

DIRECTOR'S REPORT AT 31/12/2021
AL S.C. ROMCOLOR 2000 SA
(all amounts are in "RON" unless otherwise specified)

DIRECTOR'S REPORT

The data contained in the financial statements composed of: balance sheet, profit and loss account and explanatory notes, prepared on 31.12.2021 reflect the activity carried out by ROMCOLOR 2000 SA in 2021 and correspond to the accounting records organized and kept up to date in accordance with the legal provisions in force, agreed with the real situation of the patrimonial elements.

The entire financial and accounting activity in the period January 1 - December 31, 2021 of S.C. ROMCOLOR 2000 SA considered the observance of the following principles:

- The principle of continuity of activity;
- The principle of permanence of methods;
- The principle of prudence;
- The principle of accrual accounting;
- The principle of intangibility;
- The principle of separate valuation of assets and liabilities;
- The principle of non-compensation;
- Accounting and presentation of the elements of the balance sheet and of the profit and loss account taking into account the economic fund of the transaction or commitment in question;
- The principle of valuation at acquisition cost or production cost;
- Significance threshold principle.

Continuity of activity

These financial statements have been prepared on the basis of the business continuity principle which assumes that the Company will continue to operate normally for the foreseeable future without going into liquidation or significant reduction in business.

In order to evaluate the applicability of this presumption, the management analyzes the forecasts regarding the future cash inflows. Based on these analyzes, the management believes that the Company will be able to continue its activity in the foreseeable future and by following the application of the principle of continuity of activity in the preparation of the financial statements, it is justified.

Using estimates

The preparation of these financial statements in accordance with OMFP 1802/2014 with subsequent amendments requires the Company's management to make estimates that could affect the reported amounts of assets and liabilities as well as income and expenses for the reporting period. Actual results may differ from estimated values. These estimates are reviewed periodically and any necessary adjustments are reported in the income statement during the period in which they are recorded. Although these individual estimates present some degree of uncertainty, its overall effect on the financial statements is considered insignificant.

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Share capital

As at 31.12.2021, the paid-up share capital of the company was 8,354,410 lei consisting of 83,544,100 shares, each with a nominal value of 0.10 lei held by the shareholders:

Name	Number of shares	Percentage	Share capital value [RON]
PLASTIKA KRITIS	83.533.275	99,987%	8.353.328
TEODOR VLAD	10.000	0,012%	1.000
DANIEL STOENESCU	825	0,001%	82
Total:	83.544.100	100,000%	8.354.410

All shares are ordinary and registered, they have been subscribed and their value paid in full.

INFORMATION REGARDING EMPLOYEES, ADMINISTRATORS AND DIRECTORS

The average number of employees and the gross salaries granted during the years ended December 31st, 2020 and December 31st, 2021 were as follows:

	31.12.2020		31.12.2021	
	Number of employees	Gross salaries	Number of employees	Gross salaries
MANUFACTURE Dept.	84	6.714.795	81	7.014.635
ADMINISTRATIVE Dept.	11	1.932.027	11	1.989.553
Dept. of SALES	11	2.187.541	9	2.347.014
Total	106	10.834.363	101	11.351.202

During 2021, meal vouchers worth RON 403,777 were also granted.

Company management

In 2021, the Company was managed and administered by Mr. Tonescu Florin as General Manager and Director.

The general manager has the power to represent the Company in relations with third parties, being able to sign any documents related to the development of the Company's activity, his signature committing the Company from a legal point of view.

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ANALYSIS OF THE FINANCIAL YEAR RESULT

No.	INDICATOR NAME	31.12.2020	31.12.2021
1	Net turnover	131.433.915	180.519.856
2	Operating income	134.326.300	182.567.891
3	Operating expenses	113.206.969	154.171.322
4	Operating result	21.119.331	28.396.569
5	Financial income	1.419.686	1.428.517
6	Financial expenses	937.987	798.701
7	Financial result	481.699	629.816
8	Total revenue	135.745.986	183.996.408
9	Total expenses	114.144.956	154.970.023
10	The gross result of the exercise	21.601.030	29.026.385
11	Corporate tax	2.839.800	4.118.116
12	The net result of the exercise	18.761.230	24.908.269

Operating activity

The company ROMCOLOR 2000 SA has as main object of activity the manufacture and sale of plastic products (NACE code 2229).

In 2021, the company ROMCOLOR 2000 SA registered a net turnover amounting to RON 180,519,856, registering an increase of 37% compared to the turnover achieved in 2020.

Net turnover 2020 – 2021

	Financial year ended December 31st, 2020	Financial year ended December 31st, 2021
Net turnover		
Revenues from the sale of finished products	120.717.915	166.841.198
Income from sale of goods	10.803.547	12.616.161
Income from various activities	768.003	1.787.938
Commercial discounts granted	(855.550)	(725.441)
Total	131.433.915	180.519.856

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The main financial indicators

	December 31st, 2020	December 31st, 2021
1. Liquidity indicators		
a) Current liquidity indicator	8.36	8.14
b) Immediate liquidity indicator	5.41	4.13
2. Risk indicators		
a) Degree of indebtedness	0%	0%
b) Interest coverage indicator	0	0
3. Activity indicators		
a) Stock turnover rate	3	3
b) No. of days of storage	114	128
c) Flow rate - customers (days)	94	91
d) Credit turnover - suppliers (days)	41	37
e) Rotation rate of fixed assets	3.68	5.51
f) Rotation rate of total assets	1.03	1.22
4. Profitability indicators		
a) Return on capital employed	0.18	0.22
b) Gross sales margin rate	23.5%	22.1%

Potential risks

Market risk in the event of a pandemic caused by COVID 19.

Market risk is manifested by the instability of the economic environment that can influence the decisions of the company's management. In order to counteract the unfavorable effects of the market risk, the company plans its activity on a series of economic premises based as realistically as possible. The management cannot predict the changes that will take place in Romania and their effects on the financial situation, on the operating results and on the company's cash flows in 2021. The company intends to continue its activity, in conditions of maximum safety for employees, without ceasing to stop production.

Currency and inflation risk

The company carries out transactions denominated in various currencies, including the euro ("EUR"). The Company's business and results are subject to fluctuations in the exchange rates of these currencies.

Liquidity risk

The company's policy is to maintain sufficient liquidity to meet its obligations when they become due. The Company's management is convinced that the liquidity risk is sufficiently well pursued in the near future.

Interest rate risk

Interest rate risk has two components:

- rate risk;
- cash flow risk.

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in the market interest rate.

Cash flow risk is the risk of changes in interest costs over time.

The Company's management considers that it has no short-term and long-term financial debts bearing variable and fixed interest, which would determine the Company's exposure to both price risk and cash flow uncertainty.

Credit risk

Credit risk is the risk that one of the parties to the financial instrument will not perform its obligation, thereby causing the other party a financial loss.

The Company's management closely and constantly monitors credit risk exposure.

ORGANIZATION AND DEVELOPMENT OF INTERNAL CONTROL WITHIN THE COMPANY

In accordance with Chapter 11 of the Accounting Regulations compliant with the European Directives approved by OMFP 1802/2014, the internal control of the company aims to ensure:

1. Compliance with the legislation in force;
2. Applying the decisions taken by the management of the unit;
3. The proper functioning of the internal activity of the entity;
4. Reliability of financial information;
5. Effectiveness of the entity's operations;
6. Efficient use of resources;
7. Prevention and control of risks of not achieving the set objectives.

The purpose of internal control is to ensure the coherence of objectives, to identify the key success factors and to communicate to the company's management, in real time, the information regarding the performances and perspectives.

OBJECTIVES OF THE INTERNAL CONTROL ACTIVITY

Internal control procedures are aimed at:

1. following the registration of the activity of the entity and of the personnel behavior within the framework defined by the legislation in force, the values, norms and internal rules of the entity;
2. verification that the communicated accounting, financial and management information correctly reflects the activity and the situation of the entity.

COMPONENT ELEMENTS OF INTERNAL CONTROL WITHIN THE COMPANY

The component elements that define the way of exercising the internal control:

- development of appropriate procedures, information methods and systems, appropriate tools and practices;
- a clear definition of responsibilities and identification of existing resources;
- internal dissemination of relevant, reliable information, the knowledge of which allows everyone to exercise their responsibilities;
- the development of a system that aims, on the one hand, to analyze the main identifiable risks in terms of the company's objectives and, on the other hand, to ensure the existence of procedures for managing these risks;
- exercising the appropriate control activity, for each process, activities designed to reduce the risks likely to affect the achievement of the entity's objectives;
- a permanent supervision of the internal control device, as well as an examination of its operation.

The control activities are an integral part of the management process through which the company aims to achieve the proposed objectives.

The control aims at applying the norms and procedures of internal control, at all hierarchical and functional levels: the decisional authority regarding the definition on hierarchical levels of the approvals, the evaluation of the operational performances, the security of the assets, the separation of the functions.

Existing procedures relating to internal controls cover the following areas of interest:

- Procedures for developing business plans;
- The access to the turnovers and the segregation of the responsibilities of the company's employees is made in accordance with the company's standards;
- Revenue and expenditure budgets are properly controlled by budget managers;
- The following procedures have been developed regarding the activities carried out in the company and to ensure its control in accordance with the policy promoted by the company:
 - Procedures related to Fixed Assets and Inventory Items;
 - Procedure regarding the procurement of goods and services;
 - The procedure regarding the payment of invoices suppliers of goods and services;
 - Cash management procedure;
 - Procedures related to order processing;

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- Product delivery;
- Processing in the invoicing system the receipts from the clients;
- The procedure regarding the refusal to pay the BO and CECs introduced for settlement in the banking circuit;
- Procedure for recovering outstanding receivables;
- Return procedures for goods from customers;
- Procedure for establishing adjustments for impairment of receivables - customers;
- Inventory procedures
- Inventory procedures;
- Establishing adjustments for inventory depreciation;
- Procedures regarding the scrapping of goods in the company's inventory.
- Procedures regarding the settlement of travel expenses in the interest of the service;
- Procedures related to fleet monitoring
- Procedures that ensure the protection of information security and the company's movable assets;

The Company's management closely and constantly monitors the way in which control procedures are applied at all levels of interest.

Events after the balance sheet date

Until the date of signing these financial statements, we would like to point out that we do not consider that the effects of the pandemic of Coronavirus - COVID 19 can have a major influence on the financial statements of 2022, and can no longer lead to an adjustment of the financial statements of 2021. The company intends to continue its activity, in conditions of maximum safety for employees, without ceasing to stop production.

Regarding the situation of the war in Ukraine, this and the related restrictions may affect the figures for 2022, due to the area in which our company operates, but we believe that there will still be no significant effects vs. the estimated figures.

March 30th, 2022

Tonescu Florin,
Director
Illegible signature

Stamp of ROMCOLOR 2000 S.A.

*I the undersigned **Grasu Diana-Norina**, sworn interpreter and translator for English and German, according to authorization no. 33225/17.01.2012 released by the Ministry of Justice of Romania, hereby certify the correspondence of the translation from Romanian into English, that the submitted text was completely translated, without omissions, and that by translation the document has not suffered changes of content and significance.*

SWORN INTERPRETER AND TRANSLATOR
GRASU DIANA-NORINA

