

# **ROMCARBON SA**

**AUDITED SEPARATE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2023**

**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, 2023**  
(all amounts are expressed in lei, unless specified otherwise)

	Note	Year ended:	
		Financial year ended December 31, 2023	Financial year ended December 31, 2022
Revenues from contracts with customers	3	214,230,854	262,801,054
Other income	4	4,303,986	4,454,249
Changes in inventories		485,526	7,447,653
Raw materials and consumables used	5	(148,776,840)	(199,065,784)
Employee salaries and benefits	6	(47,111,543)	(42,312,860)
Depreciation and amortization expenses	7	(9,392,805)	(9,609,158)
Operational expenses	8	(16,469,733)	(18,863,784)
Other gains or losses	9	4,921,634	1,769,858
<b>Profit from operating activities</b>		<b>2,191,079</b>	<b>6,621,228</b>
Finance income	10	3,386,552	47,336,583
Finance cost	11	(2,081,299)	(1,574,050)
Gains/(Loss) on impairment of financial assets	12	-	-
<b>Profit before tax</b>		<b>3,496,332</b>	<b>52,383,761</b>
Income tax	13	(182,523)	(912,071)
<b>Net profit</b>		<b>3,313,809</b>	<b>51,471,690</b>
<b>Other comprehensive income:</b>			
of which:			
Other comprehensive income which cannot be reclassified to profit or loss, of which:			
Net gains/loss on revaluation of tangible assets		-	745,264
Adjustment of deferred tax on fiscally non-deductible revaluation reserves		485,482	273,332
<b>Total comprehensive income</b>		<b>3,799,291</b>	<b>52,490,286</b>
Earnings per share		0,0072	0,987
<b>Number of shares</b>		<b>528,244,192</b>	<b>264,122,096</b>

The annual separate financial statements were authorised by the Board of Directors and were authorised for issuance on March 26, 2024.

*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**
**AT DECEMBER 31, 2023**

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

	<u>Note</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	<b>14</b>	106,808,714	102,490,667
Investment property	<b>15</b>	10,857,912	9,883,738
Intangible assets	<b>16</b>	809,486	330,920
Financial assets	<b>17</b>	460,593	20,608,559
<b>Total non-current assets</b>		<b>118,936,705</b>	<b>133,313,884</b>
<b>Current assets</b>			
Inventories	<b>18</b>	30,951,095	29,963,708
Trade and other receivables	<b>19</b>	55,388,563	63,653,763
Taxes recoverable		-	-
Other current financial assets	<b>20</b>	5,929,217	42,738,851
Other current non-financial assets	<b>21</b>	546,177	3,864,347
Cash and cash equivalents	<b>22</b>	29,382,496	2,772,709
<b>Total current assets other than non-current assets or disposal groups classified as held for sale or as held for distribution to owners</b>		<b>122,197,548</b>	<b>142,993,378</b>
Non-current assets held for sale	<b>23</b>	-	3,760,155
<b>Total current assets</b>		<b>122,197,548</b>	<b>146,753,533</b>
<b>Total assets</b>		<b>241,134,253</b>	<b>280,067,417</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Issued capital	<b>24</b>	52,824,419	26,412,210
Retained earnings	<b>25</b>	32,593,737	70,732,989
Share premiums		2,182,283	2,182,283
Other reserves	<b>26</b>	63,215,703	60,895,475
<b>Total equity</b>		<b>150,816,142</b>	<b>160,222,957</b>
<b>Non-current liabilities</b>			
Other provisions		1,117,000	1,000,000
<b>Total non-current provisions</b>		<b>1,117,000</b>	<b>1,000,000</b>
Deferred tax liabilities	<b>13</b>	7,477,700	7,780,659
Other non-current financial liabilities	<b>27</b>	7,283,273	4,044,764
Deferred income	<b>28</b>	5,361,210	7,475,188
<b>Total non-current liabilities</b>		<b>20,122,183</b>	<b>19,300,611</b>

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**
**AT DECEMBER 31, 2023**

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

	<u>Note</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<b>Current liabilities</b>			
Trade and other payables	29	24,772,724	48,060,899
Other current financial liabilities	27	38,178,595	45,859,692
Other current non-financial liabilities	28	6,127,609	5,623,258
<b>Total current liabilities</b>		<b>69,078,928</b>	<b>99,543,849</b>
<b>Total liabilities</b>		<b>90,318,111</b>	<b>119,844,460</b>
<b>Total equity and liabilities</b>		<b>241,134,253</b>	<b>280,067,417</b>

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**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED DECEMBER 31, 2023**

(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>
<b>January 1, 2022</b>	<b>26,412,210</b>	<b>2,182,283</b>	<b>38,708,540</b>	<b>4,176,971</b>	<b>15,656,697</b>	<b>47,008,179</b>	<b>134,144,881</b>
Net profit of the period	-	-	-	-	-	51,471,690	51,471,690
Statement of comprehensive income	-	-	1,018,596	-	-	-	1,018,596
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>1,018,596</b>	<b>-</b>	<b>-</b>	<b>51,471,690</b>	<b>52,490,286</b>
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	-
<b>December 31, 2022</b>	<b>26,412,210</b>	<b>2,182,283</b>	<b>39,093,925</b>	<b>5,282,442</b>	<b>16,519,107</b>	<b>70,732,989</b>	<b>160,222,957</b>

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 (Other reserves) is not subject to distributions to other purposes.

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

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**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED DECEMBER 31, 2023**

(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>
<b>January 1, 2023</b>	<b>26,412,210</b>	<b>2,182,283</b>	<b>39,093,925</b>	<b>5,282,442</b>	<b>16,519,107</b>	<b>70,732,989</b>	<b>160,222,957</b>
Net profit of the period	-	-	-	-	-	3,313,809	3,313,809
Statement of comprehensive income	-	-	485,482	-	-	-	485,482
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>485,482</b>	<b>-</b>	<b>-</b>	<b>3,313,809</b>	<b>3,799,291</b>
Dividends declared	-	-	-	-	-	(13,206,105)	(13,206,105)
Transfer to reserves	-	-	-	165,690	3,148,119	(3,313,809)	-
Transfer of revaluation reserves to retained earnings	-	-	(1,479,062)	-	-	1,479,062	-
Increase of share capital	26,412,209	-	-	-	-	(26,412,209)	-
<b>December 31, 2023</b>	<b>52,824,419</b>	<b>2,182,283</b>	<b>38,100,345</b>	<b>5,448,132</b>	<b>19,667,226</b>	<b>32,593,737</b>	<b>150,816,142</b>

At the Ordinary General Meeting of Shareholders of Romcarbon SA of 27.04.2023, the Company approved the allotment of dividends worth lei 13,206,104.80. The amount was fully transferred to the Central Depository for paying the dividends due to shareholders.

On 30.06.2023 the registration of the Company's share capital increase at the Trade Register by lei 26,412,209.60, from lei 26,412,209.60 to lei 52,824,419.20 was completed, by the issuance of 264,122,096 new shares with a nominal value of lei 0.10/share, according to the EGMS resolution of 27.04.2023. The capital increase was made by including in the company's share capital the amount of lei 26,412,209.60, representing a share of the net profit registered in 2022.

In 2023, the Company distributed the amount of lei 13,206,105 to the income obtained in 2022, as per the OGMS of 27.04.2023.

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**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE PERIOD ENDED DECEMBER 31, 2023  
(all amounts are expressed in lei, unless specified otherwise)**

At December 31, 2023, 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 165,690.

At December 31, 2023, the total legal reserve set up is in amount of lei 5,448,132.

Also at the end of 2023, the amount of lei 3,148,119 (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).

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

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**STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED DECEMBER 31, 2023  
(all amounts are expressed in lei, unless specified otherwise)**

	<b>2023</b>	<b>2022</b>
<b>Net profit/(loss) for the year</b>	<b>3,313,809</b>	<b>51,471,690</b>
Income tax expense / (income)	-	870,654
Deferred income tax expense / (income)	182,523	41,417
Non-current asset depreciation/(impairment)	9,392,805	9,609,158
Provisions for untaken leaves	117,000	600,000
(Gain) / Loss on sale of fixed assets	-	(915,621)
(Gain) / Loss on changes in fair value of investment property	(974,174)	(170,996)
(Gain) / Loss on disposal of investment property	-	(1,191,307)
(Gain) / Loss on revaluation of property, plant and equipment	-	1,370,104
(Gain) / Loss on the disposal of assets held for sale	(3,992,451)	-
Gains on internal set-up of fixed assets	(288,092)	(9,793)
Expenses / (Revenues) regarding value adjustments for clients and inventories	83,148	(54,640)
Loss on receivables and sundry debtors	54,865	54,270
Expenses / (Revenues) regarding allowances for financial assets	-	-
Interest expense and bank charges	2,081,299	1,574,050
Interest income	(983,890)	(316,730)
Income from dividends	-	(46,745,700)
Income from subsidies	(2,113,978)	(2,206,664)
Unrealised foreign exchange gain / (loss)	(2,402,662)	(274,153)
<b>Movements in working capital:</b>		
(Increase) / Decrease in trade and other receivables	8,975,358	(6,316,831)
(Increase) / Decrease in inventories	(1,119,740)	(2,261,553)
(Increase) / Decrease in other assets	3,078,170	(3,571,403)
Increase / (Decrease) in trade payables	(7,989,155)	(4,846,357)
Increase / (Decrease) in other liabilities	504,351	1,751,137
<b>Cash from/(used in) operating activities</b>	<b>7,919,187</b>	<b>(1,539,268)</b>
Income tax paid	(619,612)	(1,015,734)
Interest and bank charges paid	(2,081,299)	(1,574,050)
<b>Net cash from/(used in) operating activities</b>	<b>5,218,276</b>	<b>(4,129,052)</b>
<b>Cash flows from investing activities:</b>		
Interest received	983,890	316,730
Payments for tangible assets	(13,307,466)	(5,756,882)
Proceeds from sale of investment property	-	2,373,151
Proceeds from sale of tangible and intangible assets	-	915,615
Proceeds from sale of assets held for sale	7,752,606	-
Proceeds from sale of subsidiaries	-	912,179
Payments for assets held for sale	-	-
Payments for short-term financial investments	(2,529,566)	-
Related party loans granted	-	-
Payments for financial assets	-	(1,000)
Payments for intangible assets	(593,862)	(153,219)
Proceeds on financial investments	23,061,548	-
Dividends received	39,418,400	7,166,500
<b>Net cash generated by investing activities</b>	<b>54,785,550</b>	<b>5,773,074</b>

The accompanying notes are integral part of these separate financial statements in accordance with IFRS.  
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**STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED DECEMBER 31, 2023  
(all amounts are expressed in lei, unless specified otherwise)**

	<u>2023</u>	<u>2022</u>
<b>Cash flows from financing activities:</b>		
<i>Repayments of banks loans</i>	(10,135,786)	(16,545,858)
Drawdowns of loans	5,693,199	15,543,031
Proceeds from loans to affiliates	-	-
Dividends paid	(28,951,452)	(10,666,862)
Proceeds from subsidies	-	-
<b>Net cash generated by/(used in) financing activities</b>	<b>(33,394,039)</b>	<b>(11,669,689)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>26,609,787</b>	<b>(10,025,667)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>2,772,709</b>	<b>12,798,377</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>29,382,496</b>	<b>2,772,710</b>

The annual separate financial statements were authorised by the Board of Directors and were authorised for issuance on March 26, 2024.

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GENERAL MANAGER,  
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**NOTES TO THE SEPARATE FINANCIAL STATEMENTS****FOR THE PERIOD ENDED DECEMBER 31, 2023****(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, 2023 are Living Plastic Industry S.A., Joyful River Limited Loc. Nicosia – Cyprus, other natural persons.

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") in force on the reporting date 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, as subsequently amended and supplemented.

**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, 2023 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, as subsequently amended and supplemented. Such provisions are consistent with the requirements of the International Financial Reporting Standards adopted by the European Union.

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, 2023, 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, 2023  
(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, 2023 and December 31, 2022 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 2023 consolidated financial statements in accordance with IFRS as adopted by the European Union.

**New IFRS accounting standards and amendments to the existing standards, that are effective for the current year**

In the current year, the Company has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for reporting period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Standard	Title
IFRS 17 Insurance Contracts	New standard IFRS 17 "Insurance Contracts" including the June 2020 and December 2021 Amendments to IFRS 17
Amendments to IAS 1	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform — Pillar Two Model Rules*

*\* the exception specified in amendments to IAS 12 (that an entity does not recognise and does not disclose information about deferred tax assets and liabilities related to the OECD pillar two income taxes) is applicable immediately upon issuance of the amendments and retrospectively in accordance with IAS 8. The remaining disclosure requirements are required for annual reporting periods beginning on or after 1 January 2023.*

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED DECEMBER 31, 2023**

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

**2. MAIN ACCOUNTING POLICIES (continued)**

***New IFRS accounting standards and amendments to the existing standards, that are effective for the current year***

At the date of authorisation of these financial statements, the Company has not applied the following revised IFRS Accounting Standards that have been issued but are not yet effective:

Standard	Title	IASB effective date
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants	1 January 2024

***New IFRS accounting standards and amendments to the existing standards, but not adopted by the EU***

At present, IFRS as adopted by the EU do not significantly differ from IFRS adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not adopted by the EU as at December 31, 2023:

Standard	Title	EU adoption status
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements (IASB effective date: 1 January 2024)	Not yet adopted by EU
Amendments to IAS 21	Lack of Exchangeability (IASB effective date: 1 January 2025)	Not yet adopted by EU
IFRS 14	Regulatory Deferral Accounts (IASB effective date: 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 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred by IASB indefinitely but earlier application permitted)	Endorsement process postponed indefinitely until the research project on the equity method has been concluded

The Company does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods.

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.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED DECEMBER 31, 2023  
(all amounts are expressed in lei, unless specified otherwise)**

**2. MAIN ACCOUNTING POLICIES (continued)**

**APPENDIX: BRIEF DESCRIPTIONS OF NEW AND REVISED STANDARDS**

- **IFRS 17 “Insurance Contracts”** issued by IASB on 18 May 2017. The new standard requires insurance liabilities to be measured at a current fulfilment 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 16 “Leases” - Lease Liability in a Sale and Leaseback** issued by IASB on 22 September 2022. Amendments to IFRS 16 require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease.
- **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” - 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 1 “Presentation of Financial Statements” - Classification of Liabilities as Current or Non-Current** issued by IASB on 23 January 2020 and **Amendments to IAS 1 “Presentation of Financial Statements” - Non-current Liabilities with Covenants** issued by IASB on 31 October 2022. Amendments issued on January 2020 provide more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. Amendments issued on October 2022 clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability and set the effective date for both amendments to annual periods beginning on or after 1 January 2024.
- **Amendments to IAS 7 “Statement of Cash Flows” and IFRS 7 “Financial Instruments: Disclosures” - Supplier Finance Arrangements** issued by IASB on 25 May 2023. Amendments add disclosure requirements, and ‘signposts’ within existing disclosure requirements to provide qualitative and quantitative information about supplier finance arrangements.
- **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 12 “Income Taxes” - International Tax Reform — Pillar Two Model Rules** issued by IASB on 23 May 2023. The amendments introduced a temporary exception to the accounting for deferred taxes arising from jurisdictions implementing the global tax rules and disclosure requirements about company’s exposure to income taxes arising from the reform, particularly before legislation implementing the rules is in effect.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS****FOR THE PERIOD ENDED DECEMBER 31, 2023**

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

**2. MAIN ACCOUNTING POLICIES (continued)**

- **Amendments to IAS 21 “The Effects of Changes in Foreign Exchange Rates” - Lack of Exchangeability** issued by IASB on 15 August 2023. Amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.
- **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.
- **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.

**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, 2023  
(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, 2023  
(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
- December 31, 2022: lei 4.4958/ USD 1 and lei 4.9746/ 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 does not pay its employees retirement benefits, as per the Company's collective labour agreement.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED DECEMBER 31, 2023  
(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, 2023 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, 2023  
(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  
FOR THE PERIOD ENDED DECEMBER 31, 2023  
(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, 2023  
(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, 2023  
(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  
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(all amounts are expressed in lei, unless specified otherwise)**
**3. REVENUES FROM CONTRACTS WITH CUSTOMERS**

An analysis of the Company's income for December 31, 2023 is presented below:

<b>Revenues:</b>	<b>Financial year ended December 31, 2023</b>	<b>Financial year ended December 31, 2022</b>
Income from sale of finished products	154,582,594	184,817,209
Income from sale of commodities	51,810,694	69,489,961
Income from services delivered	425,122	721,836
Income from other activities	7,412,444	7,772,048
<b>Total</b>	<b>214,230,854</b>	<b>262,801,054</b>

**Segment reporting:**

<b>Income by geographical areas:</b>	<b>Financial year ended December 31, 2023</b>	<b>Financial year ended December 31, 2022</b>
Sales on domestic market (Romania)	179,724,754	209,141,888
Sales on foreign market (Europe)	34,391,223	53,511,315
Other (China, Israel, Taiwan, Panama)	114,877	147,851
<b>Total</b>	<b>214,230,854</b>	<b>262,801,054</b>

<b>Segment income and profit</b>	<b>Segment income Financial year ended</b>		<b>Segment profit Financial year ended</b>	
	<b>December 31, 2023</b>	<b>December 31, 2022</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Polyethylene + polystyrene + polypropylene plastics	111,413,523	131,264,950	18,403,121	17,621,911
Compound recycled products	39,128,957	51,224,339	(2,544,318)	5,925,723
Other productive sectors	6,388,942	9,569,410	1,000,677	3,039,222
Income from sale of commodities and other activities	57,299,430	70,742,355	1,307,458	2,678,408
<b>Total operating income</b>	<b>214,230,852</b>	<b>262,801,054</b>	<b>18,166,938</b>	<b>29,265,264</b>
Income from investments	-	-	4,050,334	46,745,700
Administrative and salary expenses	-	-	(19,042,303)	(22,053,153)
Finance expenses	-	-	321,363	(1,574,050)
<b>Profit/(Loss) before tax</b>	<b>-</b>	<b>-</b>	<b>3,496,332</b>	<b>52,383,761</b>

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**
**FOR THE PERIOD ENDED DECEMBER 31, 2023**

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

**3. REVENUES (continued)**

The decrease of income from sales of finished products and sale of merchandise is due to the significant decrease of demand on the markets we operate on, because the consumers' behaviour changed, but also because of the economic crisis nation-wide and at European level, as well as decreasing prices of raw materials. As regards recycled polymers and compounds, the reduction in revenues was also caused by production interruptions as a result of equipment defects.

**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, 2023	December 31, 2022	December 31, 2023	December 31, 2022
<b>Asset and liability segment</b>				
Polyethylene + polystyrene + polypropylene plastics	84,071,453	65,054,746	38,811,688	51,515,885
Compound recycled products	71,663,622	63,779,647	19,511,282	27,169,848
Other productive sectors	7,461,197	6,944,547	2,338,497	3,933,022
Commercial assets, real estate and financial investments and other assets	77,937,981	144,288,477	29,656,643	37,225,705
<b>Total assets/liabilities</b>	<b>241,134,253</b>	<b>280,067,417</b>	<b>90,318,111</b>	<b>119,844,460</b>
	Depreciation segment Financial year ended		Segment of non-current assets additions* Financial year ended	
Depreciation and of non-current assets additions	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Polyethylene + polystyrene + polypropylene plastics	2,852,771	2,727,250	5,694,647	1,062,707
Compound recycled products	5,128,315	5,615,091	1,947,399	22,554
Other productive sectors	325,239	312,537	-	73,102
Other activities	1,086,480	954,280	1,026,026	2,514,957
<b>Total</b>	<b>9,392,805</b>	<b>9,609,158</b>	<b>8,668,071</b>	<b>3,673,320</b>

\* 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 2023 a turnover of 8% and 14% of total turnover. Sales to LivingJumbo Industry SA in 2023 also contained sales of finished goods, rental of production spaces and income from other activities, which account for 6% of the turnover.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED DECEMBER 31, 2023  
(all amounts are expressed in lei, unless specified otherwise)**
**4. OTHER INCOME**

	<b>Financial year ended December 31, 2023</b>	<b>Financial year ended December 31, 2022</b>
Income from lease of investment property	2,190,008	2,247,585
Income from subsidies	2,113,978	2,206,664
<b>Total</b>	<b>4,303,986</b>	<b>4,454,249</b>

**5. RAW MATERIALS AND CONSUMABLES USED**

	<b>Financial year ended December 31, 2023</b>	<b>Financial year ended December 31, 2022</b>
Raw materials	67,797,533	98,571,000
Commodities sold	52,187,319	68,877,852
Energy expenses	21,380,901	24,906,555
Consumables	7,411,087	6,710,377
<b>Total</b>	<b>148,776,840</b>	<b>199,065,784</b>

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

**6. EMPLOYEE BENEFITS EXPENSES AND SOCIAL CHARGES**

	<b>Financial year ended December 31, 2023</b>	<b>Financial year ended December 31, 2022</b>
Salaries	43,421,287	39,228,096
Social contributions	1,017,846	932,665
Meal tickets	2,672,410	2,152,099
<b>Total</b>	<b>47,111,543</b>	<b>42,312,860</b>

The increase of expenses with salaries is mainly due to the increase of the minimum salary at national level of 29.41% in 2023 (lei 3,300) compared to 2022 (lei 2,550). In 2023, 729 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, 2023**

(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:

	<b>Financial year ended December 31, 2023</b>	<b>Financial year ended December 31, 2022</b>
Management salaries	2,450,764	2,634,715
Benefits for Board of Directors	21,138	19,731
<b>Total</b>	<b>2,471,902</b>	<b>2,654,446</b>

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

As of March 2020, the members of the Board of Administration of Romcarbon are not remunerated, only for the position of secretary of the Board of Administration there is a monthly remuneration.

**7. DEPRECIATION/AMORTIZATION AND IMPAIRMENT EXPENSES**

	<b>Financial year ended December 31, 2023</b>	<b>Financial year ended December 31, 2022</b>
<b>Total amortization expenses, of which:</b>	<b>9,392,805</b>	<b>9,609,158</b>
Depreciation of property plant and equipment	9,277,508	9,492,376
Amortization of intangible assets	115,297	116,782
Financial assets impairment	-	-
<b>Total</b>	<b>9,392,805</b>	<b>9,609,158</b>

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED DECEMBER 31, 2023  
(all amounts are expressed in lei, unless specified otherwise)**
**8. OPERATING EXPENSES**

	<b>Financial year ended December 31, 2023</b>	<b>Financial year ended December 31, 2022</b>
Expenses with transport and logistics	4,973,305	5,645,391
Other expenses with third party services*	7,233,353	7,475,559
Protocol and marketing	163,251	158,704
Expenses with repairs	1,548,013	1,638,592
Taxes and levies	1,232,529	1,194,286
Losses on receivables	54,865	54,270
Expenses with insurances	431,948	383,444
Expenses with postal charges and telecommunications	105,887	113,427
Expenses with travels	199,536	120,009
Expenses with rentals	174,329	228,948
Expenses with commissions and fees	-	45,206
Expenses with fines and penalties	44,048	41,394
Other expenses	308,669	1,764,554
<b>Total</b>	<b>16,469,733</b>	<b>18,863,784</b>

(\*) Other expenses with third party services include transport, legal advisory services, financial audit, security, occupational medicine, IT services etc.

In 2023, the audit services contracted by the Company with Deloitte Audit SRL amounted to euro 68,000 (euro 66,200 in 2022).

**9. OTHER GAINS AND LOSSES**

	<b>Financial year ended December 31, 2023</b>	<b>Financial year ended December 31, 2022</b>
Income from penalties charged	12,750	7,009
Gain / (Loss) on sale of non-current assets	-	915,621
Gain / (Loss) on adjustment of investment property at fair value**	974,174	42,412
Gain / (Loss) on disposal of investment property	3,992,451	1,191,307
Gain / (Loss) on disposal of financial investments	57,882	-
Gain / (Loss) on changes in inventory	(200,148)	(545,360)
Other gains*	84,525	158,869
<b>Total</b>	<b>4,921,633</b>	<b>1,769,858</b>

(\*\*) At December 31, 2023, 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 974,174, which was registered in the result for the year – see note 15.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED DECEMBER 31, 2023  
(all amounts are expressed in lei, unless specified otherwise)**
**10. FINANCE INCOME**

	<b>Financial year ended December 31, 2023</b>	<b>Financial year ended December 31, 2022</b>
Interest income on bank deposits	983,890	316,730
Dividends from equity investments	-	46,745,700
Gains from FX differences	2,402,662	274,153
<b>Total</b>	<b>3,386,552</b>	<b>47,336,583</b>

On 16.12.2022, the Company registered 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 in such entity. EUR 1,500,000 was received in December 2022, and the remaining EUR 8,000,000 was received in January 2023.

**11. FINANCE COSTS**

	<b>Financial year ended December 31, 2023</b>	<b>Financial year ended December 31, 2022</b>
Bank interest and leases expenses	1,807,462	1,286,399
Gains / (Losses) on foreign exchange differences	-	-
Bank commissions and assimilated charges	273,837	287,651
<b>Total</b>	<b>2,081,299</b>	<b>1,574,050</b>

**12. EXPENSES WITH IMPAIRMENT OF FINANCIAL ASSETS**

	<b>Financial year ended December 31, 2023</b>	<b>Financial year ended December 31, 2022</b>
Gains/(Loss) on impairment of financial assets	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED DECEMBER 31, 2023  
(all amounts are expressed in lei, unless specified otherwise)**
**13. INCOME TAX**

	Financial year ended December 31, 2023	Financial year ended December 31, 2022
<b>Income tax expenses</b>		
Current income tax expense	-	870,654
Deferred income tax expense / (income)	182,523	41,417
<b>Total</b>	<b>182,523</b>	<b>912,071</b>

The tax rate applied for the reconciliation above related to 2023 and 2022 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:

<b>Reconciliation of actual income tax rate</b>	Financial year ended December 31, 2023	Financial year ended December 31, 2022
<b>Gross income before taxation</b>	<b>3,496,332</b>	<b>52,383,761</b>
Tax calculated according to the 16% rate	559,413	8,381,402
Effect of non-taxable income	(158,725)	(8,160,016)
Effect of non-deductible expenses	158,883	330,354
Effect of temporarily non-deductible expenses / deferred tax	182,523	41,417
Deductions related to reinvested profit	(559,572)	318,914
<b>Total</b>	<b>182,523</b>	<b>912,071</b>

<b>Components of deferred tax liabilities</b>	Financial year ended December 31, 2023	Financial year ended December 31, 2022
Trade and other receivables	(126,436)	(131,947)
Inventories	(295,725)	(274,549)
Investment property	426,586	228,397
Property, plant and equipment	7,473,276	7,958,757
<b>Recognised income tax liabilities</b>	<b>7,477,700</b>	<b>7,780,659</b>

<b>of which deferred tax on revaluation reserves from comprehensive income</b>	<b>7,473,276</b>	<b>7,958,758</b>
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	Financial year ended December 31, 2023	Financial year ended December 31, 2022
<b>Opening balance as at January 1</b>	<b>7,780,659</b>	<b>8,012,574</b>
Movement from revaluation reserves	(485,482)	(273,332)
Recognised in income statement	182,523	41,417
<b>Closing balance as at December 31</b>	<b>7,477,700</b>	<b>7,780,659</b>

**NOTES TO THE FINANCIAL STATEMENTS**
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(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>
<b>COST</b>						
<b>Balance as at January 1, 2023</b>	<b>43,567,512</b>	<b>18,836,122</b>	<b>118,584,958</b>	<b>867,555</b>	<b>4,486,490</b>	<b>186,342,638</b>
Additions, of which	-	1,898,259	6,726,386	43,426	13,644,619	22,312,690
Transfers	-	1,898,259	6,726,386	43,426	-	8,668,071
Revaluation increases	-	-	-	-	-	-
Disposals, of which	-	-	(450,902)	(17,138)	(8,668,071)	(9,136,111)
Transfers	-	-	-	-	(8,668,071)	(8,668,071)
Revaluation decreases	-	-	-	-	-	-
<b>Balance as at December 31, 2023</b>	<b>43,567,512</b>	<b>20,734,382</b>	<b>124,860,442</b>	<b>893,843</b>	<b>9,463,038</b>	<b>199,519,217</b>
<b>Balance as at January 1, 2022</b>	<b>44,725,838</b>	<b>20,892,549</b>	<b>120,314,075</b>	<b>760,217</b>	<b>2,017,738</b>	<b>188,710,417</b>
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)
<b>Balance as at December 31, 2022</b>	<b>43,567,512</b>	<b>18,836,122</b>	<b>118,584,958</b>	<b>867,555</b>	<b>4,486,490</b>	<b>186,342,638</b>



**NOTES TO THE FINANCIAL STATEMENTS**
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(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>
<b>CUMULATED DEPRECIATION</b>						
<b>Balance as at January 1, 2023</b>	-	-	<b>83,355,744</b>	<b>496,228</b>	-	<b>83,851,971</b>
Expenses with depreciation	-	1,354,578	7,867,386	55,544	-	9,277,508
Decrease from sale of assets	-	-	(401,838)	(17,138)	-	(418,976)
Revaluation decreases	-	-	-	-	-	-
<b>Balance as at December 31, 2023</b>	-	<b>1,354,578</b>	<b>90,821,291</b>	<b>534,634</b>	-	<b>92,710,503</b>
<b>Balance as at January 1, 2022</b>	-	<b>2,603,514</b>	<b>79,089,008</b>	<b>450,021</b>	-	<b>82,142,543</b>
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)
<b>Balance as at December 31, 2022</b>	-	-	<b>83,355,744</b>	<b>496,228</b>	-	<b>83,851,971</b>
<b>NET BOOK VALUE</b>						
<b>As at December 31, 2023</b>	<b>43,567,512</b>	<b>19,379,804</b>	<b>34,039,151</b>	<b>359,209</b>	<b>9,463,038</b>	<b>106,808,714</b>
<b>As at December 31, 2022</b>	<b>43,567,512</b>	<b>18,836,122</b>	<b>35,229,215</b>	<b>371,327</b>	<b>4,486,490</b>	<b>102,490,667</b>

Additions of fixed assets in 2023 in amount of lei 8,668,071 were mainly intended for working tools and installations for the production activity.

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.

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

**14. PROPERTY, PLANT AND EQUIPMENT (continued)**

**Pledged and restricted tangible assets**

Tangible assets with a net book value of lei 58,854,629 at December 31, 2023 (December 31, 2022: lei 65,223,703) and investment property with a net book value of lei 3,585,933 at December 31, 2023 (December 31, 2022: lei 3,090,315) represent security for loans and credit lines contracted from: UniCredit Bank SA and Exim Banca Romaneasca 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 11,397,983 at December 31, 2023 and lei 14,004,560 at December 31, 2022.

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 816,469 at December 31, 2023.

**15. INVESTMENT PROPERTY**

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
<b>Balance as at January 1</b>	<b>9,883,738</b>	<b>10,894,586</b>
Total additions, out of which:	974,174	707,837
Fair value valuation increases according to accounting policy	974,174	702,518
Total disposals, of which:	-	(1,718,685)
Fair value valuation decreases according to accounting policy	-	(531,522)
<b>Balance as at December 31</b>	<b>10,857,912</b>	<b>9,883,738</b>

As at December 31, 2023, 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, 2023, the Company performed the revaluation of the investment property held at year-end and resulted a decrease of net value of lei 974,174, 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, 2023 would be lei 6,124,883.

The income from investment property obtained from rentals in 2023 is in amount of lei 2,190,008 and cover the expenses incurred by the owner (the value of the income registered in 2022 was lei 2,247,585).

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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>
<b>COST</b>				
<b>Balance as at January 1, 2023</b>	<b>1,052,687</b>	<b>713,307</b>	<b>140,646</b>	<b>1,906,640</b>
Additions	3,504	22,284	568,075	593,863
Transfers	-	-	-	-
Disposals	-	-	-	-
<b>Balance as at December 31, 2023</b>	<b>1,056,191</b>	<b>735,591</b>	<b>708,720</b>	<b>2,500,503</b>
<b>Balance as at January 1, 2022</b>	<b>1,309,929</b>	<b>713,307</b>	<b>-</b>	<b>2,023,236</b>
Additions	12,575	-	140,646	153,220
Transfers	-	-	-	-
Disposals	(269,817)	-	-	(269,817)
<b>Balance as at December 31, 2022</b>	<b>1,052,687</b>	<b>713,307</b>	<b>140,646</b>	<b>1,906,640</b>
<b>ACCUMULATED AMORTIZATION</b>				
<b>Balance as at January 1, 2023</b>	<b>931,496</b>	<b>644,224</b>	<b>-</b>	<b>1,575,720</b>
Expenses with amortization	81,727	33,571	-	115,297
Write-offs on disposal of assets	-	-	-	-
<b>Balance as at December 31, 2023</b>	<b>1,013,222</b>	<b>677,795</b>	<b>-</b>	<b>1,691,017</b>
<b>Balance as at January 1, 2022</b>	<b>1,115,624</b>	<b>613,129</b>	<b>-</b>	<b>1,728,754</b>
Expenses with amortization	85,687	31,095	-	116,782
Write-offs on disposal of assets	(269,816)	-	-	(269,816)
<b>Balance as at December 31, 2022</b>	<b>931,496</b>	<b>644,224</b>	<b>-</b>	<b>1,575,720</b>
<b>NET BOOK VALUE</b>				
<b>As at December 31, 2023</b>	<b>42,969</b>	<b>57,796</b>	<b>708,720</b>	<b>809,486</b>
<b>As at December 31, 2022</b>	<b>121,192</b>	<b>69,083</b>	<b>140,646</b>	<b>330,920</b>

**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, 2023</u> <i>lei</i>	<u>December 31, 2022</u> <i>lei</i>
RECYPLAT LTD CYPRUS	Business and other management consultancy activities	Nicosia	100.00%	113,154	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	14.29%	1,000	1,000
		<b>TOTAL</b>		<b>10,192,232</b>	<b>30,340,197</b>
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)
				<b>(9,731,638)</b>	<b>(9,731,638)</b>
<b>Net book value</b>				<b>460,593</b>	<b>20,608,559</b>

\*Grinfield Ltd has not operated since 2012, therefore, the financial investment in such company is written off.

On 07.06.2023 the Company received euro 4,648,100 from Recyplat Limited, resulting from the share capital decrease by a number of 10,000 ordinary shares with a nominal value of euro 1.00 per share, issued by share premium, thus reducing the share premium account of Recyplat Limited from euro 4,648,100 to euro 0.00.

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(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**

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Raw materials	11,860,569	12,085,436
Consumables	5,968,410	4,136,062
Items of inventory	122,224	91,163
Packaging	324,639	338,888
Finished products	9,608,063	10,659,376
Unfinished products	1,933,999	2,545,108
Semi-finished products	1,827,344	1,154,260
Residual products	93,843	6,738
Commodities	808,006	634,233
Advances for purchases of inventory	252,281	28,374
Allowance for obsolete inventories	(1,848,283)	(1,715,929)
<b>Total</b>	<b>30,951,095</b>	<b>29,963,708</b>

The increase of stocks at December 31, 2023 is mainly due to the increase of value.

The Company conducted an impairment test for existing stocks and increased impairment allowances by lei 132,354.

**19. TRADE AND OTHER RECEIVABLES**

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Trade receivables	54,740,611	64,392,234
Allowances for doubtful clients	(1,128,895)	(1,178,100)
Taxes to recovered	1,404,241	425,361
Other receivables	372,607	9,518
Subsidies receivable	-	4,750
<b>Total</b>	<b>55,388,563</b>	<b>63,653,763</b>

The decrease of trade receivables is due to the decrease of sales and reduction of prices of pre-manufactured plastic products further to the reduction of costs of raw materials, but also the reduction of the outstanding receivables of affiliates. 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.

Out of the total receivables older than 60 days (depending on the maturity date) at December 31, 2023, 94% are held by the Romcarbon Group companies. All related party transactions are detailed in note 31.

**The analysis below was carried out strictly on the balance of the trade receivables (Customers) account, without uncertain receivables and those in litigation and Effects receivable.**

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**19. TRADE AND OTHER RECEIVABLES (continued)**

31/12/2023	Not past due	Trade receivables – days past due					Total
		<30	31-60	61-90	91-120	>120	
Expected loss rate	0.02%	0.04%	0.08%	0.08%	0.08%	0.08%	
Total estimated default gross carrying amount	28,320,805	5,313,085	6,170,970	4,972,210	3,033,156	3,923,465	<b>51,733,691</b>

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	<b>59,540,245</b>

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(all amounts are expressed in lei, unless specified otherwise)**
**20. OTHER CURRENT FINANCIAL ASSETS**

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Loans granted to related parties	3,000,000	3,000,000
Interest related to loans granted to related parties	399,651	159,651
Dividends receivable from related parties	-	39,579,200
Other current financial assets	2,529,566	-
<b>Total</b>	<b>5,929,217</b>	<b>42,738,851</b>

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.

In June 2023, an addendum was signed whereby the loan granted to subsidiary RC Energo Install SRL was extended by 12 months.

In July 2023, Romcarbon took part in the IPO of Hidroelectrica (H2O), purchasing a number of 28,086 shares, at a total acquisition cost of lei 2,841,816. At December 31, 2023, there were 25,000 outstanding shares. The Company keeps its financial investments at acquisition cost.

In November 2023, 3,086 Hidroelectrica shares (H2O) were sold at an average price of lei 119,939/share. In January 2024, 20,000 Hidroelectrica shares (H2O) were sold at an average price of lei 119.31/share.

**21. OTHER CURRENT NON-FINANCIAL ASSETS**

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Prepaid expenses	356,820	3,443,102
Advances to services suppliers	189,356	421,245
<b>Total</b>	<b>546,177</b>	<b>3,864,347</b>

**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:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Cash at banks	29,195,539	2,288,028
Cash on hand	18,616	22,152
Cash equivalents	168,342	462,530
<b>Total</b>	<b>29,382,496</b>	<b>2,772,709</b>

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**23. NON-CURRENT ASSETS OR DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE OR AS HELD FOR DISTRIBUTION TO OWNERS**

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
<b>Balance as at January 1</b>	<b>3,760,155</b>	<b>3,760,155</b>
Total additions, out of which:	-	-
Transfers from investment property and tangible assets	-	-
Increases from fair value valuation according to the accounting policy	-	-
Total disposals, of which:	3,760,155	-
Decreases from fair value valuation according to the accounting policy	-	-
<b>Balance as at December 31</b>	<b>-</b>	<b>3,760,155</b>

On 16.02.2023, the sale-purchase agreement with LIDL ROMANIA S.C.S. was signed, the subject matter of which is the sale of the land of 7,407 sqm, at a total price of lei 7,659,971. The accounting registration cost of such land was lei 3,689,310.

Initially, in December 2019, a sale-purchase undertaking with LIDL ROMANIA S.C.S. was signed, whereby a down payment of lei 2,419,280 was received in December 2021 (euro 488,862), transaction which was completed in February 2023, when the remainder of lei 5,240,691 was received.

**24. ISSUED CAPITAL**

	<b>Share capital</b>	
	<b>December 31, 2023</b>	<b>December 31, 2022</b>
528,244,192 fully paid ordinary shares (2013: 264,122,096). The value of one share is lei 0.1	52,824,419	26,412,210
<b>Total</b>	<b>52,824,419</b>	<b>26,412,210</b>

On 30.06.2023 the registration of the Company's share capital increase at the Trade Register by lei 26,412,209.60, from lei 26,412,209.60 to lei 52,824,419.20 was completed, by the issuance of 264,122,096 new shares with a nominal value of lei 0.10/share, according to the EGMS resolution of 27.04.2023. The capital increase was made by including in the company's share capital the amount of lei 26,412,209.60, representing a share of the net profit registered in 2022 and is intended to support the Company's current activity.

	<b>December 31, 2023</b>		<b>December 31, 2022</b>	
	<b>Number of shares</b>	<b>% ownership</b>	<b>Number of shares</b>	<b>% ownership</b>
Living Plastic Industry SA	173,549,016	32,85%	86,774,508	32,85%
Joyful River Limited Loc. Nicosia CYP	108,390,178	20,52%	54,195,089	20,52%
Toderita Stefan Alexandru	71,000,000	13,44%	32,700,000	12,38%
Other legal persons	7,342,627	1,39%	9,815,721	3,72%
Other natural persons	167,962,371	31,80%	80,636,778	30,53%
<b>Total</b>	<b>528,244,192</b>	<b>100%</b>	<b>264,122,096</b>	<b>100%</b>

The main characteristics of the securities issued by the company: 528,244,192 nominal shares, dematerialized, having a nominal value of lei 0.1.



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**25. RETAINED EARNINGS**

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
<b>Balance at the beginning of the year</b>	<b>70,732,989</b>	<b>47,008,179</b>
Net profit/(Net loss)	3,313,809	51,471,690
Transfer to legal reserves	(165,690)	(1,105,471)
Transfer to other reserves*	(3,148,119)	(862,410)
Transfers from revaluation reserves	1,479,062	633,211
Share capital increase	(26,412,209)	-
Dividend allocation	(13,206,105)	(26,412,210)
<b>Balance at the end of the year</b>	<b>32,593,737</b>	<b>70,732,989</b>

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

**26. RESERVES**

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Legal reserves	5,448,132	5,282,442
Other reserves	19,667,226	16,519,108
Revaluation reserves	38,100,345	39,093,925
<b>Total</b>	<b>63,215,703</b>	<b>60,895,475</b>

“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**

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
<b>Opening balance</b>	<b>39,093,925</b>	<b>38,708,541</b>
Transfer of reserves to retained earnings	(1,479,062)	(633,211)
Setup of reserves from revaluation of fixed assets	-	745,263
Adjustment of deferred tax on fiscally non-deductible revaluation reserves	485,482	273,332
<b>Closing balance</b>	<b>38,100,345</b>	<b>39,093,925</b>

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 5,448,132.

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

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**27. OTHER CURRENT FINANCIAL LIABILITIES**

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
<b>Borrowings – short-term</b>		
Credit line in Euro - Exim Banca Romaneasca SA	11,951,136	12,333,191
Credit line UniCredit Bank SA	23,008,050	25,973,635
UniCredit Bank SA – Investment loan CCE 2015	-	2,757,779
Investment loan IV - UniCredit Bank	765,249	686,604
Investment loan VII - UniCredit Bank	2,454,160	308,881
Loan for purchase of stock - UniCredit Bank	-	3,799,602
<b>Total</b>	<b>38,178,595</b>	<b>45,859,692</b>
<b>Borrowings – long-term</b>		
Investment loan VI - UniCredit Bank	1,147,871	1,882,603
Investment loan VII - UniCredit Bank	6,135,402	2,162,161
<b>Total</b>	<b>7,283,273</b>	<b>4,044,764</b>

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, 2023 according to its own estimates, the Company met covenants “total net financial liabilities/equity” and “Current liquidity” either separately, or jointly with LivingJumbo Industry SA. The Company complies with indicator “Total net financial liabilities/EBITDA” separately, but not jointly with LivingJumbo Industry SA.

As regards such matter, the covenants are reviewed based on the financial statements submitted. The Company communicated with the bank until the end of the financial year on the estimated situation, which review the bank confirmed based on the financial statements. The Company obtained a letter from the banking institutions communicating that the Company does not breach contractual provisions, as the conditions were calculated based on the submitted statements, and would not request the early repayment of the loans granted.

As at December 31, 2023, 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%.

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

**27. OTHER CURRENT FINANCIAL LIABILITIES (continued)**

Bank	Type of facility	Initial value	Balance as at 31.12.2022		Balance at 31.12.2023		Due on	less than 1 year	more than 1 year
			in euro	in lei	in euro	in lei			
UniCredit Bank	Credit line <sup>1</sup>	8,000,000 €	5,249,957 €	25,973,635	4,625,105 €	23,008,050 lei	19/12/2024	23,008,050 lei	- lei
Exim Banca Romaneasca SA	Credit line	2,550,000 €	2,492,863 €	12,333,191	2,402,432 €	11,951,136 lei	25/05/2024	11,951,136 lei	- lei
UniCredit Bank	Investment loan VI	1,000,000 €	290,500 €	1,437,221	222,040 €	1,104,558 lei	08/06/2026	441,824 lei	662.734 lei
UniCredit Bank	Investment loan VII	2,950,000 €	499,463 €	2,471,042	1,522,679 €	7,574,718 lei	08/06/2027	2,164,205 lei	5.410.513 lei
UniCredit Bank	Investment loan - CCE 2015	3,042,240 €	557,420 €	2,757,779	- €	- lei	04/12/2023	- lei	- lei
UniCredit Bank	Loan for purchase of stocks <sup>2</sup>	3,000,000 €	768,000 €	3,799,602	- €	- lei	07/06/2023	- lei	- lei
<b>TOTAL loans in euro</b>			<b>9,858,203 €</b>	<b>48,772,470 lei</b>	<b>8,772,256 €</b>	<b>43,638,463 lei</b>		<b>37,565,216 lei</b>	<b>6,073,247 lei</b>
UniCredit Bank	Investment loan VI			1,131,986		808,562 lei	08/06/2026	323,424 lei	485.138 lei
UniCredit Bank	Investment loan VII			-		1,014,843 lei	08/06/2027	289,955 lei	724.888 lei
<b>Total loans in lei</b>				<b>1,131,986 lei</b>		<b>1,823,405 lei</b>		<b>613,379 lei</b>	<b>1,210,026 lei</b>
<b>Total exposure</b>				<b>49,904,456 lei</b>		<b>45,461,868 lei</b>		<b>38,178,595 lei</b>	<b>7,283,273 lei</b>

Note:

<sup>1</sup>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.

**Statement of changes in financing liabilities**
**Changes not pertaining to cash flows**

	1 January 2023	Cash flows from financing activities	Acquisition of subsidiaries	Lease additions	Other changes	Unrealised gain/ (loss) on foreign exchange differences	31-Dec-23
Bank loans (Note 27)	49,904,456	(4,565,752)	-	-	-	123,165	45,461,868
<b>Total financing liabilities</b>	<b>49,904,456</b>	<b>(4,442,588)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>123,165</b>	<b>45,461,868</b>

This is a free translation from the original Romanian version.

**NOTES TO THE FINANCIAL STATEMENTS  
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**28. OTHER NON-FINANCIAL LIABILITIES**

<b>Subsidies</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Grants – project co-funded by European funds for 2011	1,534,076	2,392,946
Grants – project co-funded by European funds for 2015	5,126,448	6,305,217
Grants – project co-funded by European funds for 2022	814,663	891,003
<b>Subtotal Subsidies</b>	<b>7,475,188</b>	<b>9,589,166</b>

As at December 31, 2023, the Company registered investment subsidies and other amounts in the form of investment subsidies, not transferred to income, totalling lei 7,475,188. They are recognized as income on a monthly basis, in line with the depreciation of property, plant and equipment purchased throughout the useful life.

<b>Other Liabilities</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Liabilities to employees	1,476,664	1,206,400
Liabilities related to social contributions	1,406,992	1,222,304
Other tax liabilities	1,129,975	1,080,576
<b>Subtotal other liabilities</b>	<b>4,013,631</b>	<b>3,509,280</b>
<b>Total Other non-current non-financial liabilities</b>	<b>11,488,819</b>	<b>13,098,446</b>

*Of which:*

<b>Other liabilities</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Total Other short-term non-financial liabilities	5,361,210	7,475,188
Total Other long-term non-financial liabilities – investment subsidies	6,127,609	5,623,258
<b>Total Other current non-financial liabilities</b>	<b>11,488,819</b>	<b>13,098,446</b>

**29. TRADE AND OTHER PAYABLES**

<b>Trade liabilities</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Trade liabilities	23,738,447	28,599,321
Other liabilities	109,165	15,855,291
Suppliers invoices not received	269,481	688,421
Advances from clients	655,631	2,917,867
<b>Total</b>	<b>24,772,724</b>	<b>48,060,899</b>

The decrease of trade payables at December 31, 2023 is mainly due to the decrease 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.

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

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

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

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

**(b) Main accounting policies**

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

**(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.

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**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 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 4.9746	USD 1USD = lei 4.4958	lei 1 lei	December 31, 2023 Total
<b>2023</b>	<u>lei</u>	<u>lei</u>	<u>lei</u>	<u>lei</u>
<b>Assets</b>				
Cash and cash equivalents	10,019,144	128,525	19,234,827	29,382,496
Receivables and other current assets	3,873,972	-	51,514,591	55,388,563
Other current financial assets	-	-	5,929,217	5,929,217
Other assets	-	-	546,177	546,177
<b>Liabilities</b>				
Trade and other liabilities	7,369,118	935	17,402,671	24,772,724
Short and long-term borrowings	43,638,463	-	1,823,405	45,461,868
Short and long-term finance lease liabilities	-	-	6,127,609	6,127,609
Other liabilities				
<b>2022</b>	<u>lei</u>	<u>lei</u>	<u>lei</u>	<u>lei</u>
<b>Assets</b>				
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
<b>Liabilities</b>				
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	-	-		

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-2023</u>	<u>31-Dec-2022</u>
Profit/(Loss)	(3,698,687)	(1,406,522)

**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.

<b>2023</b>	<u>Less than 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Total</u>
<b>Non-interest bearing</b>				
Trade liabilities	24,772,724	-	-	24,772,724
Other current liabilities	6,127,609	-	-	6,127,609
<b>Interest bearing instruments</b>				
Short and long-term leases	-	-	-	-
Borrowings from financial institutions	38,058,223	5,815,448	1,588,196	45,461,868
<b>Non-interest bearing</b>				
Cash and cash equivalents	29,382,496	-	-	29,382,496
Receivables and other current assets	55,388,563	-	-	55,388,563
<b>Interest bearing</b>				
Other current financial assets	5,929,217	-	-	5,929,217



**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)*

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

**Interest sensitivity analysis**

The sensitivity analysis below was determined based on the exposure to interest rates for loans received from financial institutions at the reporting date.

For floating rate bank debt, the analysis was performed assuming that the amount of the debt at the reporting date was similar for the entire year.

If interest rates had been 5% higher and all other variables had been kept constant, then the profit for the year ended on December 31, 2023 would decrease by about 90 thousand lei (2022: decrease by about 64 thousand lei).

**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE PERIOD ENDED DECEMBER 31, 2023**
**(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 2023 and 2022, the Company did not receive dividends from related parties.

	Sales of goods and services		Purchases of goods and services	
	2023	2022	2023	2022
Eco Pack Management SA	-	-	-	-
Info Tech Solution SRL	23,554	28,582	869,771	669,093
LivingJumbo Industry SA	43,217,462	58,149,628	1,689,705	1,572,332
RC Energo Install SRL	148,926	112,854	6,375,127	3,055,612
Yenki SRL Buzau	5,303	-	-	-
<b>Total</b>	<b>43,395,245</b>	<b>58,291,064</b>	<b>8,934,603</b>	<b>5,297,037</b>

  

	Receivables from related parties		Payables to related entities	
	2023	2022	2023	2022
Eco Pack Management SA	-	-	29,442	29,442
Info Tech Solution SRL	-	-	-	138,276
LivingJumbo Industry SA	30,162,922	35,300,097	316,719	247,770
RC Energo Install SRL	-	-	27,695	41,163
Yenki SRL Buzau	-	-	-	-
<b>Total</b>	<b>30,162,922</b>	<b>35,300,097</b>	<b>373,856</b>	<b>456,651</b>

At 31 December 2023, the Company has outstanding receivables in amount of lei 3,399,651 from RC Energo Install SRL representing a loan granted and interest due in June 2024.

**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE PERIOD ENDED DECEMBER 31, 2023**

(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	
	2023	2022	2023	2022
Greenfiber International SA	-	-	-	-
Greentech SA	-	2,402,274	-	71,842
Greenweee International SA	-	31,045	-	1,530,631
Green Resources Management SA	-	-	-	16,290
<b>Total</b>	-	<b>2,433,319</b>	-	<b>1,618,763</b>

  

	Receivables from related parties		Payables to related entities	
	2023	2022	2023	2022
Greenfiber International SA	-	-	-	-
Greentech SA	-	168,621	-	8,444
Greenweee International SA	-	1,373	-	259,813
Green Resources Management SA	-	-	-	-
<b>Total</b>	-	<b>169,994</b>	-	<b>268,257</b>

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.

At 30.12.2022 Romcarbon SA sold its ownership in Green-Group. Therefore, for 2023, the companies mentioned above are no longer affiliates of the Group and the transactions with such companies are no longer presented.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED DECEMBER 31, 2023  
(all amounts are expressed in lei, unless specified otherwise)****31. COMMITMENTS AND CONTINGENCIES****Credit facilities not used at December 31, 2023**

The Company has credit facilities not used in amount of euro 972,463 (December 31, 2022: euro 257,181) and investment loans not used in amount of euro 988,772 (December 31, 2022: euro 2,857,496).

**Guarantees for bank loans**

At December 31, 2023, property, plant and equipment with a net carrying amount of lei 58,854,629 (December 31, 2022: lei 65,223,703) and investment property with a carrying amount of lei 3,585,933 (December 31, 2022: lei 3,090,315) are brought as guarantees for the loans and credit lines contracted from the following banks: UniCredit Bank SA and Exim Banca Romaneasca 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 8 June 2027), contract BUZA/044/2016 secured by mortgage on inventories, having a minimum value of EUR 4,600,000;
- Credit line in amount of EUR 2.000.000 (due on December 12, 2024), ctr. BUZA/152021/CSC, secured by movable mortgage on 15 machinery with a net carrying amount of lei 1,994,809 at December 31, 2023.

**Guarantees granted to Livingjumbo Industry SA for the credit line contracted from Exim Banca Romaneasca SA**

- Credit line in amount of EUR 2,000,000 (due on May 24, 2024), Contract 9 - ABZ/28.05.2020, secured by a fidejussio contract concluded between the bank and Romcarbon SA.

**Guarantees granted to RC Energo Install SRL for the following loans contracted from Exim Banca Romaneasca SA:**

- Credit line in amount of lei 2,000,000 for financing the current activity (due on 24/05/2024), 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 587,078 at December 31, 2023.

The credit lines contracted by LivingJumbo Industry SA and RC Energo Install SRL with Exim Banca Romaneasca are to be extended for one year at maturity, the extension documentation being finalized.

**Potential tax liabilities**

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

The tax system in Romania is under continual development, being subject to constant interpretations and changes, often retroactive. In Romania, the fiscal year remains open for fiscal verification for 5 years.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED DECEMBER 31, 2023  
(all amounts are expressed in lei, unless specified otherwise)****31. COMMITMENTS AND CONTINGENCIES (continued)****Transfer pricing**

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

**Environmental matters**

The 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**

In January 2024, the Company completed the procedure for signing the Contract with the Ministry of Energy, for the financing of the project entitled "Implementation of an electricity production capacity from renewable solar energy sources within ROMCARBON SA", with a total value of lei 5,583,012.33, a project that will receive funding from the National Recovery and Resilience Plan, Component 6 Energy - Investment Measure I1, in amount of lei 2,315,700 (non-refundable funds), the rest of the funding in amount of lei 3,267,312.33 will be provided by Romcarbon S.A., both from its own resources and from attracted resources.

According to the decision of the Ordinary General Meeting of Shareholders dated 25.01.2024, the administrator mandates of Messrs. Huang Liang Neang, Wey Jiann-Shyang and Toderiță Ștefan Alexandru were extended for a period of 4 years, namely 02.04.2024 – 02.04.2028.

In January 2024, a number of 20,000 Hidroelectrica (H2O) shares were sold at an average price of lei 119.31/share.

In January 2024, a number of 2,062,500 Aquila Part Prod Com S.A. shares ("AQUILA") were purchased at a unit value of 0.96 lei/share. In the same month, a number of 1,062,500 shares were sold at an average price of lei 1.0188/share.

In the meeting of 09.02.2024, Romcarbon's Board of Administration approved the extension for 4 years of the mandate contract concluded by the Company with Mr. Huang Liang Neng, for the exercise of the position of General Manager. He will exercise the mandate of General Manager between 17.02.2024 and 17.02.2028.

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 26, 2024.

*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, 2023**

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 52,824,419.20 lei as subscribed and paid in share capital representing a number of 528,244,192 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: 528,244,192 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 2023 in various audit missions made according to the Internal Audit Plan;
- the separate financial statements drawn for the year ended December 31, 2023 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 2023, 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 2023 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 2023 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.

In 2023, 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:**
  - Respiratory Protective Equipment Workshop that produces personal respiratory protective 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 extruded Polystyrene Workshop, consisting of extrusion and thermoforming sector, where packaging for the food industry – casseroles and products for constructions as XPS perforated plates and rolls are manufactured.
- **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 resulting from the recycling of DEEE and from the car industry, by separating the polymeric recyclable fractions, grinding, extruding and filtering the separated fractions. The finished products are plastics regranulated products, compounds and composites plastic products.
  - Treating the post-industrial and post-consumption waste made of polypropylene foil and post-consumption waste made of polyethylene foil by densiometric sorting, extruding and filtering/separating. The finished products are PE and PP regranulated products and compounds.

The Company has a work point in Iasi, where the main activity is asset rental.

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

Group of products	2022	2023
<b>Total revenues from sales of finished products, of which:</b>	<b>69.75%</b>	<b>71.57%</b>
CP1~ Car and industrial filters	1.29%	1.70%
CP2~ Respiratory protective equipment and Active Carbon	2.05%	1.06%
CP3~ Polyethylene products	13.75%	14.13%
CP4~ PVC products	0.27%	0.20%
CP5~ Polystyrene products	19.44%	21.85%
CP6~ Polypropylene products	15.26%	14.94%
CP7~Compounds	17.69%	17.69%

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

**New products developed in 2023**

The technical and investment activity focused on new products and technologies while increasing the portfolio of offered products. In 2023 the range of industrial filters was enlarged with 24 new items, 16 automotive and 8 industrial items.

In the field of polyethylene processed goods, the production and intake of products with recyclable content continued, including bags intended for the separate collection of waste in a manual system or with the help of automatic collection devices, bags that can be recycled, thus ensuring a circular process.

In the polypropylene packaging sector (bags), products have been developed with a specific sliding coefficient that prevents sliding during stacking. As a result, the type-dimensional range of polypropylene woven packaging was expanded with 320 new products.

36 new compounds from recycled plastic were developed, which also included optimisation in order to cut costs and streamline the use of raw materials, totalling approximately 1,000 tons. The products were sent to beneficiaries for testing, validation and utilisation.

The assimilation of folded and laminated XPS boards with aluminium boPET film, intended for floor insulation both thermally and acoustically, and in terms of humidity, continued.

With the commissioning of the new line, boards were obtained that were tested in an external laboratory from the point of view of the characteristics provided in the EN 16354 standard, the products being of high quality, falling into higher classes according to the mentioned standard.

**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 48% (43% in 2022) Romanian companies, and 52% (57% in 2022) companies in the foreign market. For the Compounds sector, the raw material supplied comes 95% from Romania, while the difference is ensured by the quantities offered by foreign collaborators.

The most important share (58%) 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 2022 and 2023 is presented in the following table:

Group of products	2022	2023	2023 vs. 2022		
CP1~ Auto and industrial filters	3,395,181	3,652,168	▲	256,986	8%
CP2~ Respiratory protective equipment and active carbon	5,396,649	2,278,627	▼	(3,118,023)	-58%
CP3~ Polyethylene products	36,123,918	30,273,457	▼	(5,850,462)	-16%
CP4~ PVC products	697,669	420,422	▼	(277,247)	-40%
CP5~ Polystyrene products	51,082,952	46,799,707	▼	(4,283,245)	-8%
CP6~ Polypropylene products	40,107,774	32,001,778	▼	(8,105,996)	-20%
CP7~Compounds	46,502,132	37,905,250	▼	(8,596,881)	-18%
<b>Total</b>	<b>183,306,275</b>	<b>153,331,408</b>	▼	<b>(29,974,867)</b>	<b>-16%</b>

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	2022		2023	
	Value	%	Value	%
Domestic	135,276,630	74%	120,583,759	79%
Foreign	48,029,646	26%	32,779,887	21%
<b>Total</b>	<b>183,306,276</b>	<b>100%</b>	<b>153,363,647</b>	<b>100%</b>

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

The number of Romcarbon SA employees as at 31.12.2023 was 780, grouped according to the level of education as follows:

Total number of employees, of which:	780	%
· higher education*	97	12%
· post-high school education	12	2%
· technological foremen school	9	1%
· high school education	290	37%
· vocational education	215	28%
· 9 – 11 grades/apprenticeship	80	10%
· on-the-job qualification	2	0%
· secondary education	75	10%

*\*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 an integrated quality - environment – occupational health and safety management system as per ISO 9001: 2015; ISO 14001: 2005 and and ISO 45001:2023 standards, - certified by SRAC.

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 2024, the Company reassessed the environmental aspects and made the List of significant environmental aspects in normal conditions or in emergency situations.

The Company presents on an annual basis sustainability matters and topics in its sustainability report. For 2023, the sustainability report of Romcarbon Group will be published by 30 June 2024 and may be consulted.

## **7) Assessment of the Company's integrated 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 SR EN ISO 45001:2023, the company is engaged in a process of continuous improvement in the workplace health and safety conditions and prevention of accidents and occupational diseases throughout the organization.

The Quality, Environment, Health and Occupational Safety Integrated Management System is certified by a RENAR accredited body, namely SRAC ROMANIA. The Quality Management System of ROMCARBON SA has been certified since 1994 and we maintain our certification as at present. The latest recertification audit was conducted in March 2021 and in March 2024 the SMI certification is to take place.

No 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 system.

We are permanently conducting internal audits, according to the annual plans, 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;
- Risk and opportunities management;
- Identification of potential improvement areas in the Integrated Management System.

Each identified process is internally audited and documented at least once a year, and improvement actions are established with responsible persons and deadlines. Following all internal and external evaluations, including evaluations regarding compliance with legal and regulatory requirements, action plans are established that are monitored at the set deadlines. We constantly analyzed the risks identified within the processes / system and because we aligned ourselves with the new requirements regarding sustainability, we also carried out an analysis of the risks identified for corruption and technological security.

We have identified and prioritized all the stakeholders involved in the company and we have also identified their requirements and expectations from ROMCARBON SA.

Long-term and medium-term policies and objectives are established, which are analyzed and reviewed annually within a Management Analysis.

Starting 2022, we have documented the policies regarding the environment and human rights: Anti-retaliation Policy, Health and Safety at Work Policy, Human Rights Policy, Human Resources Policy, Remuneration Policy, Environmental Policy. We have also documented the policies regarding the requirements on environmental and human rights protection by all our suppliers who must adhere to the supplier's Code of Ethics and Conduct.

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 45001:2023 and to continuously improve its effectiveness and increase 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 2023, the company recorded a decrease of total turnover by 18%, reaching a total of lei 216,420,862 (2022: lei 265,048,638). Sales of finished products decreased by 16% (2022: lei 183,306,275).

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 77% in 2023 (71% in 2022). 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

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two clients (Kasakrom Chemiclas SRL and Livingjumbo Industry SA) that in 2023 had a turnover represented 8% and 14% of total turnover. The sales to Livingjumbo Industry SA in 2023 included the sales of finished products, rents and income from other activities, which accounted for 6% of turnover.

For 2023, the main issue which the Company faced was the significant drop of demand on its markets, further to the change of consumers' behaviour but also to the domestic and European economic crisis.

#### Exchange rate risk

Currency exposure of Romcarbon SA is generated mainly by the loans denominated in euro. As at 31.12.2023 the balance of this loan was EUR 8,772,256 (EUR 9,858,202 at December 31, 2022).

In 2023, the financial result generated by the fluctuation of foreign currencies rate was lei -455,106 (2022: lei +229,121).

#### Liquidity risk

Current liquidity of SC Romcarbon SA (calculated as the ratio between current assets and current debts) registered an increase in 2023, reaching 1.77 compared to 1.47 in 2022.

#### 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 2024.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The internal accounting and financial control focuses on providing:

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

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

**REVIEWING THE ECONOMIC AND FINANCIAL SITUATION OF THE COMPANY**
**1) Statement of financial position**

The statement of financial position for the years 2022 and 2023 is shown in the following table.

Items	2022	2023	2023 vs. 2022	
Property, plant and equipment	102,490,667	106,808,714	4,318,047	▲ 4.21%
Investment property	9,883,738	10,857,912	974,174	▲ 9.86%
Intangible assets	330,920	809,485	478,565	▲ 144.62%
Financial assets	20,608,560	460,594	-20,147,966	▼ -97.77%
<b>Total non-current assets</b>	<b>133,313,884</b>	<b>118,936,705</b>	<b>-14,377,179</b>	<b>▼ -10.78%</b>
Inventories	29,963,707	30,951,095	987,388	▲ 3.30%
Trade and other receivables	63,653,763	55,388,563	-8,265,200	▼ -12.98%
Other current financial assets	42,738,851	5,929,217	-36,809,634	▼ -86.13%
Other current non-financial assets	3,864,347	546,177	-3,318,170	▼ -85.87%
Cash and bank balances	2,772,710	29,382,496	26,609,786	▲ 959.70%
Non-current assets held for sale	3,760,155	-	-3,760,155	▼ -100.00%
<b>Total current assets</b>	<b>146,753,533</b>	<b>122,197,548</b>	<b>-24,555,985</b>	<b>▼ -16.73%</b>
<b>Total assets</b>	<b>280,067,417</b>	<b>241,134,253</b>	<b>-38,933,164</b>	<b>▼ -13.90%</b>
Issued capital	26,412,210	52,824,419	26,412,209	▲ 100.00%
Share premium	2,182,283	2,182,283	0	— 0.00%
Reserves	60,895,475	63,215,703	2,320,228	▲ 3.81%
Retained earnings	70,732,989	32,593,737	-38,139,252	▼ -53.92%
<b>Total equity</b>	<b>160,222,957</b>	<b>150,816,142</b>	<b>-9,406,815</b>	<b>▼ -5.87%</b>
Other provisions	1,000,000	1,117,000	117,000	▲ 11.70%
Deferred tax liabilities	7,780,659	7,477,700	-302,959	▼ -3.89%
Other non-current financial liabilities	4,044,764	7,283,273	3,238,509	▲ 80.07%
Other non-current non-financial liabilities	7,475,188	5,361,210	-2,113,978	▼ -28.28%
<b>Total non-current liabilities</b>	<b>20,300,610</b>	<b>21,239,183</b>	<b>938,573</b>	<b>▲ 4.62%</b>
Trade and other payables	48,060,900	24,772,724	-23,288,176	▼ -48.46%
Other current financial liabilities	45,859,692	38,178,595	-7,681,097	▼ -16.75%
Other current non-financial liabilities	5,623,258	6,127,609	504,351	▲ 8.97%
<b>Total current liabilities</b>	<b>99,543,850</b>	<b>69,078,928</b>	<b>-30,464,922</b>	<b>▼ -30.60%</b>
<b>Total liabilities</b>	<b>119,844,460</b>	<b>90,318,111</b>	<b>-29,526,349</b>	<b>▼ -24.64%</b>
<b>Total equity and liabilities</b>	<b>280,067,417</b>	<b>241,134,253</b>	<b>-38,933,164</b>	<b>▼ -13.90%</b>

At December 31, 2023, non-current assets hold 49.32% of the company's assets, decreasing by lei 14,377,179, namely 10.78% compared to the beginning of the year.

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

Non-current assets (NCA)	2023	% in total NCA	% in total asset	2023 vs. 2022
Property, plant and equipment	106,808,714	89.80%	44.29%	4.21%
Investment property	10,857,912	9.13%	4.50%	9.86%
Intangible assets	809,485	0.68%	0.34%	144.62%
Financial assets	460,594	0.39%	0.19%	-97.77%
<b>Total non-current assets</b>	<b>118,936,705</b>	<b>100.00%</b>	<b>49.32%</b>	<b>-10.78%</b>

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)	1,898,259 lei	1,320,580 lei
· Equipment and machinery	6,769,812 lei	2,352,741 lei

Additions of fixed assets in 2023 had the following destinations: processed plastics: lei 5,694,647; recycled polymers & compounds: lei 1,947,399 and administrative and other sectors: lei 1,026,026.

The disposals of property, plant and equipment in 2023 were in amount of lei 468,040 representing scraps.

As at December 31, 2023, the Company performed the revaluation of the investment property and it resulted an increase of net carrying amount of lei 974,174, which was charged to the 2023 profit or loss.

**Financial assets** account for 0.19% out of total assets, and 0.39% out of total non-current assets.

As at December 31, 2023, Romcarbon SA held direct ownership in other companies worth lei 10,192,233, 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	113,154	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%
<b>TOTAL</b>						<b>10,192,233</b>	

\*On 07.06.2023, the amount of EUR 4,648,100 was collected from Recyplat Limited, resulting from the reduction of share capital with a number of 10,000 ordinary shares with a value of EUR 1.00 per share, issued by a share premium, thus the share premium account of Recyplat Limited, being reduced from EUR 4,648,100 to EUR 0.00.



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
<b>Total</b>		<b>9,731,638</b>

At December 31, 2023, the **current assets** account for 50.68% of total assets recording a decrease of lei 24,555,985, i.e. 16.73% as compared with the beginning of the year.

Current assets	31.12.2023	% out of total current assets	% out of total assets	31.12.2023 vs. 31.12.2022
Inventories	30,951,095	25.33%	12.84%	3.30%
Trade and other receivables	55,388,563	45.33%	22.97%	-12.98%
Other current financial assets <sup>1</sup>	5,929,217	4.85%	2.46%	-86.13%
Other current non-financial assets	546,177	0.45%	0.23%	-85.87%
Cash and cash equivalents	29,382,496	24.05%	12.19%	959.70%
Non-current assets held for sale <sup>2</sup>	0	0.00%	0.00%	-100.00%
<b>Total current assets</b>	<b>122,197,548</b>	<b>100.00%</b>	<b>50.68%</b>	<b>-16.73%</b>

<sup>1</sup>In January 2023, the Company received lei 39,579,200 (equivalent of EUR 8,000,000) from Recyplat LTD representing dividends receivable registered in December 2022.

<sup>2</sup>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 increased to lei 3,000,000..

In June 2023, an addendum was signed whereby the loan was extended by 12 months.

Loans from Group companies	Contract value	Loan balance at December 31, 2023	Interest	Total	Due on
RC Energo Install SRL	3,000,000 lei	3,000,000 lei	399,651 lei	3,399,651 lei	03/06/2024
<b>Total</b>	<b>3,000,000 lei</b>	<b>3,000,000 lei</b>	<b>399,651 lei</b>	<b>3,399.651 lei</b>	

### Shares held in the short term

The Current Financial Assets indicator also registers the counter value of a number of 25,000 Hidroelectrica (H2O) shares at a purchase value of 101.18 lei/share, shares remaining in the balance on 31.12.2023 from the total of 28,086 shares acquired during the Hidroelectrica IPO from June-July 2023.

### Subsequent events

In January 2024, a number of 20,000 Hidroelectrica (H2O) shares were sold at an average price of 119.31 lei/share.

In January 2024, a number of 2,062,500 Aquila Part Prod Com S.A. shares ("AQUILA") were purchased at a unit value of 0.96 lei/share. In the same month, a number of 1,062,500 shares were sold at an average price of 1.0188 lei/share.

<sup>3</sup> Non-current assets held for sale

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.

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 remainder of lei 5,240,691.

**Total liabilities** hold 37,46% of the company's total Equity and liabilities recording a decrease of lei 29,526,349 compared to the beginning of the year of -24.64%.

### **Borrowings**

At December 31, 2023 the bank loans committed by ROMCARBON SA are as follows:

Type of facility	Balance at 31.12.2023		< 1 year	>1 year
	in euro	in lei		
Credit lines in euro <sup>4</sup>	€ 7,027,537	34,959,186 lei	34,959,186 lei	- lei
Investment loans in euro	€ 1,744,718	8,679,277 lei	2,606,030 lei	6,073,247 lei
<b>Total loans in euro</b>	<b>€ 8,772,256</b>	<b>43,638,463 lei</b>	<b>37,565,216 lei</b>	<b>6,073,247 lei</b>
Investment loan in lei		1,823,405 lei	613,379 lei	1,210,026 lei
<b>Total loans in lei</b>		<b>1,823,405 lei</b>	<b>613,379 lei</b>	<b>1,210,026 lei</b>
<b>Total exposure</b>		<b>45,461,868 lei</b>	<b>38,178,595 lei</b>	<b>7,283,273 lei</b>

<sup>4</sup>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 EUR 2,550,000 limit was used by Livingjumbo Industry SA. In December 2023, the credit line was extended for 12 months.

**The Company's current liabilities**, accounting for 76.23% of Total Liabilities and 28.65% of Total Equity and Liabilities, registered a decrease of lei 30,464,921, i.e. -30.60%, compared to December 31, 2022.

Current liabilities	31.12.2023	% in total liabilities	% in Total current liabilities	% in Total equity and liabilities	31.12.2023 vs. 31.12.2022
Trade liabilities	24,772,724	27.34%	35.86%	10.27%	-48.46%
Other current financial liabilities	38,178,595	42.13%	55.27%	15.83%	-16.75%
Other current non-financial liabilities	6,127,609	6.76%	8.87%	2.54%	8.97%
<b>Total current liabilities</b>	<b>69,078,928</b>	<b>76.23%</b>	<b>100.00%</b>	<b>28.65%</b>	<b>-30.60%</b>

**Non-current liabilities of the Company**, representing 8.81% of Total equity and liabilities, have increased by lei 938,572 as compared with 31.12.2022, i.e. 4.62%.

Non-current liabilities	31.12.2023	% in total liabilities	% in Total non-current liabilities	% in Total equity and liabilities	31.12.2023 vs. 31.12.2022
Other provisions	1,117,000	1.24%	5.26%	0.46%	11.70%
Deferred tax liabilities	7,477,700	8.28%	35.21%	3.10%	-3.89%
Other long-term financial liabilities	7,283,273	8.06%	34.29%	3.02%	80.07%
Other non-current non-financial liabilities	5,361,210	5.94%	25.24%	2.22%	-28.28%
<b>Total non-current liabilities</b>	<b>21,239,183</b>	<b>23.52%</b>	<b>100.00%</b>	<b>8.81%</b>	<b>4.62%</b>

**Total Equity** holds 62.54% out of Total Equity and Liabilities and registered an decrease of lei 9,406,815, compared with the beginning of the year.

Equity	31.12.2023	% of Total equity and liabilities
Subscribed and paid in share capital (representing the counter value of 528,244,192 shares at a nominal value of lei 0.1/share)	52,824,419	21.91%
Share premium	2,182,283	0.91%
Reserves	63,215,703	26.22%
Retained earnings	32,593,737	13.52%
<b>Total equity</b>	<b>150,816,142</b>	<b>62.54%</b>

On 30.06.2023 the registration of the Company's share capital increase at the Trade Register by lei 26,412,209.60, from lei 26,412,209.60 to lei 52,824,419.20 was completed, by the issuance of 264,122,096 new shares with a nominal value of lei 0.10/share, according to the EGMS resolution of 27.04.2023. The capital increase was made by including in the company's share capital the amount of lei 26,412,209.60, representing a share of the net profit registered in 2022 and is intended to support the Company's current activity.

The subscribed and paid in capital of the company amounting to lei 52,824,419.20 in 2022 is divided into 528,244,192 registered shares, dematerialized, with a nominal value of 0.10 lei per share.

As at 31.12.2023 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	173,549,016	32.8539%
Joyful River Limited, Nicosia, Cyprus	108,390,178	20.5190%
TODERITA STEFAN ALEXANDRU	71,000,000	13.4408%
Other individuals	167,962,371	31.7963%
Other legal entities	7,342,627	1.3900%
<b>Total</b>	<b>528,244,192</b>	<b>100.0000%</b>

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

Income statement	12-month 2022	12-month 2023	2023 vs. 2022	
Revenue	262,801,054	214,230,854	▼	(48,570,200) -18%
Other income <sup>5</sup>	4,454,249	4,303,986	▼	(150,263) -3%
Changes in inventories of finished goods and work in progress	7,447,653	485,526	▼	(6,962,127) -93%
Raw materials, consumables, merchandise and utilities used	(199,065,784)	(148,776,840)	▼	50,288,944 -25%
Salaries and employee benefits	(42,312,860)	(47,111,543)	▲	(4,798,683) 11%
Depreciation and amortisation expenses	(9,609,158)	(9,392,805)	▼	216,353 -2%
Operating expenses	(18,863,785)	(16,469,733)	▼	2,394,052 -13%
Other gains or losses	1,769,859	4,863,752	▲	3,093,893 175%
<b>Profit (loss) on operations</b>	<b>6,621,228</b>	<b>2,133,197</b>	<b>▼</b>	<b>(4,488,031) -68%</b>
Financial income <sup>6</sup>	47,336,583	3,444,434	▼	(43,892,149) -93%
Financial expenses	(1,574,050)	(2,081,299)	▲	(507,249) 32%
<b>Gain (loss) on impairment of financial assets</b>	-	-	—	-
<b>Profit/(Loss) before tax</b>	<b>52,383,761</b>	<b>3,496,332</b>	<b>▼</b>	<b>(48,887,429) -93%</b>
Income tax	(912,071)	(182,523)	▼	729,548 -80%
<b>Net profit (loss)</b>	<b>51,471,690</b>	<b>3,313,809</b>	<b>▼</b>	<b>(48,157,881) -94%</b>
<b>Gain/Loss on revaluation of property, plant and equipment</b>	745,264	-	▼	(745,264) -100%
Deferred tax adjustment related to the re-evaluation reserves fiscal unallowable	273,332	485,482	▲	212,150 78%
<b>Total comprehensive income</b>	<b>52,490,286</b>	<b>3,799,291</b>	<b>▼</b>	<b>(48,690,995) -93%</b>
<b>Operational EBITDA</b>	<b>15,025,300</b>	<b>4,873,276</b>	<b>▼</b>	<b>(10,152,024) -68%</b>

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 2023, the Company registered favorable differences of lei 1,094,197 lei (financial income from exchange rate differences) and unfavorable differences of lei 1,549,303 (financial expenses from exchange rate differences), thus resulting a net loss of lei 455,106.

In 2022, a gain of lei 229,121 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.

<sup>5</sup> The item "Other income" has the following structure:

Indicator	12-month 2022	12-month 2023	2023 v 2022	
Rental income	2,247,585	2,190,008	▼	(57,577) -3%
Income for investment subsidies	2,206,664	2,113,978	▼	(92,686) -4%
<b>Total</b>	<b>4,454,249</b>	<b>4,303,986</b>	<b>▼</b>	<b>(150,263) -3%</b>

<sup>6</sup> The item “Financial income” has the following structure:

Caption	12-month	12-month	2023 vs 2022		
	2022	2023			
Interest income	316,730	983,890	▲	667,160	211%
Income from financial investments	0	57,882	▲	57,882	n/a
Dividend income - Recyclat LTD	46,745,700*	0	▼	(46,745,700)	-100%
Net gains from FX differences	274,153	2,402,662	▲	2,128,509	776%
<b>Total</b>	<b>47,336,583</b>	<b>3,444,434</b>	▼	<b>(43,892,149)</b>	<b>-93%</b>

\*Equivalent of EUR 9,500,000.

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

	12-month 2022	12-month 2023	2023 vs. 2022	
<b>Total sales of finished goods, of which</b>	183,306,275	153,331,408	▼	(29,974,867) -16%
CP1~ Auto and industrial filters,	3,395,181	3,652,168	▲	256,986 8%
CP2~ Respiratory protective equipment and Active Carbon	5,396,649	2,278,627	▼	(3,118,023) -58%
CP3~ Polyethylene products	36,123,918	30,273,457	▼	(5,850,462) -16%
CP4~ PVC products	697,669	420,422	▼	(277,247) -40%
CP5~ Polystyrene products	51,082,952	46,799,707	▼	(4,283,245) -8%
CP6~ Polypropylene products	40,107,774	32,001,778	▼	(8,105,996) -20%
CP7~Compounds	46,502,132	37,905,250	▼	(8,596,881) -18%
- Sales of intermediary goods	68,499	4,378	▼	(64,122) -94%
- Services rendered	721,836	425,122	▼	(296,714) -41%
- Sale of goods purchased for resale	71,556,260	53,057,503	▼	(18,498,757) -26%
- Revenues from sundry services	7,148,184	7,412,444	▲	264,260 4%
<b>Total, of which:</b>	<b>262,801,054</b>	<b>214,230,854</b>	▼	<b>(48,570,200) -18%</b>

Caption	31.12.2022	31.12.2023	31.12.2023 vs.31.12.2022	
Net sales	262,801,054	214,230,854	▼	(48,570,200) -18%
Rental income	2,247,585	2,190,008	▼	(57,577) -3%
<b>Total turnover, of which:</b>	<b>265,048,639</b>	<b>216,420,862</b>	▼	<b>(48,627,777) -18%</b>
- Domestic market	211,389,473	181,914,762	▼	(29,474,712) -14%
- Foreign market	53,659,166	34,506,100	▼	(19,153,066) -36%

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 2023 have increased by lei 26,609,787 compared to the beginning of the year (December 31, 2023: lei 29,382,497; December 31, 2022: 2,772,710).

#### 4) Financial ratios

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

Ratio	Formula	2022	2023
EBIT	Gross profit + interest expenses	53,670,160	5,303,794
EBITDA	EBIT + amortization – income from subsidies	61,072,654	12,582,621
Turnover	Net sales + Rental income	265,048,639	216,420,862
EBITDA in total sales	EBITDA/Turnover	23.04%	5.81%
EBITDA in equity	EBITDA/Equity	38.12%	8.34%
Gross profit	Gross profit /turnover	19.76%	1.62%
Current liquidity ratio	Current assets/current liabilities	1.47	1.77
Immediate liquidity ratio (acid test)	(Current assets -Inventories)/Current liabilities	1.17	1.32
Gearing ratio (1)	Long-term liabilities/Equity	13%	14%
Gearing ratio (2)	Total liabilities/Total assets	43%	37%
Gearing ratio (3)	Capital borrowed on the long-term/Total equity	3%	5%
Gearing ratio (4)	Capital borrowed on the long-term/Capital employed	2%	5%
Interest coverage ratio	EBIT/Interest expenses	41.72	2.93
Turnover of trade receivables	Average balance of trade receivables /Turnover	83	99
Turnover of trade liabilities	Average balance of trade liabilities /Turnover	58	61
Turnover of trade liabilities	Turnover/Non-current assets	1.99	1.82
Return on assets (ROA)	Net result /Total assets	18.38%	1.37%
Return on equity (ROE)	Net result/Equity	32.13%	2.20%
Return on sales (ROS)	Net result/Turnover	19.42%	1.53%

#### **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: 528,244,192 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 – 528,244,192
- a) nominal value – lei 0,1
- b) ISIN code: ROROCEACNOR1
- c) 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](http://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](http://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 company's articles of incorporation.

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***

Members of the Board of Directors (BoD) 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 of the BoD 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. The calls for the meetings of the Board of Directors are sent at least 5 days before the date of the meeting, by any means of remote communication (post, e-mail, fax) that ensures acknowledgment of receipt, in writing, by the addressee/member to the convened Board of Directors. These calls include the date, and the location where the meeting of the Board of Directors will be held, as well as the agenda, no decision can be taken on other issues, except in case of urgency and with the condition they are ratified in the next meeting by the absent members. In exceptional cases, justified by the urgency of the situation and the interest of the company, the decisions of the Board of Directors can be taken by the unanimous vote expressed in writing by the members, including by e-mail, without the need for a meeting of such body.

For the validity of the decisions it is required the presence/vote 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.

The meetings of the Board of Directors take place in the presence of the directors or by correspondence (post, e-mail, etc.). The members of the Board of Directors express their vote regarding the issues listed on the agenda during the meeting, as well as through any means of remote communication (mail, e-mail, fax) that ensures confirmation of the receipt of the vote expressed in writing, by the secretary the Board of Directors, at the latest until the end of the meeting for which they were convened.

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' debates are recorded in the minutes of the meeting, which are entered in a register. The meetings of the Board of Directors can be audio-video recorded. The minutes of the meeting are signed by the chairman of the meeting and by at least one other director.

The chairman of the Board of Director, the Board members, the Company's managers, executive officers are liable 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.



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 25, 2024 for a 4-year mandate that expires on February 4, 2028:

- **Huang Liang - Chairman**, appointed based on the Resolution of the Ordinary General Meeting of ROMCARBON S.A. from 25.01.2024 for a 4-year term, which expires on February 4, 2028;
- **Wang Yi Hao - Vice Chairman**, appointed on the basis of the resolution of the Ordinary General Meeting of Romcarbon SA from 25.01.2024 for a 4-year term, which expires on February 4, 2028;
- **Toderita Stefan Alexandru** - appointed on the basis of the Decision of the Ordinary General Meeting of ROMCARBON SA from 25.01.2024 for a 4-year term, which expires on February 4, 2028.

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. 138<sup>2</sup> 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**, 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 2023, 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 01.06.2010
- 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. 143<sup>2</sup> 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 2023:

- a) Directors – lei 0
- b) CEO – lei 180,000
- c) Executive management – lei 2,270,764.

Starting 2021, the company adopted a remuneration policy, which may be consulted at the following link:

[https://www.romcarbon.com/wp-content/uploads/2021/04/ROCE\\_Politica-de-remunerare\\_RO.pdf](https://www.romcarbon.com/wp-content/uploads/2021/04/ROCE_Politica-de-remunerare_RO.pdf)

For 2023, the company issued, according to the legal provisions, the Directors' and Officers' Remuneration Report, available at the following link: <https://www.romcarbon.com/rapoarte-de-remunerare/>.

#### **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. In 2023, 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 27.04.2023.

### **CORPORATE RIGHTS OF SHAREHOLDERS**

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

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

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

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

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

To make available to shareholders relevant information in real-time, ROMCARBON S.A. created on [www.romcarbon.com](http://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 Stok 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](http://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](http://www.romcarbon.com/rapoarte-de-sustenabilitate).

For the 2021 Sustainability Report, Romcarbon was awarded the 3<sup>rd</sup> place in the top sustainability reports, by a specialized jury made up of representatives of the capital market, in a competition of the best sustainability reports, organized by ARIR (Association for Investor Relations from Romania). The 5 judges analyzed all competing reports based on 8 criteria and appreciated the concrete data presented by Romcarbon in its Sustainability Report for 2021 and also appreciated the inclusion of clear indicators and targets for Romcarbon's ESG activity.

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 categories** (deserving young people, sick or disabled people) through humanitarian actions that include sponsorships/patronages but also assistance in extreme cases as well as to give help to disadvantaged people or people in difficulty. As part of this active CSR policy, ROMCARBON SA granted during the financial year 2023 material aid, in the amount of 40,500 lei, to its own employees affected by various events with a strong social and human impact (birth of children, deaths of some family members, fires, floods, etc.). In 2023, sponsorships totaling 37,500 lei were granted in various fields (social, sports, education);

\* **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 2,400 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 45001:2023 standards, - certified by SRAC.

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 5<sup>th</sup> 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 key priority**, as 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 - Compounds there are activities of 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 2023, as a sponsor in actions of cultural promotion and reading among youngsters and children.

Thus, Romcarbon was among the sponsors that supported the organization in Buzau of the 35<sup>th</sup> edition of the "TOP T" Rock Festival for young people, the oldest rock festival in Romania which proved to be a success, being appreciated by both the public and by the artists who took the stage. In this way, we have contributed to keeping the rock spirit alive in Buzau, the city with the oldest festival in Romania and one of the best audiences in the country, we actively participated in supporting original and valuable artistic creation in the field of rock music, in educating the young people of Buzau in the spirit of raising awareness of true cultural values, promoting real talents and fighting kitsch and copied music, promoting live performances and fighting playback, as well as raising awareness of the importance of music in educating the population by organizing art exhibitions alongside recitals photography, musical instruments, magazines and specialized books.

We sponsored the organization of the launch event of the first English language auxiliary manual written by the pupils of the 5<sup>th</sup> grade C of 11 Secondary School in Buzau, entitled "A Christmas Wish" through which the children practiced their writing skills and thus came to the support of other children to develop their communication skills in English.

Romcarbon SA donated to the Secondary School in Potoceni Locality, Maracineni Commune, Buzau County a number of 406 books, of which 106 were new, sponsored by the company and the rest represented the contribution of the company's employees who responded positively and in large numbers to the company's initiative to contribute to the re-stocking of the School Library in Potoceni, with new and attractive books for the new generations of children.

In addition to this initiative, the Company also contributed to the endowment of the FLOARE DE BUJOR folk ensemble, of the Potoceni Secondary School, founded in the fall of 2023, with traditional Romanian footwear, so that all the children, members of the ensemble, can complete their traditional Romanian outfit with this important accessory, a very important part of the traditional Romanian cultural identity.

Last but not least, during the winter holidays, we gave the children from the schools and kindergartens that operate in the Maracineni Municipality, Buzau County, a number of 240 packages with sweets specific to the Christmas season and thus brought the spirit of the holidays into the little ones' hearts.

2023 was the year in which books and reading were brought back to the fore, thus, at the initiative of some colleagues, starting with July 2023, the "Bookshelf" project took place. With a book closer to the others». Romcarbon supported and financed the purchase of new books to increase the available fund so that the employees who are passionate about reading can satisfy their pleasure and others can discover it.

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 2024, 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 increasing again since the first months of the year, the utility market with prices that are still high, 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, but also for the share capital increase that was made by contributing lei 26,412,209.60 to the company's share capital, representing a share of the net profit registered in 2022.

For 2024, 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 by accessing

grants under the investment programs led by the Minister of Energy, as reform and/or investment lead in the National Recovery and Resilience Plan (PNRR).

2024 resumes the main objectives of 2023, namely the manufacturing of diverse and high-quality products and investing important resources in technologies that will ensure the growth of the company in the next years.

For 2024, the company budgeted the following financial indicators:

- a total turnover of lei 281,916,040 (up by 30% as compared with 2023) of which the turnover related to the sales of finished products is budgeted at the level of lei 199,010,432 (29% higher as compared with 2023);
- a gross operating profit in amount of lei 5,421,393, up by 55% compared to 2023.

The activity of the company is not affected by the restrictions on external financing, it has the ability to control its cash flows and mitigate risks of non-collection. We have not identified any premises for the exposure to major risks in terms of cash flows. There will be pressure on the RON / EUR exchange rate, but we cannot estimate the extent.

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

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

**Date: March 26, 2024**

*For signatures, please refer to the original Romanian version.*

**ADMINISTRATOR,**

**HUANG LIANG NENG**

**FINANCIAL MANAGER,**

**VIORICA ZAINESCU**

**DEPUTY ADMINISTRATIVE GENERAL  
MANAGER,**

**CARMEN MANAILA**