

**HÎRJOGHE C. IULIAN**

**TAX CONSULTANT, FINANCIAL AUDITOR, CHARTERED ACCOUNTANT**

2 SERG. DUMITRU PENE ST., BL. J7, ENTRANCE V, APT. 13, 3<sup>rd</sup> DISTRICT,  
BUCHAREST

PHONE +40(0) 728 93 88 33

*Illegible*

**INDEPENDENT AUDITOR'S REPORT**

TO: GENERAL ASSEMBLY OF SHAREHOLDERS, COMPANY ROMCOLOR 2000 SA

*Opinion*

1. We audited the attached individual financial statements of ROMCOLOR 2000 SA (the "Company"), headquartered in Copaceni, 1 Salcamului Street, Ilfov County, tax identification number RO 6717137, which includes the balance sheet at December 31<sup>st</sup> 2019, the profit and loss account, the statement of changes in equity and the statement of cash flows for the financial year ended on this date, as well as a summary of the significant accounting policies and explanatory notes.
2. The financial statements mentioned above refer to:  
  
Net assets / Total equity:                      RON 103,834,051  
Net profit for the financial year:              RON 11,110,872
3. In our opinion, the attached financial statements show faithfully, in all material respects, the Company's financial position as of December 31<sup>st</sup>, 2019 and its financial performance, as well as its cash flows for the year ended on that date, in accordance with the Order no. 1802/2014 of the Minister of Public Finance, with the subsequent amendments and with the accounting policies described in the notes to the financial statements.
4. Without expressing a reservation, we draw attention to the effects of the pandemic of Coronavirus - COVID 19, which may influence the future activity of the Company. The attached financial statements have been prepared in compliance with the principle of business continuity.

*Basis for the opinion*

5. We conducted our audit in accordance with International Standards on Auditing ("ISA") and Law No. 162/2017 ("Law"). Our responsibilities under these standards are described in detail in the section "Auditor's Responsibilities within an audit of Financial Statements" from our Report. We are independent to the Company, according to the Code of Ethics for Professional Accountants issued by the Council



for International Ethics Standards Board for Accountants (IESBA Code), according to ethical requirements that are relevant for auditing financial statements in Romania, including the Law, and we 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.

*Other information - Administrators' report*

6. The Directors are responsible for preparing and submitting other information. That other information includes the Directors' Report, but does not include the financial statements and the auditor's report thereon, nor the non-financial statement.

Our opinion on the financial statements does not cover these other information and, unless explicitly mentioned in our report, we do not express any assurance about them.

In connection with the audit of the financial statements for the financial year ended December 31<sup>st</sup>, 2019, our responsibility is to read that other information and, in doing so, to assess whether that other information is significantly inconsistent with the financial statements or the knowledge we have obtained during the audit, or if they appear to be significantly distorted.

Regarding the Directors' Report, we read and report if it was prepared, in all significant matters, in accordance with the Order no. 1802/2014 of the Minister of Public Finance with subsequent amendments.

Based exclusively on the activities to be carried out during the audit of the financial statements, in our opinion:

- a) The information submitted in the Directors' Report for the financial year for which the financial statements have been prepared is in accordance, in all material respects, with the financial statements;
- b) The Directors' Report was prepared, in all significant matters, in accordance with the Order no. 1802/2014 of the Minister of Public Finance, with subsequent amendments.

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<sup>st</sup>, 2019, we are required to report whether we have identified material misstatements in the Directors' Report. We have nothing to report on this issue.

*The responsibility of the management and of the persons responsible with the governance for the financial statements*

7. The Company's management is responsible for the preparation and accurate submission of these financial statements in accordance with the Order no. 1802/2014



of the Minister of Public Finance, with the subsequent amendments, and with the accounting policies described in the notes to the financial statements. This responsibility includes: designing, implementing and maintaining an internal control relevant to the preparation and accurate submission of the financial statements that do not contain material misstatement due to fraud or error; selection and application of appropriate accounting policies; elaboration of reasonable accounting estimates in the given circumstances.

8. In preparing the financial statements, the management is responsible for assessing the Company's ability to continue its activity, presenting, if necessary, the matters related to the continuity of the activity and using the accounting based on the continuity of the activity, unless the management intends to liquidate the Company or to stop operations, or has no other realistic alternative besides them.
9. The persons responsible for governance are responsible for overseeing the financial reporting process of the Company.

*The auditor's responsibilities in an audit of the financial statements*

10. Our objectives are to obtain reasonable assurance as to the extent to which the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but there is no guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a significant misstatement, if any.

Distortions may be caused by either fraud or error and are considered significant if it can reasonably be expected that they, individually or cumulatively, will influence the economic decisions of the user, based on these financial statements.

11. As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism during the audit.

Also:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. The risk of not detecting a significant misstatement caused by fraud is higher than the risk of not detecting a significant misstatement caused by error, as fraud may involve secret agreements, forgery, intentional omissions, false statements and avoidance 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 adequacy of the accounting policies used and the reasonableness of the accounting estimates prepared by management, as well as the assessment of the submission of the financial statements taken as a whole.
  - We formulate a conclusion regarding the adequacy of the management's use of accounting based on the principle of business continuity and determine, based on the audit evidence obtained, whether there is significant uncertainty about events or conditions that could raise significant doubts about capacity of the Company to continue its activity. If we conclude that there is significant uncertainty, we must draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, change our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Company to cease its activity based on the principle of business continuity.
  - We assess the presentation, structure and general 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 provides a fair presentation.
12. We communicate to the persons responsible for governance, among other aspects, the planned area and timing of the audit, as well as the main findings of the audit, including any significant deficiencies in internal control, which we identify during the audit.

*Illegible signature*

Iulian Hirjoghe

Registered with the Chamber of Financial Auditors in Romania

Authorization no. 2877/24.02.2009

*Round stamp: Chamber of Financial Auditors in Romania*

*Hirjoghe Iulian No. 2877*

Bucharest, March 27<sup>th</sup>, 2020

Statutory Audit Public Oversight  
Authority (ASPAAS)  
Financial Auditor: IULIAN HIRJOGHE  
Electronic Public Register: AF 2877



**ROMCOLOR 2000 SA**  
**BALANCE SHEET**  
**ON DECEMBER 31<sup>st</sup>, 2019**

(all amounts are expressed in "RON", unless otherwise specified)

Indicator name	Row no.	Balance on January 1 <sup>st</sup> , 2019	Balance on December 31 <sup>st</sup> , 2019
<b>A. FIXED ASSETS</b>			
INTANGIBLE ASSETS	7	20,831	53,833
TANGIBLE ASSETS	17	37,231,149	35,492,018
FINANCIAL ASSETS	24	952	1,952
<b>TOTAL FIXED ASSETS</b>	<b>25</b>	<b>37,252,932</b>	<b>35,547,803</b>
<b>B. CURRENT ASSETS</b>			
I. INVENTORIES	30	29,908,037	27,590,110
II. RECEIVABLES	36	28,650,758	33,289,776
III. PETTY CASH AND BANK ACCOUNTS	40	7,307,105	14,569,643
<b>TOTAL CURRENT ASSETS</b>	<b>41</b>	<b>65,865,900</b>	<b>75,449,529</b>
<b>C. DEFERRED EXPENSES</b>	<b>42</b>	110,684	521,723
<b>D. DEBTS: AMOUNTS TO BE PAID WITHIN A PERIOD OF UP TO ONE YEAR</b>	<b>53</b>	9,078,878	7,685,004
<b>E. NET CURRENT ASSETS / NET CURRENT LIABILITIES</b>	<b>54</b>	<b>56,897,706</b>	<b>68,286,248</b>
<b>F. TOTAL ASSETS MINUS CURRENT DEBTS (row 25 + 44 + 54)</b>	<b>55</b>	<b>94,150,638</b>	<b>103,834,051</b>
<b>J. CAPITAL AND RESERVES</b>			
I. CAPITAL	85	8,354,410	8,354,410
IV. RESERVES	91	31,572,017	33,119,007
V. PROFIT OR LOSS CARRIED FORWARD			
- Credit Balance	95	46,192,452	52,796,752
- Debit Balance	96	-	-
VI. PROFIT OR LOSS FOR THE TAX YEAR			
- Credit balance	97	8,164,366	11,110,872
- Debit balance	98	-	-
Allocation of profit (acct. 129)	99	132,607	1,546,990
<b>TOTAL OWN EQUITY</b>	<b>100</b>	<b>94,150,638</b>	<b>103,834,051</b>
<b>TOTAL EQUITY</b>	<b>103</b>	<b>94,150,638</b>	<b>103,834,051</b>

These financial statements were approved today, March 27<sup>th</sup>, 2020.

**Tonescu Florin,**  
 Director  
*Illegible signature*

*Illegible signature*  
**Mocioaca Anca,**  
 Chief Financial Officer

Round stamp: Romcolor 2000 S.A.



**ROMCOLOR 2000 SA**  
**PROFIT AND LOSS ACCOUNT**  
**ON DECEMBER 31<sup>st</sup>, 2019**

(all amounts are expressed in "RON", unless otherwise specified)

Indicator name	Row no.	Tax year ended on:	
		December 31 <sup>st</sup> , 2018	December 31 <sup>st</sup> , 2019
<b>1. Net turnover</b>	<b>1</b>	<b>110,901,827</b>	<b>114,958,791</b>
Production sold	2	99,097,179	103,049,673
Income from sale of goods	3	12,259,495	12,773,074
Commercial discounts granted	4	454,847	863,956
2. Revenues related to the cost of production in progress	7/8	1,296,271	(2,840,113)
7. Other operating revenues	13	97,935	37,382
<b>TOTAL OPERATING INCOME</b>	<b>16</b>	<b>112,296,033</b>	<b>112,156,060</b>
<b>8.a) Cost of raw materials and consumables</b>	<b>17</b>	<b>70,910,899</b>	<b>67,373,272</b>
Other material expenses	18	318,504	317,370
<b>8.b) Other external expenses (energy and water)</b>	<b>19</b>	<b>1,575,292</b>	<b>1,916,936</b>
<b>8.c) Expenditure on goods</b>	<b>20</b>	<b>11,297,593</b>	<b>11,549,928</b>
Trade discounts received	21	480,119	334,987
<b>9. Staff costs</b>	<b>22</b>	<b>8,694,112</b>	<b>9,260,176</b>
a) Wages and allowances	23	8,464,078	8,982,752
b) Expenses with insurance and social protection	24	230,034	277,424
10. a) <b>Value adjustments regarding tangible and intangible assets</b>	<b>25</b>	<b>4,846,708</b>	<b>3,959,447</b>
a.1) Expenses	26	4,846,708	3,959,447
10.b) <b>Value adjustments on current assets</b>	<b>28</b>	<b>195,312</b>	<b>13,431</b>
b.1) Expenses	29	429,642	193,694
b.2) Income	30	234,330	180,263
<b>11. Other operating expenses</b>	<b>31</b>	<b>5,533,866</b>	<b>5,884,552</b>
11.1. Expenditures on external services	32	4,806,251	5,360,542
11.2. Expenses with other taxes and fees	33	463,831	386,276
11.3. Other expenses	37	263,784	137,734
<b>TOTAL OPERATING EXPENSES</b>	<b>42</b>	<b>102,892,167</b>	<b>99,940,580</b>
<b>OPERATING PROFIT OR LOSS</b>			
- Profit	43	9,403,866	12,215,480
- Loss	44		
13. Interest income	47	5,380	24,641
14. Other financial incomes	50	669,957	1,199,363
<b>TOTAL FINANCIAL INCOME</b>	<b>52</b>	<b>675,337</b>	<b>1,224,004</b>



**ROMCOLOR 2000 SA**  
**PROFIT AND LOSS ACCOUNT**  
**ON DECEMBER 31<sup>st</sup>, 2019**

(all amounts are expressed in "RON", unless otherwise specified)

Indicator name	Row no.	Tax year ended on:	
		December 31 <sup>st</sup> , 2018	December 31 <sup>st</sup> , 2019
17. Interest charges	56	25,427	4,440
Other financial expenses	58	453,267	616,065
<b>TOTAL FINANCIAL EXPENSES</b>	<b>59</b>	<b>478,694</b>	<b>620,505</b>
<b>FINANCIAL PROFIT OR LOSS</b>			
- Profit	60	196,644	603,499
- Loss	61	-	-
<b>TOTAL INCOME</b>	<b>62</b>	<b>112,971,370</b>	<b>113,380,064</b>
<b>TOTAL EXPENSES</b>	<b>63</b>	<b>103,370,861</b>	<b>100,561,085</b>
<b>18. GROSS PROFIT OR LOSS</b>			
- Profit	64	9,600,509	12,818,979
- Loss	65	-	-
19. CORPORATE TAX	66	1,436,143	1,708,107
<b>21. NET PROFIT OR LOSS FOR THE REPORTING PERIOD</b>			
- Profit	68	8,164,366	11,110,872
- Loss	69	-	-

These financial statements were approved today, March 27<sup>th</sup>, 2020.

*Illegible signature*  
**Tonescu Florin,**  
 Director

*Illegible signature*  
**Mocioaca Anca,**  
 Chief Financial Officer

*Round stamp: Romcolor 2000 S.A.*



**ROMCOLOR 2000 SA**  
**STATEMENT OF CASH FLOWS**  
**ON DECEMBER 31<sup>st</sup>, 2019**

(all amounts are expressed in "RON", unless otherwise specified)

	2018	2019
<b>1. Cash flows from operating activities, of which:</b>		
Gross profit before tax	9,600,509	12,818,979
Adjustments for:		
- amortization	4,846,708	3,959,447
- exchange rate differences - customers / suppliers / banks	4,254	(66,180)
- net result from the capitalization of fixed assets	(22,057)	(4,781)
- financial expenses, net	19,333	(62,906)
	<b>14,448,747</b>	<b>16,644,559</b>
Working capital variation:		
- inventories	2,067,300	373,565
- customer receivables	(351,320)	(4,304,659)
- other receivables and expenses in advance	190,120	1,200,354
- current debt suppliers	1,318,716	(1,368,919)
- other debts	405,661	(197,912)
	<b>18,079,224</b>	<b>12,346,988</b>
Profit tax paid	(1,815,605)	(1,470,324)
Paid debts	(25,427)	(4,440)
	<b>16,238,192</b>	<b>10,872,224</b>
<b>2. Cash flows from investment activities:</b>		
- acquisitions of fixed assets	(4,455,118)	(2,253,316)
- proceeds from sales of fixed assets	21,896	3,781
- interest and other similar income received	6,094	67,346
	<b>4,427,128</b>	<b>2,182,189</b>
<b>3. Cash flows from financing activities:</b>		
- payment of dividends	(1,397,656)	(1,427,447)
- (payments)/ loan receipts, net	(5,095,735)	-
	<b>(6,493,391)</b>	<b>(1,427,447)</b>
<b>4. TOTAL</b>	<b>5,317,673</b>	<b>7,262,588</b>
<b>5. Cash at the beginning of the period</b>	<b>1,989,432</b>	<b>7,307,105</b>
<b>6. Cash at the end of the period</b>	<b>7,307,105</b>	<b>14,569,643</b>

These financial statements were approved today, March 27<sup>th</sup>, 2020.

Illegible signature  
**Tonescu Florin,**  
 Director

Illegible signature  
**Mocioaca Anca,**  
 Chief Financial Officer

Round stamp: Romcolor 2000 S.A.





**ROMCOLOR 2000 SA**  
**STATEMENT OF CHANGES IN EQUITY**  
**ON DECEMBER 31<sup>st</sup>, 2019**

(all amounts are expressed in "RON", unless otherwise specified)

ITEM NAME	BALANCE ON 01.01.2019	INCREASE		DISCOUNTS		BALANCE ON 31.12.2019
		TOTAL	BY TRANSFER	TOTAL	BY TRANSFER	
SUBSCRIBED CAPITAL	8,354,410					8,354,410
LEGAL RESERVES	1,670,882					1,670,882
STATUTORY AND CONTRACTUAL RESERVES	-					-
OTHER RESERVES	29,901,135	1,546,990	1,546,990			31,448,125
REPORTED RESULT	46,192,452	8,031,760	8,031,760	1,427,460		52,796,752
TAX YEAR PROFIT	8,164,366	11,110,872		8,164,366	8,164,366	11,110,872
ALLOCATION OF THE PROFIT	(132,607)	132,607	132,607	1,546,990	1,546,990	(1,546,990)
<b>TOTAL EQUITY</b>	<b>94,150,638</b>	<b>20,822,229</b>	<b>9,711,357</b>	<b>11,138,816</b>	<b>9,711,356</b>	<b>103,834,051</b>

These financial statements were approved today, March 27<sup>th</sup>, 2020.

*Illegible signature*  
**Tonescu Florin,**  
 Director

*Illegible signature*  
**Mocioaca Anca,**  
 Chief Financial Officer

Round stamp: Romcolor 2000 S.A.



**DIRECTOR'S REPORT ON 31.12.2019  
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 31.12.2019 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 1<sup>st</sup> - December 31<sup>st</sup>, 2019 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



**DIRECTOR'S REPORT ON 31.12.2019  
OF S.C. ROMCOLOR 2000 SA  
(all amounts are expressed in "RON", unless otherwise specified)**

estimates present some degree of uncertainty, its overall effect on the financial statements is considered insignificant.

**Share capital**

On 31.12.2019, 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	No. of shares	Percentage	Share capital value (RON)
PLASTIKA KRITIS	83,533,275	99.987%	8,353,328
TEODOR VALD	10,000	0.012%	1,000
DANIEL STOENESCU	825	0.001%	82
<b>Total:</b>	<b>83,544,100</b>	<b>100.000%</b>	<b>8,354,410</b>

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 31<sup>st</sup>, 2017 and December 31<sup>st</sup>, 2018 were as follows:

	31.12.2018		31.12.2019	
	No. of employees	Gross salaries	No. of employees	Gross salaries
PRODUCTION Department	71	4,923,531	73	5,453,716
ADMINISTRATIV Department	10	1,541,472	10	1,437,557
SALES Department	11	1,690,360	11	1,793,015
<b>Total</b>	<b>92</b>	<b>8,155,363</b>	<b>94</b>	<b>8,684,288</b>

During 2019, meal vouchers of RON 298,464 were also granted.

**Management of the Company**

In 2019, the Company was managed and administered by Mr. Tonescu Florin as General Manager and Director.



**DIRECTOR'S REPORT ON 31.12.2019  
OF S.C. ROMCOLOR 2000 SA  
(all amounts are expressed in "RON", unless otherwise specified)**

---

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 31.12.2019  
OF S.C. ROMCOLOR 2000 SA**  
(all amounts are expressed in "RON", unless otherwise specified)

**ANALYSIS OF THE TAX YEAR OUTCOME**

No.	ITEM NAME	31.12.2018	31.12.2019
<b>1</b>	<b>Net turnover</b>	<b>110,901,827</b>	<b>114,958,791</b>
2	Operating income	112,296,033	112,156,060
3	Operating expenses	102,892,167	99,940,580
<b>4</b>	<b>Operating outcome</b>	<b>9,403,866</b>	<b>12,215,480</b>
5	Financial income	675,337	1,224,004
6	Financial expenses	478,694	620,505
<b>7</b>	<b>Financial result</b>	<b>196,643</b>	<b>603,499</b>
8	Total income	112,971,370	113,380,064
9	Total expenses	103,370,861	100,561,085
<b>10</b>	<b>Gross result of the tax year</b>	<b>9,600,509</b>	<b>12,818,979</b>
11	Corporate income	1,436,143	1,708,107
<b>12</b>	<b>Net result of the tax year</b>	<b>8,164,366</b>	<b>11,110,872</b>

**Operating activity**

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

In 2019, the Company ROMCOLOR 2000 SA registered a net turnover amounting to RON 114,958,791, registering an increase of 4% compared to the turnover achieved in 2018.

Net turnover 2018-2019	Tax year ended on December 31 <sup>st</sup> , 2018	Tax year ended on December 31 <sup>st</sup> , 2019
<b>Turnover</b>		
Income from the sale of finished products	98,137,391	101,957,572
Income from sale of goods	12,259,495	12,773,074
Income from other activities	959.799	1,092,101
Trade discounts granted	(454,847)	(863,956)
<b>Total</b>	<b>110,901,827</b>	<b>114,958,791</b>



**DIRECTOR'S REPORT ON 31.12.2019  
OF S.C. ROMCOLOR 2000 SA**  
(all amounts are expressed in "RON", unless otherwise specified)

---

**The main financial indicators**

	December 31 <sup>st</sup> , 2018	December 31 <sup>st</sup> , 2019
<b>1. Liquidity indicator</b>		
a) Current liquidity indicator	7.27	9.89
b) Immediate liquidity indicator	3.97	6.30
<b>2. Risk indicators</b>		
a) The degree of indebtedness	0%	0%
b) The indicator regarding the interest coverage	379	2,888
<b>3. Activity indicator</b>		
a) Inventories turnover rate	3	3.3
b) Days of storage	120	111
c) Days sales outstanding	94	98
d) Accounts receivable turnover in days	28	28
e) Fixed assets turnover	2.98	3.23
f) Total assets turnover	1.07	1.03
<b>4. Profitability indicators</b>		
a) Return on capital employed	0.10	0.12
b) Gross sales margin rate	16%	18%

**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 unfavourable 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



**DIRECTOR'S REPORT ON 31.12.2019  
OF S.C. ROMCOLOR 2000 SA  
(all amounts are expressed in "RON", unless otherwise specified)**

---

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:

- 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**



**DIRECTOR'S REPORT ON 31.12.2019  
OF S.C. ROMCOLOR 2000 SA  
(all amounts are expressed in "RON", unless otherwise specified)**

---

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;
- 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;





**DIRECTOR'S REPORT ON 31.12.2019  
OF S.C. ROMCOLOR 2000 SA  
(all amounts are expressed in "RON", unless otherwise specified)**

---

- 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 achieved in accordance with the Company's standards;
- Revenue and expenditure budgets are properly controlled by budget managers;
- The following procedures regarding the activities carried out in the Company and to ensure its control in accordance with the policy promoted by the Company have been developed:
  - 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;
  - Stocks 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;



**DIRECTOR'S REPORT ON 31.12.2019  
OF S.C. ROMCOLOR 2000 SA  
(all amounts are expressed in "RON", unless otherwise specified)**

---

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

**Events after the balance sheet date**

Until the date of signing these financial statements, we report the effects of the pandemic of Coronavirus - COVI D 19, which may influence the financial statements of 2020, without leading to the adjustment of the financial statements of 2019. The Company intends to continue its activity, under conditions of maximum safety for employees, without stopping the production.

**Tonescu Florin,  
Director**  
*Illegible signature*

