



# **ANNUAL MANAGEMENT REPORT**

**YEAR 2021**

**CARBOCHIM S.A.  
CLUJ-NAPOCA**

**Prepared according to Regulation No. 5/2018 of A.S.F. for the financial year 2021**

## **Identification data of CARBOCHIM SA**

**Registered office:** Piata 1 Mai Nr.3, Cluj-Napoca

**Phone/Fax:** 0264437005/ 0264437026

**Tax Reference Number and VAT Code:** RO 201535

**Trade Register Number:** J12/123/1991

**Subscribed and Paid-up Share Capital:** RON 12,313,405

**Email:** [Sales@carbochim.ro](mailto:Sales@carbochim.ro)

**Website:** [www.carbochim.ro](http://www.carbochim.ro)

**Regulated market where the issued shares are traded:** Bucharest Stock Exchange - category II (symbol: CBC)

**LEI code:** 315700GD1WTAQ2QBME83

### **The main features of the securities issued by the Company**

**On December 31, 2021, the situation was the following:**

- **Face value:** RON 2.5/share

**Number of shares:** 4,925,362

**Share capital:** RON 12,313,405

- **Registered shares, issued in dematerialized form, registered in the independent register**

**Depozitarul Central S.A., according to contract no. 42757 of September 16, 2008.**

**Reporting Period:** Year 2021 (Period from January 1 to December 31, 2021)

## **1. Review of the Company's activity**

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

*a) 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 products, 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 2021 subject of the report, the Company did not carry out any significant merger or reorganization.*

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

<b>Purchase of non-current assets :</b>	<b>RON</b>
- Land	RON -
- Constructions (upgrades):	RON 15,390
- Technological equipment:	RON 3,171,858
- Means of transport	RON 575,360
- Measurement equipment and devices	RON 12,067
- Devices, office supplies, equipment	RON 15,615
- Intangible assets	RON 276
<b>Write-offs of assets (inventory value)</b>	<b>RON 588,209</b>
<b>Sales of assets (inventory value)</b>	<b>RON 425,162</b>

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

*During 2021, there was a slight increase in the sales of grinding products by approx. 8% compared to the previous year.*

*This increase in revenue was correlated with the increase in raw materials expenses by approx.4%, employee benefits expenses by approx 6% and other operating expenses by approx. 13%. Depreciation expenses decreased by approx. 3%.*

*The operating result of 2021 is profit of RON 1,724,342 compared to RON 1,758,812 in 2020.*

*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 Government Emergency Ordinance 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 Government Emergency Ordinance 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.*

*No subsidies were received during 2021.*

**1.2. Overall assessment elements:**

<b>INDICATOR</b>	<b>2021/ RON</b>
<i>Net profit</i>	<b>1,441,211</b>
<i>Turnover</i>	<b>34,087,673</b>
<i>Export or Intra-Community deliveries</i>	<b>1,621,752</b>
<i>Operating income</i>	<b>34,614,815</b>
<i>Operating expenditure</i>	<b>32,890,473</b>
<i>% of the market held (in Romania)</i>	<b>15%</b>
<i>Liquidity (cash and cash equivalents as at December 31, 2021)</i>	<b>900,973</b>

### 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	2019		2020		2021	
	% revenue	% turnover	% revenue	% turnover	% revenue	% turnover
Grinding wheels	60.09	59.79	61.93	59.62	64.74	61.98
Coated abrasives	34.29	34.11	36.87	35.48	34.04	32.59

#### 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 focused on 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 from the domestic market.*

*Some of the basic raw materials are purchased on the European market (Germany, Italy, Hungary, Austria, Poland, Slovenia, France) and by imports from the Asian market (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 Eurozone into a recession, the full impact of this crisis being still impossible to predict and prevent in its entirety, the objectives set for 2022 are:*

- 5% increase in sales of finished products compared to the level of 2021;*
- Maintaining sales on the external market at the level of 2021;*
- Orienting towards the performance of its own distribution system through the efficient use of the resources of the territorial workstations –Ploiesti and Bucharest.*

*In 2021, 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 202w 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 2021 was 170 employees.*

*More than 43% 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: 29% higher education, 64% secondary education (high school, foreman school, vocational school, apprenticeship) and 7% general education.*

*The degree of syndication of the workforce within the Company is 58%.*

### **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 2022 on a professional basis and without any conflicts whatsoever. A Collective Bargaining is concluded at Company level which is renegotiated on an annual basis.*

*In the fight against the COVID-19 pandemic, the Company's Management has taken all the necessary measures, so that the activity of the Company is carried out as close to normal conditions as possible.*

## **1.7. Assessment of the aspects related to the impact of the core 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 2021, 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 2021 was - RON 22.614.*

*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 -65,650.*

*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 2021, given that an important part of the raw materials are supplied from the Asian market. Furthermore, the trend of depreciation of RON against EUR continued in 2021, a trend which continues in 2022 and which has influenced the profit and loss account of 2021, given that an important part of the raw materials are supplied from the European Union.*

*- **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. As at December 31, 2021, a possible increase in the interest rate of 1% would have an effect on the income statement of RON 857.*

*- **Price risk,** which is the risk that the value of a financial instrument will fluctuate as a result of the change in market prices. During 2021, there were significant increases in electricity and natural gas prices, which were due to the energy crisis on the European market. There have been significant increases in prices of most raw materials and commodities due to the effects of the COVID 19 pandemic and the shipping problems generated by the world market container crisis.*

*- **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.**

*The Extraordinary General Meeting of Shareholders of CARBOCHIM SA convened in its meeting of January 5, 2022 decided by unanimous vote the relocation of the entire activity carried out by the Company in the new building to be purchased by the Company under the conditions approved in the same meeting of the General Meeting of Shareholders and the alienation by sale to one or more buyers of the real estates owned by the Company, located in Cluj-Napoca, P-ța 1 Mai, nr. 3, Cluj County and composed of the land plots and the constructions located thereon. (Decision of the General Meeting of Shareholders no. 1/January 5, 2022).*

*In 2022, an important 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 Eurozone into a recession.*

*Another major factor of uncertainty that can seriously affect the activity of the Company is the crisis generated at European level by the war in Ukraine, which overlapped the effects of the Covid-19 crisis is expected to send the European Union and the Eurozone into a recession.*

*The full impact of these crises is still impossible to predict and prevent in its entirety.*

*Even in 2022, 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, by the influence of the RON-US and RON-USD exchange rates, and by the prices for electricity, natural gas and fuels, if they are maintained at the current level or if the current upward trend continues in the future.*

### **1.11. Statement on corporate governance code.**

*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](http://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 integrated IT 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.*

*Within Carbochim SA there is an internal control system in place for the main activities, with established working procedures.*

*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 category II 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 the last 2 years, the policy of the Company has been to not distribute dividends to the Shareholders, the net profits obtained have been transferred to the retained earnings and have been used to capitalize the Company and to support its activity in this difficult period that we all go through.*

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

*- 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 [Directorate for Investigating Organized Crime and Terrorism] 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.*

*- No dividends were distributed in 2021, but net dividends amounting to RON 1,010 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 at December 31, 2020 the Company held 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.*

*The Extraordinary General Meeting of Shareholders held on April 28, 2021 approved, by unanimous vote, the cancellation of 4,813 own shares with a face value of RON 2.5 and the reduction of the share*

capital from RON 12,325,437.50 to RON 12,313,405, with the face value corresponding to the cancelled shares, namely RON 12,032.50, according to Article 207 paragraph (1) (c) of Law 31/1990. (Decision of the General Meeting of Shareholders no. 1/January 28, 2021). The cancellation of the own shares resulted in a loss of RON 27,434.10, to be covered according to the decision of the General Meeting of Shareholders.

**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 2021, the composition of the Board of Directors has undergone some changes, as follows:

At the beginning of the year, the Board of Directors was composed of the following members: Mr Popoviciu Viorel-Dorin - President, Mr Popa Gheorghe Titus Dan, Mr Ionescu Mircea Pietro, Mr Crisan Viorel Vasile and Mr Stoicescu Daniel –Silviu.

On March 20, 2021, the Board of Directors took note of the waiver of the quality of member of the Board of Directors of the following members: Mr Popa Gheorghe Titus Dan, Mr Ionescu Mircea Pietro and Mr Crisan Viorel Vasile.

On April 28, 2021, the Ordinary General Meeting of Shareholders of Carbochim S.A. took place, during which the shareholders of Carbochim elected the following members of the Board of Directors for the remaining term of office: Mr Giurgiu Adrian, Mr Turbatu Ioan and Mr Ungurean Tudor.

Following the election of the new members, the composition of the Board of Directors of CARBOCHIM is composed of: Mr Popoviciu Viorel - Dorin - President, Mr Giurgiu Adrian, Mr Turbatu Ioan, Mr Ungurean Tudor and Mr Stoicescu Daniel – Silviu.

- 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, 2021 - December 31, 2021**. He is 67 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) Owned 145,670 shares as at December 31, 2021.
- 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, 2021 - December 31, 2021. He is 67 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 disclosed 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, 2021 - December 31, 2021. He is 72 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, 2021 - March 31, 2021. 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**, member of the Board of Directors throughout **January 1, 2021 - December 31, 2021**. He is 51 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 at December 31, 2021.
- d) They are disclosed in Note 22 to the Financial Statements and in the Appendix to this Report.

**4.1.6 GIURGIU ADRIAN**, member of the Board of Directors throughout **April 28, 2021 - December 31, 2021**. He is 39 years old and holds the position of economist.

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

**4.1.7 TURBATU IOAN**, member of the Board of Directors throughout **April 28, 2021 - December 31, 2021**. He is 62 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.

**4.1.8 UNGUREAN TUDOR**, member of the Board of Directors throughout **April 28, 2021 - December 31, 2021**. He is 42 years old and holds the position of legal counsel.

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

#### **4.2. 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 General Manger who exercises his duties under the mandate contract concluded with the Board of Directors and a team of 3 Chief Executive Officers.

- 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**, General Manager.

- a) Mandate contract for the period 2018-2022;
- b) Not applicable.
- c) Owned 145,670 shares as at December 31, 2021.

##### **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 were part of file case 7513/2/2016, opened at Bucharest Court of Appeal, appealing the AFS 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, the members of the Board of Directors won the case and the fines were annulled. ASF filed an appeal. The High Court of Cassation and Justice ordered the case to be remanded to Bucharest Court of Appeal, and Bucharest Court of Appeal dismissed the annulment action as unfounded. The fines have been paid.*

### 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:*

		2019	2020	2021
Total assets	RON	94,729,537	93,431,948	95,861,837
Inventories	RON	14,702,179	14,416,412	15,241,090
Inventories	%	15.52	15.43	15.90
Trade receivables	RON	7,035,076	5,357,088	6,259,122
Trade receivables	%	7.43	5.73	6.53
Other assets	RON	283,021	305,119	994,118
Other assets	%	0.30	0.33	1.04
Current income tax recoverable	RON	0	0	0
Cash and cash equivalents	RON	1,024,860	979,149	900,973
Cash and cash equivalents	%	1.08	1.05	0.94
Investment properties	RON	7,124,302	7,124,301	7,124,302
Investment properties	%	7.52	7.63	7.43
Intangible assets	RON	1,249	0	69
Tangible assets	RON	64,520,850	65,211,879	65,304,163
Tangible assets	%	68.11	69.80	68.12
Investments in equity instruments	RON	38,000	38,000	38,000

*The overall liability statement is disclosed as follows:*

		2019	2020	2021
Total liabilities	RON	94,729,537	93,431,948	95,861,837
Share capital	RON	12,325,438	12,325,438	12,313,405
Adjustments of share capital	RON	-	-	-
Other components of equity	RON	57,563,025	57,387,745	57,309,069
Retained earnings	RON	7,937,638	9,301,233	10,897,235
Long-term loans	RON	90,797	1,432,625	1,165,705
Long-term provisions	RON	264,526	274,014	290,591
Deferred tax liability	RON	6,797,489	6,901,859	6,762,736
Current share of long-term loans	RON	6,334,372	2,310,166	3,011,953
Trade payables and of other nature	RON	3,415,012	3,468,237	4,096,970
Current income tax	RON	1,237	30,631	14,173

*For the financial year 2021, 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

		2019	2020	2021
Total income	RON	35,080,684	32,862,955	34,614,818
Total expenses	RON	-34,990,992	-31,279,560	32,996,031
Gross profit	RON	89,692	1,583,395	1,618,787
Income taxes (current and deferred)	RON	-21,104	-211,954	-177,576
Net profit	RON	68,588	1,371,441	1,441,211
Cost elements representing more than 20% of total revenues				
		2019	2020	2021
- Expenses on raw materials, merchandise and consumables	%	30.59	30.70	30.27
- Employee benefit expenses	%	45.75	44.43	44.80
- Depreciation and impairment expenses	RON	-2,587,157	-2,161,198	-2,094,729
- Other operating expenditure		-5,325,684	-4,249,967	-4,809,630
- Dividends distributed as of the end of the period	RON	0	0	0*
- Dividends paid during the relevant year (including the related tax)	RON	1,198,263	12,446	1,010

\* The Board of Directors proposal to distribute the net profit does not provide for the distribution of dividends from the net profit of 2021 in the Ordinary General Meeting of Shareholders of April 2022.

*In 2021, there was no sale or cessation of any business segment and we do not think that will be the case in 2022 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.**

	2019	2020	2021
<i>Net cash from operating activities</i>	2,886,965	5,318,865	2,327,121
<i>Net cash from investment activities</i>	-170,148	-2,641,397	-2,828,463
<i>Net cash from financing activities</i>	-2,571,258	-2,723,179	-2,828,467
<i>Cash flows - total</i>	145,559	-45,711	-78,176
<i>Cash at the beginning of period</i>	879,301	1,024,860	979,149
<i>Cash at the end of period</i>	1,024,860	979,149	900,973

*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.*

*In 2021, investment expenses totaled RON 2,045,823 and investments amounting to RON 3,790,566 were completed.*

## **6. Signatures**

***Engineer Popoviciu Viorel-Dorin***

*Chairman of the Board of Directors*

***Economist Barabula Mihaela-Maria***

*Chief Financial Officer*



**CARBOCHIM S.A.**

**SEPARATE FINANCIAL STATEMENTS**

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**CARBOCHIM S.A.**

**SEPARATE FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**PREPARED IN ACCORDANCE WITH INTERNATIONAL  
FINANCIAL REPORTING STANDARDS  
ADOPTED BY THE EUROPEAN UNION**

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**CARBOCHIM S.A.****INCOME STATEMENT****(All amounts are expressed in RON unless otherwise stated)**

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	<b>Note</b>	<b>December 31, 2020</b>	<b>December 31, 2021</b>
Revenue	17	30,367,196	32,745,481
Other income	17	2,531,399	1,384,879
Changes in inventories of finished goods and production in progress		<u>(35,649)</u>	<u>484,455</u>
		<u>32,862,946</u>	<u>34,614,815</u>
Raw materials, goods and consumables used		(10,090,442)	(10,477,288)
Employee benefits expenses	18	(14,602,527)	(15,508,826)
Depreciation and impairment expenses		(2,161,198)	(2,094,729)
Other operating expenses	19	<u>(4,249,967)</u>	<u>(4,809,630)</u>
		<u>(31,104,134)</u>	<u>(32,890,473)</u>
Operating income		1,758,812	1,724,342
Financial income	20	9	3
Financing costs	20	<u>(175,426)</u>	<u>(105,558)</u>
Financial net result		<u>(175,417)</u>	<u>(105,555)</u>
Profit before tax		1,583,395	1,618,787
Income tax expense	21	(211,954)	(177,576)
Net profit for the year		<u>1,371,441</u>	<u>1,441,211</u>
Basic earnings and diluted earnings per share (RON per share)	23	<u>0.28</u>	<u>0.29</u>

**CARBOCHIM S.A.**

**STATEMENT OF COMPREHENSIVE INCOME**

**(All amounts are expressed in RON unless otherwise stated)**

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	<u>Note</u>	<u>December 31, 2020</u>	<u>December 31, 2021</u>
<b>Other comprehensive income</b>			
Profit for the year		1,371,441	1,441,211
<b>Other comprehensive income:</b>			
Gains / (losses) on revaluation of assets		-	-
Change of deferred tax recognized in the revaluation reserve		<u>(143,660)</u>	<u>64,082</u>
<b>Other comprehensive income for the year, net of taxes</b>		<u>(143,660)</u>	<u>64,082</u>
<b>Total comprehensive income for the year</b>		<u>1,227,781</u>	<u>1,505,293</u>

**CARBOCHIM S.A.****STATEMENT OF FINANCIAL POSITION****(All amounts are expressed in RON unless otherwise stated)**

	<b>Note</b>	<b>December 31, 2020</b>	<b>December 31, 2021</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment property	8	7,124,301	7,124,302
Other intangible fixed assets	7	0	69
Property, Plant and Equipment	6	65,211,879	65,304,163
Investments in owners' equity		38,000	38,000
<b>Total non-current assets</b>		<b><u>72,374,180</u></b>	<b><u>72,466,534</u></b>
<b>Current assets</b>			
Inventories	10	14,416,412	15,241,090
Trade receivables	11	5,357,088	6,259,122
Other current assets	11	305,119	994,118
Current income tax to be recovered	11.21	0	0
Cash and cash equivalents	12	<u>979,149</u>	<u>900,973</u>
<b>Total current assets</b>		<b><u>21,057,768</u></b>	<b><u>23,395,303</u></b>
<b>TOTAL ASSETS</b>		<b><u>93,431,948</u></b>	<b><u>95,861,837</u></b>
<b>OWNERS' EQUITY AND LIABILITIES</b>			
<b>Owners' equity</b>			
Share capital	13	12,325,438	12,313,405
Adjustments in owners' equity	13	0	0
Other components of owners' equity		57,387,745	57,309,069
Retained earnings		<u>9,301,233</u>	<u>10,897,235</u>
<b>Total owners' equity</b>		<b><u>79,014,416</u></b>	<b><u>80,519,709</u></b>
<b>Long-term liabilities</b>			
Long-term loans	14	1,432,510	1,165,705
Finance lease liabilities	15	115	0
Long-term provisions	5	274,014	290,591
Deferred tax liability	21	<u>6,901,859</u>	<u>6,762,736</u>
<b>Total long-term liabilities</b>		<b><u>8,608,498</u></b>	<b><u>8,219,032</u></b>

**CARBOCHIM S.A.**

**STATEMENT OF FINANCIAL POSITION**

**(All amounts are expressed in RON unless otherwise stated)**

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	<b><u>Note</u></b>	<b><u>December 31, 2020</u></b>	<b><u>December 31, 2021</u></b>
<b>Current liabilities</b>			
Current share of long-term loans	14	2,278,043	3,011,953
Current share of finance lease liabilities	15	32,123	0
Trade payables and of other nature	16	3,468,237	4,096,970
Current income tax	16.21	<u>30,631</u>	<u>14,173</u>
<b>Total current liabilities</b>		<b><u>5,809,034</u></b>	<b><u>7,123,096</u></b>
<b>TOTAL LIABILITIES</b>		<b><u>14,417,532</u></b>	<b><u>15,342,128</u></b>
<b>TOTAL OWNERS' EQUITY AND LIABILITIES</b>		<b><u>93,431,948</u></b>	<b><u>95,861,837</u></b>

The Financial Statements were authorized for issue by the Board of Directors on March 22, 2022 and were signed on its behalf.

Popoviciu Viorel-Dorin

Director

Barabula Mihaela-Maria

Chief Financial Officer

**CARBOCHIM S.A.****STATEMENT OF CASH FLOWS****(All amounts are expressed in RON unless otherwise stated)**

	<b>Note</b>	<b>December 31, 2020</b>	<b>December 31, 2021</b>
<b>Cash flows from operating activities</b>			
Receipts from customers and other debtors		40,678,743	39,810,511
Payments to suppliers, employees and other creditors		(23,721,019)	(25,847,597)
Interest paid		(136,250)	(84,799)
Income tax, social contributions, other levies and duties paid		(11,502,609)	(11,550,994)
<b>Net cash from operating activities</b>		<b>5,318,865</b>	<b>2,327,121</b>
		-	-
<b>Cash flows from operating investing activity</b>			
Payments for purchase of shares		-	-
Payments to purchase property, plant and equipment		(2,723,706)	(2,828,467)
Proceeds from sale of property, plant and equipment		82,300	-
Interest received		9	3
Dividends received		-	-
<b>Net cash from financing activities</b>		<b>(2,641,397)</b>	<b>(2,828,464)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		0	0
Proceeds from loans		17,993,725	1,105,515
Payment of debts related to financial lease		(124,770)	(42,927)
Dividends paid		(12,456)	(1,010)
Repayments of amounts borrowed		(20,579,678)	(638,411)
<b>Net cash from financing activities</b>		<b>(2,723,179)</b>	<b>423,167</b>
<b>Cash flows - total</b>		<b><u>(45,711)</u></b>	<b><u>(78,176)</u></b>
<b>Cash at the beginning of period</b>		<b>1,024,860</b>	<b>979,149</b>
<b>Cash at the end of period</b>	12	<b>979,149</b>	<b>900,973</b>

CARBOCHIM S.A.

STATEMENT OF CHANGES IN EQUITY

(All amounts are expressed in RON unless otherwise stated)

	<u>Notes</u>	<u>Share capital</u>	<u>Adjustments in share capital</u>	<u>Other reserves</u>	<u>Retained earnings and undistributed</u>	<u>Total owner' equity</u>
<b>Balance as at January 1, 2020</b>		<u>12,325,438</u>	-	<u>57,563,025</u>	<u>7,937,638</u>	<u>77,826,101</u>
Profit for 2020		-	-	-	1,371,441	1,371,441
<b><u>Other comprehensive income for the period</u></b>						
Distribution of profit or loss in legal reserve		-	-	79,170	(79,170)	-
Movements in revaluation reserve		-	-	-	-	-
Distribution from previous year's profit to other reserves		-	-	-	-	-
Achievements of revaluation reserve		-	-	(71,324)	71,324	-
Deferred income tax related to revaluation and legal reserve		-	-	(143,660)	-	(143,660)
Deferred income tax resulted from reevaluation carried forward		-	-	-	-	-
<b><u>Transactions with shareholders</u></b>						
Dividends paid to company shareholders		-	-	-	-	-
Share capital increase		-	-	-	-	-
Own shares held		-	(39,466)	-	-	(39,466)
<b>Total comprehensive profit</b>		<u>12,325,438</u>	<u>(39,466)</u>	<u>57,427,211</u>	<u>9,301,233</u>	<u>79,014,416</u>
<b>Balance as of December 31, 2020</b>		<u>12,325,438</u>	<u>(39,466)</u>	<u>57,427,211</u>	<u>9,301,233</u>	<u>79,014,416</u>

CARBOCHIM S.A.

STATEMENT OF CHANGES IN EQUITY

(All amounts are expressed in RON unless otherwise stated)

	<u>Notes</u>	<u>Share capital</u>	<u>Adjustments in share capital</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total owners' equity</u>
<b>Balance as at January 1, 2021</b>		<u>12,325,438</u>	<u>(39,466)</u>	<u>57,427,211</u>	<u>9,301,233</u>	<u>79,014,416</u>
Profit for 2021		-	-	-	1,441,211	1,441,211
<b><u>Other comprehensive income for the period</u></b>						
Distribution of profit or loss in legal reserve		-	-	80,940	(80,940)	-
Movements in revaluation reserve		-	-	-	-	-
Distribution from previous year's profit to other reserves		-	-	-	-	-
Achievements of revaluation reserve		-	-	(263,164)	263,164	-
Deferred income tax related to revaluation and legal reserve		-	-	(12,950)	-	(12,950)
Deferred income tax resulted from reevaluation carried forward		-	-	77,032	-	77,032
<b><u>Transactions with shareholders</u></b>						
Dividends paid to company shareholders		-	-	-	-	-
Share capital increase		-	-	-	-	-
Own shares held		(12,033)	39,466	-	(27,433)	-
<b>Total comprehensive profit</b>		<u>12,313,405</u>	<u>-</u>	<u>57,309,069</u>	<u>10,897,235</u>	<u>80,519,709</u>
<b>Balance as at December 31, 2021</b>		<u>12,313,405</u>	<u>-</u>	<u>57,309,069</u>	<u>10,897,235</u>	<u>80,519,709</u>

The Company complies with the national rules in force on the distribution of reserves to Shareholders.

## CARBOCHIM S.A.

### NOTES TO FINANCIAL STATEMENTS

(All amounts are expressed in RON unless otherwise stated)

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#### 1. GENERAL INFORMATION

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 established in 1949, initially for the production of coal products, 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, canvas - paper combined, and volcano fiber. Moreover, the activity includes internal and external trade activities, services on maintenance and repair of machinery, as well as rental of manufacturing and office spaces.

CARBOCHIM SA is a public Company, the Company's shares are listed on the Bucharest Stock Exchange in the 2nd category, **CBC** symbol.

As at December 31, 2021, the structure of holders of financial instruments holding at least 10% of the share capital of Carbochim S.A. is as follows:

	<b>No. of Shares</b>	<b>Percentage of Ownership (%)</b>
SC CARBO EUROPE SRL	3,825,903	77.6776
Legal entities	664,189	13.4851
Individuals	435,270	8.8373
<b>TOTAL</b>	<b><u>4,925,362</u></b>	<b><u>100</u></b>

CARBOCHIM SA holds a participating interest in CARBOREF SA from Cluj-Napoca, of 25% of the share capital, an investment of RON 37,500.

In 2005, CARBOCHIM SA participated as a founding member to the establishment of Equipment Manufacturers and Importers Association for Wood Industry in Romania (A.P.I.E.L. - Romania), its contribution to the initial assets of the association being RON 500, which represents a share of 7.14%.

CARBOCHIM SA has no subsidiaries or shareholdings in other companies than those mentioned above.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The main Accounting Policies applied in preparing these Financial Statements are set out below. These Policies have been applied consistently to all Financial Years disclosed, unless otherwise stated.

### 2.1 Basis of preparation

The Financial Statements of Carbochim S.A. as at December 31, 2021 have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union.

The provisions of the Order of the Minister of Finance 2844/2016 approving the Accounting Regulations in accordance with the International Financial Reporting Standards have been taken into account.

In this regard, the statement of financial position, a component part of the Annual Financial Statements ended December 31, 2020, includes information corresponding to the end of the reporting year and the end of the Financial Year prior to the reporting year. Moreover, the statement of comprehensive income includes information corresponding to the current Financial Year and the Financial Year prior to the reporting year.

The preparation of Financial Statements IFRS-compliant requires the use of certain critical accounting estimates. It also requires management to apply professional judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of complexity and application of such judgements, or where assumptions and estimates have a significant impact on the Financial Statements, are disclosed in Note 4.

#### 2.1.1 Changes in Accounting Policies and in disclosure of information

(a) *New and amended standards adopted by the Company*

The Accounting Policies adopted are consistent with those used in the previous year.

The following standards, amendments to existing standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the European Union are in force for the current period and have been adopted in the Separate Financial Statements. The impact of these new and revised standards was reflected in the Financial Statements and estimated to be non-material, except for the disclosures.

**(All amounts are expressed in RON unless otherwise stated)**

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**- Interest Rate Benchmark Reform - Phase 2- IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)**

In August 2020, the IASB published the Interest Rate Benchmark Reform - Phase two. Phase two focuses on issues that could affect financial reporting when an existing interest rate benchmark (IBOR) is replaced by a risk-free interest rate (RFR). The amendments provide for temporary exemptions applicable to all hedge relationships that are directly affected by the interest rate benchmark reform, which allow hedge accounting to continue in the uncertainty period before replacing an existing interest rate benchmark with an almost risk-free alternative interest rate. There are also amendments to IFRS 7 Financial Instruments: Disclosures on additional certainty information resulting from the interest rate benchmark reform.

**IFRS 16 Lease – Covid-19-Related Rent Concessions (Amendment)**

The amendment applies retrospectively to annual periods beginning on or after June 1, 2020. Earlier application is permitted, including in Financial Statements not yet authorized as of May 28, 2020. The IASB has amended the standard to provide an exemption of lessees from the application of IFRS 16 by providing guidance on changing the accounting treatment for lease concessions resulting as a direct consequence of the Covid-19 pandemic. The amendment provides a convenient and practical means for the lessee to take into account any change in the lease payments resulting from the deferral of rental payments determined by Covid-19, just as the change would be accounted for under IFRS 16, if this was not a change in the lease agreement, only if the following conditions are met:

- Changes in lease payments result in a revised consideration for the lease that is substantially the same as or less than the equivalent value of the lease immediately preceding the change
  - Any reduction in lease payments only affects payments initially due on or before June 30, 2021
  - There are no substantive changes to the other terms and conditions of the lease agreement
- (b) *New standards, amendments and interpretations issued but not applicable for the financial year as of 1 January 2021, therefore not adopted:*

**- Amendment 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.** The amendments relate to an inconsistency identified between the requirements of IFRS 10 and IAS 28, in relation to the sale and asset sharing between an investor and its associate or joint venture. The main consequence of the amendments is that a total gain or loss is recognized when the transaction involves an enterprise

NOTES TO FINANCIAL STATEMENTS

**(All amounts are expressed in RON unless otherwise stated)**

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(whether or not it is a subsidiary). A partial gain or loss is recognized when a transaction involves assets that are not an enterprise, even if they are in the form of subsidiaries. In December 2015, IASB postponed indefinitely the date of entry into force of this amendment. Amendments have not yet been adopted by the EU.

**- IAS 1 Presentation of Financial Statements: Classification of liabilities as as Current or Non-Current (Amendments)**

The amendments shall enter into force for annual periods beginning on or after January 1, 2023 and early application is permitted. The amendments aim at promoting consistency in the application of requirements by helping companies to determine whether, within the statement of financial position, liabilities and other payable obligations with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change the existing requirements regarding the evaluation or timing of recognition of any asset, liability, income or expenses, nor the disclosures that entities publish regarding these items. Moreover, the amendments clarify the classification requirements for liabilities that can be settled by the company issuing own equity instruments. These amendments have not yet been adopted by the EU.

**- IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Annual Improvements 2018-2020 (Amendments)**

The amendments are effective for annual periods beginning on or after January 1, 2022, with early application permitted. IASB has issued amendments with limited scope to IFRS Standards as follows:

- **IFRS 3 Business Combinations (Amendments)** updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without amending the accounting requirements for business combinations
- **IAS 16 Property, Plant and Equipment (Amendments)** precludes a company from deducting from the cost of property, plant and equipment the amounts received from the sale of items produced while the company prepares the asset for operation in the manner intended by the management. Instead, a company will recognize these revenues and related costs in the income statement.
- **IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments)** specifies the costs a company includes in determining the cost of performing a contract for the purpose of assessing whether a contract is onerous
- **Annual Improvements 2018-2020** bring minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards,

IFRS 9 Financial Instruments, IAS 41 Agriculture and Illustrative Examples Accompanying IFRS 16 Leasing

**IFRS 16 Leases - Covid 19 Rent-Related Concessions (Amendment)**

The amendment applies to annual periods beginning on or after April 1, 2021. Early application is permitted, including in Financial Statements not yet authorized at the date of issue of the amendment. In March 2021, the Board amended the terms of the practical expedient in IFRS 16, which grants lessees exemptions from the application of the requirements in IFRS 16 regarding the lease modification for lease concessions arising as a direct consequence of the Covid-19 pandemic.

As a result of the amendment, the practical expedient currently applies to lease concessions for which any reduction in lease payments only affects payments initially due on or before June 30, 2022 if the other conditions for applying the practical expedient are met.

**- IAS 1 Presentation of Financial Statements and Practical Statement IFRS No.2: Presentation of Accounting Policies (Amendments)**

The amendments shall enter into force for annual periods beginning on or after January 1, 2023 and early application is permitted. The amendments provide guidance for the application of materiality rationale in disclosures related to accounting policies. In particular, the amendments to IAS 1 replace the requirement for disclosure of "significant" accounting policies with a requirement for disclosure of "material" accounting policies. Guidance and illustrative examples are also added to the Practice Statement to assist in applying the concept of materiality when making judgements about disclosures to accounting policies.

**- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments)**

The amendments are effective for annual periods beginning on or after January 1, 2023 and early application shall be permitted and shall apply to changes in accounting policies and changes in accounting estimates occurring on or after the commencement date of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in Financial Statements that are subject to measurement uncertainty. The amendments also clarify what constitutes changes in accounting estimates and how they differ from the changes in accounting policies and the correction of errors.

Amendments have not yet been adopted by the EU.

**- IAS 12 Income tax: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments).**

The amendments are effective for annual periods beginning on or after January 1, 2023 and early application is permitted. In May 2021, the IASB issued amendments to IAS12 that reduce the scope of the exception on initial recognition provided for in IAS 12 and specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations. Under the amendments, the exception regarding initial recognition does not apply to transactions that, on initial recognition, give rise to equal deductible and taxable temporary differences. It applies only if the recognition of a lease asset and a leasing liability (or a decommissioning liability and a decommissioning asset) gives rise to deductible and taxable temporary differences that are not equal. Amendments have not yet been adopted by the EU.

## **2.2 Segment reporting**

A business segment is a distinctive component of the Company:

a) Which engages in business activities from which it may derive income and out of which it may incur expenses,

b) The results of which from activities are reviewed periodically by the chief operating decision maker of the Company for the purpose of making decisions about the allocation of resources to the segment and evaluating its performance, and

c) For which separate financial information is available.

*IFRS 8. Operating segments* should apply to the Separate Financial Statements of the Company the owners' equity instruments which are traded in a public market (Bucharest Stock Exchange).

The disclosure of information on products and services and geographic areas in which the Company carries out its activity is mandatory, even for those entities that identify a single reportable business segment, considering the quantitative thresholds and aggregation criteria set out by the Standard.

Considering the quantitative thresholds and aggregation criteria set by the Standard in terms of business segments, the Company does not identify distinctive components in terms of the related risks and benefits.

Presentation of geographical areas in which the Company operates:

## NOTES TO FINANCIAL STATEMENTS

(All amounts are expressed in RON unless otherwise stated)

Outlet market	Share (%) 2020	Amount of revenue December 31, 2020	Share (%) 2021	Amount of revenue December 21, 2021
Externally (Poland, Hungary, Germany, Slovakia, Belgium, Italy, Ireland, Austria, Spain, Greece, Switzerland, The Netherlands, Luxembourg, Canada, Serbia)	5	1,649,305	5	1,621,752
Internally (Romania)	95	31,213,641	95	32,993,063
Total operating revenue	100	32,862,946	100	34,614,815

Disclosure of information on the Company's products and services:

Product or service	Share (%) 2020	Amount of revenue December 31, 2020	Share (%) 2021	Amount of revenue December 21, 2021
Grinding wheels	57.27	18,823,337	61.04	21,128,834
Coated grinding wheels	34.09	11,203,595	32.10	11,110,084
Other products	0.27	89,676	0.27	95,045
Rental income	3.41	1,120,812	3.56	1,233,442
Revenue from sale of goods	0.80	263,987	0.82	283,437
Subsidy income for staff payments	4.36	1,432,829	-	0
Other income, including changes in stocks of finished goods and work in progress	-0.20	(68,290)	2.21	763,973
Total operating revenue	100.00	32,862,946	100.00	34,614,815

**2.3 Foreign currency translation***(a) Functional and disclosure currency*

Items included in the Company's Financial Statements are measured in the currency of the primary economic environment in which the entity operates ("the functional currency"). The Financial Statements are presented in Romanian lei ("RON"), which is the functional and disclosure currency of the Company.

Exchange rates as at December 31, 2021 and December 31, 2020 are as follows:

	2021	2020
EUR	4.9481	4.8694
USD	4.3707	3.9660

NOTES TO FINANCIAL STATEMENTS

(All amounts are expressed in RON unless otherwise stated)

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(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rate on the date of the transactions or valuation for items that are revalued. Gains and losses on exchange differences arising from these transactions and from the translation at the rate of year-end monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, unless they are recorded in other items of the comprehensive income as financial instruments that are designated as hedging instruments for cash flow hedge, as well as financial instruments that are designated as hedging instruments of net investment.

Foreign exchange gains and losses, which relate to loans and leases, are disclosed in the income statement under "finance income or expense".

All other gains and losses on exchange are presented in the income statement under "other (losses) / gains – net".

**2.4 Accounting of the hyperinflation effect**

Romanian economy has recorded high levels of inflation in the past and was considered to be hyperinflationary as defined in IAS 29 "Financial Reporting in Hyperinflationary Economies".

IAS 29 requires that Financial Statements prepared in the currency of a hyperinflationary economy be stated in terms of purchasing power as of December 31, 2003. Therefore, the amounts reported in terms of purchasing power as at December 31, 2003 are treated as the basis for the accounting amounts of these Financial Statements.

The restatement was calculated on first-time adoption of IFRS using the evolution of the consumer price index ("CPI") published by the National Institute of Statistics ("INSSE").

**2.5 Property, Plant and Equipment**

Land and buildings include factories, offices and commercial spaces. The remaining property, plant and equipment are mainly technological equipment used in the production process.

Land and buildings are presented as of December 31, 2020 at fair value. For buildings and equipment, the revalued amount as at December 31, 2018 less the losses of the impairment for 2019, 2020 and 2021 is used. The revalued amount as at December 31, 2015 is used for land.

**NOTES TO FINANCIAL STATEMENTS**

**(All amounts are expressed in RON unless otherwise stated)**

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Revaluations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is restated on a pro rata basis with the change in the gross carrying amount of the asset, so that the carrying amount of the assets, subsequent to revaluation, equals its revalued amount.

Subsequent costs are included in the asset carrying amount only when it is probable that future economic benefits related to that item will belong to the Company, and its cost can be measured reliably. The carrying amount of the replaced item is derecognised. All other repairs and maintenance expenses are recorded in the income statement in the financial period in which they are incurred.

The impairment method used is the straight-line method.

Useful life of fixed assets is determined in accordance with the 'Catalogue on classification and useful life of fixed assets', approved by Government Decision 2139 / 30 November 2004 updated. Given that this catalogue provides a choice of the normal functioning from a range with a minimum and a maximum value, the technical committee reviewed the conditions and environment in which the fixed assets operate and decided to use a lifetime equal to the middle range.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost or revalued amount to the residual value, over the estimated useful lives, as follows:

Building	25-40 years
Machinery	10-15 years
Vehicles	3-5 years
Furniture, fittings and equipment	3-8 years

Residual values and useful lives of assets are reviewed and adjusted if appropriate, at the end of each reporting period.

The carrying amount of the asset is written down immediately to its recoverable amount if the asset carrying amount is higher than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing the proceeds from disposal with the carrying amount and are recognized in "Other (losses) / gains – net" in the income statement.

On the sale of revalued assets, the amounts included in other reserves are transferred to retained earnings.

## **2.6 Intangible assets**

### *(a) Trademarks and Licenses*

Trademarks and licenses acquired separately are recorded at historical cost. Trademarks and licenses have a limited useful life and are carried at cost less the accumulated amortization.

The amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful life of 1-3 years.

## **2.7 Real estate investment**

Investment property is real estate (land, buildings or parts of buildings) held by the Company for rental purposes in order to increase the value or rental or both, rather than to:

- Be used in the production or supply of goods or services or for administrative purposes;

and

- Be sold in the ordinary course of business.

An investment property is measured initially at cost, including transaction costs. The cost of a purchased investment property consists of its purchase price plus any directly attributable expenditure (professional fees for legal services, the property transfer taxes and other transaction costs).

Company's accounting policy on further valuation of real estate investments is based on the fair value model. This policy is applied uniformly to all investment property held.

Measuring the fair value of investment properties is performed by evaluators members of the National Association of Assessors of Romania (ANEVAR).

Thus, the amortisation charge is no longer recognized, and the investment property is subject to revaluation with sufficient regularity in recognizing at fair value. Gains or losses resulting from the change in fair value of investment property are recognized in profit or loss in the period in which they occur.

As at December 31, 2018, real estate revaluations were carried out by a licensed assessor.

## **2.8 Investments in equity elements**

Investments in equity elements include participating interests in CARBOREF SA from Cluj-Napoca in a proportion of 25% of the share capital and a contribution to the initial assets of the A.P.I.E.L. Romania association, which represents a share of 7.14%. The percentages held do not give us control or any significant influence on the Company's activity or

association. Carboref SA is a Company listed on Bucharest Stock Exchange, so the investment is valued at cost. The Company did not recognize adjustments for their impairment.

## **2.9 Impairment of non-financial assets**

Assets that are subject to amortization are assessed for impairment whenever events or changes occur indicating that the carrying amount may not be recoverable. An impairment loss is recognized as the difference between the carrying amount and the recoverable amount of the asset. The recoverable amount is the higher of an asset's fair value minus the costs to sell and the value in use.

For the purpose of impairment testing, assets are grouped at the lowest levels for which there are identifiable independent cash flows (cash generating units). Non-financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

## **2.10 Financial assets**

### **2.10.1. Classification**

In accordance with IFRS 9, an entity should classify financial assets as subsequently measured either at amortized cost or fair value through other comprehensive income, or at fair value through profit or loss based on the two below:

- a) The entity's business model for the management of the financial assets, and
- b) The characteristics of the contractual cash flow of the financial asset.

Financial assets that meet both of the conditions listed below are subsequently measured at amortized cost:

- The financial asset is held within a business model the objective of which is to hold financial assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise to cash flows that represent only principal payments and interest on the principal outstanding at specific dates.

Instruments that meet both of the following conditions are then measured at fair value through other comprehensive income (**FVOCI**):

- The financial assets are held within a business model the objective of which is achieved both by collecting the contractual cash flows and by selling the financial assets; and
- The contractual terms of the financial asset give rise to cash flows that represent only principal payments on the principal outstanding at specific dates.

NOTES TO FINANCIAL STATEMENTS

**(All amounts are expressed in RON unless otherwise stated)**

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All other financial assets will be subsequently measured at fair value through profit or loss **(FVPL)**

(a) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities payable than twelve months after the end of the reporting period. They are classified as current assets.

(b) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in the first category presented. They are included in current assets unless the investment matures or the management intends to dispose of within twelve months after the end of the reporting period.

(c) *Gas emission allowances*

Starting January 1, 2013, the Company's plant is no longer subject to the greenhouse gas emission trading scheme under Directive 2009/29/EC so since 2013 it has not received EUAs.

In 2014, the Company alienated all of the 2,196 allowances held in its account at the beginning of the year, otherwise risking losing them.

**2.10.2. Recognition and measurement**

Regular purchases and sales of financial assets are recognized on the trade date - the date on which the Company commits to purchase or sell the asset.

Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets available for sale are subsequently carried at fair value. Loans and receivables are carried at amortized cost based on the effective interest method.

Investments in equity that do not have a quoted market price in an active market and whose fair value cannot be measured reliably must not be designated at fair value through profit or loss.

### **2.11 Inventories**

Inventories are stated at the lower of cost and net realizable value. The cost of finished products is determined by the standard cost method.

The cost of production of finished goods and work in progress comprises the design costs, raw materials, direct productive labor force, other direct costs and appropriate indirect production costs (based on normal production capacity). Borrowing costs are not included.

Net realizable value represents the estimated selling price in the ordinary course of business, minus applicable variable selling expenses.

Where necessary, provisions for obsolete inventories and slow turning are recorded. Obsolete inventories identified individually are provisioned at integrated value or derecognized. For slow moving inventories, estimation of the age is performed by each major category, based on inventory turnover.

### **2.12 Trade receivables**

Trade receivables are amounts due from customers for stocks sold or services provided in the normal course of business. If they are expected to be collected within one year or less than one year (or later in the normal course of business), they will be classified as current assets. Otherwise, they will be disclosed as non-current assets.

Trade receivables are recognized initially at fair value and subsequently for claims with a credit period of more than 6 months, the measurement is performed at amortized cost using the effective interest method less adjustments for impairment.

### **2.13 Cash and cash equivalents**

Cash and cash equivalents include cash on hand, cash in current accounts with banks, other short-term investments with high liquidity and original maturity periods of up to three months and bank overdrafts.

### **2.14 Share capital**

Ordinary shares are classified as owner's equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**2.15 Trade payables**

Trade payables are obligations to pay for goods or services that were acquired in the ordinary course of business from suppliers. Trade accounts payable are classified as current liabilities if payment is to be made within a year or less than one year (or later in the normal course of business). Otherwise, they will be disclosed as long-term liabilities. Trade payables are recognized initially at fair value and subsequently liabilities with a maturity of less than 6 months are measured at amortized cost based on the effective interest method.

**2.16 Loans**

Loans are recognized initially at fair value, net of transaction costs recorded. Subsequently, loans are stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value being recognized in the income statement over the period of loans, based on the effective interest method.

**2.17 Current and deferred income taxes**

Tax expense for the period includes current tax and deferred tax. Tax is recognized in the income statement unless it relates to the items recognized in other comprehensive income or directly in owner's equity. In this case, the corresponding tax is recognized in other comprehensive income or directly in owner's equity.

Current income tax expense is calculated based on tax regulations in force at the end of the reporting period. Management periodically evaluates positions in tax returns regarding situations in which applicable tax regulations are subject to interpretation. This establishes provisions, where applicable, based on estimated amounts due to tax authorities.

Deferred income tax is recognized, based on the balance sheet obligation method, on temporary differences occurring between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements.

However, the deferred tax arising from the initial recognition of an asset or liability in a transaction other than a business combination and at the time of transaction does not affect the accounting profit and the taxable profit is not recognized. Deferred income tax is determined using tax rates (and laws) in force until the end of the reporting period and to be applied in the period in which the deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only to the extent in which it is probable to obtain in the future taxable profit from which temporary differences will be deducted.

NOTES TO FINANCIAL STATEMENTS

(All amounts are expressed in RON unless otherwise stated)

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Deferred tax assets and liabilities are offset when there is legally enforceable right to offset current tax liabilities current tax liabilities and when the deferred tax assets and liabilities relate to the income taxes imposed by the same tax authority or the same taxable entity, or different taxable entities where there is an intention to offset balances on a net basis.

**2.18 Employee benefits**

In the normal course of business, the Company makes payments to the Romanian State on behalf of its employees for health, pension and unemployment funds. All employees of the Company are members of the Romanian State pension scheme, which is a fixed contribution plan. These costs are recognized in the income statement together with the salary expenses.

(a) *Obligations relating to pensions*

According to the Collective Bargaining, the Company must pay to the employees upon the retirement a compensatory amount equal to the gross salary. The Company recorded a provision for such payments (see Note 5).

(b) *Other benefits*

The Company incurs personnel costs related to the provisions of benefits such as healthcare services. These amounts primarily include implicit costs of annual medical checks.

(c) *Termination of employment benefits*

According to the Collective Bargaining, in the case of collective redundancies, the Company will provide compensation as follows, depending on the seniority of such employees:

- For a seniority up to 10 years, 3 basic salaries of the redundant;
- For a seniority between 10 years and 15 years, 5 basic salaries of the redundant;
- For a seniority between 15 and 20 years, 7 basic salaries of the redundant;
- For a seniority between 20 years and 25 years, 9 basic salaries of the redundant;
- For a working experience of 25 years, 12 basic salaries of the redundant;

(d) *Profit-sharing plans and bonuses*

The Company grants to employees, in addition to wages, additional bonuses resulted from the salary, bonuses of payroll, vouchers and holiday bonuses. Employees can benefit from employee participation in profits fund, up to 10% share of the net profit as decided by the General Meeting of Shareholders.

### **2.19 Provisions**

Provisions for liabilities are recognized when the Company has a present, legal or constructive obligation, as a result of past events; it is probable that an outflow of resources will be required in settlement of the liability; the amount has been reliably estimated.

If there are several similar obligations, the likelihood that an outflow will be required to settle the obligation is determined taking into account the whole class of obligations. A provision is recognized even if the likelihood of an outflow for an individual element is reduced.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized in interest expense.

### **2.20 Revenue recognition**

IFRS 15 has replaced previous IFRS requirements for income recognition and applies to all revenues from contracts with customers. In accordance with the new Standard, revenue is recognized to reflect the transfer of the goods and services to the customer, at the amount that reflects the price at which the Company expects to be entitled in exchange for these goods and services. Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the Company.

The Company recognizes revenue when or as the customer acquires control over the goods or services. The Company bases its estimates on historical results, taking into account the type of customer, the type of transaction and the specifics of each commitment.

The Company adopted the new Standard starting January 1, 2018 using the modified retrospective method, with the cumulative adjustments in the original application recognized in the original balance of the retained earnings in the year of the initial application. Consequently, the Company did not apply the requirements of IFRS 15 for prior periods disclosed.

According to IFRS 15 Revenue from Contracts with Customers and IFRS 15. Revenue from Contracts with Customers (Clarifications), we did not identify transactions in which the Company acts as an agent. An agent recognizes revenue for its commission for the due fee in exchange for facilitating the transfer of goods or services.

Initial application of IFRS 15 has no impact on the retained earnings of the Company as of January 1, 2018.

NOTES TO FINANCIAL STATEMENTS

**(All amounts are expressed in RON unless otherwise stated)**

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The application of IFRS 15 had no impact on the income statement and the statement of comprehensive income for the year 2018, nor on the financial position and cash flows.

*(a) Sale of finished products*

The Company manufactures the full range of grinding wheels products, except super grinding wheels.

The main outlet market is domestic, only approx. 5% of deliveries are made to the foreign market.

The Company sells finished products through retailers, direct sales to business customers and through retail through its store.

Sales of finished goods are recognized when the customer acquires control of the goods or services.

The Company manages a store for the sale of grinding wheel products. Sales of products is recognized when the Company sells a product to a customer. Retail sales are usually paid in cash or by bank card.

The finished products are often sold with volume discount. Sales are recorded based on the price specified in the sales and purchase agreement, net of estimated volume discounts and estimated returns at the time of sale. The experience gained is used for the estimation and provisioning for discount and returns. Volume discount is measured based on expected annual purchases. It is considered that there are no funding elements, as sales are made with a credit period of maximum 60-90 days in accordance with the normal market practice.

*(b) Income from royalties*

Income from royalties are recognized on an accrual basis, according to the relevant contractual provisions.

The Company has leased real estate investments in order to obtain income.

**2.21 Interest income**

Interest income is recognized using the effective interest method.

**2.22 Dividend income**

Dividend income is recognized when establishing the entitlement to receive those amounts.

### 2.23 Leases

Leases for property, plant and equipment where the Company undertakes all the risks and benefits of ownership are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lesser of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between liabilities and finance charges. Obligations related to rent, net of finance charges, are included in other long-term liabilities. The interest element of the financing cost is recorded in the income statement over the lease term, so as to produce a constant periodic rate of interest on the remaining balance of the obligation for each period. Property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset.

IFRS 16 which entered into force on January 1, 2019 replaces the existing lease instructions, including *IAS 17 Leases*, *IFRIC 4 Determining whether an Arrangement contains a Lease*, *SIC 15 Operating Leases – Incentives* and *SIC 27 Evaluating the Substance of Transactions in the Legal Form of a Lease*.

The Standard removes the current dual accounting model for lessees and requires companies to include the majority of leases into the Balance Sheet in a single model, removing the distinction between operating and financial leases. In accordance with IFRS 16, a contract is or contains a lease if it confers the right to control the use of an asset identified for a period of time in return for compensation. For such contracts, the new model requires the lessee to recognise an asset related to the right of use and a liability related to the lease. The assets related to the right of use are amortized for the duration of the lease, and the debt generates interest. Interest expenses are recorded in the profit and loss account for the lease period, being calculated on the remaining balance of the lease liability for each period. For most leases, this will generate higher expenses at the beginning of the lease, even if the lessee pays constant rents. Lessor's accounting remains largely unaffected by the introduction of the new Standard, and the distinction between the operational and financial leases shall be maintained.

In addition, the Company considered the following issues related to contracts that fall under IFRS 16:

- No right-of-use asset and no lease liability has been recognized relating to contracts expiring in 12 months or less from the date of application;
- Did not recognize any right-of-use assets or lease liabilities related to low value contracts (below USD 5,000);

The initial application of IFRS 16 did not result in the recognition of any right-of-use assets nor lease liabilities either as at 1 January 2019 or 31 December 2019.

## NOTES TO FINANCIAL STATEMENTS

**(All amounts are expressed in RON unless otherwise stated)****2.24 Distribution of dividends**

The distribution of dividends to Shareholders is recognized as a liability in the Financial Statements in the period in which the dividends are approved by the Company Shareholders.

**3. FINANCIAL RISK MANAGEMENT****3.1 Financial risk factors**

By the nature of the activities carried out, the Company is exposed to various risks including: market risk (including currency risk, interest rate risk on fair value, interest rate risk on cash flow and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company. The Company does not use derivative financial instruments to hedge certain risk exposures.

(a) *Market risk*

(i) *Currency risk*

The Company is exposed to currency risk through exposure to different currencies, especially USD and EUR. Currency risk is associated to assets and liabilities recognized, in particular loans.

In April 2018, the Company entered into a framework contract for derivative financial transactions for FORWARD foreign exchange operations to partially hedge foreign exchange risk for USD, therefore the Company started to apply the hedge accounting. As at December 31, 2021, the Company did not have any derivative financial transactions in progress.

The following table shows the Company's exposure to possible changes in exchange rates applied at the end of the reporting period:

	<b>As at December 31, 2020</b>			<b>As at December 31, 2021</b>		
	Monetary Assets Financial	Monetary Financial Liabilities	Net amount on Statement of Financial <u>Position</u>	Monetary Assets Financial	Monetary Financial Liabilities	Net amount on Statement of Financial <u>Position</u>
RON	6,392,021	5,947,469	444,552	7,992,461	7,488,345	504,116
EUR	247,840	1,294,190	(1,046,350)	143,960	800,456	(656,496)
USD	1,495	0	1,495	17.792	0	17.792
Total	<u>6,641,356</u>	<u>7,241,659</u>	<u>(600,303)</u>	<u>8,154,213</u>	<u>8,288,801</u>	<u>(134,588)</u>

## NOTES TO FINANCIAL STATEMENTS

**(All amounts are expressed in RON unless otherwise stated)**

The above analysis includes only monetary assets and liabilities items.  
The following table shows the manner in which the items in the income and equity ranges based on 10% change in exchange rates applied by the National Bank of Romania at the Balance Sheet in relation to the functional currency of the Company, with all other variables constant, as follows:

	<b><u>2021</u></b>	<b><u>2020</u></b>
EUR	5.4429	5.3563
USD	4.8078	4.3626

*Impact on profit or loss account:*

	<b><u>2021</u></b>
EUR increasing by 10%	(65,650)
	<b><u>2020</u></b>
EUR increasing by 10%	(104,635)

(ii) 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 RON loans, EURIBOR for loans in EUR respectively.

The Company has entered into interest-bearing loan agreements with Unicredit Bank, Banca Comerciala Romana and Raiffeisen Bank.

The status of committed appropriations was the following:

- As at December 31, 2020

<b><u>Financial institution</u></b>	<b><u>Currency</u></b>	<b><u>Interest rate</u></b>	<b><u>Threshold</u></b>	<b><u>Loan balance as at December 31, 2020 (RON)</u></b>
Unicredit Bank	RON	Negotiated	800,000	70,720
Banca Comerciala Romana	RON/ EUR	Negotiated	3,000,000	333,484
Raiffeisen Bank	RON/ EUR	Negotiated	4,350,000	779,058 624,382
Raiffeisen Bank - long term	RON	Negotiated	4,435,000	1,902,909
<b>Total</b>				<b>3,710,553</b>

## NOTES TO FINANCIAL STATEMENTS

(All amounts are expressed in RON unless otherwise stated)

- As at December 31, 2021

<b><u>Financial institution</u></b>	<b><u>Currency</u></b>	<b><u>Interest rate</u></b>	<b><u>Threshold</u></b>	<b><u>Loan balance as at December 31, 2021 (RON)</u></b>
Unicredit Bank	RON	Negotiated	800,000	0
Banca Comerciala Romana	RON/ EUR	Negotiated	3,000,000	538,303
Raiffeisen Bank	RON/ EUR	Negotiated	4,350,000	1,481,335 541,074
Raiffeisen Bank - long term	RON	Negotiated	2,235,000	1,616,946
<b>Total</b>				<b>4,177,658</b>

On 31 December 2021, a possible increase in the interest rate of 1% would have an effect on the income statement of RON 857.

*(b) Credit risk*

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 not provisioned but not past due, can be assessed through internal analysis since there is no external information about risk indicators for customers.

	<b><u>December 31, 2020</u></b>	<b><u>December 31, 2021</u></b>
Customers for which the recovery of receivables is under 30 days	2,171,509	2,357,616
Customers for which the recovery of receivables is between 30 and 90 days	2,246,792	3,419,762
Customers for which the recovery of receivables is between 90 and 180 days	50,386	25,387
<b>Total</b>	<b><u>4,468,687</u></b>	<b><u>5,802,765</u></b>

Although the collection of receivables may be influenced by economic factors, Management believes that there is not a significant risk of loss exceeding the provisions already established.

## NOTES TO FINANCIAL STATEMENTS

(All amounts are expressed in RON unless otherwise stated)

Cash is placed with financial institutions which, at the time of lodging the deposit, were considered to present a minimal risk of default.

<b>Bank's financial indicator</b>	<b>Bank</b>	<b><u>December 31, 2020</u></b>	<b><u>December 31, 2021</u></b>
Baa1	Raiffeisen Bank	2,766	2,031
Baa1	BRD	6,820	5,159
n/a	Treasury	4,581	2,744
Baa1	BCR	95,364	82,780
Bbb	Unicredit Tiriac Bank	0	17,792
Bb	CEC Bank	765,382	765,364
<b>Total</b>		<b><u>874,913</u></b>	<b><u>875,870</u></b>

Where:

Financial institutions rated with indicator D show a modest financial strength, with a possible need for external support, and the financial institutions rated with indicator E show a very modest financial strength with a high probability of external support needed periodically.

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

Cash flows forecasting is performed 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.

The maturity of financial liabilities is reviewed in the table below:

	<b><u>Up to 1 year</u></b>	<b><u>Between 1 and 2 years</u></b>	<b><u>Between 2 and 5 years</u></b>	<b><u>Over 5 years</u></b>
<b>As at December 31, 2020</b>				
Loans (Note 14)	2,278,043	409,289	1,023,221	-
Financial lease (Note 15)	32,123	115	-	-
Trade payables and of other nature (Note 16)	3,468,237	-	-	-
Current income tax	30,631			
<b>Total</b>	<b><u>5,809,034</u></b>	<b><u>409,404</u></b>	<b><u>1,023,221</u></b>	<b><u>-</u></b>

## NOTES TO FINANCIAL STATEMENTS

(All amounts are expressed in RON unless otherwise stated)

**As at December 31, 2021**

Loans (Note 14)	3,011,953	451,241	714,464	-
Financial lease (Note 15)	-	-	-	-
Trade payables and of other nature (Note 16)	4,096,970	-	-	-
Current income tax	14,173			
<b>Total</b>	<b><u>7,123,096</u></b>	<b><u>451,241</u></b>	<b><u>714,464</u></b>	<b><u>-</u></b>

**3.2 Capital management**

Company's capital management objectives aim at protecting the ability of the Company to continue as a going concern in the future, so as to provide returns to Shareholders and benefits to other stakeholders, and maintain an optimal capital structure to reduce the cost of capital.

Like other companies operating in this sector, the Company monitors the capital on the basis of debt-to-equity ratio indicator. This indicator is calculated by dividing the net debt to the total capital. Net debt is calculated by subtracting from the total loans (including "current and long-term loans", as shown in the statement of financial position) cash and cash equivalents. Total capital is calculated by adding the net debt to the "owners' equity" in the statement of financial position.

In 2021, the Company's strategy, unchanged from 2020, consisted in reducing the debt-to-equity ratio, mainly through repayments to credit lines, but also to the investment loan.

Debt-to-equity ratio indicators as of December 31, 2021 and 2020 were as follows:

	<b><u>2020</u></b>	<b><u>2021</u></b>
Total loans	3,742,791	4,177,658
Less: cash and cash equivalents	979,149	900,973
Net liability	2,763,642	3,276,685
Total owner's equity	79,014,416	80,519,709
<b>Total owners' equity and net liabilities</b>	<b><u>81,778,058</u></b>	<b><u>83,796,394</u></b>
<b>Debt-to-equity ratio</b>	<b>3%</b>	<b>4%</b>

## NOTES TO FINANCIAL STATEMENTS

(All amounts are expressed in RON unless otherwise stated)

**3.3 Fair value measurement**

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The fair value of financial instruments that are not traded in an active market is determined by using the measurement techniques.

It is considered that the carrying value less the adjustment for impairment of trade receivables and payables approximates their fair values. The fair value of financial liabilities with a settlement period of more than 6 months is estimated by discounting the future contractual cash flows at the current interest rate on the market available to the Company for similar financial instruments.

Fair value measurement is performed taking into account the following hierarchy:

- a) level 1 - prices listed in active markets for identical assets and liabilities
- b) level 2 - data other than listed prices that are observable for the asset or liability
- c) level 3 - data for assets and liabilities that are not based on observable market data

**Presentation at the fair value of financial assets and financial liabilities as at December 31, 2021:**

	Level 1	Level 2	Level 3
<b>Financial assets:</b>			
Cash and cash equivalent	900,973	-	-
Receivables and other receivables	-	7,253,240	-
<b>Financial liabilities:</b>			
Loans	-	4,177,658	-
Trade and other payables	-	4,096,970	-
Current income tax	-	14,173	-

**Presentation at the fair value of financial assets and financial liabilities as of December 31, 2020:**

	Level 1	Level 2	Level 3
<b>Financial assets:</b>			
Cash and cash equivalents	979,149	-	-
Receivables and other receivables	-	5,662,207	-
<b>Financial liabilities:</b>			
Loans	-	3,742,791	-
Trade payables and of other nature	-	3,468,237	-
Current income tax	-	30,631	-

NOTES TO FINANCIAL STATEMENTS

(All amounts are expressed in RON unless otherwise stated)

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**4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES**

Estimates and judgments are measured on a continuous basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the given circumstances.

**4.1 Critical accounting estimates and assumptions**

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) *Income tax*

The Company is subject to income tax in a single jurisdiction (Romania). There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts initially recorded, such differences will impact the assets and liabilities of current and deferred income tax in the period in which this determination is performed.

(b) *Pension-related benefits*

The present value of pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The Company uses the National Bank of Romania benchmark interest rate as the discount rate for pension obligation at the end of each year.

**5. FIRST-TIME APPLICATION OF IFRS**

On December 31, 2012 the Company prepared the first Financial Statements under IFRS. In preparing the statement of financial position according to IFRS as at January 1, 2011 and December 31, 2011, the Company adjusted amounts previously reported in Financial Statements prepared in accordance with the Order of the Minister of Public Finance 3055/2009. The main restatement adjustments under IFRS of Financial Statements in accordance with the Order of the Minister of Public Finance 3055 were as follows:

**a) Property, Plant and Equipment**

The Company has not calculated depreciation expenses of property, plant and equipment under conservation in previous periods. When adopting IFRS, property, plant and equipment under conservation continue to be amortized for the duration they have not been used.

In order to present them at the fair value, the Company land has been subject to the revaluation process. This revaluation was conducted at the end of 2010 and at the end of 2011 and 2012.

The remaining categories of property, plant and equipment did not record significant fluctuations in fair value until the end of 2012, their results are properly reflected in the Financial Statements.

**b) Investment property**

At the date of adoption of IFRS, the Company applies the fair value method of accounting to buildings classified in this category. As such, the amortization charge is no longer recognized, and investment property is subject to a periodic revaluation for the recognition at fair value. The result of the revaluation will be recognized in the Income and Expenditure Statement (Income Statement).

**c) Provision for leave days not taken**

The Company estimates for the days of leaves not taken related to the Financial Year ended, a provision for recording the salary expenditure in the corresponding period.

**d) Provision for pensions**

According to the Collective Bargaining, each employee receives compensation equal to a salary upon retirement. In order to recognize this expense, the Company records a provision over the entire period that the employee works within the Company. The value of this provision is up to date using the reference rate of interest according to the National Bank of Romania.

**e) Recognition of a deferred tax asset or liability (IAS 12)**

When adopting the IFRS, the Company calculates and records the deferred tax impact, determined based on temporary differences between accounting and tax basis of balance sheet items.

## NOTES TO FINANCIAL STATEMENTS

(All amounts are expressed in RON unless otherwise stated)

## 6. PROPERTY, PLANT AND EQUIPMENT

Movements of property, plant and equipment are as follows:

	<u>Land and building</u>	<u>Equipment and vehicles</u>	<u>Furniture, fittings and equipment</u>	<u>Fixed assets in progress</u>	<u>Total</u>
<b>As at January 1, 2020</b>					
Cost or valuation	70,579,812	35,347,600	217,648	747,422	106,892,482
Accumulated amortization	<u>(15,131,779)</u>	<u>(27,086,087)</u>	<u>(153,766)</u>	-	<u>(42,371,632)</u>
Net book value	<u>55,448,033</u>	<u>8,261,513</u>	<u>63,882</u>	<u>747,422</u>	<u>64,520,850</u>
<b>For the year ended December 31, 2020</b>					
	<u>Land and building</u>	<u>Equipment and vehicles</u>	<u>Furniture, fittings and equipment</u>	<u>Fixed assets in progress</u>	<u>Total</u>
Initial net book value	55,448,033	8,261,513	63,882	747,422	64,520,850
Inflows	-	61,269	22,533	3,491,826	3,575,628
Transfers	-	32,567	-	(32,567)	-
Gain on revaluation	-	-	-	-	-
Loss on revaluation	-	-	-	-	-
Outflows, net	(93,297)	(66,149)	-	(565,205)	(724,651)
Transfers to investment property	-	-	-	-	-
Expense on amortization	(791,697)	(1,280,540)	(10,633)	-	(2,082,870)
Amortization of fixed means under conservation	<u>(77,078)</u>	-	-	-	<u>(77,078)</u>
Final net book value	<u>54,485,961</u>	<u>7,008,660</u>	<u>75,782</u>	<u>3,641,476</u>	<u>65,211,879</u>

**CARBOCHIM S.A.**

**NOTES TO FINANCIAL STATEMENTS**

**(All amounts are expressed in RON unless otherwise stated)**

<b>As at December 31, 2020</b>	<b>Land and building</b>	<b>Equipment and vehicles</b>	<b>Furniture, fittings and equipment</b>	<b>Fixed assets in progress</b>	<b>Total</b>
Cost or valuation	70,388,380	35,261,029	240,181	3,641,476	109,531,066
Accumulated amortization	<u>(15,902,419)</u>	<u>(28,252,369)</u>	<u>(164,399)</u>	-	<u>(44,319,187)</u>
Net book value	<u>54,485,961</u>	<u>7,008,660</u>	<u>75,782</u>	<u>3,641,476</u>	<u>65,211,879</u>

**For the year ended December 31, 2021**

	<b>Land and building</b>	<b>Equipment and vehicles</b>	<b>Furniture, fittings and equipment</b>	<b>Fixed assets in progress and advances</b>	<b>Total</b>
Initial net book value	54,485,961	7,008,660	75,782	3,641,476	65,211,879
Inflows	-	606,720	9,402	1,846,527	2,462,649
Transfers	15,390	3,152,564	6,212	(3,174,166)	-
Gain on revaluation	-	-	-	-	-
Loss on revaluation	-	-	-	-	-
Outflows, net	-	-	(27,594)	(248,250)	(275,844)
Transfers to investment property	-	-	-	-	-
Expense on amortization	(790,360)	(1,236,160)	(9,349)	-	(2,035,869)
Amortization of fixed means under conservation	<u>(58,652)</u>	-	-	-	<u>(58,652)</u>
Final net book value	<u>53,652,339</u>	<u>9,531,784</u>	<u>54,453</u>	<u>2,065,587</u>	<u>65,304,163</u>

<b>As at December 31, 2021</b>	<b>Land and building</b>	<b>Equipment and vehicles</b>	<b>Furniture, fittings and equipment</b>	<b>Fixed assets in progress and advances</b>	<b>Total</b>
Cost or valuation	70,247,558	38,205,242	213,709	2,065,587	110,732,096
Accumulated amortization	<u>(16,595,219)</u>	<u>(28,673,458)</u>	<u>(159,256)</u>	-	<u>(45,427,933)</u>
Net book value	<u>53,652,339</u>	<u>9,531,784</u>	<u>54,453</u>	<u>2,065,587</u>	<u>65,304,163</u>

## NOTES TO FINANCIAL STATEMENTS

(All amounts are expressed in RON unless otherwise stated)

**Fair value of tangible fixed assets**

An independent measurement of land, buildings and other categories of property and equipment was conducted by an independent auditor to determine the fair value of tangible fixed assets as at December 31, 2018. The net revaluation surplus was recorded in other comprehensive income and is presented in "other reserves" in owners' equity.

**Presentation of the fair value of property, plant and equipment as at December 31, 2021:**

	Level 1	Level 2	Level 3
Land	-	43,602,422	-
Buildings and special constructions	-	10,049,917	-
<b>Total land and buildings</b>	-	<b>53,652,339</b>	-
<b>Equipment and vehicles</b>	-	<b>9,531,784</b>	-
<b>Furniture, fittings and equipment</b>	-	<b>54,453</b>	-

**Presentation of the fair value of property, plant and equipment as at December 31, 2020:**

	Level 1	Level 2	Level 3
Land	-	43,602,422	-
Buildings and special constructions	-	10,883,539	-
<b>Total land and buildings</b>	-	<b>54,485,961</b>	-
<b>Equipment and vehicles</b>	-	<b>7,008,660</b>	-
<b>Furniture, fittings and equipment</b>	-	<b>75,782</b>	-

Vehicles and equipment include the following amounts for which the Company is the lessee, within finance leases:

	<u>2020</u>	<u>2021</u>
Cost	197,320	0
Accumulated amortization	90,284	0
<b>Net book value</b>	<u>107,036</u>	<u>0</u>

For committed appropriations, the Company recorded the following guarantees over the property, plant and equipment:

## NOTES TO FINANCIAL STATEMENTS

(All amounts are expressed in RON unless otherwise stated)

## Buildings

	<u>2020</u>	<u>2021</u>
Cost	11,838,113	11,838,113
Accumulated amortization	<u>4,819,530</u>	<u>5,162,480</u>
<b>Net book value</b>	<b><u>7,018,583</u></b>	<b><u>6,675,633</u></b>

## Related land:

	<u>2020</u>	<u>2021</u>
Cost	8,579,958	8,536,060

- As at December 31, 2021, the following property, plant and equipment (land and buildings), current assets and available bank accounts are mortgaged under the loan agreements the Company has concluded with the financial institutions Unicredit Bank Cluj, Banca Comerciala Romana Cluj and Raiffeisen Bank Cluj:

<u>No. Crt.</u>	<u>Subject matter of mortgage or pledge</u>	<u>Value of mortgage or pledge</u>	<u>Beneficiary of mortgage or pledge</u>	<u>Mortga ge rank</u>
1.1	Land with constructions located in P-ta 1 Mai nr. 3 registered in Cluj-Napoca Land Registry 309072	RON 2,000,000 + related interest and fees	BANCA COMERCIALA ROMANA	I
1.2	Land with constructions located in P-ta 1 Mai nr. 33 included in Cluj-Napoca Land Registry 305138 and Land Registry 305138-C1-U1	RON 2,000,000 + related interest and fees	RAIFFEISEN BANK	I
2.1	Mortgage or pledge on the inventory of finished products	RON 800,000 + related interest and fees	UNICREDIT BANK	-
2.2	Mortgage or pledge on the inventory of raw materials	RON 3,000,000 + related interest and fees	BANCA COMERCIALA ROMANA	-

## NOTES TO FINANCIAL STATEMENTS

(All amounts are expressed in RON unless otherwise stated)

2.3	Pledge or mortgage on current and future available funds / credit balances on present and future accounts and sub-accounts opened with the bank under the Agreement pledge, registered with the Electronic Archive of Pledges	RON 800,000 + related interest and fees	UNICREDIT BANK	-
2.4	Pledge or mortgage on current and future available funds / credit balances on present and future accounts and sub-accounts opened with the bank under the Agreement pledge, registered with the Electronic Archive of Pledges	RON 3,000,000 + related interest and fees	BANCA COMERCIALA ROMANA	-
2.5	Pledge or mortgage on current and future available funds / credit balances on present and future accounts and sub-accounts opened with the bank under the Agreement pledge, registered with the Electronic Archive of Pledges	RON 4,350,000 + related interest and fees	RAIFFEISEN BANK	-
2.5	Pledge or mortgage on current bank accounts, mortgage on the purchased equipment, financial collateral granted by the EIF in the amount of 60% of the value of the facility	RON 2,200,000 + related interest and fees	RAIFFEISEN BANK	-
2.6	Pledge or mortgage on current bank accounts, mortgage on the purchased equipment	RON 2,235,000 + related interest and fees	RAIFFEISEN BANK	-

The carrying amount that would have been recognized had the assets would have been recorded under the cost model is shown in the table below. This cost represents the cost at the date of transition to IFRSs.

<u>Description</u>	<u>Land and buildings</u>	<u>Equipment and vehicles</u>	<u>Furniture, fittings and equipment</u>	<u>Fixed assets in progress and advances</u>		<u>Total</u>
<b><u>Year ended as at</u></b>						
<b><u>December 31, 2020</u></b>						
Cost	50,151,055	27,021,795	240,181	3,641,476		81,054,507
Accumulated amortization	<u>13,461,597</u>	<u>20,982,755</u>	<u>164,399</u>	<u>0</u>		<u>34,608,751</u>
<b>Net book value</b>	<b><u>36,689,458</u></b>	<b><u>6,039,040</u></b>	<b><u>75,782</u></b>	<b><u>3,641,476</u></b>		<b><u>46,444,756</u></b>

CARBOCHIM S.A.

NOTES TO FINANCIAL STATEMENTS

(All amounts are expressed in RON unless otherwise stated)

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**Year ended as at**

**December 31, 2021**

Cost	50,003,374	30,122,885	213,709	2,065,587	82,405,555
Accumulated amortization	<u>13,820,237</u>	<u>21,439,771</u>	<u>159,256</u>	<u>0</u>	<u>35,419,264</u>
<b>Net book value</b>	<b><u>36,183,137</u></b>	<b><u>8,683,114</u></b>	<b><u>54,453</u></b>	<b><u>2,065,587</u></b>	<b><u>46,986,291</u></b>

**7. INTANGIBLE FIXED ASSETS**

**Trademarks and Licenses**

**As at January 1, 2020**

Cost or valuation	242,489
Accumulated amortization	<u>(241,238)</u>
Net book value	<u>1,249</u>

**For the year ended December 31, 2020**

Initial net book value	1,249
Inflows	0
Amortization charge	<u>(1,249)</u>
<b>Final net book value – intangible assets</b>	<b><u>0</u></b>

**As at December 31, 2020**

**As at January 1, 2021**

Cost or valuation	242,489
Accumulated amortization	<u>(242,489)</u>
Net book value	<u>0</u>

**For the year ended December 31, 2021**

Initial net book value	0
Inflows	276
Amortization charge	<u>(207)</u>

**Final net book value – intangible assets** **69**

**As at December 31, 2021**

Intangible assets in progress - initial	<u>0</u>
Inflows	<u>0</u>
Outflows	<u>0</u>
<b>Book value – intangible assets in progress</b>	<b><u>0</u></b>

NOTES TO FINANCIAL STATEMENTS

(All amounts are expressed in RON unless otherwise stated)

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**8. INVESTMENT PROPERTY**

<b>As at January 1, 2020</b>	<b><u>Buildings + Land</u></b>
Cost or measurement	7,124,302
Net book value	7,124,302
Inflows	-
Earnings / (loss) from measurement at fair value	-
Outflows	-
Net final book value	7,124,302
<b>As at December 31, 2020</b>	
Cost or measurement	7,124,302
Net book value	7,124,302
<b>For the year ended December 31, 2021</b>	<b><u>Buildings + Land</u></b>
Inflows	-
Earnings / (loss) from measurement at fair value	-
Outflows	-
Net final book value	7,124,302
<b>As at December 31, 2021</b>	
Cost or measurement	7,124,302
Net book value	7,124,302

## NOTES TO FINANCIAL STATEMENTS

(All amounts are expressed in RON unless otherwise stated)

## 9. FINANCIAL INSTRUMENTS

	<u>December 31, 2020</u>	<u>December 31, 2021</u>
<b>Assets</b>		
Receivables and other receivables	5,662,207	7,253,240
Cash and cash equivalents	<u>979,149</u>	<u>900,973</u>
<b>Total monetary financial assets</b>	<u><b>6,641,356</b></u>	<u><b>8,154,213</b></u>
<b>Payables</b>		
Loans	3,742,791	4,177,658
Trade payables and of other nature	3,468,237	4,096,970
Current income tax	<u>30,631</u>	<u>14,173</u>
<b>Total Monetary Financial Liabilities</b>	<u><b>7,241,659</b></u>	<u><b>8,288,801</b></u>

## Accounting classifications and fair values:

December 31, 2021 (IFRS 9)	Note	Amortized cost (IAS 39)	Total carrying	Fair value
<b>total</b>				
<b>Financial assets (RON)</b>				
Cash and cash equivalents	12	900,973	900,973	900,973
Receivables and other receivables	11	7,253,240	7,253,240	
				7,253,240
<b>Total Financial Assets</b>		<b>8,154,213</b>	<b>8,154,213</b>	
<b>Financial liabilities (RON)</b>				
Loans	14	4,177,658		4,177,658
Trade payables and of other nature	16	4,096,970	4,096,970	4,096,970
Current income tax		14,173		14,173
<b>Total Financial Liabilities</b>		<b>8,288,801</b>	<b>8,288,801</b>	<b>8,288,801</b>

## NOTES TO FINANCIAL STATEMENTS

(All amounts are expressed in RON unless otherwise stated)

<b>10. INVENTORY</b>	<b><u>December 31, 2020</u></b>	<b><u>December 31, 2021</u></b>
Materials	4,559,318	4,924,710
Inventory items	93,561	89,738
Finished Products	9,621,083	10,105,763
Goods	295,378	351,517
Provisions on impairment of inventories	<u>(152,928)</u>	<u>(230,638)</u>
<b>Total inventories</b>	<b><u>14,416,412</u></b>	<b><u>15,241,090</u></b>
	<b><u>December 31, 2020</u></b>	<b><u>December 31, 2021</u></b>
As at January 1	<u>156,996</u>	<u>152,928</u>
Impairment adjustments during the year (Note 15)	0	92,051
Reversed	<u>(4,068)</u>	<u>(14,341)</u>
As at December 31	<u>152,928</u>	<u>230,638</u>
	<b><u>December 31, 2020</u></b>	<b><u>December 31, 2021</u></b>
<b>11. TRADE RECEIVABLES AND OTHER RECEIVABLES</b>		
	<b><u>December 31, 2020</u></b>	<b><u>December 31, 2021</u></b>
Trade receivables	5,747,918	6,696,735
Adjustments on impairment of receivables on customers	<u>(390,830)</u>	<u>(437,613)</u>
Trade receivables and other receivables	<u>5,357,088</u>	<u>6,259,122</u>
Prepayments	45,306	47,376
Other receivables	259,375	965,764
Other non-current receivables (over 3 months)	438	438
Adjustments on impairment of other receivables	0	(19,460)
Current income tax to be recovered	<u>0</u>	<u>0</u>
Total	<u>305,119</u>	<u>994,118</u>
<b>Total Receivables after provisions set aside</b>	<b><u>5,662,207</u></b>	<b><u>7,253,240</u></b>

## NOTES TO FINANCIAL STATEMENTS

**(All amounts are expressed in RON unless otherwise stated)**

Trade receivables and other receivables are denominated in the following currencies:

	<b><u>December 31, 2020</u></b>	<b><u>December 31, 2021</u></b>
RON	5,431,183	7,111,240
EUR	231,024	142,000
Other currencies (USD, GBP)	-	-
<b>Total Receivables</b>	<b><u>5,662,207</u></b>	<b><u>7,253,240</u></b>

The analysis of receivables by maturity is presented in the following table:

	<b><u>December 31, 2020</u></b>	<b><u>December 31, 2021</u></b>
During the maturity period	4,468,687	5,802,765
Maturity period exceeded but without the risk of impairment	1,193,520	1,450,475
<b>Total</b>	<b><u>5,662,207</u></b>	<b><u>7,253,240</u></b>

The analysis on the seniority of outstanding receivables is as follows:

	<b><u>December 31, 2020</u></b>	<b><u>December 31, 2021</u></b>
Up to 3 months	1,028,225	1,341,626
Between 3 and 6 months	141,352	132,838
More than 6 months	<u>414,773</u>	<u>433,084</u>
Adjustments for impairment of receivables	<u>(390,830)</u>	<u>(457,073)</u>
<b>Total</b>	<b><u>1,193,520</u></b>	<b><u>1,450,475</u></b>

Within the outstanding receivables, an amount of RON 150,388 represents amounts paid to employees for sick leave and indemnities and which are recovered from the Budget of the Single National Health Insurance Fund according to Article 38 of Government Emergency Ordinance 158/2005 and which have not been transferred to us by December 31, 2021, and the reimbursement requests were submitted at least 30 days before the end of the Financial Year.

The breakdown by seniority ranges of these amounts is presented below:

- The amount of RON 79,042 with maturity exceeded up to 3 months, represents the amount corresponding to reimbursement applications submitted in September, October and November 2021 and not collected until December 31, 2021

## NOTES TO FINANCIAL STATEMENTS

**(All amounts are expressed in RON unless otherwise stated)**

- The amount of RON 48,371 with maturity exceeded between 3 and 6 months, represents the amount corresponding to reimbursement applications submitted between June and July - August 2021 and not collected until December 31, 2021.

- The amount of RON 22,975 with maturity exceeded over 6 months, represents the amount corresponding to a reimbursement application submitted in May 2021 and not collected until December 31, 2021.

The Company recorded adjustments for impairment of receivables at the amount of expected credit losses, calculated based on the expected loss rates.

For the amounts to be collected from the Budget of the Single National Health Insurance Fund, we have not recorded adjustments for impairment of receivables, because although they are collected with an increasing delay, we consider it a certainty to collect these amounts until the end of 2022.

The analysis of adjustment movement for the impairment of receivables:

	<b><u>December 31, 2020</u></b>	<b><u>December 31, 2021</u></b>
As at January 1	373,564	390,830
Receivable impairment adjustment during the year	26,925	83,187
Reversed impairment adjustments	<u>(9,659)</u>	<u>(16,944)</u>
As at December 31	<u>390,830</u>	<u>457,073</u>

**12. CASH AND CASH EQUIVALENTS**

	<b><u>December 31, 2020</u></b>	<b><u>December 31, 2021</u></b>
Cash in hand and in bank	39,370	40,620
Performance bonds under 3 months	-	-
Collateral cash at the bank - letters of credit	-	-
Other cash equivalents	97,344	13,853
Short-term deposits	<u>842,435</u>	<u>846,500</u>
<b>Total</b>	<b><u>979,149</u></b>	<b><u>900,973</u></b>

NOTES TO FINANCIAL STATEMENTS

(All amounts are expressed in RON unless otherwise stated)

	<u>December 31, 2020</u>	<u>December 31, 2021</u>
Cash in hand and in bank in RON	21,059	38,976
Cash in hand and in bank in USD	1,495	1,504
Cash in hand and in bank in EUR	16,816	140
Short-term deposits in RON	842,435	846,500
Short-term deposits in EUR	-	-
Funds to be collected RON	<u>97,344</u>	<u>13,853</u>
<b>Total</b>	<u>979,149</u>	<u>900,973</u>

<u>Bank</u>	<u>December 31, 2020</u>	<u>December 31, 2021</u>
Raiffeisen Bank	2,766	2,031
BRD	6,820	5,159
Treasury	4,581	2,744
BCR	18,311	1,644
Unicredit Ţiriac Bank	0	17,792
Cash in hand and other cash equivalents	104,236	25,103
Short-term deposits - BRD	0	0
Short-term deposits - BCR – manager securities	77,053	81,136
Short-term deposits – CEC BANK - dividends recorded	765,364	765,364
Short-term deposits – CEC BANK - securities	18	-
	<u>979,149</u>	<u>900,973</u>

In 2016, the amount of RON 416,440 representing dividends to the Shareholders: SCOP LINE SA (RON 213,645), BENJAMIN UNITED SRL (RON 342), ALFA LINE SA (RON 90,422) and MATTERA COM SA (RON 112,031) was recorded with CEC BANK SA.

In 2018, the amount of RON 158,602 representing dividends to the Shareholders: SCOP LINE SA (RON 81,367), BENJAMIN UNITED SRL (RON 214), ALFA LINE SA (RON 34,437) and MATTERA COM SA (RON 42,584) was recorded with CEC BANK SA.

In 2019, the amount of RON 190,322 representing dividends to the Shareholders: SCOP LINE SA (RON 97,641), BENJAMIN UNITED SRL (RON 256), ALFA LINE SA (RON 41,325) and MATTERA COM SA (RON 51,100) was recorded with CEC BANK SA.

The amounts were recorded on the basis of an Ordinance issued on September 25, 2015 by the Directorate for the Investigation of Organized Crime and Terrorism in File Case No. 394/D/P/2007.

## NOTES TO FINANCIAL STATEMENTS

(All amounts are expressed in RON unless otherwise stated)

	<u>December 31, 2020</u>	<u>December 31, 2021</u>
Cash and cash equivalent	979,149	900,973
Total current share of loans	<u>2,278,043</u>	<u>3,011,953</u>
	<u>3,257,192</u>	<u>3,912,926</u>

**13. OWNERS' EQUITY**

	<u>December 31, 2020</u>	<u>December 31, 2021</u>
Share capital	12,325,438	12,313,405
Adjustments in Share Capital	<u>          -</u>	<u>          -</u>

	<u>Value</u>	<u>No. of Shares</u>	<u>Value of share (RON)</u>	<u>Percentage of Ownership (%)</u>
S.C. CARBO EUROPE S.R.L.	9,564,758	3,825,903	2.5	77.6776
Legal entities	1,660,472	664,189	2.5	13.4851
Individuals	1,088,175	435,270	2.5	8.8373
<b>Total</b>	<u>12,313,405</u>	<u>4,925,362</u>		<u>100</u>

As at December 31, 2020 the Company held 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 represented 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.

The Extraordinary General Meeting of Shareholders held on April 28, 2021 approved, by unanimous vote, the cancellation of 4,813 own shares with a face value of RON 2.5 and the reduction of the share capital from RON 12,325,437.50 to RON 12,313,405, with the face value corresponding to the cancelled shares, namely RON 12,032.50, according to Article 207 paragraph (1) (c) of Law 31/1990. (Decision of the General Meeting of Shareholders no. 1/January 28, 2021).

## NOTES TO FINANCIAL STATEMENTS

(All amounts are expressed in RON unless otherwise stated)

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The cancellation of the own shares resulted in a loss of RON 27,434.10, to be covered according to the decision of the General Meeting of Shareholders.

At the time of transition to IFRS, the Company calculated and recognized the hyperinflationary economy effect by applying IAS 29.

The restatement was calculated using the evolution of the consumer price index ("CPI") published by the National Institute of Statistics ("NIS"). The indices used, determined on the corresponding prices for December 1990 (1990 = 100) for 13 years and conversion factors were the following:

<u>Month, Year</u>	<u>Movements in consumer price indices</u>	<u>Index</u>	<u>Conversion Factor</u>
February 1991	7.0%	123	1,363
March 1996	1.7%	8,291	20.19
February 2001	2.3%	101,419	1.65
August 2003	0.28%	157,446	1.06

## DIVIDENDS

During 2021, the Company did not appropriate any dividends to owners.

## 14. LOANS

	<u>December 31, 2020</u>	<u>December 31, 2021</u>
Loans from banks	3,710,553	4,177,658
Loans from Shareholders	-	-
Total loans	<u>3,710,553</u>	<u>4,177,658</u>
Current share of loans	2,278,043	3,011,953
Long-term share – loans from banks	1,432,510	1,165,705
	<u>3,710,553</u>	<u>4,177,658</u>

In November 2017, the Company signed with RAIFFEISEN BANK S.A. a term "Invest SME Initiative" loan agreement amounting to RON 2,500,000 for a period of 3 years, to finance 80% of the investment representing the purchase of new equipment. As at December 31, 2020, the balance of this loan was RON 61,111, with maturity on January 2021.

NOTES TO FINANCIAL STATEMENTS

(All amounts are expressed in RON unless otherwise stated)

The collaterals for this facility were: the mortgage on current accounts opened at the bank, the mortgage on the equipment subject to the investment, and a 60% financial collateral granted by EIF.

The credit facility provided under this Contract was supported by the European Union support through the SME Initiative Program, funded by the European Union through the ERDF and Horizon 2020 and by the European Investment Fund and the European Investment Bank.

In July 2020, the Company signed with RAIFFEISEN BANK S.A. a term credit facility agreement amounting to RON 2,235,000 for a period of 5 years, to finance 80% of the investment representing the purchase of new equipment. As at December 31, 2021, the balance of this loan was RON 1,616,946, with maturity on June 2025.

The collaterals for this facility are: the mortgage on current accounts opened at the bank, the mortgage on the equipment subject to the investment.

	<u>December 31, 2020</u>	<u>December 31, 2021</u>
RON	3,086,171	3,636,583
EUR	<u>624,382</u>	<u>541,075</u>
	<u>3,710,553</u>	<u>4,177,658</u>

The effective average annual interest rate on bank loans for the financial year 2021 was of 2.17% (for the year 2020 was 2,59%).

**15. FINANCE LEASE**

	<u>December 31, 2020</u>	<u>December 31, 2021</u>
Up to one year	32,123	0
Between 1 year and 5 years	<u>115</u>	<u>0</u>
Current value of finance lease	<u>32,238</u>	<u>0</u>

	<u>December 31, 2020</u>	<u>December 31, 2021</u>
Up to one year	32,123	0
Between 1 year and 5 years	115	0
Future financing costs	<u>0</u>	<u>0</u>
Current value of finance lease	<u>32,238</u>	<u>0</u>

The effective average annual interest rate of the finance lease for the year 2021 was of 0% (for the financial year 2020 was 0.12%).

## NOTES TO FINANCIAL STATEMENTS

(All amounts are expressed in RON unless otherwise stated)

**16. SUPPLIERS AND OTHER CREDITORS**

	<u>December 31, 2020</u>	<u>December 31, 2021</u>
Suppliers	1,299,992	1,598,587
Payables regarding personnel	504,836	540,030
Interest payable	957	1,895
Dividends payable	925,603	924,593
VAT payable	200,048	388,294
Other payables to the State	460,410	492,656
Deferred income	0	0
Creditor customers and sundry creditors	58,824	140,648
Excess inventory such as non-current assets and investment grants	<u>17,567</u>	<u>10,267</u>
<b>Total</b>	<u>3,468,237</u>	<u>4,096,970</u>

	<u>December 31, 2020</u>	<u>December 31, 2021</u>
EUR	637,570	259,381
USD	-	-
RON	<u>2,830,667</u>	<u>3,798,541</u>
	<u>3,468,237</u>	<u>4,096,970</u>

**17. ANALYSIS OF REVENUE BY CATEGORY**

	<u>December 31, 2020</u>	<u>December 31, 2021</u>
Revenue from sale of finished goods	30,016,768	32,333,963
Revenue from sale of goods	263,988	283,437
Revenue from services rendered	<u>86,440</u>	<u>128,081</u>
<b>Total</b>	<u>30,367,196</u>	<u>32,745,481</u>

**Other operating income**

	<u>December 31, 2020</u>	<u>December 31, 2021</u>
Gain / (loss) from sale of fixed assets	(90,286)	130,444
Other income	68,044	20,992
Gain on revaluation of tangible assets	0	0
Gain on revaluation of property investment at fair value	0	0
Rental income	<u>1,120,812</u>	<u>1,233,442</u>
Subsidy income for staff payments	<u>1,432,829</u>	<u>0</u>
<b>Total</b>	<u>2,531,399</u>	<u>1,384,878</u>

NOTES TO FINANCIAL STATEMENTS

(All amounts are expressed in RON unless otherwise stated)

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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 Government Emergency Ordinance 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 Government Emergency Ordinance 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.

In 2021, no subsidies were collected.

**18. WAGES AND OTHER RELATED COSTS**

	<u>December 31, 2020</u>	<u>December 31, 2021</u>
Salary expenses	13,623,345	14,344,596
Expenditure on salary contributions	467,427	439,250
Expenditure on meal vouchers	<u>511,755</u>	<u>724,980</u>
<b>Total</b>	<u>14,602,527</u>	<u>15,508,826</u>

	<b>December 31, 2020</b>	<b>December 31, 2021</b>
Average number of employees	164	171
Number of employees	185	176
Salary of administrative staff (managers, including related social contributions)	1,377,117	1,453,871
Board of Directors (including related social security contributions)	839,759	517,565

## NOTES TO FINANCIAL STATEMENTS

(All amounts are expressed in RON unless otherwise stated)

## 19. OTHER OPERATING EXPENSES

	<u>December 31, 2020</u>	<u>December 31, 2021</u>
Other expenditure on services provided by third parties	804,959	824,713
Expenditure on royalties and rents	28,474	24,821
Utilities expenses	1,905,094	2,487,131
Expenditure on maintenance and repairs	36,478	40,493
Insurance expenses	102,857	104,159
Expenditure on damages and penalties	23,208	387
Other provisions expense / (reversal)	9,488	16,577
Net provision for receivables expense / (reversal)	17,266	66,243
Postage charges and other fees	42,628	37,936
Expenses on commissions and fees	198,106	903
Entertainment, advertising and publicity expenses	26,821	16,053
Net (gain) / loss from exchange differences from operating activities	(34,882)	2,794
Net provision for slow moving inventories or impaired expense / (reversal)	(4,068)	77,710
Banking and similar charges	43,026	31,720
Travel expenses	66,131	63,608
Other operating expenses	823,129	866,045
Shipping costs	<u>161,252</u>	<u>148,337</u>
<b>Total</b>	<b><u>4,249,967</u></b>	<b><u>4,809,630</u></b>

In 2021, an audit fee of EUR 8,000 was paid to the financial auditor for auditing the Financial Statements as of December 31, 2020

## NOTES TO FINANCIAL STATEMENTS

(All amounts are expressed in RON unless otherwise stated)

## 20. FINANCIAL RESULT

	<u>December 31, 2020</u>	<u>December 31, 2021</u>
Interest expense		
- Loans	129,830	85,737
- Financial lease	96	0
Net result from exchange rate differences	<u>45,500</u>	<u>19,821</u>
<b>Financial costs</b>	<b><u>175,426</u></b>	<b><u>105,558</u></b>
Interest income	9	3
Other financial income	<u>0</u>	<u>0</u>
<b>Financial income</b>	<b><u>9</u></b>	<b><u>9</u></b>
<b>Net financial result</b>	<b><u>(175,417)</u></b>	<b><u>(105,555)</u></b>

## 21. CORPORATE INCOME TAX

Description	<u>December 31, 2020</u>	<u>December 31, 2021</u>
Gross result	1,371,441	1,441,211
Tax rate according to national regulations	16%	16%
Items similar to income	935,164	831,891
Items similar to expenses	(20,976)	(20,160)
Deductions	(2,651,768)	(2,625,797)
Non-taxable income	(74,685)	(106,584)
Non-deductible expenses	2,595,090	2,624,627
Total	2,154,266	2,145,188
Tax expense	(344,683)	(343,230)
Sponsorship / patronage amounts	<u>68,937</u>	<u>68,646</u>
Total	<u>(275,746)</u>	<u>(274,584)</u>
Bonus according to Government Emergency Ordinance 33/2020	24,502	-
Bonus according to Government Emergency Ordinance 153/2020	-	21,967
Total corporate income tax after application of the bonus	<u>(251,244)</u>	<u>(252,617)</u>
(Expense) / revenue with deferred tax	39,290	75,041
(Expense) / revenue with income tax	(211,954)	(177,576)

## NOTES TO FINANCIAL STATEMENTS

(All amounts are expressed in RON unless otherwise stated)

## 21. CORPORATE INCOME TAX (CONTINUED)

	<u>January 1, 2020</u>	<u>Movement in deferred tax</u>	<u>December 31, 2020</u>	<u>Movement in deferred tax</u>	<u>December 31, 2021</u>
Deferred tax assets	39,934	(24,207)	15,727	22,112	37,839
Deferred tax liabilities	<u>(6,837,423)</u>	<u>(80,163)</u>	<u>(6,917,586)</u>	<u>117,011</u>	<u>(6,800,575)</u>
Asset / (liability) from deferred tax - net	<u>(6,797,489)</u>	<u>(104,370)</u>	<u>(6,901,859)</u>	<u>139,123</u>	<u>(6,762,736)</u>

<b>Deferred tax liabilities</b>	<b><u>Property, Plant and Equipment</u></b>	<b><u>Provisions</u></b>	<b><u>Total</u></b>
As at January 1, 2020	(6,826,686)	(10,737)	(6,837,423)
Movement in deferred tax	<u>(90,816)</u>	<u>(10,653)</u>	<u>(80,163)</u>
As at December 31, 2020	<u>(6,917,502)</u>	<u>(84)</u>	<u>(6,917,586)</u>

<b><u>Deferred tax assets</u></b>	<b><u>Property, Plant and Equipment</u></b>	<b><u>Provisions</u></b>	<b><u>Total</u></b>
As at January 1, 2020	12,334	27,600	39,934
Movement in deferred tax	<u>(2)</u>	<u>(24,205)</u>	<u>(24,207)</u>
As at December 31, 2020	<u>12,332</u>	<u>3,395</u>	<u>15,727</u>
<u>Asset / (liability) from deferred tax - net</u>	<u>(6,905,170)</u>	<u>3,311</u>	<u>(6,901,859)</u>

<b>Deferred tax liabilities</b>	<b><u>Property, Plant and Equipment and legal reserve</u></b>	<b><u>Provisions</u></b>	<b><u>Total</u></b>
As at January 1, 2021	<u>(6,917,502)</u>	<u>(84)</u>	<u>(6,917,586)</u>
Movement in deferred tax	<u>116,927</u>	<u>84</u>	<u>117,011</u>
As at December 31, 2021	<u>(6,800,575)</u>	<u>0</u>	<u>(6,800,575)</u>

<b><u>Deferred tax assets</u></b>	<b><u>Property, Plant and Equipment</u></b>	<b><u>Provisions</u></b>	<b><u>Total</u></b>
As at January 1, 2021	<u>12,332</u>	<u>3,395</u>	<u>15,727</u>
Movement in deferred tax	<u>(2,948)</u>	<u>25,060</u>	<u>22,112</u>
As at December 31, 2021	<u>9,384</u>	<u>28,455</u>	<u>37,839</u>
<u>Asset / (liability) from deferred tax - net</u>	<u>(6,791,191)</u>	<u>28,455</u>	<u>(6,762,736)</u>

**CARBOCHIM S.A.****NOTES TO FINANCIAL STATEMENTS****(All amounts are expressed in RON unless otherwise stated)****22. RELATED PARTIES**

The list of Company related parties is as follows:

<b>Related company</b>	<b>Explanations</b>
CARBOREF SRL Cluj-Napoca	CARBOCHIM SA holds 25% of the share capital of CARBOREF SRL. Mr Popoviciu Viorel was member of both the Board of Directors of CARBOCHIM SA (Board composed of 5 persons), and of CARBOREF SA (Board composed of 3 persons) until March 2015, when the company became CARBOREF SRL and a single director remained (Mr Ioan Mihut, who holds 70% of the shares). Deliveries represent the rent and utilities according to contract 2249/December 13, 2012 and occasional sales of abrasive products through the retail store.
CARBO EUROPE SRL Bucharest	CARBO EUROPE SRL holds 77.6776% of the share capital of CARBOCHIM SA. There were no transactions with this company in 2021.
IULIUS HOLDING SRL Iasi	Mr Iulian-Adrian Dascalu owns 100% of the Iulius Holding SRL but also CARBO EUROPE SRL both through direct ownership (71.43%) and through the companies CARBO ONE BV and CARBO TWO BV registered in the Netherlands. There were no transactions with this company in 2021.

Analysis of balances and transactions with related parties (Amounts in RON and VAT included):

<b>Balances as at January 1, 2020</b>	<b><u>Receivables</u></b>	<b><u>Other receivables</u></b>	<b><u>Payables</u></b>
CARBOREF SA	1,036	-	-
<b>Total</b>	<b><u>1,036</u></b>	<b>=</b>	<b>=</b>
<b>Transactions carried out during 2020:</b>	<b>Sales</b>	<b>Expenses</b>	<b>Loans</b>
CARBOREF SA	12,299	-	-
<b>Total</b>	<b><u>12,299</u></b>	<b>=</b>	<b>=</b>
<b>Balances as at December 31, 2020</b>	<b><u>Receivables</u></b>	<b><u>Other receivables</u></b>	<b><u>Payables</u></b>
CARBOREF SA	1,029	-	-
<b>Total</b>	<b><u>1,029</u></b>	<b>=</b>	<b>=</b>

**CARBOCHIM S.A.****NOTES TO FINANCIAL STATEMENTS****(All amounts are expressed in RON unless otherwise stated)**

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<b>Transactions carried out during 2021:</b>	<b>Sales</b>	<b>Expenses</b>	<b>Loans</b>
CARBOREF SA	13,126	-	-
<b>Total</b>	<u>13,126</u>	=	=

<b>Balances as at December 31, 2021</b>	<b>Receivables</b>	<b>Other receivables</b>	<b>Payables</b>
CARBOREF SA	1,328	-	-
<b>Total</b>	<u>1,328</u>	=====	=====

As at December 31, 2021, the Board of Directors of the Company has the following structure:

- Popoviciu Viorel Dorin, Member of the Board of Directors and Chairman of the Board. Holds 145,670 shares.
- Turbatu Ioan, Member of the Board of Directors. Does not hold shares.
- Giurgiu Adrian, Member of the Board of Directors. Does not hold shares.
- Ungurean Tudor, Member of the Board of Directors. Does not hold shares.
- Stoicescu Daniel-Silviu, Member of the Board of Directors. Holds 15 shares.

The executive management of the Company is:

- Popoviciu Viorel Dorin, Chief Executive Officer
- Barabula Mihaela Maria, Chief Financial Officer
- Giurgiu Liana, Sales Director
- Carean Nastasia, Technical – Production Director

## NOTES TO FINANCIAL STATEMENTS

**(All amounts are expressed in RON unless otherwise stated)**

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**23. EARNINGS PER SHARE**

Company shares are listed on the second category of the Bucharest Stock Exchange, CBC symbol.

Basic earnings per share is calculated by dividing the profit attributable to the Company's equity holders of the average number of ordinary shares existing during the year. The diluted earnings per share coincides with the basic earnings per share.

	<b><u>Year ended as at December 31, 2020</u></b>	<b><u>Year ended as at December 31, 2021</u></b>
Profit attributable to equity holders of the Company	1,371,441	1,441,211
Weighted average of number of shares	4,930,175	4,927,768
Basic earnings and diluted earnings per share (RON per share)	0.28	0.29

**24. CONTINGENCIES****24.1. Litigation**

The Company is subject to a number of legal actions, most of them representing insolvency proceedings of doubtful customers. The Company's Management believes that these actions will not have a material adverse effect on the economic performance and financial position of the Company.

**24.2. Taxation**

The taxation system in Romania has undergone many changes in recent years and is under a phase of adaptation to the jurisprudence of the European Union. As a result, there are still different interpretations of tax law. In some cases, the tax authorities may have different approaches to certain issues, the calculation of additional taxes and interest and penalties for late payment (in 2021, the late payment fee is of 0.01% per day of delay, plus default interest at the rate of 0.02% per day of delay). In Romania, the tax year remains open for tax inspection for 5 years. The Company's Management believes that tax liabilities included in these Financial Statements are appropriate.

Tax legislation in place at the time of preparation of Financial Statements for companies reporting under the International Financial Standards is in was at an early stage of development. As a result,

**(All amounts are expressed in RON unless otherwise stated)**

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it is possible that the tax authorities have different interpretations from those included in these Financial Statements. Since the Company maintains the revaluation method for property, plant and equipment, and also in order to reduce the tax related risk, the Company decided to keep the balance of the account 105 "Revaluation reserves" at the date of transition to IFRS, the existing amounts in this account as of December 31, 2010 in the Financial Statements prepared according to the Order of the Minister of Public Finance 3055/2009.

### **24.3. Financial crisis**

#### **Recent volatility in international and Romanian financial markets:**

The latest global liquidity crisis that began in mid-2007 resulted, among other things, in low level of capital market funding, lower liquidity levels in the financial sector and, occasionally, higher interbank lending rates and very high stock market volatility. Moreover, the RON exchange rate volatility and the main currencies used in international trade was very high.

Management is unable to reliably estimate the effects on the financial position of the Company to a potential decrease in liquidity of financial markets, an increase in the volatility of the exchange rate of the national currency and the continuation of the recession to come. The Management believes that it has taken all the necessary measures to ensure the continuity of the Company under current conditions.

#### **Revaluation of properties held at fair value**

The real estate market in Romania has been severely affected by the volatility in financial markets which resulted from restricting access to credit for companies and individuals during the financial crisis in 2007-2009. Therefore, the accounting value of tangible assets at fair value has been updated to reflect the market conditions at the Balance Sheet date. Due to the volatility of the real estate market in Romania, it is possible that the fair values of the Company's assets relating to property be modified in the future.

### **24.4. Analysis of the impact of the SARS Cov2 pandemic on the economic activity of CARBOCHIM SA. Assessment of the Company's ability to continue as a going concern**

The world economy is in one of the worst economic crises since the Great Depression (1929-1933), according to the forecasts by economy specialists, due to the Covid-19 pandemic that has made its presence felt in Romania since March 2020.

The European Union's reaction has been swifter and more concerted than ever on both strategic axes: fighting the Covid-19 pandemic and its economic effects.

The Government of Romania has taken several measures to support the economic agents, including being part of the amounts owed by the economic agents for the payment of personnel in the periods

NOTES TO FINANCIAL STATEMENTS

**(All amounts are expressed in RON unless otherwise stated)**

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of 2020 when the activity was suspended or reduced during the periods of restrictions imposed in order to limit or reduce the spread of SARS-COV-2 virus.

Currently, the global crisis caused by the coronavirus pandemic 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 view of the current overall economic situation, the Company's management conducted a one-off analysis to assess the impact of the SARS Cov2 pandemic on the Company's economic activity, namely on the **entity's ability to continue as a going concern in the future**, as follows:

The following **significant uncertainties that the Company may face** and the impact of these uncertainties on the Company's economic activity and on the Company's ability to continue as a going concern have been identified as follows:

1. Company access to **government aid** in 2021

According to the 2020 legislation, the Company had access to government aid.

During the state of emergency, the Company suspended the employment contracts of some employees, requesting from AJOFM the amounts necessary for the payment of the allowance provided for in Article XI paragraph (1) of Government Emergency Ordinance 30/2020.

Due to the decrease in demand in the context of the COVID-19 pandemic, as well as due to the fact that many companies had their activity interrupted during the state of emergency, the revenues from the sale of finished products in 2020 were at the level of RON 30,016,768 compared to RON 33,203,510 recorded in 2019, recording a decrease of approx. 9.60%.  
At the same time, the operational expenses of the Company in 2020 amounted to RON 31,04,134 compared to RON 34,693,610 in 2019, decreasing by approx. 10.35%.  
In light of the foregoing, as well as the recording of revenues from subsidies for the payment of personnel for the period of suspension of employment contracts during the state of emergency, 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, subsidies for the payment of personnel amounting to RON 1,432,829 were received from AJOFM, 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 II paragraph (2) of the Government Emergency Ordinance 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.

From the analysis of the Income and Expenditure Budget for 2020 and 2021, data achieved/forecast for each balance sheet item and from the analysis of the Cash Flow Statement for 2020 and 2021 it resulted a balanced situation, the Company managing its cash flows so as to meet all obligations towards suppliers, employees and other creditors. Please note that the Company has paid monthly all outstanding obligations to the State budget and the social security budget during 2020 and 2021, without applying the possibility offered by the legislation in force to defer payments to the State budget for the period of 2020.

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According to the current legislation, the Company did not fall into the category of companies eligible for government aid during 2021 because the Company could carry out its activity as usual without restrictions imposed by legal provisions.

During 2021, there was a slight increase in the sales of grinding products by approx. 7.72% compared to the previous year, reaching the level of RON 32,333,963, recovering part of the decrease in sales in 2020 due to the COVID-19 pandemic. However, the sales of grinding products made in 2021 are approx. 2.62% lower than those achieved in 2019 when they reached the level of RON 33,203,510.

2. The economic situation of **customers**, the restrictions faced by the customers as well as the way in which the customers of the Company will be affected by the economic crisis and/or the restrictions imposed.

During 2020 and 2021, the Company did not face any customer loss situations. Furthermore, an analysis of the accounting data does not indicate that customers have deferred payments to a greater extent than in previous years.

The Company has a large number of customers operating in different business sectors, as follows: construction, manufacturing industry (machinery and equipment, metallurgy, wood processing, furniture, processing of non-metallic mineral products, processing of rubber and plastics, textiles, footwear) and retail.

The Company does not depend on a small number of customers. Moreover, the Company's customers are not part of the business sectors that have been deeply affected in 2020 and so far.

In order to ensure the collection of the value of the products in the case of new and occasional customers, we have worked with the collection based on proforma invoices and the delivery after collection.

3. Economic situation of **suppliers**, affecting supply chains

Regarding the supply, we were not affected by the COVID-19 pandemic as we had stockpiles of basic raw materials big enough to ensure our production for several months. This is because the sourcing of a large part of the basic raw materials is from Chinese suppliers, which requires an important period of time from the order to the arrival of the raw material, taking into account the shipping of the raw material which takes at least 30 days. Of course, there are also alternative sources of supply, generally there are at least two suppliers for each raw material.

Assuming that the raw materials become more expensive, we have drawn up a variant of Income and Expenditure Budget from the analysis of which it results that the Company will succeed in maintaining itself on the market even under the conditions of a substantial reduction in the net profit because the Company has undistributed reserves from previous years.

4. Access to **financing of the activity** through bank loans

Cash flows from operating activities increased by RON 2,431,900, from RON 2,886,965 in 2019 to RON 5,318,865 in 2020, so that the Company managed to decrease its working capital credit line commitments by RON 3,694,418 in 2020. In 2021, operating cash flows decreased by RON

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**(All amounts are expressed in RON unless otherwise stated)**

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2,991,744 to RON 2,327,121, so that in 2021 the amounts committed from working capital credit lines increased by RON 423,167.

Please note that during 2020 and 2021, the working capital credit lines were extended to the existing level from 2019 and in July 2020 an investment loan amounting to RON 2,235,000 was committed for a period of 5 years to finance 80% of the investment representing the purchase of new equipment.

Therefore, in view of the current situation, we do not consider that there is a question of limiting access to financing through bank loans.

**5. Human resources availability**

The Company has sufficient and appropriately qualified human resources. The field of activity in which the Company operates does not require the existence of staff requiring special qualifications. The Company may proceed with the emergency qualification of personnel in a relatively short time.

The Company has taken a number of measures to carry out its activities in the context of preventing and fighting the SARS-Cov-2 infection, among which the most important are: shifting the working hours of the employees, training the employees on keeping the recommended distance and wearing protective masks, daily monitoring of the temperature of the personnel at the shift entry, providing the employees with protective masks and disinfectants, isolating the employees with respiratory symptoms or fever and testing them through the occupational medicine practice.

**6. Increasing exchange rate volatility**

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.

**Other matters:**

During 2020 and 2021, the Company's business model was not affected, the sale and delivery of the products took place under the same conditions, the only changes were related to electronic and telephone communication to a much greater extent than in the previous years, the delegates' trips to customers were reduced to the minimum possible, especially during the state of emergency, and the deliveries were made to a much greater extent through the courier and transport companies.

There are no potential legal or contractual problems, arising from the entity's potential lack of ability to meet its obligations.

The entity's revenues and cash flows were affected by the impact of the pandemic on consumers and customers during the state of emergency, in which the Company partially suspended its activity.

The entity's cash flows and working capital were not materially affected.

In the event that new restrictions will be imposed, if the government aid program does not cover the new period, the management of the entity shall consider the possibility of reducing the working hours of the employees according to the legal regulations in force, as well as the use of teleworking

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for the employees in the areas that allow working from home (sales, marketing, IT, accounting, human resources, etc.), in order to reduce the costs in proportion to the reduction of the revenues.

**Conclusions:**

The Company has prepared several versions of Income and Expenditure Budget and Cash Flow Statement in which the above uncertainties are taken into account in a worst-case scenario. It follows from the analysis of these versions that the Company will be able to overcome the period of economic crisis within a limited, medium-term time horizon.

The industry sector in which we operate is not currently subject to any restrictions, and our customers operate in multiple sectors, which mitigates the risk of being affected by restricting the activity of some customers.

**24.3 War in Ukraine**

A major factor of uncertainty that can seriously affect the activity of the Company is the crisis generated at European level by the war in Ukraine, which overlapped the effects of the Covid-19 crisis is expected to send the European Union and the Eurozone into a recession.

The full impact of this crisis is still impossible to predict and prevent in its entirety.

**25. SUBSEQUENT EVENTS**

The Extraordinary General Meeting of Shareholders of CARBOCHIM SA met on January 5, 2022 decided by unanimous vote, according to the Decision of the General Meeting of Shareholders No. 1/January 5, 2022, the relocation of the entire activity carried out by the Company in the new building to be purchased by the Company under the conditions approved in the same meeting of the General Meeting of Shareholders and the alienation by sale to one or more buyers of the properties owned by the Company, located in Cluj-Napoca, P-ța 1 Mai, nr. 3, Cluj County and composed of the land plots and the constructions located thereon.

In the Current Report issued on March 23, 2022 to publish the agenda of the Ordinary General Meeting of Shareholders of April 27, 2022, convened for approval of the Financial Statements of 2021, the distribution of the net profit of 2021, in the amount of RON 1,441,210.71, as follows: to legal reserves the amount of RON 80,939.34, the coverage of the loss of RON 27,434.10 (resulting from the cancellation of 4,813 own shares, according to the Decision of Extraordinary General Meeting of Shareholders No. 1/April 28, 2021) and retained earnings (profit not distributed) the difference of RON 1,332,837.27.



## STATEMENT

We, the undersigned POPOVICIU VIOREL-DORIN acting in the capacity of Chief Executive Officer and BARABULA MIHAELA-MARIA acting in the capacity of Chief Financial Officer of CARBOCHIM S.A., hereby state:

- The separate financial statements on 31 December 2021 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union and with the Order of the Ministry of Public Finance 2844/2016 approving the Accounting Regulations in accordance with the International Financial Reporting Standards.
- The accounting policies used in the preparation of financial statements are in accordance with the accounting regulations applied;
- The separate financial statements prepared in accordance with the International Financial Reporting Standards (“IFRS”) present fairly the financial position, financial performance and other information related to the activity carried out;
- The Company operates in terms of continuity
- At the time of this statement, we have no knowledge about other information, events, circumstances that would significantly alter the above statements.

CHIEF EXECUTIVE OFFICER  
VIOREL POPOVICIU, Engineer

CHIEF FINANCIAL OFFICER  
MIHAELA BARABULA, Economist

**G2 Expert**  
Limited Liability Company  
405200 Dej, str. Alecu Russo, nr. 24/1  
J12/4477/2008; 24725081  
Share Capital: RON 200  
+40 264 214 434  
+40 744 583 031  
office@proceduriaudit.ro

# INDEPENDENT'S AUDITOR REPORT

on the Financial Statements as at  
DECEMBER 31, 2021

by  
CARBOCHIM S.A.

Autoritatea pentru Supravegherea Publică a  
Activității de Audit Statutar (ASPAAS)  
Firma de Audit: G2 EXPERT S.R.L.  
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## INDEPENDENT AUDITOR'S REPORT

To

**CARBOCHIM SA Shareholders**

### **Report on the audit of the Financial Statements**

#### *Unqualified opinion*

We have audited the accompanying Financial Statements of **CARBOCHIM SA (the "Company")**, with registered office in CLUJ-NAPOCA, Piața 1 Mai, nr.3, identified by Tax Reference Number and VAT Code RO 201535, comprising the Balance Sheet as at December 31, 2021, the Income Statement, the Statement of changes in equity and Cash Flow Statement for the financial year then ended, as well as a Summary of significant accounting policies and the Notes to the Financial Statements.

The Financial Statements as at December 31, 2021 are identified as follows:

• <b>Total assets:</b>	<b>RON 95,861,837</b>
• <b>Total owners' equity:</b>	<b>RON 80,519,709</b>
• <b>Liabilities:</b>	<b>RON 15,342,128</b>
• <b>Net profit for the financial year:</b>	<b>RON 1,441,211</b>

In our opinion, the accompanying Financial Statements give a true and fair view of the Company's financial position as at December 31, 2021 as well as of the financial performance and cash flows for the financial year ended on that date, in accordance with International Financial Reporting Standards (IFRSs) adopted by the European Union.

#### *Basis for Opinion*

We have conducted our audit in accordance with International Audit Standards ("ISAS"), EU Regulation No 537 of the European Parliament and of the Council (hereinafter the "Regulation") and Law162/2017 (the "Law"). Our responsibilities under these Standards are described in detail in the Auditor's Responsibilities section in an audit of the Financial Statements in our Report. We are independent of the Company, according to the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code), according to ethical requirements relevant for the audit of

  
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Financial Statements in Romania, including the Regulation and the Law, and have fulfilled our ethical responsibilities according to these requirements and according to the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Key audit issues***

Key audit matters are those aspects which, based on our professional judgement, were of the utmost importance for the audit of the Financial Statements of the current period. These matters have been addressed in the context of auditing the Financial Statements as a whole and in forming our opinion on them, and we do not give a separate opinion on these key matters.

#### **Key matters**

#### **How our audit addressed the key matters**

##### ***Establishment of provisions for pensions***

By the Collective Bargaining Agreement, the Company has stipulated that upon retirement, employees who meet certain seniority conditions and who retire from the Company are entitled to a certain fixed amount of money, which is granted only once.

According to IAS 19 "Employee Benefits" and IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", for these amounts, which are considered post-employment benefits, the amount that is to result in outflows of resources at a later date shall be estimated.

In order to address the risk of estimating the amount of provisions to be set up, our procedures included the following:

- We requested the situation of the persons who have retired in 2021;

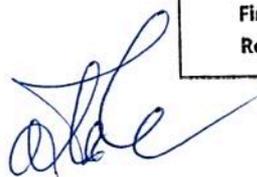
- We requested and consulted the document relating to the method of calculating the provision regarding this benefit;

- We revised the table of existing employees as at December 31, 2021, drawn up by the Financial and Accounting Department, and which includes the calculation method;

- We conducted detailed tests.

##### ***Impact of the coronavirus pandemic***

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The coronavirus pandemic, which made its debut in Romania in February 2020, continuing throughout 2021, triggered a series of events at national and international level that restricted the activity of the population and companies in most areas of activity.

In this context, it is necessary to analyze the impact that the pandemic has had on the Company's business model, on its ability to meet its obligations, on changes in staff structure, etc.

An assessment of the Company's ability to continue its activities on a going concern basis under as normal conditions as possible is also required.

At the date of this Report, CARBOCHIM S.A. is not in a situation of uncertainty regarding the going concern assumption.

Our audit tests and procedures included, among others:

- Income and cash flow analysis;
- Analysis of how the Company has paid its debts to the State budget.
- Analysis of changes in the staffing scheme and investigation on how the human resource has carried out its activity;
- Analysis of the evolution of receipts and payments;
- Analysis of changes on main customers and suppliers.
- Analysis of the management method of the financing contracts and the capacity to meet the obligations;
- Assessment of the liquidity and solvency of the Company;
- Discussions with the management on how to conduct business on a going concern basis.

### ***Other information – Management Report***

Management is responsible for preparing and presenting other information. The other information includes the Management Report, but do not include the Financial Statements and the Auditor's Report thereon.

Our opinion on the Financial Statements does not cover this other information and, unless explicitly stated in our Report, we do not express any reassuring conclusion thereon.

In connection with our audit of the Financial Statements for the year ended December 31, 2020, it is our responsibility to read that other information and, in doing so, to assess whether that other information is significantly inconsistent with the Financial Statements or

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knowledge that we acquired during the audit, or whether it appears to be significantly misstated.

Based solely on the activities to be carried out during the audit of the Financial Statements, in our opinion:

- a) The information disclosed in the Management Report for the financial year for which the Financial Statements have been prepared is consistent, in all material respects, with the Financial Statements;
- b) The Management Report was prepared, in all material respects, in accordance with Order 2844/2016

In addition, based on our knowledge and understanding of the Company and its environment, acquired during the audit of the Financial Statements for the Financial Year ended December 31, 2021, we are required to report whether we have identified any material misstatements in the Management Report. We have nothing to report in this regard.

### ***Responsibilities of Management and persons charged with governance for the Financial Statements***

The Management of the Company is responsible for preparing the Financial Statements that give a true and fair view in accordance with IFRS and for such internal control as the Management deems necessary to enable the preparation of Financial Statements free from material misstatement, caused either by fraud or error.

In preparing the Financial Statements, the Management is responsible for assessing the Company's ability to continue as a going concern, for disclosing, where appropriate, the going concern considerations and for using the going concern basis of accounting, unless the Management either intends to wind up the Company or cease operations, or has no realistic alternative other than to do so.

The persons charged with the governance are responsible for overseeing the Company's financial reporting process.

### ***Auditor's responsibilities in any audit of the Financial Statements***

Our objectives consist in obtaining reasonable assurance as to the extent to which the Financial Statements, as a whole, are free from material misstatement, caused either by fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs shall always detect material misstatement, if any. Misstatements may be caused either by fraud, or error, and shall be considered material if they can reasonably be expected to

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affect, individually or in the aggregate, the economic decisions of the users taken on the basis of these Financial Statements.

As part of any audit in accordance with ISA, we exercise professional judgement and maintain professional skepticism during the audit. Furthermore:

- We identify and assess the risks of material misstatement of the Financial Statements, caused either by fraud or error, design and carry out audit procedures in response to such risks, and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. The risk of not detecting material misstatement caused by fraud is higher than that of not detecting material misstatement caused by error, as fraud may involve secret covenants, forgery, intentional omissions, false statements and evading of internal control.
- We understand the internal control relevant to the audit, in order to design audit procedures appropriate to the circumstances, but without the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- We assess the appropriateness of the Accounting Policies used and the reasonableness of the accounting estimates and related disclosures made by Management.
- We draw a conclusion as to the appropriateness of the Management's use of the going concern accounting and determine, on the basis of the audit evidence obtained, whether there is material uncertainty as to the events or conditions that could give rise to significant doubts as to the Company's ability to continue as a going concern. Where we conclude that there is material uncertainty, we must draw attention in the Auditor's Report to the related disclosures in the Financial Statements or, where these disclosures are inappropriate, change our opinion. Our conclusions are based on the audit evidence obtained up to the date of the Auditor's Report. However, future events or conditions may cause the Company to cease operating on a going concern basis.
- We assess the presentation, structure and content of the Financial Statements, including disclosures, and the extent to which the Financial Statements reflect the underlying transactions and events in a manner that results in a fair disclosure.

We communicate to the persons responsible for the governance, among other matters, the planned scope and timing of the audit, as well as the main audit findings, including any significant deficiencies in the internal control, that we identify during the audit.

We also provide the persons charged with governance with a statement on our compliance with the ethical requirements on independence and communicate to them all relationships and other matters that can reasonably be considered to affect our independence and, where applicable, the related safety measures.



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Among the aspects that we have communicated to those charged with governance, we determine those matters which were of most significance in the audit of the Financial Statements of the current period and which are, therefore, key audit matters. We describe these matters in the Auditor's Report unless laws or regulations prohibit the disclosure of the issue to the public or if, in extremely rare circumstances, we deem that an issue should not be communicated in our Report as the public interest benefits are reasonably expected to outweigh the negative consequences of such disclosure.

### Report on other legal and regulatory provisions

We were appointed by the General Meeting of Shareholders on April 28, 2021 to audit the Financial Statements of CARBOCHIM SA for the financial year ended December 31, 2021. The total uninterrupted duration of our engagement is 3 years, covering financial years ended December 31, 2021 until December 31, 2023

We acknowledge that:

- Our audit opinion is consistent with the Additional Report submitted to the Company's Audit Committee, which we issued on the same date as this Report. Furthermore, in conducting our audit, we maintained our independence against the audited entity.
- We have not provided to the Company the prohibited **non-audit services** referred to in Article 5 (1) of EU Regulation No537/2014.

### Other matters

This Independent Auditor's Report is addressed solely to the Shareholders of the Company as a whole. Our audit was conducted for the purpose of reporting to the Shareholders of the Company those matters that we are required to report in a Financial Audit Report, and not for other purposes. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and its Shareholders, as a whole, for our audit, for this Report or for the opinion formed.

Cluj-Napoca, March 23, 2022

The audit engagement partner who prepared this Independent Auditor's Report is,

Gheorghe Alexandru MAN, Financial Auditor

Registered with the Authority for Public Oversight of Statutory Audit Activity  
with registration number AF1242

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Auditor Financiar: MAN  
GHEORGHE-ALEXANDRU  
Registru Public Electronic AF1242

for and on behalf of G2 EXPERT S.R.L.

Registered with the Authority for Public Oversight of Statutory Audit Activity  
with registration number FA1152

Auditor's address:

G2 Expert S.R.L.

405200 Dej, str. Alecu Russo nr. 24/1, Cluj County, Romania

Trade Register No.: J12/4477/2008, Tax Reference Number: 24725081

Phone: +40 264 214 434

Mobile: +40 744 583 031

Email: office.g500@yahoo.co



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