

PROMATERIS
Future materialised

HALF YEAR REPORT

for H1 2021

31 August 2021

TABLE OF CONTENTS

Issuer information	3
Business activity in H1 2021	4
Key financial data H1 2021	5
Key events H1 2021	6
Financial results analysis	11
Affiliated party transactions	15
Future development	17
Management structures	18
Declaration of the management	19

This report has been prepared by the General Manager of Promateris S.A. and aims to present the performance of Promateris SA in the first half of 2021, the balance sheet, profit and loss account, statement of changes in equity, statement of cash flows, accounting policy and explanatory notes included in the consolidated financial statements.

The simplified interim consolidated financial statements and the simplified interim individual financial statements presented in the following pages are prepared in accordance with the International Financial Reporting Standards adopted by the European Union ("IFRS").

The simplified interim consolidated financial statements and the simplified interim individual financial statements as of 30 June 2021 are not audited.

The financial figures presented in the descriptive part of the report, expressed in millions of lei, are rounded to the nearest whole number. This can lead to minor differences in regularization.

Issuer information

Information about this financial report

Type of report	Half year report S1 2021
For financial period	01.01.2021 – 30.06.2021
Report publishing date	31.08.2021
According to	Annex 13 of ASF Regulation 5/2018

Issuer information

Issuer's name	Promateris S.A.
Fiscal code	108
Trade registry number	J23/835/2018
Registered office	Sos. Bucuresti-Tirgoviste no. 1, Buftea, Ilfov County

Information about financial instruments

Subscribed and paid-up share capital	RON 30.406.541
Market on which the securities are traded	Bucharest Stock Exchange, Standard Category
Total number of shares	30.406.541
Symbol	PPL

Contact details for investors

Phone number / Fax	+40 21 252 35 78 / 021 252 36 17
E-mail	shares@promateris.com
Website	https://www.promateris.com

Business activity in H1 2021

The first half of 2021 was, without a doubt, still marked by the health crisis we are facing worldwide. Even though we experienced an unusual context, the Promateris team rose to the challenge, proving it can grow even in less friendly circumstances. As before, our priority has been the safety and health of our employees, partners, and customers.

With every decision we have taken, we prioritized the social responsibility towards our employees, the local communities, and the determination to take steps further in sustainability and innovation.

Promateris **continued the forecasted investments**, the external context not significantly affecting the liquidity of Promateris and Biodeck companies compared to the same period of 2020. The activity will continue in normal parameters, and we will perform the production at the level of installed capacities. We also estimate that there will be no significant cash flow problems.

Promateris and Biodeck also proved in this turbulent period that they are mature companies with skillful teams and determined to contribute positively to the **development strategy**. We pay special attention to human resources at the management level and develop employee training programs and career advancement opportunities.

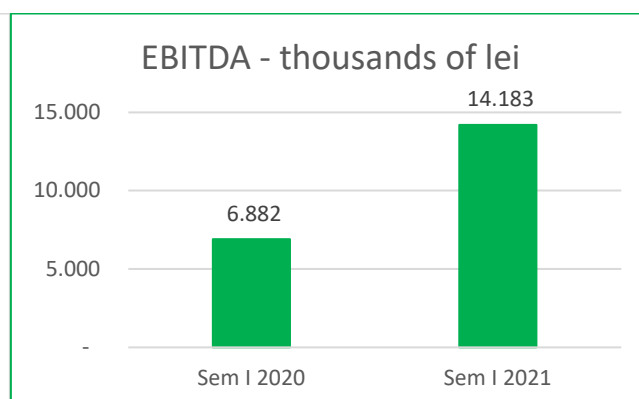
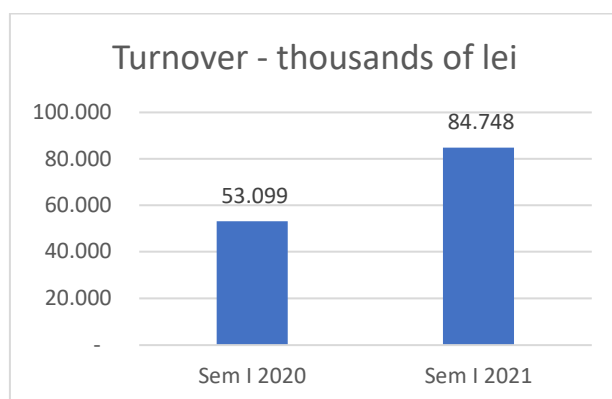
In the first half of 2021, Promateris continued its **investments** in developing the company and its production capacities by purchasing state-of-the-art equipment, training its technical and management teams, and investing in the research and development department. Our goal is to develop **innovative products** that have a low impact on the environment. Due to the high-performance bioplastic recycling line installed in the second half of 2020, Promateris did not register technological waste in the first half of 2021, managing to recycle and reintroduce all waste into the production flow.

Promateris has developed its **portfolio of compostable bio-based products** that it produces in the Buftea factory and continues to create new recipes that will allow the company to make products that are as efficient as possible in terms of functionality and environmental protection. Promateris has consolidated its position on the Romanian market and in Greece, where it exports biodegradable and compostable packaging to large retailers. Our development is primarily due to the increase in the production of biodegradable and compostable packaging. Thus, Promateris strengthens its position as a **regional leader by developing distribution channels in Central and Eastern Europe**, in countries such as Greece, Poland, and Hungary. We will focus our efforts on attracting new customers, especially companies in the modern retail market. Some of the advantages we rely on are flexibility, speed of response, product quality, and prices.

Promateris has published the **ESG report for 2020**, which presents the main steps towards better communication regarding environmental practices and projects, social responsibility, and corporate governance. The report can be accessed [here](#).

Key financial data H1 2021

Indicator (thousands of lei)	H1 2020	H1 2021	Increase / Decrease %
Turnover	53.099	84.748	60%
EBITDA	6.882	14.183	106%



Key events H1 2021

The key trends from H1 2021 that impacted and will continue to impact the business of Promateris, are as follows:

1 Green Europe - Efficient technologies for manufacturing innovative and environmentally friendly products

developed through grants awarded by Iceland, Liechtenstein and Norway through the EEA and Norwegian financial mechanisms 2014-2021, within the SMEs Growth Romania project. The value of the project is 2,567,968 euros, of which our contribution is 1,617,968 euros, and the value of the grant is 950,000 euros. The project ends in June 2021. The project aims to develop innovative products made of bio-plastic, based on corn starch. These products are an alternative with a low carbon footprint compared to traditional plastic packaging.

3 ElectricUp

Promateris applied to the ElectricUp Financing Program to install a photovoltaic panel system at the Buftea factory to produce electricity with an installed power of 100kWp for its consumption. The transition to renewable energy is a natural step we take and is part of the company's strategy to decarbonize and make products with low environmental impact.

2 Decarbonizing the local economy by making bio-based products

developed through grants awarded by Iceland, Liechtenstein and Norway through the EEA and Norwegian financial mechanisms 2014-2021, within the SMEs Growth Romania project. The value of the project is 1,648,240 euros, of which the own contribution is 904,240 euros, and the grant value is 744,000 euros. The project ends in April 2022. Through this project the company targets to be able to produce the raw biodegradable and compostable raw material based on corn starch in the Buftea factory. Thus, Promateris SA becomes the first company in Eastern Europe to produce raw material based on corn starch. In this way, we can help local producers become more competitive and reduce their dependence on foreign producers in Western Europe and Asia.

Product & Portfolio development

We are focused on continuously developing our product portfolio to promptly answer to our clients' needs with the latest innovation in the industry.

Bio-based & compostable flexible multilayer films for food contact

Together with one of the key players in the industry - Macchi, the Italian equipment manufacturer, we developed a new range of bio-based and compostable flexible multilayer films addressing the food market. The partnership's aim is the development of new multilayer film structures, with high oxygen barrier, sealing properties and high transparency, while also contributing to prolonging product's shelf life. The product addresses the needs identified in the food industry, responding to the high demand for films suitable for food contact with a reduced carbon footprint. Our new line of production is installed in our Buftea factory and is fully functional.

We decided to partner up in order to offer a solution to one of the most challenging problems in our industry: a multilayer film, with a high barrier performance, increased bio-based content, suitable for food contact and which can be managed together with organic waste. We are happy to announce that together with our partner, we are now producing the new specialty films in our factory. It was a highly challenging project for both teams, and we are now able to address a new flexible packaging film market, for fresh, dry and refrigerated products that require a high oxygen barrier. This range of films enables brands and manufacturers to leave behind the non-recyclable packaging, and to adopt solutions that contribute to the development of a circular economy, Tudor Georgescu, CEO Promateris.

Bio-based and compostable gloves

In the Covid-19 pandemic context, the bio-based gloves are a necessity, since they address two poignant issues: hygiene & sustainability. Promateris is happy to announce that during the first half of the year, we installed a new equipment in our factory dedicated to manufacturing bio-based gloves. Our products address the following clients/industries: food service, retail stores, gas stations. Our gloves are engineered to break down faster in a compost environment, helping address the harmful plastic and landfill pollution we face in our environment.

We consider this to be the perfect timing for us to expand our product portfolio, addressing more of the needs our clients have. We will develop new products having in mind two things: the circular economy principles, and the sustainable modern retail shelf. We are determined to offer a new generation of packaging while being an example of good sustainability practices for other companies, Tudor Georgescu, Promateris CEO.

Development Projects

At the end of June 2021, we concluded the **Green Europe** project, developed with the aid of grants from Iceland, Liechtenstein and Norway through the EEA and Norwegian financial mechanisms 2014-2021, within the project SMEs Growth in Romania. The value of the project was EUR 2,567,968, of which own contribution amounts to EUR 1,617,968 and the value of the grant is EUR 950,000. The purpose of the project is the development of innovative products, made of bio-plastic, based on corn

starch, which are compostable. These products are a low carbon footprint alternative compared to traditional plastic packaging.

Moreover, following the implementation of this project, 39 new jobs were created in Buftea, Ilfov County. Apart from generating turnover increase in excess of 9 million euro between 2019 and 2021, the project implemented with the help of Innovation Norway, facilitated the transition of Promateris' decarbonization and the production of low carbon footprint packaging. Promateris installed a technological waste recycling line, which recycled within the first year 1131 tones of technological waste. Consequently, as of 2021, Promateris recycles 100% of the waste that it generates. Moreover, since 2018, the company reduced its polyethylene production by 99%.

In the first quarter of 2021, Promateris was awarded a second grant from Innovation Norway in the amount of 744,000 euros through the same financing scheme, for the "**Bio-based circular solutions to decarbonize the local economy**" project. The aim of the project is to produce biodegradable and compostable raw material, based on corn starch, in the factory in Buftea. Corn starch products have a low environmental impact compared to plastic packaging and in the context of the European Green Deal, are currently in high demand. Once implemented, Promateris will become the first company in Eastern Europe to produce raw material based on corn starch. The new **Bio Compounds** division will start the production of **BioMateris** in 2022, a **raw material used in the production of compostable packaging**. Since Romania is one of the key producers of agricultural outputs within the European Union, Promateris aims to encourage and participate in the development of a strong local bioeconomy and an efficient use of natural resources.

Moreover, the integration of local agricultural chains enables manufacturers of bio-based and compostable packaging to reduce their carbon footprint and to create a stronger local circular economy. Promateris encourages sustainable agricultural and waste management practices, such as the composting of bio-waste, which promotes territorial regeneration and soil quality improvements.

BioMateris is the result of continuous investments in the company's R&D department, as well as the result of several partnerships with research institutes. BioMateris will be used to develop products for the following industries: agriculture (mulch film), retail and HoReCa (food packaging), bio-waste management (bin liners) etc.

Operational Development

Promateris is actively preoccupied to systematically reduce the impact of our activities on the environment and to develop business processes that are performant, ethical and compliant to international standards. Thus, we consider two directions regarding this aspect:

The company approach

- conducting our activity based on best practices and the renewal of **ISO 9001** certification
- **ISO 14001 & 45001**: Starting this year, Promateris is **ISO 14001** certified, an internationally agreed standard that sets out the requirements for an environmental management system. It helps organizations improve their environmental performance through more efficient use of resources and reduction of waste, gaining a competitive advantage and the trust of stakeholders. **ISO 45001** is the world's international standard for occupational health and safety, issued to protect employees and visitors from work-related accidents and diseases.

ISO 45001 certification was developed to mitigate any factors that can cause employees and businesses irreparable harm.

- **IFS PACsecure:** Promateris is currently undergoing the certification process. IFS PACsecure is a packaging material safety and quality standard that applies to manufacturers of all kinds of primary and secondary packaging materials, including flexible packaging & rigid plastic.

The product approach

Through our R&D laboratory we constantly develop formulations that enable us to include innovative environmental improvements to our products. Our aim is to reduce the negative impact our products have on the environment. This is why our products are certified bio-based and home compostable by TUV Austria.

IT infrastructure systems & operations

Promateris' digital transformation is a priority for the management team. Celebrating 60 years since its birth, the company has undergone major changes to design up-to-date modern business processes and operations. In 2021 the company is implementing a new ERP/MIS software, thus enabling real time manufacturing information & insights, business processes automatizations and cost optimizations. Together with our German partner, Theurer, we are projecting a productivity growth of 15% and a cost reduction associated with production processes of 5%.

Sales & New Markets Development

Our growth is largely generated by the increase in production of biodegradable and compostable packaging. Promateris thus strengthens its position as a regional leader by developing distribution channels in Central and Eastern Europe, in countries such as Greece, Hungary or Ukraine. We will focus our efforts on attracting new customers, especially modern trade retailers. Some of the advantages we rely on are our flexibility, speed of response, product quality and pricing.

Moreover, we are working on constantly improving our customer experience through innovative products, high level of customer service, competitive pricing and anticipation of our clients' needs. In all our activities we want to deliver frictionless experiences in order to continuously expand our network of loyal and satisfied partners.

Company division

In 2021, the company began the process of company division. This action aims to transfer the assets that are not related to the core activity, to a new entity, Obor Development S.A.. The management estimates the division process to finalize by the end of the year. Promateris has invested for several years in various companies listed on the Bucharest Stock Exchange and in 2020 was holding a significant stake in another company, Professional Imo Partners S.A., which main asset is Veranda Mall. However, these financial assets were never related to the core activity of the company, representing an efficient capitalization of the company's cash reserves, and the two lines of activity had different development strategies.

Following the division, Promateris will continue its activity as a manufacturer of biodegradable packaging. The company will remain listed on the Main Market of the Bucharest Stock Exchange and intend to maintain the same shareholding structure. The new company, Obor Development S.A. will

have the same shareholding as Promateris, as long as shareholders do not decide to use their right of withdrawal as a result of the division. Obor Development will be a private company, not listed on a stock exchange.

We are happy to announce the beginning of the division process of the company, by removing, in the interest of shareholders, the non-core assets from our key business. Promateris will now be able to focus only on the sector in which we aim to become a European leader, namely compostable packaging. The division will help us strengthen our brand image and position in the markets. We are actively seeking for development opportunities and once we finalize the division process, we will attentively look at the available options to finance the next stage of company's development, Tudor Georgescu, CEO at Promateris.

Biodeck

Promateris is the majority shareholder in Biodeck, a company specialized in low carbon packaging distribution. Biodeck was nominated this year by the Bucharest Stock Exchange as being among the top 50 fastest growing Romanian companies. Biodeck is the market leader in supplying bio-based packaging to modern retail chains in Romania. The company's portfolio also targets the HoReCa industry and its products are distributed in several markets, among which: Bulgaria, Moldova, Hungary, Greece, Poland, etc.

Biodeck's efforts are publicly recognized by its partners, among which Carrefour, who mentioned the projects developed with Biodeck in their [2020 Sustainability Report](#) as the industry's good practice example:

- *Introduction of biodegradable and compostable bags in the following sections: fruit&vegetable, butchery, fish, sausage, bulk frozen products. We have reduced the consumption of almost 6 million plastic bags per month!**
- *The widest range of biodegradable products, which is developed annually, in partnership with Biodeck, to offer our customers alternatives to plastic products. In order to eliminate disposable products by the end of 2021 and with a considerable decrease in their purchase in 2019.**

*Excerpts from Carrefour's 2020 Sustainability Report.

Financial results analysis

Sales revenues increased by 60% in the first six months of 2021 compared to those from the same period of 2020.

The increase in turnover was also impacted by the sales to Biodeck SA (sustainable packaging distribution company, where Promateris owns 70%), specialised in bio-based & compostable packaging sales.

The increase in turnover also determined the achievement of some economies of scale, which allowed us to develop a series of competitive advantages concerning the competition.

The net profit is composed of the positive results obtained mainly from the operation. The operating profit was obtained by increasing the turnover in the conditions of a high margin and EBITDA.

Operational EBITDA increased by 106% compared to 2020. This significant increase was mainly due to the rise in sales volume.

The company tried to cover all market financing decisions with insurance instruments and payment guarantees.

60%

increase in
turnover

106%

EBITDA increase

211%

increase overall
result

Indicator (RON)	Consolidated at 30.06.2021 (non-audited)	Consolidated at 30.06.2020 (non-audited)	Increase / Decrease %
Income from sales outside the group	84.748	53.099	60%
Other operating revenues	451	1.101	-59%
Variation of stocks of finished products and products in the making	1.053	677	56%
Expenses on raw materials, materials and goods outside the group	(55.857)	(30.942)	81%
Expenses on energy and water outside the group	(1.103)	(1.005)	10%
Personnel expenses	(6.146)	(4.835)	27%
Expenses with adjustments for impairment, amortization and impairment	(3.330)	(1.834)	82%
Expenses with external services outside the group	(6.571)	(3.422)	92%
Other operating expenses	(838)	(7.183)	-88%
EBITDA	14.183	6.882	106%
Result from operation	12.406	5.655	119%
Earning/ loss on current financial assets	-	-	
Other financial income	70	156	-55%
Other financial expenses	(849)	(920)	-8%
Financial result	(779)	(764)	2%
Result before tax	11.627	4.890	138%
Minority interest	(391)	(236)	0%
Unrealized profit related to stocks purchased from the parent company	(245)	(371)	0%
Current profit tax	1.617	758	0%
Earnings associated to the deferred income tax	-	-	0%
Net result for the period	9.375	3.525	166%
Other elements of the overall result	-	(508)	-100%
Total global result	9.375	3.017	211%
Base result per share (RON / share)	0,3083	0,2065	49%

The level of inventories decreased compared to the same period of 2020 (-11%) at the same time as the level of cash and cash equivalent increased (+ 60%). The management of the companies considered that in a more challenging market in the area of acquisitions of raw materials and goods, as it was the first half of 2021, the increased liquidities give greater flexibility in carrying out the activity. Trade receivables also remained at relative values (-2%). Although the increase in turnover is + 60%, receivables decreased by 2%. This is due to the company's constant concern to develop good collaborative relationships with our partners. Short-term debts decreased compared to the same period last year (-8%) due to the reduction of payment terms. The working capital was ensured both from own sources (EBITDA) and from short-term attracted sources (supplier credit and overdraft) to not negatively affect the company's cash flow.

Indicator (thousands of lei)	Consolidated at 30.06.2021 (non-audited)	Consolidated at 31.12.2020 (audited)	Increase / Decrease %
ASSETS			
Fixed assets			
Tangible fixed assets	64.068	59.778	7%
Intangible assets	451	495	-9%
Financial assets	30.233	30.071	1%
Deferred tax receivables	-	-	0%
Fixed receivables	36	14	165%
Fixed assets - total	94.788	90.357	5%
Current assets			
Stocks	22.102	24.884	-11%
Trade receivables and advances paid outside the group	22.836	23.202	-2%
Trade receivables and advances paid by the subsidiary	-	1.434	0%
Other receivables	2.697	1.367	97%
Deferred tax receivables	355	355	0%
Current financial assets	-	-	
Cash and bank accounts	11.988	7.503	60%
Expenses in advance	536	484	11%
Commercial funding	-	-	0%
Current assets – total	60.514	59.229	2%
TOTAL ASSETS	155.302	149.586	4%
EQUITY AND DEBTS			
Equity and reserves			
Share capital	30.407	30.407	0%
Other equity items	130	130	0%
Revaluation reserves	2.195	2.195	0%

Reserves	57.703	57.262	1%
Own shares	(4.301)	(4.301)	0%
Result carried forward	4.817	1.060	0%
Result of the period	8.109	3.709	119%
Profit distribution	(441)	(148)	0%
Minority interests	1.539	1.148	34%
Equity – total	100.157	91.461	10%
Long-term debts			
Long-term bank loan	14.197	13.728	3%
Short-term debts			
Short-term bank loan	22.583	21.813	4%
Trade payables and advances collected outside the group	10.044	16.478	-39%
Trade payables and advances collected by the parent company	2.930	-	0%
Other current debts	5.392	6.106	-12%
Short-term debts – total	40.948	44.397	-8%
TOTAL EQUITY AND DEBTS	155.302	149.586	4%

Affiliated party transactions

On 30.06.2021 the affiliated party is the company **Biodeck S.A.**:

- Registered office: Bucharest, Sector 2, Bd. Dacia no. 56, Corp A, Attic
- Main object of activity: non-specialized wholesale trade (CAEN code 4690)
- Share capital: 200,000 lei fully paid on June 30, 2021
- Share of Promateris S.A. to the share capital of Biodeck S.A. : 70%.

Concerning the transactions with the affiliated party Biodeck S.A. between 01.01.2021 - 30.06.2021, the Company has receivables within the payment term from Biodeck in the amount of 8,033 thousand lei, revenues from the sale of specific products - 8,005 thousand lei and revenues from rental services - 28 thousand lei (the values include VAT).

Affiliated party transactions with Biodeck S.A. represented 36% of the total turnover achieved by the company in the first six months of 2021.

Name of the affiliated party	Transactions H1 2021	Value (without VAT) thousands of lei
Biodeck S.A.	Revenue from the sale of specific products	26.971
Biodeck S.A.	Rental service revenues	139

Changes affecting the capital and management of the company

Promateris S.A. and Biodeck S.A. complied with their financial obligations during the reporting period. We mention that, within the companies, the aim was to ensure the liquidity to make the payments to the suppliers according to the due terms, avoiding the cost of the delay penalties. Also, the companies honored their obligations to the employees in time and the debts to the state budget.

In the first six months of 2021, no operations took place that would affect the company's administration or the rights of the holders of securities issued by Promateris. In the first six months of 2021, the companies did not issue preferential shares or voting rights and without the right to dividends. Also, no share repurchases were made and no bonds were issued.

On 04.02.2021, the Extraordinary General Shareholders Meeting of Promateris decided to reduce the share capital of Promateris S.A., according to art. 207 para. (1) let. C of the Companies Law, from 30,406,541 shares to 28,699,303 shares, resulted from the cancellation of a number of 1,707,238 treasury shares acquired by the company. After the reduction, the share capital of Promateris S.A. will have the value of 28,699,303 lei, being divided into 28,699,303 shares with a value of 1 lei/share.

Future development

The company maintains the estimated results for this year as presented in the BVC for 2021, approved by the annual General Meeting of the Shareholders.

For the second half of 2021, our aim is to maintain the accelerated rate of growth achieved in the last years, by undertaking strategic investments, allowing us to increase our client portfolio and develop new products. Furthermore, over the next years, we are determined and motivated to achieve environmental, social and economic progress for the company and for all stakeholders involved in our activities, We are very confident that by the end of 2021 we will attain all our targets and that we will be in the position of achieving even greater goals in the years to come. Tudor Georgescu, CEO Promateris.

In the future, the Promateris Group aims to develop three new divisions, to strengthen its presence in the new markets in which it has recently started operating.

- 1. Biomaterials** - strengthening regional leadership and investing in the production of value-added flexible bio-compostable packaging for the food industry
- 2. Recycling** - reducing the volume of virgin plastics used in the production of packaging and replacing them with recycled materials, respecting the principles of the circular economy
- 3. Paper** - development and production of sustainable solutions, based on paper and biomass, taking into account the biodegradability, regenerability and recyclability of new material

Management structures

Promateris SA is managed in a unitary system by a Board of Directors elected by the General Shareholders Meeting, by secret ballot.

Its composition for the analyzed period in this report was the following:

- Circular Solutions SRL through Matei Dimitriu – Chairman
- Panda Investments SRL through Andrei Mihai Pogonaru – Member
- Waste Value SRL through Adrian Vlad Georgescu – Member
- Quantet Management SRL – through Maria Uliana Desmirean - Member
- Bio Invest MCG SRL – through Laurentiu Soare - Member

The Board of Directors assigned Mr. Tudor Alexandru Georgescu to the CEO position.

Biodeck SA is managed in a unitary system by a Board of Directors elected by the General Shareholders Meeting, by secret ballot.

Its composition for the analyzed period in this report was the following:

- Circular Solutions SRL through Mihaela Popescu – Chairman
- GL House of Consulting and Management SRL through Gheorghe Luca – Vice-president
- The Piano Movers SRL through Eduard Gyorgy Nagy – Vice-president
- Desmirean Maria Uliana – Member
- Soare Laurentiu - Member

Declaration of the management

According to the best available information, we confirm that the financial statements for the first six months of 2021, prepared following the International Financial Reporting Standards, provide a correct and consistent picture of the assets, debts, financial position, and profit and loss account of Promateris, as required by applicable accounting standards. We also confirm that the operational performance statement and the information presented in this report provide a correct and consistent picture of the main events during the first six months of 2021 and their impact on the financial statements.

We also mention that the 6 months Statements for 2021 **are not audited**.

Chief Executive Officer,
Tudor Alexandru Georgescu