

ANNUAL MANAGEMENT REPORT

Prepared according to Regulation no. 5/2018 of A.S.F. [Romanian Financial Supervisory Authority]

for the Financial Year
2020

CARBOCHIM S.A.
CLUJ-NAPOCA

Registered Office:

Phone no.:

Fax:

Tax Reference Number and VAT Code:

Trade Register Number:

Subscribed and Paid-up Share Capital

Email:

Website:

CLUJ-NAPOCA

Piata 1 Mai Nr.3

00 40 264 437005

00 40 264 437026

RO 201535

J12/123/1991

RON 12.325.437,50

Sales@carbochim.ro

www.carbochim.ro

Report Date: March 20, 2021

Organized market on which the issued securities are traded:

Carbochim S.A. shares are traded on the 2nd category of Bucharest Stock Exchange, CBC symbol.

The main features of the securities issued by the Company:

On December 31, 2020, the situation was the following:

-Number of shares: 4,930,175

- Face value: RON 2.5/share

- Share capital: RON 12,325,437.50

-Registered shares, issued in dematerialized form, registered in the independent register Depozitarul Central S.A., according to contract no. 42757 of September 16, 2008

1. Review of the Company's activity

1.1. a) Description of the basic activity of the Company.

Carbochim SA operates as a joint stock company according to Law 31/1990 republished, as subsequently amended and supplemented, and its main activity is 'Production of abrasive products'. According to NACE classifications - NACE code 2391.

b) Year of incorporation of the Company:

CARBOCHIM S.A. was set up as a joint-stock company in 1991, by transforming the former I.I.S. CARBOCHIM and has its registered office in ROMANIA, CLUJ-NAPOCA City, Piata 1 Mai nr. 3. The Company was founded initially in 1949, for the production of coal, and the activity scope had changed by subsequent investment, leading to the production and sale of abrasive products: vitrified bonded grinding wheels, bakelite bonded grinding wheels, elastic bonded grinding wheels, mineral bonded abrasives, abrasive cutting and deburring grinding wheels, abrasive paper, cloth paper combined, and volcano fiber. Moreover, the activity includes internal and external trade activities, services on maintenance and repair of machinery, space rental.

c) Description of any significant merger or reorganization of the Company, its subsidiaries or controlled companies during the financial year.

Not applicable. During the Financial Year 2020 subject of the report, the Company did not achieve any significant merger or reorganization.

d) Description of acquisitions and/or disposals of assets.

Acquisition of non-current assets:	RON 116,370
- Land	RON -
- Constructions (upgrades):	RON -
- Technological equipment:	RON 34,196
- Means of transport	RON -
- Measurement equipment and devices	RON 59,640
- Devices, office supplies, equipment	RON 22,534
- Intangible assets	RON -
 Write-offs of assets (inventory value)	 RON 191,432
Sales of assets (inventory value)	RON 180,407

e) Description of the main results of the assessment of the Company's activity.

During 2020, there was a decrease in the sales of abrasive products by approx. 9.60% compared to the previous year, amid the COVID-19 pandemic.

This decrease in income was correlated with the decrease in raw materials expenses by approx. 5.97%, of employee benefits expenses by approx. 9.22%, of depreciation expenses by approx. 16.46% and other operating expenses by approx. 20.20%.

The operating result of 2020 is profit in the amount of RON 1,758,812 compared to RON 387,069 in 2019.

Considering the Covid-19 pandemic, during 2020, AJOFM [County Agency for Employment] received subsidies for the payment of personnel in the amount of RON 1,432,829, representing:

- Furlough allowance under GEO no. 30/2020 for the period April-May 2020 in the amount of RON 600,010

- Settlement of 41.50% of the gross basic salary for the employees who had their employment contract suspended for a period of at least 15 days during the state of emergency or alert, according to Article III paragraph (2) of GEO no. 92/2020, in the amount of RON 832,819.

Without recording these revenues, the operating result of 2020 would have been RON 325,983.

1.2. Overall assessment elements:

INDICATOR	2020/RON
Net profit	1,371,441
Turnover	31,568,990
Intra-Community export or delivery	1,649,305
Operating income	32,862,946
Operating expenditure	31,104,134
% of the market held (in Romania)	15%
Liquidity (cash and cash equivalents as of December 31, 2020)	979,149

1.3. Assessment of the Company's technical level.

Description of the main products and/or services provided, stating:

Carbochim SA produces a wide range of abrasive products, such as:

- Bonded grinding wheels: ceramic, organic, mineral and elastic;*
- Cutting and deburring grinding wheels;*
- Abrasive on paper, canvas in the form of: endless strips, rolls, sheets, flat wheels, lamellar wheels and others.*

Furthermore, the Company has various collaboration contracts with other manufacturers to complete the assortment range.

a) The main outlets for each product or service and the distribution methods.

The main market for the sale of the products is the internal one and the distribution of the products is carried out both directly by the Company and through the authorized representatives or distributors.

On the external market, the sale is carried out directly by the Company, the most important intra-Community deliveries and exports are in: Poland, Hungary, Germany, England, Austria, The Netherlands and Switzerland.

b) The share of each category of products or services in the Company's revenues and total turnover for the last three years.

PRODUCTS CARBOCHIM	2018		2019		2020	
	% revenue	% turnover	% revenue	% turnover	% revenue	% turnover
Grinding wheels	61.79	58.91	60.09	59.79	61.93	59.62
Coated abrasives	36.81	35.09	34.29	34.11	36.87	35.48

c) The new products contemplated, for which a substantial volume of assets shall be affected in the next financial year, as well as the stage of development of these products.

Considering the strong competition on the retail market, the Company has turned to the development of abrasive products that are used in the industry: automotive, bearings, metallurgy and others. High tech abrasive products based on state-of-the-art abrasive materials have been assimilated to these industries.

1.4. Assessment of the technical-material supply activity (indigenous sources, import sources). Disclosure on the security of supply sources, raw material prices as well as the sizes of stocks of raw material and material.

The main utilities, electricity and gas are purchased in the internal market.

Some of the basic raw materials are purchased from imports on the European and Asian markets (Germany, Italy, Hungary, Austria, Poland, Slovenia, France, China, Korea). Generally, there are at least two suppliers for each raw material.

Raw material stocks are generally within normal limits, except for those supplied from the Asian market or those with a long manufacturing cycle, where a reserve stock is set up, in order to avoid stopping production due to long delivery times.

1.5. Assessment of the sale activity.**a) Description of the evolution of sales sequentially on the internal and/or external market and of medium and long-term sales prospects.**

Given the global crisis caused by the coronavirus pandemic, which is expected to send the European Union and the Euro Area into a recession, the full impact of this crisis being still impossible to predict and prevent in its entirety, the objectives set for 2021 are:

- 5% increase in sales of finished products compared to the level of 2020;*
- maintaining sales on the external market at the level of 2020;*
- orienting towards the performance of its own distribution system through the efficient use of the resources of the territorial workstations – Ploiesti; Bucharest.*

In 2020, the Company's activity was carried out in a difficult macroeconomic environment, which implied the permanent adjustment of short-term strategies to achieve the proposed objectives.

b) Description of the competitive situation in the Company's field of activity, of the market share of the Company's products or services and of the main competitors.

Carbochim SA carries out its activity in a variable competitive environment in which changes occur regarding the 'price policy' component advocated by the competing companies. In this context, we assess that the situation at the level of 2021 will have the same competitive profile as previous years, and the changes that may occur will not constitute a threat to the marketing policy adopted.

c) Description of any significant dependence of the Company on a single client or group of clients whose loss would negatively impact the Company's revenues.

Given the wide range of products of the Company, as well as its large customer base, there is no customer that could materially affect the Company's activity. There is a wide range of trading partners in the internal market that contribute to the sales achieved by the Company. However, none of them has the potential to have a considerable negative impact on the Company's results, the client/product portfolio is in stable state.

1.6. Assessment of the human resources aspects of the Company.**a) Disclosing the number and level of training of the Company's employees, and the degree of syndication of the workforce.**

The average number of staff in 2020 was 164 employees.

More than 45% of employees have been working in the Company for more than 2-3 decades, which provides the Company with extensive and sound experience in the production and marketing of abrasive products.

The level of education of employees is as follows: 31% higher education, 64% secondary education (high school, foreman school, vocational school, apprenticeship) and 5% general education.

The degree of syndication of the workforce within the Company is 56%.

b) Description of the relationships between Management and employees as well as of any conflicting elements that characterize these relationships.

Relations between the Company's management and employees took place in 2020 on a professional basis and without any conflicts whatsoever. A Collective Bargaining is concluded at Company level which is renegotiated on an annual basis.

1.7. Assessment of the aspects related to the impact of the basic activity of the issuer on the environment.

The Company holds all the environmental permits and permits necessary for the activity carried out. There are no pending or threatened legal actions for violation of environmental protection legislation. The Company is certified according to ISO 9001:2015 and ISO 14001:2015, with an integrated quality-environment system.

1.8. Assessment of the research and development activity.

Research and development activities are geared towards:

- Design and approval of new products, especially those required in industry;*
- Improvement and technological development imposed by the quality and technical requirements of the specific products;*
- Technological optimization, taking into account the main objectives of the Company, namely cost reduction, increasing product quality and meeting customer requirements.*

1.9. Assessment of the trade activity regarding risk management.

Like any player in a competitive market, the Company is always exposed to both changes in the prices of raw materials, gas and electricity, as well as to local or global developments in the prices of finished products, as well as to the evolutions of exchange rates.

In 2020, the Company's activity was exposed to the following types of risks:

- **Currency risk.** The Company is exposed to currency risk through exposure to different currencies, namely USD and EUR. Currency risk is associated to assets and liabilities recognized, in particular payables towards external suppliers of raw material and material, as well as loans and leases.*

In April 2018, the Company concluded a framework contract for derivative financial transactions for FORWARD foreign exchange operations to partially cover foreign exchange risk for USD, therefore the Company started to apply the hedge accounting.

The impact of this type of risk on the profit and loss account in 2020 was - RON 10,618.

The impact on the profit and loss account assuming a 10% increase in EUR applied at the Balance Sheet date, with all other variables remaining constant, would be RON -104,635.

The depreciation trend of RON in relation to USD, which occurred during 2015, continued the following years, also influenced the profit and loss account of 2020, given that an important part of the raw materials are supplied from the Asian market. Furthermore, the trend of depreciation of RON in relation to EUR continued in 2020, a trend which seems to increase in 2021 and which has influenced the profit and loss account of 2020, considering that a significant part of the raw materials are supplied from the

European Union, as well as the fact that the finance lease debts are calculated according to the EUR exchange rate and part of the financing was committed in EUR.

-Interest rate risk. The Company is exposed to interest rate risk through its long and short-term loans, most of which have variable rates, related to ROBOR index for loans in RON, EURIBOR for loans in EUR respectively. The Company has entered into interest-bearing loan agreements with Unicredit Bank, Banca Comerciala Romana and Raiffeisen Bank. On December 31, 2020, a possible increase in the interest rate of 1% would have an effect on the income statement of RON - 1,298.

- Price risk, which represents the risk that the value of a financial instrument will fluctuate as a result of the change in market prices. During 2020, there were increases in utility prices, which were due to the increase in electricity and gas prices on the Stock Exchange and a slight increase in prices of other raw materials and materials due mainly to variations in the EURO-RON/USD-RON exchange rate. In the second part of 2020, amidst the COVID 19 pandemic, shipping problems and significant price increases on the supply of raw materials by sea emerged.

- Credit risk is mainly related to cash and cash equivalents and trade receivables. The Company has developed a number of policies the application of which ensures that the sales of products and services takes place to adequate customers. The carrying amount of receivables, net of provisions for doubtful debts, represents the maximum exposure to credit risk. The credit risk of trade receivables that are neither provisioned nor outstanding, can be assessed through internal analysis since there is no information about external risk indicators for customers.

-Liquidity risk,
Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Forecasts of cash flows are prepared by the Company's Finance Department, which monitors forecasts of the Company's liquidity needs to ensure that there is sufficient cash to meet the operational requirements, while always maintaining a sufficient margin in undrawn committed lending facilities, so the Company does not violate the limits of loans or arrangements relating to loans for all credit facilities.

1.10. Prospective elements regarding the Company's activity.

In 2021, the main factor of uncertainty that can affect very seriously the activity of the Company is the global crisis caused by the coronavirus pandemic which is expected to send the European Union and the Euro Area into a recession, the full impact of this crisis is still impossible to predict and prevent in its entirety.

In 2021, the liquidity of the Company could be affected by the increased payment terms of our customers, due to the lack of liquidity on the market, as well as the influence of the exchange rates between RON-EUR and RON-USD, as well as the increase in energy and gas prices if the current upward trend continues in the following year.

1.11. Corporate governance code statement.

Carbochim SA has shares listed at Bucharest Stock Exchange. As a result, the Company applies all the legal provisions in force: Law 31/1990 updated, Order of the Ministry of Public Finance 2844/2016, as subsequently amended and supplemented, for the approval of the Accounting Regulations according to International Financial Reporting Standards, ASF Regulation no. 5/2018 on reports, Law 297/2004 on the capital market, Bucharest Stock Exchange regulations and others. All these acts are public.

Until the date of this Report, the Company did not accede to the Corporate Governance Code issued by the Bucharest Stock Exchange in 2015. The Company has started the necessary steps to adhere to this Code. The Board of Directors shall analyze and decide on the conditions and influences in the Company's corporate governance strategy.

The status of compliance with the Bucharest Stock Exchange Corporate Governance Code was presented by the Company in the Current Report dated January 22, 2016, which can be found on the website www.carbochim.ro, in the Despre noi/Actionari/An 2016/Diverse section.

The Company manages the accounting in accordance with the legislation in force and has its own embedded system.

The Financial Statements are prepared in accordance with the accounting policies legally adopted by the Company and the legislation in force, which are checked and approved by the Chief Financial Officer, the Chief Executive Officer and, where applicable, by the Board of Directors.

An internal control system is implemented within Carbochim SA, for the main activities, and work procedures are established.

The duties exercised by the internal control in the Company are, but are not limited to:

- Examining the legality, regularity and conformity of operations;*
- Identifying errors, waste, faulty manages and, on these grounds, proposing measures and solutions to recover damages and sanctioning those responsible, as appropriate;*
- Overseeing the functioning of systems for substantiating planning, programming, organizing, coordinating decision, monitoring and controlling the implementation of decisions;*
- Assessing the efficiency and effectiveness with which the existing Management and execution systems at Company level use the financial, human and material resources to achieve the objectives and obtain the results established.*

The structure and mode of operation of the executive, management and supervisory bodies is in accordance with the legislation in force and the Articles of Association of the Company. The General Meeting of Shareholders is the Management Body of the Company, which decides on its activity and establishes the economic and commercial policy. The General Meetings are ordinary and extraordinary, and the duties of each are established by the Articles of Incorporation. The Company is managed by a Board of Directors composed of 5 Directors, who may also have the capacity of shareholders, elected by the General Meeting of Shareholders for a term of 4 years, with the possibility to be re-elected for new terms of 4 years. At its first Meeting, the Board of Directors shall elect a chairman from among its members. The Chairman of the Board of Directors is the Chief Executive Officer under the mandate contract. The Executive Directors are appointed by the Chief Executive Officer and are under his/her subordination. The composition of the Company's Management and Management Bodies is presented in section 4 of this Report. An Audit Committee consisting of two members was established within the Board of Directors in 2017.

The internal audit activity is outsourced, a contract was concluded with a self-employed person with an audit qualification, according to the legal requirements.

The internal audit is directly subordinated to the Board of Directors of the Company.

The Company has concluded a contract with a licensed financial auditor, according to the legal requirements, which checks the Financial Statements according to the legal provisions in force.

The General Meeting of Shareholders has the duties provided for by Law 31/1990 with the related amendments and by the Articles of Incorporation of the Company in force on the date when the General Meeting is held

The manner in which the General Meeting of Shareholders is held and its key duties are in accordance with the legislation in force and the Articles of Association of the Company.

Shareholders' rights and the manner in which they may be exercised are provided for in the applicable law.

2. Company's tangible assets.

2.1. Disclosure of the location and characteristics of the main production capacities owned by the Company.

The production capacities owned by the Company are entirely located in Cluj-Napoca, P-ta 1 Mai, nr. 3.

The two production capacities of Carbochim S.A. are:

Abrasive Wheels Department with a capacity of 3,000 t/year.

Bonded Abrasives Department with a capacity of 4,000 thousand sq m/year.

2.2. Description and analysis of the wear and tear of the Company's properties.

An average degree of wear can be estimated at approx. 39%, considering that there are assets from 1965-1970, but also assets from 2000-2020.

Importantly, most of the properties (constructions) are from 1973-1979 and they are in good condition. Furthermore, all machinery and installations are in good working condition and allow the production to be carried out at a higher quality level.

2.3. Disclosure of potential ownership issues over the Company's tangible assets.

Not applicable.

3. The securities market issued by the Company.

3.1. Disclosure of the markets in Romania and in other countries where the securities issued by the Company are negotiated.

The Company is the issuer of registered shares traded on the 2nd category of Bucharest Stock Exchange, CBC symbol.

3.2. Description of the Company's dividend policy. Disclosure of the dividends due/paid/accumulated in the last 3 years and, if applicable, the reasons for any reduction of dividends during the last 3 years.

In recent years, the policy of the Company has been to distribute dividends to Shareholders, to the extent that the results obtained have allowed this distribution.

The situation of dividends distributed and paid in the last 3 years is as follows:

- in 2018, dividends amounting to RON 1,232,544 (gross dividend RON 0.25/share) were distributed, of the net profit of 2017, and of the net profit remained undistributed since 2015 in accordance with the Decision of the Ordinary General Meeting of Shareholders no. 2/April 26, 2018.

During 2018, net dividends amounting to 936,573 were paid to Shareholders, net dividends in the amount of RON 158,602 were recorded at CEC BANK under a DIICOT [Directorate for Investigating Organized Crime and Terrorism] Ordinance, and the withheld dividend tax amounting to RON 61,935 was paid to the State budget.

- in 2019, dividends amounting to RON 1,479,053 (gross dividend RON 0.30/share) were distributed, of the net profit of 2018, in accordance with the Decision of the Ordinary General Meeting of Shareholders no. 1/April 24, 2019.

During 2019, net dividends amounting to 1,139,364 of net profit in 2018 were paid to Shareholders, net dividends in the amount of RON 190,322 were recorded at CEC BANK under a DIICOT Ordinance, the withheld dividend tax amounting to RON 53,721 was paid to the State budget, and dividends distributed in the previous years in the amount of RON 5,178 were paid.

- no dividends were distributed in 2020, but net dividends amounting to RON 12,446 were paid to Shareholders from the dividends distributed in previous years.

3.3. Description of any activities of the Company to purchase its own shares.

As of December 31, 2020 the Company holds a number of 4,813 own shares registered during 2020 at a market value of RON 39,466.60 according to the documents that underpinned the transfer of ownership.

At the par value of RON 2.5 per share, these shares represent RON 12,032.50.

After obtaining the enforceable title in the case file no. 3986/1285/2011, the issuer started enforcement actions by seizing shares held by the debtor, with the direct transfer of ownership from SCOPE LINE S.A. assets to CARBOCHIM S.A. assets on the basis of the award certificate dated January 30, 2013 issued by 'Adam, Oszoczki, Sortan si Asociatii Executori Judecatoresti'. The direct transfer was approved by ASF by Decision No. 953/July 24, 2019 following the final settlement at the High Court of Cassation and Justice of the file no. 7903/2/2016.

In the Ledge of Shareholders the transfer was operated on March 24, 2020 as we were informed by the Central Depository by means of notice no. 11720/April 15, 2020.

3.4. If the Company has subsidiaries, disclosure of the number and face value of the shares issued by the Parent Company owned by the subsidiaries.

Not applicable. The Company has no subsidiaries but has two places of business, in Bucharest and Ploiesti.

3.5. If the Company has issued bonds and/or other debt securities, disclosure of the Company's performance of its obligations to such securities.

Not applicable. The Company did not issue bonds or other debt securities.

4. Company's management.**4.1. Disclosure of the list of the Company's Directors and of the following information for each Director.**

During 2020, the Company was managed by a Board of Directors consisting of 5 members, who were elected for a term of 4 years, for the period 2018-2022, in accordance with the Decision of the Ordinary General Meeting of Shareholders no. 1/February 26, 2018.

- a) CV (surname, first name, age, qualification, professional experience, position and seniority).*
- b) Any agreement, covenant or family relationship between the relevant Director and another person due to which the relevant person was appointed Director;*
- c) Director's participation in the Company's equity;*
- d) List of persons affiliated to the Company.*

4.1.1. POPOVICIU VIOREL DORIN *member of the Board of Directors and Chairman of the Board of Directors throughout January 1, 2020 - December 31, 2020. He is 66 years old and holds the position of engineer.*

- a) All positions held within the Company are: Trainee Engineer, Engineer, Senior Engineer, General Manager, Manager, Chief Executive Officer, 40 years seniority.*
- b) Not applicable.*
- c) Held 234,670 shares as of December 31, 2020.*
- d) They are presented in Note 22 to the Financial Statements and in the Appendix to this Report.*

4.1.2. POPA GHEORGHE TITUS DAN, *member of the Board of Directors throughout January 1, 2020 - December 31, 2020. He is 66 years old and holds the position of engineer.*

- a) Has not held or does not hold any other positions within the Company.*
- b) Not applicable.*
- c) Does not hold.*
- d) They are presented in Note 22 to the Financial Statements and in the Appendix to this Report.*

4.1.3. CRISAN VIOREL VASILE, *member of the Board of Directors throughout January 1, 2020 - December 31, 2020. He is 71 years old and holds the position of economist.*

- a) Does not hold any other positions within the Company.*
- b) Not applicable.*
- c) Does not hold.*
- d) Not applicable.*

4.1.4. IONESCU MIRCEA-PIETRO, member of the Board of Directors throughout January 1, 2020 - December 31, 2020. He is 65 years old and holds the position of engineer.

- a) Has not held or does not hold any other positions within the Company.
- b) Not applicable.
- c) Does not hold.
- d) Not applicable.

4.1.5 STOICESCU DANIEL SILVIU, Director and member of the Board of Directors throughout January 1, 2020 - December 31, 2020. He is 50 years old and holds the position of lawyer.

- a) Has not held or does not hold any other positions within the Company.
- b) Not applicable.
- c) Held 15 shares as of December 31, 2020.
- d) They are presented in Note 22 to the Financial Statements and in the Appendix to this Report.

4.2. Disclosure of the list of members of the Company's Executive Management.
For each, the disclosure of the following information:

The Executive Management is provided by a Chief Executive Officer who exercises his/her duties under the mandate contract concluded with the Board of Directors and a team of 3 Executive Directors.

- a) Term for which the person is part of the Executive Management;
- b) Any agreement, covenant or family relationship between the relevant person and another person due to which the relevant person was appointed a member of the Executive Management;
- c) The relevant person's participation in the Company's equity.

4.2.1. POPOVICIU VIOREL-DORIN, Chief Executive Officer.

- a) Mandate contract for the period 2018 to 2022;
- b) Not applicable.
- c) Held 234,670 shares as of December 31, 2020.

4.2.2. BARABULA MIHAELA-MARIA, Chief Financial Officer;

- a) Employee under employment contract for an indefinite period;
- b) Not applicable.
- c) Does not hold.

4.2.3. GIURGIU LIANA, Sales Director;

- a) Employee under employment contract for an indefinite period;
- b) Not applicable.
- c) Does not hold.

4.2.4. CAREAN NASTASIA, Technical and Production Manager;

- a) Employee under employment contract for an indefinite period;
- b) Not applicable.
- c) Does not hold.

4.3. For all persons listed in 4.1 and 4.2, disclosure of any disputes or administrative procedures in which they have been involved, in the last 5 years, regarding their activity within the issuer, as well as those concerning the relevant person's ability to perform their duties within the issuer.

The members of the Board of Directors are part of file case 7513/2/2016, opened at Bucharest Court of Appeal, appealing the FSA decisions no. 973-977/April 25, 2016, for sanctioning them with amounts ranging from RON 5,000 to RON 7,500.

Before the first court, members of the Board of Directors won the case and the fines were annulled.

FSA filed an appeal.

5. Financial and accounting statement.

Disclosure of the economic and financial statement, compared to the last 3 years, with reference to:

a) Balance Sheet items: assets representing at least 10% of total assets; cash and other cash equivalents; reinvested profits; total assets; total liabilities.

The overall asset statement is disclosed as follows:

		2018	2019	2020
Total assets	RON	97,896,841	94,729,537	93,431,948
Inventories	RON	14,958,347	14,702,179	14,416,412
Inventories	%	15.28	15.52	15.43
Trade receivables	RON	7,645,281	7,035,076	5,357,088
Trade receivables	%	7.81	7.43	5.73
Other assets	RON	267,501	283,021	305,119
Other assets	%	0.27	0.30	0.33
Current income tax recoverable	RON	0	0	0
Cash and cash equivalents	RON	879,301	1,024,860	979,149
Cash and cash equivalents	%	0.90	1.08	1.05
Investment properties	RON	7,124,302	7,124,302	7,124,301
Investment properties	%	7.28	7.52	7.63
Intangible assets	RON	6,557	1,249	0
Tangible assets	RON	66,977,552	64,520,850	65,211,879
Tangible assets	%	68.42	68.11	69.80
Investments in equity instruments	RON	38,000	38,000	38,000

The overall liability statement is disclosed as follows:

		2018	2019	2020
Total liabilities	RON	97,896,841	94,729,537	93,431,948
Share capital	RON	12,325,438	12,325,438	12,325,438
Adjustments of share capital	RON	-	-	-
Other components of equity	RON	57,440,201	57,563,025	57,387,745
Retained earnings	RON	9,350,754	7,937,638	9,301,233
Long-term loans	RON	918,100	90,797	1,432,625
Long-term provisions	RON	247,526	264,526	274,014
Deferred tax liability	RON	7,033,841	6,797,489	6,901,859
Current portion of long-term loans	RON	6,872,164	6,334,372	2,310,166

Trade payables and of other nature	RON	3,680,346	3,415,012	3,468,237
Current income tax	RON	28,471	1,237	30,631

For the financial year 2020, the Annual Separate Financial Statements were prepared according to the International Financial Reporting Standards adopted by the European Union, in accordance with the provisions of Order of the Ministry of Public Finance no. 2844 /2016 approving the Accounting Regulations compliant with the International Financial Reporting Standards.

b) Profit account, net sales, gross income, cost items and expenses with a share of at least 20% in net sales or gross income, risk provisions and for various expenses, referring to any sale or cessation of a segment of activity performed in the last year or to be performed in the following year; dividends declared and paid.

Evolution of the profit and loss account

		2018	2019	2020
Overall revenue	RON	39,352,872	35,080,684	32,862,955
Total expenses	RON	-36,023,184	-34,990,992	-31,279,560
Gross profit	RON	3,329,688	89,692	1,583,395
Income taxes (current and deferred)	RON	-662,100	-21,104	-211,954
Net profit	RON	2,667,588	68,588	1,371,441
Cost elements representing more than 20% of total revenues				
		2018	2019	2020
- expenses on raw materials, merchandise and consumables	%	33.70	30.59	30.70
- employee benefit expenses	%	38.99	45.75	44.43
- depreciation and impairment expenses	RON	-2,193,325	-2,587,157	-2,161,198
- other operating expenditure		-4,993,169	-5,325,684	-4,249,967
- dividends distributed as of the end of the period	RON	1,479,053	0	0*
- dividends paid during the relevant year (including the related tax)	RON	998,508	1,198,263	12,446

* The Board of Directors proposal to distribute the net profit does not provide for the distribution of dividends from the net profit of 2020 in the Ordinary General Meeting of Shareholders of April 2021.

In 2020, there was no sale or shutdown of any business segment, except for the period of temporary interruption of production in April to May 2020 due to the COVID-19 crisis and we do not expect this to be the case in 2021 either.

c) Cash flow: all changes occurred in the level of cash within the basic activity, investments and financial activity, the level of cash at the beginning and end of the period.

	2018	2019	2020
<i>Net cash from operating activities</i>	1,419,753	2,886,965	5,318,865
<i>Net cash from investment activities</i>	-4,237,610	-170,148	-2,641,397
<i>Net cash from financing activities</i>	3,061,382	-2,571,258	-2,723,179
<i>Cash flows - total</i>	243,525	145,559	-45,711
<i>Cash at the beginning of period</i>	635,776	879,301	1,024,860
<i>Cash at the end of period</i>	879,301	1,024,860	979,149

In 2018, investment expenses totaled RON 5,152,421 and investments amounting to RON 5,051,528 were completed.

In 2019, investment expenses totaled RON 501,973 and investments amounting to RON 407,114 were completed

In 2020, investment expenses totaled RON 3,334,431 and investments amounting to RON 116,370 were completed.

6. Signatures

Engineer Popoviciu Viorel-Dorin
Chairman of the Board of Directors

Economist Barabula Mihaela-Maria
Chief Financial Officer

Appendices.

a) The Company's Articles of Association, if amended in the reported year.

Not applicable.

b) Material contracts concluded by the Company in the reported year.

Not applicable.

c) Documents of resignation/dismissal, if there were such situations among the members of the administration, the executive management, the independent financial auditor.

Not applicable.

d) List of the Company's subsidiaries and of the companies controlled by it.

Not applicable.

e) List of persons affiliated to the Company, with whom the Company carried out transactions in 2020:

- CARBOREF SRL

Cluj-Napoca

The value of transactions with the companies mentioned above is disclosed in the Notes to the Financial Statements of 2020.