

ROMCARBON SA

AUDITED SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

**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, 2022**
(all amounts are expressed in lei, unless specified otherwise)

	Note	Year ended:	
		December 31, 2022	December 31, 2021
Revenues	3	262,801,054	264,737,646
Other income	4	4,454,249	4,459,406
Changes in inventories		7,447,653	872,218
Raw materials and consumables used	5	(199,065,784)	(197,945,281)
Employee salaries and benefits	6	(42,312,860)	(40,568,395)
Depreciation and amortization expenses	7	(9,609,158)	(9,977,583)
Operational expenses	8	(18,863,784)	(15,900,694)
Other gains or losses	9	1,769,858	1,883,115
Profit from operating activities		6,621,228	7,560,432
Finance income	10	47,336,583	128,719
Finance cost	11	(1,574,050)	(1,769,890)
Gains/(Loss) on impairment of financial assets	12	-	(6,477,632)
Profit/(Loss) before tax		52,383,761	(558,371)
Income tax	13	(912,071)	(889,087)
Net profit/(loss) of the year		51,471,690	(1,447,458)
Comprehensive income:			
Other comprehensive income		-	-
Net gains/losses on the revaluation of property, plant and equipment		745,264	
Net loss on revaluation of tangible assets		-	-
Adjustment of deferred tax on fiscally non-deductible revaluation reserves		273,332	21,017
Total comprehensive income		52,490,286	(1,426,441)
Earnings per share		0,1987	(0,0054)
Number of shares		264,122,096	264,122,096

The annual separate financial statements were authorised by the Board of Directors and were authorised for issuance on March 27, 2023.

For signatures, please refer to the original Romanian version.

**ADMINISTRATOR
HUANG LIANG NENG**

**FINANCIAL MANAGER
VIORICA ZAINESCU**

**DEPUTY ADMINISTRATIVE
GENERAL MANAGER,
CARMEN MANAILA**

**STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDED DECEMBER 31, 2022
(all amounts are expressed in lei, unless specified otherwise)**

	<u>Note</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
ASSETS			
Non-current assets			
Property, plant and equipment	14	102,490,667	106,567,874
Investment property	15	9,883,738	10,894,586
Intangible assets	16	330,920	294,483
Financial assets	17	20,608,559	20,607,559
Total non-current assets		133,313,884	138,364,502
Current assets			
Inventories	18	29,963,708	27,647,515
Trade and other receivables	19	63,653,763	57,999,726
Taxes recoverable		-	-
Other current financial assets	20	42,738,851	1,265,317
Other current non-financial assets	21	3,864,347	2,187,278
Cash and cash equivalents	22	2,772,709	12,798,377
Total current assets other than non-current assets or disposal groups classified as held for sale or as held for distribution to owners		142,993,378	101,898,213
Non-current assets held for sale	23	3,760,155	3,760,155
Total current assets		146,753,533	105,658,368
Total assets		280,067,417	244,022,870
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	24	26,412,210	26,412,210
Retained earnings	25	70,732,989	47,008,179
Share premiums		2,182,283	2,182,283
Other reserves	26	60,895,475	58,542,209
Total equity		160,222,957	134,144,881
Non-current liabilities			
Other provisions		1,000,000	400,000
Total non-current provisions		1,000,000	400,000
Deferred tax liabilities	13	7,780,659	8,012,574
Other non-current financial liabilities	27	4,044,764	4,017,590
Deferred income	28	7,475,188	8,619,928
Total non-current liabilities		19,300,611	20,650,092

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

STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDED DECEMBER 31, 2022
(all amounts are expressed in lei, unless specified otherwise)

	<u>Note</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current liabilities			
Trade and other payables	29	48,060,899	37,161,910
Other current financial liabilities	27	45,859,692	46,860,194
Other current non-financial liabilities	28	5,623,258	4,805,793
Total current liabilities		<u>99,543,849</u>	<u>88,827,897</u>
Total liabilities		<u>119,844,460</u>	<u>109,877,989</u>
Total equity and liabilities		<u>280,067,417</u>	<u>244,022,870</u>

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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED DECEMBER 31, 2022

(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, 2022	26,412,210	2,182,283	38,708,540	4,176,971	15,656,697	47,008,179	134,144,881
Increases from revaluation of property, plant and equipment	-	-	1,893,966	-	-	-	1,893,966
Decreases from revaluation of property, plant and equipment	-	-	(1,148,702)	-	-	-	(1,148,702)
Dividends declared	-	-	-	-	-	(26,412,210)	26,412,210
Net profit of the period	-	-	-	-	-	51,471,690	51,471,690
Transfer to reserves	-	-	-	1,105,471	862,410	(1,967,881)	-
Transfer of revaluation reserves to retained earnings	-	-	(633,211)	-	-	633,211	-
Adjusted deferred tax related to fiscally non-deductible revaluation reserves	-	-	273,332	-	-	-	273,332
December 31, 2022	26,412,210	2,182,283	39,093,925	5,282,442	16,519,107	70,732,989	160,222,957

In 2022, the Company distributed dividends in amount of lei 26,412,210.

The Resolution of the General Meeting of Shareholders of 08.06.2022 approved the allocation of dividends in amount of lei 2,641,221. The amount was transferred entirely to the Central Depository in order to pay the dividends owed to shareholders.

The Resolution of the General Meeting of Shareholders of 22.11.2022 approved the allocation of dividends in amount of lei 23,770,989. In December 2022, RON 7,775,757 was transferred to the Central Depository to pay part of the dividends. The difference was transferred to the Central Depository at the beginning of January 2023.

The total amount of lei 16,519,107 of such reserves is not subject to distributions to other purposes.

Further to the sale of investment property, the Company adjusted the deferred tax related to fiscally non-deductible revaluation reserves by lei 273,332.

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The accompanying notes are integral part of these separate financial statements in accordance with IFRS.
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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED DECEMBER 31, 2022

(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	-
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.

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**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED DECEMBER 31, 2022
(all amounts are expressed in lei, unless specified otherwise)**

At December 31, 2022, 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 1,105,471.

At December 31, 2022, the total legal reserve set up in amount of lei 5,282,442 represents a fifth part of the share capital.

Also at the end of 2022, the amount of lei 862,410 (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 2022, the Company allocated to dividends from retained earnings the amount of lei 26,412,210.

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

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**STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED DECEMBER 31, 2022
(all amounts are expressed in lei, unless specified otherwise)**

	2022	2021
Net profit/(loss) for the year	51,471,690	(1,447,458)
Income tax expense / (income)	870,654	712,964
Deferred income tax expense / (income)	41,417	176,123
Non-current asset depreciation/(impairment)	9,609,158	9,977,583
Provisions for untaken leaves	600,000	200,000
(Gain) / Loss on sale of fixed assets	(915,621)	(21,280)
(Gain) / Loss on changes in fair value of investment property	(170,996)	(1,377,918)
(Gain) / Loss on disposal of investment property	(1,191,307)	(411,233)
(Gain) / Loss on changes in fair value of assets held for sale	1,370,104	-
Gains on internal set-up of fixed assets	(9,793)	(327,189)
Expenses / (Revenues) regarding value adjustments for clients and inventories	(54,640)	13,642
Loss on receivables and sundry debtors	54,270	45,827
Expenses / (Revenues) regarding allowances for financial assets	-	6,477,632
Interest expense	1,574,050	1,149,747
Interest income	(316,730)	(128,719)
Income from dividends	(46,745,700)	-
Income from subsidies	(2,206,664)	(2,259,451)
Unrealised foreign exchange gain / (loss)	(274,153)	654,632
Movements in working capital:		
(Increase) / Decrease in trade and other receivables	(6,316,831)	(20,576,748)
(Increase) / Decrease in inventories	(2,261,553)	(5,375,385)
(Increase) / Decrease in other assets	(3,571,403)	(1,106,915)
Increase / (Decrease) in trade payables	(4,846,357)	11,032,378
Increase / (Decrease) in other liabilities	1,751,137	(129,356)
Cash used in operating activities	(1,539,268)	(2,721,124)
Income tax paid	(1,015,734)	(712,964)
Interest and bank charges paid	(1,574,050)	(1,149,747)
Net cash used in operating activities	(4,129,052)	(4,583,835)
Cash flows from investing activities:		
Interest received	316,730	128,719
Payments for tangible assets	(5,756,882)	(3,657,008)
Proceeds from sale of investment property	2,373,151	2,862,617
Proceeds from sale of tangible and intangible assets	915,615	517,739
Proceeds from sale of subsidies	912,179	-
Payments for assets held for sale	-	(3,164,051)
Related party loans granted	-	(694,543)
Payments for financial assets	(1,000)	-
Payments for intangible assets	(153,219)	8,254
Dividends received	7,166,500	-
Net cash generated by/(used in) investing activities	5,773,074	(3,998,272)

STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED DECEMBER 31, 2022
(all amounts are expressed in lei, unless specified otherwise)

	<u>2022</u>	<u>2021</u>
Cash flows from financing activities:		
Proceeds from loans to affiliates	(1,002,827)	(6,240,840)
Repayments of related party borrowings		12,673,948
Dividends paid	(10,666,862)	(2,641,221)
Proceeds from subsidies		-
Net cash generated by/(used in) financing activities	<u>(11,669,689)</u>	<u>3,791,886</u>
Net increase/(decrease) in cash and cash equivalents	<u>(10,025,667)</u>	<u>(4,790,221)</u>
Cash and cash equivalents at the beginning of the year	<u>12,798,377</u>	<u>17,588,598</u>
Cash and cash equivalents at the end of the year	<u>2,772,710</u>	<u>12,798,377</u>

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**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2022
(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, 2022 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, 2022, which will be published in accordance with the legislation in force.

The separate financial statements were prepared on the going concern basis. The separate 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 hereinafter.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2022
(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, 2022 and December 31, 2021 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 2022 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 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),
- **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.).

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 SEPARATE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED DECEMBER 31, 2022

(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:

- **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 IFRS 17 “Insurance contracts”** - Initial Application of IFRS 17 and IFRS 9 – Comparative Information, adopted by the EU on 8 September 2022 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 1 “Presentation of Financial Statements”** - Disclosure of Accounting Policies adopted by the EU on 2 March 2022 (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 adopted by the EU on 2 March 2022 (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 adopted by the EU on 11 August 2022 (effective for annual periods beginning on or after 1 January 2023),

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):

- **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”** - Non-current Liabilities with Covenants (effective for annual periods beginning on or after 1 January 2024),
- **Amendments to IFRS 16 “Leases”** - Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024),
- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded).

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2022
(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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED DECEMBER 31, 2022

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

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED DECEMBER 31, 2022

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

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.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2022
(all amounts are expressed in lei, unless specified otherwise)****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 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.

Income from services provided

Income from the provision of services is recognized if it can be reliably measured.

The income associated with the transaction must be recognized according to the stage of execution of the transaction at the balance sheet date. The outcome of a transaction can be reliably estimated when all of the following conditions are met:

- a. the amount of income can be reliably assessed;
- b. it is likely that the economic benefits associated with the transaction will flow to the Company;
- c. the stage of completion of the transaction at the end of the reporting period can be reliably assessed; and
- d. the costs incurred for the transaction and the costs of completing the transaction can be reliably measured.

When the outcome of a transaction involving the provision of services cannot be reliably estimated, the income should be recognized only within the limit of the recognized recoverable expenses.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2022
(all amounts are expressed in lei, unless specified otherwise)****2. MAIN ACCOUNTING POLICIES (continued)****Foreign currency transactions**

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

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

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

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

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

- December 31, 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
- December 31, 2022: lei 4.6346/ USD 1 and lei 4.9474/ EUR 1

Costs related to long-term borrowings

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

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

Government subsidies

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

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

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

Employee contributions

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

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

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2022
(all amounts are expressed in lei, unless specified otherwise)****2. MAIN ACCOUNTING POLICIES (continued)****Taxation**

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

Current tax

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

Provisions for taxes and levies

As at December 31, 2022 the Company's separate financial statements include revaluation reserves. Based on the latest provisions of current legislation, such reserves may become taxable if their destination changed, by using them to cover accounting losses or by the Company's winding up.

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

Deferred tax

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

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

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

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

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

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2022
(all amounts are expressed in lei, unless specified otherwise)****2. MAIN ACCOUNTING POLICIES (continued)****Current and deferred tax for the period**

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

Property, plant and equipment

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

The Company conducted a valuation of land and buildings based on a valuation report issued by a professional valuator, in order to determine the fair value thereof as at the balance sheet date. The revaluations are made with sufficient regularity so that the book value should not differ substantially from that determined using the fair value at the end of the reporting period. The increases in the book values of tangible assets further to valuation were credited to Revaluation reserves under Equity. The last revaluation of tangible assets in the form of land and buildings was registered as at December 31, 2022. 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.

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

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

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

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

Subsequent expenses

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

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

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

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

2. MAIN ACCOUNTING POLICIES (continued)

Subsequent expenses (continued)

The following useful lives are used in the depreciation calculation:

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

Intangible assets

Intangible assets acquired separately

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

Derecognition of intangible assets

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

Impairment of tangible and intangible assets

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

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

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

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

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

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

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2022
(all amounts are expressed in lei, unless specified otherwise)****2. MAIN ACCOUNTING POLICIES (continued)****Investment property**

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

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

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

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

Assets held for sale

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

Inventories

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

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.

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

2. MAIN ACCOUNTING POLICIES (continued)

Fair value measurement according to IFRS 13 (continued)

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.

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 1 or at fair value through other comprehensive income in accordance with item*

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2022
(all amounts are expressed in lei, unless specified otherwise)****2. MAIN ACCOUNTING POLICIES (continued)****Classification of financial assets (continued)**

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.

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.

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

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.

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.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2022
(all amounts are expressed in lei, unless specified otherwise)**
3. REVENUES

An analysis of the Company's income for December 31, 2022 is presented below:

Revenues:	Financial year ended December 31, 2022	Financial year ended December 31, 2021
Income from sale of finished products	184,817,209	170,394,502
Income from sale of commodities	69,489,961	88,872,338
Income from services delivered	721,836	488,677
Income from other activities	7,772,048	4,982,129
Total	262,801,054	264,737,646

Segment reporting:

Income by geographical areas:	Financial year ended December 31, 2022	Financial year ended December 31, 2021
Sales on domestic market (Romania)	209,141,888	214,588,968
Sales on foreign market (Europe)	53,511,315	48,530,451
Other (China, Israel, Taiwan, Panama)	147,851	1,618,228
Total	262,801,054	264,737,646

Segment income and profit	Segment income Financial year ended		Segment profit Financial year ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Polyethylene + polystyrene + polypropylene plastics	131,264,950	129,868,434	17,621,911	19,224,968
Compound recycled products	51,224,339	40,009,626	5,925,723	4,687,147
Other productive sectors	9,569,410	5,876,115	3,039,222	819,008
Income from sale of commodities and other activities	70,742,355	88,983,471	2,678,408	2,184,238
Total operating income	262,801,054	264,737,646	29,265,264	26,915,361
Income from investments	-	-	46,745,700	-
Administrative and salary expenses	-	-	(22,053,153)	(25,703,842)
Finance expenses	-	-	(1,574,050)	(1,769,890)
Profit/(Loss) before tax	-	-	52,383,761	(558,371)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2022
(all amounts are expressed in lei, unless specified otherwise)
3. REVENUES (continued)

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 segment		Liability segment	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Asset and liability segment				
Polyethylene + polystyrene + polypropylene plastics	65,054,746	70,161,828	51,515,885	53,619,694
Compound recycled products	63,779,647	66,395,295	27,169,848	25,886,369
Other productive sectors	6,944,547	6,962,562	3,933,022	2,889,169
Commercial assets, real estate and financial investments and other assets	144,288,477	100,503,185	37,225,705	27,482,756
Total assets/liabilities	280,067,417	244,022,870	119,844,460	109,877,988
	Depreciation segment Financial year ended		Segment of non-current assets additions* Financial year ended	
Depreciation and of non-current assets additions	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Polyethylene + polystyrene + polypropylene plastics	2,727,250	2,908,889	1,062,707	148,775
Compound recycled products	5,615,091	5,732,261	22,554	1,250,354
Other productive sectors	312,537	293,496	73,102	27,275
Other activities	954,280	1,042,938	2,514,957	1,274,495
Total	9,609,158	9,977,583	3,673,320	2,700,899

* 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 2022 a turnover of 6% and 22% of total turnover. Sales to LivingJumbo Industry SA in 2022 also contained sales of finished goods, rental of production spaces and income from other activities, which account for 15.66% of the turnover.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2022
(all amounts are expressed in lei, unless specified otherwise)**
4. OTHER INCOME

	Financial year ended December 31, 2022	Financial year ended December 31, 2021
Income from lease of investment property	2,247,585	2,199,955
Income from subsidies	2,206,664	2,259,451
Total	4,454,249	4,459,406

5. RAW MATERIALS AND CONSUMABLES USED

	Financial year ended December 31, 2022	Financial year ended December 31, 2021
Raw materials	98,571,000	87,476,764
Commodities sold	68,877,852	88,098,859
Energy expenses	24,906,555	15,730,307
Consumables	6,710,377	6,639,351
Total	199,065,784	197,945,281

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.

6. EMPLOYEE BENEFITS EXPENSES AND SOCIAL CHARGES

	Financial year ended December 31, 2022	Financial year ended December 31, 2021
Salaries	39,228,096	38,212,569
Social contributions	932,665	933,260
Meal tickets	2,152,099	1,422,566
Total	42,312,860	40,568,395

The increase of expenses with salaries is mainly due to the increase of the minimum salary at national level of 10.87% in 2022 (lei 2,550) compared to 2021 (lei 2,300). In 2022, 731 employees benefitted from salary growths, further to the increase of the minimum salary.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2022

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

6. EMPLOYEE BENEFITS EXPENSES AND SOCIAL CHARGES (continued)
Indemnities granted to top management

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

	Financial year ended December 31, 2022	Financial year ended December 31, 2021
Management salaries	2,634,715	2,573,406
Benefits for Board of Directors	19,731	18,699
Total	2,654,446	2,592,105

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

As of March 2020, the Board of Administration of Romcarbon is not remunerated.

7. DEPRECIATION/AMORTIZATION AND IMPAIRMENT EXPENSES

	Financial year ended December 31, 2022	Financial year ended December 31, 2021
Total amortization expenses, of which:	9,609,158	9,977,583
Depreciation of property plant and equipment	9,492,376	3,367,773
Amortization of intangible assets	116,782	132,178
Financial assets impairment	-	6,477,632
Total	9,609,158	9,977,583

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2022
(all amounts are expressed in lei, unless specified otherwise)**
8. OPERATING EXPENSES

	Financial year ended December 31, 2022	Financial year ended December 31, 2021
Expenses with transport and logistics	5,645,391	6,125,144
Other expenses with third party services*	7,475,559	5,546,229
Protocol and marketing	158,704	141,637
Expenses with repairs	1,638,592	1,267,259
Taxes and levies	1,194,286	1,475,829
Losses on receivables	54,270	44,361
Expenses with insurances	383,444	432,442
Expenses with postal charges and telecommunications	113,427	118,951
Expenses with travels	120,009	57,880
Expenses with rentals	228,948	249,336
Expenses with commissions and fees	45,206	-
Expenses with fines and penalties	41,394	16,403
Other expenses	1,764,554	425,223
Total	18,863,784	15,900,694

(*) 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, 2022	Financial year ended December 31, 2021
Income from penalties charged	7,009	8,202
Gain / (Loss) on sale of non-current assets	915,621	21,280
Gain / (Loss) on adjustment of investment property at fair value**	42,412	1,377,918
Gain / (Loss) on disposal of investment property	1,191,307	411,233
Gain / (Loss) on changes in inventory	(545,360)	(213,642)
Other gains*	158,869	278,124
Total	1,769,858	1,883,115

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

(**) At December 31, 2022, 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 170,996, which was registered in the result for the year – see note 15.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2022
(all amounts are expressed in lei, unless specified otherwise)**
10. FINANCE INCOME

	Financial year ended December 31, 2022	Financial year ended December 31, 2021
Interest income on bank deposits	316,730	128,719
Dividends from equity investments	46,745,700	-
Gains from FX differences	274,153	-
Total	47,336,583	128,719

On 16.12.2022, the Company received interim dividends in amount of RON 46,745,700 (EUR 9,500,000) in accordance with the GMS decision of RECYPLAT Ltd., further to Company's investment therein. EUR 1,500,000 was received in December 2022, and the remaining EUR 8,000,000 was received in January 2023.

11. FINANCE COST

	Financial year ended December 31, 2022	Financial year ended December 31, 2021
Bank interest and leases expenses	1,286,399	918,565
Gains / (Losses) on foreign exchange differences	-	(654,633)
Bank commissions and assimilated charges	287,651	196,692
Total	1,574,050	1,769,890

12. EXPENSES WITH IMPAIRMENT OF FINANCIAL ASSETS

	Financial year ended December 31, 2022	Financial year ended December 31, 2021
Gains/(Loss) on impairment of financial assets	-	(6,477,632)
Total	-	(6,477,632)

At December 31, 2021, 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 SEPARATE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2022
(all amounts are expressed in lei, unless specified otherwise)**
13. INCOME TAX

	Financial year ended December 31, 2022	Financial year ended December 31, 2021
Income tax expenses		
Current income tax expense	870,654	712,964
Deferred income tax expense / (income)	41,417	176,123
	912,071	889,087

The tax rate applied for the reconciliation above related to 2022 and 2021 is 16% and is due by all Romanian legal persons.

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

Reconciliation of actual income tax rate	Financial year ended December 31, 2022	Financial year ended December 31, 2021
Gross income before taxation	52,383,761	(558,371)
Tax calculated according to the 16% rate	8,381,402	-
Effect of non-taxable income	(8,160,016)	(308,793)
Effect of non-deductible expenses	330,354	772,670
Effect of temporarily non-deductible expenses / deferred tax	41,417	176,123
Deductions related to reinvested profit	318,914	249,960
Total	912,071	889,960

Components of deferred tax liabilities	Financial year ended December 31, 2022	Financial year ended December 31, 2021
Trade and other receivables	(131,947)	(138,067)
Inventories	(274,549)	(274,549)
Investment property	872,342	837,046
Property, plant and equipment	7,314,812	7,588,144
Recognised income tax liabilities	7,780,659	8,012,574

of which deferred tax on revaluation reserves from comprehensive income	7,958,758	8,232,090
--------------------------------------------------------------------------------	------------------	------------------

	Financial year ended December 31, 2022	Financial year ended December 31, 2021
Opening balance as at January 1	8,012,574	7,857,468
Movement from revaluation reserves	(273,332)	(21,017)
Recognised in income statement	41,417	176,123
Closing balance as at December 31	7,780,659	8,012,574

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2022

(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, 2022	44,725,838	20,892,549	120,314,075	760,217	2,017,738	188,710,417
Additions, of which	-	3,214,546	2,238,321	114,419	6,142,196	11,709,483
Transfers	-	1,320,580	2,238,321	114,419	-	3,673,321
Revaluation increases	-	1,893,966	-	-	-	1,893,966
Disposals, of which	(1,158,326)	(5,270,973)	(3,967,438)	(7,081)	(3,673,444)	(14,077,262)
Transfers	-	-	-	-	(3,673,321)	(3,673,321)
Revaluation decreases	(1,158,326)	(5,217,502)	-	-	-	(6,375,828)
Balance as at December 31, 2022	43,567,512	18,836,122	118,584,958	867,555	4,486,490	186,342,638
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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2022

(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, 2022	-	2,603,514	79,089,008	450,021	-	82,142,543
Expenses with depreciation	-	1,279,351	8,162,588	50,438	-	9,492,376
Decrease from sale of assets	-	-	(3,895,852)	(4,230)	-	(3,900,082)
Revaluation decreases	-	(3,882,865)	-	-	-	(3,882,865)
Balance as at December 31, 2022	-	-	83,355,744	496,228	-	83,851,971
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	-	82,142,542
NET BOOK VALUE						
As at December 31, 2022	43,567,512	18,836,122	35,229,215	371,327	4,486,490	102,490,667
As at December 31, 2021	44,725,838	18,289,035	41,225,067	310,197	2,017,738	106,567,874

Additions of fixed assets in 2022 in amount of lei 3,673,321 were mainly intended for working tools and installations for the production activity.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2022
(all amounts are expressed in lei, unless specified otherwise)**
14. PROPERTY, PLANT AND EQUIPMENT (continued)

As at December 31, 2022 the Company revalued tangible assets from the land and buildings category using the services of an independent valuer, which resulted in an increase of lei 176,315 of the net amount. The amount was registered in the result for the year.

Pledged and restricted tangible assets

Tangible assets with a net book value of lei 68,314,018 (December 31, 2021: lei 80,298,674) represent security for loans and credit lines contracted from: UniCredit Bank SA and Eximbank SA.

In 2015, the Company purchased production equipment totalling 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 14,004,560 at December 31, 2022 and lei 16,670,477 at December 31, 2021.

In 2022, the Company purchased and commissioned a system for monitoring the consumption of power on Romcarbon's industrial site. The project entitled „Implementation of a new smart power consumption monitoring system at Romcarbon SA", SMIS 148419 was 100% funded by non-reimbursable funds under Large Infrastructure Operational Program (POIM) 6.2 – Reduction of the power consumption of industrial consumers.

The general objective of the project is to implement a system for monitoring the power consumption in the Buzau industrial site for industrial consumer Romcarbon SA, with a view to identifying and implementing energy efficient measures in order to save power consumption and avoid the Company's emissions of greenhouse gas effects. The net carrying amount of the equipment purchased in this project is lei 892,979 at December 31, 2022.

15. INVESTMENT PROPERTY

	December 31, 2022	December 31, 2021
Balance as at January 1	10,894,586	11,885,346
Total additions, out of which:	707,837	1,471,880
Revaluation increases	702,518	1,389,174
Total disposals, of which:	(1,718,685)	(2,462,640)
Revaluation decreases	(531,522)	(11,256)
Balance as at December 31	9,883,738	10,894,586

As at December 31, 2022, 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.

In July 2022, the Company sold a freehold land of 504 sq m, located in Iasi, Calea Chisinaului no. 29, for which it received lei 249,299 (equivalent of euro 50,400).

In November 2022, the Company sold a freehold land of 2,732 sq m, located in Iasi, Calea Chisinaului no. 29, for which it received lei 2,123,852 (equivalent of euro 432,257).

At December 31, 2022, the Company performed the revaluation of the investment property held at year-end and resulted a decrease of net value of lei 170,996, 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, 2022 would be lei 9,930,142.

**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, 2022	1,309,929	713,307	-	2,023,236
Additions	12,575	-	140,646	153,220
Transfers	-	-	-	-
Disposals	(269,817)	-	-	(269,817)
Balance as at December 31, 2022	1,052,687	713,307	140,646	1,906,640
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
ACCUMULATED AMORTIZATION				
Balance as at January 1, 2022	1,115,624	613,129	-	1,728,754
Expenses with amortization	85,687	31,095	-	116,782
Write-offs on disposal of assets	(269,816)	-	-	(269,816)
Balance as at December 31, 2022	931,496	644,224	-	1,575,720
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
NET BOOK VALUE				
As at December 31, 2022	121,192	69,083	140,646	330,920
As at December 31, 2021	194,305	100,178	-	294,483

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2022

(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:

<u>Name of investment</u>	<u>Core activity</u>	<u>Place of establishment and operations</u>	<u>%</u>	<u>December 31, 2022</u> <i>lei</i>	<u>December 31, 2021</u> <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
VIITORUL INCEPE AZI (VIA)	NGO	Buzău		1,000	-
		TOTAL		30,340,197	30,339,197
Financial assets impairment					
GRINFILD LTD				(2,687,755)	(2,687,755)
LIVING JUMBO INDUSTRY SA				(6,477,632)	(6,477,632)
ECO PACK MANAGEMENT SA				(554,263)	(554,263)
YENKI SRL				(11,988)	(11,988)
				(9,731,638)	(9,731,638)
Net book value				20,608,559	20,607,559

At December 31, 2021, 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 SEPARATE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2022

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

17. INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (continued)

The mission of the "VIITORUL INCEPE AZI (VIA)" association founded in 2022 according to Government Ordinance no. 26/2000, a non-governmental, not-for-profit and apolitical association is to improve the quality of technical professional training in the Buzau area (Romania), to support and promote the interests and needs of its members before the authorities and/or various bodies and third parties.

18. INVENTORIES

	December 31, 2022	December 31, 2021
Raw materials	12,085,436	16,589,873
Consumables	4,136,062	3,336,223
Items of inventory	91,163	127,527
Packaging	338,888	281,504
Finished products	10,659,376	5,162,842
Unfinished products	2,545,108	1,953,919
Semi-finished products	1,154,260	881,607
Residual products	6,738	33,564
Commodities	634,233	594,784
Advances for purchases of inventory	28,374	401,601
Allowance for obsolete inventories	(1,715,929)	(1,715,929)
Total	29,963,708	27,647,515

The increase of stocks at December 31, 2022 is due to the stock of finished products, which doubled compared to last year further to the increase both in volume and in value, the largest triggering factor being the purchase price of raw materials in 2022. 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, 2022	December 31, 2021
Trade receivables	64,392,234	58,097,359
Allowances for doubtful clients	(1,178,100)	(1,232,740)
Taxes to recovered	425,361	1,040,217
Other receivables	9,518	94,411
Subsidies receivable	4,750	479
Total	63,653,763	57,999,726

The increase of trade receivables is due to the increase in fixed term payment sales for recycled polymers and compounds, but also due to the increase of prices of pre-manufactured plastic products further to the rise of costs 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 2021, an impairment allowance for estimated receivables was recognised, in amount of lei 63,405.

Out of the total receivables older than 60 days (depending on the maturity date) at December 31, 2022, 94% are held by the Romcarbon Group companies. All related party transactions are detailed in note 31.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2021
(all amounts are expressed in lei, unless specified otherwise)**
19. TRADE AND OTHER RECEIVABLES (continued)

31/12/2022	Not past due	Trade receivables – days past due					Total
		<30	31-60	61-90	91-120	>120	
Expected loss rate	0,00%	0,00%	0,01%	0,01%	0,02%	0,02%	
Total estimated default gross carrying amount	29,468,660	10,073,009	6,185,788	5,197,341	4,770,617	3,844,831	59,540,245

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2022
(all amounts are expressed in lei, unless specified otherwise)**
20. OTHER CURRENT FINANCIAL ASSETS

	December 31, 2022	December 31, 2021
Loans granted to related parties	3,000,000	1,231,700
Interest related to loans granted to related parties	159,651	33,617
Dividends receivable from related parties	39,579,200	-
Total	42,738,851	1,265,317

In June 2022, the loan granted in 2019 to subsidiary RC Energo Install SRL with a maximum ceiling of lei 1,231,700 was extended by 12 months.

In July 2022, an addendum was signed whereby the ceiling rose to lei 3,000,000. Related party transactions are presented in note 31.

On 16.12.2022, the Company received interim dividends in amount of RON 46,745,700 (EUR 9,500,000) in accordance with the GMS decision of RECYPLAT Ltd., further to Company's investment therein. EUR 1,500,000 was received in December 2022, and the remaining EUR 8,000,000 was received in January 2023.

21. OTHER CURRENT NON-FINANCIAL ASSETS

	December 31, 2022	December 31, 2021
Prepaid expenses	3,443,102	1,755,931
Advances to services suppliers	421,245	431,347
Total	3,864,347	2,187,278

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, 2022	December 31, 2021
Cash at banks	2,288,028	12,489,119
Cash on hand	22,152	25,117
Cash equivalents	462,530	284,142
Total	2,772,709	12,798,377

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2022
(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, 2022	December 31, 2021
Balance as at January 1	3,760,155	70,845
Total additions, out of which:	-	3,689,310
Transfers from investment property and tangible assets	-	757,273
Revaluation increases	-	-
Total disposals, of which:	-	-
Revaluation decreases	-	-
Balance as at December 31	3,760,155	3,760,155

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 2023. Such property is classified as Non-current assets held for sale.

24. ISSUED CAPITAL

	Share capital	
	December 31, 2022	December 31, 2021
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, 2022		December 31, 2021	
	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%
Toderita Stefan Alexandru	32,700,000	12.38%	30,600,000	11.59%
Other legal persons	9,815,721	3.72%	11,613,182	4.40%
Other natural persons	80,636,778	30.53%	80,939,317	30.64%
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
FOR THE PERIOD ENDED DECEMBER 31, 2022
(all amounts are expressed in lei, unless specified otherwise)**
25. RETAINED EARNINGS

	December 31, 2022	December 31, 2021
Balance at the beginning of the year	47,008,179	50,151,453
Net profit/(Net loss)	(51,471,690)	(1,447,458)
Transfer to legal reserves	(1,105,471)	-
Transfer to other reserves*	(862,410)	-
Transfers from revaluation reserves	633,211	945,404
Dividend allocation	(26,412,210)	(2,641,221)
Balance at the end of the year	70,732,989	47,008,179

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

26. RESERVES

	December 31, 2022	December 31, 2021
Legal reserves	5,282,442	4,176,971
Other reserves	16,519,108	15,656,698
Revaluation reserves	39,093,925	38,708,540
Total	60,895,475	58,542,209

“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, 2022	December 31, 2021
Opening balance	38,708,541	39,632,928
Transfer of reserves to retained earnings	(633,211)	(945,404)
Setup of reserves from revaluation of fixed assets	745,263	-
Adjustment of deferred tax on fiscally non-deductible revaluation reserves	273,332	21,017
Closing balance	39,093,925	38,708,541

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 5,282,442.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2022
(all amounts are expressed in lei, unless specified otherwise)**

27. OTHER CURRENT FINANCIAL LIABILITIES

	December 31, 2022	December 31, 2021
Borrowings – short-term		
Credit line in Euro - Eximbank SA	12,333,191	12,290,542
Investment loan in Euro II - BRD	-	515,237
Investment loan in Euro III - BRD	-	65,055
Credit line UniCredit Bank SA	25,973,635	23,347,205
UniCredit Bank SA – Investment loan CCE 2015	2,757,779	2,152,424
Investment loan I S1 - Eximbank SA	-	208,966
Investment loan I S2- Eximbank SA	-	211,120
Investment loan II - Eximbank SA	-	596,833
Investment loan IV - UniCredit Bank	686,604	341,069
Investment loan VII - UniCredit Bank	308,881	-
Loan for purchase of stock - UniCredit Bank	3,799,602	7,131,743
Total	45,859,692	46,860,194
Borrowings – long-term		
UniCredit Bank SA – Investment loan CCE 2015	-	2,758,169
Investment loan VI - UniCredit Bank	1,882,603	-
Investment loan VII - UniCredit Bank	2,162,161	-
Loan for purchase of stock - UniCredit Bank	-	1,259,421
Total	4,044,764	4,017,590

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 met the financial covenants to a certain level, separately and/or jointly with LivingJumbo Industry SA.

As at December 31, 2022 according to its own estimates, the Company met covenants “total net financial liabilities/equity” and “Total net financial liabilities/EBITDA” and “Current liquidity” either separately, or jointly with LivingJumbo Industry SA.

Thus, 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2022
(all amounts are expressed in lei, unless specified otherwise)
27. OTHER CURRENT FINANCIAL LIABILITIES (continued)

As at December 31, 2022, 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 3.50%.

Bank	Type of facility	Initial value	Balance as at 31.12.2021		Balance at 31.12.2022		Due on	less than 1 year	more than 1 year
			in euro	in lei	in euro	in lei			
UniCredit Bank	Credit line ¹	8,000,000 €	4,718,418 €	23,347,205 lei	5,249,957 €	25,973,635 lei	19/12/2023	25,973,635 lei	- lei
Eximbank SA	Credit line	2,550,000 €	2,483,891 €	12,290,542 lei	2,492,863 €	12,333,191 lei	26/05/2023	12,333,191 lei	- lei
UniCredit Bank	Investment loan VI	1,000,000 €	37,530 €	185,702 lei	290,500 €	1,437,221 lei	08/06/2026	363,180 lei	1.074.041 lei
UniCredit Bank	Investment loan VII	2,950,000 €	- €	- lei	499,463 €	2,471,042 lei	08/06/2027	308,880 lei	2.162.161 lei
BRD GSG	Investment loan II	1,000,000 €	104,128 €	515,237 lei	- €	- lei	03/09/2022	- lei	- lei
BRD GSG	Investment loan III	3,153,160 €	13,148 €	65,055 lei	- €	- lei	03/02/2022	- lei	- lei
UniCredit Bank	Investment loan - CCE 2015	3,042,240 €	992,420 €	4,910,592 lei	557,420 €	2,757,779 lei	04/12/2023	2,757,779 lei	- lei
UniCredit Bank	Loan for purchase of stocks	2,000,000 €	1,058,395 €	5,237,047 lei	- €	- lei	18/11/2022	- lei	- lei
UniCredit Bank	Loan for purchase of stocks ²	3,000,000 €	- €	- lei	768,000 €	3,799,602 lei	07/06/2023	3,799,602 lei	- lei
TOTAL loans in euro			9,407,930 €	46,551,380 lei	9,858,202 €	48,772,470 lei		45,536,268 lei	3,236,202 lei
Eximbank SA	Investment loan I	6,142,500,00		420,086 lei		- lei	20/06/2022		
Eximbank SA	Investment loan II	2,432,500,00		596,833 lei		- lei	16/12/2022		
UniCredit Bank	Investment loan VI			1,414,789 lei		1,131,986 lei	08/06/2026	323,424 lei	808.562 lei
UniCredit Bank	Investment loan VII			- lei		- lei	08/06/2027	- lei	- lei
UniCredit Bank	Loan for purchase of stocks			1,894,696 lei		- lei	08/12/2022		
Total loans in lei				4,326,404 lei		1,131,986 lei		323,424 lei	808,562 lei
Total exposure				50,877,784 lei		49,904,456 lei		45,859,692 lei	4,044,764 lei

Note:

¹ The debtors of the credit line contracted from UniCredit Bank SA with a ceiling of euro 8,000,000 are Romcarbon SA and Livingjumbo Industry SA. Euro 2,550,000 will be used by Livingjumbo Industry SA out of this loan.

² The debtors of the loan for the purchase of stocks with a ceiling of euro 3,000,000 are Romcarbon SA and Livingjumbo Industry SA. The loans were drawn as follows: Romcarbon SA: euro 768,000 and Livingjumbo Industry SA: euro 2,232,000.

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

Subsidies	December 31, 2022	December 31, 2021
Grants – project co-funded by European funds for 2011	2,392,946	3,375,688
Grants – project co-funded by European funds for 2015	6,305,217	7,503,691
Grants – project co-funded by European funds for 2022	891,003	-
Subtotal Subsidies	9,589,166	10,879,379

As at December 31, 2022, the Company registered investment subsidies and other amounts in the form of investment subsidies, not transferred to income, totalling lei 9,589,166. They are recognized as income on a monthly basis, in line with the depreciation of property, plant and equipment purchased throughout the useful life.

Other Liabilities	December 31, 2022	December 31, 2021
Liabilities to employees	1,206,400	1,096,338
Liabilities related to social contributions	1,222,304	1,120,328
Other tax liabilities	1,080,576	329,676
Advance income	-	-
Subtotal other liabilities	3,509,280	2,546,342
Total Other non-current non-financial liabilities	13,098,446	13,425,721

29. TRADE AND OTHER PAYABLES

	December 31, 2022	December 31, 2021
Trade liabilities	28,599,321	33,458,585
Other liabilities	15,855,291	109,519
Suppliers invoices not received	688,421	556,958
Advances from clients	2,917,867	3,036,848
Total	48,060,899	37,161,910

The increase of trade payables at December 31, 2022 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. Payables to related parties are detailed in Note 31.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2022
(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
FOR THE PERIOD ENDED DECEMBER 31, 2022
(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
FOR THE PERIOD ENDED DECEMBER 31, 2022

(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 4.9474	USD 1USD = lei 4.6346	lei 1 lei	December 31, 2022 Total
2022	<i>lei</i>	<i>lei</i>	<i>lei</i>	<i>lei</i>
Assets				
Cash and cash equivalents	76,844	240,728	2,455,138	2,772,710
Receivables and other current assets	4,626,449	-	59,027,314	63,653,763
Other current financial assets	39,579,200	-	3,159,651	42,738,851
Other assets	-	-	3,864,347	3,864,347
Liabilities				
Trade and other liabilities	9,813,918	2,056	38,244,926	48,060,900
Short and long-term borrowings	48,772,470	-	1,131,986	49,904,456
Short and long-term finance lease liabilities	-	-	5,623,258	5,623,258
Other liabilities	-	-	-	-
	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
Other current financial assets	-	-	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

This is a free translation from the original Romanian version.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2022
(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-2022</u>	<u>31-Dec-2021</u>
Loss	(1,406,522)	(5,044,550)

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.

2022	<u>Less than 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Total</u>
Non-interest bearing				
Trade liabilities	48,060,900	-	-	48,060,900
Other current liabilities	5,623,258	-	-	5,623,258
Interest bearing instruments				
Short and long-term leases	-	-	-	-
Borrowings from financial institutions	45,859,692	2,741,605	1,303,158	49,904,456
Non-interest bearing				
Cash and cash equivalents	2,772,710	-	-	2,772,710
Receivables and other current assets	63,653,763	-	-	63,653,763
Interest bearing				
Loans to Group companies	42,738,851	-	-	42,738,851

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2022
(all amounts are expressed in lei, unless specified otherwise)**

30. FINANCIAL INSTRUMENTS (continued)

Tables regarding liquidity and interest rate risks (continued)

2021	Less than 1 year	1-2 years	2-5 years	Total
<i>Non-interest bearing</i>				
Trade liabilities	37,161,911	-	-	37,161,911
Other current liabilities	4,269,220	-	-	4,269,220
<i>Interest bearing instruments</i>				
Short and long-term leases	-	-	-	-
Borrowings from financial institutions	46,860,194	3,477,838	539,753	50,877,784
<i>Non-interest bearing</i>				
Cash and cash equivalents	12,798,376	-	-	12,798,376
Receivables and other current assets	57,463,153	-	-	57,463,153
<i>Interest bearing</i>				
Loans to Group companies	1,265,317	-	-	1,265,317

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2022

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

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.

	Sales of goods and services		Purchases of goods and services	
	2022	2021	2022	2021
Eco Pack Management SA	-	5,094	-	24,742
Info Tech Solution SRL	28,582	24,886	669,093	664,947
LivingJumbo Industry SA	58,149,628	65,925,395	1,572,332	1,553,380
RC Energo Install SRL	112,854	92,494	3,055,612	4,255,337
Yenki SRL Buzau	-	2,309	-	-
Total	58,291,064	66,050,178	5,297,037	6,498,406

	Receivables from related parties		Payables to related entities	
	2022	2021	2022	2021
Eco Pack Management SA	-	-	29,442	29,442
Info Tech Solution SRL	-	-	138,276	97,566
LivingJumbo Industry SA	35,300,097	34,158,900	247,770	618,119
RC Energo Install SRL	-	-	41,163	296,645
Yenki SRL Buzau	-	-	-	-
Total	35,300,097	34,158,900	456,651	1,042,772

At 31 December 2022, the Company has outstanding receivables in amount of lei 3,159,651 from RC Energo Install SRL representing a loan granted and intered due in June 2023.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2022

(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	
	2022	2021	2022	2021
Greenfiber International SA	-	3,437,250	-	33,207
Greentech SA	2,402,274	81,832	71,842	117,257
Greenweee International SA	31,045	41,703	1,530,631	1,270,053
Green Resources Management SA	-	5,713	16,290	452,327
Total	2,433,319	3,566,498	1,618,763	1,872,844

	Receivables from related parties		Payables to related entities	
	2022	2021	2022	2021
Greenfiber International SA	-	-	-	2,381
Greentech SA	168,621	19,676	8,444	875
Greenweee International SA	1,373	6,614	259,813	215,704
Green Resources Management SA	-	-	-	22,540
Total	169,994	26,290	268,257	241,500

On 01.12.2022 the merger between GREENFIBER INTERNATIONAL SA, absorbing company and GREENTECH SA, absorbed company was completed. The new entity is called GREENTECH SA. The table presents the transactions that took place in 2022 with GREENFIBER INTERNATIONAL SA and GREENTECH SA aggregated to GREENTECH SA.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2022
(all amounts are expressed in lei, unless specified otherwise)****31. COMMITMENTS AND CONTINGENCIES****Credit facilities not used at December 31, 2022**

The Company has credit facilities not used in amount of euro 257,181 (December 31, 2021: euro 797,691) and investment loans not used in amount of euro 2,857,496 (December 31, 2021: euro 672,667).

Guarantees for bank loans

At December 31, 2022, property, plant and equipment (land, technical buildings and cars) and investment property with a net carrying amount of lei 68,314,018 (December 31, 2021: lei 80,298,674) are brought as guarantees for the loans and credit lines contracted by the Company from UniCredit Bank SA and EximBank SA. For bank loans, the Company also pledged future and present cash in the accounts opened with lending banks, stocks of raw materials, materials and merchandise worth of minimum euro 4,600,000 and assigned future and present claims and accessories arising from present and future agreements with its customers, which act as assigned debtors.

The Company has also assigned rights under insurance policies issued for the real estate and movable goods brought as guarantee.

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

- 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;
- Credit line in amount of lei 2.000.000 euro (due on December 13, 2023), ctr. BUZA/152021/CSC, secured by movable mortgage on 15 machinery with a net carrying amount of lei 3,068,353 lei at December 31, 2022.

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, secured by a movable property mortgage over the Sutco pre-sorting equipment, having a net carrying amount of EUR 506,984, 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 26/05/2023), 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 net carrying amount of euro 1,256,266 at December 31, 2022;
- 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 net carrying amount of lei 2,381,098 at December 31, 2022.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2022
(all amounts are expressed in lei, unless specified otherwise)****31. COMMITMENTS AND CONTINGENCIES (continued)****Potential tax liabilities (continued)**

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.

32. SUBSEQUENT EVENTS

On January 4, 2023 the Company received lei 39,418,400 the equivalent of EUR 8,000,000 as dividends from subsidiary Recyplat LTD. In December 2022, the GMS of Recyplat LTD decided to allocate EUR 9,500,000 as interim dividends, of which EUR 1,500,000 were cashed in the same month.

On February 16, 2023 the Company signed the sale agreement with LIDL ROMANIA S.C.S. for the sale of a land of 7,407 sq m, for a total price of lei 7,659,971. Such land was accounted for at a cost of lei 3,689,310, in the "Non-current assets held for sale" line.

Initially, in December 2019 a sale-purchase agreement was signed with Lidl Romania according to which a down payment of lei 2,419,280 (EUR 488,862) was collected in December 2021, however, the transaction was finalised on February 16, 2023 when the remaining lei 5,240,691 were received.

The Resolution of the General Meeting of Shareholders of 22.11.2022 approved the allocation of dividends in amount of lei 23,770,989. In December 2022, RON 7,775,757 was transferred to the Central Depository to pay part of the dividends. The difference was transferred to the Central Depository at the beginning of January 2023.

At the date of this report, we have not identified any risks affecting significantly the revenues from the core activity. However, the geopolitical tensions that emerged further to the military intervention of the Russian Federation in Ukraine have generated and are generating economic uncertainties on the energy and capital markets, 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 annual separate financial statements were authorised by the Board of Directors and were authorised for issuance on March 27, 2023.

For signatures, please refer to the original Romanian version.

**ADMINISTRATOR
HUANG LIANG NENG**

**FINANCIAL MANAGER
VIORICA ZAINESCU**

**DEPUTY ADMINISTRATIVE
GENERAL MANAGER,
CARMEN MANAILA**

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BOARD OF DIRECTORS' REPORT FOR THE PERIOD ENDED DECEMBER 31, 2022

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 2022 in various audit missions made according to the Internal Audit Plan;
- the separate financial statements drawn for the year ended December 31, 2022 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 at 2022, 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 2022 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 2022 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 2022, 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	2021	2022
Total revenues from sales of finished products, of which:	63.49%	69.16%
CP1~ Car and industrial filters	1.01%	1.28%
CP2~ Respiratory protective equipment and Active Carbon	0.84%	2.04%
CP3~ Polyethylene products	13.49%	13.63%
CP4~ PVC products	0.33%	0.26%
CP5~ Polystyrene products	17.79%	19.27%
CP6~ Polypropylene products	15.69%	15.13%
CP7~Compounds	14.34%	17.54%

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

New products developed in 2022

In 2022 the range of industrial filters was enlarged with 4 new items (3 automotive and 1 industrial), and with 21 redesigned items of which 17 automotive filters, 4 industrial filters.

153 new compounds from recycled 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, validation and utilisation (2,140 tons).

XPS rolls were put into production for installation underneath the parquet, intended for floor heating.

The Company started preparations for use of XPS lamination boards with aluminium boPET film, intended for floor insulation both thermally and in terms of humidity and compliance with the requirements of EN 1635 standard.

In accordance with the circular European economy, which provides the increased introduction of recyclable plastic products, the polyethylene sector continued to manufacture and seek new products with recyclable components, which reached approximately 65% of products.

The types and sizes of polypropylene-woven packaging was extended by 180 new products.

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 43% (44% in 2021) Romanian companies, and 57% (56% in 2021) 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 (64%) in the total value of acquisitions of raw materials is represented by polymer granules (polypropylene, polyethylene, polystyrene) and regranulated materials, 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 2021 and 2022 is presented in the following table:

Group of products	2021	2022	2022 vs. 2021		
CP1~ Auto and industrial filters	2,703,153	3,395,182	▲	692,029	26%
CP2~ Respiratory protective equipment and active carbon	2,247,391	5,396,649	▲	3,149,258	140%
CP3~ Polyethylene products	36,010,670	36,123,918	▲	113,248	0%
CP4~ PVC products	881,364	697,669	▼	(183,695)	-21%
CP5~ Polystyrene products	47,497,169	51,082,952	▲	3,585,783	8%
CP6~ Polypropylene products	41,879,984	40,107,774	▼	(1,772,210)	-4%
CP7~Compounds	38,271,305	46,502,132	▲	8,230,827	22%
Total	169,491,035	183,306,276	▲	13,815,241	8%

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	2021		2022	
	Value	%	Value	%
Domestic	122,114,658	72.05%	135,277,778	26.20%
Foreign	47,376,377	27.95%	48,028,498	73.80%
Total	169,491,035	100.00%	183,306,276	100.00%

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

The number of Romcarbon SA employees as at 31.12.2022 was 778, grouped according to the level of education as follows:

Total number of employees, of which:	778	%
· higher education*	90	12%
· post-high school education	10	1%
· technological foremen school	10	1%
· high school education	293	38%
· vocational education	203	26%
· 9 – 11 grades/apprenticeship	98	13%
· on-the-job qualification	4	1%
· secondary education	70	9%

*Out of the total higher education staff, 67 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 R&D activity

The technical and investment activity carried out by the Technical and Investment Department in collaboration with internal departments involved and with agreed service providers, included:

- Product certification and recertification according to the national and European regulations:
 - In 2022, the following certifications were extended
 - The certifications of the Filter and Individual Protection Equipment Workshop for: air filters, oil filters, locomotive filters, motorailers (8 certifications), gas mask (1 certification) and filter cartridges (9 certifications);
 - In the PS sector: extension of the technical approval and technical permit for XPS films to mount the parquet, in which the XPS rolls for floor heating were included;
 - in the recycling sectors: extensions of EuCertPlast certification, whose aim is to acknowledge the Company as a recycler that complies with the standards in the field;
- obtaining annual health certificate required for extruded polystyrene packaging for export to non-EU countries;
- contracting of the new equipment in order to increase the company productivity and the products quality (plastic recycling line for LDPE and PP waste, XPS lamination boards production line and boards packaging equipment, sack conversion line);
- updating the technical documentation of the polystyrene, polyethylene, recycled plastic and protection equipment.

The cost of research and development activity in 2022 was 651,086 lei, while for 2023 the estimated cost is lei 866,640.

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, in collaboration with a third party, namely SRAC ROMANIA, an integrated quality - environment management system as per ISO 9001 :2015 and ISO 14001 : 2015 standards applicable for: design, manufacturing and sale of polyethylene products (*film, packaging*), *polypropylene products (raffia, fabric and sacks)*, *products made of extruded polystyrene (trays, casseroles)*, *polyvinyl chloride profiles, construction materials (boards made of extruded polystyrene)*, *filters for automotive industry, railways and industrial field, composite plastic materials and regenerated polymers* as well as an integrated quality - environment - occupational health and safety management system as per ISO 9001: 2015; ISO 14001: 2005 and ISO 45001 :2018 standards, applicable to the design, manufacture and sale of airway individual protective equipment.

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 2023, the Company reassessed the environmental aspects and made the List of significant environmental aspects in normal conditions or in emergency situations.

Aware of the importance of protecting the environment and mitigating the adverse impact thereon, the entire staff of the organisation carries out their activity according to the following principles:

- caution, prevention and remedy of source pollution and “polluter pays”, based on the European Union’s sustainable development strategy;
- control and accountability in the entire organisation, from top management to employees.

In order to ensure that the needs of the organisation and the stakeholders are permanently adapted as regards the environment, we have designed and implemented an Environmental Policy, which is regularly updated and is available on the organisation’s website.

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 April 2023 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.

We are permanently conducting internal audits, according to the plannings, our objectives being:

- Assessment of how the obligations arising from the Integrated Management System are met in terms of compliance and efficacy thereof with the requirements of the reference standards transposed in the documented procedures put in place;
- Assessment of the capacity of the Integrated Management System to further meet the legal, regulatory and contractual requirements in force;
- Assessment of continued operational control;
- Identification of potential improvement areas in the Integrated Management System.

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 2022, the company recorded a decrease of total turnover by 0.71%, reaching a total of lei 265,048,638 (2021: lei 266,937,601). Sales of finished products increased by 8% (2021: lei 169,491,035).

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 71% in 2022 (70% in 2021). 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 2022 had a turnover represented 6% and 16% of total turnover. The sales to Livingjumbo Industry SA in 2022 included the sales of finished products, rents and income from other activities, which accounted for 6% of turnover.

One of the risks that affected the Company's activity in 2022 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 31.12.2022 the balance of this loan was EUR 9,858,202 (EUR 9,407,930 at December 31, 2021).

In 2022, the financial result generated by the fluctuation of foreign currencies rate was lei +229,121 (2021: lei -651,119).

Liquidity risk

Current liquidity of SC Romcarbon SA (calculated as the ratio between current assets and current debts) registered an increase in 2022, reaching 1.47 compared to 1.19 in 2021.

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 2023.

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 internal 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 2021 and 2022 is shown in the following table.

Items	2021	2022	2022 vs. 2021	
Property, plant and equipment	106,567,874	102,490,667	-4,077,207	▼ -3.83%
Investment property	10,894,586	9,883,738	-1,010,848	▼ -9.28%
Intangible assets	294,483	330,920	36,437	▲ 12.37%
Financial assets	20,607,559	20,608,559	1,000	▲ 0.00%
Total non-current assets	138,364,502	133,313,884	-5,050,618	▼ -3.65%
Inventories	27,647,514	29,963,708	2,316,194	▲ 8.38%
Trade and other receivables	57,999,727	63,653,763	5,654,036	▲ 9.75%
Other current financial assets	1,265,317	42,738,851	41,473,534	▲ 3277.72%
Other current non-financial assets	2,187,278	3,864,347	1,677,069	▲ 76.67%
Cash and bank balances	12,798,377	2,772,709	-10,025,668	▼ -78.34%
Non-current assets held for sale	3,760,155	3,760,155	0	— 0.00%
Total current assets	105,658,368	146,753,533	41,095,165	▲ 38.89%
Total assets	244,022,870	280,067,417	36,044,547	▲ 14.77%
Issued capital	26,412,210	26,412,210	0	— 0.00%
Share premium	2,182,283	2,182,283	0	— 0.00%
Reserves	58,542,209	60,895,475	2,353,266	▲ 4.02%
Retained earnings	47,008,179	70,732,989	23,724,810	▲ 50.47%
Total equity	134,144,882	160,222,957	26,078,075	▲ 19.44%
Other provisions	400,000	1,000,000	600,000	▲ 150.00%
Deferred tax liabilities	8,012,574	7,780,659	-231,915	▼ -2.89%
Other non-current financial liabilities	4,017,590	4,044,764	27,174	▲ 0.68%
Other non-current non-financial liabilities	8,619,928	7,475,188	-1,144,740	▼ -13.28%
Total non-current liabilities	21,050,091	20,300,611	-749,480	▼ -3.56%
Trade and other payables	37,161,910	48,060,900	10,898,990	▲ 29.33%
Other current financial liabilities	46,860,194	45,859,692	-1,000,502	▼ -2.14%
Other current non-financial liabilities	4,805,793	5,623,258	817,465	▲ 17.01%
Total current liabilities	88,827,897	99,543,849	10,715,952	▲ 12.06%
Total liabilities	109,877,988	119,844,460	9,966,472	▲ 9.07%
Total equity and liabilities	244,022,870	280,067,417	36,044,547	▲ 14.77%

At December 31, 2022, non-current assets hold 47.60% of the company's assets, decreasing by lei 5,050,618, namely 3.65% compared to the beginning of the year.

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

Non-current assets (NCA)	2022	% in total NCA	% in total asset	2022 vs. 2021
Property, plant and equipment	102,490,667	76.88%	36.59%	-3.83%
Investment property	9,883,738	7.41%	3.53%	-9.28%
Intangible assets	330,920	0.25%	0.12%	12.37%
Financial assets	20,608,559	15.46%	7.36%	0.00%
Total non-current assets	133,313,884	100.00%	47.60%	-3.65%

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)	1,320,580 lei
· Equipment and machinery	2,352,741 lei

Additions of fixed assets in 2022 had the following destinations: processed plastics: lei 1,062,707; Administrative and other sectors: lei 2,610,613.

The disposals of property, plant and equipment in 2022 were in amount of lei 4,067,575, of which lei 498,518 scraps and lei 3,569,057 sales.

As at December 31, 2022, the Company performed the revaluation of the investment property and it resulted an increase of the revaluation reserves of lei 745,265 and a net loss of lei 1,370,104 registered in the result for the year.

As at December 31, 2022, the Company performed the revaluation of the investment property and it resulted an increase of net carrying amount of lei 176,315, which was charged to the 2022 profit or loss.

Disposals of investment property

In July 2022, the Company sold a freehold land in surface area of 504 sqm located in Iași, Calea Chișinăului no. 29, for which it received lei 249,299 (equivalent of EUR 50,400).

In November 2022, the Company sold a land of 2,732 sqm, located in Iași, Calea Chisinaului nr. 29, for which it received lei 2,123,852 (equivalent of EUR 432,257).

Financial assets account for 7.36% out of total assets, and 15.46% out of total non-current assets.

As at December 31, 2022, Romcarbon SA held direct ownership in other companies worth lei 30,340,197, 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%
VIITORUL INCEPE AZI (NGO)	7,000					1,000	14.29%
TOTAL						30,340,197	

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

At December 31, 2022, the **current assets** account for 52.40% of total assets recording an increase of lei 41,095,165, i.e. 38.89% as compared with the beginning of the year.

Current assets	31.12.2022	% out of total current assets	% out of total assets	31.12.2022 vs. 31.12.2021
Inventories	29,963,708	20.42%	10.70%	8.38%
Trade and other receivables	63,653,763	43.37%	22.73%	9.75%
Other current financial assets ¹	42,738,851	29.12%	15.26%	3277.72%
Other current non-financial assets	3,864,347	2.63%	1.38%	76.67%
Cash and cash equivalents	2,772,709	1.89%	0.99%	-78.34%
Non-current assets held for sale ²	3,760,155	2.56%	1.34%	0.00%
Total current assets	146,753,533	100.00%	52.40%	38.89%

¹ This caption registers dividends receivable from Recyplat LTD in amount of lei 39,579,200 (equivalent of EUR 8,000,000) and the loans granted to affiliates.

Loans from Group companies	Contract value	Loan balance at December 31, 2022	Interest	Total	Due on
RC Energo Install SRL	3,000,000 lei	3,000,000 lei	159,651 lei	3,159,651 lei	03/06/2023
Total	3,000,000 lei	3,000,000 lei	159,651 lei	3,159,651 lei	

In June 2022, the loan granted in 2019 to subsidiary RC Energo Install SRL with a maximum ceiling of lei 1,231,700 was extended by 12 months and in July 2022, an addendum was signed, whereby the ceiling increased to lei 3,000,000..

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 which it paid 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 2023. Such property is classified as Non-current assets held for sale.

Subsequent events

On February 16, 2023 the Company signed the sale agreement with LIDL ROMANIA S.C.S. for the sale of a land of 7,407 sq m, for a total price of lei 7,659,971. Such land was accounted for at a cost of lei 3,689,310, in the "Non-current assets held for sale" line.

Initially, in December 2019 a sale-purchase agreement was signed with Lidl Romania according to which a down payment of lei 2,419,280 (EUR 488,862) was collected in December 2021, however, the transaction was finalised on February 16, 2023.

Total liabilities hold 42,79% of the company's total Equity and liabilities recording an increase of lei 9,966,472 compared to the beginning of the year of 9.07%.

Borrowings

At December 31, 2022 the bank loans committed by ROMCARBON SA are as follows:

Type of facility	Balance at 31.12.2022		< 1 year	>1 year
	in euro	in lei		
Credit lines	€ 7,742,820	38,306,826 lei	38,306,826 lei	- lei
Short-term loan in euro	€ 290,500	3,799,602 lei	3,799,602 lei	- lei
Investment loans in euro	€ 1,824,882	6,666,041 lei	3,429,839 lei	3,236,202 lei
Total loans in euro	€ 9,858,202	48,772,470 lei	45,536,268 lei	3,236,202 lei
Investment loan in lei		1,131,986 lei	323,424 lei	808,561 lei
Total loans in lei		1,131,986 lei	323,424 lei	808,561 lei
Total exposure		49,904,456 lei	45,859,692 lei	4,044,763 lei

In June 2022, Romcarbon SA and Livingjumbo Industry SA signed a credit agreement with UniCredit Bank SA for the financing of the acquisition of stocks with a maximum value of EUR 3,000,000, due on 07.06.2023. The credit facility was 26% used by Romcarbon and 74% by Livingjumbo Industry SA.

In June 2022, Romcarbon SA signed a long-term credit agreement with UniCredit Bank SA worth EUR 2,950,000 for the financing of the investment plan for 2022, due on 08.06.2027.

In December 2022, the ceiling of the credit line contracted from UniCredit Bank SA was increased from EUR 5,450,000 to EUR 8,000,000. The credit line may be used both by Romcarbon SA and by Livingjumbo Industry SA.

The Company's current liabilities, accounting for 83.06% of Total Liabilities and 35.54% of Total Equity and Liabilities, registered an increase of lei 10,715,952, i.e. 12.06%, compared to December 31, 2021.

Current liabilities	31.12.2022	% in total liabilities	% in Total current liabilities	% in Total equity and liabilities	31.12.2022 vs. 31.12.2021
Trade liabilities	48,060,900	40.10%	48.28%	17.16%	29.33%
Other current financial liabilities	45,859,692	38.27%	46.07%	16.37%	-2.14%
Other current non-financial liabilities	5,623,258	4.69%	5.65%	2.01%	17.01%
Total current liabilities	99,543,850	83.06%	100.00%	35.54%	12.06%

Non-current liabilities of the Company, representing 7.25% of Total equity and liabilities, have decreased by lei -749,480 as compared with 31.12.2021, i.e. -3.56%.

Non-current liabilities	31.12.2022	% in total liabilities	% in Total non-current liabilities	% in Total equity and liabilities	31.12.2022 vs. 31.12.2021
Other provisions	1,000,000	0.83%	4.93%	0.36%	150.00%
Deferred tax liabilities	7,780,659	6.49%	38.33%	2.78%	-2.89%
Other long-term financial liabilities	4,044,764	3.38%	19.92%	1.44%	0.68%
Other non-current non-financial liabilities	7,475,188	6.24%	36.82%	2.67%	-13.28%
Total non-current liabilities	20,300,611	16.94%	100.00%	7.25%	-3.56%

Total Equity holds 57.21% out of Total Equity and Liabilities and registered an increase of lei 26,078,075, compared with the beginning of the year.

Equity	31.12.2022	% 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	9.43%
Share premium	2,182,283	0.78%
Reserves	60,895,475	21.74%
Retained earnings	70,732,989	25.26%
Total equity	160,222,957	57.21%

The subscribed and paid in capital of the company amounting to lei 26,412,209.60 in 2022 is divided into 264,122,096 registered shares, dematerialized, with a nominal value of 0.10 lei per share.

As at 31.12.2022 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	32,700,000	12.38%
Other individuals	80,636,778	30.53%
Other legal entities	9,815,721	3.72%
Total	264,122,096	100.00%

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

Income statement	12-month 2021	12-month 2022	2022 vs. 2021	
Revenue	264,737,646	262,801,054	▼	(1,936,592) -1%
Other income ⁵	4,459,406	4,454,249	▼	(5,157) 0%
Changes in inventories of finished goods and work in progress	872,218	7,447,653	▲	6,575,435 754%
Raw materials and consumables used	(197,945,281)	(199,065,784)	▲	(1,120,503) 1%
Salaries and employee benefits	(40,568,395)	(42,312,860)	▲	(1,744,465) 4%
Depreciation and amortisation expenses	(9,977,583)	(9,609,158)	▼	368,425 -4%
Operating expenses	(15,900,694)	(18,863,784)	▲	(2,963,090) 19%
Other gains or losses ⁷	1,883,115	1,769,858	▼	(113,257) -6%
Profit (loss) on operations	7,560,432	6,621,228	▼	(939,204) -12%
Financial income*	128,719	47,336,583	▲	47,207,864 36675%
Financial expenses	(1,769,890)	(1,574,050)	▼	195,840 -11%
Gain (loss) on impairment of financial assets	(6,477,632)	-	▼	6,477,632 -100%
Profit/(Loss) before tax	(558,371)	52,383,761	▲	52,942,132 -9482%
Income tax	(889,087)	(912,071)	▲	- 22,984 3%
Net profit (loss)	(1,447,458)	51,471,690	▲	52,919,148 -3656%
Deferred tax adjustment related to the re-evaluation reserves fiscal unallowable	21,017	273,332	▲	252,315 1201%
Total comprehensive income	(1,426,441)	51,745,022	▲	53,171,463 -3728%
Operational EBITDA	13,987,048	15,025,300	▲	1,038,253 7%

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.

In accordance with MoPFO no. 1286/2012 for the approval of the Accounting Regulations in accordance with the International Financial Reporting Standards, applicable to commercial companies whose securities are admitted to trading on a regulated market, the available funds, the assets and liabilities in foreign currency are evaluated monthly at the exchange rate of the market communicated by the NBR on the last banking day of the month. From the revaluation of available funds, the assets and liabilities in foreign currency in 2022, the Company registered favorable differences of lei 2,019,619 lei (financial income from exchange rate differences) and unfavorable differences of lei 1,790,498 (financial expenses from exchange rate differences), thus resulting a gain of lei 229,121.

In 2021, a loss of lei -651,119 was recorded from the evaluation of available funds, assets and liabilities in foreign currency at the exchange rate of the market communicated by the NBR on the last banking day of the month.

³ The item "Other income" has the following structure:

Indicator	12-month 2021	12-month 2022	2022 v 2021		
Rental income	2,199,955	2,247,585	▲	47.630	2%
Income for investment subsidies	2,259,451	2,206,664	▼	(52.787)	-2%
Total	4,459,406	4,454,249	▼	(5.157)	0%

⁴ The item "Other gains or losses" has the following structure:

Caption	12-month 2021	12-month 2022	2022 vs. 2021	
Gains/loss on disposal of assets held for sale	-	-	—	-
Gains/loss on fair value measurement of investment property	1,377,918	170,996	▼	(1,206,922)
Gains/loss on disposal of investment property	411,233	1,191,307	▲	780,074
income from compensations, fines and penalties	8,202	7,009	▼	(1,193)
Gains/loss on sale of assets and other capital operations	21,280	915,621	▲	894,341
Other operating revenues	98,047	111,123	▲	13,076
Loss on receivables with investments	-	-	—	-
Income from discounts obtained	-	47,746	▲	47,746
Gains/loss on impairment of current assets	(13,642)	54,640	▲	68,282
Income from operating subsidies for staff pay	180,077	-	▼	(180,077)
Expenses with revaluation of property, plant and equipment	-	(128,583)	▲	(128,583)
Operating expenses with provisions for risks and charges	(200,000)	(600,000)	▲	(400,000)
Total	1,883,115	1,769,859	▼	(113,256)

⁵ "Financial income" includes the following:

Caption	12-month	12-month	12-month	2022 vs 2021	
	2020	2021	2022		
Interest income	105,139	128,719	316,730	▲	188,011
Dividend income - Recyplat LTD	0	0	46,745,700*	▲	46,745,700
Net gains from FX differences	0	0	274,153	▲	274,153
Total	105,139	128,719	47,336,583	▲	47,207,864

*Equivalent of EUR 9,500,000.

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

	12-month 2021	12-month 2022	2022 vs. 2021		
Total sales of finished goods, of which	169,491,035	183,306,275	▲	13,815,240	8%
CP1~ Auto and industrial filters,	2,703,153	3,395,181	▲	692,028	26%
CP2~ Respiratory protective equipment and Active Carbon	2,247,391	5,396,649	▲	3,149,259	140%
CP3~ Polyethylene products	36,010,670	36,123,918	▲	113,249	0%
CP4~ PVC products	881,364	697,669	▼	(183,695)	-21%
CP5~ Polystyrene products	47,497,169	51,082,952	▲	3,585,783	8%
CP6~ Polypropylene products	41,879,984	40,107,774	▼	(1,772,211)	-4%
CP7~Compounds	38,271,305	46,502,132	▲	8,230,827	22%
- Sales of intermediary goods	40,938	68,499	▲	27,562	67%
- Services rendered	488,677	721,836	▲	233,159	48%
- Sale of goods purchased for resale	89,734,867	71,556,260	▼	(18,178,607)	-20%
- Revenues from sundry services	4,982,129	7,148,183	▲	2,166,054	43%
Total, of which:	264,737,646	262,801,053	▼	(1,936,593)	-1%

Caption	31.12.2021	31.12.2022	31.12.2022 vs.31.12.2021		
Net sales	264,737,646	262,801,053	▼	(1,936,593)	-1%
Rental income	2,199,955	2,247,585	▲	47,630	2%
Total turnover, of which:	266,937,601	265,048,638	▼	(1,888,963)	-1%
- Domestic market	216,788,923	211,389,472	▼	(5,399,450)	-2%
- Foreign market	50,148,679	53,659,166	▲	3,510,487	7%

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 2022 have decreased to lei 2,772,709 lei (December 31, 2021: 12,798,377).

4) Financial ratios

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

Ratio	Formula	2021	2022
EBIT	Gross profit + interest expenses	394,684	53,670,160
EBITDA	EBIT + amortization – income from subsidies	8,112,816	61,072,654
Turnover	Net sales + Rental income	266,937,601	265,048,639
EBITDA in total sales	EBITDA/Turnover	3.04%	23.04%
EBITDA in equity	EBITDA/Equity	5.87%	38.12%
Gross profit	Gross profit /turnover	-0.21%	19.76%
Current liquidity ratio	Current assets/current liabilities	1.19	1.47
Immediate liquidity ratio (acid test)	(Current assets -Inventories)/Current liabilities	0.88	1.17
Gearing ratio (1)	Long-term liabilities/Equity	16%	13%
Gearing ratio (2)	Total liabilities/Total assets	45%	43%
Gearing ratio (3)	Capital borrowed on the long-term/Total equity	3%	3%
Gearing ratio (4)	Capital borrowed on the long-term/Capital employed	3%	2%
Interest coverage ratio	EBIT/Interest expenses	0.41	41.72
Turnover of trade receivables	Average balance of trade receivables /Turnover	64	83
Turnover of trade liabilities	Average balance of trade liabilities /Turnover	43	58
Turnover of trade liabilities	Turnover/Non-current assets	1.93	1.99
Return on assets (ROA)	Net result /Total assets	-0.63%	18.38%
Return on equity (ROE)	Net result/Equity	-1.05%	32.13%
Return on sales (ROS)	Net result/Turnover	-0.54%	19.42%

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 social responsibility, ethics and the environment, 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.

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.

At the date of this report, the Board of Directors of Romcarbon SA consists of the following directors elected in the ordinary General Meeting of January 23, 2020 for a 4-year mandate that expires on February 4, 2024:

- **Huang Liang - Chairman**, 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;

- **Wang Yi Hao - Vice Chairman**, appointed member of the Board of Directors by Resolution of the Ordinary General Meeting from 25.11.2021 for a term equalling the remainder of the term of his predecessor, Mr. Wang Yi -Hao, namely for a term valid during 29.11.2021-04.02.2024; based on the same Resolution, the mandate of member of the Board of Directors of Mr. Wang Yi -Hao also expires;
- **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;

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 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 2022, the Board of Directors met in 20 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 2022:

- a) Directors – lei 0
- b) CEO – lei 180,000
- c) Executive management – lei 2,454,715.

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.

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's 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 environment, corporate governance and social responsibility is based on a set of principles that define its relationship with its partners - employees, creditors, suppliers, customers, investors, local authorities and members of the community (stakeholders).

In accordance with this strategy, ROMCARBON S.A. developed in 2022 its first Sustainability Report for 2021, out of the belief that the inclusion of sustainability principles in the strategies of the Romcarbon Group, in communication and even in the business model, can contribute to improving its reputation among its customers, suppliers and investors and can play an important role in increasing employee involvement and reducing staff turnover. In drawing up this report, the principles established in the GRI Standards regarding Materiality, Inclusiveness, Sustainability Context and Exhaustiveness were taken into account. The quality of the report was ensured by observing the principles of the GRI Standards regarding Balance, Comparability, Accuracy, Regularity, Clarity and Reliability. More details can be found in our Sustainability Report available on Romcarbon SA's website: www.romcarbon.com/rapoarte-de-sustenabilitate.

The management team of ROMCARBON SA 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.).

* **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***

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 1,900 blood units so far. These campaigns will continue.

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 4, 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;

Regarding the social involvement actions aimed at contributing to the development of the local community, it is worth mentioning the participation of ROMCARBON SA, in 2022, as a partner of the Buzau City Hall and sole sponsor of the inter-school project competition entitled "**My school in Circular Buzau**", a competition intended to encourage actions or innovative projects that encourage and facilitate the selective collection and recycling of waste and serves to raise awareness of the importance of selective collection in the local community, the involvement of students in the development of a circularity project by

- avoiding the creation of waste - by reusing recycled or composted materials;
- (re)utilisation of the unused space in the schools;
- the production of renewable energy, at an experimental level (school)
- keeping products/materials/services in use and maintaining their value through the 3 R's - reuse, repair, reconditioning.

In the same area of social involvement, we refer to the participation of ROMCARBON SA, in 2022, as a partner of the Buzau City Hall in the initiation of the Consortium for dual education "Centre of excellence for dual education - technical pre-university and university education - in Buzau", a project through which ROMCARBON will actively participate in ensuring initial vocational education and training in the dual system, in order to adapt vocational education and training to the requirements of the labor market.

Last but not least, we refer to the fundraising actions carried out by ROMCARBON SA in 2022, actions through which we financially supported the activity of NGOs such as the SAINT HELEN CHILDREN'S ASSOCIATION, SAINT SAVA CHILDREN'S FOUNDATION, "DARUIESTE VIATA" ASSOCIATION, BOOKLAND ASSOCIATION, but also of institutions of local interest such as the Buzau County Emergency Hospital and the Buzau City Hall.

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 involvement in the community, with a view to raising the quality of life at local level and also to incentivizing the labor market by enhancing the level of professional competence of the human resources.

THE ACTIVITY OF THE COMPANY IN THE FUTURE

In 2023, the management will continue to take all measures to ensure the development of the company's activity in safe conditions for all stakeholders, in the current context of the raw materials and consumables market, where the availability and price of raw materials has represented a continuous challenge, the cost of plastic granules remained at high, the utility market with high prices at a level hard to imagine a few years ago, in the context of the geopolitical climate created by the war in Ukraine, and last but not least the labor market, which shows a continuously growing volatility.

The company completed at the end of December 2022 the sale transaction of the shares indirectly owned in Green-Group, thus generating important cash flows of around EUR 14 million, amount intended for investments and remuneration of shareholders in the form of dividends in 2022 and 2023.

For 2023, the Company aims at consolidating its position on the markets where it operates, streamlining the investments implemented in previous years, and at making new investments in the field of circular economy and recycling meant to ensure a range of products as diverse as possible and at the highest standards.

The main objectives in 2023 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 2023, the company budgeted the following financial indicators:

- a total turnover of lei 326,059,963 (up by 23% as compared with 2022) of which the turnover related to the sales of finished products is budgeted at the level of lei 212,787,742 (15% higher as compared with 2022);
- a gross operating profit in amount of lei 8,480,090.

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 27, 2023

For signatures, please refer to the original Romanian version.

ADMINISTRATOR,

HUANG LIANG NENG

FINANCIAL MANAGER,

VIORICA ZAINESCU

DEPUTY ADMINISTRATIVE GENERAL
MANAGER,

CARMEN MANAILA