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Conference call with analysts, investors and journalists
November 20, 2023
"The financial results of Romcarbon S.A.
in the first 9 months of 2023"
10.30 (local time)

- Transcript -

Conference call Transcript – Financial results of Romcarbon S.A. in the first 9 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 – 12:00
 - Conclusions and conclusion.
 - Structured feedback from participants.

The presentation and audio recording of the event are available at <https://www.romcarbon.com/audio-records-teleconference-with-analysts-investors-and-journalists-20th-of-november-2023/>

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Huang L.N.: Hello! Today is the Romcarbon conference related to financial
CEO results after 9 months.

Mihaela Jurubita: Good morning, some organizational aspects, first.

IRO My name is Mihaela Jurubita, I am the Investor Relations Officer at Romcarbon and I would like to specify that all participants who registered for the conference received by e-mail the details necessary for access to the event, including the information note regarding the processing of personal data, in accordance with the GDPR.

As we specify in the information note, I mention that the teleconference is audio-recorded and will be made public through the Romcarbon website, in the Investors/Financial Calendar section, on the day immediately following the teleconference.

By your participation in the teleconference, you have therefore implicitly and automatically expressed your consent to the processing of personal data and to be audio recorded, and if you do not wish to be audio recorded, we ask you to leave the conference, to listen registration, respectively to view the presentation and the transcript on the Romcarbon website.

During the presentation you can ask questions in the chat room and we will answer you in the Q&A section, within the available time, specifying that the questions submitted after the conference registration deadline has expired will only be answered within the available time.

Finally, I would like to mention that today, during the conference call, we may make forward-looking statements about the future performance of Romcarbon Group companies, investments or business opportunities, and that actual results may differ significant.

In this regard, we ask that you consider the disclaimer that is now on the screen, and that this disclaimer applies equally to all statements made during this conference call.

With this last clarification, I would like to give the floor to Mr. Huang Liang Neng, the general manager of Romcarbon.

Huang L.N.: OK. Today, together with me, is our management team.

CEO They are here, including my deputies and also profit center managers.

So, for 9 months, this year is not easy, the activity is very difficult.

Today we will spend a little more time explaining what difficulties and what challenges we have this year and we will also present to you what strategy and what actions we are taking now and what are the prospects

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for the next period, for the next year, and also what are the investments and what are the opportunities of business in respect of which we are now under discussion.

We will also mention about ESG.

Ok, let's start the presentation.

For most of people who have already attended previous conferences I won't spend too much time here. This is the activity of the Romcarbon Group and the number of employees are presented here.

And on the next page, we also basically operate in the plastic processing industry and the plastic recycling industry. We have several sectors and later we will refer to their activity in the "business focus" section.

Ok, let's take a look at the financial result after 9 months and I will give the floor to the financial director, Violica (Zăinescu Viorica Ioana – CFO Romcarbon SA)

Viorica Zăinescu: Good day everyone!

CFO

In this first slide, the indicators from the consolidated financial statements, made in 9 months 2023, are presented, compared to the statements from the previous years, 2022, respectively 2021.

These indicators are grouped by indicators from the profit and loss account and from the balance sheet.

We're going to look a little bit at the consolidated income statement.

The Group's total revenues fell by 20%.

At Romcarbon the decrease was 19%, and at Livingjumbo 31%.

Consolidated net profit, profitability indicators, EBITDA and consolidated net profit, also recorded decreases compared to previous years.

EBITDA, therefore, registered a decrease, operational EBITDA, of 71%.

At Romcarbon EBITDA decreased by 59%, and at Jumbo by 101%, leading to this result.

The consolidated net profit recorded a negative value compared to previous years.

The decrease comes from several causes and I will present here the exact figures that are also in the published administrators' report.

Thus, at Romcarbon, the profit decreased by about 778 thousand lei.

Livingjumbo recorded a loss of 3,600 thousand lei, last year having a profit of 2,813 thousand lei.

There is also a loss from exchange rate differences at Recyplat, of approximately 2,850 thousand lei, recorded at the time of the reduction of the share capital, from June 2023, through the cancellation of the embedded issue premiums, an operation which, in Romcarbon, was reflected as a positive result from these exchange rate differences and, of course, with the effect of increasing the available cash by the amount of 4,648,100 euros.

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And there is one more influence compared to previous years, when the part of Green Group's profit was also included in the consolidated result, this year the result was zero, since at the end of last year, through Recyplat, the stake in Green Group was sold.

We also have here a graphical representation of the three indicators we presented, operating EBITDA income and net profit.

Let's move on to the balance sheet indicators. The indicators in the consolidated balance sheet at 9 months recorded the following developments.

Long-term assets decreased by about 18%, as a result of the decrease in the financial investment held in Recyplat of about 20,148 thousand lei, as this investment decreased to the level of... that difference in issue premium from the shares held is no longer included at Recyplat.

Thus, financial assets being part of long-term assets, determined this decrease.

Short-term assets have remained roughly the same, there is also a decrease of minus 2%. Total assets increased by around 4%, and the group's debts decreased by 23% compared to the same period last year. The decrease in debts led to the improvement of debt indicators, so that the debt ratio decreased to 45% compared to 53% last year, i.e. a decrease of 14%, and current liquidity increased to 149%, compared to 109% last year and 105% as it was in 2021, with the increase in 2023 being 36%.

An important component of the debts is represented by the Group's loans. Thus, short-term loans registered a decrease of about 35% and an increase in loans for investments, as a result of hiring some amounts to pay for purchases for investment suppliers.

So the total bank loans decreased this year to 9 months, by about 28%, also, and the banking service decreased by 18% compared to last year. We can move on.

In the next slide, I presented the evolution of the business from the production activity, respectively plastic processing, by activity area. Thus, we have presented here three indicators for each area, center and the representation is both in absolute figures, but we also have a graphic representation.

As a conclusion, we can say that all sectors recorded a decrease in sales compared to last year.

All sectors have positive EBITDA, only the Expanded Polystyrene sector registered an increase compared to last year. The others recorded a decrease in this indicator, and the result, before the distribution of general administration expenses, is negative in two sectors, respectively Recycled polymers and compounds from Romcarbon and the PET sector from Livingjumbo.

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In the graphic representation we have, in the first slide, the profit before general. The polythene sector recorded an increase in 2022 and a decrease of one percent in 2023.

The polystyrene sector has grown, as we said earlier, from 12% in 2022 to 15%.

Polypropylene is maintained in the last three years, the percentage being 9% last year, respectively 8% this year.

Recycled polymers and compounds, here you can see the drastic decrease that I mentioned, so that it reached a result of minus 9%.

The PET is in a trend.. it was in a positive trend last year. This year it fell to minus 3%.

And in other sectors that do not have weight in the total activity of the group, the presentation is lower, 7%, last year there was a boom of 28%, now 9%.

And in the next slide, the graphic representation of the sales contribution of the main production activities and the contribution in EBITDA.

In sales contribution, the polypropylene sector holds the first place, followed by PET, expanded polystyrene, the recycling sector and polyethylene.

And in EBITDA, the first place is held by expanded polystyrene, 6,399, followed by the polypropylene sector, after which the other sectors have a much smaller contribution to the total EBITDA recorded by the Romcarbon group in the 9 months of 2023.

So much for presenting the numbers.

Huang L.N.: Ok, thanks for the presentation Viorica.

CEO So the results are not good. The results are not good.

Yes, a lot of it is because of sales. So as you can see, on average our sales are down about 20%.

Yes, but I must say that for the 3rd quarter it is already a bit better than in the first half of the year.

Yes, in the first half of the year the decrease in turnover is more than 20% and sometimes it reached 25%.

In the following pages we will present each activity, but in general the main problems are caused by the market.

In the following opinion, we will present the actual activities, but in general, the main problems came from the market. main, but the main problem comes from the market.

Yes, and in terms of the plastic recycling sector, in addition to the problems caused by the market, we also had a production disruption.

We'll start with plastic recycling first, so I'll give the floor to Cristi manager of the Plastic Recycling and Compounds Profit Center.

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Yes, Cristi (Dobrotă Cristinel, Deputy General Director for Development and Manager of Plastic Recycling and Compounds Profit Center), please!

Cristi Dobrotă: Thank you! Good afternoon!

DCEOD

I will start with a brief presentation of the economic context rather, because starting last fall we see a decrease in demand in most sectors of activity and a decrease in the price of virgin polymers.

When the price of virgin polymers decreases, not only does the price of recycled ones decrease, but also the interest in recycled raw material decreases. This is a problem that will be solved, we believe, from the moment those mandatory targets for the use of recycled material appear. I give you the example of the PET sector, where we already have mandatory targets from 2025 and recycled raw material has ended up being more expensive than virgin raw material.

But, for now, in the other sectors, in the other plastic areas, we still do not have the mandatory targets. I will tell you a little later about the current state.

Another problem, in the current context, is the drop in the price of shipping, transport from Asia to Europe, and after several years of stagnation or decrease, imports from Asia have started to become competitive again, unfortunately.

Another problem, which we, the industry and I, have raised with the authorities, in order to achieve the Green Deal objective, we, the European economic community, have proposed this ambitious objective, which requires efforts on our part, the community, implies investments, even involve sacrifices.

And we cannot achieve this goal if trading partners from non-EU countries do not follow the same rules as us.

So it's a problem, which will become a commercial problem, which we, I repeat, the industry, have reported to the authorities.

We still have some local problems here in Romania with the collection infrastructure. Much is said, little is done.

I repeat, and I said earlier, those mandatory targets, we believe that they will also speed up the implementation of separate waste collection measures a bit.

There was another problem created by the Government of Romania itself, through Emergency Ordinance no. 125 of 2022, which was intended to be a measure to reduce evasion in the field of waste.

It has nothing to do with us, but that was the intention of the Government, which unfortunately had an adverse effect, namely the drastic decrease of the collected quantities, imposing a guarantee of 500,000 lei on all collections.

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It is impossible for many collection companies, I mean the serious ones, not the evasive ones, to immobilize these 500,000 lei.

At the time of the transformation of the Emergency Ordinance into Law, Parliament came and made some corrections here, diminishing that guarantee. The market still hasn't recovered from that shock at the end of last year.

And as the president also said, there were some internal issues with our older technologies that are in our investment plan.

Well, now, what are the prospects and what awaits us in the coming period?

Good news for us would be that, already last month, the Environment Committee of the European Parliament voted for the new regulation for plastic, for packaging and plastic waste.

The European Commission, noticing that the directives in the field show differences from state to state, and it is a more difficult process, because the directive must be transposed into national legislation, has changed its approach and will regulate the field through a regulation.

The regulation applies from the date of issuance by the European Parliament to all member states, without the need to transpose it into national legislation. Of course, each member state can intervene with other subsequent legislation, but those are minimal objectives.

It follows that on November 24, at the very end of this week, this regulation will be voted on in the European Parliament.

There are very, very strong lobbying actions in the field at European level. We will see how the final form will appear. Anyway, from what the European Commission voted, I have highlighted here some measures, which, I believe, will be a "game changer" in this field of ours, namely, starting from 2030 or 2028, we will see how set by Parliament, each plastic packaging will have to contain 30% recycled material.

Even sensitive packaging, as they are called by the legislators, sensitive packaging is that used in direct contact with food, even sensitive packaging, will have to contain 10% recycled material, with the exception of PET, where we already have a regulation and from 2030 will be 30% at PET.

Another measure that we consider important for the recycling activity in Europe is that the quantities of waste that will be exported, outside the community, will not be taken into account when reaching the objectives. What happens? Today we see quantities of waste going to other countries outside the communities, and I name here Turkey and some Asian countries, not China, which China banned, Vietnam. But Turkey is, for example, a very big European recycler, but they don't collect waste, because they don't have a local collection system.

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And then they buy waste from Europe. What does this thing mean? The market is disrupted. What happened, what happened, what happened so far.

Also, an extremely important measure with an impact on the packaging market as well is that all packaging must be recyclable.

This is a measure with a particular impact. If we look at the market today, we see that most packaging is not recyclable, for various reasons, but one of them, and perhaps the most important, is that of a commercial nature. We make packaging to protect the product, which is packaged, but more importantly it has to have a commercial aspect, to sell more easily. This thing will change after the adoption of the new regulation, with the priority being the recyclability part.

The recycling objective is increasing considerably and we were talking earlier about what is happening in Romania and how we only know how to do work when someone pulls on our sleeve, in this case the European Commission.

We will also have to mobilize at the local level regarding the separate collection of waste.

I was talking earlier about the commercial relationship with the states outside the community in the context of the European measures in the direction of the Green Deal, and the European Commission has already imposed the anti-dumping tax recently, this year, just a month ago, for the PET from China. We told you earlier that virgin PET had ended up being cheaper than recycled PET, in the context in which, in PET, we already have, from 2025, a measure to oblige all packaging to contain 25% recycled.

We expect this measure, or we want this measure, to be extended to the other types of polymers to protect the Community market.

Apart from this regulation, I would like to point out two more regulations, I repeat, two regulations that are under debate, they are not in such an advanced phase as the one for packaging, which, I repeat, will be put for approval, under Parliament's approval on November 24.

A regulation is for the automotive industry and according to what is written in that draft, and they do not seem to be contested, these measures, 30% must be recycled raw material.

And we also know from the media, that certain companies, even in the automotive field, have set their own objectives, from 2030, before this regulation came out, that 30% of the materials be recycled.

This is a very important and impactful measure for the industry. Why? Because, until recently, the automotive industry didn't really use recycled raw material, I mean plastic, I don't mean metal, for various reasons.

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In this context, the automotive industry will also have to take care of recyclability, on the one hand, and on the other hand, to ensure the source of recycled raw material, in order to meet the new objectives. The same thing is in the works in Brussels for the household appliances industry, and the obligation to use 30% recycled will also appear there. Things will change in the coming years.

Going in this direction, we are aware of this, and we, Romcarbon, focus on these directions and conclude with some points from the strategy. Because we started with this thing, we go in this direction for the more demanding products.

Why? Because, until these regulations appear, these obligations imposed by the authorities, we have these commitments of the big companies. And again we take as an example the field of PET. In the field of PET, the target is to use 25% of recycled raw material from 2025. We are in 2023, but companies have already taken care and introduced recycled raw material into the manufacturing process. Because we also have these commitments from large companies in the field.

This is what we expect to happen in those areas as well. For this reason, we are very concerned with the more demanding, more special products and to move a bit away from this classic recycled market. If until now we had two quite distinct markets, the market of virgin raw materials, the market of recycled materials.

Now they will overlap to some extent. And we are concerned, of course, with replacing the virgin raw material.

And for this reason we work closely. Our colleagues also work with potential partners to develop new products.

In this direction, starting next year, we will even have, in addition to the existing ones, some new products approved by the automotive industry. That would be the context in a few words, what is happening at the moment and what we expect to happen in the plastic recycling market. Thank you very much!

Huang L.N.: Yes, ok, thanks Cristi!

CEO Yes, from the point of view of the plastic recycling sector, in principle, when the economy is down, then we are also affected, because customers will start to consider mainly the price, but as Cristi said, the direction is that's why more and more customers, especially large international corporations, are asking us if we can increase production capacity, because they will obviously need more recycled material in the future.

So, we will continue to invest in this direction.

Ok, we'll look at the next profit center, which is for PET food packaging production.

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I will give the floor to Nelu (Ion Ungureanu – Manager CP 5 and COO Sector PET Livingjumbo Industry SA)
Nelu, please!

Ion Ungureanu: Good afternoon!

COO PET

As my colleague Christi also mentioned, the plastics industry has been characterized this year by a continuous variation in the prices of raw materials and has created confusion among producers and consumers.

Coupled with the unfavorable economic climate, market demand has decreased greatly, obviously with negative effects on sales.

In addition, consumer behavior has changed profoundly and is now cautious and cautious.

Thus, in the PET sector there was a decrease in demand by approximately 30% due to the reduction of purchasing power in the market.

Under these conditions, including in our field, competition has obviously become more aggressive.

In the context of increased economic instability, simultaneously with this fierce competition, we try to prevent commercial risk, thus limiting the negative effects on the sector.

From the point of view of the competition, respectively of the prices charged by us in the market, we have started to change the strategy, in the sense that we have given up aligning ourselves with the prices charged by competitors, when they are very aggressive and without a logical correlation with the price raw material.

Instead, we offer customers as short a delivery time as possible and keep market offers at a fair level, which is justified from a cost point of view, preferring to slightly reduce volumes in favor of a higher margin.

We continue the actions of attracting new customers, to replace the unprofitable ones and to complete the reduced quantities.

We already have the confirmation for the beginning of 2024, for the participation in the International Anuga FoodTech Profile Fair in Cologne, these events proving, over time, the most profitable or cost-effective in terms of the success of establishing new collaborations on the European and international market.

It should be noted that the low appetite in the market must be equally balanced with the purchase prices of raw materials.

The biggest challenge over the past year has been establishing a medium-term strategy relative to the purchase price. But it is very important to point out that recently there has been a stability, especially for the recycled raw material. And I'm talking here about recycled flakes, PET flakes, which allows us to estimate a more optimistic outlook for the coming months.

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This market normalization is proceeding slowly and is likely to be finalized in the second half of 2024.

Even so, sales performance and financial results are expected to improve in Q4 2023. Compared to the previous period of the year.

I believe that at the end of the year, both at the end of the year and in the first part of 2024, the evolution of the sector will be better compared to the same period last year.

Thank you!

Huang L.N.:
CEO

Yes. Ok, that's about it for the PET sector.

The next profit center is PS (Extruded Polystyrene)

In this sector too, the market fell slightly, but not so much.

And here we have done a lot to improve productivity, and we actually have a better result than last year.

And also for this profit center we launched a new product and for more details I will give the floor to Nelu (Ion Ungureanu – COO Sector PET Livingjumbo Industry SA)

Nelu, please!

Ion Ungureanu:
Manager CP5

Thank you!

Yes, as in the other sectors, the first half of the year was influenced by a general decrease in market demand.

I would like to make a comparison with PET because they are similar packaging with the same application, but the difference between them is actually very big. And the difference is the price. Even though PET is a, or PET trays laminated with polyethylenes represent an extremely complex packaging, which provides a comparison with a much higher shelf life compared to expanded polystyrene, recently the trend has been to return to a simpler, respectively cheaper packaging.

This change comes precisely on the basis of the recent economic climate, which has helped and lifted the extruded polystyrene sector, in fact more so in the second half of the year.

Ok! The premises taken into account in the budget for 2023 were influenced during the year especially by the significant drop in the price of raw materials. Thus we register a decrease of approximately 16% in the first nine months, which is due, as I said, to the reduction in the selling price under the impact of raw materials.

Starting from the 3rd quarter, the situation improved and from July, the capacity was 100% occupied.

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Furthermore, for the last quarter of the year, we already have the occupied capacity and we estimate achieving and even exceeding the budgeted profit in 2023.

Now, an influence and very important to mention is the new investment, namely the plate thermoforming line, which has been put into operation since September, where at the moment we are producing standard XPS plates, attention, without lamination. So, the new product has not yet been launched on the market, and this is due to the fact that certain mandatory certifications were required, without which we are not allowed to put the product on the shelf, certifications that are done on products manufactured on the new line.

This certification period lasts around three months.

Anyway, we estimate that in December we have all the resources and are ready to bring the new product to the shelf, namely the extruded polystyrene boards with lamination.

Thank you!

Huang L.N.:
CEO

Yes ok thanks Nelu!

Then, the next one will be PP Profit Center (polypropylene profit center), including small bags and jumbo bags (big-bags). So, in the first half of the year the activity was difficult, but since the beginning of the third quarter we have seen a notable recovery, and we expect this recovery to be a sustainable one. But we're not just waiting for the market to recover. We also have some plans to reorganize the production lines. OK. For this, I will ask Victor (Victor Cretu, Manager CP 6).

Victor Crețu:
Manager CP 6

Thank you!

Regarding small bags, in 2023, we had smaller and fluctuating orders, both from internal and external partners. So the drop in volumes was about 25%. The milling and baking sector, the DIY sector, somewhat less that of bags for the sugar industry, were affected the most. The only positives came in the field of animal nutrition, which continues to develop and modernize, as well as that of the salt industry. These lines of business use laminated and customized bags. For 2024, we hope for a slight increase, but also a stabilization of the sales volume, both on the domestic and foreign markets.

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As a strategy, we will continue promoting laminated and printed bags, which give us an advantage over the competition, but also customer loyalty.

We will also continue and develop the business of importing and reselling plain bags.

In the year 2023 we still lost labor force.

For the beginning of 2024, in the small bag sector, we will reorganize and move most of the machines, extruders and looms, to one of the two halls used now.

We do this to achieve a more efficient management, but also to optimize some of the labor costs.

Regarding big-bags, in 2023, the main sector we are targeting, agriculture, has been heavily affected by falling grain and fertilizer prices, which has ultimately led to lower fertilizer demand. This situation manifested itself at the European level, so also in Poland, Italy, Bulgaria, which are our main markets for fertilizer bags. As a result, sales of handle bags fell in the first nine months by 44% and fabric sales by 34%. Given the low demand on the domestic market for 4-handle bags intended for grain packaging, the trading activity, which is mainly based on this type of bag, was also reduced by approximately 50% compared to the previous year.

Against the background of this situation, even though the vast majority of customers decreased their orders for objective reasons, we practiced a more aggressive pricing policy, sacrificing previously practiced profit margins, and offered fast delivery times to strengthen our partnerships with all customers from the portfolio. This approach allowed us to re-engage with some clients and also gain some new clients. We will continue in this direction, so as to ensure the occupation of as much of the production capacity as possible, to achieve higher monthly business figures, and at the end of the year to record a positive result.

In fact, since August, the order situation has improved, both in the area of grain and fertilizer customers.

And in 2023 we faced a lack of staff and to cover the deficit we started the procedures for recruiting labor from abroad, so that at the end of the 1st quarter we will be joined by around 20 people who will be assigned to both sectors of activity.

That's it, in short, about the activity in the two sectors.

Thank you!

Huang L.N.:
CEO

Thank you Victor!
Ok, as a whole, these are the most important activities of the Romcarbon group.

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Next we will talk about new investments and business opportunities.

First of all, about green energy. Most of you know that I applied for European funds for 1 MW.

This request has finally been approved, but we are still waiting to sign the contract with the Ministry of Energy, which we believe will happen this month.

Following this timetable, we believe that in the 1st quarter of next year we will complete this investment.

From this 1 Mw we estimate a saving in energy costs of approximately 0.9 million lei and a reduction in carbon emissions of approximately 700 to CO₂.

For this investment, European funds will cover 50% of the eligible costs.

In addition to this investment, we are planning another one of 1 Mw, located on the ground. This will be an equity investment. At the moment we are doing the analysis on this investment, for this location is located some distance from our factory and we will see how we can transport the energy to our production location.

Secondly, we are talking about plastic recycling. In 2024 we will continue with some small investments, to improve the quality of the products but also to increase the production capacity.

We also have a larger investment plan, but for this we are waiting for funding opportunities through the PNRR program.

I will also talk about new business opportunities. We recently signed an agreement (MOU) with a strategic partner. The subject of the agreement is the recycling of carbon fiber materials in Europe.

Regarding the recycling of carbon fiber materials, there is currently no good solution, but this strategic partner has a new technology for producing a special type of carbon fiber, and together with this innovative form of carbon fiber, they also have the technology to recycling and chose Romcarbon to be their partner for the implementation of this innovative recycling technology.

I understand that today we will also have a Current Report to mention this agreement (MOU) in the market.

Practically, the new investments will be made with very little financial efforts, using the current production capacities and using our experience and know-how in the recycling activity.

There are actually more opportunities like this, but I can't make them public because we are still in discussion.

The next slide will address ESG.

Carmen (Carmen Manaila Administrative Deputy General Director), please do the presentation yourself!

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Carmen Mănăilă:
DCEOA

Thank you!

I will briefly introduce aspects of sustainability starting with significant figures regarding the circular economy and resource consumption.

During 9 months of this year, we took 7000 Tons of plastic waste from the market for recycling, looking for well-sorted materials to help us ensure a constant quality of the products obtained for our customers.

An important indicator is the content of recycled materials in our products.

We are at a 35% share of recycled materials in total raw materials consumed in the plastic processing sectors of Romcarbon, the polyethylene sector, due to its specificity, being more advanced, with 55%. We can also mention here the small sector of PVC supports, where the raw material is 100% recycled, but, as I said, it has a small weight and we keep the proportions.

I mention the recycling - compounds sector separately due to the fact that the main raw material is actually plastic waste, the proportion of recycled being of course much higher, 87.5%.

In Livingjumbo the proportion of recycled in the raw material consumed was 22.9% in total, coming from 38% in the PET sector and 2.5% in the PP sector.

Regarding the waste resulting from production, the 9 months of 2023 marked an increase in the amount of waste per ton of product, an increase of 9.63%.

It is explained as an effect of smaller production lots, in terms of reducing the quantity produced against the background of low demand, but also as an effect of the testing and commissioning of new machines in the polystyrene and recycling sectors.

We move on to electricity consumption, which generally decreased due to the reduction in production, but the energy intensity indicator, i.e. the energy consumed/ton of production, remained at approximately the same level as the similar period of last year. It is an increase of 0.63%.

We mark a significant reduction in the polypropylene sector, having increases in other sectors, but on average, in total, consumption is approximately equal.

Also related to energy, we mention that this summer an audit was carried out on the entire energy profile of the company. It is an audit that is carried out once every 4 years according to the law.

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Regarding green energy we have produced through the photovoltaic panels already in operation, through the small installation already in operation, we have produced 58 Mw/hour, green energy, following, as mentioned, to significantly increase this type of production through the projects that we prepare

Reducing water consumption is very important both for saving resources but also in view of the significant increase in the price of water and especially the price of discharged water.

In these 9 months, we consumed almost 70,000 cubic meters, 30% less water than in the same period last year by making technological water recirculation more efficient and replacing some old sections of the supply network.

I have included in this presentation a chapter, called "Working", in which we mark some important works. We are in the stage of finalizing the feasibility study on the objective "Rehabilitation of the water supply system and sewage system on the Romcarbon platform", within which projects are carried out and scenarios are proposed for the reconfiguration of the supply, sewage networks, with collection in the separate system.

In advance of work we are close to the commissioning of the project to modernize the general water pumping group, including the installation of a fire pumping station to ensure the necessary pressure in the hydrant network.

I have replaced so far, in these months, almost 500 m.l. of main water supply pipes, the old ones having a high risk of bursting, with the related losses.

We are now in the design phase for the arrangement of additional accommodation spaces for the foreign workers needed in the production activity.

And another point, we are organizing a packaging collection point, in the return-guarantee system, that SGR, which will come into force, and the collection point will come into operation, starting from November 30.

In terms of company policies, we have updated and implemented the internal whistleblower policy and procedure and more recently drafted the guide to prevent and combat sexual and moral harassment in the workplace, which is now in the phase of implementation and training of employees and collaborators on this guide.

On a social level, at the end of September, the number of employees in the group was 1353, in reduction, ensuring the workforce numerically and with the necessary qualifications being a

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continuous challenge. We currently have 19 foreign employees, and the plan for next year is to increase to almost 100.

We are trying to contribute to the preparation of the future workforce locally. We awarded 6 scholarships for high school students majoring in mechanics and electricians, in partnership on dual education with the "Dimitrie Filipescu" Technological High School in Buzau.

We are part of the "Consortium for dual-technical pre-university and university education", a consortium formed by Buzău City Hall, "Dunărea de Jos" University, "Dimitrie Filipescu" Technological High School and 9 economic agents from Buzău, including us.

The consortium has obtained approval for the financing of 20 million euros for the creation of a pre-university and technical university campus in our city, with the idea of attracting pupils and students, and preparing a much-needed skilled workforce.

We supported the local community through sponsorships worth 30,400 lei in social and sports fields. We also support internal initiatives of our colleagues. For example, we have the "Bookshelf - Get a book" initiative to encourage reading among employees, making available an ever-increasing number of books. And another initiative, also by our colleagues, which the company also supports, is to collect books and collect donations for renewing the library of the general school in Potoceni, Buzău county.

We were basically helping to create a new library with titles that would attract children to read.

And, as usual, I also mention the blood donation campaigns, within the company, organized with the Buzau Transfusion Center. In September was the sixteenth blood donation campaign.

Thank you!

Huang L.N.:
CEO

Ok! Thank you Carmen!

There are some questions from the participants!

I will try to answer here. Premium refers to dividends. Yes indeed we have a good financial reserve, but now the economic environment is very uncertain and we think it is necessary to keep these reserves. We will analyze if the recovery of the activity continues with the upward direction in the next period and if it is in a positive trend then we will make a proposal to the AGM which will decide.

The second question is about the 1 MW solar park.

I mentioned this topic briefly.

Then there is another question.

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Cristi Dobrotă: Let me answer that question.
DCEOD

Huang L.N.: Ok, ok!
CEO There is another question that probably relates to PET trays, or rather to PET trays versus PS trays and another one that relates to recycled materials.

Cristi Dobrotă: I'm back, I see the question is about a behavior change of the client.
DCEOD

Yes, I also saw certain information on TV that sales of cheaper products have increased, but that does not mean that Sibiu salami is no longer made as it has been until now, but summer salami is made with the Sibiu salami label, and maybe that cheaper products sell better in times of crisis.

Okay, back to our products. It's about packaging and recycled materials. Packaging cannot be cheaper or more expensive, they must fulfill the purpose for which they are created. But there is concern, there always has been, and now there is concern about lowering the price of packaging, concern from customers and from us. And of course we are concerned, you have seen that the packaging is sometimes lighter, thinner, precisely to reduce the weight of the packaging in the price of the product.

In terms of recycled material, I said earlier, and you may have noticed this, that we focus on the more demanding products, and I said that there are two quite distinct markets, the recycled material market and the virgin material market. What does the market of recycled materials mean, if you whitewash your bedroom at home, you go to Dedeman, you buy a piece of foil to put on the floor, there you buy the cheapest foil, of course it's the cheapest, you see it's also colored, and if you smell it you see that it also has a specific smell. That is a product from the recycled market. It doesn't make sense to make that product from virgin raw material. That is not an objective that we at Romcarbonul have. We were telling you earlier that there would be targets for recycling, for the content of recycled material, on the other hand we were saying that the big companies would set their own targets before that regulation intervened. So the market of virgin raw materials is our concern, like recycled raw materials. We try to replace as much of the virgin raw material as possible, this means more special, more demanding products. In no case the product we made until today good, we try to make it worse to be cheaper. No, and of course the

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market will not accept such a thing. I hope I have answered this question. Thank you!

Ion Ungureanu:
Manager CP 5

If you are talking about the transition from polystyrene packaging to those from PET, first of all I have to tell you what would be the essential difference between them. If they have the same application, i.e. they pack especially fresh meat for refrigeration, they are very different in complexity, and this complexity comes from the shelf life of the product. If expanded polystyrene is more for presentation on the shelf, in addition, PET ensures a 5-day longer shelf life, that is, from four days to nine days, a fact that was well received by the market, why, because it greatly minimized the losses that the meat producers had, due to the expiration of the shelf life faster, obviously. Ok, what happened this year, the change, so to speak, was, I think, a desperate measure, which is not going to work in the long term. I say this because the market has already started to return to more complex packaging, even if, a grosso-modo calculation, per packaged unit of 1 kg, the price is about seven to eight times higher for PET than for polystyrene. But even so, that advantage of limiting further losses is very well received and, in the end, modified atmosphere packaging, regardless of whether it is PET or other material, will be chosen first, over simple ones such as polystyrene . So, to answer your question, I believe that this change in customer behavior will happen automatically and gradually, in the immediate future, out of necessity, but not at the expense of quality, for sure.

Huang L.N.:
CEO

Yes, thank you Cristi! Thank you Nelu!
As my colleagues have already mentioned, this option for the low price is given by the fact that they have a choice, but as you know, in the near future, the use of recycled material will not be an alternative to virgin material, but it will be a must. So it's not about customer behavior, it's about the regulations imposed by the European Union. OK, I think I've covered all the questions, so if there are no more questions I think we're done with our conference today. Thank you for participating. Thank you! I wish you a good day!