

**DIRECTOR'S REPORT ON 31.12.2020
OF S.C. ROMCOLOR 2000 SA
(all amounts are expressed 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 31.12.2020 reflect the activity carried out by ROMCOLOR 2000 SA in 2019 and correspond to the accounting records organized and kept up to date in accordance with the legal provisions in force, agreed with the real statement of the patrimonial elements.

The entire financial accounting activity during January 1st - December 31st, 2020 of S.C. ROMCOLOR 2000 SA considered the observance of the following principles:

- The principle of business continuity;
- 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 in the balance sheet and in 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;
- The principle of significance threshold.

Continuity of activity

These financial statements have been prepared based on the business continuity principle, which assumes that the Company will normally continue its activity in the foreseeable future without entering into a state of liquidation or significant reduction of the activity.

To assess the applicability of this presumption, management analyzes forecasts of 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 therefore, the application of the principle of continuity of activity in the preparation of the financial statements is justified.

Using estimates

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



**DIRECTOR'S REPORT ON 31.12.2020
OF S.C. ROMCOLOR 2000 SA**
(all amounts are expressed in "RON", unless otherwise specified)

Share capital

On 31.12.2020, the paid-up share capital of the Company was RON 8,354,410 consisting of 83,544,100 shares, each with a nominal value of RON 0.10 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, DIRECTORS AND MANAGERS

The average number of employees and the gross salaries granted during the years ended December 31st, 2019 and December 31st, 2020 were as follows:

	31.12.2019		31.12.2020	
	Number of employees	Gross salaries	Number of employees	Gross salaries
PRODUCTION Department	73	5,453,716	84	6,714,795
ADMINISTRATIVE Department	10	1,437,557	11	1,932,027
SALES Department	11	1,793,015	11	2,187,541
Total	97	8,684,288	106	10,834,363

During 2020, meal vouchers worth RON 326,582 were also granted.

Management of the Company

In 2020, 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 activity of the Company, his signature committing the Company from a legal point of view.



**DIRECTOR'S REPORT ON 31.12.2020
OF S.C. ROMCOLOR 2000 SA**
(all amounts are expressed in "RON", unless otherwise specified)

ANALYSIS OF THE TAX YEAR OUTCOME

No.	INDICATOR NAME	<u>31.12.2019</u>	<u>31.12.2020</u>
1	Net turnover	114,958,791	131,433,915
2	Operating income	112,156,060	134,326,300
3	Operating expenses	99,940,580	113,206,969
4	Operating outcome	12,215,480	21,119,331
5	Financial income	1,224,004	1,419,686
6	Financial expenses	620,505	937,987
7	Financial result	603,499	481,699
8	Total income	113,380,064	135,745,986
9	Total expenses	100,561,085	114,144,956
10	Gross result of the tax year	12,818,979	21,601,030
11	Corporate income	1,708,107	2,839,800
12	Net result of the tax year	11.110.872	18,761,230

Operating activity

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

In 2020, the company ROMCOLOR 2000 SA registered a net turnover amounting to RON 131,433,915, registering an increase of 14% compared to the turnover achieved in 2019.

Net turnover 2019 – 2020

Turnover	<u>The financial year ended on December 31st, 2019</u>	<u>The financial year ended on December 31st, 2020</u>
Income from the sale of finished products	101,957,572	120,717,915
Income from sale of goods	12,773,074	10,803,547
Income from various activities	1,092,101	768,003
Trade discounts granted	(863,956)	(855,550)
Total	114,958,791	131,433,915



**DIRECTOR'S REPORT ON 31.12.2020
OF S.C. ROMCOLOR 2000 SA**
(all amounts are expressed in "RON", unless otherwise specified)

The main financial indicators

	December 31st, 2019	December 31st, 2020
1. Liquidity indicator		
a) Current liquidity indicator	9.89	8,36
b) Immediate liquidity indicator	6.30	5,41
2. Risk indicators		
a) The degree of indebtedness	0%	0%
b) The indicator regarding the interest coverage	2,888	0
3. Activity indicator		
a) Inventories turnover rate	3.4	3
b) Days of storage	111	114
c) Flow speed - customers (days)	98	94
d) Credit turnover rate - suppliers (days)	28	41
e) Rotation speed of fixed assets	3.23	3,68
f) Rotation speed of total assets	1.03	1,03
4. Profitability indicators		
a) Return on capital employed	0.12	0,18
b) Gross sales margin rate	18%	23,5%

Potential risks

Market risk in the conditions of the pandemic caused by COVID 19.

Market risk is manifested by the instability of the economic environment that can influence the Company's management decisions. In order to counteract the unfavorable effects of the market risk, the Company plans its activity on a series of economic premises based as realistic as possible. The management cannot foresee 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 2020. The Company intends to continue its activity, in conditions of maximum safety for employees, without ceasing to stop the production.

Currency and inflation risk

The Company conducts 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 pay the 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:



**DIRECTOR'S REPORT ON 31.12.2020
OF S.C. ROMCOLOR 2000 SA
(all amounts are expressed in "RON", unless otherwise specified)**

- rate risk; and
- 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

The credit risk is the risk that one of the parties to the financial instrument will not perform its assumed obligation, thus causing the other party a financial loss.

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

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 Order 1802/2014 of the MPF, the Company's internal control aims to ensure:

1. Compliance with the legislation in force;
2. Applying the decisions taken by the management of the unit;
3. The good 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

The internal control procedures aim 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. checking whether 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, modalities and information systems, tools and appropriate practices;



**DIRECTOR'S REPORT ON 31.12.2020
OF S.C. ROMCOLOR 2000 SA
(all amounts are expressed in "RON", unless otherwise specified)**

- 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.

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

- Procedures regarding the elaboration of 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 relating to Fixed Assets and Inventory Items;
 - Procedure regarding the procurement of goods and services;
 - Procedure regarding the payment of invoices suppliers of goods and services;
 - Cash management procedure;
 - Procedures related to order processing;
 - Product delivery;
 - Processing in the invoicing system the receipts from customers;
 - The procedure regarding the refusal to pay the OR and the cheques introduced for settlement in the banking circuit;
 - Procedure for recovering outstanding receivables;
 - Goods return procedures from customers;
 - The procedure regarding the establishment of adjustments for the depreciation of receivables - clients;
 - Stock 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 the control procedures are applied on all levels of interest.



**DIRECTOR'S REPORT ON 31.12.2020
OF S.C. ROMCOLOR 2000 SA**
(all amounts are expressed in "RON", unless otherwise specified)

Events after the balance sheet date

Until the date of signing these financial statements, we report the effects of the pandemic of Coronavirus - COVID 19, which may influence the financial statements of 2020, without leading to the adjustment of the financial statements of 2020. The Company intends to continue its activity, under conditions of maximum safety for employees, without stopping the production.

Tonescu Florin,
Director
Illegible signature

Round stamp: Romcolor 2000 S.A. – J23/986/2011

