



S.C. ROMCARBON S.A.

Annual report for the period ended
December 31, 2017

Separate Financial Statements, preliminary

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S.C. ROMCARBON S.A.

COMPANY IDENTIFICATION

Annual report regarding Preliminary Separate Financial Statements

Date of release: 14.02.2018

Reporting date: 31.12.2017

Name of the Company: SC ROMCARBON SA

Headquarters: Buzau , Str. Transilvaniei, nr.132

Tel / fax: 0238/711155; 0238/710697

Sole registration code: RO 1158050

Registered business number: J10 / 83/1991

Subscribed and paid up share capital: 26,412,209.60 lei

Regulated market where the issued securities are traded: Bucharest Stock Exchange,
Standard category

The main characteristics of the securities issued by the company: 264,122,096 registered shares, dematerialized, with a nominal value of 0.1 lei.

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LANGUAGE DISCLAIMER

This document represents the English version of the original official Romanian document. The English version has been created for English readers' convenience. Reasonable efforts have been made to provide an accurate translation, however, discrepancies may occur. The Romanian version of this document is the original official document. Any discrepancies or differences created in the translation are not binding. If any questions arise related to the accuracy of the information contained in the English version, please refer to the Romanian version of the document which is the official version.



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A.) GENERAL ASSESSMENT ELEMENTS

Indicator	2016	2017	2017 vs. 2016	
Sales of finished goods	122,191,290	140,133,880	17,942,590	15%
Total sales (Turnover)	181,195,934	197,971,576	16,775,642	9%
Export	39,556,144	50,024,168	10,468,024	26%
Total Revenues	199,011,718	213,698,503	14,686,785	7%
Total Expenses	194,108,244	208,610,282	14,502,038	7%
EBIT	5,977,645	7,325,990	1,348,345	23%
EBITDA	13,353,431	15,768,480	2,415,049	18%
Profit/Loss of the exploitation activity	4,427,913	6,923,112	2,495,199	56%
Profit/Loss of the financial activity	-198,956	-1,834,891	-1,635,935	822%
Net Profit	4,903,474	5,088,221	184,747	4%

B.) STATEMENT OF THE FINANCIAL POSITION

Indicator	2015	2016	2017	2017 vs. 2016	
Property, plant and equipment	147,831,285	147,005,912	137,757,935	-9,247,977	▼ -6.29%
Investment property	43,799,325	45,680,013	49,859,449	4,179,436	▲ 9.15%
Intangible assets	189,900	246,401	160,082	-86,319	▼ -35.03%
Financial assets	22,863,010	22,844,368	22,247,181	-597,187	▼ -2.61%
Total non-current assets	214,683,520	215,776,694	210,024,647	-5,752,047	▼ -2.67%
Inventories	20,499,859	25,668,489	23,824,916	-1,843,573	▼ -7.18%
Trade and other receivables	33,959,316	26,553,753	32,449,417	5,895,664	▲ 22.20%
Taxes receivables	439,598	447,239	43,848	-403,391	▼ -90.20%
Other assets	366,752	294,011	820,244	526,233	▲ 178.98%
Cash and bank balances	12,888,836	5,615,329	2,529,018	-3,086,311	▼ -54.96%
Total current assets	68,154,361	58,578,820	59,667,443	1,088,623	▲ 1.86%
Total assets	282,837,881	274,355,514	269,692,090	-4,663,424	▼ -1.70%
Issued capital	26,412,210	26,412,210	26,412,210	0	▲ 0.00%
Share premium	2,182,283	2,182,283	2,182,283	0	▼ 0.00%
Reserves	53,375,509	54,506,299	51,495,204	-3,011,095	▼ -5.52%
Retained earnings	48,158,839	47,230,089	53,322,077	6,091,988	▲ 12.90%
Total equity	130,128,841	130,330,881	133,411,774	3,080,893	▲ 2.36%
Borrowings [Long-term]	32,432,440	36,104,275	32,911,592	-3,192,683	▼ -8.84%
Long term finance leases and other interest bearing obligations	1,195,151	84,588	0	-84,588	▼ 100.00%
Deferred tax liabilities	11,142,757	10,468,240	10,468,240	0	— 0.00%
Deferred income	22,272,168	19,939,642	17,676,474	-2,263,168	▼ -11.35%
Total non-current liabilities	67,042,516	66,596,745	61,056,306	-5,540,439	▼ -8.32%
Trade and other payables	30,928,649	26,896,495	28,571,443	1,674,948	▲ 6.23%
Borrowings [Short - term]	49,411,862	45,337,135	41,726,661	-3,610,474	▼ -7.96%
Short term finance leases and other interest bearing obligations	1,709,000	1,107,270	86,797	-1,020,473	▼ -92.16%
Deferred revenue	2,219,975	2,293,920	2,305,250	11,330	▲ 0.49%
Other liabilities	1,397,039	1,793,067	2,533,859	740,792	▲ 41.31%
Total current liabilities	85,666,524	77,427,887	75,224,010	-2,203,877	▼ -2.85%
Total liabilities	152,709,040	144,024,633	136,280,316	-7,744,317	▼ -5.38%
Total equity and liabilities	282,837,881	274,355,514	269,692,090	-4,663,424	▼ -1.70%

In 2017 **Non-currents assets** hold 77.88% of the company's assets, recording a decrease of RON 5,572,047, i.e. 2.67%, as compared with the beginning of the year.

Non-current assets (NCA)	31.12.2017	% in total NCA	% in total Assets	31.12.17 vs. 31.12.16
Property, plant and equipment	137,757,935	65.59%	51.08%	-6.29%
Investment property	49,859,449	23.74%	18.49%	9.15%
Intangible assets	160,082	0.08%	0.06%	-35.03%
Financial assets	22,247,181	10.59%	8.25%	-2.61%
Total non-current assets	210,024,647	100.00%	77.88%	-2.67%

In the reporting period the main entries of Non-current assets (except the investments in progress) are:

· Buildings (including rearrangements and improvement)	:	2,344,293 lei
· Equipment and installations	:	2,959,704 lei
· Furniture and office equipment	:	110,762 lei

The non-current assets entries in 2017 had the following destinations: CP7-Compounds : RON 2,290,766; CP3 - Polyethylene: RON 833,699; CP5- Polystyrene: RON 233,587; Administrative and others: RON 2,056,707.

The outputs of Non-current assets in the reporting period were as per registration cost in amount of RON 2,464,942 (out of which RON 2,246,453 sales and RON 218,489 dismantles/casation). The net value of the outputs was RON 2,278,692.

The property investments have the following structure:

Investment property	Lands	Buildings	Total
Iasi	28,024,549	10,985,998	39,010,547
Buzau	1,908,678	4,006,825	5,915,503
Stefanesti	2,494,039	2,439,361	4,933,400
Total	32,427,266	17,432,183	49,859,449

The outputs of Property Investment in the reporting period were as per registration cost in amount of RON 1,189,327 (sales).

After the revaluation of the Investment Property at 31.12.2017 resulted a net increase of value of RON 1,490,374 which was registered on the profit and loss account.

Financial Investments hold 8.25% of Total Assets, and 10.59% of Non-current assets.

As at 31.12.2017, S.C. ROMCARBON S.A. held shares in other companies totalizing RON 25,611,325 lei, as follows:

Company	Total no. of shares	Nominal value (lei)	Capital (lei)	Capital held (lei)	No. of shares held	Acquisition value of the shares (lei)	Participation quota (%)
RECYPLAT LTD CIPRU	26,000	4.3521	113,154	113,154	26,000	20,261,120	100.00%
ROMCARBON			110,138	110,138		110,138	100.00%
DEUTSCHLAND GmbH							
RC ENERGO INSTALL SRL	200	10	2,000	2,000	200	15,112	100.00%
INFO TECH SOLUTIONS SRL	200	10	2,000	1,980	198	1,980	99.00%
LIVINGJUMBO INDUSTRY SA	200	4,032	806,400	798,336	198	1,639,232	99.00%
GRINFILD LLC UCRAINA						2,687,755	62.62%
YENKI SRL	32,800	10	328,000	109,340	10,934	100,000	33.34%

ASOCIATIA ECOLOGICA GREENLIFE (Non-Profit Organization)			0	1,200		400	33.33%
ECO PACK MANAGEMENT SA	144,600	10	1,446,000	366,700	36,670	586,625	25.36%
KANG YANG BIOTECHNOLOGY CO.LTD	2,889,993			0	139,000	203,963	4.81%
REGISTRUL MIORITA SA	10,500	10	105,000	3,980	398	5,000	3.79%
TOTAL						25,611,325	

The impairments of financial investments are presented in the following table:

Company	Participation quota	Adjustment
ROMCARBON DEUTSCHLAND GmbH	100.00%	110,138
GRINFILD LLC UCRAINA	62.62%	2,687,755
YENKI SRL	33.34%	11,989
ECO PACK MANAGEMENT SA	25.36%	554,262
Total		3,364,144

Current assets hold 22.12% of total assets recording an increase of RON 1,088,623, i.e. 1.86%, as compared with the beginning of the year.

Current assets	31.12.2017	% in total CA	% in Total Assets	31.12.17 vs. 31.12.16
Inventories	23,824,916	39.93%	8.83%	-7.18%
Trade and other receivables	32,449,417	54.38%	12.03%	22.20%
Taxes receivables	43,848	0.07%	0.02%	-90.20%
Other assets	820,244	1.37%	0.30%	178.98%
Cash and bank balances	2,529,018	4.24%	0.94%	-54.96%
Total current assets	59,667,443	100.00%	22.12%	1.86%

Total Liabilities hold 50.53% of the company's Equity&Liabilities recording a decrease of RON 7,744,317, i.e. 5.38% as compared with the beginning of the year.

Borrowings

As at 31.12.2017 the loans contracted by S.C. ROMCARBON S.A. have the following structure :

Bank	Type	Initial amount	Balance as at 31.12.2017		Tenor
			in euro	in lei	
UniCredit Bank	Credit line(Eur)	€ 5,450,000	€ 4,684,467	21,828,211 lei	10/04/2018
BRD GSG	Credit line(Eur)	€ 2,550,000	€ 2,356,155	10,978,977 lei	30/10/2018
UniCredit Bank	Investment loan(III)(Eur)	€ 442,500	€ 423,783	1,974,699 lei	19/09/2021
BRD GSG	Investment loan(I)(Eur)	€ 2,058,000	€ 87,574	408,071 lei	01/03/2018
BRD GSG	Investment loan(II)(Eur)	€ 1,000,000	€ 603,946	2,814,205 lei	03/09/2022
BRD GSG	Investment loan(III)(Eur)	€ 3,153,160	€ 1,839,343	8,570,788 lei	03/02/2022
UniCredit Bank	Investment loan- CCE 2015(Eur)	€ 3,042,240	€ 2,732,420	12,732,256 lei	04/12/2023
Total borrowings in euro		€ 15,695,900	€12,727,688	59,307,207 lei	
Eximbank SA	Investment loan(I) (Lei)	6,142,500 lei		4,606,875 lei	20/06/2022
Eximbank SA	Investment loan(II) (Lei)*	2,432,500 lei		905,935 lei	16/12/2022
UniCredit Bank	Investment loan(I)(Lei)	3,200,000 lei		2,789,316 lei	11/07/2023
UniCredit Bank	Investment loan(II)(Lei)	2,500,000 lei		1,148,486 lei	19/09/2021

UniCredit Bank	Investment loan(IV)(Lei)	5,400,000 lei	4,311,514 lei	01/12/2021
UniCredit Bank	Investment loan(V)(Lei)	2,250,000 lei	1,568,918 lei	06/04/2022
Total borrowings in lei		21,925,000 lei	15,331,045 lei	
Total			74,638,252 lei	

Short term borrowings have the following structure :

Bank	Type	CCY	Ceiling	Balance as at 31.12.2017	
				in euro	in lei
UniCredit Bank SA	Credit line(Eur)	euro	€ 5,450,000	€ 4,684,467	21,828,211 lei
BRD GSG	Credit line(Eur)	euro	€ 2,550,000	€ 2,356,155	10,978,977 lei
Total short term borrowings				€ 7,040,622	32,807,188 lei

Long term borrowings have the following structure :

Bank	Type	Balance as at 31.12.2017, out of which:		< 1 Year	>1 Year
		in euro	in lei		
UniCredit Bank	Investment loan(III)	€ 423,783	1,974,699 lei	526,587 lei	1,448,113 lei
BRD GSG	Investment loan(I)	€ 87,574	408,071 lei	408,071 lei	- lei
BRD GSG	Investment loan(II)	€ 603,946	2,814,205 lei	582,250 lei	2,231,955 lei
BRD GSG	Investment loan(III)	€ 1,839,343	8,570,788 lei	2,098,969 lei	6,471,819 lei
UniCredit Bank	Investment loan- CCE 2015	€ 2,732,420	12,732,256 lei	2,026,970 lei	10,705,287 lei
Total borrowings in euro		€ 5,687,066	26,500,020 lei	5,642,845 lei	20,857,175 lei
Eximbank SA	Investment loan(I)		4,606,875 lei	1,023,750 lei	3,583,125 lei
Eximbank SA	Investment loan(II)		905,935 lei	- lei	905,935 lei
UniCredit Bank	Investment loan(I)		2,789,316 lei	499,579 lei	2,289,737 lei
UniCredit Bank	Investment loan(II)		1,148,486 lei	306,263 lei	842,223 lei
UniCredit Bank	Investment loan(IV)		4,311,514 lei	1,077,878 lei	3,233,636 lei
UniCredit Bank	Investment loan(V)		1,568,918 lei	369,157 lei	1,199,761 lei
Total borrowings in euro			15,331,045 lei	3,276,628 lei	12,054,417 lei
Total long term borrowings			41,831,064 lei	8,919,473 lei	32,911,592 lei

These loans are guaranteed by mortgages on land and plants, pledges on equipment and stocks, security mortgage on current bank accounts, receivables assignments.

*In December 2017 it was contracted with Exim Bank SA the second investment loan in amount of RON 2,432,500 for financing/refinancing the objectives from the investment plan for 2017.

Current liabilities of the Company, representing 55.20% of the Total Liabilities and 27.89% of Total Equity & Liabilities have decreased by RON 2,203,877 as compared with 31.12.2016, i.e. 2.85%, have the following structure:

Current liabilities	31.12.2017	% in total liabilities	% in Total current liabilities	% in Total Equity and liabilities	31.12.17 vs. 31.12.16
Trade and other payables	28,571,443	20.97%	37.98%	10.59%	6.23%
Borrowings [Short - term]	41,726,661	30.62%	55.47%	15.47%	-7.96%
Short term finance leases and other interest bearing obligations	86,797	0.06%	0.12%	0.03%	-92.16%
Deferred revenue	2,305,250	1.69%	3.06%	0.85%	0.49%
Other liabilities	2,533,859	1.86%	3.37%	0.94%	41.31%
Total current liabilities	75,224,010	55.20%	100.00%	27.89%	-2.85%

Non-current liabilities representing 22.64% of the company's Equity&Liabilities were registered in the reporting period a decrease of RON 5,540,439, i.e. 8.32%.

Non-current liabilities	31.12.2017	% in total liabilities	% in Total NCL	% in Total Equity and liabilities	31.12.17 vs. 31.12.16
Borrowings [Long-term]	32,911,592	24.15%	53.90%	12.20%	-8.84%
Long term finance leases and other interest bearing obligations	0	0.00%	0.00%	0.00%	-100.00%
Deferred tax liabilities	10,468,240	7.68%	17.15%	3.88%	0.00%
Deferred income	17,676,474	12.97%	28.95%	6.55%	-11.35%
Total datorii pe termen lung	61,056,306	44.80%	100.00%	22.64%	-8.32%

Total Equity holding **49.47%** of Total Equity&Liabilities, registered an increase of RON 3,080,893 as compared with the beginning of the year, i.e. 2.36%, have the following structure:

Equity	31.12.2017	31.12.17 vs. 31.12.16
Issued capital (264,122,096 shares at 0.10 lei per share)	26,412,210	9.79%
Share premium	2,182,283	0.81%
Reserves	51,495,204	19.09%
Retained earnings	53,322,077	19.77%
Total Equity	133,411,774	49.47%

C.) STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE ITEMS

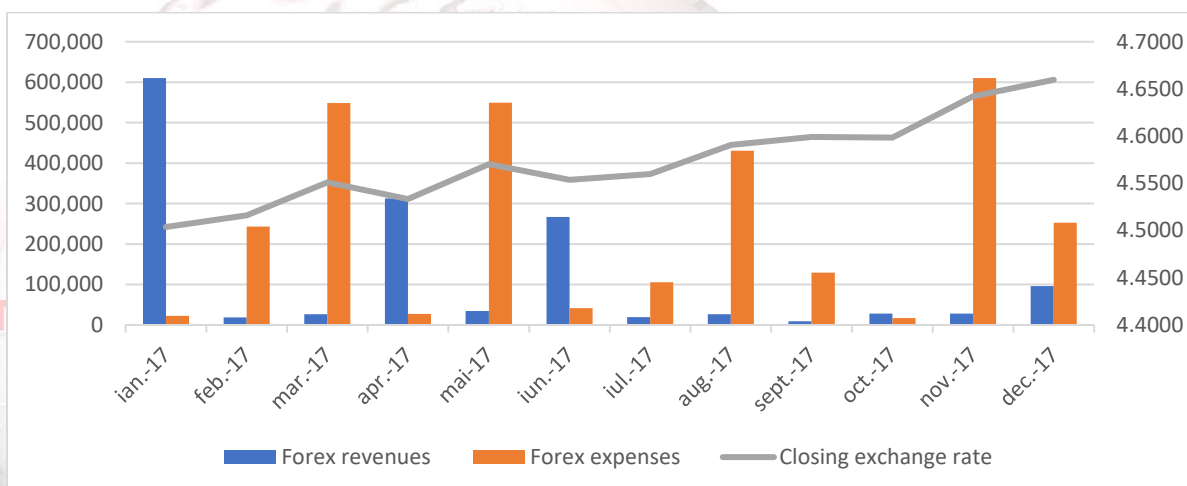
Indicator	2015	2016	2017		2017 vs. 2016	
Net sales *	176,702,913	178,719,385	195,140,696	▲	16,421,311	9%
Investment income *	8,342,326	6,866,672	3,987,532	▼	(2,879,140)	-42%
Other gains and losses	(2,604,404)	1,725,659	2,796,780	▲	1,071,121	62%
Changes in inventories of finished goods and work in progress	1,538,064	3,404,371	2,304,367	▼	(1,100,004)	-32%
Raw materials and consumables used	(134,762,781)	(131,058,698)	(139,437,991)	▲	(8,379,293)	6%
Depreciation and amortisation expenses	(7,106,832)	(9,578,963)	(10,706,926)	▲	(1,127,963)	12%
Impairment of financial assets	-	(2,687,755)	-	▼	2,687,755	n/a
Employee salaries and benefits	(18,755,367)	(23,463,899)	(28,174,199)	▲	(4,710,300)	20%
Social security expenses	(4,419,970)	(5,473,802)	(6,608,431)	▲	(1,134,629)	21%
Net finance costs	(2,114,646)	(2,059,292)	(1,728,613)	▼	330,679	-16%
Income from subsidies	1,182,234	2,203,176	2,264,436	▲	61,260	3%
Other expenses	(11,508,736)	(14,367,897)	(14,099,313)	▼	268,584	-2%
Profit (loss) before taxation	6,492,801	4,228,957	5,738,338	▲	1,509,381	36%
Profit tax	(100,888)	674,517	(650,117)	▲	- 1,324,634	(2)
Profit (loss) of the year	6,391,913	4,903,474	5,088,221	▲	184,747	4%
Net loss on revaluation of tangible assets	0	-1,987,613	0	▼	1,987,613	
Adjustment of deferred tax on fiscally non-deductible revaluation reserves	0	0	0	—	-	
Total comprehensive income	6,391,913	2,915,861	5,088,221	▲	2,172,360	75%

Indicator	2015	2016	2017
Average no. of employees	786	885	935

*Investment income – details:

Indicator	2015	2016	2017	2017 vs. 2016	
Rental and royalty income	2,532,570	2,476,548	2,825,883	▲	349,335 14%
Interest income	20,401	11,981	3,652	▼	(8,329) -70%
Investment income (dividends) - Recyplat	4,698,777	3,207,527	0	▼	(3,207,527) -100%
Investment income (dividends) - Infotech Solutions	100,579	275,614	157,997	▼	(117,617) -43%
Investment income (dividends) - RC Energo Install	0	400,000	1,000,000	▲	600,000 -
Investment income (dividends) - LivingJumbo Industry	990,000	495,000	0	▼	(495,000) -100%
Total	8,342,326	6,866,671	3,987,532	▼	(2,879,138) -42%

Note : In accordance with Order no. 1286/2012 the company bank availabilities, the receivables and the liabilities expressed in a foreign currency are evaluated each month at the closing exchange rate comunicated by NBR. From this evaluation in 2017 the company registered revenues in amount of RON 1,476,358 and expenses in amount of RON 2,978,755, resulting a loss of RON 1,502,397.



Net sales

The item Net Sales had the following evolutions

Indicator	2015	2016	2017	2017 vs. 2016	
- Sales of finished goods	108,853,984	122,191,290	140,128,883	▲	17,937,593 15%
- Sales of intermediary goods	170,908	90,147	48,146	▼	(42,002) -47%
- Services rendered	228,525	310,378	293,439	▼	(16,940) -5%
- Sale of commodities	64,883,624	53,189,162	51,024,724	▼	(2,164,439) -4%
- Revenues from sundry services	2,565,872	2,938,408	3,645,505	▲	707,097 24%
Total net sales	176,702,913	178,719,385	195,140,696	▲	16,421,310 9%

Indicator	2015	2016	2017	2017 vs. 2016	
Net sales	176,702,913	178,719,385	195,140,696	▲	16,421,310 9%
Rental and royalty income	2,532,570	2,476,548	2,825,883	▲	349,335 14%
Total turnover, out of which	179,235,483	181,195,934	197,966,579	▲	16,770,645 9%
~domestic market	150,134,472	141,639,790	147,942,411	▲	6,302,621 4%
~exports	29,101,011	39,556,144	50,024,168	▲	10,468,024 26%

Note: *Turnover* comprises the item Net sales from Profit and Loss Account , plus Rental and royalty income which is comprised in the Investment income.

D.) FINANCIAL RATIOS:

Indicator	Formula	2015	2016	2017
EBIT	Gross profit + Expenses with interests	8,298,810	5,977,645	7,325,990
EBITDA	EBIT + Depreciation-Subsidies for investment	14,223,409	13,353,431	15,768,480
EBITDA to sales ratio	EBITDA/Turnover	7.94%	7.37%	7.97%
EBITDA to Equity ratio	EBITDA/Equity	10.93%	10.25%	11.82%
Gross profit margin	Gross profit/Turnover	3.62%	2.33%	2.90%
Current ratio	Current assets/Current liabilities	0.80	0.76	0.79
Quick ratio	(Current assets-Inventories)/Current liabilities	0.56	0.43	0.48
Non-current liabilities to Equity ratio	Non-current liabilities/Equity	52%	51%	46%
Total liabilities to Assets ratio	Total liabilities/Total Assets	54%	52%	51%
Interest coverage ratio	EBIT/Interest expenses	5	3	5
Account receivable turnover ratio	Average receivables/Turnover	64	60	54
Account payable turnover ratio	Average payables/Turnover	60	57	50
Return on assets (ROA)	Net profit/Assets	2.26%	1.79%	1.89%
Return on equity (ROE)	Net profit/Equity	4.91%	3.76%	3.81%
Return on sales (ROS)	Net profit/Turnover	3.57%	2.71%	2.57%

Please note that the Separate Financial Statements for the period ended December 31 , 2017 are preliminary and have not been audit.

Chairman of the Board,
Hung Ching Ling

General Manager: eng.Andrei Radu
Financial Manager :ec. Zainescu Viorica Ioana

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