

ANNUAL MANAGEMENT REPORT YEAR 2022

Prepared according to Regulation No. 5/2018 of A.S.F. for the financial year 2022



Identification data of CARBOCHIM SA

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

Phone/Fax: 0264437005/ 0264437026

Tax Reference Number and VAT Code: RO 201535

Trade Register Number: J12/123/1991

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

Email: Sales@carbochim.ro

Website: <https://www.carbochim.ro>

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

LEI code: 315700GD1WTAQ2QBME83

The main features of the securities issued by the Company

As at December 31, 2022, the situation was the following:

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

Number of shares: 4,925,362

Share capital: RON 12,313,405

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

Reporting Period: Year 2022 (Period from January 1 to December 31, 2022)

1. Review of the Company's activity***1.1. a) Description of the basic activity of the Company.***

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

b) Year of incorporation of the Company:

CARBOCHIM S.A. was set up as a joint-stock company in 1991, by transforming the former I.I.S. CARBOCHIM and has its registered office in ROMANIA, CLUJ-NAPOCA City, Piata 1 Mai nr. 3.

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

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

Not applicable. There were no significant mergers or reorganizations during the year under review, i.e. Financial Year 2022.

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

Purchase of non-current assets (accepted in 2022) :	RON 9,877,992
-Land	RON 8,381,272
- Buildings:	RON 1,440,279
- Technological equipment:	RON 33,349
-Means of transport	- RON
- Measurement equipment and devices	RON 10,917
- Devices, office supplies, equipment	- RON
- Intangible assets	RON 12,175
- Investments in progress as at December 31, 2022:	RON 8,896,036
Write-offs of assets (asset value)	RON 3,181,285
Sales of assets (asset value)	RON 121,975

The sales contract was concluded with the reservation of ownership right no. 966/March 24, 2022, through which the land with constructions located in Cluj-Napoca, P-ta 1 Mai nr. 3 is sold, according to the resolution of the Extraordinary General Meeting of Shareholders No. 1/January 5, 2022. As of December 31, 2022, land and buildings amounting to RON 54,641,972 were transferred to assets held for sale.

The Sales and Purchase Agreement no. 1070/April 4, 2022 was entered into, through which the land with constructions located in Cluj-Napoca, B-dul Muncii nr. 18 is sold, according to the Resolution of the Extraordinary General Meeting of Shareholders No. 1/January 5, 2022, in order to relocate the activity of the Company.

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

During 2022, the value of sales of abrasive products was approx. 1% higher than the previous year. The operating revenues recorded in 2022 were by approx. 5% higher than those recorded in 2021. This increase in revenue, correlated with the increase in operating expenses by approx. 10% led to an operating profit of only RON 42,566 compared to RON 1,724,342 in 2021.

1.2. Overall assessment elements:

INDICATOR	2022/RON
<i>Net profit</i>	26,067
<i>Turnover</i>	34,457,638
<i>Intra-Community export or delivery</i>	1,612,378
<i>Operating income</i>	36,210,325
<i>Operating expenditure</i>	36,167,759
<i>% of the market held (in Romania)</i>	15%
<i>Liquidity (cash and cash equivalents as at December 31, 2022)</i>	1,066,282

1.3. Assessment of the Company's technical level.
Description of the main products and/or services provided, stating:

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

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

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

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

The main market for the sale of the products is the internal market and the distribution of the products is carried out both directly by the Company and through the authorized representatives or distributors. On the external market, sales are carried out directly by the Company, the most important intra-Community deliveries and exports are in: Poland, Hungary, Germany, England, Austria, The Netherlands and Switzerland.

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

PRODUCTS CARBOCHIM	2020		2021		2022	
	% revenue	% turnover	% revenue	% turnover	% revenue	% turnover
Grinding wheels	61.93	59.62	64.74	61.98	57.43	60.36
Coated abrasives	36.87	35.48	34.04	32.59	31.19	32.78

c) The new products contemplated which will involve a significant volume of assets shall be affected in the next financial year and the stage of development of these products.

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

1.4. Assessment of the technical-material supply activity (indigenous sources, import sources). Disclosure of security of supply sources, raw material prices and levels of raw material and material inventories.

The main utilities, electricity and gas are purchased on the domestic market.

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

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

1.5. Assessment of the sale activity.

a) Description of the sequential development of sales on the internal and/or external market and of the medium- and long-term sales prospects.

In view of the global crisis caused by the coronavirus pandemic, which is expected to plunge the European Union and the Eurozone into a recession, the full impact of this crisis being still impossible to predict and prevent in its entirety, the targets set for 2023 are:

- 5% increase in sales of finished products compared to the level of 2022;*
- Orientation towards the performance of its own distribution system through the efficient use of the resources of the territorial places of business –Ploiesti and Bucharest.*

In 2022, the Company's activity was carried out in a difficult macroeconomic environment, which required constant adaptation of short-term strategies to achieve the proposed objectives.

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

Carbochim SA operates in a variable competitive environment, which changes in the "Price Policy" component advocated by the competing companies. In this context, we assess that the situation in 2023 will have the same competitive profile as in previous years, and the changes that may occur will not pose a threat to the marketing policy adopted.

c) Description of any significant dependence of the Company on a single customer or group of customers the loss of which would have a material adverse effect on the Company's revenues.

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

1.6. Assessment of the human resources aspects of the Company.

a) Disclosing the number and level of training of the Company's employees, and the degree of syndication of the workforce.

The average number of staff in 2023 was 161 employees.

More than 42% of employees have been working in the Company for more than 2-3 decades, giving the Company with extensive and sound experience in the manufacture and marketing of abrasive products.

The level of education of employees is as follows: 29% higher education, 65% secondary education (high school, foreman school, vocational school, apprenticeship) and 6% general education.

The degree of syndication of the workforce within the Company is 59%.

b) A description of the relationship between Management and employees and of any elements of conflict that characterize this relationship.

In 2022, the relations between the Company's management and employees were professional and free any conflicts whatsoever. A Collective Bargaining is concluded at Company level which is renegotiated on an annual basis.

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

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

1.8. Assessment of the research and development activity.

Research and development activities are geared towards:

- *Design and approval of new products, especially those required by industry;*
 - *Improvement and technological development required by the quality and technical requirements of the specific products;*
 - *Technological optimization through the purchase of new, efficient and high-performance equipment, aimed at achieving the main objectives of the Company, namely cost reduction, increasing product quality and meeting customer requirements.*

1.9. Assessment of the trade activity regarding risk management.

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

In 2022, the Company's activity was exposed to the following types of risks:

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

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

The impact of this type of risk on the profit and loss account in 2022 was - RON 17,617.

The impact on the profit and loss account assuming a 10% increase in EUR applied at the Balance Sheet date, with all other variables remaining constant, would be RON -254,598.

The depreciation trend of RON in relation to USD, which occurred in 2015, continued the following years, also affected the profit and loss account of 2022, given that an important part of the raw materials are supplied from the Asian market. Furthermore, the trend of depreciation of RON against EUR continued in 2022, a trend which continues in 2023 and which has influenced the profit and loss account of 2022, given that an important part of the raw materials are supplied from the European Union.

- **Interest rate risk.** *The Company is exposed to interest rate risk through its long and short-term loans, most of which have variable rates, related to ROBOR index for loans in RON, EURIBOR for loans in EUR respectively. The Company has entered into interest-bearing loan agreements with Unicredit Bank, Banca*

Comerciala Romana and Raiffeisen Bank. As at December 31, 2022, a potential increase in the interest rate of 1% would have an impact on the income statement of RON 1,174.

- **Price risk**, which is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. In 2022, there were significant increases in electricity and natural gas prices, which were due to the energy crisis in the European market. In the first half of 2022, the upward trend in raw materials and materials prices continued, with significant increases in 2021 due to the impact of the COVID 19 pandemic and shipping problems caused by the container crisis on the world market.

- **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 appropriate customers. The carrying amount of receivables, net of provisions for doubtful debts, represents the maximum exposure to credit risk.

The credit risk of trade receivables that are neither provisioned nor outstanding, can be assessed through internal analysis since there is no information about external risk indicators for customers.

- **Liquidity risk,**

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an appropriate level of committed credit facilities.

Forecasts of cash flows are prepared by the Company's Finance Department, which monitors forecasts of the Company's liquidity requirements 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 breach the limits of loans or arrangements relating to loans for all credit facilities.

1.10. Prospective elements regarding the Company's activity.

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

In 2023, an important factor of uncertainty that can seriously affect the activity of the Company is the crisis generated at European level by the war in Ukraine, which overlapped the effects of the Covid-19 crisis is expected to send the European Union and the Eurozone into a recession.

Another major factor of uncertainty that can seriously affect the European and Romanian economy and implicitly the activity of the Company is the crisis in the American banking system that could be triggered by the bankruptcy of Silicon Valley Bank.

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

In 2023 as well, the liquidity of the Company could be affected by the increased payment terms of our customers, due to the lack of liquidity in the market, by the influence of the RON-US and RON-USD exchange rates, and by the prices for electricity, natural gas and fuels, if they remain at the current level or if the current upward trend continues in the future.

1.11. Statement on corporate governance code.

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

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

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

The Company keeps its accounts in accordance with the current legislation and has its own embedded IT system.

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

Carbochim SA has an internal control system in place for its main activities, with defined working procedures.

The duties performed by the internal control in the Company include but are not limited to, the following:

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

The structure and the functioning of the executive, management and supervisory bodies are in accordance with the legislation in force and the Articles of Association of the Company. The General Meeting of Shareholders is the Governing Body of the Company, which decides on its activity and determines its economic and commercial policy. The General Meetings are ordinary and extraordinary, and the duties of each are laid down by the Articles of Incorporation. The Company is managed by a Board of Directors composed of 5 Directors, who may also be Shareholders, elected by the General Meeting of Shareholders for a term of 4 years, with the possibility of being re-elected for further terms of 4 years. At its first Meeting, the Board of Directors shall elect a Chairman from among its members. The Chairman of the Board of Directors is the Chief Executive Officer under the contract of office. The Executive Directors are appointed by the Chief Executive Officer and report to the Chief Executive Officer. The composition of the Company's Management and Governing Bodies is set out in section 4 of this Report. An Audit Committee consisting of two members was established within the Board of Directors in 2017.

The internal audit activity is outsourced, a contract has been signed with a self-employed person with an audit qualification, in accordance with the legal requirements.

The internal audit reports directly to the Company's Board of Directors.

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

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

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

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

2. Company's tangible assets.

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

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

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

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

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

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

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

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

2.3. Disclosure of potential ownership issues regarding the Company's property, plant and equipment.

Not applicable.

3. The securities market issued by the Company.

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

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

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

Over the last 2 years, the Company's policy has been to not distribute dividends to the Shareholders, the net profits generated have been transferred to the retained earnings and have been used to capitalize the Company and to support its activity during this difficult period that we all go through.

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

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

- No dividends were distributed in 2021, but net dividends amounting to RON 1,010 were paid to Shareholders from the dividends distributed in previous years.

- No dividends were distributed in 2022, but net dividends amounting to RON 552 were paid to Shareholders from the dividends distributed in previous years.

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

Not applicable.

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

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

3.5. If the Company has issued bonds and/or other debt securities, a statement of how the company has discharged its obligations in respect of such securities.

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

4. Company's management.

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

During 2022, the Company was managed by a Board of Directors consisting of 5 members.

On February 24, 2022, the Ordinary General Meeting of Shareholders took place, during which the Shareholders of Carbochim elected the following members of the Board of Directors for a term of 4 years, for the period February 26, 2022 - February 26, 2026, in accordance with the Resolution of the Ordinary General Meeting of Shareholders no. 1/February 24, 2022 : Mr Popoviciu Viorel - Dorin - Chairman, Mr Giurgiu Adrian, Mr Turbatu Ioan, Mr Ungurean Tudor and Mr Stoicescu Daniel – Silviu.

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

4.1.1. POPOVICIU VIOREL DORIN member of the Board of Directors and Chairman of the Board of Directors throughout January 1, 2022 - February 26, 2026. He is 68 years old and is an engineer.

- a) All positions held within the Company are: Trainee Engineer, Engineer, Senior Engineer, General Manager, Manager, Chief Executive Officer, 40 years seniority.
- b) Not applicable.
- c) Owned 145,670 shares as at December 31, 2022.
- d) They are disclosed in Note 22 to the Financial Statements and in the Appendix to this Report.

4.1.2 STOICESCU DANIEL SILVIU, member of the Board of Directors throughout **January 1, 2022 - February 26, 2026**. He is 52 years old and is a lawyer.

- a) Has not held or does not hold any other positions within the Company.
- b) Not applicable.
- c) Held 15 shares as at December 31, 2022.
- d) They are disclosed in Note 22 to the Financial Statements and in the Appendix to this Report.

4.1.3 GIURGIU ADRIAN, member of the Board of Directors throughout **January 1, 2022 - February 26, 2026**. He is 40 years old and is an economist.

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

4.1.7 TURBATU IOAN, member of the Board of Directors throughout **January 1, 2022 - February 26, 2026**.

He is 63 years old and is an engineer.

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

4.1.8 UNGUREAN TUDOR, member of the Board of Directors throughout **January 1, 2022 - February 26, 2026**.

He is 43 years old and is a legal adviser.

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

4.2. Disclosure of the list of members of the Company's Executive Management.

For each, the disclosure of the following information:

The Executive Management is provided by a Chief Executive Officer Manger who performs his duties under the contract of office signed with the Board of Directors and a team of 3 Chief Executives.

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

4.2.1. POPOVICIU VIOREL-DORIN, Chief Executive Officer

- a) Contract of office for the period **2022-2026**;
- b) Not applicable.
- c) Owned 145,670 shares as at December 31, 2022.

4.2.2. BARABULA MIHAELA-MARIA, Economic Director;

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

4.2.3. GIURGIU LIANA, Sales Manager;

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

4.2.4. CAREAN NASTASIA, Technical and Production Manager;

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

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

Not applicable.

5. Financial and accounting statement.

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

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

The overall asset statement is disclosed as follows:

		2020	2021	2022
<i>Total assets</i>	RON	93,431,948	95,861,837	116,659,422
<i>Inventories</i>	RON	14,416,412	15,241,090	16,757,830
<i>Inventories</i>	%	15.43	15.90	14.36
<i>Assets classified as held for sale</i>	RON	0	0	54,641,972
<i>Assets classified as held for sale</i>	%	0	0	46.84
<i>Trade receivables</i>	RON	5,357,088	6,259,122	6,051,405
<i>Trade receivables</i>	%	5.73	6.53	5.19
<i>Other assets</i>	RON	305,119	994,118	1,031,119
<i>Other assets</i>	%	0.33	1.04	0.88
<i>Current income tax recoverable</i>	RON	0	0	110,680
<i>Cash and cash equivalents</i>	RON	979,149	900,973	1,066,282
<i>Cash and cash equivalents</i>	%	1.05	0.94	0.91
<i>Investment properties</i>	RON	7,124,301	7,124,302	3,765,120
<i>Investment properties</i>	%	7.63	7.43	3.23
<i>Intangible assets</i>	RON	0	69	8,793
<i>Property, plant and equipment</i>	RON	65,211,879	65,304,163	31,029,172

<i>Property, plant and equipment</i>	%	69.80	68.12	26.60
<i>Investments in equity instruments</i>	RON	38,000	38,000	38,000
<i>Right of use of leased assets</i>	RON	0	0	2,159,049

The overall liability statement is disclosed as follows:

		2020	2021	2022
<i>Total liabilities</i>	RON	93,431,948	95,861,837	116,659,422
<i>Share capital</i>	RON	12,325,438	12,313,405	12,313,405
<i>Adjustments of share capital</i>	RON	-	-	0
<i>Other components of equity</i>	RON	57,387,745	57,309,069	56,749,810
<i>Retained earnings</i>	RON	9,301,233	10,897,235	11,566,853
<i>Long-term loans</i>	RON	1,432,625	1,165,705	714,465
<i>Finance lease liabilities</i>	RON	0	0	1,721,902
<i>Long-term provisions</i>	RON	274,014	290,591	276,403
<i>Deferred tax liability</i>	RON	6,901,859	6,762,736	6,669,926
<i>Current share of long-term loans</i>	RON	2,310,166	3,011,953	2,183,952
<i>Current share of financial lease liabilities</i>	RON	0	0	577,192
<i>Trade payables and of other nature</i>	RON	3,468,237	4,096,970	23,885,514
<i>Current income tax</i>	RON	30,631	14,173	0

For the financial year 2022, the Annual Separate Financial Statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, in accordance with the provisions of Order of the Ministry of Public Finance no. 2844 /2016 approving the Accounting Regulations in accordance with the International Financial Reporting Standards.

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

Evolution of the profit and loss account:

		2020	2021	2022
<i>Total revenue</i>	RON	32,862,955	34,614,818	36,307,161
<i>Total expenses</i>	RON	-31,279,560	32,996,031	36,247,008
<i>Gross profit</i>	RON	1,583,395	1,618,787	60,153
<i>Income taxes (current and deferred)</i>	RON	-211,954	-177,576	-34,086
<i>Net profit</i>	RON	1,371,441	1,441,211	26,067
Cost elements representing more than 20% of total revenue				
		2020	2021	2022
<i>- Expenses on raw materials, goods and consumables</i>	%	30.70	30.27	27.15

- Employee benefit expenses	%	44.43	44.80	50.17
- Depreciation and impairment expenses	RON	-2,161,198	-2,094,729	-2,270,735
- Other operating expenditure		-4,249,967	-4,809,630	-5,897,400
- Dividends distributed as of the end of the period	RON	0	0	0*
- Dividends paid during the relevant year (including the related tax)	RON	12,446	1,010	552

* The Board of Directors proposal to distribute the net profit does not provide for the distribution of dividends from the net profit of 2022 in the Ordinary General Meeting of Shareholders of April 2023.

In 2022, there was no divestments or closures of any business segment and we do not expect any in 2023 either.

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

	2020	2021	2022
Net cash from operating activities	5,318,865	2,327,121	633,312
Net cash from investment activities	-2,641,397	-2,828,463	1,159,757
Net cash from financing activities	-2,723,179	-2,828,467	-1,627,760
Cash flows - total	-45,711	-78,176	165,309
Cash at the beginning of period	1,024,860	979,149	900,973
Cash at the end of period	979,149	900,973	1,066,282

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

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

In 2022, investment expenses totaled RON 17,120,844 and investments amounting to RON 9,877,991 were completed.

6. Signatures

Engineer Popoviciu Viorel-Dorin
Chairman of the Board of Directors

Economist Barabula Mihaela-Maria
Economic Director

Appendices.

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

The Articles of Association of the Company have been amended according to the Decision of the General Meeting of Shareholders No. 1/ April 27, 2022, Amendment consisting of supplementing Article 6 with a new NACE Code "3511 - Production of electricity".

b) *Material contracts entered into by the Company in the reported year.*

The Sales Contract no. 966/March 24, 2022, through which the land with constructions located in Cluj-Napoca, P-ta 1 Mai nr. 3 is sold, according to the resolution of the Extraordinary General Meeting of Shareholders No. 1/January 5, 2022. The Current Report no. 282/March 25, 2022 was prepared and sent to Bucharest Stock Exchange and ASF by which the conclusion of the Contract was reported.

The Sales and Purchase Agreement no. 1070/April 4, 2022 was entered into, through which the land with constructions located in Cluj-Napoca, B-dul Muncii nr. 18 is sold, according to the Resolution of the Extraordinary General Meeting of Shareholders No. 1/January 5, 2022, in order to relocate the activity of the Company.

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

Not applicable.

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

Not applicable.

e) *List of persons affiliated to the Company, with whom the Company carried out transactions in 2022:*

- CARBOREF SRL	Cluj-Napoca
- RIVUS INVESTMENTS SRL	Iasi

The value of transactions with the above companies is disclosed in the Notes to the Financial Statements of 2022.

CARBOCHIM S.A.

SEPARATE FINANCIAL STATEMENTS

CARBOCHIM S.A.

**SEPARATE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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

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

	Note	December 31, 2021	December 31, 2022
Revenue	17	32,745,481	33,156,190
Other income	17	1,384,879	1,192,811
Changes in inventories of finished goods and production in progress		<u>484,455</u>	<u>1,861,324</u>
		<u>34,614,815</u>	<u>36,210,325</u>
Raw materials, goods and consumables used		(10,477,288)	(9,830,826)
Employee benefits expenses	18	(15,508,826)	(18,168,798)
Depreciation and impairment expenses		(2,094,729)	(2,270,735)
Other operating expenses	19	<u>(4,809,630)</u>	<u>(5,897,400)</u>
		<u>(32,890,473)</u>	<u>(36,167,759)</u>
Operating result		1,724,342	42,566
Financial revenues	20	3	96,836
Financing costs	20	<u>(105,558)</u>	<u>(79,249)</u>
Financial net result		<u>(105,555)</u>	<u>17,587</u>
Profit before tax		1,618,787	60,153
Income tax expense	21	(177,576)	(34,086)
Net profit for the year		<u>1,441,211</u>	<u>26,067</u>
Basic earnings and diluted earnings per share (RON per share)	23	<u>0.29</u>	<u>0.01</u>

CARBOCHIM S.A.

STATEMENT OF COMPREHENSIVE INCOME

(All amounts are expressed in RON unless otherwise stated)

	<u>Note</u>	<u>December 31, 2021</u>	<u>December 31, 2022</u>
Other comprehensive income			
Profit for the year		1,441,211	26,067
Other comprehensive income:			
Gains / (losses) on revaluation of assets		-	-
Change of deferred income tax recognized in the revaluation reserve		<u>64,082</u>	<u>84,292</u>
Other comprehensive income for the year, net of taxes		<u>64,082</u>	<u>84,292</u>
Total comprehensive result for the year		<u>1,505,293</u>	<u>110,359</u>

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

	Note	December 31, 2021	December 31, 2022
ASSETS			
Non-current assets			
Investment property	8	7,124,302	3,765,120
Other intangible assets	7	69	8,793
Property, plant and equipment	6	65,304,163	31,029,172
Right to use leased assets		0	2,159,049
Investments in owners' equity		38,000	38,000
Total non-current assets		<u>72,466,534</u>	<u>37,000,134</u>
Current assets			
Inventories	10	15,241,090	16,757,830
Assets held for sale		0	54,641,972
Trade receivables	11	6,259,122	6,051,405
Other current assets	11	994,118	1,031,119
Current income tax recoverable	11.21	0	110,680
Cash and cash equivalents	12	900,973	1,066,282
Total current assets		<u>23,395,303</u>	<u>79,659,288</u>
TOTAL ASSETS		<u>95,861,837</u>	<u>116,659,422</u>
OWNERS' EQUITY AND LIABILITIES			
Owners' equity			
Share capital	13	12,313,405	12,313,405
Adjustments in equity	13	0	0
Other components of owners' equity		57,309,069	56,749,810
Retained earnings		10,897,235	11,566,853
Total equity		<u>80,519,709</u>	<u>80,630,068</u>
Long-term debts			
Long-term loans	14	1,165,705	714,465
Finance lease liabilities	15	0	1,721,902
Long-term provisions	5	290,591	276,403
Deferred tax debt	21	6,762,736	6,669,926
Total long-term debts		<u>8,219,032</u>	<u>9,382,696</u>

CARBOCHIM S.A.

STATEMENT OF FINANCIAL POSITION

(All amounts are expressed in RON unless otherwise stated)

	Note	December 31, 2021	December 31, 2022
Current liabilities			
Current share of long-term loans	14	3,011,953	2,183,952
Current share of finance lease liabilities	15	0	577,192
Trade payables and of other nature	16	4,096,970	23,885,514
Current income tax	16.21	<u>14,173</u>	<u>0</u>
Total current liabilities		<u>7,123,096</u>	<u>26,646,658</u>
TOTAL LIABILITIES		<u>15,342,128</u>	<u>36,029,354</u>
TOTAL OWNERS' EQUITY AND LIABILITIES		<u>95,861,837</u>	<u>116,659,422</u>

The Financial Statements were authorized for issue by the Board of Directors on March 20, 2023 and were signed on its behalf.

Popoviciu Viorel-Dorin

Barabula Mihaela-Maria

Director

Economic Director

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

	<u>Note</u>	<u>December 31, 2021</u>	<u>December 31, 2022</u>
Cash flows from operating activities			
Receipts from customers and other debtors		39,810,511	42,227,382
Payments to suppliers, employees and other creditors		(25,847,597)	(29,504,390)
Interest paid		(84,799)	(118,415)
Income tax, social security contributions, other charges and taxes paid		(11,550,994)	(11,971,265)
Net cash from operating activities		2,327,121	633,312
		-	-
Cash flows from investing activities			
Payments for acquisition of shares		-	-
Payments to acquire property plant and equipment		(2,828,467)	(18,749,216)
Proceeds from sale of property plant and equipment		-	19,812,137
Interest received		3	96,836
Dividends received		-	-
Net cash from investment activities		(2,828,464)	1,159,757
Cash flows from financing activities			
Proceeds from issue of shares		0	0
Proceeds from loans		1,105,515	173,672
Payment of debts related to financial lease		(42,927)	(347,966)
Dividends paid		(1,010)	(552)
Repayments of amounts borrowed		(638,411)	(1,452,914)
Net cash from financing activities		423,167	(1,627,760)
Cash flows - total		<u>(78,176)</u>	<u>165,309</u>
Cash at the beginning of period		979,149	900,973
Cash at the end of period	12	900,973	1,066,282

CARBOCHIM S.A.

STATEMENT OF CHANGES IN EQUITY

(All amounts are expressed in RON unless otherwise stated)

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

CARBOCHIM S.A.

STATEMENT OF CHANGES IN EQUITY

(All amounts are expressed in RON unless otherwise stated)

	<u>Notes</u>	<u>Share capital</u>	<u>Adjustments in share capital</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total owners' equity</u>
Balance as at January 1, 2022		<u>12,313,405</u>	<u>0</u>	<u>57,309,069</u>	<u>10,897,235</u>	<u>80,519,709</u>
Profit for 2022		-	-	-	26,067	26,067
<u>Other comprehensive income for the period</u>						
Distribution of profit or loss in legal reserve		-	-	3,007	(3,007)	-
Movements in revaluation reserve		-	-	-	-	-
Distribution from previous year's profit to other reserves		-	-	-	-	-
Realization of revaluation reserve		-	-	(646,558)	646,558	-
Deferred income tax related to revaluation and legal reserve		-	-	(481)	-	(481)
Deferred income tax resulted from reevaluation carried forward		-	-	84,773	-	84,773
<u>Transactions with shareholders</u>						
Dividends paid to company shareholders		-	-	-	-	-
Share capital increase		-	-	-	-	-
Own shares held		-	-	-	-	-
Total comprehensive profit		<u>12,313,405</u>	<u>=</u>	<u>56,749,810</u>	<u>11,566,853</u>	<u>80,630,068</u>
Balance as at December 31, 2022		<u>12,313,405</u>	<u>=</u>	<u>56,749,810</u>	<u>11,566,853</u>	<u>80,630,068</u>

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

CARBOCHIM S.A.

NOTES TO FINANCIAL STATEMENTS

(All amounts are expressed in RON unless otherwise stated)

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

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

At December 31, 2022, the structure of holders of financial instruments holding at least 10% of the share capital of Carbochim S.A. is as follows:

	<u>No. of Shares</u>	<u>Percentage of Ownership</u> (%)
SC CARBO EUROPE SRL	3,825,903	77.6776
Legal entities	664,354	13.4884
Individuals	435,105	8.8340
TOTAL	<u>4,925,362</u>	<u>100</u>

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The Financial Statements of Carbochim S.A. as at December 31, 2022 have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union.

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

In this regard, the statement of financial position, a component part of the Annual Financial Statements ended December 31, 2022, includes information corresponding to the end of the reporting year and the end of the Financial Year prior to the reporting year. In addition, the statement of comprehensive income includes information relating to the current Financial Year and the Financial Year prior to the reporting year.

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

2.1.1 Changes in Accounting Policies and in disclosure of information

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

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

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

(All amounts are expressed in RON unless otherwise stated)

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

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

- **IFRS 3 Business Combinations (Amendments)** updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without amending the accounting requirements for business combinations
- **IAS 16 Property, Plant and Equipment (Amendments)** precludes a company from deducting from the cost of property, plant and equipment the amounts received from the sale of items produced while the company prepares the asset for operation in the manner intended by the management. Instead, a company will recognize such revenues and related costs in the income statement.
- **IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments)** specifies the costs a company includes in determining the cost of performing a contract for the purpose of assessing whether a contract is onerous
- **Annual Improvements 2018-2020** bring minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and Illustrative Examples Accompanying IFRS 16 Leasing

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

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

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

- (b) *New standards, amendments and interpretations issued but not yet effective for the financial year as of 1 January 2022, therefore not adopted:*

- Amendment to IFRS 10. Consolidated Financial Statements and IAS 28. Investments in associates and joint ventures: sale or contribution of

NOTES TO FINANCIAL STATEMENTS

(All amounts are expressed in RON unless otherwise stated)

assets between an investor and its associate or joint venture. The amendments relate to an inconsistency identified between the requirements of IFRS 10 and IAS 28, in relation to the sale and asset sharing between an investor and its associate or joint venture. The main consequence of the amendments is that a total gain or loss is recognized when the transaction involves an enterprise (whether or not it is a subsidiary). A partial gain or loss is recognized when a transaction involves assets that are not an enterprise, even if they are in the form of subsidiaries. In December 2015, IASB postponed indefinitely the date of entry into force of this amendment. Amendments have not yet been adopted by the EU.

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

The amendments are effective for annual periods beginning on or after January 1, 2024 and early adoption is permitted. The amendments are intended to promote consistency in the application of requirements by assisting companies in determining whether liabilities and other payable obligations with an uncertain settlement date should be classified as current or non-current in the statement of financial position. The amendments affect the presentation of liabilities in the statement of financial position and do not change the existing requirements for the measurement or timing of recognition of any asset, liability, income or expenses, nor the disclosures that entities publish regarding these items. Moreover, the amendments clarify the classification requirements for liabilities that may be settled by the company issuing own equity instruments. These amendments have not yet been adopted by the EU.

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

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

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

The amendments are effective for annual periods beginning on or after January 1, 2023 and early adoption shall be permitted and shall apply to changes in accounting policies and changes in accounting estimates occurring on or after the

commencement date of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in Financial Statements that are subject to measurement uncertainty. The amendments also clarify what constitutes changes in accounting estimates and how they differ from the changes in accounting policies and the correction of errors.

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

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

- IFRS 16 Leases: Lease Liability in a Sale and Leaseback (Amendments)

The amendments are effective for periods beginning on or after January 1, 2024, with early adoption permitted. The amendments are intended to improve the requirements that a lessee-seller uses in measuring lease liabilities arising from a sale and leaseback transaction under IFRS 16, while not changing the accounting for leases unrelated to sale and leaseback transactions.

2.2 Segment reporting

A business segment is a distinctive component of the Company:

- a) Which engages in business activities from which it may earn income and from which it may incur expenses,
- b) The results of which from activities are reviewed regularly by the chief operating decision maker of the Company for the purpose of making decisions about the allocation of resources to the segment and evaluating its performance, and
- c) For which separate financial information is available.

NOTES TO FINANCIAL STATEMENTS

(All amounts are expressed in RON unless otherwise stated)

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 about products and services and geographical areas in which the Company carries out its activity is mandatory, even for those entities that identify a single reportable business segment, considering the quantitative thresholds and aggregation criteria set out in the Standard.

Given the quantitative thresholds and aggregation criteria set out in the Standard in terms of business segments, the Company does not identify distinguishable components in terms of the related risks and benefits.

Presentation of geographical areas in which the Company operates:

Outlet market	Share (%) 2021	Amount of revenue December 21, 2021	Share (%) 2022	Amount of revenue December 31, 2022
Externally (Poland, Hungary, Germany, Slovakia, Belgium, Italy, Ireland, Austria, Spain, Greece, Switzerland, The Netherlands, Luxembourg, Canada, England, Israel)	5	1,621,752	4	1,612,378
Internally (Romania)	95	32,993,063	96	34,597,947
Total operating revenue	100	34,614,815	100	36,210,325

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

Product or service	Share (%) 2021	Amount of revenue December 21, 2021	Share (%) 2022	Amount of revenue December 31, 2022
Grinding wheels	61.04	21,128,834	57.43	20,797,339
Coated grinding wheels	32.10	11,110,084	31.19	11,293,712
Other products	0.27	95,045	1.41	509,458
Rental income	3.56	1,233,442	3.47	1,255,086

NOTES TO FINANCIAL STATEMENTS

(All amounts are expressed in RON unless otherwise stated)

Revenue from sale of goods	0.82	283,437	1.06	382,080
Subsidy income for staff payments	-	0	-	0
Other income, including changes in stocks of finished goods and work in progress	2.21	763,973	5.44	1,972,650
Total operating revenue	100.00	34,614,815	100.00	36,210,325

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

Items included in the Company's Financial Statements are measured using 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, 2022 and December 31, 2021 are as follows:

	2022	2021
EUR	4.9474	4.9481
USD	4.6346	4.3707

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate at the date of the transactions or valuation for items that are revalued. Foreign exchange gains and losses arising on these transactions and on the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in other components of equity as qualifying cash flow hedge instruments and qualifying net investment hedge instruments.

Foreign exchange gains and losses relating to loans and leases are disclosed in the Income Statement under "Financial income or expense".

All other foreign exchange gains and losses are included in "Other (losses)/gains - net" in the Income Statement.

2.4 Accounting of the hyperinflation effect

The Romanian economy has a history of high levels of inflation and was considered to be hyperinflationary under IAS 29 "Financial Reporting in Hyperinflationary Economies".

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

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

2.5 Property, Plant and Equipment

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

Land and buildings are disclosed at fair value as at December 31, 2022. For buildings and equipment, the revalued amount as at December 31, 2018 less the losses of the impairment for 2019, 2020, 2021 and 2022 is used. The revalued amount as at December 31, 2018 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 depreciation at the date of revaluation is restated on a pro rata basis with the change in the gross carrying amount of the asset, so that the carrying amount of the assets, subsequent to revaluation, equals its revalued amount.

Subsequent costs are included in the asset carrying amount only when it is probable that future economic benefits associated with the 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 charged to the income statement in the financial period in which they are incurred.

The impairment method used is the straight-line method.

The 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:

NOTES TO FINANCIAL STATEMENTS

(All amounts are expressed in RON unless otherwise stated)

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

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

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

Gains and losses on disposals 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 finite useful life and are carried at cost less the accumulated amortization.

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

2.7 Investment property

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

- Be used in the production or supply of goods or services or for administrative purposes; and
- Be sold in the ordinary course of business.

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

Company's accounting policy on further valuation of property investments is based on the fair value model. This policy is applied uniformly to all investment properties held. Measuring the fair value of investment properties is performed by valuers who are members of the National Association of Authorized Romanian Valuers (ANEVAR).

As a result, depreciation is no longer recognized and the investment property is revalued at fair value on a sufficiently regular basis. Gains or losses arising from changes in the fair value of investment property are recognized in the Income Statement in the period in which they arise.

As at December 31, 2018, property investment revaluations were carried out by an authorized valuer.

2.8 Investments in equity elements

Investments in equity elements include participating interests in CARBOREF SA from Cluj-Napoca in a proportion of 25% of the share capital and a contribution to the initial assets of the A.P.I.E.L. Romania association, which represents a share of 7.14%. The shareholdings 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 assessing, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that have been impaired are reviewed at each reporting date for possible reversal of the impairment.

2.10 Financial assets

2.10.1. Classification

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

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- The contractual terms of the financial asset give rise to cash flows that represent only principal payments and interest on the principal outstanding at specific dates.

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

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

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

(c) Gas emission allowances

As of January 1, 2013, the Company's plant is no longer subject to the greenhouse gas emission trading scheme under Directive 2009/29/EC and has therefore not received any EUAs since 2013.

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

2.10.2. Recognition and measurement

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

Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Available-for-sale financial assets are

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subsequently carried at fair value. Loans and receivables are carried at amortized cost using 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 using 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 is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Provisions for obsolete and slow-moving items are made where necessary. Individually identified obsolete inventories are provided for at integrated value or derecognized. For slow moving inventories, an age estimate is made for 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 ordinary 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 initially recognized at fair value and subsequently for receivables with a credit period in excess of 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 highly liquid investments and original maturity periods of up to three months and bank overdrafts.

2.14 Share capital

Ordinary shares are classified as owner's equity.

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(All amounts are expressed in RON unless otherwise stated)

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

2.16 Loans

Loans are recognized initially at fair value, net of transaction costs recorded. Borrowings are subsequently stated at amortized cost, with any difference between proceeds (net of transaction costs) and redemption value being recognized in the income statement over the period of the borrowings using 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 related tax is recognized in other comprehensive income or directly in owner's equity.

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

Deferred income tax is recognized, based on the balance sheet obligation method, on temporary differences arising 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.

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Deferred tax assets and liabilities are offset when there is legally enforceable right to offset current tax liabilities current tax liabilities and when the deferred tax assets and liabilities relate to the income taxes levied by the same taxation authority or the same taxable entity, or by 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 benefits. 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

In accordance with the Collective Bargaining, in the event 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

In addition to wages and salaries, the company provides its employees with additional bonuses, such as payroll bonuses, vouchers and holiday bonuses.

Employees can benefit from an employee profit-sharing fund, with a share of up to 10% 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 embodying economic benefits will be required to settle the obligation; and the amount has been reliably estimated.

Where there is more than one similar obligation, the probability that an outflow of resources will be required to settle the obligation is determined by considering the class of obligations as a whole. A provision is recognized even if the probability of an outflow for an individual element is reduced.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax interest 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 revenue 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 obtains 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 initial adoption recognized in the original balance of the retained earnings in the year of the initial adoption. 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 have not identified transactions in which the

NOTES TO FINANCIAL STATEMENTS

(All amounts are expressed in RON unless otherwise stated)

Company acts as an agent. An agent recognizes revenue for its commission on the fee payable in exchange for facilitating the transfer of goods or services.

Initial application of IFRS 15 had no impact on the retained earnings of the Company as of 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 manufactures the full range of grinding wheels products, except super grinding wheels.

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

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

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

The Company operates a warehouse for the sale of grinding wheel products. Sales of products are 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 stated 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 financing elements, as sales are made on credit terms of a maximum 60-90 days in line with the normal market practice.

(b) Income from royalties

Income from royalties is recognized on an accrual basis in accordance with the relevant contractual provisions.

The Company has leased property investments in order to generate income.

2.21 Interest income

Interest income is recognized using the effective interest method.

2.22 Dividend income

Dividend income is recognized when the right to receive such amounts is established.

2.23 Leases

Leases for property, plant and equipment where the Company undertakes all the risks and benefits of ownership are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower 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. Rental obligations, net of finance charges, are included in other non-current 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 liability for each period. Property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset.

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

The Standard removes the current dual accounting model for lessees and requires companies to account for the majority of leases into the Balance Sheet in a single model, removing the distinction between operating and finance 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 over the lease term, and the liability 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 result in 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 finance leases shall be maintained.

In addition, the Company considered the following issues related to contracts that were subject to IFRS 16 as of December 31, 2019:

- No right-of-use asset and no lease liability has been recognized in respect of contracts due to expire within 12 months or less from the date of application;

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- No right-of-use assets or lease liabilities were recognized in connection with low-value contracts (below USD 5,000);

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

Due to the nature of the activities carried out, the Company is exposed to various risks including: market risk (including currency risk, interest rate risk on fair value, interest rate risk on cash flow and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse impact on the Company's financial performance. 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 various currencies, particularly USD and EUR. Currency risk is associated with assets and liabilities recognized, in particular loans.

In April 2018, the Company entered into a framework contract for derivative financial transactions for FORWARD foreign exchange operations to partially hedge foreign exchange risk for USD, therefore the Company started to apply the hedge accounting. As at December 31, 2022, the Company did not have any derivative financial transactions in progress.

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

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(All amounts are expressed in RON unless otherwise stated)

	As at December 31, 2021			As at December 31, 2022		
	<u>Monetary</u> Financial assets	<u>Monetary</u> Financial liabilities	Net amount on Statement of Financial <u>Assets</u>	<u>Monetary</u> Financial assets	<u>Monetary</u> Financial liabilities	Net amount on Statement of Financial <u>Assets</u>
RON	7,992,461	7,488,345	504,116	7,939,479	26,260,088	(18,320,609)
EUR	143,960	800,456	(656,496)	276,961	2,822,937	(2,545,976)
USD	17,792	0	17,792	43,046	0	43,046
Total	<u>8,154,213</u>	<u>8,288,801</u>	<u>(134,588)</u>	<u>8,259,486</u>	<u>29,083,025</u>	<u>(20,823,539)</u>

The above analysis includes only monetary assets and liabilities items. The following table shows how the items in the Income Statement and the Statement of changes equity would be affected by a 10% change in the exchange rates used by the National Bank of Romania at the Balance Sheet in relation to the Company's functional currency, with all other variables constant, as follows:

	<u>2022</u>	<u>2021</u>
EUR	5.4421	5.4429
USD	5.0981	4.8078

Impact on profit or loss account:

	<u>2022</u>
EUR increasing by 10%	(254,598)
	<u>2021</u>
EUR increasing by 10%	(65,650)

(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 based on 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:

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- As at December 31, 2021

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

- As at December 31, 2022

<u>Financial institution</u>	<u>Currency</u>	<u>Interest rate</u>	<u>Threshold</u>	<u>Loan balance as at December 31, 2022 (RON)</u>
Unicredit Bank	RON	Negotiated	800,000	158,585
Banca Comerciala Romana	RON/ EUR	Negotiated	3,000,000	1,488
Raiffeisen Bank	RON/ EUR	Negotiated	4,350,000	1,141,823 430,815
Raiffeisen Bank - long term	RON	Negotiated	2,235,000	1,165,705
Total				2,898,416

At December 31, 2022, a potential increase in the interest rate of 1% would have an impact of RON 1,174 on the income statement.

(b) Credit risk

Credit risk arises mainly from 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 are sold to adequate customers. The carrying amount of receivables, net of provisions for doubtful debts, represents the maximum exposure to credit risk.

The credit risk of trade receivables that are not provisioned but not past due, can be assessed through internal analysis since there is no external information about risk indicators for customers.

December 31, 2021 **December 31, 2022**

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Customers for which the recovery of receivables is under 30 days	2,357,616	3,071,635
Customers for which the recovery of receivables is between 30 and 90 days	3,419,762	2,132,502
Customers for which the recovery of receivables is between 90 and 180 days	25,387	582,568
Total	<u>5,802,765</u>	<u>5,786,706</u>

Although the collection of receivables may be affected by economic factors, Management believes that there is not a significant risk of loss in excess of the provisions already recorded.

Cash is invested in financial institutions which, at the time of investment, were considered to have a minimal risk of default.

Bank's financial indicator	Bank	<u>December 31, 2021</u>	<u>December 31, 2022</u>
Baa1	Raiffeisen Bank	2,031	3,389
Baa1	BRD	5,159	7,825
n/a	Treasury	2,744	9,537
Baa1	BCR	82,780	246,585
Bbb	Unicredit Tiriatic Bank	17,792	0
Bb	CEC Bank	765,364	765,364
n/a	Eximbank	0	1,000
Total		<u>875,870</u>	<u>1,033,700</u>

Where:

Financial institutions rated with indicator D have moderate financial strength, with a possible need for external support, and the financial institutions rated with indicator E have very modest financial strength with a high probability of needing external support on a regular basis.

(c) Liquidity risk

Prudent liquidity risk management included maintaining sufficient cash and the availability of funding through an appropriate level of committed credit facilities.

Cash flows forecasting is performed by the Company's finance department, which monitors projections 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 breach the limits of loans or arrangements relating to loans for all credit facilities.

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

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(All amounts are expressed in RON unless otherwise stated)

	Up to <u>1 year</u>	Between <u>1 and 2 years</u>	Between <u>2 and 5 years</u>	Over <u>5 years</u>
As at December 31, 2021				
Loans (Note 14)	3,011,953	451,241	714,464	-
Financial lease (Note 15)	-	-	-	-
Trade payables and of other nature (Note 16)	4,096,970	-	-	-
Current income tax	14,173			
Total	<u>7,123,096</u>	<u>451,241</u>	<u>714,464</u>	<u>-</u>
As at December 31, 2022				
	Up to <u>1 year</u>	Between <u>1 and 2 years</u>	Between <u>2 and 5 years</u>	Over <u>5 years</u>
Loans (Note 14)	2,183,952	451,241	263,224	-
Financial lease (Note 15)	577,192	520,511	1,201,391	-
Trade payables and of other nature (Note 16)	23,885,514	-	-	-
Current income tax	-	-	-	-
Total	<u>26,646,658</u>	<u>971,752</u>	<u>1,464,615</u>	<u>-</u>

3.2 Capital management

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

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

In 2022, the Company's strategy, unchanged from 2021, consisted in reducing the debt-to-equity ratio, mainly through repayments to credit lines and on the investment loan.

Debt-to-equity ratio indicators as of December 31, 2022 and 2021 were as follows:

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(All amounts are expressed in RON unless otherwise stated)

	<u>2021</u>	<u>2022</u>
Total loans	4,177,658	2,898,417
Less: cash and cash equivalents	900,973	1,066,282
Net liability	3,276,685	1,832,135
Total owner's equity	80,519,709	80,630,068
Total owners' equity and net liabilities	<u>83,796,394</u>	<u>82,462,203</u>
Debt-to-equity ratio	4%	2%

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 valuation techniques.

The carrying amounts, net of allowances, of trade receivables and payables are considered to approximate their fair values. The fair value of financial liabilities with a settlement period in excess of 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 determined using 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 of December 31, 2022:

	Level 1	Level 2	Level 3
Financial assets:			
Cash and cash equivalents	1,066,282	-	
Receivables and other receivables		-	7,082,524
-			

Financial liabilities:

Loans	-	2,898,417	-
Trade and other payables	-	23,885,514	-
Current income tax	-	-	-

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

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

4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

Estimates and judgments are continually evaluated 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 expected 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 affect 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 change in these assumptions have an impact on the carrying amount of pension obligations. The Company uses the National Bank of Romania benchmark interest rate as the discount rate for pension obligations at the end of each year.

5. FIRST-TIME APPLICATION OF IFRS

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

a) Property, plant and equipment

The Company has not calculated depreciation expense for property, plant and equipment under conservation in prior periods. On adoption of IFRS, property, plant and equipment in conservation will continue to be depreciated over the period in which it is unused.

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

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

b) Investment property

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

c) Provision for leave days not taken

The Company estimates a provision for untaken holidays in relation to the Financial Year just ended to cover the salary expense for the period.

d) Provision for pensions

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

NOTES TO FINANCIAL STATEMENTS

(All amounts are expressed in RON unless otherwise stated)

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

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

6. PROPERTY, PLANT AND EQUIPMENT

Movements of property, plant and equipment are as follows:

	<u>Land and buildings</u>	<u>Equipment and vehicles</u>	<u>Furniture, fittings and equipment</u>	<u>Fixed assets in progress</u>	<u>Total</u>
As at January 1, 2021					
Cost or valuation	70,388,380	35,261,029	240,181	3,641,476	109,531,066
Accumulated amortization	(15,902,419)	(28,252,369)	(164,399)	-	(44,319,187)
Net book value	<u>54,485,961</u>	<u>7,008,660</u>	<u>75,782</u>	<u>3,641,476</u>	<u>65,211,879</u>

For the year ended December 31, 2021

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

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NOTES TO FINANCIAL STATEMENTS

(All amounts are expressed in RON unless otherwise stated)

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

For the year ended December 31, 2022

	Land and buildings	Equipment and vehicles	Furniture, fittings and equipment	Fixed assets in progress and payments on accounts	Total
Book value net initial	53,652,339	9,531,784	54,453	2,065,587	65,304,163
Inflows	-	10,917	-	20,684,095	20,695,012
Transfers	9,821,550	33,348	-	(9,854,898)	-
Gain on revaluation	-	-	-	-	-
Loss on revaluation	-	-	-	-	-
Outflows, net	-	(108,358)	-	(1,311,572)	(1,419,930)
Transfers to investment property	(3,970,954)	-	-	-	(3,970,954)
Transfers to available-for- sale assets	(47,311,836)	-	-	-	(47,311,836)
Expense on amortization	(788,620)	(1,420,917)	(8,307)	-	(2,217,844)
Amortization of fixed means under conservation	<u>(49,439)</u>	—	—	—	<u>(49,439)</u>
Book value net final	<u>11,353,040</u>	<u>8,046,774</u>	<u>46,146</u>	<u>11,583,212</u>	<u>31,029,172</u>

As at December 31, 2022	Land and buildings	Equipment and vehicles	Furniture, fittings and equipment	Fixed assets in progress and	Total
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NOTES TO FINANCIAL STATEMENTS

(All amounts are expressed in RON unless otherwise stated)

				payments	
				on account	
Cost or valuation	13,084,758	34,944,450	201,786	11,583,212	59,814,206
Accumulated amortization	<u>(1,731,718)</u>	<u>(26,897,676)</u>	<u>(155,640)</u>	_____	<u>(28,785,034)</u>
Net book value	<u>11,353,040</u>	<u>8,046,774</u>	<u>46,146</u>	<u>11,583,212</u>	<u>31,029,172</u>

Fair value of property, plant and equipment

An independent valuation of land, buildings and other categories of property, plant and equipment was conducted by an independent valuer to determine the fair value of property, plant and equipment as at December 31, 2018. The net revaluation surplus has been recorded in other comprehensive income and is included in "Other reserves" in owners' equity.

Presentation of the fair value of property, plant and equipment as at December 31, 2022:

	Level 1	Level 2	Level 3	
Land	-	9,318,663	-	
Buildings and special constructions		-	2,034,377	-
Total land and buildings	-	11,353,040	-	
Equipment and vehicles	-	8,046,774	-	
Furniture, fittings and equipment	-	46,146	-	

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

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

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

	2021	2022
Cost	0	0
Accumulated depreciation	0	0
Net book value	<u>0</u>	<u>0</u>

NOTES TO FINANCIAL STATEMENTS

(All amounts are expressed in RON unless otherwise stated)

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

Buildings

	<u>2021</u>	<u>2022</u>
Cost	11,838,113	0
Accumulated depreciation	<u>5,162,480</u>	<u>0</u>
Net book value	<u>6,675,633</u>	<u>0</u>

Related land:

	<u>2021</u>	<u>2022</u>
Cost	8,536,060	3,765,120

- As at December 31, 2022, the following property, plant and equipment (land and buildings), current assets and available bank accounts are mortgaged under the loan agreements the Company has entered into with the financial institutions Unicredit Bank Cluj, Banca Comerciala Romana Cluj and Raiffeisen Bank Cluj:

<u>No.</u>	<u>Subject matter of mortgage or pledge</u>	<u>Value of mortgage or pledge</u>	<u>Beneficiary of mortgage or pledge</u>	<u>Mortgage rank</u>
1.1	Land located outside the built-up area of Feleacu Commune, Valcele Village, Cluj County recorded in Land Register 50468 of Feleacu (53,029 sq m) and in Land Register 50546 of Feleacu (27,700 sq m)	RON 3,000,000 + related interest and fees	BANCA COMERCIALA ROMANA	I
2.1	Mortgage or pledge on the inventory of raw materials	RON 3,000,000 + related interest and fees	BANCA COMERCIALA ROMANA	-
2.2.	Mortgage on trade receivables under the mortgage agreement	RON 4,350,000 + related interest and fees	RAIFFEISEN BANK	-
2.3	Mortgage or pledge on the inventory of finished products	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 800,000 + related interest and fees	UNICREDIT BANK	-
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 3,000,000 + related interest and fees	BANCA COMERCIALA ROMANA	-

NOTES TO FINANCIAL STATEMENTS

(All amounts are expressed in RON unless otherwise stated)

2.6	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	-
2.7.	Pledge or mortgage on current bank accounts, mortgage on the purchased equipment	RON 2,235,000 + related interest and fees	RAIFFEISEN BANK	-

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

<u>Description</u>	<u>Land and buildings</u>	<u>Equipment and vehicles</u>	<u>Furniture, fittings and equipment</u>	<u>Fixed assets in progress and payments on account</u>	<u>Total</u>
<u>Year ended as at December 31, 2021</u>					
Cost	50,003,374	30,122,885	213,709	2,065,587	82,405,555
Accumulated depreciation	<u>13,820,237</u>	<u>21,439,771</u>	<u>159,256</u>	<u>0</u>	<u>35,419,264</u>
Net book value	<u>36,183,137</u>	<u>8,683,114</u>	<u>54,453</u>	<u>2,065,587</u>	<u>46,986,291</u>
<u>Year ended as at December 31, 2022</u>					
Cost	12,560,200	27,633,192	201,786	11,583,213	51,978,391
Accumulated depreciation	<u>1,436,410</u>	<u>20,248,862</u>	<u>155,640</u>	<u>0</u>	<u>21,840,912</u>
Net book value	<u>11,123,790</u>	<u>7,384,330</u>	<u>46,146</u>	<u>11,583,213</u>	<u>30,137,479</u>

The sales contract was concluded with the reservation of ownership right no. 966/March 24, 2022, through which the land with constructions located in Cluj-Napoca, P-ta 1 Mai nr. 3 is sold, according to the resolution of the Extraordinary General Meeting of Shareholders No. 1/January 5, 2022. As of December 31, 2022, land and buildings amounting to RON 54,641,972 were transferred to assets held for sale, as follows:

- land transferred to available-for-sale assets: RON 38,899,911
- constructions transferred to available-for-sale assets in the category of property, plant and equipment: RON 8,411,925
- constructions transferred to available-for-sale assets in the category of property investments: RON 7,062,101
- land transferred to available-for-sale assets in the category of property investments: RON 268,035

The Sales and Purchase Agreement no. 1070/April 4, 2022 was entered into, through which the land with constructions located in Cluj-Napoca, B-dul Muncii nr. 18 is sold, according to the

NOTES TO FINANCIAL STATEMENTS

(All amounts are expressed in RON unless otherwise stated)

Resolution of the Extraordinary General Meeting of Shareholders No. 1/January 5, 2022, in order to relocate the activity of the Company.

7. INTANGIBLE FIXED ASSETS

Trademarks and Licenses**As at January 1, 2021**

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

For the year ended December 31, 2021

Initial net book value	0
Inflows	276
Amortization charge	<u>(207)</u>
Final net book value – intangible assets	<u>69</u>

As at December 31, 2021**As of January 1, 2022**

Cost or valuation	242,765
Accumulated depreciation	<u>(242,696)</u>
Net book value	<u>0</u>

For the year ended December 31, 2022

Initial net book value	69
Inflows	12,175
Amortization charge	<u>(3,451)</u>

Final net book value – intangible assets **8,793****As at December 31, 2022**

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

NOTES TO FINANCIAL STATEMENTS

(All amounts are expressed in RON unless otherwise stated)

8. INVESTMENT PROPERTY

As at January 1, 2021	<u>Buildings + Land</u>
Cost or measurement	7,124,302
Net book value	7,124,302
Inflows	-
Earnings / (loss) from measurement at fair value	-
Outflows	-
Net final book value	7,124,302
As at December 31, 2021	
Cost or measurement	7,124,302
Net book value	7,124,302
For the year ended December 31, 2022	<u>Buildings + Land</u>
Inflows (transfer from property, plant and equipment)	3,970,954
Earnings / (loss) from measurement at fair value	-
Outflows (transfer to held-for-sale assets)	7,330,136
Net final book value	3,765,120
As at December 31, 2022	
Cost or measurement	3,765,120
Net book value	3,765,120

9. FINANCIAL INSTRUMENTS

	<u>December 31, 2021</u>	<u>December 31, 2022</u>
Assets		
Receivables and other receivables	7,253,240	7,193,204
Cash and cash equivalents	<u>900,973</u>	<u>1,066,282</u>
Total monetary financial assets	<u>8,154,213</u>	<u>8,259,486</u>
Liabilities		
Loans	4,177,658	5,197,511

NOTES TO FINANCIAL STATEMENTS

(All amounts are expressed in RON unless otherwise stated)

Trade payables and of other nature	4,096,970	23,885,514
Current income tax	<u>14,173</u>	<u>0</u>
Total Monetary Financial Liabilities	<u>8,288,801</u>	<u>29,083,025</u>

Accounting classifications and fair values:

December 31, 2022 (IFRS 9)	Note	Amortized cost (IAS 39)	Total carrying	Fair value
Financial assets (RON)				
Cash and cash equivalents	12	1,066,282	1,066,282	1,066,282
Receivables and other receivables 7,193,204	11	7,193,204	7,193,204	
Total Financial Assets		8,259,486	8,259,486	8,259,486
Financial liabilities (RON)				
Loans	14	5,197,511	5,197,511	5,197,511
Trade payables and of other nature	16	23,885,514	23,885,514	23,885,514
Current income tax	0	0	0	0
Total Financial Liabilities		29,083,025	29,083,025	29,083,025

10. INVENTORY

	<u>December 31, 2021</u>	<u>December 31, 2022</u>
Materials	4,924,710	4,607,977
Inventory items	89,738	58,250
Finished Products	10,105,763	11,974,289
Goods	351,517	310,355
Provisions on impairment of inventories	<u>(230,638)</u>	<u>(193,041)</u>
Total inventories	<u>15,241,090</u>	<u>15,241,090</u>
	<u>December 31, 2021</u>	<u>December 31, 2022</u>
As at January 1	<u>152,928</u>	<u>230,638</u>
Impairment adjustments during the year (Note 15)	92,051	21,109
Reversed	<u>(14,341)</u>	<u>(58,706)</u>

NOTES TO FINANCIAL STATEMENTS

(All amounts are expressed in RON unless otherwise stated)

As at December 31	<u>230,638</u>	<u>193,041</u>
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11. TRADE RECEIVABLES AND OTHER RECEIVABLES

	<u>December 31, 2021</u>	<u>December 31, 2022</u>
Trade receivables	6,696,735	6,466,417
Adjustments on impairment of receivables on customers	<u>(437,613)</u>	<u>(415,012)</u>
Trade receivables and other receivables	<u>6,259,122</u>	<u>6,051,405</u>
Prepayments	47,376	494,362
Other receivables	965,764	432,850
Other non-current receivables (over 3 months)	438	103,907
Adjustments on impairment of other receivables	(19,460)	0
Current income tax to be recovered	<u>0</u>	<u>110,680</u>
Total	<u>994,118</u>	<u>1,141,799</u>
Total Receivables after provisions set aside	<u>7,253,240</u>	<u>7,193,204</u>

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

	<u>December 31, 2021</u>	<u>December 31, 2022</u>
RON	7,111,240	7,030,373
EUR	142,000	162,831
Other currencies (USD)	-	-
Total Receivables	<u>7,253,240</u>	<u>7,193,204</u>

The analysis of receivables by maturity is shown in the table below:

	<u>December 31, 2021</u>	<u>December 31, 2022</u>
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NOTES TO FINANCIAL STATEMENTS

(All amounts are expressed in RON unless otherwise stated)

During the maturity period	5,802,765	5,786,706
Maturity period exceeded but without the risk of impairment	1,450,475	1,406,498
Total	<u>7,253,240</u>	<u>7,193,204</u>

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

	<u>December 31, 2021</u>	<u>December 31, 2022</u>
Up to 3 months	1,341,626	1,330,706
Between 3 and 6 months	132,838	108,342
More than 6 months	<u>433,084</u>	<u>382,462</u>
Adjustments for impairment of receivables	<u>(457,073)</u>	<u>(415,012)</u>
Total	<u>1,450,475</u>	<u>1,406,498</u>

Within the outstanding receivables, an amount of RON 138,109 represents amounts paid to employees for sick leave and indemnities and which are recovered from the Budget of the Single National Health Insurance Fund according to Article 38 of Government Emergency Ordinance 158/2005 and which have not been transferred to us by December 31, 2022, 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 shown below:

- The amount of RON 77,363 with maturity exceeded up to 3 months, represents the amount corresponding to reimbursement applications submitted in September, October and November 2022 and not collected until December 31, 2022
- The amount of RON 47,351 with maturity exceeded between 3 and 6 months, represents the amount corresponding to reimbursement applications submitted between June - August 2022 and not collected until December 31, 2022.
- The amount of RON 13,395 with maturity exceeded over 6 months ,represents the amount corresponding to a reimbursement application submitted in May 2022 and not collected until December 31, 2022.

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 2023.

NOTES TO FINANCIAL STATEMENTS

(All amounts are expressed in RON unless otherwise stated)

The analysis of adjustment movement for the impairment of receivables:

	<u>December 31, 2021</u>	<u>December 31, 2022</u>
As at January 1	390,830	457,073
Receivable impairment adjustment during the year	83,187	83,187
Reversed impairment adjustments	<u>(16,944)</u>	<u>(16,944)</u>
As at December 31	<u>457,073</u>	<u>415,012</u>

12. CASH AND CASH EQUIVALENTS

	<u>December 31, 2021</u>	<u>December 31, 2022</u>
Cash in hand and in bank	40,620	188,947
Performance bonds under 3 months	-	-
Cash collateral at the bank – (letters of credit, securities)	-	575
Other cash equivalents	13,853	21,987
Short-term deposits	<u>846,500</u>	<u>854,773</u>
Total	<u>900,973</u>	<u>1,066,282</u>

	<u>December 31, 2021</u>	<u>December 31, 2022</u>
Cash in hand and in bank in RON	38,976	31,771
Cash in hand and in bank in USD	1,504	43,046
Cash in hand and in bank in EUR	140	114,130
Short-term deposits in RON	846,500	855,348
Short-term deposits in EUR	-	-
Funds to be collected RON	<u>13,853</u>	<u>21,987</u>
Total	<u>900,973</u>	<u>1,066,282</u>

<u>Bank</u>	<u>December 31, 2021</u>	<u>December 31, 2022</u>
Raiffeisen Bank	2,031	3,389
BRD	5,159	7,825
Treasury	2,744	9,537
BCR	1,644	157,176
Unicredit Ţiriac Bank	17,792	0
Eximbank	0	425
Cash in hand and other	25,103	32,582

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

cash equivalents		
Short-term deposits - EXIMBANK - collateral deposit for securities	0	575
Short-term deposits - BCR – manager securities	81,136	89,409
Short-term deposits – CEC BANK - dividends recorded	765,364	765,364
Short-term deposits – CEC BANK - securities	-	-
	<u>900,973</u>	<u>1,066,282</u>

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

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

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

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

	<u>December 31, 2021</u>	<u>December 31, 2022</u>
Cash and cash equivalent	900,973	1,066,282
Total current share of loans	<u>3,011,953</u>	<u>2,183,952</u>
	<u>3,912,926</u>	<u>3,250,234</u>

13. OWNERS' EQUITY

	<u>December 31, 2021</u>	<u>December 31, 2022</u>
Share capital	12,313,405	12,313,405
Adjustments in Share Capital	=====	=====

	<u>Value</u>	<u>No. of Shares</u>	<u>Value share (RON)</u>	<u>Percentage of Ownership (%)</u>
S.C. CARBO EUROPE S.R.L.	9,564,757.50	3,825,903	2.5	77.6776

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NOTES TO FINANCIAL STATEMENTS

(All amounts are expressed in RON unless otherwise stated)

Legal entities	1,660,885.00	664,354	2.5	13.4884
Individuals	1,087,762.50	435,105	2.5	8.8340
Total	<u>12,313,405.00</u>	<u>4,925,362</u>		<u>100</u>

At the date 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, calculated on the basis of the corresponding prices for December 1990 (1990 = 100) for 13 years and conversion factors were the following:

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

DIVIDENDS

During 2022, the Company did not appropriate any dividends to owners.

14. LOANS

	<u>December 31, 2021</u>	<u>December 31, 2022</u>
Loans from banks	4,177,658	2,898,417
Loans from Shareholders	-	-
Total loans	<u>4,177,658</u>	<u>2,898,417</u>
Current share of loans	3,011,953	2,183,952
Long-term share – loans from banks	1,165,705	714,465
	<u>4,177,658</u>	<u>2,898,417</u>

NOTES TO FINANCIAL STATEMENTS

(All amounts are expressed in RON unless otherwise stated)

In July 2020, the Company signed with RAIFFEISEN BANK S.A. a term credit facility agreement amounting to RON 2,235,000 for a period of 5 years, to finance 80% of the investment representing the purchase of new equipment. As at December 31, 2022, the balance of this loan was RON 1,165,705, with maturity on June 2025.

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

	<u>December 31, 2021</u>	<u>December 31, 2022</u>
RON	3,636,583	2,467,602
EUR	<u>541,075</u>	<u>430,815</u>
	<u>4,177,658</u>	<u>2,898,417</u>

The effective average annual interest rate on bank loans for the financial year 2022 was of 3.32% (for the year 2021 was 2.17%).

15. FINANCIAL LEASE

	<u>December 31, 2021</u>	<u>December 31, 2022</u>
Up to one year	0	514,990
Between 1 year and 5 years	<u>0</u>	<u>1,721,902</u>
Current value of financial lease	<u>0</u>	<u>2,236,892</u>
	<u>December 31, 2021</u>	<u>December 31, 2022</u>
Up to one year	0	536,344
Between 1 year and 5 years	0	1,752,830
Future financing costs	<u>0</u>	<u>(52,282)</u>
Current value of financial lease	<u>0</u>	<u>2,236,892</u>

The effective average annual interest rate of the finance lease for the year 2022 was of 1.25% (for the financial year 2021 was 0%).

The Rental Contract no.1135/April 29, 2022 was entered into, through which a facility located in Cluj-Napoca, str. Orastiei nr.10 was rented, in order to relocate a production section. The contract was treated and presented as a financial lease according to IFRS 16.

16. SUPPLIERS AND OTHER CREDITORS

	<u>December 31, 2021</u>	<u>December 31, 2022</u>
Suppliers	1,598,587	1,937,934
Payables regarding personnel	540,030	522,686
Interest payable	1,895	924
Dividends payable	924,593	924,041

NOTES TO FINANCIAL STATEMENTS

(All amounts are expressed in RON unless otherwise stated)

VAT payable	388,294	35,144
Other payables to the State	492,656	497,306
Deferred income	0	0
Creditor customers and sundry creditors	140,648	19,962,827
Excess inventory such as non-current assets and investment grants	<u>10,267</u>	<u>4,652</u>
Total	<u>4,096,970</u>	<u>23,885,514</u>
	<u>December 31, 2021</u>	<u>December 31, 2022</u>
EUR	259,381	63,028
USD	-	-
RON	<u>3,798,541</u>	<u>23,822,486</u>
	<u>4,096,970</u>	<u>23,885,514</u>

17. ANALYSIS OF REVENUE BY CATEGORY

	<u>December 31, 2021</u>	<u>December 31, 2022</u>
Revenue from sale of finished goods	32,333,963	32,600,510
Revenue from sale of goods	283,437	382,080
Income from services provided	<u>128,081</u>	<u>173,600</u>
Total	<u>32,745,481</u>	<u>33,156,190</u>

Other operating income

	<u>December 31, 2021</u>	<u>December 31, 2022</u>
Gain / (loss) from sale of fixed assets	130,444	(69,585)
Other income	20,992	7,310
Gain on revaluation of property, plant and equipment	0	0
Gain on revaluation of property investment at fair value	0	0
Rental income	<u>1,233,442</u>	<u>1,255,086</u>
Total	<u>1,384,878</u>	<u>1,192,811</u>

In 2022, no subsidies were collected.

18. WAGES AND OTHER RELATED COSTS

	<u>December 31, 2021</u>	<u>December 31, 2022</u>
Salary expenses	14,344,596	17,020,716

NOTES TO FINANCIAL STATEMENTS

(All amounts are expressed in RON unless otherwise stated)

Expenditure on salary contributions	439,250	512,222
Expenditure on meal vouchers	<u>724,980</u>	<u>635,860</u>
Total	<u>15,508,826</u>	<u>18,168,798</u>

	December 31, 2021	December 31, 2022
Average number of employees	171	161
Number of employees	176	164
Salary of administrative staff (managers, including related social security contributions)	1,453,871	1,412,393
Board of Directors (including related social security contributions)	517,565	2,835,057

19. OTHER OPERATING EXPENSES

	<u>December 31, 2021</u>	<u>December 31, 2022</u>
Other expenditure on services provided by third parties	824,713	1,017,562
Expenditure on royalties and rents	24,821	0
Utilities expenses	2,487,131	3,465,826
Expenditure on maintenance and repairs	40,493	6,536
Insurance expenses	104,159	107,653
Expenditure on damages and penalties	387	101
Other provisions expense / (reversal)	16,577	(14,188)
Net provision for receivables expense / (reversal)	66,243	(42,062)
Postage charges and other fees	37,936	46,443
Expenses on commissions and fees	903	0
Entertainment, advertising and publicity expenses	16,053	10,338
Net (gain) / loss from exchange differences from operating activities	2,794	55,812
Net provision for slow moving inventories or impaired expense / (reversal)	77,710	(37,596)

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

Banking and similar charges	31,720	31,736
Travel expenses	63,608	97,414
Other operating expenses	866,045	998,186
Shipping costs	<u>148,337</u>	<u>153,639</u>
Total	<u>4,809,630</u>	<u>5,897,400</u>

In 2022, an audit fee of EUR 6,000 was paid to the financial auditor for auditing the Financial Statements as at December 31, 2021

20. FINANCIAL RESULT

	<u>December 31, 2021</u>	<u>December 31, 2022</u>
Interest expense		
- Loans	85,737	117,444
- Financial lease	0	0
Net result from exchange rate differences	<u>19,821</u>	<u>(38,195)</u>
Financial costs	<u>105,558</u>	<u>79,249</u>
Interest income	3	96,836
Other financial income	<u>0</u>	<u>0</u>
Financial revenues	<u>9</u>	<u>9</u>
Net financial result	<u>(105,555)</u>	<u>17,587</u>

21. CORPORATE INCOME TAX

Description	<u>December 31, 2021</u>	<u>December 31, 2022</u>
Gross result	1,441,211	26,067
Tax rate according to national regulations	16%	16%
Items similar to income	831,891	797,506
Items similar to expenses	(20,160)	(19,940)
Deductions	(2,625,797)	(2,686,417)
Non-taxable income	(106,584)	(193,344)
Non-deductible expenses	2,624,627	2,450,107
Total	2,145,188	373,979
Tax expense	(343,230)	(59,837)
Sponsorship / patronage amounts	<u>68,646</u>	<u>11,967</u>
Total	<u>(274,584)</u>	<u>(47,870)</u>
Bonus according to Government Emergency Ordinance 33/2020	-	-

NOTES TO FINANCIAL STATEMENTS

(All amounts are expressed in RON unless otherwise stated)

Bonus according to Government Emergency Ordinance 153/2020	21,967	5,266
Total corporate income tax after application of the bonus	<u>(252,617)</u>	<u>(42,604)</u>
(Expense) / revenue with deferred tax	75,041	8,518
(Expense) / revenue with income tax	(177,576)	(34,086)

21. CORPORATE INCOME TAX (CONTINUED)

	<u>January 1, 2021</u>	<u>Movement in deferred tax</u>	<u>December 31, 2021</u>	<u>Movement in deferred tax</u>	<u>December 31, 2022</u>
Deferred tax assets	15,727	22,112	37,839	(29,929)	7,910
Deferred tax liabilities	<u>(6,917,586)</u>	<u>117,011</u>	<u>(6,800,575)</u>	<u>122,739</u>	<u>(6,677,836)</u>
Asset / (liability) from deferred tax - net	<u>(6,901,859)</u>	<u>139,123</u>	<u>(6,762,736)</u>	<u>92,810</u>	<u>(6,669,926)</u>

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

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

<u>Deferred tax liabilities</u>	<u>Property, plant and equipment</u>	<u>Provisions</u>	<u>Total</u>
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NOTES TO FINANCIAL STATEMENTS

(All amounts are expressed in RON unless otherwise stated)

	<u>and legal reserve</u>		
As at January 1, 2022	<u>(6,800,575)</u>	<u>(0)</u>	<u>(6,800,575)</u>
Movement in deferred tax	<u>136,579</u>	<u>(13,840)</u>	<u>122,739</u>
As at December 31, 2022	<u>(6,663,996)</u>	<u>(13,840)</u>	<u>(6,677,836)</u>
<u>Deferred tax assets</u>	<u>Property, plant and equipment</u>	<u>Provisions</u>	<u>Total</u>
As at January 1, 2022	<u>9,384</u>	<u>28,455</u>	<u>37,839</u>
Movement in deferred tax	<u>(1,474)</u>	<u>(28,455)</u>	<u>(29,929)</u>
As at December 31, 2022	<u>7,910</u>	<u>0</u>	<u>7,910</u>
<u>Asset / (liability) from deferred tax - net</u>	<u>(6,656,086)</u>	<u>(13,840)</u>	<u>(6,669,926)</u>

22. AFFILIATED PARTIES

The list of parties affiliated to the Company is as follows:

Affiliated company	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 shares). Deliveries represent the rent and utilities according to contract 2249/December 13, 2012 and occasional sales of abrasive products through the retail store.
CARBO EUROPE SRL Bucharest	CARBO EUROPE SRL holds 77.6776% of the share capital of CARBOCHIM SA. There were no transactions with this company in 2022.
IULIUS HOLDING SRL Iasi	Mr Iulian-Adrian Dascalu owns 100% of the Iulius Holding SRL but also Carbo EUROPE SRL both through direct ownership (71.43%) and through the IULIUS HOLDING SRL (28.57%).

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

There were no transactions with this company in 2022.

RIVUS INVESTMENTS SRL, Iasi IULIUS HOLDING SRL owns 50% of RIVUS INVESTMENTS SRL, together with ATTERBURY ROMANIA B.V. from the Netherlands which owns 50% of this company.

Analysis of balances and transactions with affiliated parties (Amounts in RON):

Balances as of January 1, 2021	<u>Receivables</u>	<u>Other receivables</u>	<u>Payables</u>
CARBOREF SA	1,029	-	-
Total	<u>1,029</u>	<u>=</u>	<u>=</u>
Transactions carried out during 2021:	Sales	Expenses	Loans
CARBOREF SA	13,126	-	-
Total	<u>13,126</u>	<u>=</u>	<u>=</u>
Balances as at December 31, 2021	Receivables	Other receivables	Payables
CARBOREF SA	1,328	-	-
RIVUS INVESTMENTS SRL	-	-	-
Total	<u>1,328</u>	<u>=</u>	<u>=</u>
Transactions carried out during 2022:	Sales	Expenses	Loans
CARBOREF SA	12,497	-	-
RIVUS INVESTMENTS SRL	-	-	-
Total	<u>12,497</u>	<u>=</u>	<u>=</u>
Balances as at December 31, 2022	Receivables	Other receivables	Payables
CARBOREF SA	-	-	-
RIVUS INVESTMENTS SRL	<u>=</u>	<u>=</u>	<u>19,777,800</u>
Total	<u>=</u>	<u>=</u>	<u>19,777,800</u>

As at December 31, 2022, the Board of Directors of the Company has the following structure:

NOTES TO FINANCIAL STATEMENTS

(All amounts are expressed in RON unless otherwise stated)

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

The executive management of the Company is:

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

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 <u>December 31, 2021</u>	Year ended <u>December 31, 2022</u>
Profit attributable to equity holders of the Company	1,441,211	26,067
Weighted average of number of shares	4,927,768	4,927,768
Basic earnings and diluted earnings per share (RON per share)	0.29	0.01

24. CONTINGENCIES

NOTES TO FINANCIAL STATEMENTS

(All amounts are expressed in RON unless otherwise stated)

24.1. Litigation

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

24.2. Taxation

The taxation system in Romania has undergone many changes in recent years and is under a phase of adaptation to the jurisprudence of the European Union. As a result, there are still different interpretations of tax law. In some cases, the tax authorities may have different approaches to certain issues, the calculation of additional taxes and interest and penalties for late payment (in 2022, the late payment fee is of 0.01% per day of delay, plus default interest at the rate of 0.02% per day of delay). In Romania, the tax year remains open for tax inspection for 5 years. The Company's Management believes that tax liabilities included in these Financial Statements are appropriate.

Tax legislation in place at the date of preparation of Financial Statements for companies reporting under the International Financial Standards is in was at an early stage of development. As a result, it is possible that the tax authorities have different interpretations from those included in these Financial Statements. Since the Company continues to use the revaluation method for property, plant and equipment, and also in order to reduce the tax related risk, the Company decided to keep the balance of the account 105 "Revaluation reserves" at the date of transition to IFRS, the existing amounts in this account as of December 31, 2010 in the Financial Statements prepared in accordance with the Order of the Minister of Public Finance 3055/2009.

24.3. Financial crisis

Recent volatility in international and Romanian financial markets:

The most recent global liquidity crisis that began in mid-2007 resulted in, among other things, low levels of capital market funding, reduced liquidity levels in the financial sector and, at times, higher interbank lending rates and very high stock market volatility. In addition, the RON exchange rate volatility and the main currencies used in international trade was very high.

The recent bankruptcy of Silicon Valley Bank could trigger a new crisis in the US banking system, a crisis that could also affect the European banking system.

Management is unable to make a reliable estimate of the impact on the Company's financial position of a potential reduction in the liquidity of the financial markets, an increase in the volatility of the exchange rate of the national currency and the continuation of the coming recession. The Management believes that it has taken all the necessary steps 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 the financial markets resulting from the restriction of access to credit for companies and individuals during the financial crisis in 2007-2009. Therefore, the carrying amount of property, plant and equipment at fair value has been adjusted 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 undergo changes in the future.

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

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

The European Union's response has been swifter and more concerted than ever on both strategic fronts: the fight against the Covid-19 pandemic and its economic consequences.

The Government of Romania has taken several measures to support the economic agents, including covering part of the amounts owed by the economic agents for the payment of personnel in the periods of 2020 when the activity was suspended or reduced during the periods of restrictions imposed in order to limit or reduce the spread of SARS-COV-2 virus.

At present, the global crisis caused by the coronavirus pandemic is expected to be overcome but the full impact of this crisis is still impossible to predict and prevent in its entirety.

In view of the current global economic situation, the Company's management conducted a one-off analysis to assess the impact of the SARS Cov2 pandemic on the Company's economic activity, namely on the **entity's ability to continue as a going concern in the future**, and has reached the following conclusion: The industry sector in which we operate is not currently subject to any restrictions, and our customers operate in multiple sectors, which mitigates the risk of being affected by restricting the activity of some customers.

24.5 War in Ukraine and energy crisis

A major factor of uncertainty that could seriously affect the Company's activity is the crisis at European level caused by the war in Ukraine which led to the triggering of the energy crisis at European level. **It is still impossible to predict the full impact of this crisis and to prevent it in its entirety.** Economic signals show that Europe has overcome the energy crisis but electricity and natural gas prices are very high.

25 SUBSEQUENT EVENTS

In the Current Report issued on March 21, 2023 to publish the agenda of the Ordinary General Meeting of Shareholders of April 26, 2023, convened to approve the Financial Statements of 2022, the distribution of the net profit of 2022 amounting to RON 26,067.16 is submitted for approval as follows: to legal reserves the amount of RON 3,007.66 and the retained result (undistributed profit) the difference of Ron 23,059.50.



STATEMENT

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

- The separate financial statements on 31 December 2022 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union and with the Order of the Ministry of Public Finance 2844/2016 approving the Accounting Regulations in accordance with the International Financial Reporting Standards.
- The accounting policies used in the preparation of financial statements are in accordance with the accounting regulations applied;
- The separate financial statements prepared in accordance with the International Financial Reporting Standards (“IFRS”) present fairly the financial position, financial performance and other information related to the activity carried out;
- The Company operates in terms of continuity
- At the time of this statement, we have no knowledge about other information, events, circumstances that would significantly alter the above statements.

CHIEF EXECUTIVE OFFICER
VIOREL POPOVICIU, Engineer

CHIEF FINANCIAL OFFICER
MIHAELA BARABULA, Economist

G2 Expert
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INDEPENDENT AUDITOR'S REPORT

on the Financial Statements as at
DECEMBER 31, 2022

by
CARBOCHIM S.A.

Autoritatea pentru Supravegherea Publică a
Activității de Audit Statutar (ASPAAS)
Firma de Audit: G2 EXPERT S.R.L.
Registru Public Electronic FA1152

INDEPENDENT AUDITOR'S REPORT

To

CARBOCHIM SA Shareholders

Report on the audit of the financial statements and compliance with the provisions of Article 153 of Law no.24/2017 on issuers of financial instruments and market operations

Unqualified opinion

We have audited the accompanying Financial Statements of CARBOCHIM SA (the "Company"), with registered office in CLUJ-NAPOCA, Piața 1 Mai, nr.3, identified by Tax Reference Number and VAT Code RO 201535, comprising the Balance Sheet as at December 31, 2022, the Income Statement, the Statement of changes in equity and Cash Flow Statement for the financial year then ended, as well as a Summary of significant accounting policies and the Notes to the Financial Statements.

The Financial Statements as at December 31, 2022 are identified as follows:

• Total assets:	116,659,422 RON
• Total owners' equity:	80,630,068 RON
• Liabilities:	36,029,354 RON
• Net profit for the financial year:	26,067 RON

In our opinion, the accompanying Financial Statements give a true and fair view of the Company's financial position as at December 31, 2022 as well as of the financial performance and cash flows for the financial year ended on that date, in accordance with International Financial Reporting Standards (IFRSs) adopted by the European Union.

The company has complied with the provisions of Article 153 of the Law no.24/2017 on issuers of financial instruments and market operations in the sense that the individual annual reports under IFRS have been prepared in XHTML/XBRL format. As statutory auditor of CARBOCHIM SA, we express our opinion that the audited company has complied with the single European financial reporting format in accordance with the IFRS-EFES taxonomy.

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Basis for Opinion

We have conducted our audit in accordance with International Audit Standards ("ISAS"), EU Regulation No 537 of the European Parliament and of the Council (hereinafter the "Regulation") and Law 162/2017 (the "Law"). Our responsibilities under these Standards are described in detail in the Auditor's Responsibilities section in an audit of the Financial Statements in our Report. We are independent of the Company, according to the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code), according to ethical requirements relevant for the audit of Financial Statements in Romania, including the Regulation and the Law, and have fulfilled our ethical responsibilities according to these requirements and according to the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit issues

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

Key matters

How our audit addressed the key matters

Establishment of provisions for pensions

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

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

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

- We requested the situation of the persons who have retired in 2022;
- We requested and consulted the document relating to the method of calculating the provision regarding this benefit;
- We revised the table of existing employees as at December 31, 2022, drawn up by the Financial and Accounting Department, and



date shall be estimated.

which includes the calculation method;

- We conducted detailed tests.

Recognition of revenues

Starting January 1, 2018, the company applies IFRS 15 "Revenue from Customer Contracts". Under the new standard, revenue recognition principles change, and the impact can be significant.

To address this key issue, our procedures consisted of:

- we required consultation of customer contracts to establish recognition conditions in accordance with IFRS 15;

At the same time, as at 31.12.2022, some accounts representing the company's turnover have material turnover.

- we verified the correct preparation of the accounting notes;

The main business segments from which the company derives revenues are:

- we checked that revenue from services rendered was recorded in the accounts as they were performed;

- Revenue from sales of goods
- Revenue from product sales
- Rental income
- Financial income
- Stocks variance
- Other operating income

- verified compliance with the principle of the independence of the exercise;

- we verified their coverage in the profit and loss account and their presentation in the notes to the individual financial statements.

The turnover is significant and is in the amount of 34.664.153 lei.

Information on revenue recognition is presented in note 2.20 "Revenue recognition".

These revenues are significant in the context of the result for the financial year, which is why they are important to our



audit and their recognition is considered a key issue.

Other information – Management Report

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

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

In connection with our audit of the Financial Statements for the year ended December 31, 2022, it is our responsibility to read that other information and, in doing so, to assess whether that other information is significantly inconsistent with the Financial Statements or knowledge that we acquired during the audit, or whether it appears to be significantly misstated.

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

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


In addition, based on our knowledge and understanding of the Company and its environment, acquired during the audit of the Financial Statements for the Financial Year ended December 31, 2022, we are required to report whether we have identified any material misstatements in the Management Report. We have nothing to report in this regard.

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

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

In preparing the Financial Statements, the Management is responsible for assessing the Company's ability to continue as a going concern, for disclosing, where appropriate, the going concern considerations and for using the going concern basis of accounting, unless the

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Management either intends to wind up the Company or cease operations, or has no realistic alternative other than to do so.

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

Auditor's responsibilities in any audit of the Financial Statements

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

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

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

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audit evidence obtained up to the date of the Auditor's Report. However, future events or conditions may cause the Company to cease operating on a going concern basis.

- We assess the presentation, structure and content of the Financial Statements, including disclosures, and the extent to which the Financial Statements reflect the underlying transactions and events in a manner that results in a fair disclosure.

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

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

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

Report on other legal and regulatory provisions

We were appointed by the General Meeting of Shareholders on April 28, 2021 to audit the Financial Statements of CARBOCHIM SA for the financial year ended December 31, 2022. The total uninterrupted duration of our engagement is 3 years, covering financial years ended December 31, 2021 until December 31, 2023

We acknowledge that:

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

Other matters

This Independent Auditor's Report is addressed solely to the Shareholders of the Company as a whole. Our audit was conducted for the purpose of reporting to the Shareholders of the Company those matters that we are required to report in a Financial Audit

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Report, and not for other purposes. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and its Shareholders, as a whole, for our audit, for this Report or for the opinion formed.

Cluj-Napoca, March 27, 2023

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

Gheorghe Alexandru MAN, Financial Auditor

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

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

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

Auditor's address:

G2 Expert S.R.L.

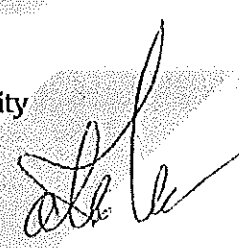
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