAAP, to continue to do so upon transition to IFRS.
- **IFRS 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 17 "Insurance Contracts" issued by IASB on 25 June 2020 defer the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023. Additionally, the amendments issued on 25 June 2020 introduce simplifications and clarifications of some requirements in the Standard and provide additional reliefs when applying IFRS 17 for the first time.
- **Amendments to IFRS 3 "Business Combinations"** - Reference to the Conceptual Framework with amendments to IFRS 3 issued by IASB on 14 May 2020. The amendments: (a) update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework; (b) add to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and (c) add to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.
- **Amendments to IFRS 4 "Insurance Contracts"** – Extension of the Temporary Exemption from Applying IFRS 9 issued by IASB on 25 June 2020. Amendments change the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.
- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases"** - Interest Rate Benchmark Reform — Phase 2 issued by IASB on 27 August 2020. The changes relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements applying IFRS 7 to accompany the amendments regarding modifications and hedge accounting:
 - a) **Modification of financial assets, financial liabilities and lease liabilities** - the IASB introduces a practical expedient for modifications required by the reform (modifications required as a direct consequence of the IBOR reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current IFRS requirements. A similar practical expedient is proposed for lessee accounting applying IFRS 16.

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2. MAIN ACCOUNTING POLICIES (continued)

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

- b) **Hedge accounting requirements** - under the amendments, hedge accounting is not discontinued solely because of the IBOR reform. Hedging relationships (and related documentation) must be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements.
- c) **Disclosures** - in order to allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition, the amendments require that an entity discloses information about:
- how the transition from interest rate benchmarks to alternative benchmark rates is managed, the progress made at the reporting date, and the risks arising from the transition;
 - quantitative information about non-derivative financial assets, non-derivative financial liabilities and derivatives that continue to reference interest rate benchmarks subject to the reform, disaggregated by significant interest rate benchmark;
 - to the extent that the IBOR reform has resulted in changes to an entity's risk management strategy, a description of these changes and how is the entity managing those risks.
- d) The IASB also amended IFRS 4 to require insurers that apply the temporary exemption from IFRS 9 to apply the amendments in accounting for modifications directly required by IBOR reform
- **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.
 - **Amendments to IFRS 16 "Leases" - Covid-19-Related Rent Concessions** issued by IASB on 28 May 2020. The amendments exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to covid-19-related rent concessions that reduce lease payments due on or before 30 June 2021.
 - **Amendments to IFRS 16 "Leases" - Covid-19-Related Rent Concessions beyond 30 June 2021** issued by IASB on 31 March 2021. Amendments extend by one year the application period of the practical expedient in IFRS 16. The relief was extended by one year to cover rent concessions that reduce only lease payments due on or before 30 June 2022.
 - **Amendments to IFRS 17 "Insurance contracts" - Initial Application of IFRS 17 and IFRS 9 – Comparative Information** issued by IASB on 9 December 2021. It is a narrow-scope amendment to the transition requirements of IFRS 17 for entities that first apply IFRS 17 and IFRS 9 at the same time
 - **Amendments to IAS 1 "Presentation of Financial Statements" - Classification of Liabilities as Current or Non-Current** 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 1 issued by IASB on 15 July 2020 defer the effective date by one year to annual periods beginning on or after 1 January 2023.

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2. MAIN ACCOUNTING POLICIES (continued)

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

- **Amendments to IAS 1 “Presentation of Financial Statements”** - Disclosure of Accounting Policies issued by IASB on 12 February 2021. Amendments require entities to disclose their material accounting policies rather than their significant accounting policies and provide guidance and examples to help preparers in deciding which accounting policies to disclose in their financial statements.
- **Amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”** - Definition of Accounting Estimates issued by IASB on 12 February 2021. Amendments focus on accounting estimates and provide guidance how to distinguish between accounting policies and accounting estimates.
- **Amendments to IAS 12 “Income Taxes”** - Deferred Tax related to Assets and Liabilities arising from a Single Transaction issued by IASB on 6 May 2021. According to amendments, the initial recognition exemption does not apply to transactions in which both deductible and taxable temporary differences arise on initial recognition that result in the recognition of equal deferred tax assets and liabilities.
- **Amendments to IAS 16 “Property, Plant and Equipment”** - Proceeds before Intended Use issued by IASB on 14 May 2020. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.
- **Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”** - Onerous Contracts — Cost of Fulfilling a Contract issued by IASB on 14 May 2020. The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.
- **Amendments to various standards due to “Improvements to IFRSs (cycle 2018 -2020)”** issued by IASB on 14 May 2020. Amendments to various standards resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording. The amendments: (a) clarify that subsidiary which applies paragraph D16(a) of IFRS 1 is permitted to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to IFRSs (IFRS 1); (b) clarify which fees an entity includes when it applies the ‘10 per cent’ test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf (IFRS 9); (c) removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example (Illustrative Example 13 accompanying IFRS 16); and (d) removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique (IAS 41).

Income recognition

IFRS 15 Revenues from contracts with customers

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

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.

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2. MAIN ACCOUNTING POLICIES (continued)

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.

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

Sale of goods

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

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

Rental income is recognized on an accrual basis, in accordance with the economic substance of the related contracts.

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.

Foreign currency transactions

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

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

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

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

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

- December 31, 2016: lei 4.3033/ USD 1 and lei 4.5411 / EUR 1
- December 31, 2017: lei 3.8915/ USD 1 and lei 4.6597 / EUR 1
- December 31, 2018: lei 4.0736/ USD 1 and lei 4.6639 / EUR 1
- December 31, 2019: lei 4.2608/ USD 1 and lei 4.7793 / EUR 1
- December 31, 2020: lei 3.9660/ USD 1 and lei 4.8694 / EUR 1
- December 31, 2021: lei 4.3707/ USD 1 and lei 4.9481/ EUR 1

**NOTES TO THE FINANCIAL STATEMENTS
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(all amounts are expressed in lei, unless specified otherwise)****2. MAIN ACCOUNTING POLICIES (continued)*****Foreign currency transactions (continued)*****Costs related to long-term borrowings**

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

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

Government subsidies

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

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

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

Employee contributions

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

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

Taxation

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

Current tax

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

Provisions for taxes and levies

As at December 31, 2021 the Company's separate financial statements include revaluation reserves. Based on the latest provisions of current legislation, such reserves may become taxable if their destination changed, by using them to cover accounting losses or by the Company's winding up.

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

**NOTES TO THE FINANCIAL STATEMENTS
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(all amounts are expressed in lei, unless specified otherwise)****2. MAIN ACCOUNTING POLICIES (continued)****Deferred tax**

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

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

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

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

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

Current and deferred tax for the period

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

Property, plant and equipment

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

The Company conducted a valuation of land and buildings based on a valuation report issued by a professional valuator, in order to determine the fair value thereof as at the balance sheet date. The revaluations are made with sufficient regularity so that the book value should not differ substantially from that determined using the fair value at the end of the reporting period. The increases in the book values of tangible assets further to valuation were credited to Revaluation reserves under Equity. The last revaluation of tangible assets in the form of land and buildings was registered as at December 31, 2019. Revaluation reserves are fiscally deductible as of 2004.

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.

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2. MAIN ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

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

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

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

Subsequent expenses

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

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

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

The following useful lives are used in the depreciation calculation:

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

Intangible assets

Intangible assets acquired separately

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

Derecognition of intangible assets

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

**NOTES TO THE FINANCIAL STATEMENTS
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(all amounts are expressed in lei, unless specified otherwise)****2. MAIN ACCOUNTING POLICIES (continued)****Impairment of tangible and intangible assets**

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

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

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

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

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

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

Investment property

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

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

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

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

Assets held for sale

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

**NOTES TO THE FINANCIAL STATEMENTS
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(all amounts are expressed in lei, unless specified otherwise)****2. MAIN ACCOUNTING POLICIES (continued)****Inventories**

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

Provisions

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

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

Fair value measurement according to IFRS 13

A number of assets and liabilities included in the Company's financial assets require measurement and/or disclosure at fair value.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The definition of fair value underlines that fair value is a market-based evaluation, not a company-specific value.

IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements except for the following cases:

- a) share-based payment transactions within the scope of IFRS 2
- b) leasing transactions within the scope of IFRS 16
- c) measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2
- d) plan assets measured at fair value in accordance with IAS 19
- e) retirement benefit plan investments measured at fair value in accordance with IAS 26
- f) assets for which recoverable amount is fair value less costs of disposal in accordance with IAS 36

Fair value hierarchy – in order to improve the consistency and comparability of fair value measurements and related disclosures, this hierarchy is classified into 3 levels:

1. Level 1 inputs – quoted prices (not adjusted) on active markets for identical assets or liabilities, to which the Company has access at the measurement date
2. Level 2 inputs – inputs other than the quoted prices included in level 1 that are observable for assets or liabilities either directly or indirectly
3. Level 3 inputs – inputs for assets or liabilities that are not based on observable inputs

Warranties

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

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2. MAIN ACCOUNTING POLICIES (continued)

Financial assets and liabilities

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

Classification of financial assets

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

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

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

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

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

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

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

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

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

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

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

Financial assets available for sale (AFS)

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

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

Impairment of financial assets

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

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

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

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

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

Derecognition of assets and liabilities

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

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

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2. MAIN ACCOUNTING POLICIES (continued)

Earnings per share

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

The Company has chosen to disclose earnings per share in these separate financial statements, based on the separate comprehensive income.

Use of estimates

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

Comparatives

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

3. REVENUES

An analysis of the Company's income for December 31, 2021 is presented below:

| | Financial year ended December 31, 2021 | Financial year ended December 31, 2020 |
|---------------------------------------|---|---|
| Revenues | | |
| Income from sale of finished products | 170,394,502 | 130,550,046 |
| Income from sale of commodities | 88,872,338 | 44,763,700 |
| Income from services delivered | 488,677 | 320,971 |
| Income from other activities | 4,982,129 | 5,511,755 |
| Total | 264,737,646 | 181,146,472 |
| Segment reporting: | | |
| | Financial year ended December 31, 2021 | Financial year ended December 31, 2020 |
| Income by geographical areas: | | |
| Sales on domestic market (Romania) | 214,588,968 | 142,226,794 |
| Sales on foreign market (Europe) | 48,530,451 | 37,404,204 |
| Other (China, Israel, Taiwan, Panama) | 1,618,228 | 1,515,473 |
| Total | 264,737,646 | 181,146,472 |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2021
(all amounts are expressed in lei, unless specified otherwise)**

3. REVENUES (continued)

| Segment income and profit | Segment income Financial year ended | | Segment profit Financial year ended | |
|--|--|----------------------|--|----------------------|
| | December 31, 2021 | December 31, 2020 | December 31, 2021 | December 31, 2020 |
| Polyethylene + polystyrene + polypropylene plastics | 129,868,434 | 103,548,263 | 19,224,968 | 20,153,035 |
| Compound recycled products | 40,009,626 | 23,436,682 | 4,687,147 | 1,290,506 |
| Other productive sectors | 5,876,115 | 5,546,725 | 819,008 | 1,231,874 |
| Income from sale of commodities and other activities | 88,983,471 | 48,614,802 | 2,184,238 | 1,260,648 |
| Total operating income | 264,737,646 | 181,146,472 | 26,915,361 | 23,936,063 |
| Administrative and salary expenses | - | - | (25,703,842) | (21,473,534) |
| Finance expenses | - | - | (1,769,890) | (1,355,128) |
| Profit/(Loss) before tax | - | - | (558,371) | 1,107,401 |

The increase of income from sales of finished products and sale of merchandise is due mainly to the significant increase of **the prices of raw materials** (compounds for plastics) during the reporting period and is correlated to the increase of expenses with raw materials.

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

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

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

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

| Asset and liability segment | Asset segment | | Liability segment | |
|---|----------------------|----------------------|----------------------|----------------------|
| | December 31, 2021 | December 31, 2020 | December 31, 2021 | December 31, 2020 |
| Polyethylene + polystyrene + polypropylene plastics | 70,161,828 | 69,835,800 | 53,619,694 | 52,278,894 |
| Compound recycled products | 66,395,295 | 78,297,109 | 25,886,369 | 19,931,412 |
| Other productive sectors | 6,962,562 | 6,961,621 | 2,889,169 | 3,169,515 |
| Commercial assets, real estate and financial investments and other assets | 99,966,612 | 76,259,651 | 26,946,184 | 17,761,817 |
| Total assets/liabilities | 243,486,297 | 231,354,181 | 109,341,416 | 93,141,638 |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2021
(all amounts are expressed in lei, unless specified otherwise)**

3. REVENUES (continued)

| Depreciation and of non-current assets additions | Depreciation segment Financial year ended | | Segment of non-current assets additions* Financial year ended | |
|---|--|----------------------|--|----------------------|
| | December 31, 2021 | December 31, 2020 | December 31, 2021 | December 31, 2020 |
| Polyethylene + polystyrene + polypropylene plastics | 2,908,889 | 3,128,064 | 148,775 | 790,420 |
| Compound recycled products | 5,732,261 | 5,569,601 | 1,250,354 | 1,446,438 |
| Other productive sectors | 293,496 | 295,823 | 27,275 | 3,880 |
| Other activities | 1,042,938 | 1,209,344 | 1,274,495 | 138,359 |
| Total | 9,977,583 | 10,202,833 | 2,700,899 | 2,379,096 |

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

The client portfolio related to the company's production is diverse; it does not depend on certain clients. Nevertheless, as regards the sale of commodities, S.C Romcarbon SA has two clients (Kasakrom Chemicals SRL and LivingJumbo Industry SA). From the relation with such clients, the Company registered in 2021 a turnover of 10% and 20% of total turnover. Sales to LivingJumbo Industry SA in 2021 also contained sales of finished goods, rental of production spaces and income from other activities, which account for 4% of the turnover.

4. OTHER INCOME

| | Financial year ended December 31, 2021 | Financial year ended December 31, 2020 |
|--|--|--|
| Income from lease of investment property | 2,199,955 | 1,705,120 |
| Income from subsidies | 2,259,451 | 2,262,430 |
| Total | 4,459,406 | 3,967,550 |

5. RAW MATERIALS AND CONSUMABLES USED

| | Financial year ended December 31, 2021 | Financial year ended December 31, 2020 |
|------------------|--|--|
| Raw materials | 87,476,764 | 55,055,632 |
| Commodities sold | 88,098,859 | 44,281,739 |
| Energy expenses | 15,730,307 | 13,314,981 |
| Consumables | 6,639,351 | 4,971,636 |
| Total | 197,945,281 | 117,623,988 |

The increase of expenses with raw materials is the result of increase of prices of acquisition prices for plastic compounds and is correlated to the increase of income from sales of finished products.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2021
(all amounts are expressed in lei, unless specified otherwise)**
6. EMPLOYEE BENEFITS EXPENSES AND SOCIAL CHARGES

| | Financial year ended December 31, 2021 | Financial year ended December 31, 2020 |
|----------------------|---|---|
| Salaries | 38,212,569 | 35,445,086 |
| Social contributions | 933,260 | 1,136,214 |
| Meal tickets | 1,422,566 | 1,058,434 |
| Total | 40,568,395 | 37,639,734 |

The increase of expenses with salaries is mainly due to the increase of the minimum salary at national level of 3.14% in 2021 (lei 2,300) compared to 2020 (lei 2,230). In 2021, 755 employees benefitted from salary growths, further to the increase of the minimum salary.

Indemnities granted to top management

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

| | Financial year ended December 31, 2021 | Financial year ended December 31, 2020 |
|---------------------------------|---|---|
| Management salaries | 2,573,406 | 2,103,051 |
| Benefits for Board of Directors | 18,699 | 42,586 |
| Total | 2,592,105 | 2,145,637 |

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

7. DEPRECIATION/AMORTIZATION AND IMPAIRMENT EXPENSES

| | Financial year ended December 31, 2021 | Financial year ended December 31, 2020 |
|---|---|---|
| Total amortization expenses, of which: | 9,977,583 | 10,202,833 |
| Depreciation of property plant and equipment | 9,845,405 | 9,953,996 |
| Amortization of intangible assets | 132,178 | 248,837 |
| Financial assets impairment | - | - |
| Total | 9,977,583 | 10,202,833 |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2021
(all amounts are expressed in lei, unless specified otherwise)**
8. OPERATING EXPENSES

| | Financial year ended December 31, 2021 | Financial year ended December 31, 2020 |
|---|---|---|
| Expenses with transport and logistics | 6,125,144 | 5,298,304 |
| Other expenses with third party services* | 5,546,229 | 5,661,035 |
| Protocol and marketing | 141,637 | 186,958 |
| Expenses with repairs | 1,267,259 | 1,214,634 |
| Taxes and levies | 1,475,829 | 1,679,227 |
| Losses on receivables | 44,361 | 22,272 |
| Expenses with insurances | 432,442 | 409,500 |
| Expenses with postal charges and telecommunications | 118,951 | 124,066 |
| Expenses with travels | 57,880 | 60,084 |
| Expenses with rentals | 249,336 | 215,308 |
| Expenses with commissions and fees | - | 180 |
| Expenses with fines and penalties | 16,403 | 5,879 |
| Other expenses | 425,223 | 206,591 |
| Total | 15,900,694 | 15,084,038 |

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

9. OTHER GAINS AND LOSSES

| | Financial year ended December 31, 2021 | Financial year ended December 31, 2020 |
|--|---|---|
| Income from penalties charged | 8,202 | 44,667 |
| Gain / (Loss) on sale of non-current assets | 21,280 | (46,665) |
| Gain / (Loss) on adjustment of investment property at fair value** | 1,377,918 | (278,663) |
| Gain / (Loss) on disposal of investment property | 411,233 | (303,833) |
| Gain / (Loss) on disposal of finance investments | - | (110,538) |
| Gain / (Loss) on changes in inventory | (213,642) | (482,705) |
| Other gains* | 278,124 | 653,299 |
| Total | 1,883,115 | (524,438) |

(*) In 2021, the Company registered income from subsidies for the payment of the technical unemployment in amount of lei 180,077.

(**) At December 31, 2021, the Company carried out the revaluation of its investment property held at the end of the year, which resulted in an increase of net value of lei 1,377,918, which was registered in the result for the year – see note 15.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2021
(all amounts are expressed in lei, unless specified otherwise)**
10. FINANCE INCOME

| | Financial year ended December 31, 2021 | Financial year ended December 31, 2020 |
|-----------------------------------|---|---|
| Interest income on bank deposits | 128,719 | 105,139 |
| Dividends from equity investments | - | - |
| Total | 128,719 | 105,139 |

11. FINANCE COST

| | Financial year ended December 31, 2021 | Financial year ended December 31, 2020 |
|--|---|---|
| Bank interest and leases expenses | 918,565 | 1,125,312 |
| Gains / (Losses) on foreign exchange differences | (654,633) | (948,390) |
| Bank commissions and assimilated charges | 196,692 | 229,816 |
| Total | 1,769,890 | 2,303,518 |

12. EXPENSES WITH IMPAIRMENT OF FINANCIAL ASSETS

| | Financial year ended December 31, 2021 | Financial year ended December 31, 2020 |
|--|---|---|
| Gains/(Loss) on impairment of financial assets | (6,477,632) | 110,138 |
| Total | (6,477,632) | 110,138 |

Further to the analysis of the investment in Living Jumbo Industry SA, of the financial results registered in the past years, the Company considered it necessary to register an impairment allowance for the cost of investment in its subsidiary (lei 6,477,632). If the results of Living Jumbo Industry improve or it presents a budget forecast for the following 5 years revealing reasonably estimated performances, such allowance will be reversed to income.

13. INCOME TAX

| Income tax expenses | Financial year ended December 31, 2021 | Financial year ended December 31, 2020 |
|--|---|---|
| Current income tax expense | 712,964 | 460,269 |
| Deferred income tax expense / (income) | 176,123 | (221,972) |
| | 889,087 | 238,297 |

The tax rate applied for the reconciliation above related to 2021 and 2020 is 16% and is due by all Romanian legal persons.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2021
(all amounts are expressed in lei, unless specified otherwise)**
13. INCOME TAX (continued)

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

| Reconciliation of actual income tax rate | Financial year ended December 31, 2021 | Financial year ended December 31, 2020 |
|--|---|---|
| Gross income before taxation | (558,371) | 1,107,401 |
| Tax calculated according to the 16% rate | - | 177,184 |
| Effect of non-taxable income | (308,793) | (474,099) |
| Effect of non-deductible expenses | 771,798 | 289,204 |
| Effect of temporarily non-deductible expenses / deferred tax | 176,123 | (221,972) |
| Deductions related to reinvested profit | 249,960 | 467,980 |
| Total | 889,960 | 238,297 |
| Components of deferred tax liabilities | Financial year ended December 31, 2021 | Financial year ended December 31, 2020 |
| Trade and other receivables | (138,067) | (134,749) |
| Inventories | (274,549) | (274,549) |
| Investment property | 837,046 | 657,605 |
| Property, plant and equipment | 7,588,144 | 7,609,161 |
| Recognised income tax liabilities | 8,012,574 | 7,857,468 |
| of which deferred tax on revaluation reserves from comprehensive income | 8,232,090 | 8,253,107 |
| | Financial year ended December 31, 2021 | Financial year ended December 31, 2020 |
| Opening balance as at January 1 | 7,857,468 | 8,368,626 |
| Movement from revaluation reserves | (21,017) | (289,186) |
| Recognised in income statement | 176,123 | (221,972) |
| Closing balance as at December 31 | 8,012,574 | 7,857,468 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2021

(all amounts are expressed in lei, unless specified otherwise)

14. PROPERTY, PLANT AND EQUIPMENT

| | <u>Land</u> | <u>Buildings</u> | <u>Plant and equipment</u> | <u>Installations and furniture</u> | <u>Tangible assets in progress and advances</u> | <u>Total</u> |
|--|--------------------|-------------------|--------------------------------|--|---|--------------------|
| COST | | | | | | |
| Balance as at January 1, 2021 | 45,747,556 | 20,303,602 | 119,271,504 | 774,084 | 413,404 | 186,510,150 |
| Additions, of which | 232,013 | 931,219 | 1,451,373 | 86,295 | 5,983,128 | 8,684,028 |
| Transfers | 232,013 | 931,219 | 1,451,373 | 86,295 | - | 2,700,899 |
| Revaluation increases | - | - | - | - | - | - |
| Disposals, of which | (1,253,732) | (342,271) | (408,802) | (100,161) | (4,378,798) | (6,483,761) |
| Transfers | - | - | - | - | (2,700,899) | (2,700,899) |
| Balance as at December 31, 2021 | 44,725,838 | 20,892,549 | 120,314,075 | 760,217 | 2,017,738 | 188,710,417 |
| Balance as at January 1, 2020 | 45,747,556 | 20,237,504 | 117,459,332 | 771,891 | 1,752,105 | 185,968,388 |
| Additions, of which | | 66,098 | 2,312,685 | 7,413 | 1,440,669 | 3,826,865 |
| Transfers | - | 66,098 | 2,312,685 | 7,413 | - | - |
| Revaluation increases | - | - | - | - | - | - |
| Disposals, of which | - | - | (500,513) | (5,220) | (2,779,370) | (3,285,103) |
| Transfers | - | - | - | - | (2,386,195) | - |
| Balance as at December 31, 2020 | 45,747,556 | 20,303,602 | 119,271,504 | 774,084 | 413,404 | 186,510,150 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2021

(all amounts are expressed in lei, unless specified otherwise)

14. PROPERTY, PLANT AND EQUIPMENT (continued)

| | <u>Land</u> | <u>Buildings</u> | <u>Plant and equipment</u> | <u>Installations and furniture</u> | <u>Tangible assets in progress and advances</u> | <u>Total</u> |
|--|-------------------|-------------------|--------------------------------|--|---|--------------------|
| CUMULATED DEPRECIATION | | | | | | |
| Balance as at January 1, 2021 | - | 1,310,415 | 71,047,830 | 507,238 | - | 72,865,484 |
| Expenses with depreciation | - | 1,354,627 | 8,447,836 | 42,943 | - | 9,845,406 |
| Decrease from sale of assets | - | (61,528) | (406,658) | (100,161) | - | (568,347) |
| Revaluation decreases | - | - | - | - | - | - |
| Balance as at December 31, 2021 | - | 2,603,514 | 79,089,008 | 450,021 | - | 82,142,543 |
| Balance as at January 1, 2020 | - | - | 62,863,804 | 456,500 | - | 63,320,305 |
| Expenses with depreciation | - | 1,310,415 | 8,587,622 | 55,958 | - | 9,953,995 |
| Decrease from sale of assets | - | - | (403,596) | (5,220) | - | (408,816) |
| Revaluation decreases | - | - | - | - | - | - |
| Balance as at December 31, 2020 | - | 1,310,415 | 71,047,830 | 507,238 | - | 72,865,484 |
| NET BOOK VALUE | | | | | | |
| As at December 31, 2021 | 44,725,838 | 18,289,035 | 41,225,067 | 310,197 | 2,017,738 | 106,567,874 |
| As at December 31, 2020 | 45,747,556 | 18,993,187 | 48,223,674 | 266,845 | 413,404 | 113,644,666 |

Additions of fixed assets in 2021 in amount of lei 2,700,899 were mainly intended for working tools and installations for the production activity.

**NOTES TO THE FINANCIAL STATEMENTS
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14. PROPERTY, PLANT AND EQUIPMENT (continued)

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

Pledged and restricted tangible assets

Tangible assets with a net book value of lei 80,298,674 (December 31, 2020: lei 99,292,925) represent security for investment loans and credit lines contracted from: UniCredit Bank SA, Eximbank SA, BRD GSG SA and CEC Bank SA. See note 26.

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

The net book value of the equipment purchased under this project is lei 16,670,477 at December 31, 2021 and lei 19,314,766 at December 31, 2020.

15. INVESTMENT PROPERTY

| | December 31, 2021 | December 31, 2020 |
|----------------------------------|------------------------------|------------------------------|
| Balance as at January 1 | 11,885,346 | 13,432,444 |
| Total additions, out of which: | 1,471,880 | 298,192 |
| Revaluation increases | 1,389,174 | 305,290 |
| Total disposals, of which: | (2,462,640) | (1,845,290) |
| Revaluation decreases | (11,256) | (583,953) |
| Balance as at December 31 | 10,894,586 | 11,885,346 |

As at December 31, 2021, the Company owns in its locations in Iasi 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.

As at December 31, 2020, the Company performed the revaluation of the investment property held at year-end and resulted a decrease of net value of lei 278,663 which was registered in the result for the year.

If the Company had valued the investment property and the assets held for sale at cost, then the value as of December 31, 2020 would have been lei 9,590,516.

As at December 31, 2021, the Company performed the revaluation of the investment property held at year-end and resulted a decrease of net value of lei 1,377,918, which was registered in the result for the year.

If the Company had valued investment along with the assets held for sale at cost, then their value at December 31, 2021 would be lei 10,645,728.

In July 2021, the Company sold a freehold land in surface area of 11,525 sqm, located within the built-up area of Buzau municipality, for which it received lei 1,853,603 (equivalent of EUR 376,176).

In November 2021 the Company sold a freehold land in surface area of 2,266 sqm, located in Iasi, at Calea Chisinaului nr. 29, for which it received lei 1,009,014.

**NOTES TO THE FINANCIAL STATEMENTS
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(all amounts are expressed in lei, unless specified otherwise)**
16. INTANGIBLE ASSETS (OTHER THAN GOODWILL)

| | <u>Licenses</u> | <u>Other intangible assets</u> | <u>Intangible assets in progress</u> | <u>Total</u> |
|--|------------------|--|--|------------------|
| COST | | | | |
| Balance as at January 1, 2021 | 1,237,971 | 661,342 | - | 1,899,313 |
| Additions | 71,958 | 51,965 | - | 123,923 |
| Transfers | - | - | - | - |
| Disposals | - | - | - | - |
| Balance as at December 31, 2021 | 1,309,929 | 713,307 | - | 2,023,236 |
| Balance as at January 1, 2020 | 1,012,327 | 592,467 | 57,080 | 1,661,874 |
| Additions | 225,643 | 68,876 | 11,975 | 306,314 |
| Transfers | - | - | - | - |
| Disposals | - | - | (68,875) | (68,875) |
| Balance as at December 31, 2020 | 1,237,971 | 661,342 | - | 1,899,313 |
| ACCUMULATED AMORTIZATION | | | | |
| Balance as at January 1, 2021 | 997,222 | 599,354 | - | 1,596,576 |
| Expenses with amortization | 118,402 | 13,775 | - | 132,178 |
| Write-offs on disposal of assets | - | - | - | - |
| Balance as at December 31, 2021 | 1,115,624 | 613,129 | - | 1,728,754 |
| Balance as at January 1, 2020 | 755,272 | 592,466 | - | 1,347,738 |
| Expenses with amortization | 241,950 | 6,888 | - | 248,838 |
| Write-offs on disposal of assets | - | - | - | - |
| Balance as at December 31, 2020 | 997,222 | 599,354 | - | 1,596,576 |
| NET BOOK VALUE | | | | |
| As at December 31, 2021 | 194,305 | 100,178 | - | 294,483 |
| As at December 31, 2020 | 240,749 | 61,988 | - | 302,737 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2021
(all amounts are expressed in lei, unless specified otherwise)
17. INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

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

| Name of investment | Core activity | Place of establishment and operations | % | December 31, 2021 <i>lei</i> | December 31, 2020 <i>lei</i> |
|---------------------------------|--|--|---------|------------------------------------|------------------------------------|
| RECYPLAT LTD CYPRUS | Business and other management consultancy activities | Nicosia | 100.00% | 20,261,120 | 20,261,120 |
| RC ENERGO INSTALL SRL | Plumbing, heat and air conditioning installation (NACE code 4322) | Buzau | 100.00% | 15,112 | 15,112 |
| INFO TECH SOLUTIONS SRL | Other information technology and computer service activities (NACE code 6209) | Buzau | 99.00% | 1,990 | 1,990 |
| LIVING JUMBO INDUSTRY SA | Manufacture of plastic packing goods (NACE code 2222). | Buzau | 99.86% | 6,477,632 | 6,477,632 |
| GRINFILD LTD | Retail trade | Odessa | 62.62% | 2,687,755 | 2,687,755 |
| ECO PACK MANAGEMENT SA | Other business support service activities n.e.c. (NACE code 8299) | Bucharest | 25.36% | 586,625 | 586,625 |
| YENKI SRL | Activities of sports facilities (NACE code 9311) | Buzau | 33.34% | 100,000 | 100,000 |
| KANG YANG BIOTECHNOLOGY CO. LTD | Manufacture of products beneficial for the human health | Taiwan | 4.81% | 203,963 | 203,963 |
| Registrul Miorita SA | Other financial service activities, except insurance and pension funding n.e.c. (NACE code 6499) | Cluj | 3.79% | 5,000 | 5,000 |
| | | TOTAL | | 30,339,197 | 30,339,197 |
| Financial assets impairment | | | | | |
| GRINFILD LTD | | | | (2,687,755) | (2,687,755) |
| LIVING JUMBO INDUSTRY SA | | | | (6,477,632) | - |
| ECO PACK MANAGEMENT SA | | | | (554,263) | (554,263) |
| YENKI SRL | | | | (11,988) | (11,988) |
| | | | | (9,731,638) | (3,254,006) |
| Net book value | | | | 20,607,559 | 27,085,181 |

Further to the analysis of the investment in Living Jumbo Industry SA, of the financial results registered in the past years, the Company considered it necessary to register an impairment allowance for the cost of investment in its subsidiary (lei 6,477,632). If the results of Living Jumbo Industry improve or it presents a budget forecast for the following 5 years revealing reasonably estimated performances, such allowance will be reversed to income.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2021
(all amounts are expressed in lei, unless specified otherwise)**
17. INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (continued)

In December 2020, ROMCARBON DEUTSCHLAND GmbH, in voluntary liquidation, was deregistered from the German business registers. In the same month, the loss from financial investments was registered, in amount of lei 110,138, and the value adjustment recognized in 2014 was derecognized.

18. INVENTORIES

| | December 31, 2021 | December 31, 2020 |
|-------------------------------------|------------------------------|------------------------------|
| Raw materials | 16,589,873 | 11,219,765 |
| Consumables | 3,336,223 | 3,046,134 |
| Items of inventory | 127,527 | 90,879 |
| Packaging | 281,504 | 206,916 |
| Finished products | 5,162,842 | 5,495,449 |
| Unfinished products | 1,953,919 | 1,574,612 |
| Semi-finished products | 881,607 | 1,272,799 |
| Residual products | 33,564 | 30,915 |
| Commodities | 594,784 | 1,062,007 |
| Advances for purchases of inventory | 401,601 | 2,225 |
| Allowance for obsolete inventories | (1,715,929) | (1,715,929) |
| Total | 27,647,515 | 22,285,773 |

The value increase in the stock of raw materials at December 31, 2021 is due to the purchase price of plastic compounds that has increased significantly compared to the previous year. The Company conducted an impairment test for existing stocks and did not find any impairment indications. The value of the stocks is recoverable.

19. TRADE AND OTHER RECEIVABLES

| | December 31, 2021 | December 31, 2020 |
|---------------------------------|------------------------------|------------------------------|
| Trade receivables | 58,097,359 | 37,734,655 |
| Allowances for doubtful clients | (1,232,740) | (1,219,098) |
| Taxes to recovered | 503,644 | 88,057 |
| Other receivables | 94,411 | 232,450 |
| Subsidies receivable | 479 | 3,835 |
| Total | 57,463,153 | 36,839,898 |

The increase of trade receivables at December 31, 2021 is due to the increase in the sale prices of products correlated to the increase of purchase prices of raw materials. The Company conducted an impairment test for receivables and did not find any impairment indications apart from those mentioned above.

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

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

At the end of the year, an impairment allowance for estimated receivables was recognised, in amount of lei 63,405.

Out of the total receivables older than 60 days at December 31, 2021, 97% are held by the Romcarbon Group companies.

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

19. TRADE AND OTHER RECEIVABLES (continued)

| 31/12/2021 | Not past due | Trade receivables – days past due | | | | | Total |
|---|--------------|-----------------------------------|-----------|-----------|-----------|-----------|------------|
| | | <30 | 31-60 | 61-90 | 91-120 | >120 | |
| Expected loss rate | 0.00% | 0.01% | 0.02% | 0.02% | 0.03% | 0.06% | |
| Total estimated default gross carrying amount | 25,434,644 | 5,738,067 | 9,286,974 | 5,294,156 | 4,722,269 | 3,757,563 | 54,233,673 |

| 31/12/2020 | Not past due | Trade receivables – days past due | | | | | Total |
|---|--------------|-----------------------------------|-----------|-----------|-----------|---------|------------|
| | | <30 | 31-60 | 61-90 | 91-120 | >120 | |
| Expected loss rate | 0.00% | 0.01% | 0.02% | 0.02% | 0.02% | 0.02% | |
| Total estimated default gross carrying amount | 20,065,454 | 5,984,710 | 2,888,244 | 3,209,822 | 1,572,280 | 873,902 | 34,594,412 |

**NOTES TO THE FINANCIAL STATEMENTS
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20. OTHER CURRENT FINANCIAL ASSETS

| | December 31, 2021 | December 31, 2020 |
|--|------------------------------|------------------------------|
| Loans granted to related parties | 1,231,700 | 550,242 |
| Interest related to loans granted to related parties | 33,617 | 20,532 |
| Total | 1,265,317 | 570,774 |

In June 2021, the loan granted in 2019 to subsidiary RC Energo Install SRL with a maximum ceiling of EUR 250,000 was converted to lei and the due date extended by months. Related party transactions are presented in note 31.

21. OTHER CURRENT NON-FINANCIAL ASSETS

| | December 31, 2021 | December 31, 2020 |
|--------------------------------|------------------------------|------------------------------|
| Prepaid expenses | 1,755,931 | 949,822 |
| Advances to services suppliers | 431,347 | 130,541 |
| Total | 2,187,278 | 1,080,363 |

22. CASH AND CASH EQUIVALENTS

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, 2021 | December 31, 2020 |
|------------------|------------------------------|------------------------------|
| Cash at banks | 12,489,119 | 17,477,317 |
| Cash on hand | 25,117 | 24,704 |
| Cash equivalents | 284,142 | 86,577 |
| Total | 12,798,377 | 17,588,598 |

**NOTES TO THE FINANCIAL STATEMENTS
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(all amounts are expressed in lei, unless specified otherwise)**
23. NON-CURRENT ASSETS OR DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE OR AS HELD FOR DISTRIBUTION TO OWNERS

| | December 31, 2021 | December 31, 2020 |
|--|----------------------|----------------------|
| Balance as at January 1 | 70,845 | 4,367,166 |
| Total additions, out of which: | 3,689,310 | - |
| Transfers from investment property and tangible assets | 757,273 | - |
| Revaluation increases | - | - |
| Total disposals, of which: | - | 4,296,321 |
| Revaluation decreases | - | - |
| Balance as at December 31 | 3,760,155 | 70,845 |

On January 31, 2020, the sale was completed according to sale-purchase undertaking no. 1830 of December 18, 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 sale-purchase contract no. 183 of January 31, 2020 for which the price of lei 3,987,387.32 was collected (equivalent to EUR 834,356).

In December 2021, the Company purchased the property located near Romcarbon SA in total surface area of 3,723 sqm, land and the three buildings thereon, for a total amount of lei 3,164,050, the equivalent of EUR 639,370. The surface area of 3,450 sqm (acquisition value lei 2,932,037) of the property, along with a land in surface area of 3,957 sqm of the company's patrimony will be subject to a sale transaction with LIDL Romania, which will be completed in 202. Such property is classified as Non-current assets held for sale.

24. ISSUED CAPITAL

| | Share capital | |
|---|----------------------|----------------------|
| | December 31, 2021 | December 31, 2020 |
| 264,122,096 fully paid ordinary shares (2013: 264,122,096). The value of one share is lei 0.1 | 26,412,210 | 26,412,210 |
| Total | 26,412,210 | 26,412,210 |

| | December 31, 2021 | | December 31, 2020 | |
|---------------------------------------|---------------------|-------------|---------------------|-------------|
| | Number of shares | % ownership | Number of shares | % ownership |
| Living Plastic Industry SA | 86,774,508 | 32.85% | 86,774,508 | 32.85% |
| Joyful River Limited Loc. Nicosia CYP | 54,195,089 | 20.52% | 54,195,089 | 20.52% |
| Other legal persons | 11,613,182 | 4.40% | 8,807,769 | 3.33% |
| Other natural persons | 111,539,317 | 42.23% | 114,344,730 | 43.29% |
| Total | 264,122,096 | 100% | 264,122,096 | 100% |

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

**NOTES TO THE FINANCIAL STATEMENTS
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25. RETAINED EARNINGS

| | December 31, 2021 | December 31, 2020 |
|---|------------------------------|------------------------------|
| Balance at the beginning of the year | 50,151,453 | 49,614,454 |
| Net profit/(Net loss) | (1,447,458) | 869,104 |
| Transfer to legal reserves | - | (43,455) |
| Transfer to other reserves* | - | (825,649) |
| Transfers from revaluation reserves | 945,404 | 536,999 |
| Dividend allocation | (2,641,221) | - |
| Balance at the end of the year | 47,008,179 | 50,151,453 |

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

26. RESERVES

| | December 31, 2021 | December 31, 2020 |
|----------------------|------------------------------|------------------------------|
| Legal reserves | 4,176,971 | 4,176,971 |
| Other reserves | 15,656,698 | 15,656,698 |
| Revaluation reserves | 38,708,540 | 39,632,928 |
| Total | 58,542,209 | 59,466,597 |

“Other reserves” include the allocations from the reinvested gross profit, corporate tax-free in accordance with the Tax Code, as well as transfers from gross profit related to other tax facilities in accordance with applicable tax legislation.

REVALUATION RESERVES

| | December 31, 2021 | December 31, 2020 |
|--|------------------------------|------------------------------|
| Opening balance | 39,632,928 | 39,880,741 |
| Transfer of reserves to retained earnings | (945,404) | (536,999) |
| Adjustment of deferred tax on fiscally non-deductible revaluation reserves | 21,017 | 289,186 |
| Closing balance | 38,708,541 | 39,632,928 |

The legal reserve is used to transfer profits from retained earnings. According to Romanian legislation, it is necessary a transfer of the net profit of the Company. The transfer can be of up to 5% of the profit before tax, until the reserve reaches 20% of the share capital. The value as per the IFRS of reserves includes statutory legal reserves in amount of lei 4,176,971.

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

**NOTES TO THE FINANCIAL STATEMENTS
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(all amounts are expressed in lei, unless specified otherwise)**
27. OTHER CURRENT FINANCIAL LIABILITIES

| | December 31, 2021 | December 31, 2020 |
|--|------------------------------|------------------------------|
| Borrowings – short-term | | |
| Credit line in Euro - Eximbank SA | 12,290,542 | 12,380,473 |
| Investment loan in Euro II - BRD | 515,237 | 608,453 |
| Investment loan in Euro III - BRD | 65,055 | 768,238 |
| Credit line UniCredit Bank SA | 23,347,205 | 18,714,452 |
| UniCredit Bank SA – Investment loan CCE 2015 | 2,152,424 | 2,118,189 |
| Investment loan I S1 - Eximbank SA | 208,966 | 417,932 |
| Investment loan I S2- Eximbank SA | 211,120 | 422,241 |
| Investment loan II - Eximbank SA | 596,833 | 596,833 |
| Investment loan II - UniCredit Bank | - | 229,698 |
| Investment loan III - UniCredit Bank | - | 412,712 |
| Investment loan IV - UniCredit Bank | - | 608,007 |
| Investment loan VI - UniCredit Bank | 341,069 | - |
| Loan for purchase of stock - UniCredit Bank | 7,131,743 | - |
| Total | 46,860,194 | 37,277,228 |
| Borrowings – long-term | | |
| Investment loan in Euro II - BRD | - | 507,042 |
| Investment loan in Euro III – BRD | - | 64,021 |
| UniCredit Bank SA – Investment loan CCE 2015 | 2,758,169 | 4,832,489 |
| Investment loan I S1 - Eximbank SA | - | 208,968 |
| Investment loan I S2- Eximbank SA | - | 211,120 |
| Investment loan II - Eximbank SA | - | 596,832 |
| Loan for purchase of stock - UniCredit Bank | 1,259,421 | - |
| Total | 4,017,590 | 6,420,472 |

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

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

As at December 31, 2021 the Company did not meet covenants “total net financial liabilities/equity” and “Total net financial liabilities/EBITDS” either separately, or jointly with LivingJumbo Industry SA. Also, the Company fulfilled separately covenants “Current liquidity”, but did not meet such covenant together with LivingJumbo Industry SA.

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

In this respect, the covenants are reviewed based on the financial statements submitted. The Company communicated with the bank until the end of the financial year on the estimated situation, which review the bank confirmed based on the financial statements. The Company obtained a letter from the banking institutions stipulating that the contractual provisions were not breached, as the conditions were calculated based on the statements submitted, and it would not demand the early repayment of the loans made available.

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27. OTHER CURRENT FINANCIAL LIABILITIES (continued)

The Company has contracted the following short-term loans as at December 31, 2021:

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, 2021: lei 23,347,205 (equivalent of EUR 4,718,418)
 - Due on: April 8, 2022
 - Securities:
1. Mortgage on immovable assets (land + constructions), in total surface area of **81,210 sqm** located at Str. Transilvaniei, 132, Buzău identified by cadastral no. **67264** (having a total surface area of 10,037 sq m), cadastral no. **54304** (having a total surface area of 16,787 sq m), cadastral no. **67301**, having a surface area of 3,348 sq m, cadastral no. **64371**, having a total surface area of 22,830 sq m, cadastral no. **52784** (having a total surface area of 7,659 sq m, cadastral no. **52768** (having a total surface area of 10,191 sq m) and cadastral no. **72441** (having a total surface area of 10,358 sq m);
 2. Mortgage over the credit balance of the accounts in lei 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 11, 2021 EUR 334,000 and a net book value of lei 781,102 as at December 31, 2021.
 7. Blank promissory note, with the mention “No Protest”;
 8. LivingJumbo Industry SA as co-borrower.

The Company has contracted the following short-term loans as at December 31, 2021:

b) credit facility contracted from Banca de Export-Import a Romaniei Eximbank SA in amount of EUR 2,550,000 (contract 8 - ABZ/28.05.2020)

- Outstanding amount as at December 31, 2021: lei 12,290,542 (equivalent of EUR 2,483,891)
 - Due on: May 26, 2022
 - Securities:
1. Mortgage over immovable assets (land + constructions) in surface area of **37,910 sqm** located at located at Strada Transilvaniei, nr. 132, Buzău 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, 52808 (344/1/11/1) having a total surface area of 4,561 sq m, 54430 having a total surface area of 1.320 sqm (subsequent rank).
 2. Mortgage of subsequent rank over a piece of equipment (technological line for washing, sorting and grinding PE film), with a market value as per the valuation of 28.04.2021 of euro 490,500 and a net book value at 31.12.2021 of lei 2,138,455;

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(all amounts are expressed in lei, unless specified otherwise)

27. OTHER CURRENT FINANCIAL LIABILITIES (continued)

3. Mortgage over the credit balance of the accounts opened by Romcarbon SA with Eximbank SA Buzau Branch;
4. Mortgage of first rank over the present and future receivables arising from the trade relations with its commercial partners, including, without limitation: Ductil SA, Dedeman SRL, Nenea SRL, Agrana Romania SRL, Romania Hypermarche SRL, 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;
5. Mortgage of first rank over the present and future receivables arising from the trade relations (orders and/or contracts) with key accounts: Toro Manufacturing and Sales SRL, Leroy Merlin Romania SRL, Moara Cibin SA, Pambac SA and other key accounts agreed upon with the company.
6. Blank promissory note, with the mention "No Protest".

c) *Short-term loan – financing for purchase of stocks contracted from UniCredit Bank SA in amount of EUR 2,000,000 (contract BUZA/134815/CSC)*

- Currency: EUR and RON
- Outstanding drawdowns in EUR at 31.12.2021: lei 5,237,047 (equivalent of EUR 1,058,395)
- Outstanding drawdowns in RON at 31.12.2021: lei 1,894,696
- Due on: 18.11.2022
- Securities:
 1. Movable mortgage over tangible goods such as stocks to be purchased under such loan in amount of EUR 2,000,000;
 2. Real estate mortgage over property bearing cadastral no. 64371 in total surface area of 22,830 sqm located at Str. Transilvaniei, 132, Buzau;
 3. Real mortgage over the credit balance of the accounts opened in lei or foreign currency by Romcarbon SA with UniCredit Bank Buzau Branch.

As at December 31, 2021, the Company contracted the following long-term loans:

I. 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, 2021: lei 515,237 (equivalent of EUR 104,128)
- 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 2,186,725 as at December 31, 2021;

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27. OTHER CURRENT FINANCIAL LIABILITIES (continued)

As at December 31, 2021, the Company contracted the following long-term loans:

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, 2021: lei 65,055 (equivalent of EUR 13,148)
- Due on: 03.02.2022
- Securities:
 1. Mortgage over the credit balance of present and future accounts/sub-accounts in lei and foreign currency opened by S.C. Romcarbon S.A. with BRD GSG – Buzău Branch;
 2. Mortgage over the credit balance of present and future accounts/sub-accounts in lei and foreign currency opened by S.C. LivingJumbo Industry S.A, as co-debtor, with BRD GSG – Buzău Branch;
 3. First rank mortgage over real estate having a total surface area of **35,159 sq m**, identified by the following cadastral numbers: 65984 with a surface area of 17,373 sq m, 54582 with a surface area of 4,108 sq m and 64815 with a surface area of 13,678 sq m;

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

- Outstanding amount as at December 31, 2021: lei 420,086
- Due on: 20.06.2022
- Securities:
 1. Mortgage over real estate having a total surface area of **6,214 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, 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, and 64035 with a surface area of 601 sq m;
 2. Mortgage without dispossession over 2 machinery having a market value of EUR 620,400 as per the valuation of 28.04.2021 and 12.07.2021 and a net book value of lei 2,750,228 as at December 31, 2021;
 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, 2021: lei 4,910,592 (equivalent of EUR 992,420)
- 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 25.05.2021 of EUR 3,879,000 and a net book value of lei 17,260,710 as at December 31, 2021;
 2. Movable property mortgage over all the present and future accounts and sub-accounts opened by Romcarbon SA with UniCredit Bank SA.

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27. OTHER CURRENT FINANCIAL LIABILITIES (continued)

As at December 31, 2020, the Company contracted the following long-term loans:

e) *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, 2021: lei 596,832
- 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 490,500 as per the valuation report of 28.04.2021 and a net book value of lei 2,138,455 as at December 31, 2021;
 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 813,600 as per the valuation report of 07.10.2021 and a net book value of lei 2,046,978 as at December 31, 2021;
 3. Mortgage without dispossession over 3 forklifts with a market value of EUR 43,089 as per the valuation of 22.09.2021 and a net book value of lei 150,471 as at December 31, 2021;
 4. Immovable mortgage without dispossession over 9 machinery purchased under this project with a market value of EUR 90,469 as per the valuation of 28.04.2021 and 22.09.2021 and a net book value of lei 448,623 as at December 31, 2021;
 5. First rank mortgage over present and future receivables arising from the commercial relationship with Toro Manufacturing and Sales SRL, Leroy Merlin Romania SRL, Moara Cibin SA, Pambac SA and other key accounts agreed by the bank;
 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".

e) *Investment loan in amount of EUR 1,000,000 to finance and re-finance objectives included in the 2021 investment plan contracted from UniCredit Bank SA Buzau Branch (contract BUZA/005/2021)*

- Currency: EUR and lei
- Outstanding amount drawn as at December 31, 2021 in EUR: lei 185,702 (equivalent of EUR 37,530)
- Outstanding amount drawn as at December 31, 2021 in lei: lei 1,414,789
- Due on: 08.06.2026
- 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. Immovable property mortgage over real estate identified by cadastral numbers 61039-C1-U12, 61099-C1-U2, 6777, 6778 and 6779 located at Bulevardul Unirii, Bl. E3-E4, Buzau;
 4. Movable property mortgage over all the present and future accounts and sub-accounts opened by Romcarbon SA with UniCredit Bank SA;
 5. Movable mortgage over the goods to be purchased with financing from the facility.

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(all amounts are expressed in lei, unless specified otherwise)****27. OTHER CURRENT FINANCIAL LIABILITIES (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: 03.07.2023
- Guarantees:
 1. Movable asset mortgage over two pieces of production equipment: extruder PP line (inventory no. 24078) with a market value of euro 37,792 at April 22, 2021 and a net carrying amount of lei 0 at December 31, 2021 and a floexographic printing machine (inventory no. 24075) with a market value of euro 20,347 at April 22, 2021 and a net carrying amount of lei 0 at December 31, 2021.
 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

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

- Investment loan in amount of EUR 607,200 (due in February 2024), contract BUZA/016/2015 secured by an immovable property mortgage of subsequent rank identified by cadastral no. 67264 (in total surface area of 10,037 sq m) and cadastral no. 54304 (in total surface area of 16.787 sq m) and movable mortgage over movable assets in the form of form of inventory having a minimum value of EUR 2,000,000 and movable mortgage of subsequent rank over 4 machinery with a market value as per the valuation of 11.01.2021 of EUR 334,000 and a net book value of lei 781,102 as at December 31, 2021;
- Non-binding loan – cash line – in amount of EUR 450,000 (due in February 2024), contract BUZA/044/2016 secured by mortgage on inventories, having a minimum value of EUR 2,000,000;

Guarantees granted to Livingjumbo Industry SA for the credit line contracted from EximBank SA

- Credit line in amount of EUR 2,000,000 (due on May 26, 2022), Contract 9 - ABZ/28.05.2020, 2015 secured by an immovable property mortgage of subsequent rank over the Sutco pre-sorting equipment, having a market value of EUR 129,900 as per the valuation of July 12, 2021 and a net book value of lei 611,774 at December 31, 2021, and by a fidejussio contract concluded between the bank and Romcarbon SA.

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(all amounts are expressed in lei, unless specified otherwise)****27. OTHER CURRENT FINANCIAL LIABILITIES (continued)****III. Guarantees granted for loans contracted by Group companies (continued)****Guarantees granted to Livingjumbo Industry SA for the credit line contracted from Cec Bank SA**

- Credit line in amount of lei 5,000,000 (due on December 14, 2022), secured by an immovable property mortgage over 15 pieces of equipment property of Romcarbon SA, with a market value of EUR 1,032,234 as per the valuation of 13.12.2021 and a net book value of lei 4,255,159 at December 31, 2021, and by a fidejussio contract concluded between the bank and Romcarbon SA.

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

- Credit line in amount of lei 1,000,000 for financing the current activity (due on 26/05/2022), guaranteed by movable mortgage of subsequent rank over the movable asset Coperion line (line for filtering, regrinding and production of compounds in the form of ZSK 70 mc 18 grains), inventory no. 24781, having a market value of euro 790,719 as per the valuation of 22.09.2021 and a net carrying amount of lei 2,046,978 at December 31, 2021;
- Credit line in amount of lei 4,500,000 for financing the current activity (due on 19.05.2023), guaranteed by immovable mortgage over 8 pieces of equipment property of Romcarbon SA, having a market value of euro 621,000 as per the valuation of 06.09.2021 and a net carrying amount of lei 2,695,337 at December 31, 2021.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2020

(all amounts are expressed in lei, unless specified otherwise)

27. OTHER CURRENT FINANCIAL LIABILITIES (continued)

As at December 31, 2021, Romcarbon SA has contracts for the followings loans:

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

| Bank | Type of facility | Initial value | Balance as at 31.12.2020 | | Balance at 31.12.2021 | | Due on | less than 1 year | more than 1 year |
|----------------------------|-----------------------------|---------------|--------------------------|-----------------------|-----------------------|-----------------------|------------|-----------------------|----------------------|
| | | | in euro | in lei | in euro | in lei | | | |
| UniCredit Bank | Credit line | € 5,450,000 | € 3,843,277 | 18,714,452 lei | € 4,718,418 | 23,347,205 lei | 08/04/2022 | 23,347,205 lei | - lei |
| Eximbank SA | Credit line | € 2,550,000 | € 2,542,505 | 12,380,473 lei | € 2,483,891 | 12,290,542 lei | 26/05/2022 | 12,290,542 lei | - lei |
| UniCredit Bank | Investment loan III | € 2,550,000 | € 84,757 | 412,713 lei | € - | - lei | - | - lei | - lei |
| UniCredit Bank | Investment loan (VI) | € 1,000,000 | € - | - lei | € 37,530 | 185,702 lei | 08/06/2026 | 41,267 lei | 144.435 lei |
| BRD GSG | Investment loan (II) | € 1,000,000 | € 229,083 | 1,115,495 lei | € 104,128 | 515,237 lei | 03/09/2022 | 515,237 lei | - lei |
| BRD GSG | Investment loan (III) | € 3,153,160 | € 170,916 | 832,258 lei | € 13,148 | 65,055 lei | 03/02/2022 | 65,055 lei | - lei |
| UniCredit Bank | Investment loan - CCE 2015 | € 3,042,240 | € 1,427,420 | 6,950,678 lei | € 992,420 | 4,910,592 lei | 04/12/2023 | 2,152,424 lei | 2.758.169 lei |
| UniCredit Bank | Loan for purchase of stocks | € 2,000,000 | € - | - lei | € 1,058,395 | 5,237,047 lei | 18/11/2022 | 5,237,047 lei | - lei |
| TOTAL loans in euro | | | € 8,297,956 | 40,406,069 lei | € 9,407,930 | 46,551,381 lei | | 43,648,777 lei | 2,902,604 lei |
| Eximbank SA | Investment loan I | 6,142,500 lei | | 1,260,259 lei | | 420,086 lei | 20/06/2022 | 420,086 lei | - lei |
| Eximbank SA | Investment loan II | 2,432,500 lei | | 1,193,665 lei | | 596,833 lei | 16/12/2022 | 596,833 lei | - lei |
| UniCredit Bank | Investment loan II | 2,500,000 lei | | 229,698 lei | | - lei | 19/09/2021 | - lei | - lei |
| UniCredit Bank | Investment loan IV | 5,400,000 lei | | 608,007 lei | | - lei | 01/12/2021 | - lei | - lei |
| UniCredit Bank | Investment loan V | 2,250,000 lei | | - lei | | - lei | 06/04/2022 | - lei | - lei |
| UniCredit Bank | Investment loan VI | | | - lei | | 1,414,789 lei | 08/06/2026 | 299,802 lei | 1.114.987 lei |
| UniCredit Bank | Loan for purchase of stocks | | | - lei | | 1,894,696 lei | 08/12/2022 | 1,894,696 lei | - lei |
| Total loans in lei | | | | 3,291,629 lei | | 4,326,404 lei | | 3,211,417 lei | 1,114,987 lei |
| Total exposure | | | | 43,697,699 lei | | 50,877,784 lei | | 46,860,194 lei | 4,017,590 lei |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2021
(all amounts are expressed in lei, unless specified otherwise)**
28. OTHER CURRENT NON-FINANCIAL LIABILITIES

| | December 31, 2021 | December 31, 2020 |
|---|------------------------------|------------------------------|
| Subsidies | | |
| Grants – project co-funded by European funds for 2011 | 3,375,688 | 4,446,912 |
| Grants – project co-funded by European funds for 2015 | 7,503,691 | 8,691,918 |
| Subtotal Subsidies | 10,879,379 | 13,138,830 |

As at December 31, 2021, the Company registered investment subsidies and other amounts in the form of investment subsidies, not transferred to income, totalling lei 10,879,379. They are recognized as income on a monthly basis, in line with the depreciation of property, plant and equipment purchased throughout the useful life.

| | December 31, 2021 | December 31, 2020 |
|--|------------------------------|------------------------------|
| Other Liabilities | | |
| Liabilities to employees | 1,096,338 | 1,058,564 |
| Liabilities related to social contributions | 583,755 | 662,306 |
| Other tax liabilities | 329,676 | 367,482 |
| Advance income | - | 29,756 |
| Subtotal other liabilities | 2,009,769 | 2,118,108 |
| Total Other non-current non-financial liabilities | 12,889,148 | 15,256,938 |

29. TRADE AND OTHER PAYABLES

| | December 31, 2021 | December 31, 2020 |
|---------------------------------|------------------------------|------------------------------|
| Trade liabilities | 33,458,585 | 25,361,319 |
| Other liabilities | 109,519 | 101,729 |
| Suppliers invoices not received | 556,958 | 345,128 |
| Advances from clients | 3,036,848 | 321,356 |
| Total | 37,161,910 | 26,129,532 |

The increase of trade payables at December 31, 2021 is mainly due to the increase of the purchase price of raw materials. The Company conducted an analysis of trade payables, and they are current and represent primarily payables to suppliers of raw materials.

**NOTES TO THE FINANCIAL STATEMENTS
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(all amounts are expressed in lei, unless specified otherwise)****30. FINANCIAL INSTRUMENTS****(a) Capital risk management**

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

The Company's capital consists of liabilities, which include the borrowings presented in note 26, cash and cash equivalent and equity attributable to the company. Equity comprises the share capital, reserves and retained earnings as presented in notes 24, 25 and 26.

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

(b) Main accounting policies

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

(c) Objectives of financial risk management

The Company's treasury function supplies services necessary to the business, coordinates access to national and international financial market, monitors and manages financial risk related to the Company's operations through reports on internal risks, 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 Company's activities expose it firstly to financial risks regarding the fluctuation of the foreign exchange rate (see (e) below) and interest rate (see (f) below).

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

(e) Currency risk management

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

(f) Interest rate risk management

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

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

(g) Other risks regarding prices

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

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

30. FINANCIAL INSTRUMENTS (continued)

(h) Credit risk management

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

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

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

(i) Liquidity risk management

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

The ongoing military operation in Ukraine and the related sanctions targeted against the Russian Federation may have impact on the European economies and globally. The entity does not have any significant direct exposure to Ukraine, Russia or Belarus. However, the impact on the general economic situation may require revisions of certain assumptions and estimates. This may lead to material adjustments to the carrying value of certain assets and liabilities including within the next financial year, however without identifying concrete elements at the date of preparation of these financial statements. At this stage management is not able to reliably estimate the impact as events are unfolding day-by-day.

The longer-term impact may also affect trading volumes, cash flows, and profitability. Nevertheless, at the date of these financial statements, the Company continues to meet its obligations as they fall due and therefore continues to apply the going concern basis of preparation.

(j) Fair value of financial instruments

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
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(all amounts are expressed in lei, unless specified otherwise)
30. FINANCIAL INSTRUMENTS (continued)

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

| | EUR 1EUR = lei 4.9481 | USD 1USD = lei 4.3707 | lei 1 lei | December 31, 2021 Total |
|---|-----------------------------|-----------------------------|-----------------|-------------------------------|
| 2021 | <i>lei</i> | <i>lei</i> | <i>lei</i> | <i>lei</i> |
| Assets | | | | |
| Cash and cash equivalents | 143,001 | 1,413,972 | 11,241,404 | 12,798,376 |
| Receivables and other current assets | 3,981,878 | - | 53,481,275 | 57,463,153 |
| Loans granted to Group companies | - | - | 1,265,317 | 1,265,317 |
| Other assets | - | - | 2,187,278 | 2,187,278 |
| Liabilities | | | | |
| Trade and other liabilities | 9,417,085 | 15,882 | 27,728,944 | 37,161,911 |
| Short and long-term borrowings | 46,551,381 | - | 4,326,404 | 50,877,784 |
| Short and long-term finance lease liabilities | - | - | - | - |
| Other liabilities | - | - | 4,269,220 | 4,269,220 |
| 2020 | EUR 1EUR = lei 4.8694 | USD 1USD = lei 3.9660 | lei 1 lei | December 31, 2020 Total |
| | <i>lei</i> | <i>lei</i> | <i>lei</i> | <i>lei</i> |
| Assets | | | | |
| Cash and cash equivalents | 248,730 | 696,114 | 16,643,754 | 17,588,598 |
| Receivables and other current assets | 3,252,505 | 13,175 | 33,574,218 | 36,839,899 |
| Loans granted to Group companies | 570,774 | - | - | 570,774 |
| Other assets | 53,668 | - | 1,026,696 | 1,080,364 |
| Liabilities | | | | |
| Trade and other liabilities | 277,977 | 114,652 | 25,736,903 | 26,129,532 |
| Short and long-term borrowings | 40,406,069 | - | 3,291,631 | 43,697,700 |
| Short and long-term finance lease liabilities | - | - | - | - |
| Other liabilities | - | - | 4,377,559 | 4,377,559 |

This is a free translation from the original Romanian version.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2021
(all amounts are expressed in lei, unless specified otherwise)**
30. FINANCIAL INSTRUMENTS (continued)

The Company is mainly exposed to EUR and USD exchange rates. The following table details the Company's sensitivity to a 10% increase and decrease in the Leu against the EUR/USD.

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

| | <u>31-Dec-2021</u> | <u>31-Dec-2020</u> |
|------|--------------------|--------------------|
| Loss | (5,044,550) | (3,596,373) |

Tables regarding liquidity and interest rate risks

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

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

| 2020 | <u>Less than 1 year</u> | <u>1-2 years</u> | <u>2-5 years</u> | <u>Total</u> |
|--|-----------------------------|------------------|------------------|--------------|
| Non-interest bearing | | | | |
| Trade liabilities | 37,161,911 | - | - | 37,161,911 |
| Other current liabilities | 4,269,220 | - | - | 4,269,220 |
| Interest bearing instruments | | | | |
| Short and long-term leases | - | - | - | - |
| Borrowings from financial institutions | 46,860,194 | 3,477,838 | 539,753 | 50,877,784 |
| Non-interest bearing | | | | |
| Cash and cash equivalents | 12,798,376 | - | - | 12,798,376 |
| Receivables and other current assets | 57,463,153 | - | - | 57,463,153 |
| Interest bearing | | | | |
| Loans to Group companies | 1,265,317 | - | - | 1,265,317 |

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

30. FINANCIAL INSTRUMENTS (continued)

Tables regarding liquidity and interest rate risks (continued)

| 2020 | Less than 1 year | 1-2 years | 2-5 years | Total |
|--|---------------------|-----------|-----------|------------|
| <i>Non-interest bearing</i> | | | | |
| Trade liabilities | 26,129,532 | - | - | 26,129,532 |
| Other current liabilities | 4,377,559 | - | - | 4,377,559 |
| <i>Interest bearing instruments</i> | | | | |
| Short and long-term leases | - | - | - | - |
| Borrowings from financial institutions | 37,277,228 | 6,420,473 | - | 43,697,700 |
| <i>Non-interest bearing</i> | | | | |
| Cash and cash equivalents | 17,588,598 | - | - | 17,588,598 |
| Receivables and other current assets | 36,839,898 | - | - | 36,839,898 |
| <i>Interest bearing</i> | | | | |
| Loans to Group companies | | | | |

31. RELATED PARTY TRANSACTIONS

The transactions among the Company and its subsidiaries – Company’s related parties - are presented under this note. Companies and individuals may be deemed related parties if one party holds control or exercises significant influence over the other party. In 2021 and 2020, the Company did not receive dividends from related parties.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2021

(all amounts are expressed in lei, unless specified otherwise)

31. RELATED PARTY TRANSACTIONS (continued)

| | Sales of goods and services | | Purchases of goods and services | |
|-------------------------|-----------------------------|-------------------|---------------------------------|------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Eco Pack Management SA | 5,094 | 6,287 | 24,742 | - |
| Info Tech Solution SRL | 24,886 | 22,684 | 664,947 | 569,725 |
| LivingJumbo Industry SA | 65,925,395 | 40,688,670 | 1,553,380 | 896,547 |
| RC Energo Install SRL | 92,494 | 86,910 | 4,255,337 | 2,334,118 |
| Yenki SRL Buzau | - | - | - | - |
| Total | 66,050,178 | 40,804,552 | 6,498,406 | 3,800,390 |

| | Receivables from related parties | | Payables to related entities | |
|-------------------------|----------------------------------|-------------------|------------------------------|----------------|
| | 2021 | 2020 | 2021 | 2020 |
| Eco Pack Management SA | - | - | 29,442 | - |
| Info Tech Solution SRL | - | 19,237 | 97,566 | 14,723 |
| LivingJumbo Industry SA | 34,158,900 | 19,938,255 | 618,119 | 6,427 |
| RC Energo Install SRL | - | 23,729 | 296,645 | 300,536 |
| Yenki SRL Buzau | - | - | - | - |
| Total | 34,158,900 | 19,981,221 | 1,012,330 | 321,686 |

As at 31 December, the Company has outstanding receivables in amount of lei 1,265,317 from RC Energo Install SRL represented by a loan granted, due in June 2022.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2021
(all amounts are expressed in lei, unless specified otherwise)
31. RELATED PARTY TRANSACTIONS (continued)

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

| | Sales of goods and services | | Purchases of goods and services | |
|-------------------------------|-----------------------------|------------------|---------------------------------|------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Greenfiber International SA | 3,437,250 | 2,216,011 | 33,207 | 34,746 |
| Greenlamp Reciclare SA | - | - | - | - |
| Greentech SA | 81,832 | 114,537 | 117,257 | 129,192 |
| Greenweee International SA | 41,703 | 15,144 | 1,270,053 | 786,962 |
| Geinteh MK LTD | - | 254,647 | - | - |
| Total Waste Management SRL | - | 22,532 | - | - |
| Next Eco Reciclyng SA | - | - | - | - |
| Green Resources Management SA | 5,713 | 94,855 | 452,326 | 442,525 |
| Total | 3,566,498 | 2,717,727 | 1,872,844 | 1,393,424 |

| | Receivables from related parties | | Payables to related entities | |
|-------------------------------|----------------------------------|---------------|------------------------------|---------------|
| | 2021 | 2020 | 2021 | 2020 |
| Greenfiber International SA | - | 489 | 2,381 | 3,740 |
| Greenlamp Reciclare SA | - | - | - | - |
| Greentech SA | 19,676 | 13,501 | 875 | 6,070 |
| Greenweee International SA | 6,614 | 1,302 | 215,704 | 76,550 |
| Greentech d.o.o Serbia | - | - | - | - |
| Total Waste Management SRL | - | - | - | - |
| Next Eco Reciclyng SA | - | - | - | - |
| Green Resources Management SA | - | - | 22,541 | - |
| Total | 26,290 | 15,292 | 241,500 | 86,360 |

This is a free translation from the original Romanian version.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2021
(all amounts are expressed in lei, unless specified otherwise)****32. COMMITMENTS AND CONTINGENCIES****Potential tax liabilities**

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

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

Transfer pricing

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

Environmental matters

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

33. SUBSEQUENT EVENTS

On 31, January 2022 the Company signed a financing agreement with the Ministry of Investments and European Projects, as Management Authority for the Operational Programme Large Infrastructure, whereby the Company is offered a grant in amount of lei 933,049.40, for the project „Implementation of a smart energy consumption monitoring system at ROMCARBON SA”, a grant that covers 100% of the project value (VAT excluded)”.

At the date of this report, we have not identified any risks affecting significantly the revenues from the core activity. Starting February 2022, the geopolitical tensions have escalated significantly further to the military intervention of the Russian Federation in Ukraine. Further to such escalations, the economic uncertainties on the energy and capital markets have grown, and global energy prices are expected to be extremely volatile in the foreseeable future. At the date of this report, management cannot reliably estimate the effects on the Company's financial prospects and cannot rule out the adverse consequences on the business, operations and financial standing. Management considers that it is taking all the necessary measures to support the sustainability and growth of the Company's business given the current circumstances and that the professional judgment used in these financial statements is adequate.

The separate financial statements were approved by the Board of Directors and were authorised for issuance on March 28, 2022.

ADMINISTRATOR,**HUANG LIANG NENG**

FINANCIAL MANAGER,**VIORICA ZAINESCU**

**DEPUTY ADMINISTRATIVE GENERAL
MANAGER,
CARMEN MANAILA**

For signatures, please refer to the original Romanian version.

BOARD OF DIRECTORS' REPORT FOR THE PERIOD ENDED DECEMBER 31, 2021

ROMCARBON S.A., a legal entity with headquarters in Buzau, str. Transilvaniei nr. 132, registered at the Buzau Trade Registry under no. J10/83/1991, recorded in the financial statements for the year ended December 31, 2021, the amount of 26,412,209.60 lei as subscribed and paid in share capital representing a number of 264,122,096 shares of 0.10 lei each share.

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

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

- the internal audit reports drawn up in 2021 in various audit missions made according to the Internal Audit Plan;
- the separate financial statements drawn for the year ended December 31, 2021 in accordance with applicable accounting regulations for the companies whose securities are admitted to trading on a regular market, i.e. International Financial Reporting Standards (IFRS) which comprise:
 - a) Statement of financial position
 - b) Statement of profit or loss
 - c) Statement of comprehensive income
 - d) Statement of changes in shareholders' equity
 - e) Statement of cash flows
 - f) Policies and explanatory notes to the annual financial statements.

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

In preparing the separate financial statements as at 2021, the Company complied with Accounting Law no. 82/1991, republished, Ministry of Public Finance Order no. 2844/2016 approving the Accounting regulations compliant with International Financial Reporting Standards, MoPFO no. 881/2012 on the application by the companies whose securities are admitted to trading on a regulated market of International Financial Reporting Standards - standards adopted under the procedure provided in art. 6 para. (2) of Regulation (EC) no. 1606 /2002 of the European Parliament and of the Council of 19 July 2002 on the application of international standards of accounting.

The Company will also issue for 2021 consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU.

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

In the process of drawing the 2021 financial statements of Romcarbon SA Buzau it had been fully applied the principles and accounting policies, the evaluation methods, and the provisions of accounting regulations.

ASSESSMENT OF THE COMPANY'S ACTIVITY

1) The assessment of the technical level of the company

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

The company has the following working points:

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

In 2021, the production activity was carried out in 7 profit centers as follows:

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

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

| Group of products | 2020 | 2021 |
|--|---------------|---------------|
| Total revenues from sales of finished products, of which: | 71.72% | 63.49% |
| CP1~ Auto and industrial filters, | 1.33% | 1.01% |
| CP2~ Respiratory protective equipment and Active Carbon | 1.34% | 0.84% |
| CP3~ Polyethylene products | 15.23% | 13.49% |
| CP4~ PVC products | 0.38% | 0.33% |
| CP5~ Polystyrene products | 22.01% | 17.79% |
| CP6~ Polypropylene products | 18.65% | 15.69% |
| CP7~Compounds | 12.79% | 14.34% |

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

New products developed in 2021

In 2021 the range of industrial filters was enlarged with 53 new items, of which 7 industrial filters, 29 car filters, 7 railway engine filters, 3 natural gas filters 7 bacterial filters.

22 new recipes of compounds manufactured from recycled and virgin plastic were developed, which also included optimisation in order to cut costs and streamline the use of raw materials. The products were sent to beneficiaries for testing, 5 of which being used by clients in the car industry.

Given the circular European economy, which provides the introduction of 10 million tons of recyclable materials in plastic by 2025, the polyethylene sector continued to seek new products/clients for products with recyclable components.

2) Assessment of procurement activity (domestic and import)

The supply of raw materials, consumables and services is carried out according to the specific internal procedures. Further to the assessment of at least 3 commercial offers, the best alternative is selected, which then turns into an acquisition. The collaboration with these suppliers is based on the contracts signed with them or on confirmed spot orders. The portfolio of suppliers of raw materials for most of the production sectors includes 44% Romanian companies, and 56% companies in the foreign market. For the Compounds sector, the raw material supplied comes 92% from Romania, while the difference is ensured by the quantities offered by foreign collaborators.

The most important share (63%) in the total value of acquisitions of raw materials is represented by polymer granules (polypropylene, polyethylene, polystyrene), which represents the basic raw materials. They are provided by various companies with which Romcarbon SA has developed strong partnerships over the years.

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

3) Assessment of sales

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

| Group of products | 2020 | 2021 | 2021 vs. 2020 | | |
|---|--------------------|--------------------|---------------|-------------------|------------|
| | | | | | |
| CP1~ Auto and industrial filters | 2,409,202 | 2,703,153 | ▲ | 293,951 | 12% |
| CP2~ Respiratory protective equipment and active carbon | 2,423,505 | 2,247,391 | ▼ | -176,114 | -7% |
| CP3~ Polyethylene products | 27,570,557 | 36,010,670 | ▲ | 8,440,113 | 31% |
| CP4~ PVC products | 679,304 | 881,364 | ▲ | 202,060 | 30% |
| CP5~ Polystyrene products | 39,839,387 | 47,497,169 | ▲ | 7,657,782 | 19% |
| CP6~ Polypropylene products | 33,761,931 | 41,879,984 | ▲ | 8,118,053 | 24% |
| CP7~Compounds | 23,154,619 | 38,271,305 | ▲ | 15,116,686 | 65% |
| Total | 129,838,505 | 169,491,035 | ▲ | 39,652,530 | 31% |

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

| Sales of finished products | 2020 | | 2021 | |
|----------------------------|--------------------|----------------|--------------------|----------------|
| | Value | % | Value | % |
| Domestic | 91,948,262 | 70.82% | 122,114,658 | 72.05% |
| Foreign | 37,890,242 | 29.18% | 47,376,377 | 27.95% |
| Total | 129,838,505 | 100.00% | 169,491,035 | 100.00% |

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

The number of Romcarbon SA employees as at 31.12.2021 was 840, grouped according to the level of education as follows:

| Total number of employees, of which: | 840 | % |
|--------------------------------------|-----|-----|
| · higher education* | 96 | 11% |
| · post-high school education | 12 | 1% |
| · technological foremen school | 10 | 1% |
| · high school education | 321 | 38% |
| · vocational education | 211 | 25% |
| · 9 – 11 grades/apprenticeship | 101 | 12% |
| · on-the-job qualification | 6 | 1% |
| · secondary education | 83 | 10% |

**Out of the total higher education staff, 68 fill positions that require higher education.*

The relationships between managers and employees are relations of subordination according to the Company's organizational chart, job descriptions and individual labor contract.

Each employee is directly subordinated to their superior. Superiors are responsible for the legality and validity of the instructions they issue, and the consequences of these instructions.

There were no conflicts in the relations between managers and employees.

Employees are not organized in a trade union.

5) Assessment of the research and development activity

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

- Product certification according to the national and European regulations:
 - The certifications of the Filter and Protection Equipment Workshop were extended for air filters, oil filters, locomotive filters, motorailers;
 - extension of the technical permit for XPS films to mount the parquet in the PSE area;
 - obtaining the EuCertPlast certification in the recycling sectors, whose aim is to acknowledge the Company as a recycler that complies with the standards in the field;
- obtaining annual health certificate required for expanded polystyrene packaging for export to non-EU countries;
- registration of Romcarbon trade mark with a new logo at the EUIPO, at European level;
- development of new products and technologies while developing existing ones (e.g., the range of polypropylene woven packaging was extended by more than 350 products in terms of type and size);
- acquisition of the new equipment in order to increase the company productivity and the products quality (separate feed system for polypropylene fractions on the existing densiometric separation line);
- updating the technical documentation of the polystyrene, polyethylene, recycled plastic and protection equipment
- installation of a photovoltaic system for internal consumption with an installed capacity of 60 kW, consisting in the mounting of solar panels on the roof of the administrative building, which will determine an annual saving of energy and will contribute to the protection of the environment by reducing the CO2 emissions.
- obtaining non-refundable European funds in amount of EUR 200,000 to implement a smart energy consumption monitoring system co-funded under the European Fund, the main aim of which is to identify and implement energy efficiency measures for registering energy savings and avoiding emissions of greenhouse gases by the Company.

The cost of research and development activity in 2021 was 601,446 lei, while for 2022 it was budgeted a cost of lei 712,487.

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

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

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

ROMCARBON S.A. has implemented and certified an integrated quality management system - environment - occupational health and safety standards ISO 9001: 2015; ISO 14001: 2005 and ISO 45001 :2018, applicable to the design and manufacture of protective equipment airway - SRAC certificate.

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

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

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

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

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

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

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

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

At the beginning of 2022, the Company reassessed the environmental aspects and made the List of significant environmental aspects in normal conditions or in emergency situations.

7) Assessment of the management system

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

- Quality management system as per the requirements of SR EN ISO 9001:2015, whereby the entire organisation is engaged in a process of continuous improvement of organizational quality and implicitly the quality of the products and services offered;
- Environmental management system as per the requirements SR EN ISO 14001: 2015, whereby the entire organisation is engaged in a process of continuous improvement of environmental conditions and pollution prevention;
- The management of the organization's occupational health and safety ISO 45001:2018, the company is engaged in a process of continuous improvement in the workplace health and safety conditions and prevention of accidents and occupational diseases throughout the organization.

The Quality, Environment, Health and Occupational Safety Integrated Management System is certified by a RENAR accredited body, namely SRAC ROMANIA. The Quality Management System of ROMCARBON SA has been certified since 1994 and we maintain our certification as at present. The latest recertification audit was conducted in March 2021 and in March 2022 and supervisory audit for the Integrated Management System is to take place.

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

The top-level management aims to develop the Integrated Management System in line with the requirements of the reference standards: ISO 9001: 2015, ISO 14001-2015 and ISO 45001:2018 and to continuously improve its effectiveness and guarantee the satisfaction of customers and all stakeholders.

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

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

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

Market risk

In 2021, the company recorded an increase of total turnover by 46%, reaching a total of lei 266,937,601 (2020: lei 182,851,592). Sales of finished products (2021: lei 168,983,743) increased by 31% (2020: lei 129,838,505).

Romcarbon's main selling market is the domestic one, with a share in turnover resulting from the core activity (Income from sale of finished products) of 72% in 2021 (71% in 2020). The client portfolio for the company's production activity is diversified, there is no clear dependence on certain clients. However, for the activity of sales of goods, Romcarbon SA has two clients (Kasakrom Chemiclas SRL and Livingjumbo Industry SA) that in 2021 had a turnover represented 10% and 20% of total turnover. The sales to Livingjumbo Industry SA in 2021 included the sales of finished products, rents and income from other activities, which accounted for 4% of turnover.

In 2019 the EU adopted Directive (EU 2019)/904 on reduction of the impact of certain plastic products on the environment. In 2021, the provisions of the directive were transposed into the Romanian legislation (Ordinance no. 6/2021 on reduction of the impact of certain plastic products on the environment, the sale on the EU market of certain categories of single-use products, among which catering casseroles manufactured in the polystyrene sector (Profit center 5). Thus, starting 01.09.2021, only catering casseroles on stock as at such date could be sold on the EU market.

In 2021, catering casseroles have a share of 30% in CP5 sales, distributed by market, as follows: domestic market and EU - 80%; non-EU market - 20%.

Further to the changes made, in Q4 2021 catering casseroles have a share of 11% in CP5 sales, distributed by market, as follows: domestic market and EU - 49%; non-EU market – 51%.

To replace the lost market segment, the Company sought to increase sales of other product groups where there is growth: standard trays and XPS plates.

One of the risks that affected the Company's activity in 2021 related to the supply chain. The main difficulty that the Company faced was the unprecedented global crisis on the market of raw materials (plastic compounds), which translated into a significant drop of existing stocks and swift and sharp increase of prices.

Exchange rate risk

Currency exposure of Romcarbon SA is generated mainly by the loans denominated in euro. As at 31.12.2021 the balance of this loan was EUR 9,407,930 (EUR 8,297,956 at December 31, 2020).

In 2021, the financial result generated by the fluctuation of foreign currencies rate was lei -651,119 (2020: lei -918,847).

Cash flow in foreign currencies in 2021 has the following structure:

| Item | EURO | USD | GBP |
|--|-------------------|----------------|------------|
| Proceeds from foreign clients | 9,924,195 | 350,114 | 0 |
| Payment to the foreign suppliers (raw materials and equipment) | -15,798,836 | -130,326 | 0 |
| Loans drawn | 1,912,453 | | |
| Payments of credits, interest, bank fees | -1,005,806 | -805 | -23 |
| Other currency payments | -74,287 | -65,539 | 0 |
| Net cash flow | -5,042,280 | 153,444 | -23 |

Liquidity risk

Current liquidity of SC Romcarbon SA (calculated as the ratio between current assets and current debts) registered an increase in 2021, reaching 1.19 compared to 1.05 in 2020.

Cash flow risk

Romcarbon SA is not exposed to a high risk in terms of cash flow as the company cash management is very rigorous; by forecasting cash inflows and outflows over a period of three months and daily tracking performance of this projection, surplus cash is placed in term deposits, aiming at getting the best interest rates on the market. Regarding loans to finance production activity, they are contracted for a period of 12 months with the possibility of extending the due date for a similar period, and in this sense are not anticipated higher cash outflow during 2022.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The internal accounting and financial control focuses on providing:

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

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

REVIEWING THE ECONOMIC AND FINANCIAL SITUATION OF THE COMPANY

1) Statement of financial position

The statement of financial position for the years 2019 and 2020 is shown in the following table.

| Items | 2020 | 2021 | 2021 vs. 2020 | | |
|---|--------------------|--------------------|--------------------|----------|----------------|
| | | | | | |
| Property, plant and equipment | 113,644,666 | 106,567,874 | -7,076,792 | ▼ | -6,23% |
| Investment property | 11,885,346 | 10,894,586 | -990,760 | ▼ | -8,34% |
| Intangible assets | 302,737 | 294,483 | -8,254 | ▼ | -2,73% |
| Financial assets | 27,085,181 | 20,607,559 | -6,477,622 | ▼ | -23,92% |
| Total non-current assets | 152,917,930 | 138,364,502 | -14,553,428 | ▼ | -9,52% |
| Inventories | 22,285,771 | 27,647,515 | 5,361,744 | ▲ | 24,06% |
| Trade and other receivables | 36,839,898 | 57,463,153 | 20,623,255 | ▲ | 55,98% |
| Other current financial assets | 570,774 | 1,265,317 | 694,543 | ▲ | 121,68% |
| Other current non-financial assets | 1,080,363 | 2,187,278 | 1,106,915 | ▲ | 102,46% |
| Cash and bank balances | 17,588,598 | 12,798,377 | -4,790,221 | ▼ | -27,23% |
| Non-current assets held for sale | 70,845 | 3,760,155 | 3,689,310 | ▲ | 5207,59% |
| Total current assets | 78,436,251 | 105,121,795 | 26,685,544 | ▲ | 34,02% |
| Total assets | 231,354,181 | 243,486,297 | 12,132,116 | ▲ | 5,24% |
| Issued capital | 26,412,210 | 26,412,210 | 0 | ▲ | 0,00% |
| Share premium | 2,182,283 | 2,182,283 | 0 | ▼ | 0,00% |
| Reserves | 59,466,597 | 58,542,209 | -924,388 | ▼ | -1,55% |
| Retained earnings | 50,151,453 | 47,008,179 | -3,143,274 | ▼ | -6,27% |
| Total equity | 138,212,543 | 134,144,881 | -4,067,662 | ▼ | -2,94% |
| Other provisions | 200,000 | 400,000 | 200,000 | ▲ | 100,00% |
| Deferred tax liabilities | 7,857,468 | 8,012,574 | 155,106 | ▲ | 1,97% |
| Other non-current financial liabilities | 6,420,472 | 4,017,590 | -2,402,882 | ▼ | -37,43% |
| Other non-current non-financial liabilities | 10,879,379 | 8,619,928 | -2,259,451 | ▼ | -20,77% |
| Total non-current liabilities | 25,357,319 | 21,050,092 | -4,307,227 | ▼ | -16,99% |
| Trade and other payables | 26,129,532 | 37,161,910 | 11,032,378 | ▲ | 42,22% |
| Other current financial liabilities | 37,277,228 | 46,860,194 | 9,582,966 | ▲ | 25,71% |
| Other current non-financial liabilities | 4,377,559 | 4,269,220 | -108,339 | ▼ | -2,47% |
| Total current liabilities | 67,784,319 | 88,291,324 | 20,507,005 | ▲ | 30,25% |
| Total liabilities | 93,141,638 | 109,341,416 | 16,199,778 | ▲ | 17,39% |
| Total equity and liabilities | 231,354,181 | 243,486,297 | 12,132,116 | ▲ | 5,24% |

At December 31, 2021, non-current assets hold 55.83% of the company's assets, decreasing by lei -14,553,428, namely 9.52% compared to the beginning of the year.

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

| Non-current assets (NCA) | 2021 | % in total NCA | % in total asset | 2021 vs. 2020 |
|---------------------------------|--------------------|----------------|------------------|---------------|
| Property, plant and equipment | 106,567,874 | 77,02% | 43,77% | -6,23% |
| Investment property | 10,894,586 | 7,87% | 4,47% | -8,34% |
| Intangible assets | 294,483 | 0,21% | 0,12% | -2,73% |
| Financial assets | 20,607,559 | 14,89% | 8,46% | -23,92% |
| Total non-current assets | 138,364,502 | 100,00% | 56,83% | -9,52% |

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

| | |
|---|---------------|
| · Constructions (including developments and upgrades) | 931,219 lei |
| · Equipment and machinery | 1,537,667 lei |

Additions of fixed assets in 2021 had the following destinations: CP7-Compounds: 1,250,354 lei; Administrative and other sectors: 1,218,532 lei.

As at December 31, 2021, the Company performed the revaluation of the investment property and it resulted an increase of net carrying amount of lei 1,377,918, which was charged to the 2021 profit or loss.

In 2021, disposals of property, plant and equipment at registration price were in amount of lei 1,264,987 representing lei 652,564 sales, lei 600,397 scrapping and lei 82,706 reclassification to investment property.

Disposals of investment property

In July 2021, the Company sold a freehold land in surface area of 11,525 sqm located within the built-up area of Buzau municipality, for which it received lei 1,853,603 (equivalent of EUR 376,176).

In November 2021, the Company sold a land of 2,266 sqm, located in Iasi, Calea Chisinaului nr. 29, for which it received lei 1,009,014 (equivalent of EUR 203,940).

Financial assets account for 8.46% out of total assets, and 14.89% out of total non-current assets.

As at December 31, 2021, Romcarbon SA held direct ownership in other companies worth lei 30,339,197, as follows:

| Company | Total shares | Nominal value (lei) | Share capital (lei) | Share capital held (lei) | No. of shares held | Acquisition/ investment value | Holding (%) |
|--------------------------------|--------------|---------------------|---------------------|--------------------------|--------------------|-------------------------------|-------------|
| RECYPLAT LTD CIPRU | 26,000 | 4.3521 | 113,154 | 113,154 | 26,000 | 20,261,120 | 100.00% |
| RC ENERGO INSTALL SRL | 200 | 10 | 2,000 | 2,000 | 200 | 15,112 | 100.00% |
| INFO TECH SOLUTIONS SRL | 200 | 10 | 2,000 | 1,980 | 199 | 1,990 | 99.50% |
| LIVINGJUMBO INDUSTRY SA | 1,400 | 4,032 | 5,644,800 | 5,636,736 | 1,398 | 6,477,632 | 99.8571% |
| GRINFILD LLC UCRAINA | | | | | | 2,687,755 | 62.62% |
| YENKI SRL | 32,800 | 10 | 328,000 | 109,340 | 10,934 | 100,000 | 33.34% |
| ECO PACK MANAGEMENT SA | 144,600 | 10 | 1,446,000 | 366,700 | 36,670 | 586,625 | 25.36% |
| KANG YANG BIOTECHNOLOGY CO.LTD | 2,889,993 | - | - | - | 139,000 | 203,963 | 1.95% |
| REGISTRUL MIORITA SA | 10,500 | 10 | 105,000 | 3,980 | 398 | 5,000 | 3.79% |
| TOTAL | | | | | | 30,339,197 | |

In December 2020, ROMCARBON DEUTSCHLAND GmbH, in voluntary liquidation, was deregistered from the German business registers. In the same month, the loss from financial investments was registered, in amount of lei 110,138, and the value adjustment of lei 110,138 was derecognized.

In December 2021, the Company recognised an impairment allowance for its investment in subsidiary Livingjumbo Industry SA for the investment cost (lei 6,477,632).

The impairment of financial investments is presented in the following table:

| Company | Interest quota | Adjustment |
|-------------------------|----------------|------------------|
| GRINFILD LLC UCRAINA | 62.62% | 2,687,755 |
| YENKI SRL | 33.34% | 11,989 |
| ECO PACK MANAGEMENT SA | 25.36% | 554,262 |
| LIVINGJUMBO INDUSTRY SA | 99.86% | 6,477,632 |
| Total | | 9,731,638 |

Current assets account for 43.17% of total assets recording a decrease of 26,685,544 lei, i.e. 34.02% as compared with the beginning of the year.

| Current assets | 31.12.2021 | % out of total current assets | % out of total assets | 31.12.2021 vs. 31.12.20 |
|---|--------------------|-------------------------------|-----------------------|-------------------------|
| Inventories | 27,647,514 | 26.30% | 11.36% | 24.06% |
| Trade and other receivables | 57,463,153 | 54.66% | 23.60% | 55.98% |
| Other current financial assets ¹ | 1,265,317 | 1.20% | 0.52% | 121.68% |
| Other current non-financial assets | 2,187,278 | 2.08% | 0.90% | 102.46% |
| Cash and cash equivalents | 12,798,377 | 12.17% | 5.26% | -27.23% |
| Non-current assets held for sale ² | 3,760,155 | 3.58% | 1.54% | 5207.59% |
| Total current assets | 105,121,795 | 100.00% | 43.17% | 34.02% |

¹ Loans granted to affiliated parties

In June 2021, the loan granted in 2019 to subsidiary RC Energo Install SRL with a maximum ceiling of EUR 250,000 was converted to lei and the maturity date extended by 12 months.

² Non-current assets held for sale

In December 2021, the Company purchased the property located near Romcarbon SA in total surface area of 3,723 sqm, land and the three buildings thereon, for a total price of 3,164,050 Ron, the equivalent of EUR 639,370. The surface area of 3,450 sqm (acquisition value lei 2,932,037) of the property, along with a land in surface area of 3,957 sqm of the company's patrimony will be subject to a sale transaction with LIDL Romania, which will be completed in 2022. Such property is classified as Non-current assets held for sale.

Total liabilities hold 44,91% of the company's total Equity and liabilities recording an increase of lei 16,199,778 compared to the beginning of the year of 17.39%.

Borrowings

At December 31, 2021 the bank loans committed by ROMCARBON SA are as follows:

| Type of facility | Balance at 31.12.2021 | | < 1 year | >1 year |
|--------------------------------------|-----------------------|-----------------------|-----------------------|----------------------|
| | in euro | in lei | | |
| Credit lines ³ | € 7,202,309 | 35,637,747 lei | 35,637,747 lei | - lei |
| Short-term loan in euro ⁴ | € 1,058,395 | 5,237,047 lei | 5,237,047 lei | - lei |
| Investment loans in euro | € 1,147,226 | 5,676,587 lei | 2,773,983 lei | 2,902,604 lei |
| Total loans in euro | € 9,407,930 | 46,551,381 lei | 43,648,777 lei | 2,902,604 lei |
| Short-term loan in lei ⁴ | | 1,894,696 lei | 1,894,696 lei | - lei |
| Investment loan in lei | | 2,431,708 lei | 1,316,721 lei | 1,114,986 lei |
| Total loans in lei | | 4,326,404 lei | 3,211,417 lei | 1,114,986 lei |
| Total exposure | | 50,877,784 lei | 46,860,194 lei | 4,017,590 lei |

³ In April and May, the credit lines contracted from UniCredit Bank SA (EUR 5,450,000) and EximBank SA (EUR 2,550,000) were extended by 12 months.

⁴ In June 2021, a multi-currency (RON and EUR) short-term credit facility was signed with UniCredit Bank SA (due on 08.12.2021), having a maximum ceiling of EUR 500,000, to fund the purchase of raw materials. In November 2021, the balance of the then loan was paid (lei 1,671,498 and EUR 162,060) and a new multi-currency (RON and EUR) loan was contracted to fund the acquisition of raw materials, having a ceiling of EUR 2,000,000 and due on 18.11.2022.

In June 2021, a multi-currency (RON and EUR) loan was signed with UniCredit Bank SA worth EUR 1,000,000, due on 08.06.2026, to co-fund the investment plan for 2021.

The Company's current liabilities, accounting for 80.75% of Total Liabilities and 36.26% of Total Equity and Liabilities, registered an increase of lei 20,507,005, i.e. 30.25%, compared to December 31, 2020.

| Current liabilities | 31.12.2021 | % in total liabilities | % in Total current liabilities | % in Total equity and liabilities | 31.12.21 vs. 31.12.20 |
|---|-------------------|------------------------|--------------------------------|-----------------------------------|-----------------------|
| Trade liabilities | 37.161.910 | 33,99% | 42,09% | 15,26% | 42,22% |
| Other current financial liabilities | 46.860.194 | 42,86% | 53,07% | 19,25% | 25,71% |
| Other current non-financial liabilities | 4.269.220 | 3,90% | 4,84% | 1,75% | -2,47% |
| Total current liabilities | 88.291.324 | 80,75% | 100,00% | 36,26% | 30,25% |

Non-current liabilities of the Company, representing 8.65% of Total equity and liabilities, have decreased by lei -4,307,227 as compared with 31.12.2020, i.e. 16.99%.

| Non-current liabilities | 31.12.2021 | % in total liabilities | % in Total non-current liabilities | % in Total equity and liabilities | 31.12.21 vs. 31.12.20 |
|---|-------------------|------------------------|------------------------------------|-----------------------------------|-----------------------|
| Other provisions | 400.000 | 0,37% | 1,90% | 0,16% | 100,00% |
| Deferred tax liabilities | 8.012.574 | 7,33% | 38,06% | 3,29% | 1,97% |
| Other long-term financial liabilities | 4.017.590 | 3,67% | 19,09% | 1,65% | -37,43% |
| Other non-current non-financial liabilities | 8.619.928 | 7,88% | 40,95% | 3,54% | -20,77% |
| Total non-current liabilities | 21.050.092 | 19,25% | 100,00% | 8,65% | -16,99% |

Total Equity holds 55.10% out of Total Equity and Liabilities and registered a decrease of lei 4,067,662, compared with the beginning of the year.

| Equity | 31.12.2021 | % of Total equity and liabilities |
|---|--------------------|-----------------------------------|
| Subscribed and paid in share capital (representing the counter value of 264,122,096 shares at a nominal value of lei 0.1/share) | 26,412,210 | 10,85% |
| Share premium | 2,182,283 | 0,90% |
| Reserves | 58,542,209 | 24,04% |
| Retained earnings | 47,008,179 | 19,31% |
| Total equity | 134,144,881 | 55,10% |

The subscribed and paid in capital of the company amounting to lei 26,412,209.60 in 2021 is divided into 264,122,096 registered shares, dematerialized, with a nominal value of 0.10 lei per share.

As at 31.12.2021 the structure of the company shareholding according to Depozitarul Central SA is the following:

| Shareholder | No. of shares | % ownership |
|--|--------------------|----------------|
| Living Plastic Industry S.R.L., Buzau county | 86,774,508 | 32,85% |
| Joyful River Limited, Nicosia, Cyprus | 54,195,089 | 20,52% |
| TODERITA STEFAN ALEXANDRU | 30,600,000 | 11,59% |
| Other individuals | 80,939,317 | 30,64% |
| Other legal entities | 11,613,182 | 4,40% |
| Total | 264,122,096 | 100,00% |

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

| Income statement | 12-month 2020 | 12-month 2021 | 2021 vs. 2020 | |
|--|-------------------|--------------------|---------------|--------------------------|
| Revenue | 181,146,472 | 264,737,647 | ▲ | 83,591,175 46% |
| Other income ⁵ | 3,967,550 | 4,459,406 | ▲ | 491,856 12% |
| Changes in inventories of finished goods and work in progress | (843,348) | 872,217 | ▲ | 1,715,565 -203% |
| Raw materials and consumables used | (117,623,988) | (197,945,281) | ▲ | (80,321,293) 68% |
| Salaries and employee benefits | (37,639,734) | (40,568,395) | ▲ | (2,928,661) 8% |
| Depreciation and amortisation expenses | (10,202,833) | (9,977,583) | ▼ | 225,250 -2% |
| Operating expenses | (15,084,038) | (15,900,695) | ▲ | (816,657) 5% |
| Other gains or losses ⁷ | (524,439) | 1,883,115 | ▲ | 2,407,554 -459% |
| Profit (loss) on operations | 3,195,643 | 7,560,431 | ▲ | 4,364,788 137% |
| Financial income* | 105,139 | 128,719 | ▲ | 23,580 22% |
| Financial expenses | (2,303,519) | (1,769,889) | ▼ | 533,630 -23% |
| Gain (loss) on impairment of financial assets | 110,138 | (6,477,632) | ▲ | (6,587,770) |
| Profit/(Loss) before tax | 1,107,401 | (558,371) | ▼ | (1,665,772) -150% |
| Income tax | (238,297) | (889,087) | ▲ | - 650,790 273% |
| Net profit (loss) | 869,104 | (1,447,458) | ▲ | (2,316,562) -267% |
| Deferred tax adjustment related to the re-evaluation reserves fiscal unallowable | 289,186 | 21,017 | ▼ | (268,169) |
| Total comprehensive income | 1,158,290 | (1,426,441) | ▲ | (2,584,732) -223% |
| EBITDA operational | 12,374,754 | 13,987,048 | ▲ | 1,612,294 13% |

Note: operating EBITDA only takes into account the operating activity, excluding expenses with amortization/depreciation, sales of assets, non-recurrent elements or the financial activity.

⁵The item “Other income” has the following structure:

| Indicator | 12-month 2020 | 12-month 2021 | 2021 v 2020 | | |
|---------------------------------|------------------|------------------|-------------|----------------|------------|
| | | | | | |
| Rental income | 1,705,120 | 2,199,955 | ▲ | 494,836 | 29% |
| Income for investment subsidies | 2,262,431 | 2,259,451 | ▼ | (2,980) | 0% |
| Total | 3,967,550 | 4,459,406 | ▲ | 491,856 | 12% |

⁶The item “Other gains or losses” has the following structure:

| Indicator | 12-month 2020 | 12-month 2021 | 2021 vs. 2020 | | |
|---|------------------|------------------|---------------|------------------|------------|
| | | | | | |
| Gains/loss on disposal of assets held for sale | (234,171) | - | ▼ | 234,171 | -100% |
| Gains/loss on fair value measurement of investment property | (278,663) | 1,377,918 | ▲ | 1,656,581 | -594% |
| Gains/loss on disposal of investment property | (69,662) | 411,233 | ▲ | 480,895 | -690% |
| income from compensations, fines and penalties | 44,667 | 8,202 | ▼ | (36,465) | -82% |
| Gains/loss on sale of assets and other capital operations | (46,665) | 21,280 | ▼ | 67,945 | -146% |
| Other operating revenues | 104,545 | 98,047 | ▼ | (6,498) | -6% |
| Loss on receivables with investments | (110,538) | - | ▼ | 110,538 | -100% |
| Income from discounts obtained | - | - | — | - | n/a |
| Gains/loss on impairment of current assets | (282,705) | (13,642) | ▼ | 269,063 | -95% |
| Income from operating subsidies for staff pay | 548,753 | 180,077 | ▼ | (368,676) | -67% |
| Operating expenses with provisions for risks and charges | (200,000) | (200,000) | — | - | 0% |
| Total | (524,439) | 1,883,115 | ▲ | 2,407,554 | n/a |

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

| | 12-month 2020 | 12-month 2021 | 2021 vs. 2020 | | |
|--|--------------------|--------------------|---------------|-------------------|------------|
| | | | | | |
| Total sales of finished goods, of which | 129,838,505 | 169,491,035 | ▲ | 39,652,531 | 31% |
| <i>CP1~ Auto and industrial filters,</i> | 2,409,202 | 2,703,153 | ▲ | 293,951 | 12% |
| <i>CP2~ Respiratory protective equipment and Active Carbon</i> | 2,423,505 | 2,247,391 | ▼ | (176,114) | -7% |
| <i>CP3~ Polyethylene products</i> | 27,570,557 | 36,010,670 | ▲ | 8,440,113 | 31% |
| <i>CP4~ PVC products</i> | 679,304 | 881,364 | ▲ | 202,060 | 30% |
| <i>CP5~ Polystyrene products</i> | 39,839,387 | 47,497,169 | ▲ | 7,657,782 | 19% |
| <i>CP6~ Polypropylene products</i> | 33,761,931 | 41,879,984 | ▲ | 8,118,053 | 24% |
| <i>CP7~Compounds</i> | 23,154,619 | 38,271,305 | ▲ | 15,116,687 | 65% |
| <i>- Sales of intermediary goods</i> | 17,409 | 40,938 | ▲ | 23,529 | 135% |
| <i>- Services rendered</i> | 320,971 | 488,677 | ▲ | 167,706 | 52% |
| <i>- Sale of goods purchased for resale</i> | 45,457,832 | 89,734,867 | ▲ | 44,277,035 | 97% |
| <i>- Revenues from sundry services</i> | 5,511,755 | 4,982,129 | ▼ | (529,626) | -10% |
| Total, of which: | 181,146,472 | 264,737,646 | ▲ | 83,591,174 | 46% |

| Indicator | 31.12.2020 | 31.12.2021 | | 31.12.2021 vs.31.12.2020 | | |
|----------------------------------|--------------------|--------------------|--------------------|--------------------------|-------------------|------------|
| Net sales | 183,857,280 | 181,146,472 | 264,737,646 | ▲ | 83,591,174 | 46% |
| Rental income | 1,865,024 | 1,705,120 | 2,199,955 | ▲ | 494,836 | 29% |
| Total turnover, of which: | 185,722,304 | 182,851,592 | 266,937,601 | ▲ | 84,086,009 | 46% |
| - Domestic market | 138,603,195 | 143,931,914 | 216,788,923 | ▲ | 72,857,009 | 51% |
| - Foreign market | 47,119,109 | 38,919,678 | 50,148,679 | ▲ | 11,229,001 | 29% |

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

3) Statement of cash flows

Cash and cash equivalents at the end of 2021 have increased to lei 12,798,737 (lei 17,588,598 at December 31, 2020).

4) Financial ratios

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

| Ratio | Formula | 2020 | 2021 |
|---------------------------------------|--|-------------|-------------|
| EBIT | Gross profit + interest expenses | 2,267,259 | 394,684 |
| EBITDA | EBIT + amortization – income from subsidies | 10,207,661 | 8,112,816 |
| Turnover | Net sales + Rental income | 182,851,591 | 266,937,602 |
| EBITDA in total sales | EBITDA/Turnover | 5,58% | 3,04% |
| EBITDA in equity | EBITDA/Equity | 7,39% | 6,05% |
| Gross profit | Gross profit /turnover | 0,61% | -0,21% |
| Current liquidity ratio | Current assets/current liabilities | 1,16 | 1,19 |
| Immediate liquidity ratio (acid test) | (Current assets -Inventories)/Current liabilities | 0,83 | 0,88 |
| Gearing ratio (1) | Long-term liabilities/Equity | 18% | 16% |
| Gearing ratio (2) | Total liabilities/Total assets | 40% | 45% |
| Gearing ratio (3) | Capital borrowed on the long-term/Total equity | 5% | 3% |
| Gearing ratio (4) | Capital borrowed on the long-term/Capital employed | 4% | 3% |
| Interest coverage ratio | EBIT/Interest expenses | 1,95 | 0,41 |
| Turnover of trade receivables | Average balance of trade receivables /Turnover | 81 | 64 |
| Turnover of trade liabilities | Average balance of trade liabilities /Turnover | 49 | 43 |
| Turnover of trade liabilities | Turnover/Non-current assets | 1,20 | 1,93 |
| Return on assets (ROA) | Net result /Total assets | 0,38% | -0,59% |
| Return on equity (ROE) | Net result/Equity | 0,63% | -1,08% |
| Return on sales (ROS) | Net result/Turnover | 0,48% | -0,54% |

SECURITIES MARKET ISSUED BY THE COMPANY

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

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

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

CORPORATE GOVERNANCE CONSIDERATIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

II. STRUCTURE AND CORPORATE GOVERNANCE

1. The General Meeting of Shareholders

The General Meeting of Shareholders (GMS) includes all shareholders and meets in ordinary meetings (OGMS) and extraordinary meetings (EGM), each with competencies established by law.

The call, organization and conduct of works for GMS are in strict accordance with the law, ensuring materials presentation, recording the works and decisions taken.

2. Board of Directors

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

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

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

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

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

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

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

Nomination of the directors of ROMCARBON S.A. is made by the shareholders, the nominations being subject to the approval of the general meeting of shareholders. Candidates for the position of member of the company's board of directors must meet, in addition to the general conditions provided by Law no. 31/1990, the special ones established by Law no. 24/2017.

Currently, the remuneration of the administrators is made in accordance with the provisions of the constitutive act and of the Decision of the Ordinary General Meeting no. 1 of 23.01.2020.

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

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

- **Huang Liang Neng** - Chairman of the Board of Directors, appointed based on the Resolution of the Ordinary General Meeting of ROMCARBON S.A. from 23.01.2020 for a 4-year term, which expires on 04.02.2024, aged 49;
- **Wang Yi Hao** - Vice Chairman of the Board of Directors, appointed on the basis of the Resolution of the Ordinary General Meeting of ROMCARBON S.A. from 23.01.2020 for a 4-year term, which expires on 04.02.2024, aged 34;
- **Toderita Stefan Alexandru** - Member of the BoD appointed on the basis of the Decision of the Ordinary General Meeting of ROMCARBON SA from 23.01.2020 for a 4-year term, which expires on 04.02.2024, aged 25;

By resolution of the Ordinary General Meeting no. 1 of 25.11.2021 the mandate of Mr. Wang Yi -Hao as member of the Board of Directors was terminated by parties' will on 29.11.2021, and by the same resolution, Mr. Wey Jiann Shyang was appointed member of the Board of Directors for a mandate equal to the period remaining from its predecessor's mandate, namely for the period 29.11.2021-04.02.2024.

Therefore, starting November 29, 2021 the Board of Directors of Romcarbon SA consists of:

- ▶ **Chairman – HUANG, LIANG – NENG**
- ▶ **Vice Chairman – WEY JIANN SHYANG**
- ▶ **Member – TODERITA STEFAN ALEXANDRU**

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

Compliance with the provisions of art. 138² of Law 31/1990 of Principle VI (CGC) respectively with the recommendation no.16 from the Implementation Guide Corporate Governance Code, we mention that, among the administrators of the company, only Mr. WEY JIANN SHYANG meets the condition of independence, him being independent non-executive administrator.

Within the Company's Board of Directors, an Audit Committee has been established, as modified based on Resolution no. 11 of the BoD of 07.12.2021, composed of the following directors: WEY JIANN SHYANG si TODERITA STEFAN ALEXANDRU.

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

Currently, the directors are remunerated in accordance with the provisions of the articles of incorporation and Resolution no.1 dated 23.01.2020 of the Ordinary General Meeting.

In 2021, the Board of Directors met in 13 meetings, decisions being taken either with the vote of the majority of those present, or by unanimity and in accordance with the legal provisions regarding the convocation and quorum for conducting the meetings and legally adopt decisions.

3. Executive management

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

- Huang Liang Neng - Chief Executive Officer starting on 17.02.2020
- Manaila Carmen – Administrative Deputy General Manager starting 17.02.2020
- Dobrota Cristinel – Development Deputy General Manager, starting 17.02.2020
- Cretu Victor - Polypropylene Profit Center Manager, starting 17.02.2020
- Constantinescu Gabriel – Filters, EIP and Active Charcoal Profit Center Manager, starting 17.02.2020
- Ungureanu Ion – Expanded Polystyrene Profit Center Manager, starting 17.02.2020
- Ungureanu Ion - Chief of Operations PSE Section starting 01.10.2017
- Titi Mihai - Technical Deputy General Manager starting on 30.06.2018
- Zainescu Viorica Ioana - Chief Financial Officer starting on 15.01.2010

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

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

The General Manager of the Company is appointed or removed from office by the Board of Directors, which establishes its attributions, responsibilities and powers, the attributions of representing the Company may be delegated by the General Manager of the Company to a third party only with the prior written consent of the Board of Directors. The company's officers are appointed or revoked by the Board of Directors, which sets their duties, responsibilities and powers, the company's officers being able to delegate the powers to represent the Company to a third party only with the written consent of the Board of Directors.

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

The remuneration policy of the Company, based solely on professional and ethically irreproachable profile of the administrators or directors, consisted of the following gross compensation - total 2021:

- a) Directors – lei 0
- b) CEO – lei 180,000
- c) Executive management – lei 2,393,406.

Starting 2021, the Remuneration Policy was adopted at Romcarbon SA, approved by Resolution no.1 of 28.04.2021 of the Ordinary General Meeting of Shareholders.

4. Internal auditor

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

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

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

5. Risk management

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

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

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

Given the world economic and financial crisis, Romcarbon SA had to adapt to the new conditions and constraints of the market, facing the following risks:

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

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

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

Currently, the external financial auditor of ROMCARBON SA is DELOITTE AUDIT SRL and was appointed for a period of 1 year based on the OGMS Decision of 28.04.2021.

CORPORATE RIGHTS OF SHAREHOLDERS

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

SC ROMCARBON S.A. respects the rights of securities holders and ensures an equal treatment for all holders of securities of the same type and class, providing all relevant information so that they may exercise all rights. Securities holders must exercise the rights conferred by them in good faith, respecting the rights and legitimate interests of other shareholders and the priority interest of the company, otherwise being liable for damages.

Each share subscribed and paid by shareholders gives them the right to one vote at the general meeting of shareholders, the right to vote and to be elected to the governing bodies of the company, the right to participate in profit sharing, according to the articles of association of the Company and social asset to dissolve the company and other rights provided by law.

All holders of shares issued by ROMCARBON S.A. are treated fairly. All issued shares confer equal rights to holders.

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

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

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

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

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

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

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

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

SOCIAL RESPONSIBILITY

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

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

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

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

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

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

*** to combat any form of corruption**

*** to support educational activities**

*** to support different social groups** (young deserving, sick or disabled people) through humanitarian actions that include sponsorships /charity work, assistance in extreme cases, and aid to vulnerable persons or in distress. Under this active CSR policy, in 2021, ROMCARBON SA granted financial aid in amount of lei 133,114 to its employees affected by various events with strong social and human impact (child birth, death of family members, fire, floods, etc.).

ROMCARBON SA values and protects life. As of 2018, the Company has been constantly organising blood donation campaigns together with the Buzau Transfusion Center at the company's premises. ROMCARBON SA employees have donated more than 1,600 blood units so far. These campaigns will continue.

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

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

*** proactively address environmental issues and promote responsibility towards the environment**

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

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

ROMCARBON S.A. has implemented and certified an integrated quality management system - environment-occupational health and safety standards ISO 9001 :2015, ISO 14001 : 2015 and ISO 45001 :2018 applicable for the design and production of individual protective breathing equipment –SRAC certified.

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

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

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

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

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

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

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

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

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

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

THE ACTIVITY OF THE COMPANY IN THE FUTURE

For 2022, the Company aims at consolidating its position on the markets where it operates, streamlining the investments implemented in previous years meant to ensure a range of products as diverse as possible and at the highest standards.

The main objectives in 2022 are the manufacturing of products and implementing technologies that will ensure the growth of the company both on domestic and foreign markets in the next years.

For 2022, the company budgeted the following financial indicators:

- a total turnover of lei 298,625,647 (up by 12% as compared with 2021) of which the turnover related to the sales of finished products is budgeted at the level of lei 196,945,919 (16% higher as compared with 2021);
- a gross operating profit in amount of lei 1,905,038.

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.

At the date of this report, we have not identified any risks affecting significantly the revenues from the core activity. Starting February 2022, the geopolitical tensions have escalated significantly further to the military intervention of the Russian Federation in Ukraine. Further to such escalations, the economic uncertainties on the energy and capital markets have grown, and global energy prices are expected to be extremely volatile in the foreseeable future. At the date of this report, management cannot reliably estimate the effects on the Company's financial prospects and cannot rule out the adverse consequences on the business, operations and financial standing. Management considers that it is taking all the necessary measures to support the sustainability and growth of the Company's business given the current circumstances and that the professional judgment used in these financial statements is adequate.

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

Date: March 26, 2022

ADMINISTRATOR,

HUANG LIANG NENG

FINANCIAL MANAGER,

VIORICA ZAINESCU

DEPUTY ADMINISTRATIVE GENERAL
MANAGER,

CARMEN MANAILA

For signatures, please refer to the original Romanian version.