

DIRECTOR'S REPORT AT 31/12/2023
OF S.C. ROMCOLOR 2000 SA
(all amounts are in RON, unless otherwise specified)

DIRECTOR'S REPORT

The data contained in the financial statements consisting of: balance sheet, profit and loss account and explanatory notes, drawn up as at 31.12.2022 reflect the activity carried out by ROMCOLOR 2000 SA in 2022 and match the accounting records organized and managed up to date in accordance with the legal provisions in force, in accordance with the actual situation of the assets.

the entire financial-accounting activity in the period 1 January - 31 December 2023 of S.C. ROMCOLOR 2000 SA has taken into account the following principles:

- Going concern principle;
- Principle of consistency;
- Precautionary principle;
- Accrual accounting principle;
- Intangibility principle;
- Principle of separate development of assets and liabilities;
- No set-off principle;
- Accounting for and presentation of items in the balance sheet and income statement (profit and loss account) taking into account the economic substance of the transaction or commitment in question;
- Principle of valuation at acquisition cost or production cost;
- Threshold of significance principle.

Going concern

These financial statements have been prepared on a going concern basis which assumes that the Company will continue in business as usual for the foreseeable future without going into liquidation or significant curtailment.

To assess the applicability of this presumption, management reviews forecasts of future cash inflows. On the basis of these analyses, the management believes that the Company will be able to continue in business for the foreseeable future and therefore the application of the going concern basis in the preparation of the financial statements is justified.

Using estimates

the preparation of these financial statements in conformity with OMFP 1802/2014 as amended requires the Company's management to make estimates that could affect the reported amounts of assets and liabilities and income and expenses during 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 in the period in which they are recorded. Although these individual estimates are subject to some degree of uncertainty, the overall effect on the financial statements is considered immaterial.

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Share capital

On 31.12.2023, the paid-up share capital of the company was 8,354,410 RON consisting of 83,544,100 shares, each with a nominal value of 0.10 RON held by the shareholders:

Name	Number of shares	Percent	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 the shares are ordinary and registered, have been subscribed and the consideration paid in full.

INFORMATION ON EMPLOYEES, DIRECTORS AND OFFICERS

The average number of employees and gross salaries granted during the years ending 31 December 2022 and 31 December 2023 were as follows:

	2022		2023	
	Number of employees	Gross salaries	Number of employees	Gross salaries
Depart. PRODUCTION	77	8,363,785	82	9,257,193
Depart. ADMINISTRATIVE	11	2,430,170	12	2,504,621
Depart. SALES	9	3,027,470	10	3,188,927
Total	97	13,821,425	104	14,950,741

During 2023, meal vouchers worth 701,455 RON were also granted.

Management of the company

In the year 2023, the Company was administered and managed by Mr. Tonescu Florin as General Manager and Director.

The General Manager has the power of representation of the Company in relations with third parties, being able to sign any documents related to the running of the Company's activity, his signature being legally binding on the Company.

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ANALYSIS OF THE PROFIT/LOSS FOR THE YEAR

Item no.	NAME OF INDICATORS	31 December	31
1	Net turnover	218,672,283	183,415,422
2	Operating income	222,313,163	178,683,003
3	Operating expenses	193,580,945	158,471,702
4	Operating profit/loss	28,732,218	20,211,301
5	Financial income	2,593,441	3,032,728
6	Financial expenses	2,381,750	1,574,045
7	Financial profit/loss	211,691	1,458,683
8	Total income	224,906,604	181,715,731
9	Total expenditure	195,962,695	160,045,747
10	Gross result for the year	28,943,909	21,669,984
11	Corporate tax	3,737,486	2,772,160
12	Net result for the year	25,206,423	18,897,824

Operating activity

ROMCOLOR 2000 SA's main activity is the manufacture and sale of plastic products (NACE code 2229).

In 2022 ROMCOLOR 2000 SA recorded a net turnover of 183,415,422 RON, a decrease of approximately 16% compared to the turnover achieved in 2022.

Net turnover 2022 - 2023

Turnover	Financial year ending 31 December 2022	Financial year ending 31 December 2023
Income from sale of finished products	197,935,602	167,929,324
Income from sale of goods	16,854,690	13,731,827
Income from miscellaneous activities	4,569,706	2,524,555
Trade discounts granted	(687,715)	(770,284)
Total	218,672,283	183,415,422

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Main financial indicators

	31 December 2022	31 December 2023
1 Liquidity indicators		
a) Current liquidity indicator	11.01	9.7
b) Immediate liquidity indicator	6.88	6.35
2 Risk indicators		
a) Degree of indebtedness	0%	0%
b) Interest cover indicator	0	0
3 Activity indicators		
a) Inventory turnover	4	4
b) Number of days of storage	98	94
c) Debits turnover speed - customers (days)	68	77
d) Credit turnover speed - suppliers (days)	27	35
e) Turnover of fixed assets	7.13	5.29
f) Turnover of total assets	1.27	1.06
4 Return indicators		
a) Return on capital employed	0.19	0.14
b) Gross margin rate on sales	19.67%	18.81%

Potential risks

Market risk

Market risk manifests itself in the instability of the economic environment which can influence management decisions. In order to counteract the adverse effects of market risk, the company plans its business on a number of economic assumptions that are as realistic as possible. The management cannot foresee the changes that will take place in Romania and in the area where we operate (the war situation in Ukraine) and their effects on the company's financial situation, results of operations and cash flows, but the company intends and believes that it can continue its activities without problems.

Currency and inflation risk

The Company conducts transactions denominated in various currencies, including the Euro ("EUR"), the Company's business and results are exposed to fluctuations in the exchange rates of these currencies.

Liquidity risk

The Company's policy is to maintain sufficient liquidity to pay obligations as they fall due. The Company's management is confident that the liquidity risk is sufficiently well monitored in the near future.

Interest rate risk

Interest rate risk has two components:

- rate risk;
- cash flow risk,

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 believes that it has no short and long-term financial liabilities bearing variable and fixed interest that would expose the Company to both price risk and cash flow uncertainty.

Credit risk

Credit risk is the risk that one party to the financial instrument will fail to perform its obligation, thereby causing the other party a financial loss.

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

ORGANISATION AND CONDUCT 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 company's internal control aims to ensure:

1. Compliance with the legislation in force;
2. Implementation of decisions taken by the management of the unit;
3. Proper functioning of the entity's internal activities;
4. Reliability of financial information;
5. Efficiency of the entity's operations;
6. Efficient use of resources;
7. Preventing and controlling the risks of not achieving the goals set,

The purpose of internal control is to ensure consistency of objectives, identify key success factors and communicate performance and outlook information to management in real time.

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OBJECTIVES OF THE INTERNAL CONTROL ACTIVITY

Internal control procedures aim at:

- 1, monitoring that the entity's activities and staff conduct are carried out within the framework defined by the legislation in force, the values, norms and internal rules of the entity;
2. verifying that the accounting, financial and management information disclosed correctly reflects the entity's activity and situation.

COMPONENTS OF INTERNAL CONTROL WITHIN THE COMPANY

The components that define how internal control is exercised:

- development of appropriate procedures, modalities and information systems, tools and practices;
- a clear definition of responsibilities and identification of existing resources;
- internal dissemination of relevant, reliable information, knowledge of which enables everyone to exercise their responsibilities;
- development of a system aimed at analysing the main identifiable risks to the company's objectives and ensuring that procedures are in place to manage these risks;
- exercise appropriate control activities, for each process, designed to reduce the risks likely to affect the achievement of the entity's objectives;
- a permanent supervision of the internal control mechanism and an examination of its operation,

Control activities are an integral part of the management process by which the company aims to achieve its objectives.

Control is aimed at the application of internal control rules and procedures at all hierarchical and functional levels: decision-making authority on the definition of approvals by hierarchical level, assessment of operational performance, securing assets, segregation of duties.

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

- Procedures for drawing up business plans;
- Access to turnover figures and segregation of responsibilities of company employees is carried out in accordance with company standards;
- Revenue and expenditure budgets are properly controlled by budget officers;
- The following procedures have been developed regarding the activities carried out in the company and ensuring its control in accordance with the policy promoted by the company:
 - Procedures relating to Fixed Assets and Inventory Items;
 - Procedure for the procurement of goods and services;
 - Procedure for paying invoices to suppliers of goods and services;
 - Cash management procedure;
 - Order processing procedures;
 - Delivery of products;
 - Processing in the billing system of the receipts from customers;

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- Procedure for refusal to pay promissory notes and cheques introduced for settlement in the banking circuit;
- Procedure for recovery of outstanding claims;
- Procedures for returning goods from customers;
- Procedure for making adjustments for impairment of receivables - customers;
- Stock procedures
- Inventory procedures;
- Establishment of adjustments for the depreciation of stocks;
- Procedures relating to the scrapping of goods in the company's inventory,
- Procedures for settling travel expenses in the interests of the service;
- Fleet monitoring procedures
- Procedures that ensure the protection of information security and company assets;

The Company's management closely and constantly monitors how control procedures are applied at all levels of interest.

Events after the balance sheet date

Up to the date of signing these financial statements, we report that we do not consider that there are any possible effects that could lead to an adjustment of the financial statements of 2023.

The war situation in Ukraine and related restrictions may affect the 2024 figures, due to the area in which our company operates, but we believe that there will still not be significant effects vs. estimated figures.

10 April 2024

Tonescu Florin,

Director

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