



PROMATERIS

Financial report

November 16, 2020

Report of the Chief Executive Officer for the first 9 months of 2020 consolidated statement according to Annex 13 of ASF Regulation No. 5/2018 and Law No. 24/2017

The name of the company changed from Prodplast SA to Promateris SA, based on EGMS Decision of August 6, 2020. In this report we will use only the name Promateris SA, referring to the company throughout the period for which this report was prepared, i.e. from January 1, 2020 until September 30, 2020.

Date of report: 30.09.2020

Name of the trade company: S.C. PROMATERIS S.A.

Registered Office: Sos. Bucuresti-Tirgoviste No 1, Buftea, Ilfov County

Phone/fax numbers: 021 252 35 78 / 021 252 36 17

Trade Register no.: J23/835/2018

Sole Registration Code: 108

Subscribed and paid-up share capital: RON 17,072,385

The regulated market where the securities issued are traded: Bucharest Stock Exchange, standard category, PPL symbol

This report regarding the Balance Sheet, Profit and Loss Account, Statement of Changes in Equity, Cash Flow Statement, Accounting Policy and Explanatory Notes included in the consolidated financial statements for the first 9 months of 2020 was prepared by the Chief Executive Officer of S.C. Promateris S.A.





A. Economic and financial indicators on 30.09.2020 according to Annex 13 of ASF Regulation No. 5/2018

Name of the indicator	Calculation method	Result
1. Current liquidity	Current assets / Current debts	1.52
2. Debt ratio	Borrowed capital > 1 year x 100 / Equity	15.36
3. Days Sales Outstanding	Average balance clients x 270 / Turnover	70
4. Fixed assets turnover	Turnover / Fixed assets	1.37

Key indicators achieved on 30.09.2020 compared to 30.09.2019

Indicator, thousand RON	Quarter ended 30.09.2020 (not audited)	Quarter ended 30.09.2019 (not audited)	Increase / Decrease %
Turnover	81,692	54,078	+51%
Operational EBITDA	9,576	4,925	+94%

B. Other information

1. Presentation of important events that took place in the relevant period and their impact on the financial position of the issuer and its subsidiaries

- I. During the first 9 months of 2020 there were trends, events or factors of uncertainty, but the general context did not significantly affect the liquidity of companies Promateris and Biodeck compared to the same period of 2019. Therefore, in March 2020, the entire global economic system was affected by the coronavirus pandemic and several states in Europe declared the state of emergency. The measures taken by most European states to prevent the rapid increase in the number of diseases were mainly related to the ban on the movement of people and their presence in public places. This situation also severely disrupted the transport of goods. At the level of the EU and each state, there were attempts to find solutions so that the transport of goods and implicitly the business level remain developed. Expecting a period of isolation, the population in most states affected by the pandemic has purchased mainly food in larger quantities than in a normal period. In this context, for Promateris there was a short-term increase in sales, doubled by the challenge of ensuring the raw materials and maintaining operational at high parameters the activity of the company. Company's management issued procedures and took strict protection measures to prevent the staff's infection from the first diseases in Romania. Consequently, the company had in this period higher sales than in an usual period. We estimate that the pace of sales will temper, remaining at a normal level. Demand will not





fall dramatically, which is why the company will continue to operate with the installed production capacities. We currently have no signs that it will be necessary to reduce production and, due to measures already taken by authorities and the company's relationship with banks, we estimate that there will be no major cash flow problems.

II. Promateris and Biodeck remain stable and will carry out their activities continuously.

III. Changes affecting the capital and management of the company

- a) Promateris and Biodeck were not in the impossibility of complying with their financial obligations in the reporting period. We mention that within these companies it was pursued to ensure liquidities to make payments to suppliers depending on due dates, avoiding the payment of delay penalties. Also, the companies met their obligations to employees in due term, as well as their debts to state budget.
- b) In the first 9 months of 2020, no operations took place that could have affected the rights of the holders of securities issued by S.C. Promateris or by the management of the company.

In the first 9 months of 2020, the companies did not issue preferential shares or with voting rights and without rights to dividends. Also, there were no share repurchases and no bonds were issued.

On 07.10.2019 the Extraordinary General Meeting of Promateris Shareholders approved the acquisition of own shares by the Company, by takeover bid, carried out through an intermediary authorized to provide investment services and activities, based on a bid document, approved by the Financial Supervisory Authority, and approved the empowerment of the Board of Directors of the Company to adopt the measures in order to fulfill all steps and formalities necessary to acquire own shares by takeover bid, for a maximum number of 1,698,148 shares representing maximum 9.946% of the Company's share capital, shares to be acquired during the period starting after the date of approval of the bid document by the Financial Supervisory Authority, but no more than 6 months of the date of publication in the Official Journal of Romania of this resolution of the Extraordinary General Meeting of shareholders, at a price to be determined according to the provisions of Article 58 of ASF Regulation No. 5/2018 on issuers and securities operations, which cannot be lower than RON 2/share and higher than RON 2.55/share. The value of own shares acquired by the Company in this way cannot exceed RON 4,330,277.4. The transaction may refer only to paid-up shares. The operation of acquiring own shares aims at reducing the share capital of the Company. The payment of shares acquired by the Company within the takeover bid will be made from the sources provided by the applicable legal provisions. The duration of the takeover bid will not be lower than 10 working days and will not exceed 50 working days.

The bid document was approved by ASF on 15.01.2020 with the following characteristics:

- The number of shares subject to the bid is 1,698,148 shares representing 9.946% of the share capital
- Nominal value: RON 1/share
- The purchase price is RON 2.52/share
- Takeover bid period 22.01.2020 - 04.03.2020
- Intermediary of the bid SSIF IFB Finwest S.A.
- Subscription places: at the headquarters of IFB Finwest S.A. (Arad, str. Dimitrie Bolintineanu no. 5, ap. 4-5) or at any of the authorized offices of IFB Finwest S.A., or at the headquarters of any intermediary authorized by CNVM/ASF.





Within the takeover bid, 1,698,148 shares were purchased, representing 100% of the number of shares covered by the bid and 9.946% of the total share capital of the issuer, at a price of RON 2.52/share, the total amount paid for the purchased shares being RON 4,279,332.96.

The transaction related to the takeover bid was made on 05.03.2020. and was settled on 05.03.2020.

Shares in SC Promateris SA are listed since 1997 on the market of the Bucharest Stock Exchange,
standard category, PPL symbol.

On 30.09.2020, the affiliated party is the company Biodeck SA:

- Registered office: Bucharest, District 2, 56 Dacia Blvd., Building A, Attic;
- The main object of activity: Non-specialized wholesale trade NACE 4690.

The shareholding in Biodeck SA is 70%. The share capital of Biodeck SA is RON 200,000 fully paid in on September 30, 2020.

Information concerning transactions with the affiliated party Biodeck S.A. during 01.01.2020 - 30.09.2020:

The company has receivables from Biodeck in the amount of RON 12,396,432, representing income from the sale of specific products - RON 12,368,922 and income from lease services - RON 27,510 (values include VAT).

Name of the affiliated party	Transactions in the first 9 months of 2020	Value (excluding VAT) RON
Biodeck	Income from sale of specific products	41,644,301
Biodeck	Income from lease services	202,280

Transactions with the affiliated party Biodeck SA accounted for 51% of total turnover achieved by the company in the first 9 months of 2020.

IV. Significant transactions:

- a) On 27.05.2020, the Chief Executive Officer of Promateris S.A., Georgescu Tudor Alexandru, purchased a package of shares from the capital market, reaching a stake of 9.4037% in the share capital.
- b) On 27.05.2020 Promateris concluded a loan agreement with option of conversion into shares with its shareholder, Pogonaru Florin Ion, for the amount of RON 10,000,000. The amount was collected by the company on 10.06.2020.
- c) On 11.06.2020 Promateris concluded a loan agreement with option of conversion into shares with its shareholder, Nord SA, for the amount of RON 500,000. The amount was collected by the company on 11.06.2020.
- d) On 11.06.2020 Promateris concluded a loan agreement with option of conversion into shares with its shareholder, ECDL Romania SA, for the amount of RON 400,000. The amount was collected by the company on 11.06.2020.
- e) On 11.06.2020 Promateris concluded a loan agreement with option of conversion into shares with its shareholder, Victoria Art&Business Center SRL, for the amount of RON



500,000. The amount was collected by the company on 11.06.2020. The amount was collected by the company on 11.06.2020.

- f) On 12.06.2020 Promateris concluded a loan agreement with option of conversion into shares with its shareholder, Georgescu Tudor Alexandru, for the amount of RON 210,000. The amount was collected by the company on 15.06.2020.
- g) All these loan agreements, concluded to ensure financing for the company in order to implement its development strategy, in line with the investment plans approved and for consolidating its shareholdings, as well as to ensure financing for the company from other financing sources than the current ones, have the following terms and methods of payment: the duration of the loan is of 30 days from the Date of Signing and granting the loan, or partial or total Compensation of the Total Amount to be Repaid with shares issued by the Debtor, subject to approval by the EGMS.

V. Management structures of Promateris and Biodeck

Board of Directors

- a) Promateris S.A. is managed in unitary system by a Board of Directors elected by the General Meeting of Shareholders, by secret ballot. Its composition in the period under review through this report was the following:

Matei Dimitriu – Chairman
 Tudor Alexandru Georgescu - Member
 Florin Tonescu – Member
 Florentina Popescu - Member
 Lucian Caruceriu - Member

The position of Chief Executive Officer was assigned by the Board of Directors to Mr. Tudor Alexandru Georgescu.

- b) Biodeck S.A. is managed in unitary system by a Board of Directors elected by the General Meeting of Shareholders, by secret ballot. Its composition is the following:

Circular Solutions SRL - Chairman
 Desmirean Maria Uliana - Member
 Soare Laurentiu - Member

2. General description of the financial position and performance of the issuer and of its subsidiaries related to the relevant period





Financial position statement as of September 30, 2020

Indicator (thousand RON)	Statement on 30.09.2020 (not audited)	Statement on 30.09.2019 (not audited)	Increase / Decrease %
ASSETS			
Fixed assets			
Tangible Assets	58,791	49,584	19%
Intangible Assets	263	83	218%
Financial assets available for sale	485	485	0%
Long-term receivables	16	25	-37%
Fixed assets - total	59,556	50,177	19%
Current assets			
Inventories	27,616	19,252	43%
Trade receivables and advances paid	21,131	20,734	2%
Other receivables	1,461	2,041	-28%
Deferred tax receivables	350	350	0%
Current financial assets	20,312	20,312	0%
Cash and accounts at banks	16,830	1,580	966%
Accrued charges	856	212	305%
Current assets - total	88,556	64,480	37%
TOTAL ASSETS	148,112	114,657	29%
EQUITY AND DEBTS			
Capital and reserves			
Share capital	17,072	17,072	0%
Other equity items	(508)	(508)	0%
Revaluation reserves	2,195	2,195	0%
Reserves	57,114	54,863	4%
Own shares	(4,301)	(22)	
Retained earnings	1,060	594	
Result for the period	4,433	2,633	68%
Profit distribution	-	(2)	
Minority interest	973	531	
Equity - total	78,038	77,356	1%
Long-term debts			
Long-term bank loans	11,991	5,137	133%
Investment subsidies	-	-	





Short-term debts			
Short-term bank loans	25,607	12,775	100%
Trade payables and advances collected	15,744	16,477	-4%
Other current debts	16,732	2,912	475%
Short-term debts - total	58,083	32,164	81%
EQUITY AND DEBTS - TOTAL	148,112	114,657	29%

In the first 9 months of 2020 compared to the similar period of 2019 the activity of the company developed, the effort being directed towards the realization of new products from bioplastic materials. Due to diversification of the range of products, inventories increased compared to the similar period of 2019 (+ 43%). Trade receivables also increased compared to the similar period of 2019 (+2%). Although the increase in turnover is +51%, receivables increased by only +2% due to the company's permanent concern to have periods of collection of invoices issued to customers as low as possible. Correspondingly, short-term debts also increased, mainly by obtaining commercial credit from raw material suppliers as well as contracting loans necessary to support the significant increase in overall activity (+ 81%). Financing of working capital was ensured from both own sources (EBITDA) and short-term attracted sources (supplier's credit and overdraft), so as not to adversely affect the company's cash flow.

Indicator (RON thousand)	Statement on 30.09.2020 (not audited)	Statement on 30.09.2019 (not audited)	Increase / Decrease %
Income from sales	81,692	54,078	51%
Other operating income	1,666	388	330%
Variation of inventories of finished products and products in the making	812	(87)	
Expenses with raw materials and consumables	(55,138)	(38,223)	44%
Expenses with energy and water	(1,382)	(892)	55%
Staff expenses	(7,372)	(4,898)	51%
Amortization and depreciation	(2,976)	(1,360)	119%
Expenses with external services	(8,282)	(4,512)	84%
Other operating expenses	(1,467)	(689)	113%





EBITDA	9,576	4,925	94%
Operating result	7,553	3,804	99%
Earning/losses from current financial assets	-	164	
Other financial income	241	459	-47%
Other financial expenses	(1,395)	(846)	65%
Financial result	(1,154)	(223)	-417%
Result before taxes	6,398	3,580	79%
Current income tax	1,012	549	84%
Minority interest	(442)	(157)	181%
Unrealized profit related to stocks purchased from the parent company	(512)	(82)	525%
Net result for the period	4,433	2,793	59%
Other comprehensive income	(508)	(487)	
Total comprehensive result	3,925	2,306	70%
Basic earnings per share (RON/share)	0.2597	0.1636	59%

Income from sales obtained in the first 9 months of 2020 increased (+51 %) compared to the similar period of 2019. Increase in turnover is largely due to sales to Biodeck SA and was mainly determined by the sales of bioplastic, compostable, sustainable products. Increase in turnover also determined economies of scale.





The net profit consists of positive results obtained mainly from operation. The operating profit was obtained by increasing the turnover, in conditions of high margins and increase in turnover and EBITDA.

Operating EBITDA surged by 94% compared to the level recorded in 2019. This important increase appeared due to the change of the production structure, respectively the significant increase of the share of the products from biodegradable materials in total sales.

The company has tried to be covered, in all decisions on market financing, with insurance instruments and payment guarantees.

Statement of the management

According to the best information available, we confirm that the financial statements, for the first 9 months of 2020, prepared according to the International Financial Reporting Standards, offer a correct and accurate image of assets, liabilities, financial position and profit and loss account of Promateris, as provided by the applicable accounting standards. We also confirm that the statement of the operational performance and the information provided in this report provide a correct and accurate image of the main events that took place during the first three nine of 2020 and their impact on the financial statements.

We also mention that the Statements for the first 9 months of 2020 are not audited.

CEO,
Tudor Alexandru Georgescu

