CARBOCHIM S.A.

SEPARATE FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

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SEPARATE FINANCIAL STATEMENTS

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CARBOCHIM S.A.

INCOME STATEMENT

(All amounts are expressed in RON unless otherwise stated)

	Note	December 31, 2018	December 31, 2019
Income	17	34,560,265	33,681,721
Other income	17	2,629,978	1,786,418
Changes in inventories of finished goods and production in progress		2,162,625	(387,460)
		39,352,868	35,080,679
Raw materials, goods and consumables used		(13,262,733)	(10,731,288)
Employees benefit expenses	18	(15,342,397)	(16,049,481)
Depreciation and impairment expenses		(2,193,325)	(2,587,157)
Other operating expenses	19	(4,993,169)	(5,325,684)
		(35,791,624)	(34,693,610)
Operating income		3,561,244	387,069
Financial income	20	4	5
Financing costs	20	(231,560)	(297,382)
Financial net result		(231,556)	(297,377)
Profit before tax		3,329,688	89,692
Income tax expense	21	(662,100)	(21,104)
Net profit for the year		2,667,588	68,588
Basic earnings and diluted earnings per share (RON per share)	23	0.54	0.01

STATEMENT OF COMPREHENSIVE INCOME

(All amounts are expressed in RON unless otherwise stated)

	Note	December 31, 2018	December 31, 2019
Other comprehensive income			
Profit for the year		2,667,588	68,588
Other comprehensive income:			
Gains / (losses) on revaluation of assets		13,597,867	-
Change of deferred tax recognized in the revaluation reserve		(1,952,699)	120,173
Other comprehensive income for the year, excluding taxes		11,645,168	120,173
Total comprehensive income of the year		14,312,756	188,761

STATEMENT OF FINANCIAL POSITION

(All amounts are expressed in RON unless otherwise stated)

	Note	December 31, 2018	December 31, 2019
ASSETS			
Non-current assets			
Investment property	8	7,124,302	7,124,302
Other intangible assets	7	6,557	1,249
Tangible assets	6	66,977,552	64,520,850
Investments in owners' equity		38,000	38,000
Total non-current assets		74,146,411	71,684,401
Current assets			
Inventories	10	14,958,347	14,702,179
Trade receivables	11	7,645,281	7,035,076
Other current assets	11	267,501	283,021
Current income tax to be recovered	11.21	0	0
Cash and cash equivalents	12	879,301	1,024,860
Total current assets		23,750,430	23,045,136
TOTAL ASSETS		97,896,841	94,729,537
OWNERS' EQUITY AND LIABILITIES			
Owners' equity			
Share capital	13	12,325,438	12,325,438
Adjustments in owners' equity	13	0	0
Other components of owners' equity		57,440,201	57,563,025
Retained earnings		9,350,754	7,937,638
Total owners' equity		79,116,393	77,826,101
Long-term liabilities			
Long-term loans	14	794,445	61,111
Finance lease debts	15	123,655	29,689
Long-term provisions	5	247,526	264,526
Deferred tax liability	21	7,033,841	6,797,489
Total long-term liabilities		8,199,467	7,152,815

(All amounts are expressed in RON unless otherwise stated)

	Note	December 31, 2018	December 31, 2019
Current liabilities			
Current share of long-term loans	14	6,674,119	6,235,396
Current share of finance lease liabilities	15	198,045	98,976
Trade payables and of other nature	16	3,680,346	3,415,012
Current income tax	16.21	28,471	1,237
Total current liabilities		10,580,981	9,750,621
TOTAL LIABILITIES		18,780,448	16,903,436
TOTAL OWNERS' EQUITY AND LIABILITIES		97,896,841	94,729,537

The financial statements were authorized for issue by the Board of Directors on March 20, 2020 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)

	Note	December 31, 2018	December 31, 2019
Cash flows from operating activities			
Receipts from customers and other debtors		42,994,854	41,789,087
Payments to suppliers, employees and other creditors		(29,091,183)	(26,171,853)
Interest paid		(209,341)	(255,556)
Income taxes, social contributions, other levies and taxes paid		(12,274,577)	(12,474,713)
Net cash from operating activities		1,419,753	2,886,965
		-	-
Cash flows from operating investing activity			
Payments for acquisition of shares		-	-
Payments to acquire property plant and equipment		(4,291,096)	(170,257)
Proceeds from sale of property plant and equipment		53,482	104
Interest received		4	5
Dividends received		-	-
Net cash from financing activities		(4,237,610)	(170,148)
Cash flows from financing activities			
Proceeds from issue of shares		0	0
Proceeds from loans		55,984,304	65,596,356
Payment of debts related to financial lease		(429,861)	(254,693)
Dividends paid		(936,573)	(1,144,508)
Repayments of amounts borrowed		(51,556,488)	(66,768,413)
Net cash from financing activities		3,061,382	(2,571,258)
Cash flows - total		243,525	145,559
Cash at the beginning of period		635,776	879,301
Cash at the end of period	12	879,301	1,024,860

(All amounts are expressed in RON unless otherwise stated)

	Notes	Share capital	Adjustments in share capital	Other reserves	Retained earnings and undistributed	Total owner' equity
Balance as at January 1, 2018		12,325,438	-	45,873,142	7,837,601	66,036,181
Profit for 2018		-	-	-	2,667,588	2,667,588
Other comprehensive income for the period						
Distribution of profit or loss in legal reserve		-	-	166,484	(166,484)	-
Movements in revaluation reserve		-	-	13,597,867	-	13,597,867
Distribution of profit the previous year in other reserves		-	-	32,230	(32,230)	-
Achievements of revaluation reserve		-	-	(276,823)	276,823	-
Deferred income tax related to revaluation and legal reserve		-	-	(2,067,280)	-	(2,067,280)
Deferred income tax resulted from reevaluation carried forward		-	-	114,581	-	114,581
Transactions with shareholders						
Dividends paid to shareholders		-	-	-	(1,232,544)	(1,232,544)
Share capital increase		-	-	-	-	-
Total comprehensive profit		12,325,438	-	57,440,201	9,350,754	79,116,393
Balance as at December 31, 2018		12,325,438	-	57,440,201	9,350,754	79,116,393

CARBOCHIM S.A.

STATEMENT OF CHANGES IN EQUITY

(All amounts are expressed in RON unless otherwise stated)

	Notes	Share capital	Adjustments in share capital	Other reserves	Retained earnings	Total owners' equity
Balance as at January 1, 2019		12,325,438	-	57,440,201	9,350,754	79,116,393
Profit for 2019		-	-	-	68,588	68,588
Other comprehensive income for the period						
Distribution of profit or loss in legal reserve		-	-	4,484	(4,484)	-
Movements in revaluation reserve		-	-	-	-	-
Distribution of profit the previous year in other reserves		-	-	-	-	-
Achievements of revaluation reserve		-	-	(1,833)	1,833	-
Deferred income tax related to revaluation and legal reserve		-	-	(718)	-	(718)
Deferred income tax resulted from reevaluation carried forward		-	-	120,891	-	120,891
Transactions with shareholders						
Dividends paid to shareholders		-	-	-	(1,479,053)	(1,479,053)
Share capital increase		-	-	-	-	-
Total comprehensive profit		12,325,438	-	57,563,025	7,937,638	77,826,101
Balance as at December 31, 2019		12,325,438	-	57,563,025	7,937,638	77,826,101
Balance as at December 31, 2019		12,325,438	-	57,563,025	7,937,638	77,826,101

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

(All amounts are expressed in RON unless otherwise stated)

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 founded initially in 1949, for the production of coal, and the activity scope had changed by subsequent investment, leading to the production and sale of abrasive products: vitrified bonded grinding wheels, bakelite bonded grinding wheels, elastic bonded grinding wheels, mineral bonded abrasives, abrasive cutting and deburring grinding wheels, abrasive paper, cloth - paper combined, and volcano fiber. Moreover, the activity includes internal and external trade activities, services on maintenance and repair of machinery, as well as manufacturing and office space rental.

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

As at December 31, 2019, the structure of financial instruments holders holding at least 10% of the share capital of Carbochim S.A. is as follows:

	No. of Shares	**Percentage of Ownership (%)**
SC CARBO EUROPE SRL	3,370,947	68.3738
Individuals	889,764	18.0473
Legal persons	669,464	13.5789
TOTAL	4,930,175	100

CARBOCHIM SA holds 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 of 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 of these Financial Statements are set out below. These Policies have been consistently applied to all Financial Years disclosed, unless otherwise stated.

2.1 Basis of preparation

The financial statements of Carbochim S.A. as at December 31, 2019 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 compliant with the International Financial Reporting Standards.

In this respect, the statement of financial position, a component of the Annual Financial Statements
ended December 31, 2019, 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 the application of complex judgments by the Management in the process of applying the Company's Accounting Policies. The areas involving a higher degree of complexity and application of these reasons, or where assumptions and estimates have a significant impact on the Financial Statements, are presented 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 as non-material, except for the disclosures made.

-IFRS 16 Leases: The Standard shall enter into force for annual periods beginning on or after January 1, 2019. The Standard establishes the principles for the recognition, measurement, disclosure and description / provision of information about the leases of the two parties to a contract, namely the client (lessee) and the supplier (lessor). The new Standard requires lessees to recognize the majority of leases in their Financial Statements. Lessees will have a single accounting model for all leases, with some exceptions. Lessor's accounting remains significantly unchanged.

- IFRS 9: Prepayment Features with Negative Compensation (Amendment)
Amendments shall enter into force for annual periods beginning on or after January 1, 2019. The amendment allows for financial assets with prepayment characteristics that allow or require a party to a contract to either pay or receive reasonable compensation for early termination of the contract (so that from the perspective of the asset holder it is possible to exist 'negative compensation') are measured at amortized cost or fair value through other comprehensive income.

- IAS 28: Long-Term Interests in Associates and Joint Ventures (Amendments)
Amendments shall enter into force for annual periods beginning on or after January 1, 2019. Amendments refer to whether the valuation, and in particular the short-term interest depreciation in associates and joint ventures that are, in substance, part of the net investment in that associate or joint venture, should be governed by IFRS 9, IAS 28 or a combination of these two standards. The amendments clarify that an entity applies IFRS 9 Financial Instruments before applying IAS 28 to those long-term interests to which the equity method does not apply. In applying IFRS 9, the entity does not take into account the adjustments in the carrying amount of long-term interests that are generated by the application of IAS 28.

-INTERPRETATION OF IFRIC 23: Uncertainty about the treatment applied to corporate income tax
The interpretation shall enter into force for annual periods beginning on or after January 1, 2019.The interpretation covers accountability of corporate income tax when tax treatments imply a degree of uncertainty that affects the application of IAS 12. The interpretation provides guidance on analyzing certain tax treatments at individual level or joint level, at tax audits, on the appropriate method that reflects the uncertainty and the accounting for changes in events and circumstances.

- IAS 19: Modification, Reduction or Reversal of Employee Benefits Plan (Amendments)
Amendments shall enter into force for annual periods beginning on or after January 1, 2019. Amendments require entities to use updated actuarial assumptions to determine the cost of current services and net interest for the remainder of the reporting period after changes, reductions or disbursements of the plan have occurred. Amendments also clarify how accounting for the change, reduction or settlement of a plan affects the application of the asset ceiling requirements.

- IASB issued Annual Improvements to IFRS - The 2015-2017 Cycle, which is a collection of amendments to IFRSs. The amendments shall enter into force for annual periods beginning on or after January 1, 2019 and early application is permitted. These annual improvements have not yet been adopted by the EU.

- **IFRS 3 Business Combinations and IFRS 11 Joint Arrangements:** Amendments to IFRS 3 clarify that when an entity acquires control over an entity that is a going concern, it re-measures the interests previously held in that enterprise. Amendments to IFRS 11 clarify that when an entity acquires joint control over an entity that is a going concern, it does not re-measure the interests previously held in that enterprise.
- **IAS 12 Income Taxes**: The amendments clarify that the effects on the income tax on financial instruments payments classified as owners' equity must be recognized in the manner in which transactions or past events that generated distributable profit were recognized.
- **IAS 23 Borrowing Costs:** The amendments clarify paragraph 14 of the Standard that when a qualifying asset is available for its intended use or sale and some of the specific borrowings of the qualifying asset remain outstanding at that time, that borrowing should be included in the funds the entity leverages, in general.

(b) *New standards, amendments and interpretations issued but not applicable for the financial year from 1 January 2019, therefore not adopted:*

IFRS 17 Insurance Contracts: The Standard is valid for annual periods beginning on or after January 1, 2021, with prior application permitted, if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments. IFRS 17 Insurance Contracts establishes the principles for the recognition, assessment, disclosure of insurance contracts issued.Furthermore, similar principles need to be applied to reinsurance contracts and investment contracts with discretionary participation characteristics issued.The objective is to ensure that the entities provide relevant information in a manner that accurately represents these contracts.This information provides users of the Financial

Statements with a basis for assessing the effect that contracts within the scope of IFRS 17 have on the financial statement, financial performance and cash flows of any entity.The Standard has not yet been approved by the EU.

- 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. Changes refer 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 (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.

-The Conceptual Framework of the International Financial Reporting Standards

The International Accounting Standards Board ('IASB') issued the revised Conceptual Framework for Financial Reporting on March 29, 2018.The Conceptual Framework sets out a comprehensive set of concepts on financial reporting, setting standards, guiding for those who prepare the financial reporting, developing accounting policies, and assisting others in their efforts to understand and construe Standards. The IASB also issued a document accompanying the Conceptual Framework, Amendments to the Conceptual Framework references in the IFRS, which sets out amendments to the amended Standards in order to update the references to the revised Conceptual Framework. Its objective is to support the transition to the revised Concept Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies for a particular transaction. For those who develop accounting policies using the Conceptual Framework, this is valid for annual periods beginning on or after January 2020.

- IFRS 3 Business Combinations (Amendments)
IASB issued changes to the definition of a business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. Amendments apply to business combinations for which the acquisition date is in the first annual reporting period beginning on or after January 2020 and to asset purchases occurring on or after

that period, the early application being allowed. Amendments have not yet been adopted by the EU.

-IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of what is considered material (Amendments)
Amendments enter into force for annual periods beginning on or after January 2020 and early application is allowed. Amendments clarify the definition of what is material and how it should be applied. The new definition states that information is material if the omission, inaccurate statement, or concealment could influence the decisions taken by the primary users of the Financial Statements on the basis of these Financial Statements, which provide final disclosures about a reporting entity. In addition, the explanations accompanying the definition have been improved. Amendments also ensure that the material definition is consistent across all IFRS Standards. These amendments have not yet been adopted by the EU.

- Interest Rate Benchmark Reform: IFRS 9, IAS 39 and IFRS 7 (Amendments)
The amendments enter into force for annual periods beginning on or after January 2020 and must be applied retroactively. Early application is allowed. In September 2019, the IASB published amendments to IFRS 9, IAS 39 and IFRS 7, which conclude the first stage of its activity to respond to the effects of the reform of Interbank Offered Interest Rates (IBOR) on financial reporting. Stage two will focus on aspects that could affect financial reporting when an existing interest rate benchmark is replaced by a risk-free interest rate (RFR).Published amendments address issues affecting financial reporting in the period prior to replacing an existing interest rate reference value with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require prospective analysis. 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.

- IAS 1 Presentation of Financial Statements: Classification of liabilities as Current or Non-Current (Amendments)
The amendments shall enter into force for annual periods beginning on or after January 1, 2019 and early application is permitted. The amendments aim at promoting consistency in the application of requirements, helping companies to determine whether, within the statement of financial position, liabilities and other debts with an uncertain settlement date should be classified as current or non-

(All amounts are expressed in RON unless otherwise stated)

current. Amendments affect the presentation of liabilities within the statement of financial position and do not modify the existing requirements regarding the evaluation or recognition of any asset, liability, income or expenses, nor the information 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.

2.2 Segment **reporting**

A business segment is a distinctive component of the Company:

a) business activities that may earn revenues or incur expenses,

b) the results of which from activities are examined periodically by the Company's chief operating decision maker in order to take decisions about resource allocation and assessment of segment performance, and

c) for which discrete 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 is activity is mandatory, even for those entities that identify a single reportable business segment, considering the quantitative thresholds and aggregation criteria stipulated 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:

Outlet market	**Share (%) 2018**	**Amount of revenue December 31, 2018**	**Share (%) 2019**	**Amount of revenue December 31, 2019**
Externally (Poland, Hungary, Germany, Belgium, Ireland, England, Austria, Switzerland, The Netherlands, Egypt, Canada, Turkey)	5	2,072,826	7	2,512,857
Internally (Romania)	95	37,280,042	93	32,567,822
Total operating income	100	39,352,868	100	35,080,679

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

Product or service	Share (%) 2018	Amount of revenue December 31, 2018	Share (%) 2019	Amount of revenue December 31, 2019
Grinding wheels	54.00	21,252,683	60.10	21,083,087
Coated abrasives	32.17	12,660,061	34.29	12,027,982
Other products	0.18	70,990	0.26	92,441
Rental income	3.74	1,472,131	4.36	1,529,398
Revenue from sale of goods	1.00	391,615	1.08	377,128
Other income, including changes in stocks of finished goods and work in progress	8.91	3,505,388	-0.09	(29,357)
Total operating income	100.00	39,352,868	100.00	35,080,679

2.3 Foreign currency translation

(a) *Functional and disclosure currency*

Items included in the 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, 2019 and December 31, 2018 are as follows:

	2019	2018
EUR	4.7793	4.6639
USD	4.2608	4.0736

(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.
Gains and losses on exchange rate, which refer to loans and leases, are presented in the income statement under 'income or financial costs'.

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 at December 31, 2003. Therefore, the values 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 at the first application of IFRS using the developments in the consumer price index ('CPI') published by the National Statistics Institute ('NIS').

2.5 Property, Plant and Equipment

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

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

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 amortization 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 derecognized. 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, facilities 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 reduced 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 minus 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 properties are real estate (land, buildings or parts of buildings) held by the Company 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 amortization 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.

28. 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 remaining 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 remaining at specific dates.

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) Greenhouse gas emission certificates

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 that it has not received EUAs since 2013.

In 2014, the Company alienated all of the 2,196 certificates in the account at the beginning of the year, otherwise risking to lose 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 derecognised. 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. Accounts suppliers 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.

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 at January 1, 2018.

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 produces the full range of grinding wheels products, except super grinding wheels.

The main outlet market is the internal one, only max. 7% of deliveries being made in the foreign market.

The Company sells finished products through distributors, 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 tangible assets 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 Leasing*, *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 recognize 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 aspects related to contracts that fall under IFRS 16:
- did not recognize any assets related to the right of use and no lease liabilities related to contracts that expire within 12 months or less from the date of application;
- did not recognize any assets related to the right of use and no lease liabilities related to low value contracts (below USD 5,000);

The initial application of IFRS 16 did not result in the recognition of assets related to the right of use, nor of lease liabilities as of January 1, 2019 nor December 31, 2019.

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.

(All amounts are expressed in RON unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

By the nature of the activities performed, 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 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. As at December 31, 2019, 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:

	As at December 31, 2018			**As at December 31, 2019**		
	Monetary Financial Assets	Monetary Financial liabilities	Net amount on Statement of Financial position	Monetary Financial Assets	Monetary Financial liabilities	Net amount on Statement of Financial position
RON	8,419,644	9,847,277	(1,427,633)	8,038,620	8,346,058	(307,438)
EUR	372,143	1,651,804	(1,279,661)	302,869	1,495,363	(1,192,494)
USD	296	0	296	1,468	0	1,468
Total	8,792,083	11,499,081	(2,706,998)	8,342,957	9,841,421	(1,498,464)

The above analysis includes only monetary assets and liabilities items.

(All amounts are expressed in RON unless otherwise stated)

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:

	2019	2018
EUR	5.2572	5.1302
USD	4.6869	4.4809

Impact on profit or loss account:

	2019
EUR increasing by 10%	(119,249)

	2018
EUR increasing by 10%	(127,966)

(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, 2018

Financial institution	Currency	Interest rate	Threshold	Loan balance as at December 31, 2018 (RON)
Unicredit Bank	RON	Negotiated	800,000	431,965
Banca Comerciala Romana	RON/ EUR	Negotiated	2,000,000	1,378,949
Raiffeisen Bank	RON/ EUR	Negotiated	4,350,000	3,164,154 965,718
Raiffeisen Bank - long term	RON	Negotiated	2,200,000	1,527,778
Total				**7,468,564**

(All amounts are expressed in RON unless otherwise stated)

- As at December 31, 2019

Financialinstitution	**Currency**	**Interest rate**	**Threshold**	**Loan balance as at December 31, 2019 (RON)**
Unicredit Bank	RON	Negotiated	800,000	215,070
Banca Comerciala Romana	RON/ EUR	Negotiated	3,000,000	1,853,647
Raiffeisen Bank	RON/ EUR	Negotiated	4,350,000	2,428,488 1,004,858
Raiffeisen Bank - long term	RON	Negotiated	2,200,000	794,444
Total				**6,266,507**

As at December 31, 2019, a possible increase in the interest rate of 1% would have an effect on the income statement of RON 2,560.

(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 impaired, but not outstanding, can be assessed through internal analysis since there is no information about external risk indicators for customers.

	December 31, 2018	**December 31, 2019**
Customers for which the recovery of receivables is under 30 days	2,933,049	2.201,241
Customers for which the recovery of receivables is between 30 and 90 days	2,961,212	2,580,975
Customers for which the recovery of receivables is between 90 and 180 days	94,256	639,548
Total	5,988,517	5,421,764

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

(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.

Bank's financial indicator	Bank	December 31, 2018	December 31, 2019
Baa1	Raiffeisen Bank	1,940	2,334
Baa2	BRD	11,989	14,945
n/a	Treasury	7,785	5,182
Baa3	BCR	145,884	138,292
n/a	Unicredit Tiriac Bank	0	0
n/a	CEC Bank	575,060	765,382
Total		742,658	926,135

Where:

Financial institutions scored with indicator D show a modest financial power, with a possible need for external support, and the financial institutions scored 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.

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.

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

	Up to 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
As at December 31, 2018				
Loans (Note 14)	6,674,119	733,334	61,111	-
Financial lease (Note 15)	198,045	94,683	28,972	-
Trade payables and of other nature (Note 16)	3,680,346	-	-	-
Current income tax	28,471			
Total	**10,580,981**	**828,017**	**90,083**	**-**

(All amounts are expressed in RON unless otherwise stated)

As at December 31, 2019				
Loans (Note 14)	6,235,396	61,111	-	-
Financial lease (Note 15)	98,976	29,689	-	-
Trade payables and of other nature (Note 16)	3,415,012	-	-	-
Current income tax	1,237			
Total	**9,750,621**	**90,800**	-	-

3.2 Capital management

Company's capital management objectives aim at protecting the ability of the Company to continue its work in the future, so as to bring profit 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 indebtedness 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 2019, the Company's strategy, as opposed to 2018, consisted in reducing the indebtedness ratio, mainly through repayments to credit lines, but also to the investment loan.

Indebtedness indicators as at December 31, 2019 and 2018 were as follows:

	2018	**2019**
Total loans	7,790,264	6,425,172
Minus: cash and cash equivalents	879,301	1,024,860
Net liability	6,910,963	5,400,312
Total owner's equity	79,116,393	77,826,101
Total owners' equity and net liabilities	86,027,356	83,226,413
Indebtedness ratio	8%	6%

(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 minus 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, 2019:

	Level 1	Level 2	Level 3
Financial assets:			
Cash and cash equivalents	1,024,860	-	-
Receivables and other receivables	-	7,318,097	-
Financial liabilities:			
Loans	-	6,425,172	-
Trade payables and of other nature	-	3,415,012	-
Current income tax	-	1,237	-

Presentation at the fair value of financial assets and financial liabilities as at December 31, 2018:

	Level 1	Level 2	Level 3
Financial assets:			
Cash and cash equivalents	879.301	-	-
Receivables and other receivables	-	7,912,782	-
Financial liabilities:			
Loans	-	7,790,264	-
Trade payables and of other nature	-	3,680,346	-
Current income tax	-	28,471	-

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

As at 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 reported previously 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) Tangible assets

The Company has not calculated depreciation expenses of tangible assets under conservation in previous periods. When adopting IFRS, tangible assets 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 have undergone revaluation. This revaluation was conducted at the end of 2010 and at the end of 2011 and 2012.

The remaining categories of tangible assets 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

On adoption of IFRS, the Company applies the fair value method of presentation of buildings listed in this category. The amortization charge is no longer recognized, and investment property is subject to a revaluation at the end of each Financial Year for the recognition at fair value. Revaluation result is recognized in the 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 recognition of this expenditure, the Company recorded a provision for the entire period in which the employee works for 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 an asset or deferred tax liabilities (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.

(All amounts are expressed in RON unless otherwise stated)

6. TANGIBLE ASSETS

Movements of tangible assets are as follows:

	Land and building	Equipment and vehicles	Furniture, facilities and equipment	Fixed assets in progress	Total
As at January 1, 2018					
Cost or valuation	55,374,280	30,740,301	254,886	4,180,389	90,549,856
Accumulated amortization	(12,378,077)	(24,808,135)	(178,918)	-	(37,365,130)
Net book value	42,996,203	5,932,166	75,968	4,180,389	53,184,726

For the year ended December 31, 2018

	Land and building	Equipment and vehicles	Furniture, facilities and equipment	Fixed assets in progress	Total
Book value net initial	42,996,203	5,932,166	75,968	4,180,389	53,184,726
Inflow	-	290,798	3,724	2,430,305	2,724,827
Transfers	-	4,740,924	9,684	(4,750,608)	-
Gain on revaluation	14,156,616	-	-	-	14,156,616
Loss on revaluation	-	-	-	-	-
Outflow, net	(3)	(72,345)	(2,931)	(830,975)	(906,254)
Transfers to investment property	-	-	-	-	-
Expense on amortization	(718,503)	(1,374,183)	(12,520)	-	(2,105,206)
Amortization of fixed means under conservation	(77,157)	-	-	-	(77,157)
Book value net final	56,357,156	9,517,360	73,925	1,029,111	66,977,552

(All amounts are expressed in RON unless otherwise stated)

As at December 31, 2018	**Land and building**	**Equipment and vehicles**	**Furniture, facilities and equipment**	**Fixed assets in progress**	**Total**
Cost or valuation	70,579,812	34,945,912	227,838	1,029,111	106,782,673
Accumulated amortization	(14,222,656)	(25,428,552)	(153,913)	-	(39,805,121)
Net book value	56,357,156	9,517,360	73,925	1,029,111	66,977,552

For the year ended December 31, 2019

	Land and building	**Equipment and vehicles**	**Furniture, facilities and equipment**	**Fixed assets in progress and advances**	**Total**
Book value net initial	56,357,156	9,517,360	73,925	1,029,111	66,977,552
Inflow	-	25,293	822	106,445	132,560
Transfers	-	379,976	-	(379,976)	-
Gain on revaluation	-	-	-	-	-
Loss on revaluation	-	-	-	-	-
Outflow, net	-	(3)	(275)	(8,158)	(8,436)
Transfers to investment property	-	-	-	-	-
Expense on amortization	(832,037)	(1,661,113)	(10,590)	-	(2,503,740)
Amortization of fixed means under conservation	(77,086)	-	-	-	(77,086)
Book value net final	55,448,033	8,261,513	63,882	747,422	64,520,850

As at December 31, 2019	**Land and building**	**Equipment and vehicles**	**Furniture, facilities and equipment**	**Fixed assets in progress and advances**	**Total**
Cost or valuation	70,579,812	35,347,600	217,648	747,422	106,892,482
Accumulated amortization	(15,131,779)	(27,086,087)	(153,766)	-	(42,371,632)
Net book value	55,448,033	8,261,513	63,882	747,422	64,520,850

(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 tangible fixed assets as at December 31, 2019:

	Level 1	Level 2	Level 3
Land	-	43,602,422	-
Buildings and special constructions	-	11,845,611	-
Total land and buildings	**-**	**55,448,033**	**-**
Equipment and vehicles	**-**	**8,261,513**	**-**
Furniture, equipment and supplies	**-**	**63,882**	**-**

Presentation of the fair value of tangible fixed assets as at December 31, 2018:

	Level 1	Level 2	Level 3
Land	-	43,602,422	-
Buildings and special constructions	-	12,754,734	-
Total land and buildings	**-**	**56,357,156**	**-**
Equipment and vehicles	**-**	**9,517,360**	**-**
Furniture, equipment and supplies	**-**	**73,925**	**-**

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

	2018	**2019**
Cost	1,067,733	642,571
Accumulated amortization	408,763	275,094
Net book value	658,970	367,478

(All amounts are expressed in RON unless otherwise stated)

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

Buildings

	2018	2019
Cost	11,838,113	11,838,113
Accumulated amortization	4,133,631	4,476,581
Net book value	**7,704,482**	**7,361,533**

Related land:

	2018	2019
Cost	8,579,958	8,579,958

- As at December 31, 2019, the following tangible fixed assets (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:

No.	Subject matter of mortgage or pledge	Value of mortgage or pledge	Beneficiary of mortgage or pledge	Mortgage rank
1.1	Land with building located in P-ta 1 Mai nr. 3registered in Cluj-Napoca Land Registry 309072	RON 2,000,000 + related interest and fees	BANCA COMERCIALA ROMANA	I
1.2	Land with building 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	-

(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	-

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.

escription	Land and buildings	Equipment and vehicles	Furniture, facilities and equipment	Fixed assets in progress and advances	Total
Year ended as at December 31, 2018					
Cost	50,368,714	26,706,605	227,838	1,029,111	78,332,268
Accumulated amortization	12,457,072	18,592,672	153,913	0	31,203,657
Net book value	37,911,642	8,113,933	73,925	1,029,111	47,128,611

(All amounts are expressed in RON unless otherwise stated)

Year ended as at December 31, 2019					
Cost	50,368,714	27,108,366	217,647	747,422	78,442,149
Accumulated amortization	13.025.499	19,947,627	153,766	0	33,126,892
Net book value	37,343,215	7,160,739	63,881	747,422	45,315,257

7. INTANGIBLE ASSETS

	Trademarks and Licenses
As at January 1, 2018	
Cost or valuation	235,066
Accumulated amortization	(223,945)
Net book value	11,121
For the year ended December 31, 2018	
Initial net book value	11,121
Inflow	6,399
Amortization charge	(10,963)
Final net book value – intangible assets	**6,557**
As at December 31, 2018	
As at January 1, 2019	
Cost or valuation	241,465
Accumulated amortization	(234,908)
Net book value	6,557
For the year ended December 31, 2019	
Initial net book value	6,557
Inflow	1,023
Amortization charge	(6,331)
Final net book value – intangible assets	**1,249**
Intangible assets in progress - initial	0
Inflow	0
Outflow	0
Accounting value – intangible assets in progress	**0**

(All amounts are expressed in RON unless otherwise stated)

8. INVESTMENT PROPERTY

As at January 1 2018	**Buildings**
Cost or measurement	6,605,581
Net book value	6,605,581
Inflow	-
Earnings / (loss) from measurement at fair value	518,721
Outflow	-
Net final book value	7,124,302
As at December 31, 2018	
Cost or measurement	7,124,302
Net book value	7,124,302
Year ended December 31, 2019	**Buildings + Land**
Inflow	-
Earnings / (loss) from measurement at fair value	-
Outflow	-
Net final book value	7,124,302
As at December 31, 2019	
Cost or measurement	7,124,302
Net book value	7,124,302

9. FINANCIAL INSTRUMENTS

	December 31, 2018	**December 31, 2019**
Assets		
Receivables and other receivables	7,912,782	7,318,097
Cash and cash equivalents	879,301	1,024,860
Total Assets	8,792,083	8,342,957
Payables		
Loans	6,872,164	6,343,372
Trade payables and of other nature	3,680,346	3,415,012
Current income tax	28,471	1,237
Total Liabilities	10,580,981	9,750,621

(All amounts are expressed in RON unless otherwise stated)

Accounting classifications and fair values:

December 31, 2019	Note	Amortized cost (IFRS 9)	Total carrying total	Fair value (IAS 39)
Financial assets (RON)				
Cash and cash equivalents	12	1,024,860	1,024,860	1,024,860
Receivables and other receivables	11	7,318,097	7,318,097	7,318,097
Total Financial Assets		**8,342,957**	**8,342,957**	**8,342,957**
Financial liabilities (RON)				
Loans	14	6,334,372	6,334,372	6,343,372
Trade payables and of other nature	16	3,415,012	3,415,012	3,415,012
Current income taxes		1.,237	1,237	1,237
Total Financial Liabilities		**9,750,621**	**9,750,621**	**9,750,621**

10. INVENTORY

	December 31, 2018	December 31, 2019
Materials	4,632,053	4,761,759
Inventory items	108,364	91,693
Finished Products	10,042,555	9,646,842
Goods	361,147	358,881
Provisions on impairment of inventories	(185,772)	(156,996)
Total inventories	14,958,347	14,702,179

	December 31, 2018	December 31, 2019
As at January 1	186,491	185,772
Impairment adjustments during the year (Note 15)	28,810	0
Reversal	(29,529)	(28,776)
As at December 31	185,772	156,996

(All amounts are expressed in RON unless otherwise stated)

11. TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31, 2018	December 31, 2019
Customer Receivables	7,860,618	7,408,640
Adjustments on impairment of receivables on customers	(215,337)	(373,564)
Trade receivables and other receivables	7,645,281	7,035,076
Prepayments	131,119	139,118
Other receivables	135,944	143,465
Other non-current receivables (over 3 months)	438	438
Provisions on impairment of other receivables	0	0
Current income tax to be recovered	0	0
Total	267,501	283,021
Total Receivables after provisions set aside	7,912,782	7,318,097

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

	December 31, 2018	December 31, 2019
RON	7,592,779	7,079,498
EUR	320,003	238,599
Other currencies (USD, GBP)	-	-
Total Receivables	7,912,782	7,318,097

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

	December 31, 2018	December 31, 2019
During the maturity period	5,988,517	5,421,764
Maturity period exceeded but without the risk of impairment	1,924,265	1,896,333
Total	7,912,782	7,318,097

(All amounts are expressed in RON unless otherwise stated)

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

	December 31, 2018	**December 31, 2019**
Up to 3 months	1,699,255	1,621,170
Between 3 and 6 months	177,346	376,366
More than 6 months	263,001	272,341
Adjustments for impairment of receivables	(215,337)	(373,564)
Total	1,924,265	1,896,333

Within the outstanding receivables, an amount of RON 93,439 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 GEO 158/2005 and which have not been transferred to us by December 31, 2019, 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 34,993 with maturity exceeded up to 3 months, represents the amount corresponding to reimbursement applications submitted in September, October and November 2019 and not collected until December 31, 2019
- the amount of RON 58,446 with maturity exceeded between 3 and 6 months, represents the amount corresponding to the reimbursement applications submitted in May, June, July and August 2019 and not collected until December 31, 2019.

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 2020.

(All amounts are expressed in RON unless otherwise stated)

The analysis of adjustment movement for the impairment of receivables:

	December 31, 2018	December 31, 2019
As at January 1	192,052	215,337
Receivable impairment adjustment during the year	36,267	176,864
Reversed impairment adjustments	(12,982)	(18,637)
As at December 31	215,337	373,564

12. CASH AND CASH EQUIVALENTS

	December 31, 2018	December 31, 2019
Cash in hand and in bank	79,187	93,143
Performance bonds under 3 months	-	-
Collateral cash at the bank - letters of credit	-	-
Other cash equivalents	131,606	93,781
Short-term deposits	668,508	837,936
Total	879,301	1,024,860

	December 31, 2018	December 31, 2019
Cash in hand and in bank in RON	26,751	27,406
Cash in hand and in bank in USD	296	1,468
Cash in hand and in bank in EUR	52,140	64,269
Short-term deposits in RON	668,508	837,936
Short-term deposits in EUR	-	-
Funds to be collected RON	131,606	93,781
Total	879,301	1,024,860

(All amounts are expressed in RON unless otherwise stated)

Bank	December 31, 2018	December 31, 2019
Raiffeisen Bank	1,940	2,334
BRD	11,989	14,945
Treasury	7,785	5,182
BCR	52,436	65,738
Unicredit Ţiriac Bank	0	0
Cash in hand and other cash equivalents	136,644	98,725
Short-term deposits - BRD	0	0
Short-term deposits - BCR – manager securities	93,447	72,554
Short-term deposits – CEC BANK - dividends recorded	575,042	765,364
Short-term deposits – CEC BANK - securities	18	18
	879,301	1,024,860

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 .

	December 31, 2018	December 31, 2019
Cash and cash equivalent	879,301	1,024,860
Total current share of loans	6,674,119	6,235,396
	7,553,420	7,260,256

(All amounts are expressed in RON unless otherwise stated)

13. OWNERS' EQUITY

	December 31, 2018	December 31, 2019
Share capital	12,325,438	12,325,438
Adjustments in Share Capital	-	-

	Value	No. of Shares	Value share (RON)	Percentage of Ownership (%)
S.C. CARBO EUROPE S.R.L.	8,427,368	3,370,947	2.5	68.3738
Individuals	2,224,410	889,764	2.5	18.0473
Legal persons	1,673,660	669,464	2.5	13.5789
Total	12,325,438	4,930,175		100

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:

Month, Year	Movements in consumer price indices	Index	Conversion Factor
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 2019, the Company distributed dividends to the owners on the basis of the Decision of the Ordinary General Meeting of the Shareholders no. 1 dated April 24, 2019, in the total amount of RON 1,479,052.50 (gross dividend RON 0.30/share), of the net profit of 2018.

(All amounts are expressed in RON unless otherwise stated)

14. LOANS

	December 31, 2018	December 31, 2019
Loans from banks	7,468,564	6,266,507
Loans from Shareholders	-	-
Total loans	7,468,564	6,266,507
Current share of loans	6,674,119	6,235,396
Long-term share – loans from banks	794,445	61,111
	7,468,564	6,266,507

In November 2017, the Company signed with RAIFFEISEN BANK S.A. a term 'SME Investment Initiative' loan agreement amounting to RON 2,500,000 for a period of 3 years, to finance 80% of the investment representing the acquisition of new equipment. Withdrawal from the loan, amounting to RON 2,200,000, took place in January 2018 in order to pay off the debt to the real estate provider, a debt that as at December 31 amounted to RON 2,534,877.

The collaterals for this facility are: 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 is 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.

	December 31, 2018	December 31, 2019
RON	6,502,846	5,291,649
EUR	965,718	1,004,858
	7,468,564	6,266,507

The effective average annual interest rate on bank loans for the year 2019 was of 3.72% (for the year 2018 was 4.04%).

(All amounts are expressed in RON unless otherwise stated)

15. FINANCE LEASE

	December 31, 2018	December 31, 2019
Up to one year	198,045	98,976
Between 1 year and 5 years	123,655	29,689
Current value of finance lease	321,700	128,665

	December 31, 2018	December 31, 2019
Up to one year	200,669	99,156
Between 1 year and 5 years	123,837	29,689
Future financing costs	(2,806)	(180)
Current value of finance lease	321,700	128,665

The effective average annual interest rate of the finance lease for the year 2019 was of 0.71% (for the year 2018 was of 1.44%).

16. SUPPLIERS AND OTHER CREDITORS

	December 31, 2018	December 31, 2019
Suppliers	1,345,078	1,095,070
Payables regarding personnel	543,165	522,655
Interest payable	6,975	7,377
Dividends payable	890,255	938,059
VAT payable	311,793	247,499
Other payables to the State	466,741	486,339
Deferred income	0	0
Creditor customers and sundry creditors	84,101	93,111
Excess inventory such as non-current assets and investment grants	32,238	24,902
Total	3,680,346	3,415,012

(All amounts are expressed in RON unless otherwise stated)

	December 31, 2018	December 31, 2019
EUR	364,385	320,100
USD	-	-
RON	3,315,961	3,094,912
	3,680,346	3,415,012

17. ANALYSIS OF REVENUE BY CATEGORY

	December 31, 2018	December 31, 2019
Revenue from sale of finished goods	33,983,735	33,203,510
Revenue from sale of goods	391,615	377,129
Revenue from services rendered	184,915	101,082
Total	34,560,265	33,681,721

Other operating income

	December 31, 2018	December 31, 2019
Gain / (loss) from sale of fixed assets	(39,384)	(278)
Other income	119,762	**257,298**
Gain on revaluation of tangible assets	558,749	0
Gain on revaluation of property investment at fair value	518,720	0
Rental income	1,472,131	1,529,398
Total	2,629,978	1,786,418

Other operating income as at December 31, 2019 recorded revenues of RON 232,986 representing dividends distributed in 2014, 2015, 2016 outstanding until December 20, 2019 and for which the right of the Shareholders to ask for their payment is barred by limitation. Without recording these revenues, the operating result would have been RON 154,083.

18. WAGES AND OTHER RELATED COSTS

	December 31, 2018	December 31, 2019
Salary expenses	14,278,054	14,880,253
Salary contribution expenses	521,073	535,058
Meal vouchers expenses	543,270	634,170
Total	15,342,397	16,049,481

(All amounts are expressed in RON unless otherwise stated)

	December 31, 2018	December 31, 2019
Average number of employees	219	200
Number of employees	222	201
Salary of administrative staff (managers, including related social contributions)	1,489,775	1,690,411
Board of Directors (including related social security contributions)	839,759	839,759

19. OTHER OPERATING EXPENSES

	December 31, 2018	December 31, 2019
Other third-party service expenses	748,121	687,479
Royalties and rental expenses	40,735	36,244
Utilities expenses	1,930,241	2,139,447
Maintenance and repair expenses	276,109	309,835
Insurance expenses	120,630	113,634
Damages and penalties expenses	807	121
Other provisions expense / (reversal)	51,481	17,000
Net provision for receivables expense / (reversal)	23,285	158,227
Postage and other fees	46,455	43,496
Expenses on commissions and fees	253,397	302,428
Entertainment, advertising and publicity expenses	180,566	113,909
Net (gain) / loss from exchange differences from operating activities	2,100	6,603
Net provision for slow moving inventories or impaired expense / (reversal)	(719)	(28,775)
Banking and related expenses	41,819	39,038
Travel expenses	132,835	171,158
Other operating expenses	891,827	918,573
Shipping costs	253,480	297,267
Total	**4,993,169**	**5,325,684**

(All amounts are expressed in RON unless otherwise stated)

In 2019, an audit fee of EUR 8,000 was paid to the auditor for auditing the Financial Statements as at December 31, 2018

20. FINANCIAL RESULT

	December 31, 2018	December 31, 2019
Interest expense		
- Loans	212,782	255,958
- Financial lease	5,998	1,600
Net result from exchange rate differences	12,780	39,824
Financial costs	231,560	297,382
Interest income	4	5
Other financial income	0	0
Financial income	4	5
Net financial result	(231,556)	(297,377)

21. INCOME TAXES

Description	December 31, 2018	December 31, 2019
Gross income	2,667,587	68,588
Tax rate according to national regulations	16%	16%
Items similar to income	976,555	1,461,487
Items similar to expenses	(26,860)	(26,056)
Deductions	(2,691,989)	(3,382,467)
Non-taxable income	(1,132,078)	(164,441)
Non-deductible expenses	3,194,611	3,115,416
Total	2,987,826	1,072,527
Tax expense	(478,052)	(171,604)
Sponsorship / patronage amounts	95,610	34,321
Total	(382,442)	(137,283)
(Expense) / revenue with deferred tax	(279,658)	116,179
(Expense) / revenue with income tax	(662,100)	(21,104)

(All amounts are expressed in RON unless otherwise stated)

21. INCOME TAXES (CONTINUED)

	January 1, 2018	Movement in deferred tax	December 31, 2018	Movement in deferred tax	December 31, 2019
Deferred tax assets	22,866	(146)	22,720	17,214	39,934
Deferred tax liabilities	(4,824,350)	(2,232,210)	(7,056,560)	219,137	(6,837,423)
Asset / (liability) from deferred tax - net	(4,801,484)	(2,232,356)	(7,033,840)	236,351	6,797,489

Deferred tax liabilities	Tangible assets	Provisions	Total
As at January 1, 2018	(4,817,310)	(7,040)	(4,824,350)
Movement in deferred tax	(2,238,330)	6,120	(2,232,210)
As at December 31, 2018	(7,055,640)	(920)	(7,056,560)

Deferred tax assets	Tangible assets	Provisions	Total
As at January 1, 2018	12,815	10,051	22,866
Movement in deferred tax	(470)	324	(146)
As at December 31, 2018	12,345	10,375	22,720
Asset / (liability) from deferred tax - net	(7,043,295)	9,455	(7,033,840)

Deferred tax liabilities	Tangible assets and legal reserve	Provisions	Total
As at January 1, 2019	(7,055,640)	(920)	(7,056,560)
Movement in deferred tax	228,954	(9,817)	219,137
As at December 31, 2019	(6,826,686)	(10,737)	(6,837,423)

(All amounts are expressed in RON unless otherwise stated)

Deferred tax assets	**Tangible assets**	**Provisions**	**Total**
As at January 1, 2019	12,345	10,375	22,720
Movement in deferred tax	(11)	17,225	17,214
As at December 31, 2019	12,334	27,600	39,934
Asset / (liability) from deferred tax - net	(6,814,352)	16,863	6,797,489

22. RELATED PARTIES

The list of Company related parties is as follows:

Related party	**Explanations**
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 social shares). Deliveries represent the equivalent rent and utilities under contract 2249 / December 13, 2012.
EURO CLUB SRL Timişoara	Mr Popa Dan – Director of CARBOCHIM SA holds 50% of EUROCLUB SRL and is the Director of EUROCLUB SRL together with another person. There were no transactions with this company in 2019.
AUTO EUROPA SRL Timişoara	Mr Popa Dan – Director of CARBOCHIM SA holds 50% of AUTOEUROPA SRL and is the Director of AUTOEUROPA SRL together with another person. There were no transactions with this company in 2019.

(All amounts are expressed in RON unless otherwise stated)

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

Balances as at January 1, 2018	**Receivables**	**Other receivables**	**Payables**
CARBOREF SA	-	-	-
EURO CLUB SRL	-	-	-
AUTOEUROPA SRL	-	-	-
Total	-	-	-

Transactions carried out during 2018:	**Sales**	**Expenses**	**Loans**
CARBOREF SA	10,275	-	-
EURO CLUB SRL	-	-	-
AUTOEUROPA SRL	720	409	-
Total	10,995	409	-

Balances as at December 31, 2018	**Receivables**	**Other receivables**	**Payables**
CARBOREF SA	852	-	-
EURO CLUB SRL	-	-	-
AUTOEUROPA SRL	-	-	-
Total	-	-	-

Transactions carried out during 2019:	**Sales**	**Expenses**	**Loans**
CARBOREF SA	10,588	-	-
EURO CLUB SRL	-	-	-
AUTOEUROPA SRL	-	-	-
Total	10,588	-	-

Balances as at December 31, 2018	**Receivables**	**Other receivables**	**Payables**
CARBOREF SA	1,036	-	-
EURO CLUB SRL	-	-	-
AUTOEUROPA SRL	-	-	-
Total	-	-	-

(All amounts are expressed in RON unless otherwise stated)

As at December 31, 2019, 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 452,670 shares.

- Popa Gheorghe Titus Dan, Member of the Board of Directors. No longer holds shares.

- Ionescu Mircea Pietro, Member of the Board of Directors. No longer holds shares.

- Stoicescu Daniel-Silviu, Member of the Board of Directors. Holds 15 shares.

- Crisan Viorel Vasile, Member of the Board of Directors. Holds 7,609 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

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.

	Year ended as at December 31, 2018	**Year ended as at December 31, 2019**
Profit attributable to equity holders of the Company	2,667,588	68,588
Weighted average of number of shares	4,930,175	4,930,175
Basic earnings and diluted earnings per share (RON per share)	0.54	0.01

24. CONTINGENCIES

Litigation

The Company is subject to a number of lawsuits, 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.

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 2019, 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 existing at the time of preparation of financial statements for companies reporting under the International Financial Standards is in an early stage of development. As a result, 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 tangible assets, 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 at December 31, 2010 in the Financial Statements prepared according to the Order of the Minister of Public Finance 3055/2009.

Financial crisis

Recent volatility in international and Romanian financial markets:

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

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.

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 suffer changes in the future.

25. SUBSEQUENT EVENTS

In the Current Report issued on March 20, 2020 to publish the agenda of the Ordinary General Meeting of Shareholders of April 28, 2020, convened for approval of the Financial Situations of 2019, the following shall be submitted for approval:

- appropriation of the net profit of 2020 in the amount of RON 68,588.36 as follows: to the legal reserves the amount of RON 4,484.62 and retained earnings (profit not distributed) the difference of RON 64,103.74.