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Conference call with analysts, investors and journalists
May 18, 2023
"The financial results of Romcarbon S.A.
in the first 3 months of 2023"
10.30 (local time)

- Transcript -

Conference call Transcript – Financial results of Romcarbon S.A. in the first 3 months of 2023

PARTICIPANTS:

- Huang Liang Neng – Chairman of the Board and General Manager
- Cristinel Dobrotă – Deputy General Manager for Development
- Carmen Mănăilă – Deputy General Manager for Administrative Operations
- Ion Ungureanu – Manager of PS & PET divisions
- Victor Crețu – Manager of PP small & big bags divisions
- Viorica Ioana Zăinescu – Financial Manager

The teleconference is held in Romanian and English, with translation provided, and is moderated by the General Manager of Romcarbon S.A., Mr. Huang Liang Neng.

Agenda:

- 10:30 – 11:10
 - Brief presentation of the financial results of Romcarbon S.A. for **Quarter 1 2023**.
 - Achievements and challenges of 2023.
 - The results recorded on business lines and plans for the next period.
- 11:10 – 11:40
 - Q&A session.
- 11:40 – 11:50
 - Conclusions and conclusion.
 - Structured feedback from participants.

The presentation and audio recording of the event are available [HERE](#)

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Huang L.N.:

G.M

Today we have the Romcarbon videoconference.

We will analyze the results of the First Quarter 2023 for Romcarbon Group.

First, thank you for joining our video conference call today.

Today, together with me, is present our management team:

Carmen Manaila. Carmen is Deputy General Manager

Cristinel Dobrota. Cristi is Deputy General Manager and is

responsible for the recycling sector and the plastic processing sector

Victor Cretu. Victor is Manager of the PP small bags and big-bags

division and is responsible for the woven bag processing sectors

Ion Ungureanu (Nelu). Nelu is Manager of the PS and PET divisions

and is responsible for the PET and extruded polystyrene packaging

processing sectors

Viorica – Ioana Zăinescu. Viorica is Financial Manager.

Today I will have their support to make the presentation.

We will go through a few topics today.

First, we have the overview of the Romcarbon Group, our activity and then we will present the financial results of the 1st Quarter.

We will also compare the evolution of this year's activity with that of last year and focus on certain sectors of activity.

We will talk about green energy investments and our work in the field of E.S.G. and our progress in this field.

Finally, we will answer questions from shareholders.

As scope of activities of the company, in general, I think most of the shareholders already know it, because I have made this presentation in previous conferences, so I will not develop this part. However, if anyone is interested in a particular sector and would like to know more about it, you are welcome to ask questions about it.

So, we'll go straight to the financial information.

Overall, as regards the individual financial statements of Romcarbon in the 1st Quarter, profit is recorded, but from the point of view of the main activities, the situation is very difficult.

In general, like most other companies, we are struggling with market demand as well as rising costs, especially electricity costs.

I will pass to our Financial Director, Viorica (Zăinescu) to go through the presentation of the financial results.

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Viorica Zăinescu: Good afternoon!

In the report related to the First Quarter published on Romcarbon website, including at BVB and ASF, all the main aspects regarding the activity carried out in the First Quarter, compared to the First Quarter of last year, were captured.

In the following presentation, we will insist on some financial indicators.

I will start with the presentation of the indicators on the two production companies Romcarbon and Livingjumbo.

Thus, at Romcarbon the turnover, the total sales figure, was lower by 10 percent, and at Livingjumbo it was lower by 20%.

As for the turnover of the group, there was a decrease of 6%. When the group turnover is determined, intercompany sales are removed, so somehow the group sales figure is lower than Romcarbon and Livingjumbo individually.

Regarding the Operational EBITDA profitability indicators, Romcarbon registered a positive value of 2050 (thousand lei), down by 1376 (thousand lei), that is a percentage of 40%.

Livingjumbo, there is also a positive result here, but much smaller than last year. The decrease is greater compared to Q I, of about - 84%.

Romcarbon Grup recorded Operational EBITDA of 2825 (thousand lei), down by 57% compared to Q I of last year.

Profit from Operations:

For Romcarbon, a profit of 4182 (thousand lei) was recorded, 178% higher than last year, and for Livingjumbo, the result was negative.

Group Result:

The Group's Operating Profit recorded is 4211 (thousand lei), an increase of 11%.

Net profit:

Romcarbon registered an increase of 204%, i.e. 3190 (thousand lei).

Livingjumbo, a loss of 786 (thousand lei).

And the Group recorded a net profit of 2837 (thousand lei).

From the consolidated financial statements of Romcarbon Group, we have extracted some indicators.

From the profit and loss account:

The Group's total revenues recorded the value of 89,873 (thousand lei), i.e. a decrease of 6 percent.

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The profit from associates is 0, since in December took place the deconsolidation with GG Group, with Green Group, so the result, normally, is 0.

EBITDA is, in total for the Group, 6880 (thousand lei), a decrease of 15 percent, and for Operational EBITDA a decrease of 57%.

The profit from operational activities in the First Quarter of 2023 recorded the value of 4211 (thousand lei), an increase of 11 percent, and the Net Profit, a decrease, since in the First Quarter of 2023 we no longer have the share of associates.

If we also compare the net profit without the impact of associates, we can see that the value is approximately the same, that is, a decrease of only 2 percent.

Regarding the indicators in the Balance Sheet:

Long-term assets are down by 20%

Short-term assets increased by 15%

Total assets, in total, therefore, a decrease of -4%

The Group's equity increased by 20% and,

Debts decreased by 24 percent, so that the debt ratio indicator, calculated as the ratio of total debt to total assets, reached a level of 43%, which is 11% lower than last year, which is something good.

The current liquidity has also increased, quite a lot, compared to the first quarter of last year, namely by 162%, an indicator that is very important in the analysis that the lending banks do for us.

Regarding credits:

The Group's bank loans decreased by 26%.

So Short-term receivables registered a decrease of 28 percent, and Investment loans, a decrease of 39 percent, due to the payment of installments due from investment loans.

And the Banking Service decreased by about 26 percent compared to last year.

So these were the indicators and the Consolidated Statements, in the extract.

Regarding the performances recorded by each business line, each profit center, I presented in the next slide the results from Q1 2021, 2022 and 2023, the comparison was, of course, made with the previous year.

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As expected, since the total turnover has decreased, the turnover in the center is also lower than last year.

In the Polyethylene bag sector (PE or plastic processing) the decrease in turnover was 24%, the results of EBITDA and Profit before the distribution of general expenses are positive, but, of course, decreasing compared to the previous year.

In the Polystyrene food packaging and XPS boards for parquet sector (PS) the decrease in the turnover was 12 percent, so lower, instead we have an increase in EBITDA and Profit before generals, which is a very good and promising thing, especially since investments will be made in this sector in the future.

In Romcarbon's Polypropylene (PP) bag Sector, small bags, the decrease in turnover was 19%, EBITDA and Profit were also increasing compared to last year.

In the Sector of recycled polymers and compounds, a 13% decrease in turnover, as well as a decrease in profitability indicators.

In the PET Sector, PET food packaging and flexible film, within Livingjumbo, the decrease in the turnover compared to last year, compared to Q1 2022, was 22 percent and a decrease in profitability indicators. A loss of Profit before generals is also recorded here, being the only sector in this situation, among all sectors.

The large bags, polypropylene (PP) bags saw a decrease of 19 percent in the turnover and also a decrease in profitability indicators, this sector also facing a lack of demand in the market. And we have another sector with a very small share in the turnover, Filters and protective equipment. Here the turnover remained almost constant as last year. It is an increase of 1 percent, but even here profitability has decreased, compared to last year.

As a consolidation across all centers we can say that the profitability margin within Romcarbon decreased from 8.01% to 6.25% in Q1 2023.

In the next slide, the contribution of each center/sector in the turnover and the contribution in EBITDA before generals is presented graphically.

Thus, the sector with the largest share is polypropylene (PP), the large bags within Livingjumbo, which hold 24%, followed by PET with 20%, Recycled polymers with 17%, Polystyrene with 15%, Polyethylene with 10% and Romcarbon small bags, Polypropylene, with 12%.

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Regarding the contribution to EBITDA before generals, the Polystyrene Sector, as we presented earlier, has the best results and holds 27% of the total EBITDA.

Next comes Polypropylene, the large bags from Livingjumbo, with 23%, Recycled polymers with 19%, Polypropylene, small bags (from Romncarbon), with 12% and Polyethylene and PET from Livingjumbo, each with a 6% share.

These were the results recorded by each profit center (sector) in QI. The year did not start very well, for the reasons that were presented in detail in the Report and that our G.M. exposed. Thank you very much!

Huang L.N.:
G.M.

Thank you Viorica!

So from the financial information we can see that there are some sectors that are having greater difficulties compared to last year, so we will continue by explaining what the current situation is, what the challenges of the markets are and what the outlook is for the next period, as well as the strategy which the management team is considering.

We will start with the plastic recycling sector and compounds (recycled polymers)

This part will be presented by Cristi (Cristinel Dobrota) Christi, please!

Cristi Dobrotă:

Good afternoon!

You have the slide on the screen.

I will try to point out a few ideas.

The main point is this drop in market demand that is reflected in all business sectors and across Europe. And, of course, when demand is low in the market and virgin raw materials are cheap, interest in recycled raw materials decreases.

An anomaly that, fortunately, has recently been noticed by the European Commission, and it is desired to regulate this type of events, because otherwise we cannot achieve our goal of implementing a circular economy, as it proposed, as we all intended.

So when the virgin raw material goes down and is very cheap, you know very well that oil has no lower limit, and there have even been situations where it has been a negative value. Instead

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collecting waste across Europe has a cost, whether it's crisis or not, whether it's war or not.

This kind of anomaly will be regulated by the introduction of a taxation system for virgin raw materials, which will be introduced throughout Europe. It will be a unitary approach at the level of the entire Community, so as not to create imbalances in the market, and let's hope that this will happen.

There is another peculiarity here because we are now on the downslope, that safety stock is rolling in, the one that comes from behind, with a higher cost. A different situation is when prices rise, as was the case after the 2020 pandemic.

I mentioned earlier about this possibility of taxation which will bring an increase of recycled material in the market.

Also, apart from PET, I don't know if you know, but for PET there is already a regulation across Europe that requires the use of a minimum of 25% recycled raw material starting from 2025 onwards.

Through the new regulation that is in the final phase, it will be approved quite soon, this obligation to use a minimum content of recycled raw material will be introduced and extended to the other plastic products, the other plastic packaging.

Romcarbon is preparing in this direction and for this reason we are trying to strengthen the recycling sector. In fact, Romcarbon has implemented long time ago this circular economy concept.

The obligation to use recycled raw materials will be introduced, including in the automotive industry.

It is possible that this regulation will appear this summer or by summer, if not, we can say that this regulation will appear this year, by which the automotive industry and the electrical equipment industry will also have the obligation to use recycled raw material.

We also pointed out here the "ecomodulation". Ecomodulation, for those who do not know what it means, is a system of contribution, not taxation, of contribution and everyone contributes according to the recyclability of the packaging put on the market. That is, those who put on the market a packaging that is easy to recycle, and where the recycling rate is high, will contribute less, those who put on the market packaging that is very difficult to recycle or non-recyclable, because we have many examples of this kind, will contribute more.

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This concept introduced by the European Commission will be expanded and legislated. Including, we want to make a mention here, because the National Circular Economy Implementation Plan is being prepared in Romania, we participated in the debates and this element, "ecomodulation" will be included in our Action Plan. We also have investment projects. They have been pointed out and mentioned and they go in this direction, to increase the recycling capacity and diversify the range of products.

We want to expand this product range to the special products. As mentioned, also in other situations, the objective is to replace virgin raw material. For this, raw material of a certain qualitative level is needed.

I think I pointed out everything.

Thank you!

Huang L.N.:
G.M.

Thank you Cristi!

So, in terms of plastic recycling, I think now, from the market point of view, we are confident, there remains the issue of production because our equipment is a little bit outdated, but we are going to renew the equipment, we have new investments, so, I think, after we solve the technical problems, our evolution will be better.

I think there is another aspect that I haven't clearly mentioned so far.

Namely, I think there is great potential for the carbon credits.

The trading platform is not very clear, yet, but I think in the future we could make income from these carbon credits.

We look at the next profit center (sector), and that is the PET Packaging and Flexible Film Manufacturing Sector.

This sector is very closely related to the food industry and I will pass the word to Nelu (Ion Ungureanu)

Ion Ungureanu:
(Nelu)

Thank you!

Good afternoon!

It is obvious that the year 2023 concentrates negative effects at the macro and microeconomic level from the previous years, namely the pandemic years and the impact of the Russian-Ukrainian war, with all the imbalances they caused in the supply, processing and transport segment.

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The increase in production costs, caused by the price of electricity, raw materials or wages, led to the emergence of an inflationary process which in turn led to a decrease in consumption and, for us, to a reduction in demand by approximately 30% compared to the same period of last year.

Thus, against the background of the reduction in demand at the macro level, competition became more aggressive, leading to a dramatic decrease in commercial margin simultaneously with the decrease in volumes.

These are problems that we all know and that the entire European economy is facing.

Unfortunately, it is an extremely difficult period and the worst thing is that the predictions for the next period are not the most optimistic.

The strategy for overcoming this period must be chosen very carefully because there are many examples in the market, where, in desperation, most producers act only on selling prices, which does nothing but to aggravate the situation and generate losses, sometimes irremediable.

We sought to maintain a balance between the cost of production and the selling price which was obviously reflected in the volumes sold.

We have managed to largely maintain our customer portfolio and see an improvement in PET tray sales due to the impasse our local competitor is going through.

At the same time, we insisted on looking for new customers, by approaching more distant markets.

A reduced way of purchasing raw materials was approached, due to the price instability of the last period.

Even so, we are always looking for cheaper and more efficient alternatives to current materials, both in Europe and Asia.

The dramatic decrease in the volumes sold in the first quarter cannot be solved only by adopting, or better said, adapting the commercial strategy to the new market conditions.

Production costs were correlated with new volumes produced, and I am referring specifically to fixed costs.

In March, the decision was made to improve the work process, namely to reorganize the personnel in the production and commercial departments, which was achieved by reducing 13% of the aforementioned personnel, meaning a saving of approximately 45,000 lei per month.

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By optimizing the personnel, work efficiency has also resulted, an increase in productivity per employee, respectively a reduction in fixed expenses, which is what we set out to do.

Another point worth mentioning is the implementation of strict utility consumption monitoring measures related to optimizing production scheduling.

Also here, in optimizing production, I could highlight the significant reduction in expenses generated by weekend overtime.

In conclusion, we are still looking for new solutions both in the market and in production to overcome this rather difficult period that we are facing and I am convinced that we have all the necessary resources to succeed.

Thank you!

Huang L.N.:
G.M.

Thank you Nelu!

So this food packaging sector is very closely related to the purchasing power of consumers in general.

At this point we don't see the market recovering any time soon, but we will continue to optimize the cost structure.

We will move on to the next presentation which is dedicated to large polypropylene (PP) bags

In principle, the situation is more or less similar to that of the other sectors. Market demand is the biggest problem.

I will pass the word to Victor (Crețu)

Victor, please!

Victor Crețu:

Thank you!

If last year was a very good year, this year we are facing low demand.

To understand a little about the big-bag market, as we call them, there is a season for fertilizers, a season that starts somewhere in September-October and ends in April of the following year.

This is the largest component, this is where most orders come from.

There is another component, that of agricultural bags and the season is somewhere from June to October and there is a smaller, constant segment, we call it industrial customers, who consume some quantities during the year.

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If last year, on the fertilizer market, the season started, in autumn, let's say, well, the beginning of the year, only in January it went reasonably well. They stocked up on packaging, but unfortunately consumption was very low.

Because of this, the months of February and March were with a dramatic drop in demand.

Basically, although the fertilizer importers practiced discounts, they could not sell quantities.

This affected us as well and because of that the demand was very low.

Related to the demand for big-bags is also the demand for fabric, which we sell, generally for export and is addressed to those who buy from us and make confections, make big-bags, which are addressed to fertilizers.

During this period we were forced to take measures, we no longer worked on Saturdays/Sundays, we had to adapt to the much lower demand.

To give you an idea, in the fertilizer market in Q1 demand was down by 30% and our demand for big-bags was 25% lower, comparing Q1 2023 to Q1 of last year.

Another phenomenon happened.

There is massive competition with imports from India, Asia and Turkey. Here is a problem we are facing because European Union countries do not buy oil from Russia, on the other hand Russian oil is sold in India, in Asia at very low prices. They make packaging and a lot of packaging appears in the countries of the European Union at very low prices, we call it dumping, with which it is very difficult to compete.

On the other hand, in the coming season, so April was a record weak month, May is an equally weak month, but starting from June, the demand for agricultural bags starts here too, because the harvest, it seems, that it will be good, we hope to compensate with these standard agricultural bags, which we produce but also import, so we also have trading activity.

Here we are hoping for good results.

Even so, the increase on agricultural bags will be very good, but we also have to compensate for the loss on fertilizer bags.

Also, there might be a new season of fertilizer bags starting in September, which might be better. It is very difficult to say now, it remains to be seen in the future how the situation will evolve.

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So, we are also prepared for the trading activity, we have bought and have prepared quantities for the agricultural bags.

On the other hand, we tried to reduce costs and we also bought fabric from Asia, which is at very good costs, to try to maintain, during this rather delicate period, the activity in our factory.

That's about all there is to say.

So it is very difficult at this moment to predict and say when the good time will come or when we will recover, after the crisis.

At the moment what we see is very difficult, but we have to move forward.

Thank you!

Huang L.N.:

G.M.

Thank you Victor!

For polypropylene(PP) bags I think for Q1 and even Q2, the market is really very low, but we expect that starting in June and in Q3 the market situation should be better.

Basically, this is the main picture of our activity.

I will continue with our investments.

Here I would like to mention our investments in green energy.

As a plastic processing industry, we are an electro-intensive activity (high electricity consumer).

In our case, energy, namely electricity represents approximately 12% of direct production costs, therefore, certainly, the impact of the increase in the price of electricity is very high, on our production cost.

The price of energy is just one of the concerns. Another concern growing every year is the carbon emissions.

Therefore, in order to become more "green" and save on electricity costs, we believe it is important to invest in green energy.

Last year we started with a pilot project.

From this pilot project we actually generated about 69 MW/h of electricity and this means a reduction in carbon emissions of about 42 To and, compared to last year's price, from the energy generated we achieved a decrease in the electricity cost of approximately 44000 lei.

Considering the value of the investment, it means that in 5 years we will recover the investment.

So, encouraged by this pilot project, this year we will continue to increase our investments in this direction.

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This year we plan to install a capacity of about 1.4 MW/h. This means that approximately 1.6 GW/h of electricity will be generated per year, which means a saving of approximately 1.2 million lei per year, based on the price paid today for electricity. And we would achieve about 1000 To reduction in carbon emissions.

I must add that, in the future, for these reduction (in carbon emissions) we could also realize an income.

Of course, there are different ways of calculating carbon emissions and the price of carbon credits, but we are sure that the direction is clear.

Apart from the investment for our own consumption, considering the yield of this investment we are also studying the possibility of setting up a photovoltaic park to sell electricity.

You can see on the next slide the image that presents the current situation in our company.

This is the pilot project we implemented last year and you can also see the Romcarbon platform map.

Those are the areas where we intend to make investments for solar panels.

These are the things that can be said about green energy.

We will address the next topic which is E.S.G.

The E.S.G. has become increasingly important and has even become mandatory for companies, especially for listed companies such as Romcarbon.

When I say it is mandatory I don't mean only the regulations but in time it will be closely related to bank financing as well as a criteria for institutional investors.

I'll pass the word to Carmen!

Carmen, please!

Carmen Mănăilă: Thank you!

Good afternoon!

I will briefly present some aspects related to sustainability, which is part of any activity carried out in our group.

During this period, we are working on the preparation of the Sustainability Report for the year 2022, which will present the evolution during the past year, on the main objectives of the strategy in the field.

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The report will be published by the end of June.

In the circular economy and resource saving chapter I will give some figures related to the first quarter of this year.

We took 3600 Tons of plastic waste from the market for recycling and, as my colleague also said, we aim to improve the quality of the materials obtained, to increase the share of deliveries to areas that ensure a better margin on sale.

On the other hand, we aim to optimize the content of recycled materials in our products.

In the first 3 months of the year, we ensured a 34.1% share of recycled materials in total materials put into production in the processing sectors of Romcarbon.

I have separated in this calculation the recycling sector - compounds, which process waste, here the share is much higher, at 92.4%.

In Livingjumbo the proportion was 22.6% of the total, this coming from the PET sector, which increased this Quarter to 41.4%, the polypropylene (PP) sector providing 3.1% - this is a maximum share that can enter at this point.

Regarding electricity, the two targeted directions are the reduction of consumption and on the other hand the production of green energy, as pointed out earlier.

Reducing consumption is a necessity both from the point of view of environmental protection and the impact it has on costs, in the conditions of the current energy crisis.

In Q I, in the processing sectors of Romcarbon we had a 0.8% reduction in energy intensity, i.e. electricity consumption per ton of production. It is an additional saving, on top of the 4% reduction achieved last year, and we are still looking for solutions to reduce this consumption.

In terms of production, we produced 9.17 MW of green energy in this first quarter, through the photovoltaic panels installed last year, and we are going to significantly increase this type of production, through the projects we are preparing.

Water is another resource for which we are looking for solutions to reduce consumption.

In continuation of the actions undertaken last year, starting from March 2023 we reduced the water consumption on the Romcarbon platform by about 7000 m³/month, by making the recirculation of technological water more efficient and replacing some older sections of the supply network.

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Moreover, we are working on a feasibility study on the objective of "Rehabilitation of water supply and sewage systems" on our platform. Within it, projects will be carried out and scenarios will be proposed for the reconfiguration of the supply - distribution and sewerage networks with collection in a separate system. From the support activities for the main activities carried out in the first quarter of this year, we mention, in addition to the surveillance audits of the management system in accordance with ISO standards we had in Romcarbon and in the Livingjumbo PET sector, also the future BRC Packaging recertification audit regarding the Livingjumbo sector PET.

In accordance with Regulation 1616/2022 of the European Commission, which establishes the conditions for recycled plastic materials and objects intended to come into contact with food products, last year Livingjumbo became a member of PETCORE Europe, a non-profit association, through which steps are taken on the procedure regarding the technology of obtaining PET film and casseroles, which uses the functional barrier.

In this first quarter, in March, Livingjumbo, which is part of the "functional barrier task force" in this association, took the necessary next steps by registering as a recycler using this technology, in the European Union Registry and with the Institute National Public Health and also through the notification of the European food safety authority EFSA, notification made through the PETCORE association, according to the procedure.

We will continue the steps in accordance with the European legislation in this field.

Socially, we maintain over 1400 jobs.

We seek to ensure the necessary personnel, numerically and on the necessary qualifications.

We supported the local community through sponsorships of 22000 lei.

We organized the XIV -th blood donation in Romcarbon, this has already become a regular activity for our Group's employees and during the "Altfel" and "Green" weeks, which took place in the education system, in the first quarter, in fact in March, more than 150 students of Gymnasium and High School, from Buzău and other localities, visited us.

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We introduced them to the recycling and packaging production sectors. They learned, got the first information or more information about how plastic recycling is done.
This action continued and ended now in May.
More than 300 students visited us.
That's it, thank you very much!

Huang L.N.:
G.M.

Thank you Carmen!
So it's well known that the importance of ESG is getting bigger every year, which is really good, because this fact has a positive impact on our plastic recycling business.
There are also some questions from the shareholders.
I will take this opportunity to respond.
One of them is about the development of business lines, about investment plans and what we intend to do with the funds obtained from Recyplat, following the sale of the holding in Green Group.
I think I have already mentioned the direction of future investments in the previous interventions.
Most of the investments are for our production activity and they are especially related to plastic recycling and compound production.
And starting from here we will try to introduce more recycled material into the plastic production activity.
We are in the process of applying for PNRR funds for these investments.
Another investment direction is green energy, which I mentioned earlier.
And in addition to that, as you know, in the near future we will have a dividend distribution.
Regarding the second question, this is about our intention to acquire companies or if anyone is interested in acquiring Romcarbon.
I think at the moment we have no such plans and we will focus on our core activities as well as green energy production.
We don't have any more questions, right?
I hope I have answered the shareholders' questions, if there are any other questions you are welcome to ask them.
So, it is known that for the First Quarter of this year, the market was very difficult and that the macro economy shows no signs....

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Cristi Dobrotă: There is a question.
We have a question.

Mihai Nedelcu: Hello, my name is Mihai Nedelcu, I am a relative new shareholder of of the company.
Shareholder
I would like to ask you if there is a reason for the general decrease in demand across all segments, because I have seen that all segments are suffering from the decrease in turnover and I was wondering if there is a, I don't know, a general reason for these decreases, or it's just an unfortunate coincidence of factors affecting each sector individually.
That would be the first question.
A second question would be, why did the cost of electricity increase this year, because what we see in the electricity markets is that this year, however, the price has decreased compared to last year. Maybe you already contracted energy last year when prices were higher? Or what would be the reason?
Thank you!

Huang L.N.:
G.M.

If I understand correctly, the first question is about the state of the markets, why is the demand so low?
I can't say it's a momentary situation, but I think it's a general situation, it's not specific to a certain industry, because we also have a decrease in agricultural markets and in the food industry sector, but overall all our customers say that market demand is very low.
My understanding is that at the macroeconomic level there is a stagnation of the economy, so from a consumer point of view inflation is a problem and also people are not sure about the future of the economy.
We are very connected to the food industry and can also see directly from the supermarkets how people react to price increases. If we compare this period with last year, people have reduced consumption by more than 30%.
So I can't say it's a specific reason, but I think it's a general situation.
If you want us to point to a cause, it is probably the pandemic aftermath and the consequences of the armed conflict.
So I think these are the main reasons for the current situation.

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The second question related to the cost of electricity.
Our understanding is that the price of energy is higher than last year and I think the reason for this increase is obvious.

Carmen Mănăilă: Sorry, a completion.
The reason for the price increase this year is the low price we had throughout last year.
As of January 1st it has changed and we have a higher price.

Huang L.N.:
G.M.

If you compare only with the final period of last year, it is different, but if you compare with the average price of last year, then for sure this year is a much higher price.
However, whether energy prices continue to rise or stabilize, our direction is certain, we will focus on green energy.
This is because the reasons, which I have already mentioned, refer not only to the price of energy but also to the level of carbon emissions.
I hope our answer was comprehensive.

Mihai Nedelcu: Yes, thank you.
Shareholder

Huang L.N.:
G.M.

Thank you Mihai!
Are there any other questions?
If there are no more questions, then we will conclude today's meeting.
Thank you so much for your support and participation.
Rest assured that our management team is very knowledgeable about the market situation and we will continue to take all measures to properly address this situation.
Thank you!
Goodbye!