

S.C. ROMCARBON S.A.

ANNUAL REPORT FOR THE YEAR ENDED 2019

Buzau, 132 Transilvaniei street

CONTENTS

SECTION 1

Annual report regarding Separate Financial Statements

<u>1. Analysis of the company activity</u>	Page.1-14
<u>1.1.1. General assessment of the company</u>	Page.2-3
<u>1.1.2. Tehnical assessment of the company</u>	Page.3
<u>1.1.3. The assessment of the procurement activity (domestic and import)</u>	Page.4
<u>1.1.4. The assessment of sales activity</u>	Page.5-10
<u>1.1.5. The assessment of the aspects related to the personnel of the company</u>	Page.11
<u>1.1.6. The assessment of the impact of the company's activity on environment</u>	Page.11-12
<u>1.1.7. The assessment of the research and development activity</u>	Page.12
<u>1.1.8. The assessment of the company's activity related to risk management</u>	Page.12-13
<u>1.1.9. Perspective elements regarding the company's activity</u>	Page.14
<u>2. The tangible assets of the company</u>	Page.14-16
<u>3. Securities market issued by the company</u>	Page.16
<u>4. The management of the company</u>	Page.16-17
<u>5. Financial statements of the company</u>	Page.18-30
<u>5.1 Statement of the financial position</u>	Page.18-24
<u>5.2 Statement of the comprehensive income</u>	Page.25-27
<u>5.3 Net sales evolutions</u>	Page.28
<u>5.4 Financial ratios</u>	Page.28-29
<u>5.5 Statement of cash-flow 2017-2019</u>	Page.29-30
<u>5.6 Shareholders' structure</u>	Page.30
<u>6. Corporate governance</u>	Page.31-42
<u>Declaration of compliance with BVB Corporate Governance Code</u>	

SECTION 2

Separate Financial Statements

<u>Declaration of the management, Auditor report, Statement of the comprehensive incomes, Statement of the financial position, Statement of changes in shareholders' equity, Statement of Cash-Flows, Notes, Board of directors' report</u>	Page 53-148
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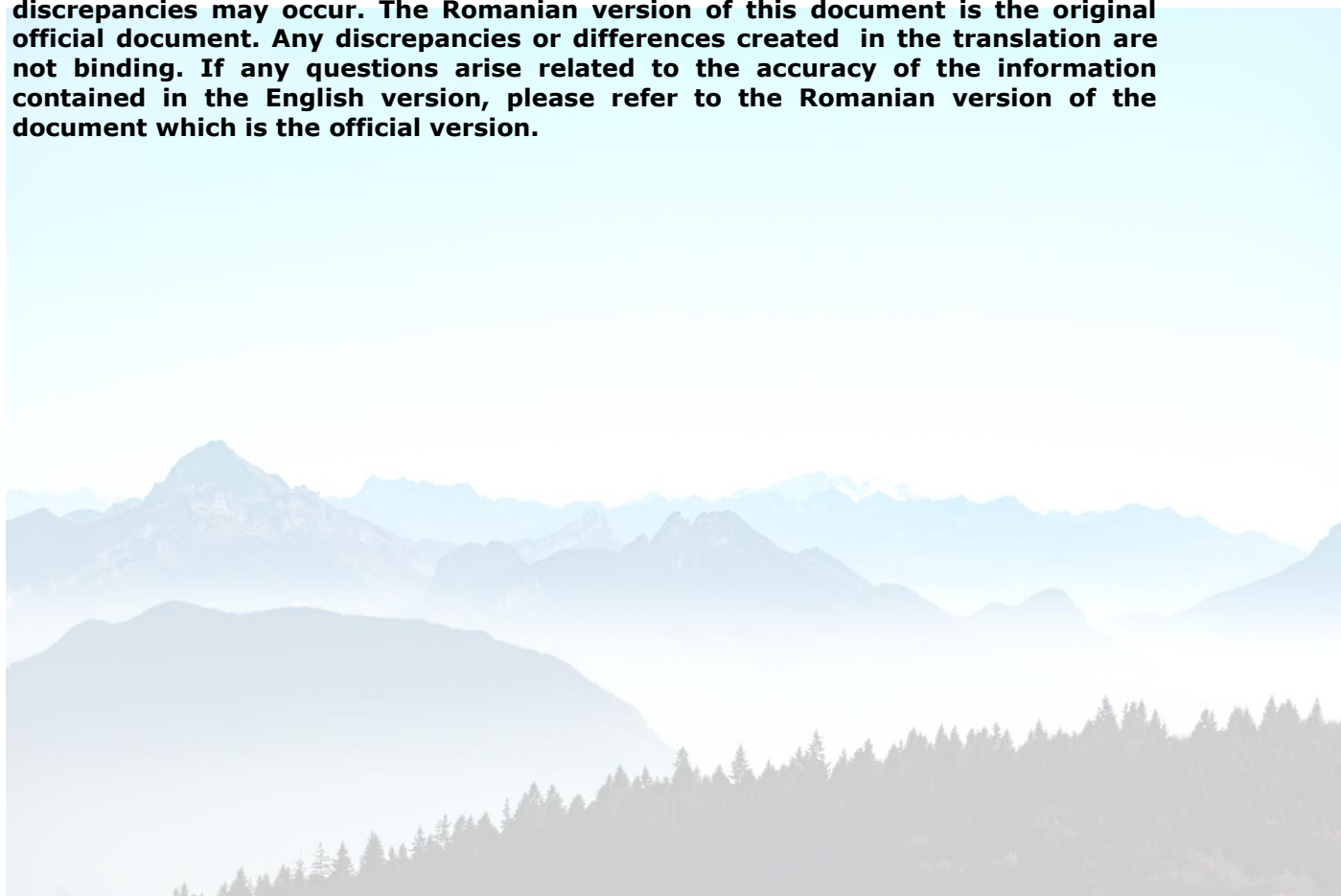
SECTION 3

Consolidated Financial Statements

<u>Annual report, Declaration of the management, Auditor report, Statement of the comprehensive incomes, Statement of the financial position, Statement of changes in shareholders' equity, Statement of Cash-Flows, Notes, Board of directors' report, Non-financial declaration</u>	Page 149-263
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LANGUAGE DISCLAIMER

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S.C. ROMCARBON S.A.

Annual report according with ASF Regulation no. 5/2018

Date of release: 29/30.04.2020

Reporting date: 31.12.2019

Name of the Company: SC ROMCARBON SA

Headquarters: Buzau , Str. Transilvaniei, nr.132

Tel / fax: 0238/711155; 0238/710697

Sole registration code: RO 1158050

Website : www.romcarbon.com

E-mail : investor.relations@romcarbon.com

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, Symbol : ROCE

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



1.ANALYSIS OF THE COMPANY ACTIVITY

1.1.a) S.C. Romcarbon S.A. has the following main activities:

2221 Manufacture of plates, sheets, tubes and plastic profiles

2222 Manufacture of plastic packaging

2223 Manufacture of plastics for construction

2229 Manufacture of other plastic products

2932 Manufacture of other parts and accessories for motor vehicles and their engines

3832 Recovery of sorted materials

3299 Other manufacturing.

1.1.b) S.C. Romcarbon S.A. was founded in 1952 under the name "Chimica".

SC Romcarbon S.A. was established under Law No. 15 and 31/1990, HG 1213/1990 as a result of reorganization of „Intreprinderii de Mase Plastice Buzau“.

1.1.c) There were no merges or reorganization of the Company during the year ended.

1.1.d) The inputs of "Property, plant and equipment" during 2019 are presented in the table below :

<u>Category</u>	<u>Value</u>
Plants	527,586
Equipment and Machineries	473,935
Controlling device	52,705
Vehicles	282,093
Furniture	72,680
TOTAL	1,408,999

The main "Property, plant and equipment" entries during the reporting period were:

<u>Item</u>	<u>Entry values</u>	<u>Section</u>
SPECIAL PURPOSE AUTOVEHICLE	210,792	Other
USED WATER FILTRATION PRESS KSII	198,364	CP7-COMPOUNDS
PROTECTION ROOF PLATFORM UNLOADING RAW MATERIALS	145,088	CP7-COMPOUNDS
FILTRATION AND REGRANULATING LINE [IMPROVEMENT]	100,636	CP7-COMPOUNDS
USED WATER FILTRATION PRESSES	99,182	CP7-COMPOUNDS
REGRANULATING LINE [IMPROVEMENT]	72,844	CP7-COMPOUNDS
CONCRATE PLATFORM [IMPROVEMENT]	72,526	Other

The outputs of tangible assets from the company in 2019 are shown in the table below:

<u>Asset</u>	<u>Dismantle/casation</u>	<u>Sales</u>	<u>TOTAL</u>
Non-current assets held for sale	0	6,972,839	6,972,839
Tangibles assets at gross value	47,494	971,043	1,018,537
Total	47,494	7,943,882	7,991,376

GENERAL ASSESSMENT OF THE COMPANY

<u>Indicator</u>	<u>2018</u>	<u>2019</u>	<u>2019 vs. 2018</u>	
Sales of finished goods	148,386,635	139,916,138	(8,470,497)	-6%
Total sales (Turnover)	200,716,405	185,722,304	(14,994,101)	-7%
Export	52,894,181	47,119,109	(5,775,072)	-11%
Total Revenues	225,187,158	210,853,297	(14,333,860)	-6%
Total Expenses	220,721,100	210,265,758	(10,455,342)	-5%
EBIT	6,168,891	2,060,147	(4,108,744)	-67%
EBITDA	14,702,841	10,419,424	(4,283,417)	-29%
Profit/Loss of the exploitation activity	4,807,304	3,010,478	(1,796,826)	-37%
EBITDA Operational	11,384,242	12,316,628	932,385	8%
Profit/Loss of the financial activity	(341,245)	(2,422,939)	(2,081,694)	610%
Profit tax	(334,297)	217,442	551,739	-165%
Net profit	4,800,354	370,097	(4,430,257)	-92%
Cash and cash equivalents	3,331,011	5,549,445	2,218,435	67%

Market share (%) in Romania:

Group of products		% of domestic market (estimation)
Auto and industrial filters	~CP1	2%
Active carbon	~CP2	7%
Respiratory protective equipment	~CP2	18%
Polyethylene products	~CP3	5%
PVC products	~CP4	1%
Polystyrene products	~CP5	8%
Polypropylene products (pp bags)	~CP6	16%
Regenerated plastics & Compounds	~CP7	3%

1.1.2 Technical assessment of the company

SC Romcarbon S.A. Buzau activity profile is to process polymers and convert them into plastic packaging, to manufacture filters and filter elements, protective materials, active carbon for the food, chemical and pharmaceutical industry, plastic waste recovery, regranulation and manufacture of compounds.

In 2019, production activity was carried out in 7 profit centers as follows:

- **Profit Center no.1 – Car and industrial filters.** In this center are manufactured air, oil and fuel filters for cars, trucks and tractors, railway equipment and also industrial and agriculture filter;
- **Profit Center no. 2 with 2 workshops:**
 - Workshop of Protective equipment that produce personal protective respiratory equipment - masks and cartridges - for chemical industry, mining industry, for the Ministry of National Defense, civil defense and collective protective equipment;
 - Workshop of Active Carbon that manufactures charcoal - semi finished necessary for protective equipment, as well as coal used in the oil industry, food, chemical and pharmaceutical industries.
- **Profit Center no. 3** with Polyethylene workshop where are manufactured different sizes of polyethylene packaging (little bags, bags, pouches by extrusion, printing, welding), general purpose film, foil for greenhouse, thermo foil and photopolymer clichés.
- **Profit Center. no. 4 with two workshops:**
 - PVC pipes workshop is engaged in the production of PVC pipes as semi –finished products.
 - Recycled PVC bases for traffic signs’ workshop
- **Profit Center no. 5** with expanded Polystyrene Workshop, consisting of extrusion and thermoforming sector, where are manufactured casseroles and trays for food industry and products for constructions as plates and rolls.
- **Profit Center. no. 6** – Polypropylene workshop - where are manufactured polypropylene products : laminated and non-laminated woven bags in different sizes for packaging products used in agriculture, food and chemical industry.
- **Profit center no. 7** – Compounds- with two activities:
 - Treating of plastic scraps by separating the recyclable fractions, grinding, extruding and filtering the separated fractions.
The finished products are plastics regranulated products, compounds and composites plastic products.
 - Treating the postproduction Polyethylene foil scraps by washing, extruding and filtering/separating. The finished products are PE and PP regranulated products and compounds.

The company has 3 working points:

- Working point - Bucharest – The main activity is commercial operations and management;
- Working point - Stefanesti – The main activity is renting the assets for production purpose;
- Working point - Iasi - The main activity is renting the assets for production purpose

The main groups of products and their share in the total turnover:

	2017	2018	2019
- Venituri din vanzari de produse finite, total, din care:	71.81%	74.77%	76.10%
CP1~Filtre auto si industriale	1.96%	1.32%	1.40%

	2017	2018	2019
CP2~Materiale protecție cai respiratorii si carbune activ	1.29%	1.00%	1.15%
CP3~Polietilena prelucrata	14.00%	16.40%	14.72%
CP4~PVC prelucrat	0.30%	0.40%	0.50%
CP5~Polistiren prelucrat	18.66%	19.06%	21.87%
CP6~Polipropilena prelucrata	19.17%	19.23%	19.62%
CP7~Compounduri	16.42%	17.35%	16.84%

The difference up to 100% represents the sales of merchandises, services, rents and other sales.

New products developed in 2019

In 2019 was enlarged the range of industrial filters with 7 new items. In automotive sector and railways 15 new filters entered in production.

In Profit Center No. 7- Compounds were developed 25 new recipes of compounds manufactured from recycled plastic, the new products are delivered to beneficiaries for testing. Other 13 recipes were optimized in order to decrease the cost of raw materials or semifinished.

In Profit Center No. 3- Polyethylene , new products have been developed: wrapping foil for EPS panels for automatic installation; collection foil for automatic installation, 5 season solar foil, mulch foil, biodegradables film and wrappings, pallets packaging foil.

In Profit Center No. 6- Polypropylene , the optimization of costs was considered by increasing the filler content in thread / fabric from 7% to 10%, as well as obtaining a fabric with fines of 400 Den.

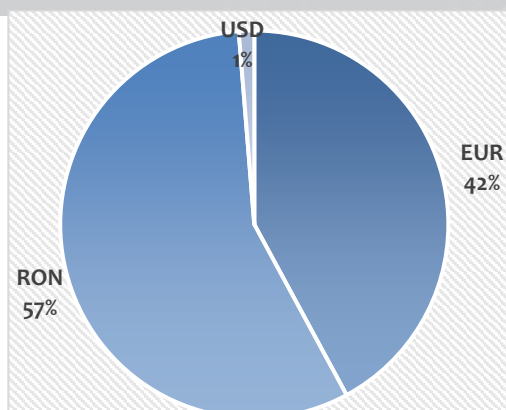
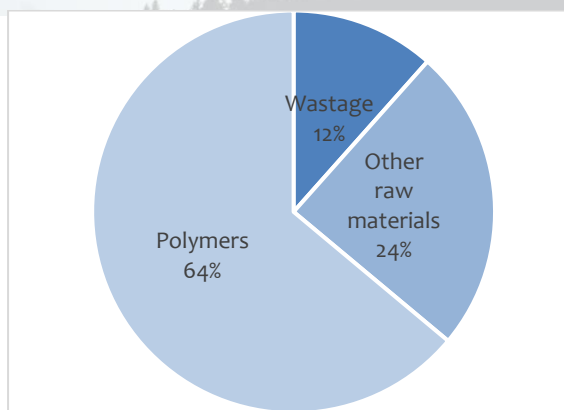
1.1.3 The assessment of the procurement activity (domestic and import)

The supplying chain of raw materials, materials and services is done according to the specific internal procedures. Following the analysis of a minimum 3 commercial offers, the best alternative is selected, which then becomes the acquisition. Collaborations with agreed suppliers are conducted on the basis of commercial contracts or confirmed spot orders. The portfolio of raw materials suppliers for most production sectors includes companies with the headquarters in Romania in a percentage of 57%, and companies acting on the foreign markets in a percentage of 43%. For the Compound sector, the raw material supplied comes in a percentage of 81% from romanian market, while the difference is ensured by the foreign markets.

The most important weight (64%) in the value of the raw materials and materials acquisitions are the polymers (polypropylene, polyethylene, polystyrene), which are the basic raw material. These are supplied by various companies with which SC Romcarbon SA has developed long term partnerships.

In order to provide the customers with the best products, Romcarbon is continually involved in developing new projects and is open to new collaborations.

Related to the supplier's currency in 2019 the acquisitions of raw materials and materials had the following structure:



1.1.4 The assessment of sales activity

Evolution of turnover resulting from the sales of finished products is presented in the following table:

Groups of products	2017		2018		2019			2019 vs. 2018	
	Value	% in total	Value	% in total	Value	% in total			
CP1~ Auto and industrial filters, CP2~ Respiratory protective equipment and Active Carbon	3,830,438	3%	2,623,159	2%	2,579,380	2%	▼	(43,779)	-2%
CP3~ Polyethylene products	2,514,286	2%	1,994,419	1%	2,111,661	2%	▲	117,242	6%
CP4~ PVC products	27,326,932	20%	32,556,680	22%	27,058,540	19%	▼	(5,498,140)	-17%
CP5~ Polystyrene products	582,367	0%	784,529	1%	916,070	1%	▲	131,541	17%
CP6~ Polypropylene products	36,420,305	26%	37,832,816	25%	40,214,038	29%	▲	2,381,222	6%
CP7~ Regenerated plastics & Compounds	37,408,712	27%	38,163,803	26%	36,075,081	26%	▼	(2,088,722)	-5%
	32,045,842	23%	34,431,228	23%	30,961,367	22%	▼	(3,469,861)	-10%
Total	140,128,883	100%	148,386,635	100%	139,916,138	100%	▼	(8,470,497)	-6%

Evolution of turnover resulting from the sales of finished products according to its distribution on the domestic/foreign market is presented below:

Sales of finished products	2017		2018		2019	
	Value	%	Value	%	Value	%
Domestic market	90,478,709	64.57%	96,001,772	64.70%	92,908,312	66.40%
Exports	49,650,174	35.43%	52,384,863	35.30%	47,007,826	33.60%
Total	140,128,883	100.00%	148,386,635	100.00%	139,916,138	100.00%

The structure of the turnover resulting from the sales of finished products on foreign markets is presented below.

Country	2018	% in 2018	2019	% in 2019
Bulgaria	12,321,732	23.52%	11,625,599	24.73%
Germany	12,042,150	22.99%	7,353,121	15.64%
Serbia	4,517,145	8.62%	6,007,414	12.78%
Poland	5,031,717	9.61%	5,185,035	11.03%
Spain	2,482,621	4.74%	2,939,186	6.25%
Italy	2,039,302	3.89%	2,887,636	6.14%
Hungary	2,795,920	5.34%	2,319,937	4.94%
France	1,596,481	3.05%	1,383,285	2.94%
Greece	1,437,220	2.74%	1,373,322	2.92%
Moldova	920,346	1.76%	1,226,578	2.61%
China	2,025,882	3.87%	855,715	1.82%
Slovakia	1,347,909	2.57%	719,486	1.53%
Switzerland	543,909	1.04%	627,048	1.33%
Croatia	312,269	0.60%	664,917	1.41%
Bosnia and Hertegovina	284,111	0.54%	260,029	0.55%
Czech Republic	321,988	0.61%	252,954	0.54%
Netherlands	699,199	1.33%	236,085	0.50%
Lithuania	1,200	0.00%	201,503	0.43%
Macedonia	147,627	0.28%	178,453	0.38%
Ucraina	571,134	1.09%	167,130	0.36%
Ireland	97,324	0.19%	95,301	0.20%
Austria	95,818	0.18%	92,152	0.20%
Other	751,860	1.44%	355,939	0.76%
Total	52,384,863	100.00%	47,007,826	100.00%

1)AUTOMOTIVE AND INDUSTRIAL FILTERS

a) The market

The main market is the domestic one with a share of 99%, while the exports contributes with 1% of sales. 40% of filters sales consist in automotive filters, 26% railway and ships filters, 13% industrial filters and 14% filters for agriculture. The sales process of filters is made both directly to the final client and through distributors. The main objectives in marketing and sales process are increasing the sales of automotive filters to large domestic and foreigner spare parts distributors and diversifying the range of auto filters in order to cover much of the vehicles brands sold on Romanian market. Also our intention is to increase the sales of auto filters to the vehicles manufacturers under their own brand and to increase the exports. For 2020 we intend to increase the sales of industrial and railways filters.

b) Competition :

In terms of the product brand:

- Large manufacturers of automotive filters as MANN, MAHLE, BOSCH have the advantage of owning big budget marketing departments but also strong research – development departments being able to offer the full range of air, fuel and oil filters;
- Low-cost brands that invade the European market through a single competitive advantage, a very low price.

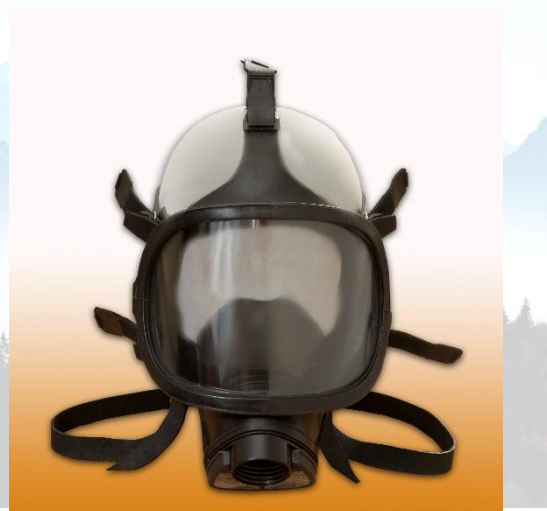


2) ACTIVE CARBON AND RESPIRATORY PROTECTIVE EQUIPMENTS

a) The market:

SC ROMCARBON SA Buzau is the unique producer of active carbon and individual and collective protective equipments. In 2019 the main market was the domestic market. Our clients are companies of chemical industry, extractive industry, pharmaceutical and food industry, companies that design and execute filtroventilation installations, companies that have the sphere of activity in metal coatings, public institutions (schools, town halls, so on..), biogas production and purification stations.

The sales has increased in 2019 as compared with 2018 by 3% for respiratory protective equipments and by 16% for Active carbon. The products have been sold by ROMCARBON SA Buzau directly to the end user, but they have been delivered to some distribution of protective equipments companies.



b) Competition:

Our main competitors are some distributors of equivalent products manufactured in Germany, Spain, Italy (for example: DRAEGER SAFETY Bucharest – Draeger products, MONDO INDUSTRY Piatra Neamt – Draeger and BLS GROUP products, DANGER Brasov, RENANIA Tg Mures, 3 M ROMANIA – 3M products).

**3) POLYETHYLENE PRODUCTS****a) The market:**

The distribution of sales of Polyethylene products is: 73% on domestic market and 23% on foreign markets.

Polyethylene products market shows a high degree of dispersion of demand, there is a large number of customers that pack food or non-food products by thermoshrinking or without thermoshrinking and is far away of being a market with a single customer or group of customers to dictate the market price. The price of this type of products is formed naturally in the market, free, due to the process of meeting the supply and the demand.

a) Competition:

S.C. ROMCARBON S.A. kept up, in general, with competition that, in this field was only the internal, adapting to customer requirements and applying competitive price, reasonably payment terms and fast delivery conditions .

It could be observed a move of market demand to general use foil and garbage bags produced out of regenerated plastic.

**4) PVC PRODUCTS**

In 2019, the recycled PVC supports for road signs entered foreign markets. The sales increased in 2019 by 18% as compared with 2018.



5) POLYSTYRENE PRODUCTS

a) The market

➤ **Expanded polystyrene trays (standard and catering).**

According to data from the National Statistics Institute on imports of this product; the import of polystyrene products is above 80% of the total market. Due to the fact there are only 2 domestic producers on the market, National Statistics Institute could not give us information about the market share invoking the confidentiality rule in such cases.

➤ **Extruded polystyrene panels / XPS panels and rolls**

According to data from the National Statistics Institute on imports of this product, Romcarbon market share is below 20%. The main market is the domestic one. The sales of this product range is achieved both through national distributors and directly to end consumers.

The distribution of sales in 2019 was of 64% on domestic market and 36% on foreign market. The sales increased in 2019 by 6.4% as compared with 2018. The share of export sales registered an increase of 20% compared to 2018, especially on the markets of Bulgaria, Serbia, Croatia, Czech Republic, Hungary and R.Moldova. The main foreign markets are: Bulgaria, Serbia, Czech Republic, Hungary, Croatia, Israel.

b) Competition

The main competitors for polystyrene packaging are: British Foam Group **and** Euroconf Impex SRL Belcesti- Iasi **(in a small weight)** - local producers, and other European manufacturers such as Linpac, Sirapgema, Coopbox.

For XPS pannels, the main competitors are manufacturers from Poland (DECORA, VTM) and Germany (SELITAC). Still from a company from Rusia (Decoplast Rusia) low prices EPS products are sold on Bulgarian market and Moldovan market



6) PROLYPROPYLENE PRODUCTS

a) The market

This Profit Center activates on the plastic wrappings market. Generally speaking in 2018 on the wrappings market it was maintained a higher demand of PP products, which led, as in the previous years, to a good coverage of production capacity. In 2019 the sales has the following distribution : 70% on the domestic markets and 30% at export.

The increase of the sales on domestic market is owed to the clients which activate in DIY (Do It Yourself) stores.

a.1) Domestic market

Sales activity takes place both through distributors and directly to companies that work in the mills-bakery industry, chemical industry, sugar industry, salt-processing industry or the production of animal feed and DIY sector.

Because the domestic clients are interested not only in low prices but also in good quality products, we try to give our customers all the support and meet their demands by offering suitable packaging solutions for their products.

a.2) Foreign market

We have no data to help us determining the share of the foreign market, but we intend to increase our share of this market in sales of polypropylene packaging with high added value.

On the external market, our customers are mainly large distributors in Poland, Greece, the Netherlands, Spain, France, Serbia, Hungary, Germany, Latvia, Croatia s.o.

a) **Competition:**

On the domestic market of polypropylene packaging we meet with two major manufacturers, Romtextil SA and Luna Plast SRL, and with other importers of several small bags of polypropylene.

On the foreign markets the competition consists in, besides the companies from Asia who put on market high quantities of packaging, the manufacturers from the immediate neighbourhood of Romania, such as Bulgaria.

Major dependents. There are not significant customers which, in terms of turnover deployed with them, to represent a risk factor for the company.



7) COMPOUNDS

a) **The market**

Division of Plastics compounds is the latest investment of ROMCARBON SA and completes its long such experience in processing plastics. The new profit center (compounds) began production in August 2012.

By adding and mixing different additives and fillers in polymers are obtained improved mechanical properties, resistance to UV radiation, flame resistance, shock resistance etc.

The center is equipped with the latest technology from some of the world leaders in the field of extrusion equipment and laboratory equipment. Current production capacity of the factory of compounds is about 30,000 tons/ year.

The production capacity will increase starting with Q3 2020 as a result of the investment in a new polymers fractions sorting equipment.

The product range consists of two main categories:

➤ **Plastics compounds made from virgin polymers**

(9% of CP7-Compounds sales)

At this time, the products assimilated in production are based on:

- Polypropylene (PP reinforced with calcium carbonate in various proportions and colors, PP reinforced with talc in various proportions and colors, glass fiber reinforced PP);
- Polyamide (PA6 or PA66 reinforced with fiberglass in various proportions, natural or black);
- ABS with various colors masterbatch.

Our clients are plastics processors who produce articles for various applications in the automotive industry, electrical and appliances industry, furniture, construction, pipes, packaging etc.



➤ **Compounds and re-granulated recycled polymers**
(92% of CP7-Compounds sales)

Recycled polymers represent a cost saving alternative to virgin raw materials. Depending on the purity of the material, Romcarbon technology is able to provide its clients both regranulated with exclusive content of recycled polymers, combinations in different proportions of virgin polymers with recycled polymers, and to provide optimized products from the combination of recycled polymers reinforced with various materials (calcium carbonate, talc, glass fiber).

The potential of this market segment is determined by the presence of Renault in Romania and, implicitly, of its subcontractors that supply various plastic injection parts; it is shown a growing trend for recycled plastic (especially polypropylene) to certain parts of the vehicles.

At this time, similar products in this subcategory are:

- Polypropylene regranulated in various colors.
- Polypropylene recycled compounds for various industries;
- Polystyrene regranulated in various colors;
- ABS (Acrylonitrile Butadiene Styrene) regranulated;
- High and low density Polyethylene regranulated;
- Low density linear polyethylene regranulated;
- Polycarbonate regranulated.

The turnover decreased in 2019 with 9.6% as compared with 2018.

The decrease in sales was mainly due to conditions on the external market, the virgin polymers registering an significant decrease of the price, worldwide, which was transposed in the market of recycled polymers where the demand decreased, some plastic processors preferring to use virgin raw material.

In 2019 sales were distributed as follows : 59% on the domestic market and 41% on foreign markets. The foreign market is represented by clients from Bulgaria, Hungary, Germany, Italy, Spain, Croatia, Czech Republic, Poland, Serbia and China.

The demand for recycled polymers is estimated to increase with the new EC regulations for increasing the quantities of recycled plastic in the EU by 10,000,000 tons, the target being 2025.

b) Competition:

For virgin compounds the competition is mainly represented by the big producers from oil industry.

➤ Domestic market – Recycled products

The main competitors are: Ecofriend Recycling, Crilelmar, Calnex, Remat, Total Recycling, Italplast Group.

➤ Foreign market – Recycled products

The main competitors are: Ecoinvest (Bulgaria), PMB (Bulgaria), Sky Plastic (Austria), Atus Recycling (Poland), Rego Plast (Hungary), Pokas Recycling (Greece) Megaport (Bulgaria), Galoo Plastics (Belgium), Synova (France).



1.1.5 The assessment of the aspects related to the personnel of the company

The number of employees at 31.12.2019 was 940, grouped according to the level of education as follows:

Total personnel, out of which:	940	%
• higher education*	103	11%
• post-secondary school	12	1%
• technical school for foreman	10	1%
• secondary education	407	43%
• vocational school	222	24%
• 9 – 11 classes/apprentice school	108	11%
• occupational qualification	0	0%
• school	78	8%

**Out of the total personnel with higher education, 59 persons are employed on positions which require higher education.*

The relationships between managers and employees are relations of subordination according to the Company's organizational chart, job descriptions and individual labor contract.

Each employee is directly subordinated to their superior. Superiors are responsible for the legality and validity of the instructions they issue, and the consequences of these instructions.

There were no conflicts in the relations between managers and employees.
Employees are not organized in a trade union.

1.1.6 The assessment of the impact of the company's activity on environment

S.C. ROMCARBON S.A. holds the new environmental permit in accordance with the new NACE codes Classification of Activities of National Economy, Revised Edition, NACE Rev. 2 according to INS Order 337/2007, published in Official Gazette of Romania, Part I, no. 293 / 03.05.2007.

S.C. ROMCARBON S.A. comply with environmental protection legislation, not being involved in litigation regarding infringement legislation. Periodically evaluates compliance with laws, regulations and other requirements to which the organization subscribes.

S.C. ROMCARBON S.A. has implemented and certified an integrated quality management system - environment - occupational health and safety standards ISO 9001: 2008; ISO 14001: 2005; OHSAS 18001: 2007, applicable to the design and manufacture of protective equipment for respiratory tract - SRAC certificate.

The activity of assessment/reassessment of the environment aspects is based on the internal procedure - PS-03-Environment aspects. This procedure founds the process through which the company evaluates the environment aspects of its activities and its products, - aspects that the company can control, and also the impact of its products on the environment after the products had finished their life cycle.

For evaluating the environment aspects are taking in consideration the air emissions, water leaks, soil impregnances, raw materials and natural resources usage, energy consumption, energy emissions (heat, rays, vibrations (noise), light), wastage generation, space usage.

A special attention is given to the products' life cycles stages which can be controlled or influenced by the company. The list of the significant environment aspects is updated yearly or whenever appear changes in the company, in regulations in force or other requires to whom the company choose to comply with.

Based on the significant environment aspects, the top management together with the Environment responsible and MCM departament (Quality and Environment Management) setup the strategic objectives (Level 1) and operational objectives(Level 2) founded in the Management program.

The objectives are setup in accordance with Policy fro Quality, Environment, Health and Safety, with the engagements in preventing the pollution, with obligations for compliance and improving.

The changes and developing new activities or products could invalidate the aspects previously indentified or may demands additions in the list of the significant environment aspects, in which cases is made a reassessment of the environment aspects.

Exemples of such changes:

- Change of the applicability area of Integrated Management System;
- Development of new products or services;

- Changes of the production processes, changes of technology, or insertion of new processes;
- Significant increase or decrease of the production capacity;
- Extension or relocation of an activity;
- Changes in compliance obligations with environment issues;
- Emergency situations

At the beginning of 2019 were evaluated the environment aspects and was concluded that the company might confront significant environment aspects only in abnormal situations and major force case.

1.1.7 The assessment of the research and development activity

The research and development activity carried out by the Department of Technical and Investment in collaboration with internal departments involved and with agreed service providers, includes:

- Product certification according to the national and european regulations:

In 2019, certifications were extended within the sections Filters and Protective Materials for oil filters, fuel filters, car filters, multi-gas filters.

- Re-certification of packaging manufactured from polypropylene, polyethylene and polystyrene in terms of compatibility with food, in accordance with regulations in force;
- Obtaining annual health certificate required for expanded polystyrene packaging for export to non-EU countries;
- Development of new products and technologies while developing the existing ones;
- Acquisition of the new equipment in order to increase the company productivity and the products quality;
- Updating the technical documentation of the PSE and Compound products.

The cost of reaserch and development activity in 2019 was RON 970,906, while for 2020 it was budgeted a cost of RON 1,040,996.

1.1.8 The assessment of the company's activity related to risk management

SC ROMCARBON SA had implemented the management of risk according to the standard SR EN ISO 31010-Risk management. Using valuation techniques were identified and analyzed risks in all functional departments within the organization. It had been have issued registers of risks for each functional department, a register of risks for the entire organization and a Action plan to deal with risks.



Market risk

In 2019 the company recorded a decreased of turnover with 7% as compared with 2018 amounting RON 185,722,304 (2018 : RON 200,716,405). The turnover resulting from the sales of finished products had decreased in 2018 by 6% as compared with 2018. The largest increase was accounted by CP5 - Polystyrene products (+ RON 2,381,222 /+6%), while significant decreases were accounted by CP3 – Polyethylene products(+ RON 5,498,140 /-17%) and CP7 – Compounds (- RON 3,469,861 /- 10%).

The main market for Romcarbon products is the domestic one, with a share in turnover resulting from the sales of finished products of 66% in 2019 (64% in 2018).

The clients' portfolio for the main activity (sales of finished products) is diversified, there is no clear dependence on certain clients. However, for the activity of sales of goods SC Romcarbon SA has two clients (Kasakrom Chemiclas SRL and Livingjumbo Industry SA) that in 2019 had a turnover representing 6% and 13% of total turnover. The sales to Livingjumbo Industry SA in 2019 included also sales of finished products, rents and income from other activities, which accounted for 5% of turnover.

As a novelty element, with an impact on the activity of CP5 - Polystyrene products in 2019 the DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL ON REDUCTION OF THE IMPACT OF CERTAIN PLASTIC PRODUCTS ON THE ENVIRONMENT is adopted.

According to the definition of the Directive, the ban will apply to the subgroup of catering trays. These products are delivered and resold / used by our clients for the purposes listed in the text of the Directive. In 2019, catering trays had a share of 34% in CP5' sales, distributed by markets, as follows: internal market and EU - 88%; non-EU market - 12%.

As measures taken in consideration to replace the market segment that will be lost by is the increasing of sales of catering trays on non-EU markets and increasing of sales of other EPS products such as standard trays and XPS pannels.

Currency risk

Currency exposure of SC Romcarbon SA is generated mainly by the loans denominated in euro for financing the production and the investments activities. As at 31.12.2019 the balance of these loans was EUR 10,565,352 (2018: EUR 10,454,410).

In 2019 the loss generated by the fluctuation of foreign currencies rate was - RON 1,061,793 (+RON 88,767 in 2018).

Cash flow in foreign currency in 2019 has the following structure:

Item	EURO	USD	GBP
Proceeds from foreign clients	9,557,358	245,486	0
Proceeds from credits	941,674	0	0
Other proceeds	26,566	0	0
Payment to the foreign suppliers (raw materials and equipment)	-8,727,436	-221,630	0
Payments of credits, interest, bank fees	-1,063,065	0	0
Other currency payments	-63,445	-17,967	-48
Net cash flow	671,653	5,889	-48

Liquidity risk

Current liquidity of SC Romcarbon SA (calculated as a ratio between current assets and current debts) recorded a slight decrease in 2019, i.e. 1.10 as compared with 1.20 in in 2018.

Cash flow risk

SC Romcarbon SA is not exposed to a high risk in terms of cash flow as the company cash management is very rigorous; by forecasting cash inflows and outflows over a period of three months and daily tracking performance of this projection, surplus cash is placed in term deposits, aiming at getting the best interest rates on the market. Regarding loans to finance production activity, they are contracted for a period of 12 months with the possibility of extending the due date for a similar period, and in this sense are not anticipated higher cash outflow during the year 2020.

1.1.9 Perspective elements regarding the company's activity

a) *Presentation and analysis of trends, items, events or uncertainty factors that affect or could affect the company's liquidity compared to the same period last year.*

For 2020, the company budgeted the following financial indicators:

- A total turnover of RON 214,587,796 (up with 16% as compared with 2019) out of which the turnover related to the sales of finished products is budgeted at the level of RON 161,086,298 (15% higher as compared with 2019);

- a gross profit of RON 3,068,443.

b) *Presentation and analysis of the effects of capital spending, current or anticipated on the company's financial situation compared to the same period last year.*

The main inputs of capital assets are set out in paragraph 1.1.d.

c) *Presentation and analysis of events, transactions economic changes that significantly affect revenues from the base activity.*

There were no major events influencing the operating.

2. THE TANGIBLE ASSETS OF THE COMPANY

2.1. S.C. Romcarbon S.A. Buzau has the following tangible assets:

- land and industrial and civil construction located in the municipality of Buzau, Transilvania Street no. 132, with a total area of 151,453 square meters of which built area of 62,493.83 square meters;
- land and industrial and civil construction located in Transilvania Street no. 132 - the sport facility - a total area of 22,830 square meters of which 1,053 square meters built area.
- land and commercial space located in Buzau city, Unirii Street, total area of 287 square meters of which 287 square meters built area;
- land and industrial buildings located in town of Buzau, Zone B, capture water - total area of 115,665 square meters, of which built area of 305 square meters;
- land located in town of Buzau, Buzau North in total area of 11,525 square meters;
- land and industrial buildings located in Iasi, str. Calea Chisinau, no. 29 total area of 17,196.5 square meters, built area of 2,590 square meters;
- land in built-up area Stefanestii de Jos - total area of 12,774 square meters, of which built area of 1,019.30 square meters;

Main production facilities :

I.) BUZAU

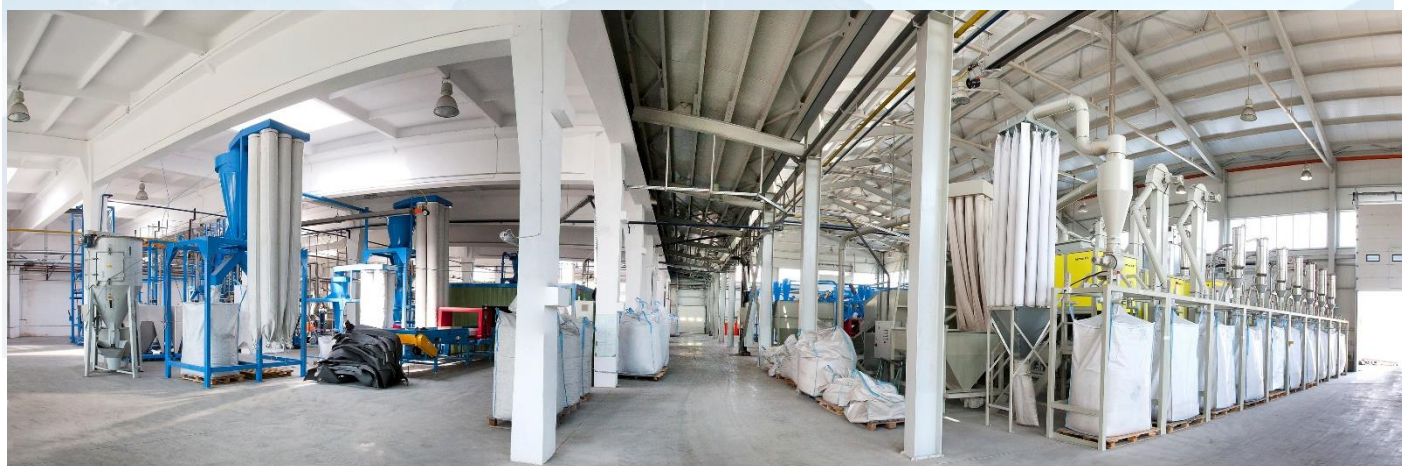
I.1.) The main building used for production activity, services and warehousing:

- Filter housings stamps hall with an area of 2,497 square meters, built of prefabricated foundation type glass columns, beams precast concrete, masonry brick on concrete foundation;
- Band filters hall - 1,793 sqm building area of prefabricated foundation pillars of glass type with precast concrete beams, brick masonry and glass, the foundation of reinforced concrete roof;
- Protective materials hall - area 1,405 sqm prefabricated foundation pillars of glass type, prefabricated reinforced concrete beams, brick masonry and glass reinforced concrete roof;
- Active charcoal Hall 1 - area of 639 sqm built in reinforced concrete foundation, brick walls, concrete roof;
- Active charcoal Hall 2 - area of 1,803 square meters, built of prefabricated foundation pillars of glass type prefabricated reinforced concrete beams, brick masonry on concrete foundation;
- Polyethylene- Polypropylene Hall - an area of 11,506 square meters, built of prefabricated foundation pillars glass type with precast concrete beams, brick masonry and reinforced concrete foundation, reinforced concrete slab;
- Production hall + expansion and modernization of EU funds (Compounds Hall) - total area of 4,106 square meters of prefabricated foundation pillars of glass type with precast concrete beams, brick masonry and glass, the foundation of reinforced concrete roof in which the extent of 1,806 sqm - hall with glass type foundation, metal poles and steel structure; Tristram wall panels 6 cm, aluminum joinery and double glazing and roof panels Tristram 8 cm floor made of concrete and reinforcing mesh with a mesh of 100 * 100 * 8 mm quartz elicoptrizat and treatment resistance to wear and dust ; access to the plant is made by six industrial doors with electric drives; electrical facilities have been fully restored;
- Production hall – total area 873 sqm, built on the foundation of reinforced concrete, structure of concrete pillars, aluminium frames, thermopane windows;

- Polystyrene hall and Warehouse - an area of 4,367 square meters, built of prefabricated foundation pillars of glass type precast concrete beams, brick walls, glass panels and three-layer, reinforced concrete floor and roof panels Tristram;
- PSE mill hall and warehouse area of 577 sqm built on reinforced concrete foundation, brick walls, concrete roof;
- Wiring Hall 1 -Surface 415 sqm built on reinforced concrete foundation, brick walls, concrete floor;
- Laboratory - area 642 sqm, built on concrete foundation, brick masonry, roof;
- Compressor hall with an area of 396 sqm, built on the foundation of reinforced concrete, brick walls, concrete slab, of which 276.5 sq rent;
- Deposit filters - area of 1,144 square meters, built on the foundation of reinforced concrete, reinforced concrete walls, prefabricated roof;
- Administrative building - area 361 sqm, built on the foundation of reinforced concrete, brick masonry, reinforced concrete roof slab;
- Hall with an area of 1,653 square meters, prefabricated foundation pillars of glass type precast concrete beams, brick masonry and glass, the concrete foundation of reinforced concrete roof;

I.2.) Rented buildings :

- Hall area of 717 sqm built on reinforced concrete foundation, structure of concrete pillars, brick masonry, concrete floor;
- Hall - an area of 3,035 sqm, prefabricated foundation pillars of glass type precast concrete beams, brick masonry and glass, the concrete foundation concrete roof;
- Hall - an area of 2,718 sqm, prefabricated foundation pillars of glass type precast concrete beams, brick masonry and glass, the concrete foundation concrete roof; .
- Wiring Hall 2 - area of 479 sqm built on reinforced concrete foundation, brick walls, floor of corrugated sheets;
- Hall with an area of 655 sqm, brick walls, concrete roof;
- Hall with an area of 1,034 sqm, built of prefabricated foundation pillars of glass type precast concrete beams, brick masonry, roof prefabricated concrete.
- Hall with an area of 1,693 sqm, built of prefabricated foundation pillars of glass type precast concrete beams, brick masonry, roof prefabricated concrete.
- Warehouse with an area of 456 sqm, built on the foundation of reinforced concrete, metal pillars, walls and roof from prefabricated panels;
- Warehouse with an area of 743 sqm, built on the foundation of reinforced concrete, metal pillars, walls and roof from prefabricated panels.



II.) WORKING POINT IASI

ASSET 18.

- Fiber house 1 body A - area of 675 square meters built on reinforced concrete foundation, structure of concrete pillars, brick masonry, concrete floor ;

ASSET 19

- Fiber house 1 body B - area of 1,076 square meters built on reinforced concrete foundation, structure of concrete pillars, brick masonry, concrete floor ;

ASSET 20

- SRA hall - area of 280.89 square meters construction on reinforced concrete foundation, structure of concrete pillars, brick masonry, concrete floor ;

- Buildings C1-(cafeteria)-area of 1,312 square meters – construction on reinforced concrete foundation, structure of concrete pillars, brick masonry, concrete floor -acoperis tip terasa necirculabila ;

At the work point in Iasi, SC Romcarbon SA does not conduct production activity, but some of these buildings and constructions have been rearranged for renting.

III.) WORKING POINT STEFANESTII DE JOS

- storage hall - 263 sqm area, foundation type glass - metal poles, walls and roof panels three pane;
- type shed hall - 753 sqm area, foundation type glass - pillars and steel structure, roof sheets;

2.2 Some of the company's buildings have a significant age and a wear rate of 15% up to 50%.

These buildings are in the Active Carbon section, and few of them in Filters section, Materials for protection section, PE and PP sections.

2.3 S.C. Romcarbon S.A. Buzau holds property documents over all the tangible assets.

3. SECURITIES MARKET

3.1 The Company' shares are traded on the Bucharest Stock Exchange SA, Section Equities, Standard category.

In order to ensure transparency in the capital market and a permanent information both for shareholders and potential investors in the Extraordinary General Meeting of Shareholders dated 20.11.2007, the shareholders decided admission to trading of the company on BSE, Equities Section, Category II. At the hearing dated 11.03.2008, National Securities Commission decided, by Decision no. 469 / 11.03.2008, the approval of the Prospectus prepared for admission to trading on the regulated market administered by SC Bucharest Stock Exchange S. A. of the shares issued by SC ROMCARBON S.A.

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

3.2 The total amount of dividends due in the last 3 financial years:

2017 - RON 2,007,327.93

2018 - RON 1,056,488.38

2019 - *according to the General Stockholders Asseby decision dated 2429/30.04.2020*

3.3 The Company has not undertaken activities to acquire own shares.

3.4 If company has branches, specifying the number and nominal value of shares issued by the parent company owned subsidiaries.

Not applicable .

3.5 S.C. Romcarbon SA did not issue bonds or other debt securities in 2019.

4. THE MANAGEMENT OF THE COMPANY

4.1. DIRECTORS

a) The Board of Directors in 2019:

Huang Liang Neng – Chairman of the Board starting on 26.04.2018, for a mandate which expire on 04.02.2020, appointed on Ordinary General Meeting of Shareholders decision of SC ROMCARBON SA dated 26.04.2018, 49 years old;

Simionescu Dan – Deputy chairman of the Board, starting on 21.01.2016, for a mandate of 4 years, expiring on 04.02.2020, appointed on Ordinary General Meeting of Shareholders decision of SC ROMCARBON SA dated 21.01.2016, 69 years old;

Wang Yi Hao –Member of the Board, starting on 21.01.2016, for a mandate of 4 years, expiring on 04.02.2020, appointed on Ordinary General Meeting of Shareholders decision of SC ROMCARBON SA dated 21.01.2016, 35 years old ;

The Board of Directors starting with 04.02.2020:

Huang Liang Neng – Chairman of the Board, appointed on Ordinary General Meeting of Shareholders decision of SC ROMCARBON SA dated 23.01.2020 for a mandate of 4 years, expiring on 04.02.2024, 49 years old;

Wang Yi Hao – Deputy chairman of the Board , appointed on Ordinary General Meeting of Shareholders decision of SC ROMCARBON SA dated 23.01.2020 for a mandate of 4 years, expiring on 04.02.2024, 35 years old;

Toderita Stefan Alexandru – Member of the Board , appointed on Ordinary General Meeting of Shareholders decision of SC ROMCARBON SA dated 23.01.2020 for a mandate of 4 years, expiring on 04.02.2024, 25 years old;

b) Not applicable.

c) Participation of administrators to share capital of SC Romcarbon SA, at the reference date 31.12.2019:

Huang Liang Neng- 0 shares
Wang Yi Hao - 0 shares
Simionescu Dan -493,328 shares

d) Company' s affiliates as per 31.12.2019:

d.1. Legal entities in which SC Romcarbon S.A. owned, on 31.12.2019, directly, at least 25% holdings :

Company	Total number of shares	Nominal Value (lei)	Social capital (lei)	No. of shares held	Investment value	Interest quota (%)
RECYPLAT LTD CIPRU	26,000	4.3521	113,154	26,000	20,261,120	100.0000%
ROMCARBON DEUTSCHLAND GmbH			110,138		110,138	100.0000%
RC ENERGO INSTALL SRL	200	10	2,000	200	15,112	100.0000%
INFO TECH SOLUTIONS SRL	200	10	2,000	198	1,980	99.0000%
LIVINGJUMBO INDUSTRY SA*	1,400	4,032	5,644,800	5,636,736	1,398	6,477,632
GRINFILD LLC UCRAINA					2,687,755	62.6200%
YENKI SRL	32,800	10	328,000	10,934	100,000	33.3354%
ASOCIATIA ECOLOGICA GREENLIFE (Non-Profit Organization)				1,200	400	33.3333%
ECO PACK MANAGEMENT SA	144,600	10	1,446,000	36,670	586,625	25.3596%

d.2. Legal entities who have in SC ROMCARBON S.A. a direct holdings of at least 25% - SC LIVING PLASTIC INDUSTRY S.R.L.- 32.8540%.

4.2. Executive members

In 2019, the management of the company was exercised by the following persons:

a.1) Limited period (mandate):

Andrei Radu- Chief Executive Officer (01.09.2017- 31.08.2021)

Manaila Carmen – Chief Operations Officer (01.10.2017- 31.08.2021)

a.2) Unlimited period:

Dobrota Cristinel - Development manager starting with 08.01.2019

Cretu Victor- PP Operations Manager starting with 01.10.2017

Pindaru Marina Alina - PE Operations Manager starting with 01.10.2017

Voicheci Neli - Compounds Operations Manager starting with 01.10.2017

Ungureanu Ion - EPS Operations Manager starting 01.10.2017

Titi Mihai - Technical Manager since 21.01.2019

Zainescu Viorica Ioana - CFO starting on 15.01.2010

Duracu Gheorghe - Quality Manager starting on 05.01.2004

Starting with 17.02.2020 the management of the company is exercised by the following persons:

a.1) Limited period (mandate):

Huang Liang Neng- Chief Executive Officer (17.02.2020- 17.02.2024)

a.2) Unlimited period:

Manaila Carmen – Deputy General Manager for Administrative operations starting with 17.02.2020;

Dobrota Cristinel – Deputy General Manager for Development starting with 17.02.2020;

Cretu Victor- Manager of the Profit Centers no.6 – Polypropylene products starting with 17.02.2020;

Pindaru Marina Alina - Manager of the Profit Centers no.3 – Polyethylene products starting with 17.02.2020;

Ungureanu Ion - Manager of the Profit Centers no. 5– Polystyrene products starting with 17.02.2020;

Constantinescu Gabriel - Manager of the Profit Centers no.1 si 2 – Auto and Industrial filters and Individual protective equipments starting with 17.02.2020;

Titi Mihai - Technical Manager since 21.01.2019;

Zainescu Viorica Ioana - CFO starting on 15.01.2010

b) Not applicable.

c) Not applicable.

4.3. There were not any litigations or administrative proceedings to be involved the management members (administrators) or senior executives or persons listed in pct.4.1 and 4.2.

5. FINANCIAL STATEMENTS OF THE COMPANY

Attachments:

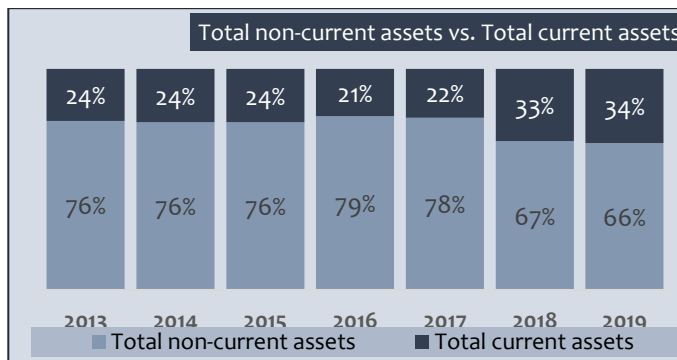
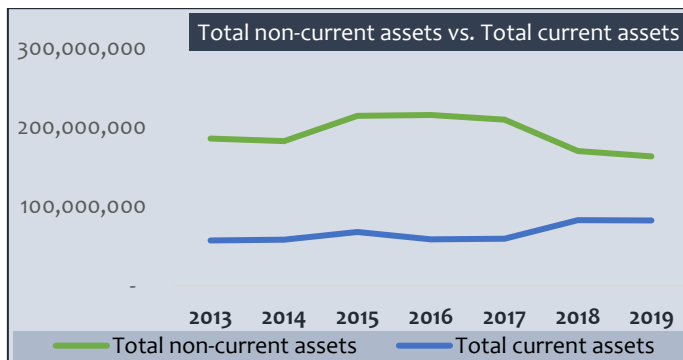
- Separate financial statements for the year ended on 31.12.2019 prepared in accordance with Accounting Act no. 82/1991, republished, Order no. 1286/2012 as subsequently amended, O.M.F.P. no. 881/2012 on the application by the companies whose securities are admitted to trading on a regulated market of International Financial Reporting Standards - standards adopted under the procedure provided for in art. 6 para. (2) of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards. The company will issue for the year 2019 consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") (Including: Independent-auditor Report of Deloitte Audit SRL -, Income and expenses statement, Statement of comprehensive income, Statement of financial position, Statement of changes in equity, Cash flow statement, Notes to financial statements, the Administrators Financial Report attached to the financial situations;
- The decision of the Ordinary General Meeting of Shareholders dated 29/30.04.2020, which approved the 2019 financial statements;
- Declaration of the management company of the conformity of the accounting statements.



5.1 STATEMENT OF THE FINANCIAL POSITION

Indicator	31.12.2017	31.12.2018	31.12.2019	31.12.2019 vs. 31.12.2018	
Property, plant and equipment	137,757,935	130,049,723	122,648,084	-7,401,639	▼ -5.69%
Investment property	49,859,449	18,033,515	13,432,444	-4,601,071	▼ -25.51%
Intangible assets	160,081	78,269	314,136	235,868	▲ 301.36%
Financial assets	22,247,181	22,247,181	27,085,581	4,838,400	▲ 21.75%
Total non-current assets	210,024,646	170,408,688	163,480,245	-6,928,443	▼ -4.07%
Non-current assets held for sale	0	16,000,390	4,367,166	-11,633,224	▼ -72.71%
Inventories	23,824,914	20,695,918	25,346,355	4,650,437	▲ 22.47%
Trade and other receivables	32,493,266	35,722,416	45,865,813	10,143,397	▲ 28.40%
Amounts to receive from affiliates (financial)	0	6,174,452	335,912	-5,838,540	▼ -94.56%
Other assets	820,245	1,007,913	1,249,969	242,057	▲ 24.02%
Cash and bank balances	2,529,017	3,331,011	5,549,445	2,218,435	▲ 66.60%
Total current assets	59,667,443	82,932,100	82,714,660	-217,440	▼ -0.26%
Total assets	269,692,089	253,340,788	246,194,905	-7,145,884	▼ -2.82%
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	53,222,860	58,492,792	58,845,305	352,513	▲ 0.60%
Retained earnings	51,304,266	50,103,010	49,614,454	-488,556	▼ -0.98%
Total equity	133,121,619	137,190,295	137,054,252	-136,043	▼ -0.10%
Borrowings [Long-term]	32,911,592	22,666,822	12,705,852	-9,960,970	▼ -43.95%
Long term finance leases and other interest bearing obligations	0	0	0	0	—
Deferred tax liabilities	10,758,395	8,902,075	8,368,626	-533,449	▼ -5.99%
Deferred income	17,676,474	15,413,305	13,138,559	-2,274,746	▼ -14.76%
Total non-current liabilities	61,346,461	46,982,202	34,213,037	-12,769,165	▼ -27.18%
Trade and other payables	28,571,443	24,537,065	23,643,049	-894,017	▼ -3.64%
Borrowings [Short – term]	41,726,661	39,935,674	46,071,939	6,136,265	▲ 15.37%
Short term finance leases and other interest bearing obligations	86,797	0	0	0	—
Deferred revenue	2,305,250	2,265,476	2,345,590	80,114	▲ 3.54%
Other liabilities	2,533,859	2,430,076	2,867,038	436,962	▲ 17.98%
Total current liabilities	75,224,010	69,168,292	74,927,616	5,759,324	▲ 8.33%
Total liabilities	136,570,470	116,150,493	109,140,653	-7,009,841	▼ -6.04%
Total equity and liabilities	269,692,089	253,340,788	246,194,905	-7,145,884	▼ -2.82%

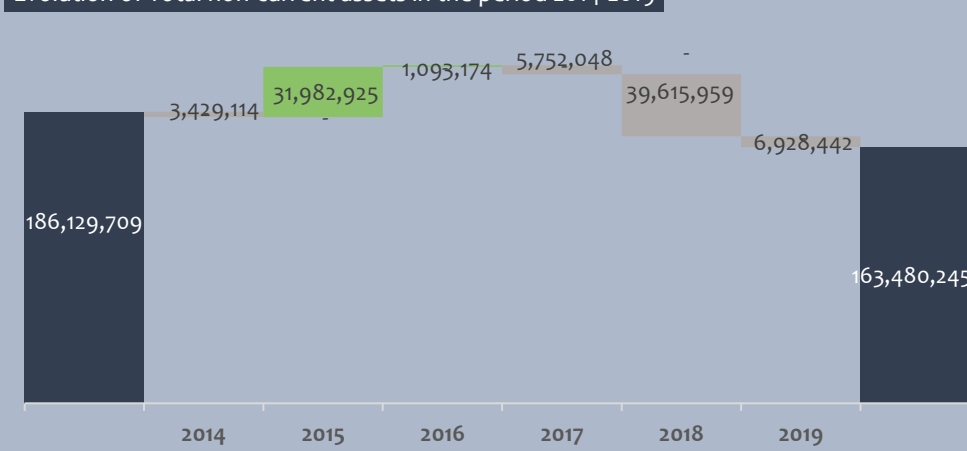
ASSETS



NON-CURRENT ASSETS

In the 2019 **Non-currents assets** hold 66.40% of the company's assets, recording a decrease of RON 6,928,442, i.e. 4.07%, as compared with the beginning of the year.

Evolution of Total non-current assets in the period 2014-2019



Non-current assets (NCA)	31.12.2019	% in total NCA	% in total Assets	31.12.19 vs. 31.12.18
Property, plant and equipment	122,648,084	75.02%	49.82%	-5.69%
Investment property	13,432,444	8.22%	5.46%	-25.51%
Intangible assets	314,136	0.19%	0.13%	301.36%
Financial assets	27,085,581	16.57%	11.00%	21.75%
Total non-current assets	163,480,245	100.00%	66.40%	-4.07%

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

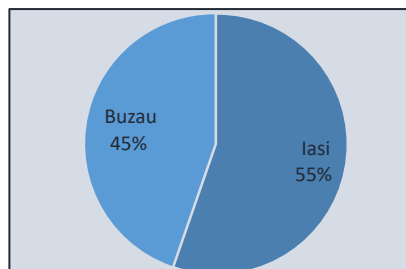
· Buildings (including rearrangements and improvement)	:	527,586 lei
· Equipment and installations	:	808,733 lei
· Furniture and office equipment	:	72,680 lei

The non-current assets entries in 2019 had the following destinations: CP7-Compounds : RON 661,416; CP5- PSE: RON 40,100; Administrative and other sectors: RON 707,483.

The outputs of Non-current assets in the reporting period were as per registration cost in amount of RON 1,018,537, out of which RON 971,043 sales and RON 47,494 dismantles/casation.

The Property investments (land & plants) have the following geographical distribution:

Property investment	Total
Iasi	7,430,161
Buzau	6,002,283
Total	13,432,444



As at December 31, 2019 the Company revaluated the Property investments held at the end of the financial year resulting a decrease in net value with RON 429,524, amount recognised in the Profit and Loss of the year.

Financial Investments hold 11% of Total Assets, and 16.57% of Non-current assets.

As at 31.12.2019, S.C. ROMCARBON S.A. held shares in other companies totalizing RON 30,449,725, 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)	Participati on quota (%)
RECYPLAT LTD CIPRU	26,000	4.3521	113,154	113,154	26,000	20,261,120	100.00%
ROMCARBON DEUTSCHLAND GmbH			110,138	110,138		110,138	100.00%
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*	1,400	4,032	5,644,800	5,636,736	1,398	6,477,632	99.8571%
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				0	139,000	203,963	1.95%
BIOTECHNOLOGY CO.LTD	2,889,993					5,000	3.79%
REGISTRUL MIORITA SA	10,500	10	105,000	3,980	398		
TOTAL						30,449,725	

*On 01.06.2019, SC Romcarbon SA participated in the increase of the capital of the affiliate Livingjumbo Industry SA with an amount of RON 4,834,400 (1,200 shares * 4,032 lei/share) representing the conversion in equity of the loan granted to the affiliate and partly of the related interest as follows:

- RON 4,740,000 (EUR 1,000,000 * RON 4.74 /EUR) representing the balance of the loan;
- RON 94,800 (EUR 20,759.49 * RON 4.74 /EUR) representing the interest related to the loan.

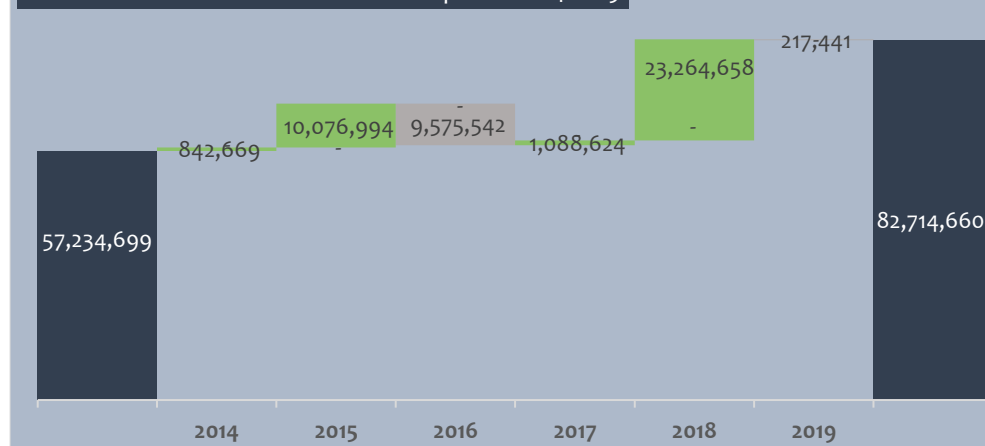
The impairment of financial investments are presented in the following table:

Company	Holdings (%)	Adjustments
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

Current assets hold 33.60% of total assets recording a decrease of RON 217,440, i.e. 0.26% as compared with the beginning of the year.

Evolution of Total current assets in the period 2014-2019



Current assets (CA)	31.12.2019	% in total CA	% in Total Assets	31.12.19 vs. 31.12.18
Non-current assets held for sale ^{2 3 4 5 6}	4,367,166	5.28%	1.77%	-72.71%
Inventories	25,346,355	30.64%	10.30%	22.47%
Trade and other receivables	45,865,813	55.45%	18.63%	28.40%
Amounts to receive from affiliates (financial) ⁷	335,912	0.41%	0.14%	-94.56%
Taxes receivables	0	0.00%	0.00%	0.00%
Other assets	1,249,969	1.51%	0.51%	24.02%
Cash and bank balances	5,549,445	6.71%	2.25%	66.60%
Total	82,714,661	100.00%	33.60%	-0.26%

*In December 2018, according with IFRS5, it was reclassified an Iasi asset, consisting in a land with an area of 35,451.18 sq m located in Iasi, no.29 Chisinaului Way, Iasi County and of the buildings built on this land, asset which is the object of the 2nd buying selling precontract, from the category « Property investments » in « Non-current assets held for sale ». The asset (land and buildings) who made the object of this reclassification has a book value of RON 16,757,112. On this occasion by applying IFRS 5 was recognised a loss in the amount of RON 756,722.

² In May 2019 took place an intermediary stage of the selling-buying antecontract signed with Office&Logistic SRL which has the object the selling of a land in a total area of 1,289 sq m for which it was cashed the price of RON 600,566 (EUR 126,322).

³ On 13.08.2019 it was completed the stage agreed according to the 2nd Presale contract concluded with OFFICE & LOGISTIC S.R.L. (as buyer) representing the countervalue of an asset (land and buildings) located in Iasi, Calea Chisinaului, nr.29 having a total area of 17,569 sq m, out of which 1,906 sq m built area, according with the selling-buying contract no. 2917 signed on 13.08.2019. According to the selling-buying contract it was cashed the price of RON 5,435,475 (equivalent of EUR 1,150,000).

⁴ On 28.11.2019 it was completed the 2nd stage agreed according to the 2nd Presale contract concluded with OFFICE & LOGISTIC S.R.L. (as buyer) representing the countervalue of an asset (land and buildings) located in Iasi, Calea Chisinaului, nr.29 having a total area of 11,061 sq m, out of which 5,830 sq m built area, according with the selling-buying contracts no. 4364 and 4365 signed on 28.11.2019. According to the selling-buying contract it was cashed the price of RON 5,496,080 (equivalent of EUR 1,150,000).

⁵ On 28.11.2019 it was completed before term (the initial term was 30.03.2020) the 3rd stage agreed according to the 2nd Presale contract concluded with OFFICE & LOGISTIC S.R.L. (as buyer) representing the countervalue of an asset (land and buildings) located in Iasi, Calea Chisinaului, nr.29 having a total area of 5,340.48 sq m, out of which 1,609.85 sq m built area, according with the selling-buying contract no. 4366 signed on 28.11.2019. According to the selling-buying contract it was cashed the price of RON 4,654,029 (equivalent of EUR 977,666.59).

⁶ As at December 31, 2019 the Stefanesti Asset (land and buildings) having a value of RON 4,194,581 was reclassified from Property investment to „Non-current assets held for sale”.

Subsequent events

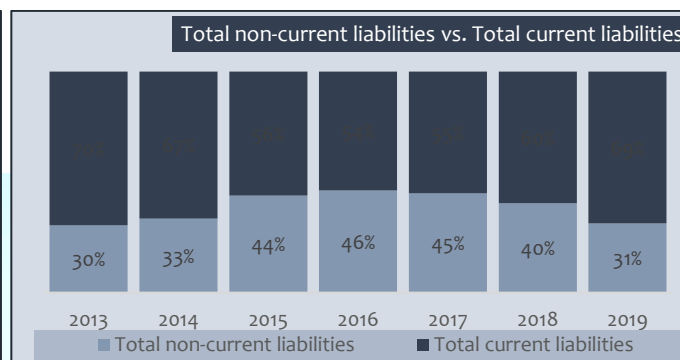
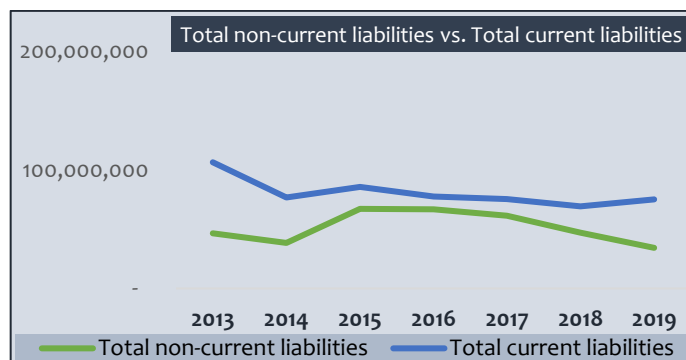
On 31.01.2020 it was completed the sales agreed according to the Presale agreement no.1830 dated 18.12.2019 concluded with GREEN PC AMBALAJE S.R.L (as buyer) representing the countervalue of an asset (land and buildings) located in Ilfov, Stefanestii de Jos, Str. Sinaia nr.15 having a total area of 12,774 sq m, out of which 4,928 sq m built

area, according with the selling-buying contract no. 183 signed on 31.01.2020. According to the selling-buying contract it was cashed the price of RON 3,987,387.32 (equivalent of EUR 834,356).

⁷ Loan granted to affiliates

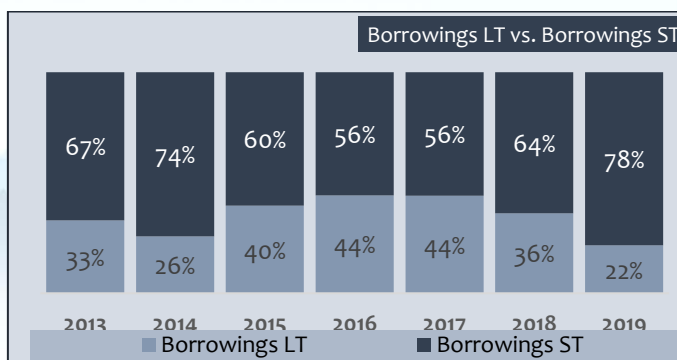
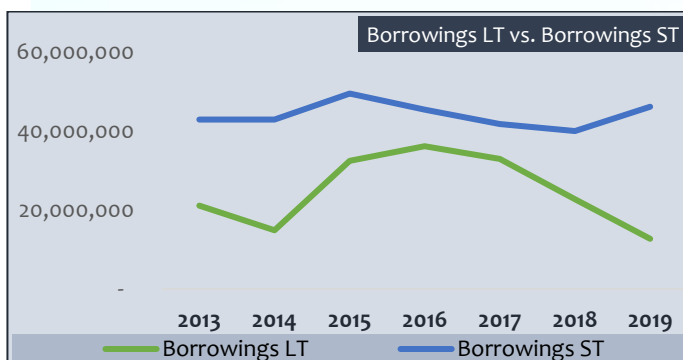
Societate	Valoare contract	Sold imprumut 31.12.2019		Dobanda	Total
RC Energo Install SRL	€ 250,000	€ 70,000	334,551 lei	1,361 lei	335,912 lei
Total	€ 250,000	€ 70,000	334,551 lei	1,361 lei	335,912 lei

LIABILITIES



Total Liabilities hold 44.33% of the company's Equity&Liabilities recording a decrease of RON 7,009,841, i.e. 6.04%, as compared with the beginning of the year

BORROWINGS



As at 31.12.2019 the loans contracted by S.C. ROMCARBON S.A. have the following structure :

Bank	Type	Initial amount/ceiling	Balance as at 31.12.2019		Tenor
			in euro	in lei	
UniCredit Bank	Overdraft	€ 5,450,000	€ 5,293,173	25,297,660 lei	10/04/2020
BRD GSG	Overdraft	€ 2,550,000	€ 2,529,273	12,088,156 lei	29/10/2020
UniCredit Bank	Investment loan III	€ 442,500	€ 197,765	945,178 lei	19/09/2021
BRD GSG	Investment loan II	€ 1,000,000	€ 354,037	1,692,049 lei	03/09/2022
BRD GSG	Investment loan III	€ 3,153,160	€ 328,684	1,570,879 lei	03/02/2022
UniCredit Bank	Investment loan - CCE 2015	€ 3,042,240	€ 1,862,420	8,901,064 lei	04/12/2023
Total credits in euro			€ 10,565,352	50,494,987 lei	
Eximbank SA	Investment loan I	6,142,500 lei		2,559,375 lei	20/06/2022
Eximbank SA	Investment loan II	2,432,500 lei		1,790,498 lei	16/12/2022
UniCredit Bank	Investment loan I ⁸	3,200,000 lei		- lei	11/07/2023
UniCredit Bank	Investment loan II	2,500,000 lei		535,961 lei	19/09/2021
UniCredit Bank	Investment loan IV ⁹	5,400,000 lei		2,155,758 lei	01/12/2021

Bank	Type	Initial amount/ceiling	Balance as at 31.12.2019		Tenor
			in euro	in lei	
UniCredit Bank	Investment loan V ¹⁰	2,250,000 lei		1,241,212 lei	06/04/2022
Total credits in lei				8,282,802 lei	
Total bank exposure				58,777,790 lei	

⁸ In december 2019, the balance of the Investment loan I in amount of RON 1,831,789, having an initial amount of RON 3,200,000, was reimbursed before term. The credit had been contracted for financing the acquisition of a part of the Iasi asset.

Short-term loans have the following structure :

Bank	Type	CCY	Initial amount/ceiling	Balance as at 31.12.2019	
				in euro	in lei
UniCredit Bank SA	Overdraft	euro	€ 5,450,000	€ 5,293,173	25,297,660 lei
BRD GSG	Overdraft	euro	€ 2,550,000	€ 2,529,273	12,088,156 lei
Total				€ 7,822,446	37,385,815 lei

Long-term loans have the following structure :

Bank	Type	Balance as at 31.12.2019		< 1 year	>1 year
		in euro	in lei		
UniCredit Bank	Investment loan III	€ 197,765	945,179 lei	540,102 lei	405,077 lei
BRD GSG	Investment loan II	€ 354,037	1,692,048 lei	597,194 lei	1,094,854 lei
BRD GSG	Investment loan III	€ 328,684	1,570,881 lei	754,023 lei	816,859 lei
UniCredit Bank	Investment loan - CCE 2015	€ 1,862,420	8,901,063 lei	2,078,996 lei	6,822,067 lei
Total credits in euro			13,109,172 lei	3,970,315 lei	9,138,857 lei
Eximbank SA	Investment loan I		2,559,375 lei	1,023,750 lei	1,535,625 lei
Eximbank SA	Investment loan II		1,790,498 lei	596,833 lei	1,193,665 lei
UniCredit Bank	Investment loan II		535,961 lei	306,263 lei	229,698 lei
UniCredit Bank	Investment loan IV ⁹		2,155,758 lei	1,547,751 lei	608,007 lei
UniCredit Bank	Investment loan V ¹⁰		1,241,212 lei	1,241,212 lei	0 lei
Total credits in lei			8,282,802 lei	4,715,808 lei	3,566,995 lei
Total bank exposure			21,391,974 lei	8,686,123 lei	12,705,852 lei

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

Subsequent events

⁹ In February 2020 it was reimbursed before term the amount of RON 861,432. After reimbursement the balance of the loan became RON 1,114,679, payable in 22 equal monthly installments.

¹⁰ In February 2020 it was reimbursed before term the entire balance of the loan, RON 1,196,882.

CURRENT LIABILITIES

Current liabilities of the Company, representing 68.65% of the Total Liabilities and 30.43% of Total Equity & Liabilities have increased by RON 5,759,324 as compared with the beginning of the year, i.e. 8.33%.

Evolution of Total current liabilities in the period 2014-2019

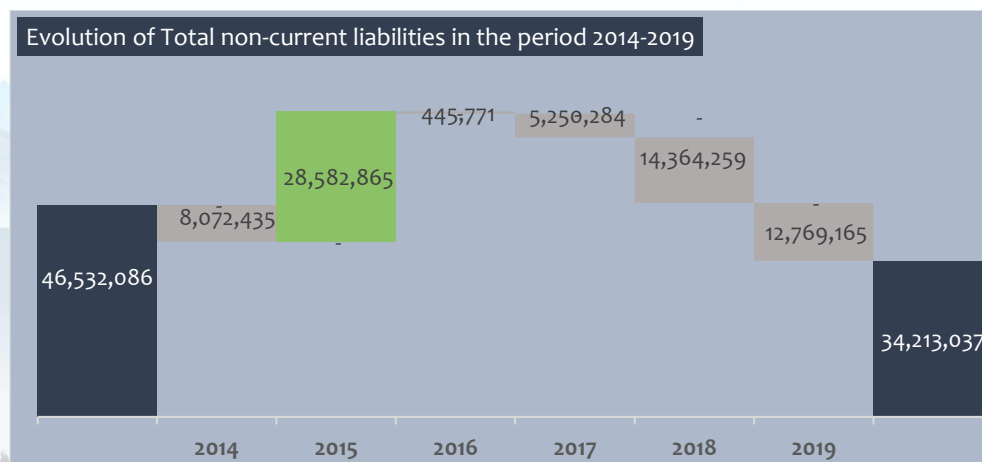


Current liabilities	31.12.2019	% in total liabilities	% in Total current liabilities	% in Total Equity and Liabilities	31.12.19 vs. 31.12.18
Trade and other payables	23,643,049	21.66%	31.55%	9.60%	-3.64%
Borrowings [Short – term]	46,071,939	42.21%	61.49%	18.71%	15.37%
Deferred revenue	2,345,590	2.15%	3.13%	0.95%	3.54%
Other liabilities	2,867,038	2.63%	3.83%	1.16%	17.98%
Total current liabilities	74,927,616	68.65%	100.00%	30.43%	8.33%

NON-CURRENT LIABILITIES

Non-current Liabilities representing 13.90% of the company's Equity & Liabilities recording in the reporting period a decrease of RON 12,769,165, i.e. 27.18%, as compared with the beginning of the year.

Evolution of Total non-current liabilities in the period 2014-2019

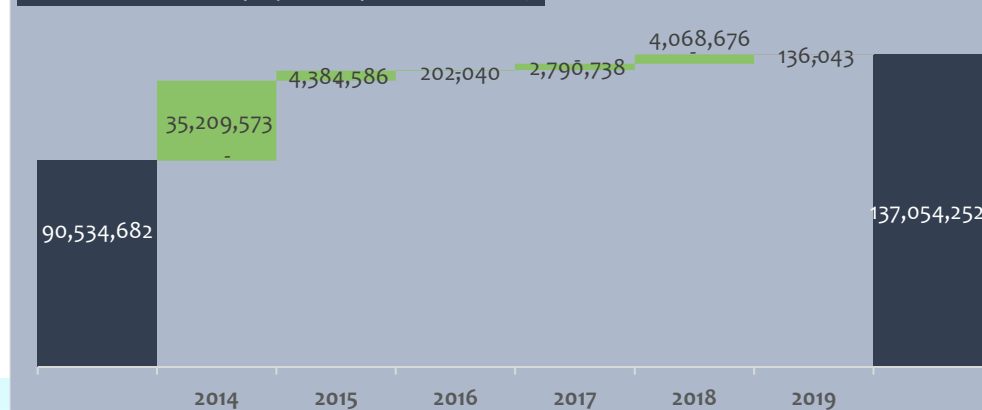


Non-current liabilities	31.12.2019	% in total liabilities	% in Total non-current liabilities	% in Total Equity and Liabilities	31.12.19 vs. 31.12.18
Borrowings [Long-term]	12,705,852	11.64%	37.14%	5.16%	-43.95%
Deferred tax liabilities	8,368,626	7.67%	24.46%	3.40%	-5.99%
Deferred income	13,138,559	12.04%	38.40%	5.34%	-14.76%
Total non-current liabilities	34,213,037	31.35%	100.00%	13.90%	-27.18%

EQUITY

Total Equity holds **55.67%** of Total Equity & Liabilities, recording in the reporting period a decrease of RON 136,043, as compared with the beginning of the year.

Evolution of Total Equity in the period 2014-2019



Equity	31.12.2019	% in Total Equity and liabilities
Issued capital (264,122,096 shares at RON 0.10/share)	26,412,210	10.73%
Share premium	2,182,283	0.89%
Reserves	58,845,305	23.90%
Retained earnings	49,614,454	20.15%
Total Equity	137,054,252	55.67%

5.2 STATEMENT OF THE COMPREHENSIVE INCOME

Indicator	12 months of 2017	12 months of 2018	12 months of 2019		2019 vs. 2018	
Net sales	195,140,695	198,460,719	183,857,280	▼	(14,603,439)	-7%
Investment income ¹¹	3,987,533	3,464,433	1,951,422	▼	(1,513,011)	-44%
Other gains and losses ¹²	2,796,780	3,388,764	(1,334,935)	▼	(4,723,698)	-139%
Changes in inventories of finished goods and work in progress	2,304,367	372,436	3,560,611	▲	3,188,175	856%
Raw materials and consumables used	(139,437,993)	(136,656,677)	(123,157,911)	▼	13,498,766	-10%
Depreciation and amortization expenses	(10,706,926)	(11,553,840)	(10,634,489)	▼	919,351	-8%
Employee salaries and benefits	(28,174,199)	(35,940,642)	(37,440,065)	▲	(1,499,423)	4%
Social security expenses	(6,608,431)	(1,139,629)	(1,153,670)	▲	(14,041)	1%
Net finance costs	(1,728,613)	(1,945,033)	(1,853,730)	▼	91,303	-5%
Income from subsidies	2,264,436	2,263,169	2,275,213	▲	12,044	1%
Other expenses	(14,099,311)	(16,247,641)	(15,482,186)	▼	765,455	-5%
Profit (loss) before taxation	5,738,338	4,466,057	587,540	▼	(3,878,517)	-87%
Profit tax	(940,272)	334,297	(217,442)	▼	- 551,739	n/a
Profit (loss) of the year	4,798,066	4,800,354	370,098	▼	(4,430,256)	-92%
Deferred tax adjustment related to non-tax deductible revaluation reserves	0	1,275,648	74,009	▼	(1,201,639)	
Total comprehensive income	4,798,066	6,076,002	444,107	▼	(5,631,895)	-93%
EBITDA Operational	12,182,514	11,384,243	12,316,630	▲	932,387	8%

¹¹ Investment income – details:

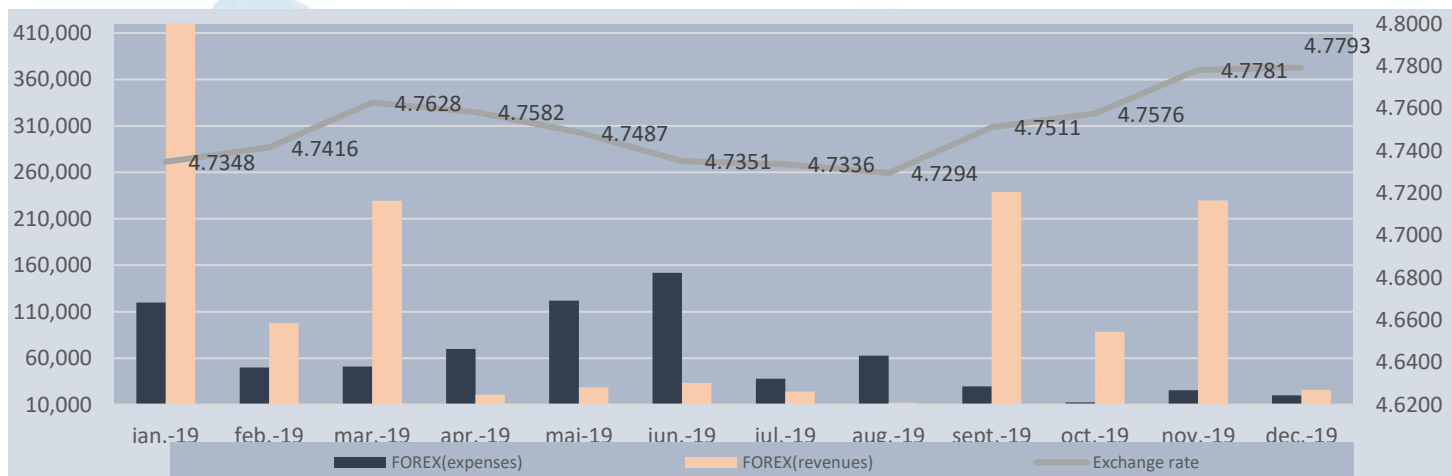
Indicator	12 months of 2017	12 months of 2018	12 months of 2019		2019 vs. 2018	
Rental and royalty income	2,825,883	2,255,686	1,865,024	▼	(390,662)	-17%
Interest income	3,653	91,387	86,398	▼	(4,989)	-5%
Investment income (dividends) - Infotech Solutions	157,997	117,360	0	▼	(117,360)	-100%
Investment income (dividends) - RC Energo Install	1,000,000	1,000,000	0	▼	(1,000,000)	-
Total	3,987,533	3,464,433	1,951,422	▼	(1,513,011)	-44%

¹² Other gains and losses – details :

Indicator	12 months of 2017	12 months of 2018	12 months of 2019	2019 vs. 2018	
Gain/loss on disposal of non-current assets held for sale	-	-	256,605	▲	256,605 0%
Gain/ Loss arising on changes in fair value of investment property	1,490,374	307,659	(429,524)	▲	(737,183) -240%
Gain/loss on disposal of investments property	2,385,785	2,709,699	-	▼	(2,709,699) -100%
Revenues from compensation, fines and penalties	668,728	86,671	10,395	▼	(76,276) -88%
Gain/loss on fixed assets disposal	(424,790)	11,254	(223,239)	▲	(234,493) -2084%
Other exploitation revenues	137,362	123,175	140,829	▲	17,654 14%
Loss from financial investments	(1,020)	-	-	—	- 0%
Gain/loss from forex	59,713	25,454	(19,851)	▼	(45,304) -178%
Revenues from discounts received	-	-	11,065	▲	11,065 0%
Gain/loss from forex (End of month evaluation)	(1,502,395)	88,767	(1,061,801)	▲	(1,150,568) -1296%
Gains / losses from adjustments for impairment of current assets	(16,976)	36,085	(19,414)	▼	(55,499) -154%
Total	2,796,780	3,388,764	(1,334,935)	▼	(4,723,698) -139%

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 for 2019 the company registered revenues in amount of RON 752,073 and expenses in amount of RON 1,813,866, resulting a loss of RON 1,061,793.

In the same period of last year by re-valuating the company bank availabilities, the receivables and the liabilities expressed in a foreign currency it was registered a profit of RON 88,767.



Statement of the comprehensive income by quarters:

Indicator	QI 2019	QII 2019	QIII 2019	QIV 2019	QI 2019 vs. QI 2018	QII 2019 vs. QII 2018	QIII 2019 vs. QIII 2018	QIV 2019 vs. QIV 2018
Net sales	47,862,182	47,857,112	46,653,598	41,484,388	(288,340)	(4,358,851)	(5,739,611)	(4,216,637)
Investment income	501,221	466,962	490,883	492,356	(1,340,620)	(98,365)	(23,346)	(50,680)
Other gains and losses	(1,089,777)	505,462	(142,532)	(608,088)	(1,140,105)	(3,051,395)	576,393	(1,108,591)
Changes in inventories of finished goods and work in progress	982,707	25,650	895,480	1,656,774	(152,776)	1,185,692	413,686	1,741,573
Raw materials and consumables used	(33,093,151)	(31,902,022)	(30,877,181)	(27,285,557)	1,396,967	3,056,209	6,134,197	2,911,393
Depreciation and amortization expenses	(2,669,122)	(2,656,531)	(2,654,978)	(2,653,858)	41,780	98,902	10,724	767,945
Employee salaries and benefits	(9,257,232)	(9,478,255)	(9,284,787)	(9,419,791)	(253,309)	(411,132)	(311,713)	(523,269)
Social security expenses	(218,175)	(355,187)	(218,101)	(362,207)	(1,578)	(1,244)	(5,904)	(5,315)
Net finance costs	(529,241)	(443,675)	(401,195)	(479,619)	(67,801)	48,063	100,141	10,900
Income from subsidiaries	578,187	654,944	476,406	565,676	12,395	89,152	(89,387)	(116)
Other expenses	(3,694,361)	(3,941,096)	(3,874,327)	(3,972,402)	22,584	63,703	177,605	501,563
Profit (loss) before taxation	(626,762)	733,364	1,063,266	-582,329	(1,770,803)	(3,379,266)	1,242,785	28,766
Profit tax		(81,175)	(193,182)	56,915	-	(64,124)	(210,233)	(277,382)
Profit (loss) of the year	(626,762)	652,189	870,084	-525,414	(1,770,803)	(3,443,390)	1,032,552	(248,616)
EBITDA Operational	3,027,163	2,663,063	3,802,861	2,823,543	455,928	(565,836)	695,121	347,173

5.3 NET SALES

The item "Net Sales" had the following evolution:

	12 luni 2017	12 luni 2018	12 luni 2019		2019 vs. 2018	
- Sales of finished goods, Total, out of which:	140,128,883	148,386,635	139,916,138	▼	(8,470,497)	-6%
CP1~ Auto and industrial filters	3,830,438	2,623,159	2,579,380	▼	(43,779)	-2%
CP2~ Respiratory protective equipment and Active Carbon	2,514,286	1,994,419	2,111,661	▲	117,242	6%
CP3~ Polyethylene products	27,326,932	32,556,680	27,058,540	▼	(5,498,140)	-17%
CP4~ PVC products	582,367	784,529	916,070	▲	131,541	17%
CP5~ Polystyrene products	36,420,305	37,832,816	40,214,038	▲	2,381,222	6%
CP6~ Polypropylene products	37,408,712	38,163,803	36,075,081	▼	(2,088,722)	-5%
CP7~Compounds	32,045,842	34,431,228	30,961,367	▼	(3,469,861)	-10%
- Sales of intermediary goods	48,146	10,205	18,643	▲	8,438	83%
- Services rendered	293,439	226,336	286,433	▲	60,097	27%
- Sales of commodities	51,024,724	45,297,333	38,612,118	▼	(6,685,215)	-15%
- Other sales	3,645,505	4,540,210	5,023,948	▲	483,738	11%
Total Net sales	195,140,696	198,460,719	183,857,280	▼	(14,603,439)	-7%

Grouped on segments of activity, the Net sales are presented in the below table:

	12 months of 2017	12 months of 2018	12 months of 2019		2019 vs. 2018	
Plastic processing sector: polyethylene+polystyrene+polypropylene	101,155,949	108,553,299	103,347,659	▼	(5,205,640)	-5%
Regenerated polymers & Compounds	32,045,842	34,431,228	30,961,367	▼	(3,469,861)	-10%
Other production sectors (industrial and automotive filters, active carbon, breathing protective equipment, PVC traffic base)	6,927,091	5,402,107	5,607,112	▲	205,005	4%
Other activities	55,011,813	50,074,084	43,941,142	▼	(6,132,942)	-12%
Total	195,140,696	198,460,719	183,857,280	▼	(14,603,439)	-7%

	12 months of 2017	12 months of 2018	12 months of 2019		2019 vs. 2018	
Net sales	195,140,696	198,460,719	183,857,280	▼	(14,603,439)	-7%
Rental and royalty income	2,825,883	2,255,686	1,865,024	▼	(390,662)	-17%
Turnover, out of which:	197,966,579	200,716,405	185,722,304	▼	(14,994,101)	-7%
~domestic market	147,942,412	147,822,224	138,603,195	▼	(9,219,029)	-6%
~exports	50,024,168	52,894,181	47,119,109	▼	(5,775,072)	-11%

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

5.4 FINANCIAL RATIOS:

Indicator	Formula	31.12.17	31.12.18	31.12.19
EBIT	Gross profit + Profit tax + Expenses with interest	7,325,990	6,168,891	2,060,147
EBITDA	EBIT + Depreciation - Subsidies for investments	15,768,480	14,702,841	10,419,424
Turnover	Net sales + rental and royalty income	197,966,578	200,716,405	185,722,304
EBITDA to sales ratio	EBITDA/Turnover	7.97%	7.33%	5.61%
EBITDA to Equity ratio	EBITDA/Equity	11.85%	10.72%	7.60%
Gross profit margin	Gross profit/Turnover	2.90%	2.23%	0.32%
Current ratio	Current assets/Current liabilities	0.79	1.20	1.10
Quick ratio	(Current assets- Inventories)/Current liabilities	0.48	0.90	0.77

Indicator	Formula	31.12.17	31.12.18	31.12.19
Non-current liabilities to Equity ratio	Non-current liabilities/Equity	0.46	0.34	0.25
Total liabilities to Assets ratio	Total liabilities/Total Assets	0.51	0.46	0.44
Interest coverage ratio	EBIT/Interest expenses	4.61	3.62	1.40
Account receivable turnover ratio	Average receivables/Sales	54	61	79
Account payable turnover ratio	Average payables/Sales	50	48	47
Non-current assets rotation	Non-current liabilities/Sales	0.94	1.18	1.14
Return on assets (ROA)	Net profit/Assets	1.78%	1.89%	0.15%
Return on equity (ROE)	Net profit/Equity	3.60%	3.50%	0.27%
Return on sales (ROS)	Net profit/Sales	2.42%	2.39%	0.20%

Indicator	31.12.2017	31.12.2018	31.12.2019
Average no.of employees	941	924	874
Employees as at December 31, 2019	1031	974	940

5.5 CASH-FLOW

Items	2017	2018	2019
Net profit / (loss) after taxation	4,798,066	4,800,356	370,098
Income tax expense	940,272	(1,609,945)	217,442
Depreciation	10,706,926	10,696,167	10,634,489
(Gain) / Loss on fixed assets disposal	424,790	(11,254)	330,904
(Gain) / Loss arising on changes in fair value of investment property	(1,490,374)	(307,659)	429,524
(Gain) / Loss arising on changes in fair value of Assets Held for Sale	-	756,722	795,624
(Gain) / Loss arising disposal of investment property	(2,385,785)	(2,709,699)	-
(Gain) / Loss arising disposal of Assets Held for Sale	-	-	(185,760)
Income from Construction of own Assets	-	(635,401)	(244,040)
Customers provisions	16,976	(36,085)	4,006
Write off of receivables	165,833	206,804	19,414
Interest expense	1,587,652	1,702,834	1,472,607
Interest income	(3,653)	(91,477)	(86,264)
Dividend income	(1,157,997)	(1,117,270)	-
Income from subsidies	(2,264,436)	(2,263,169)	(2,275,213)
Unrealised net forex result	1,528,593	(88,767)	600,347
			-
Movements in working capital			
(Increase) / Decrease in accounts receivable	(6,122,323)	(3,399,869)	(10,166,818)
(Increase) / Decrease in inventories	1,843,573	3,128,998	(4,650,436)
(Increase) / Decrease in other assets	447,239	-	(242,057)
Increase / (Decrease) in accounts payable	1,674,948	(4,034,378)	894,017
(Decrease) / Increase in deferred revenue	12,597	(39,774)	(467)
(Decrease)/increase in other liabilities	477,986	365,174	(3,388,503)
Cash generated from operations	11,200,885	5,312,308	(5,471,085)
Income taxes paid	(7,163)	(212,766)	(491,719)
Interest paid	(1,587,652)	(1,702,834)	(1,472,607)
Net cash generated by operating activities	9,606,070	3,396,708	(7,435,411)
Cash flows from investing activities			
Payments to acquire financial assets	-	-	-
Interest received	3,653	91,477	86,264
Dividends received	1,157,997	1,117,270	-
Payments for property, plant and equipment	(8,340,113)	(3,091,315)	(2,189,851)
Payments for investment property	-	-	-
Proceeds from disposal of investment property	3,575,112	18,086,180	-
Proceeds from disposal of property, plant and equipment	1,821,663	94,612	157,638
Proceeds from disposal of Assets Held for Sale	-	-	16,186,151
Proceeds from disposal of investments	597,187	-	-
Proceeds from loans granted to related parties	-	(6,174,452)	-

Items	2017	2018	2019
Payments for intangible assets	(33,918)	(19,139)	-
Payment of dividends	(2,037,153)	(1,961,297)	(1,032,280)
Net cash (used in)/generated by investing activities	(3,255,571)	8,143,336	13,207,922
Cash flows from financing activities			
Payments of lease liabilities	(1,105,061)	(86,797)	-
Proceeds from bank loans	5,202,494	2,602,061	4,778,586
Repayment of related party borrowings	-	-	1,436,811
Repayment of bank loans	(13,534,243)	(13,253,314)	(9,769,474)
Net cash used in financing activities	(9,436,810)	(10,738,050)	(3,554,077)
Net increase in cash and cash equivalents	(3,086,312)	801,994	2,218,434
Cash and cash equivalents at the beginning of the year	5,615,328	2,529,016	3,331,011
Effects of exchange rate changes on the balance of cash held in foreign currencies			
Cash and cash equivalents at the end of the year	2,529,016	3,331,010	5,549,445

5.6 SHAREHOLDERS' STRUCTURE

As at 31.12.2019 the SC Romcarbon SA shareholders' structure, according to Depozitarul Central SA was as follows:

Shareholder	No. of share	% ownership
LIVING PLASTIC INDUSTRY S.R.L. loc. BUZAU jud. BUZAU	86,774,508	32.85%
JOYFUL RIVER LIMITED loc. NICOSIA CYP	54,195,089	20.52%
OTHER LEGAL ENTITIES	19,038,452	7.21%
INDIVIDUALS	104,114,047	39.42%
Total	264,122,096	100.00%

Evolution of the price of Romcarbon SA shares during 2019.



6. CORPORATE GOVERNANCE

I. PREAMBLE

The present Corporate Governance Chapter summarizes the main rules, structures, procedures and practices of decision-making within the company, governance standards that ensure the application of the general principles of effective administration and control of the activities carried out by the company according to its object of activity, for the benefit of shareholders and increasing investor confidence. The entire set of corporate governance standards provides the structure on which the company's are set, the means to achieve and monitor performance, and aims to promote fairness, transparency and accountability at the company level.

The Company "ROMCARBON" SA. is a legal Romanian entity that operates as a joint stock company, in accordance with legal provisions in force. It operates in accordance with the Romanian laws and the company's Articles of incorporation

The company was founded in 1952, originally under the name "Intreprinderea de mase plastice". The company is headquartered in Romania, Buzau, Transilvania Street no. 132, is organized as a joint stock company and is subject to Romanian law.

The main activity domain of the company is: 222 - Manufacture of plastic and the main activity, according to the encoding - 2221 Manufacture of plates, sheets, tubes and profiles in plastic.

In 2005, the company implemented a modern ERP system for the company's resource planning (ERP - Enterprise Resource Planning), in order to optimize the decision process.

Investments made by the company targeted expansion of production activities by land acquisition, modernization and acquisition of equipment, expansion and introduction of new products in line with the regulations in force (including alignment with EU norms).

In the meeting on 11.03.2008, the National Securities Commission decided, by Decision no.469/ 11.03.2008, the approval of the Prospectus prepared for admission to trading on the regulated market of BUCHAREST STOCK EXCHANGE of the shares issued by ROMCARBON S.A.

Thus, **starting from 30.05.2008 until 05.01.2015** the shares of ROMCARBON S.A. were traded on the regulated market of the Bucharest Stock Exchange, Equities Sector, Second category of Shares.

Starting with 05.01.2015 the shares of ROMCARBON S.A. are traded on the regulated market of the Bucharest Stock Exchange, Equity Sector, Standard category, according to the new market segmentation introduced by Bucharest Stock Exchange.

Previously to trading on Bucharest Stock Exchange the company was listed on Second category of the Rasdaq market.

The main features of the shares issued by ROMCARBON S.A. they are:

- Number of shares – 264,122,096

a) nominal value – 0.1 lei

b) ISIN code: ROROCEACNOR1

c) symbol: ROCE

Although new a entry on the BVB regulated market, ROMCARBON S.A. has proposed to implement both a profit-oriented policy for shareholders and a commitment to corporate and ethical responsibility, with a significant impact on the environment and implicitly on the community.

In this respect, the management of ROMCARBON S.A. states that voluntarily and self-imposed adopted the Bucharest Stock Exchange Code of Corporate Governance, as adopted by the Board of Bucharest Stock Exchange in December 2007, as amended, with the sole purpose of its implementation in the company, by assuming its corporate governance policies.

A first step in implementing a corporate governance policy was to adopt and implement the Code of Corporate Governance of Bucharest Stock Exchange, at company level, which can be accessed in Romanian language and English on Bucharest Stock Exchange site - [www .bvb.ro](http://www.bvb.ro).

Implementation of the Code in ROMCARBON S.A. consisted primarily in the adoption by the Board of Directors of Corporate Governance Regulation, Regulation that can be accessed on the company's website www.romcarbon.com.

The regulations which we comply with in the preparation of this chapter of Corporate Governance: Law no.31/1990 on companies, republished in 2004, as amended and supplemented, Law no.297/2004 on the capital market, as amended and supplemented, Law no.24/2017, on issuers of financial instruments and market operations, regulations issued by CNVM to regulate the capital market (A.S.F Regulation no.5 of 21.06.2018 on Issuers of Financial Instruments and Market Operations, Regulation no.10 / 2016 on the organization and functioning of the

Financial Supervisory Authority, etc.) as amended, accounting regulations, regulations on Audit, Law no. 82 /1991 for Accounting, republished with subsequent modifications, Corporate Governance Code of the Bucharest Stock Exchange adopted by the Council of the Bucharest Stock Exchange in December 2014, the Articles of incorporation of ROMCARBON SA, the Collective Labour Agreement and the Internal Regulation, concluded at the level of the company and the Code of Ethics hereinafter generically referred to as "Legal provisions".

II. STRUCTURES AND ASPECTS OF CORPORATE GOVERNANCE

2.1. General Meeting of Shareholders

The **General Meeting of Shareholders** (G.M.S.) comprises all the shareholders and meets in ordinary meetings (**O.G.M.S.**) and in extraordinary meetings (**E.G.M.S.**), each with the competencies established by the legal provisions/the incorporation act of the company.

Convening, organizing and unfolding the works of G.M.S. is carried out strictly in conformity with the legal provisions, ensuring the presentation of the materials, the recording of the works and the decisions adopted.

2.2. Board of Directors

At present, the management system of the Company is **unitary**.

ROMCARBON S.A. is administered by the Board of Directors composed of 3 members, elected or appointed by the General Shareholders Meeting in accordance with the legal provisions, by secret vote, for a period of 4 years, with the possibility to be re-elected.

The members of the Board of Directors guarantee the efficiency of the capacity to supervise, analyze and evaluate the activity of the directors as well as the fair treatment of the shareholders.

The choice of directors is made between the persons designated by the shareholders.

The election of directors is made between the persons designated by the shareholders.

At the appointment of the Board members, the General Shareholders Meeting pursued a balanced composition of the Board of Directors in accordance with the structure and activity of ROMCARBON S.A. as well as with the personal experience and qualifications of Board of Directors members.

The Board of Directors meets at the company's headquarters or elsewhere, monthly and whenever necessary, at the convocation of the Chairman, at the motivated request of at least 2 of its members or the request of the General Manager, the Chairman being obliged to pursue such a request. The Board of Directors is chaired by the Chairman, and in his absence by the Deputy Chairman.

The conventions for the meetings of the Board of Directors shall be transmitted, at least 5 days before the date of the meeting, by any means of remote communication (post, e-mail, fax) to confirm receipt in writing of the recipient/the member of the Board of Directors convoked. These conventions will include the date and the location where the Board of Directors will be held as well as the agenda, and no decision can be made on other matters except in the case of urgency and subject to ratification by the absent members in the next meeting. In exceptional cases justified by the urgency of the situation and the interest of the company, decisions of the board of directors may be taken by unanimous vote of the members, including by e-mail, without the need for a meeting of that body.

For the validity of the decisions taken, it is necessary to have at least half of the members of the Board of Directors and the decisions are taken with the simple majority of the present members. In the case of parity of votes, the Chairman of the Board of Directors (who is not at the same time director of the company) will have the decisive vote. If the Chairman of the Board of Directors, in office, can not or is not allowed to vote, the other members of the Board of Directors may elect a chairman of the meeting, having the same rights as the chairman in office. In case of parity of votes and if the chairman does not have a decisive vote, the voted proposal is considered rejected.

The meetings of the Board of Directors take place in the presence of administrators or through correspondence (post, e-mail, etc.) Sessions can be held also by any means of telecommunication such as videoconference or teleconference.

The members of the Board of Directors will vote on the issues included on the agenda at the meeting, as well as by any means of distance communication (post, e-mail, fax) that insure the receipt confirmation of the written vote by the Secretary The Board of Directors, at latest by the end of the meeting for which they were convened.

The decision-making process remains a collective responsibility of Board of Directors, the board members being held jointly liable for all decisions taken in the exercise of their competences.

The debates of the Board of Directors shall be recorded in the minutes of the meeting which shall be entered in a register. The meetings of the Board of Directors can be recorded audio-video. The minutes of the meeting are signed by the meeting chairman and by at least one other administrator.

The Chairman, the members of the Board of Directors, the directors of the company, the executive directors, individually or jointly, are liable with the company, for the damages resulting from the criminal acts or deviations from the legal provisions, for the deviations from the incorporation act, as well as for the mistakes in the administration and management of the company.

In such situations, they may be revoked by the decision of the General Meeting of Shareholders, respectively of the Board of Directors .

At the date of this annual report, the Board of Directors of S.C. ROMCARBON S.A. is made up of the following directors elected at the Ordinary General Assembly dated 21.01.2016, for a four-year term, which expires on 04.02.2020.

► **Chairman - HUANG, LIANG – NENG**

***Professional experience**

- Economist - KENG FANG LTD., Taiwan - Nov.1993 -Jun. 1997
- Economist - DECATHLON - Taiwan Branch, Taiwan - Jul. 1997- May 2001
- Associate and administrator of Tairom Import-Export SRL Buzau - Sept. 2001 - Apr. 2004
- Administrator of Living Plastic Industry SA Buzau: March 2007-present
- Centered by Greentech SA Buzau - Jan 2005 - March 2005
- Administrator of Greentech SA Buzau: Jan 2009 - 2012;
- Unique Administrator of S.C. GREENFIBER INTERNATIONAL SA: Jun. 2005- March 2007;
- Administrator of S.C. GREENFIBER INTERNATIONAL SA: Mart. 2007- 2012;
- Financial Consultant Livingjumbo Industry SA - 2012-present;

► **Deputy Chairman - SIMIONESCU DAN**

***Professional experience:**

- Director Coopers & Lybrand Romania - 1993-1997
- Director of Marketing, Capital Markets and Foreign Relations - SIF Transilvania - 1997- present
- Member of the Board of Directors of S.C. ROMCARBON S.A. - 2003 – present
- Member of the Board of Directors of S.C. GREENFIBER INTERNATIONAL SA- 01.05.2007 -dec. 2009; 20.09. 2010 - 28.05.2012
- Member of the Board of Directors of SC GREENTECH SA - 06.01.2009 - 28.05.2012
- Member of the Board of Directors of SC GREENWEEE INTERNATIONAL SA - 01.11.2008 - 28.05.2012

► **Member - WANG, YI – HAO**

***Professional experience**

- Director of Department of Commerce International Living Water in Spring International Co., Ltd - 2007-2010
- Director General Living Water in Spring International Co., Ltd. - 2010- present
- Member of the Board of Directors of S.C. GREENFIBER INTERNATIONAL SA- 20.09.2010- 28.05.2012
- Member of the Board of Directors of SC GREENTECH SA: 19.11.2010 - 28.05.2012
- Member of the Board of Directors of SC GREENWEEE INTERNATIONAL SA: 01.09.2010 - 28.05.2012

The competences of the Board of Directors are those stipulated in the Incorporation Act of ROMCARBON S.A. being in strict compliance with the legal provisions, ensuring the presentation of the materials, the recording of the works and the decisions taken.

Administrator nomination and remuneration

Nomination of ROMCARBON S.A. administrators is made by the shareholders, the nominations being subject to the approval of the general meeting of the shareholders. Candidates for the position of member of the board of directors of the company must fulfill, besides the general conditions stipulated by the Law no. 31/1990 also the special ones established by the Law no.24/2017.

In year 2019, the Board of Directors met in 19 sessions, the decisions being taken either with the majority of the votes of those present, or with unanimity and with the fulfillment of the legal provisions regarding the convening and the quorum for the holding of the meetings, respectively the lawful adoption of the decisions. The main decisions taken by the Board of Directors concerned:

- Approval of the negotiation and conclusion of a new Collective Labor Agreement for the period 2019-2021 applicable at the level of S.C. ROMCARBON S.A (Decision no.1/11.01.2019).
- Approval of the items registered on the agenda of the General Meeting of the Associates of RC ENERGO INSTALL S.R.L., regarding the termination by parties agreement, starting with 14.01.2019, of Mrs. Banucu Ileana Administrator mandate and regarding the appointment as Administrator, for an indefinite term, starting with 14.01.2019, of Mr. Duca Eugen Florin. (Decision no.1 / 11.01.2019)
- Taking act of the investments made within ROMCARBON SA, based on the approval of the General Director, according to the competence granted to him by the Board of Directors and in compliance with the conditions

imposed by Law no.24 / 2017 regarding the capital market, according to those mentioned in the material registered under no.639 from 21.01.2019. (Decision no.2 / 25.01.2019)

- Approval of the Company's internal regulations. (Decision no.3 / 08.02.2019)
- Approval of ROMCARBON S.A. Code of professional ethics and business conduct. (Decision no.3 / 08.02.2019)
- Approval of the conclusion by ROMCARBON S.A (as Promissory Seller) with OFFICE & LOGISTIC S.R.L (as Promissory Buyer), of a buying – selling pre-contract . (Decision no.4 / 22.02.2019)
- Approval for dismantling in 4 lots of plot identified with the cadastral no. 157259 registered in the Land Book no. 157259 / UAT Iași, property of ROMCARBON S.A. located in Iași, Calea Chisinaului no.29, Iași county, with a total area of 2,578.00 sq m (Decision no.4 / 22.02.2019)
- Approval of the items registered on the agenda of the General Meeting of Associates of RC Energo Install SRL regarding the approval of the company's investment plan for 2019, the approval of the company's revenue and expenditure budget for 2019 and various problems regarding the organization. (Decision no. 5 / 01.03.2019)
- Approval for convening the ordinary and extraordinary general meetings of shareholders and of the materials presented in the AGOA / AGEA meetings of 24 / 25.04.2019. (Decision no. 6/19.03.2019)
- Approval for convening the general meeting of the associates of GREENLIFE Ecological Association, regarding the renunciation of Mrs. AMARIUCAI VALENTINA, at the censor mandate, starting with 02.05.2019 and appointment as censor starting with the same date of Mrs. IONESCU ADRIANA, for a mandate valid for the remaining period of the censor's mandate, respectively until 18.01.2021, the approval of the management report of the Association's Board of Directors for the financial year 2018 and its discharge, the report of the censor of the Association regarding the situations financial statements for the financial year 2018 and approval of the financial statements of the Association for the financial year 2018. (Decision no.7/ 26.04.2019)
- Approval of the items on the agenda of the ordinary and extraordinary General Meeting of the Shareholders of ECO PACK MANAGEMENT S.A. regarding the approval of the financial statements of the financial year 2018. (Decision no. 8/13.05.2019)
- Approval of the items on the agenda of the ordinary and extraordinary General Meeting of the Shareholders of LIVINGJUMBO INDUSTRY S.A. regarding the approval of the financial statements of the financial year 2018. (Decision no. 8/13.05.2019)
- – Approval of the items on the agenda of the general meeting of the associates of RC ENERGO INSTALL S.R.L. regarding the approval of the financial statements of the financial year 2018. (Decision no. 8/13.05.2019)
- Approval of the items on the agenda of the general meeting of the associates of INFOTECH SOLUTIONS S.R.L. regarding the approval of the financial statements of the financial year 2018. (Decision no. 8/13.05.2019)
- Approval of the items on the agenda of the meeting of the general meeting of the associates of YENKI S.R.L. regarding the approval of the financial statements of the financial year 2018. (Decision no.8/13.05.2019)
- Approval of the modification of ROMCARBON S.A. Organizational Chart. (Decision no.9 /11.06.2019)
- Approval of the value of the contract for the provision of statutory audit services concluded by ROMCARBON S.A with DELOITTE AUDIT S.R.L. (Decision no. 10/09.07.2019)
- Approval for dismantling of the plots identified with cadastral numbers 125678 and 125695. (Decision no.10/09.07.2019)
- Approval of the items registered on the agenda of the general meeting of the associates of RC ENERGO INSTALL SRL regarding the approval of the modification of the Organization Chart and the state of company functions. (Decision no. 10/09.07.2019)
- Approval for convening the ordinary general meeting of the shareholders of ROMCARBON SA for the date of 29.08.2019, for the approval of the distribution in the form of dividends of the total amount of RON 1,056,488.38, the value of the gross dividend / share being RON 0.0040 / share, for the total number of shares of 264,122,096 . (Decision no.11/22.07.2019)
- Approval for the conclusion by ROMCARBON S.A (as a Constituent) with OFFICE & LOGISTIC S.R.L (as a Beneficiary), of a contract to establish the easement right. (Decision no. 11/ 22.07.2019)
- Approval of the items on the agenda of the General Meeting of Associations of RC ENERGO INSTALL S.R.L., regarding the approval of the 12-month extension of a credit agreement and the related guarantees. (Decision no. 12/02.09.2019)
- Approval of the Procedure for the distribution of dividends for the financial year 2018, due to the shareholders of ROMCARBON S.A (ROCE), according to those approved by the Ordinary General Meeting of the Shareholders of ROMCARBON S.A. Decision no.1 of 29.08.2019. (Decision no.13 / 24.09.2019).
- Approval of the granting by Romcarbon SA, as a lender, of an associated loan, to RC ENERGO INSTALL SRL, as a borrower, in the value of EUR 250,000, in order to support the company's activity (Decision no.14/ 04.11.2019)
- Approval to anticipate the signing of the sale contract purchase no. 3 with OFFICE & LOGISTIC SRL, according to the buying sellin pre-contract no. 2 of 23.04.2018. (Decision no.15/18.11.2019)

- Approval considering those approved by Decision A.G.E.A no. 1 of 24.04.2019, for the acquisition by ROMCARBON S.A of two equipment from the category of investments to increase productivity. (Decision no.16/25.11.2019)
- Approval of the conclusion by ROMCARBON S.A. of a buying selling pre-contract with LIDL ROMÂNIA SA (Decision no.17/11.12.2019)
- Approval of the conclusion by ROMCARBON SA of a buying selling pre-contract with GREEN PC AMBALAJE SRL.(Decision no.18/17.12.2019)
- Approval of the convening of the Ordinary General Meeting of Shareholders of ROMCARBON S.A. on 23.01.2020, at 12.00, for the election of 3 new members of the Board of Directors, for a term of 4 years, starting with 04.02.2020, as a result of the expiration of the mandate of the company directors. (Decision no.18/17.12.2019)
- Approval for the conclusion by ROMCARBON SA of two buying selling pre-contracts with ABS 2000 SRL, respectively a buying selling pre-contract in which ROMCARBON SA has the status of Promissory Buyer and a buying selling pre-contract in which ROMCARBON SA has the status of Promissory Seller (Decision no.18/12.17.2019)
- Taking act of Mr.Andrei Radu renouncing the mandate, under which he exercises the duties of General Director of ROMCARBON S.A., including the position of General Director of ROMCARBON SA, the mandate contract concluded between ROMCARBON S.A. and Mr. Andrei Radu is going to end on 17.02.2020. (Decision no.19/24.12.2019)
- Approval of the appointment of Mr. Huang Liang Neng in the position of General Director of ROMCARBON SA, starting with 17.02.2020, for a 4 years term, from 17.02.2020 to 17.02.2024. (Decision no.19/24.12.2019)

Convening the General Meeting of the Shareholders:

OGMS of 24.04.2019 , by Board of Directors Decision no.6/19.03.2019 regarding:

- Presentation, discussion and approval of the annual report of the Board of Directors for the fiscal year 2018.
- Presentation and approval of the individual financial statements for the financial year 2018 in accordance with International Financial Reporting Standards (IFRS) based on: Directors' Report and External Financial Auditor's Report for the financial year 2018.
- Presentation of the report of the external financial auditor - Deloitte Audit SRL, member of Deloitte Touche Tohmatsu - on the consolidated financial statements for the financial year 2018.
- Presentation and approval of the consolidated financial statements, for the financial year 2018 in accordance with International Financial Reporting Standards (IFRS) based on: Directors' Report and External Financial Auditor's Report for the financial year 2018.
- Presentation of the report of the external financial auditor - Deloitte Audit SRL, member of Deloitte Touche Tohmatsu - changing situations on the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) for the fiscal year 2018.
- Approval of the distribution of the net profit recorded in the fiscal year 2018 in the amount of RON 4,800,355.89 on the following destinations:
 - a) Legal reserves amounting to RON 240,018;
 - b) Other reserves amounting to RON 4,560,337.89, representing fiscal facility regarding the profit tax exemption for the profit reinvested in 2018;
- Presentation and approval of the Annual Report for 2018, prepared in accordance with ASF Regulation No.5/2018 on issuers and operations with securities and the Corporate Governance Code of the Bucharest Stock Exchange.
- Approval to discharge the members of the Board of Directors for the work in fiscal year 2018.
- Approval to contract services for the statutory audit of the company for the financial year 2019.
- Approval of the income and expenses budget for the financial year 2019.
- Approval, in consideration of the provisions of the Corporate Governance Code of the Bucharest Stock Exchange, that, until the end of 2019 financial year, ROMCARBON SA's Board of Directors will elaborate and adopt Romcarbon SA Dividend policy, policy which will take into account, the possibility, provided by art. 67 of Law no. 31/1990, regarding the quarterly distribution of dividends.
- Approval of 24.05.2019 as "registration date", according to Law 24/2017.
- Approval of 23.05.2019 as "ex-date", according to Law 24/2017.

And

EGMS of 24.04.2019 , by Board of Directors Decision no.6/19.03.2019 regarding:

- Approval for the banking exposure of Romcarbon SA for the financial years 2019-2020, consisting of: credits in amount of EUR 11,735,182 and RON 13,437,443, factoring contracts with a ceiling of EUR 500,000 , letters of guarantee in amount of RON 500,000, Guarantee given to LivingJumbo Industry SA for the

investment credit contracted UniCredit amount of EUR 1,057,200, as detailed in the material no. 2655/15.03.2019.

- Approval for:
 - the prolongation by 36 months of the validity of the factoring ceiling of EUR 500,000 ;
 - the prolongation at maturity, or if necessary, before maturity date, of the letters of guarantee ceiling in value of RON 500,000 by 36 months period and supplanting the existing guarantees as detailed in material no. 2655/15.03.2019;
 - the prolongation by 12 months of the validity of the credit facilities contracted by Romcarbon SA with BRD-GSG SA (in amount of EUR 2,550,000) and UniCredit Bank SA (in amount of EUR 5,450,000), and for maintaining the related guarantee;
- Empowering the Board of Directors to negotiate and decide, as appropriate, on: changing loan credit conditions in progress and/or extending up to 12 months of short-term facilities - credit lines, modification and/or setting up new guarantees for existing loans and approval of guarantees for new loans to be contracted within the approved bank exposure, contracting of new credits within the limits of the bank exposure and under the conditions of the law, as well as, as the case may be, restructuring existing bank loans/exposures, currency change or refinancing of existing credits, as well as the contracting of new credits, within the limits of the approved bank exposition and according to the law.
- Empowering for the General Director and Financial Director, to sign credit agreements and all additional documents to them, related warranties and all additional acts, leasing and factoring contracts and all additional documents, as well as any other documents required in to view the fulfillment of the AGEA decision to sign credit agreements, addendums thereto related, mortgage deeds and other guarantees, and any other documents necessary for the carrying out of the EGMS' s decision.
- Approval for Romcarbon SA 2019 Investment Plan.
- Approval for:
 - i) the date of 01.06.2019 as the due date of the loan amounting to EUR 1,000,000 contracted by Livingjumbo Industry SA from Romcarbon SA (loan granted by Romcarbon SA as the lender, as the majority shareholder of the borrower Livingjumbo Industry SA - within which Romcarbon SA holds 99% of the share capital) and of the interest on this loan;
 - ii) the conversion into shares of the receivable amounting to 4,838,400 lei, which Romcarbon SA holds against Livingjumbo Industry SA, consisting of the amount of the loan in value of EUR 1,000,000 and of a part of the related interest, accumulated up to 01.06.2019 (total interest on 01.06.2019 = EUR 32,658), part of interest in amount of EUR 20,759.49, at a reference rate of 1 Euro = RON 4.74, in order for Romcarbon SA to participate at the increase of Livingjumbo Industry SA share capital, with a total amount of RON 4,838,400, respectively to the increase of the share capital from the value of RON 806,400 to the value of RON 5,644,800, by issuing 1200 new, nominative, dematerialized shares with a nominal value of RON 4,032 each.
- Empowering the General Director and the Financial Director of Romcarbon SA to sign the addendum to the loan agreement concluded between Romcarbon SA as lender and Livingjumbo Industry SA as borrower on the rescheduling the loan by changing its maturity date on 01.06.2019, as well as any/all documents necessary to carry out the decision of the E.G.M.S.
- Approval, considering those approved by the Extraordinary General Meeting of Shareholders Decision no. 1 of 11.06.2018 and by Romcarbon Board of Directors Decision no.4 of 22.02.2019, the conclusion by Romcarbon SA (as the Seller) of a sale -purchase contract with Office & Logistic SRL (as Purchaser, company registered with Trade register near Court of Iasi under no. J22/13/2018, CUI 38653333), through which Romcarbon SA is selling on the term of 27.05.2019, with the possibility of extending only once by 30 days, for a total price of EUR 126,322, in lei equivalent at NBR exchange rate Euro/Leu valid on the day of payment, excluding VAT, the total area of 1,289.00 sq m land, category for constructions, part of the plot, Romcarbon S.A property, located in Iasi, Calea Chisinaului no. 29, Iasi county, identified by cadastral number 157259 and registered in the land book no.157259 / UAT Iasi
- Approval of 24.05.2019 as "registration date", according to Law 24/2017.
- Approval of 23.05.2019 as "ex-date", according to Law 24/2017.

OGMS of 29.08.2019, by Board of Directors Decision no.11/22.07.2019, regarding:

- Approval to distribute as dividends the amount of RON 1,056,488.38, representing part of the net profit recorded in the fiscal year 2017, remained undistributed (according to the Ordinary General Meeting of Shareholders Decision no.2 of 26.04.2018, pt.6 let.c)
- Approval, as a result of approving point 1 to distribute the gross dividend/share of RON 0.0040/share, corresponding to financial exercise 2018, for the total number of 264,122,096 shares, distribution of the dividends following to be made according to the provisions of the law, depending on the company financial situation and under the condition of obtaining consent from the company's creditor banks.
- Approval of 04.10.2019 as "registration date", according to art. 86 par.1 of Law no.24/2017 on issuers and capital market operations and art.2 par.2 let.f of the A.S.F. Regulation nr.5/2018.
- Approval of 03.10.2019 as "ex-date", according to art.2 par.2 let.l of the A.S.F. Regulation nr.5/2018.

- Approval of 24.10.2019 as the "payment day", according to art.2 par.2 let. h and art.178 par.1 of the A.S.F. Regulation nr.5/2018.

In regard to compliance with the provisions of art. 138² of Law 31/1990 of Principle VI (CGC) respectively with the recommendation no.16 from the Implementation Guide of the Corporate Governance Code, we mention that the administrators meet the condition of independence partly because only Mr. SIMIONESCU DAN and Mr. WANG YI -HAO are independent administrators.

In the company there is also an Audit Committee composed of the following administrators: SIMIONESCU DAN and WANG YI -HAO.

Regarding the existence of a Remuneration Committee, we mention that the company does not intend to establish such advisory committee, the competence for establishing and application of the remuneration policy in the company belongs exclusively to the General Meeting of Shareholders (pay/fee for the board members) or to the Board of Directors (remuneration of executive management and staff respectively), within legal limitations conferred by the Act of incorporation and companies legislation referring to these bodies.

Currently, directors' remuneration is made in accordance with the Articles of Incorporation and the Decision of the Ordinary General Meeting of Shareholders of 27.04.2012.

2.3. Executive Management

Executive management of ROMCARBON S.A. is provided by the following persons, to whom the company's management duties have been delegated:

- Andrei Radu - General Director since 01.09.2013
- Manaila Carmen - Operations Director since 01.10.2017
- Cretu Victor - Operations Manager Polypropylene Sector starting 01.10.2017
- Pindaru Marina Alina - Director of Operations of the Polytechnic Sector starting with 01.10.2017
- Voicheci Neli - Director of Operations Sector Compounds since 01.10.2017
- Ungureanu Ion - Operations Manager PSE Sector starting with 01.10.2017
- Titi Mihai - Deputy Technical Deputy General Manager since 01.06.2010
- Dobrota Cristinel - Director of Development starting with 08.01.2019
- Zainescu Viorica Ioana - Financial Director since 15.01.2010
- Duracu Gheorghe - Quality Manager since 05.01.2004

The management of the company is delegated by the Board of Directors to the General Director and to the Operations Director, acting independently of each other and being responsible for all measures appropriate to the Company's management, within the scope of the Company's object of activity and respecting the exclusive competencies reserved by the Law or the Incorporation Act, to the Board of Directors or the General Meeting of Shareholders. In this respect in the relations with third parties, the Company is represented by the Company's General Director and Operations Director under the provisions of art. 143 para. 4 in conjunction with art. 143² paragraph 4 of Law 31/1990 on commercial companies, acting independently within the limits of the mandate received. The Company's directors are appointed or revoked by the Board of Directors, which determines their attributions, responsibilities and powers, their attributions of representation may be delegated by the Company's directors to a third party only with the prior written consent of the Board of Directors.

Remuneration of directors of the company is in accordance with the articles of incorporation.

The remuneration policy of the Company, based solely on professional and ethically irreproachable profile of the administrators or directors, consisted of the following gross compensation - total 2019:

- a) Administrators - Director fee according to OGMS Decision of 27.04.2012 - RON 252,501
- b) Executive Management -RON 2,631,957

III. CORPORATE RIGHTS OF THE SHAREHOLDERS

The shareholders are natural or legal persons who have acquired or will acquire ownership of one or more shares in the company and who have registered the acquired right in the shareholder register kept by the company with the DEPOZITARUL CENTRAL S.A., according to the law.

The acquisition, in any form, of the company's shares, involves from shareholders an unreserved adherence to all provisions of the articles of incorporation in force at the date of acquisition.

ROMCARBON S.A. respects the rights of shareholders and ensures an equal treatment for all shareholders of the same type and class, providing to them all relevant information so that they may exercise all rights. Shareholders must exercise the rights conferred by shares in good faith, respecting the rights and legitimate interests of other shareholders and the priority interest of the company, otherwise being liable for damages.

Each share subscribed and paid by shareholders gives them the right to one vote in the general meeting of shareholders, the right to vote and to be elected to the governing bodies of the company, the right to participate in profit sharing, according to the articles of incorporation of the Company and company assets in case of dissolution of the company and other rights provided by law.

The rights and obligations of each share will follow it in case of its passing in the property of another person.

The company's obligations are secured by its assets.

The company's patrimony can not be encumbered by any personal debt or obligation of its shareholders.

A creditor of a shareholder may claim part of the company's benefit only after the general meeting of the shareholders approves the balance sheet and the benefit, as well as the share thereof, which is due to each shareholder. Each of shareholders participates in profits and losses in proportion to the share capital owned.

The share capital of the company may be increased by the decision of the Extraordinary General Meeting of Shareholders or, in the cases provided for by the law, by the decision of the Board of Directors, by all means and procedures stipulated by the legal provisions and under the conditions stipulated by the law.

Existing shareholders will have the preemption right, under the law, to acquire new shares in proportion to the share held in the company's share capital at that time. The payment made by the shareholders to the company in exchange for these shares will be made in accordance with the legal provisions and the approval of the General Meeting of Shareholders.

The term of exercising the preemption right is set by the Extraordinary General Meeting of Shareholders approving the capital increase, and can not be less than the term stipulated by the law. If any of the aforementioned shareholders declines or fails for any reason to exercise the preemption right to acquire new shares within the term set by the Extraordinary General Meeting of Shareholders, this right will be passed on to the other shareholders who will be able to exercise within one week from the expiry of the deadline set by the meeting approving the capital increase and proportional to the share held in the share capital at the date of identifying the shareholders to be entitled to the rights established by that meeting.

The General Meeting of Shareholders will be able to decide to re-establish the share capital by issuing new shares.

The Extraordinary General Meeting of Shareholders or the Board of Directors shall decide to reduce the share capital in accordance with the legal provisions by reducing the nominal value of the shares or by reducing the number of shares or by acquiring own shares followed by their cancellation, other cases of reduction of the share capital.

Under no circumstances will the share capital decrease be able to affect in any way the quality of the shareholder and the equality between the shareholders.

Currently, the share capital of ROMCARBON S.A. is of RON 26,412,209.60.

All shareholders of shares issued by ROMCARBON S.A. are treated fairly. All issued shares confer equal rights to holders.

ROMCARBON S.A. facilitates and encourages: participation of shareholders at the General Meetings of Shareholders (G.M.S.), the full exercise of their rights, the dialogue between shareholders and members of the Board and / or management.

General Meeting of Shareholders is Company's governing body that decides on its activity and ensures its economic and commercial policy.

The powers of the General Meeting of Shareholders are those stipulated in the Article of incorporation of ROMCARBON S.A. and it is in strict accordance with the law, ensuring the presentation of materials, recording works and decisions.

The General Meeting is convoked by the Board whenever necessary.

To the General Meeting of Shareholders are entitled to attend and to exercise voting rights the shareholders registered in the Register of Shareholders (released by the company Central Depository SA) at the reference date set at the end of the day. The shareholders can participate in person or by representative and by corespondence. Representation of shareholders can be made by other persons than the shareholders, based on a special power of attorney according to art. 92 par.10 of Law 24/2017.

In case of personal voting individual shareholders and corporate shareholders are entitled to attend the GMS meeting by simply proving their identity made in the case of individual shareholders with the identity document (identity card, passport, residence permit) and in the case of corporate shareholders with the legal representative identity document (identity card, passport, residence permit). Quality of legal representative is proved by a certificate issued by the Register of Commerce or any equivalent document issued by a competent authority of the State in which corporate shareholders is legally registered, which certifies the quality of legal representative, presented in original or certified copy. Documents certifying the legal representative quality of the corporate shareholder shall be issued not more than 3 months before the GMS Convocation publication date. Documents submitted in a language other than English will be accompanied by a translation made by an authorized translator into Romanian / English.

In case of shareholders voting by representation by power of attorney the shareholders can be represented to GMS meetings by representative who may be another shareholder or a third person. Voting by representation by means of special power of attorney can be expressed by completing and signing the special power of attorney forms provided by the company in 3 copies out of which: a copy will be sent in writing original, at the company registered office, the second copy will be handed to representative, so that it can prove as representative to the request of the technical secretariat of the meeting, the third will remain at the shareholder. The special/general power of attorney will be sent, if special power of attorney in original or in certified copy Procura speciala/generală va fi transmisă în format fizic, în original în cazul procurii speciale, respectiv în copie conform cu originalul under the representative's signature, if general power of attorney, so that it is recorded at the company's office reception in due time or by e-mail to office@romcarbon.com (in case of using electronic means, the power of attorney will be sent by electronic signature in compliance with Law no.455 / 2001), until the same date and time. Regardless of the method of transmitting the power of attorney for the GMS should bear clear and written in capital letters "POWER OF ATTORNEY FOR ORDINARY/EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS of(the date of GM convocation)". A shareholder may appoint only one person to represent him in the GMS. A shareholder may appoint by power of attorney one or more alternate representatives to ensure its representation in the GMS if the designated representative is unable to fulfill its mandate. If by power of attorney are designated more alternates representatives the shareholder will determine the order in which they will exercise their mandate. The shareholder may also grant a general power of attorney valid for a period that will not to exceed three years, which empowers the representative to vote on any matter in debate of GMS, including in terms of disposal acts, provided that the power of attorney is given by the shareholder as client to an intermediate as defined in the law of capital or to a lawyer. For identification purposes the special/general power of attorney will be accompanied by the following documents: copy shareholder identification document (identity card, passport, residence permit) and copy of representative identity document for individual shareholders; copie act de identitate reprezentant/mandatar persoană fizică (buletin de identitate, carte de identitate, pasaport, permis de sedere), copie reprezentative/agent identification document lawyer accompanied by lawyers original mandate or if the representative/agent is a legal person copy of the identity document of the legal representative of the legal person representative accompanied by a certificate issued by the Register of Commerce or any equivalent document issued by a competent authority of the State in which reprezentantul / agent legal person is legally registered, presented in original or certified copy. Documents submitted in a language other than English will be accompanied by a translation made by an authorized translator into Romanian / English. When completing the special power of attorney forms shareholders will consider the possibility of completing/amending the agenda, in which case the power of attorney forms will be updated in due time.

Shareholders may not be represented in the General Meeting of Shareholders on the basis of a general power of attorney by a person in a situation of conflict of interest, according to art. 92, paragraph 15 of the Law no.24/2017 regarding issuers of financial instruments and operations market.

When a shareholder is represented by a credit institution providing custody services, it may vote in the general meeting of shareholders on the basis of voting instructions received by electronic means of communication, without the need for a special mandate or general by the shareholder. Custodians vote in the general meeting of shareholders exclusively in accordance with and within the limits of the instructions received from its clients as shareholders at the reference date.

When a shareholder is represented by a credit institution providing custody services, it may vote in the general meeting of shareholders on the basis of voting instructions received by electronic means of communication, without the need for a special mandate or general by the shareholder, according to the provisions of art. 92 paragraph 11 of the Law no. 24/2017.

Shareholders registered in the Register of Shareholders at the reference date can express and transmit their vote on the matters on the agenda of the GMS by correspondence. Voting forms can be obtained at the company - Shareholder Investors Relations Department or can be downloaded from the company's website, both in Romanian and in English. Vote by correspondence forms completed and signed by the shareholder shall be sent in writing, in original at the company headquarters or by e-mail at office@romcarbon.com bearing the electronic signature in compliance with Law no.455/2001, so that it is recorded as received in due time. Regardless of the method of submission of the vote by correspondence it should bear this clearly written in capital letters "VOTING FORM BY CORRESPONDENCE FOR ORDINARY/EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS of(the date of GM convocation)". ". The form of voting by correspondence will be accompanied by the following documents: copy of identity document in case of individual shareholder; copy of the identity document of the representative/agents certificate issued by the Register of Commerce or equivalent document issued by a competent authority in the State where the shareholder is registered legally certifying the legal representative quality, submitted in original or certified copy, in case of legal persons. Documents certifying the quality of legal representative of the corporate shareholder shall be issued not more than 3 months before the GSM Convocation publication date. Documents submitted in a language other than English will be accompanied by a translation made by an authorized

translator in Romanian or English. In case the shareholder who has voted by correspondence or through a representative attend the GMS, the vote expressed by correspondence is canceled. In this situation it will be considered their vote expressed in person or by representative in the meeting.

The correspondence voting form for the GMS vote submitted by a shareholder for which a credit institution provides custody services will be valid without the submission of any additional documents relating to that shareholder if the voting form is drafted in accordance with Law no. 24/2017 and ASF Regulation no.5/2018 and is signed by the respective shareholder. If the person representing the shareholder by personal participation in the general meeting is other than the one who has cast the ballot by correspondence, then for the validity of his vote, he shall present to the assembly a written revocation of the vote by correspondence, signed by the shareholder or the representative who cast the vote correspondence. This is not necessary if the shareholder or his legal representative is present at the general meeting.

One or more shareholders representing, individually or together, at least 5% of the share capital have the right to introduce items on the agenda of the GMS (provided that each such item is accompanied by a justification or a draft decision to be adopted) and to propose draft decisions for items included or to be included on the agenda. Proposals on the draft decision may be submitted in a sealed envelope at the company headquarters in no. 132. Transylvania street, Buzau. Buzau County, or sent by e-mail with electronic signature in compliance with Law no. 455/2001 until the same date and time at office@romcarbon.com with the written statement "MOTION FOR NEW AGENDA ITEMS FOR ORDINARY/EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS of(the date of GM convocation)". Each proposed new item must be accompanied by a justification or a draft decision to be adopted at the GMS. These proposals must be accompanied by copies of identity document in case of individual shareholders; copy of the identity document of the representative / agent certificate issued by the Register of Commerce or equivalent document issued by a competent authority from the state where the shareholder is registered legally certifying the quality of legal representative, presented in original or certified copy, in case of legal persons. Documents certifying the legal representative quality of the corporate shareholder shall be issued not more than 3 months before the GMS Convocation publication date.

Each shareholder is entitled to submit, questions related to items on the agenda in accordance with art.198 of ASF Regulation No.5/2018. Questions can be submitted in writing to the company headquarters or by e-mail with electronic signature in compliance with Law 455/2001 regarding the electronic signature at office@romcarbon.com mentioning the topic "FOR THE ORDINARY/EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS ON (the date of GM convocation)". The questions must be accompanied by a copy of identity document in case of individual shareholder(natural persons); copy of the identity document of the representative/agent, certificate issued by the Register of Commerce or equivalent document issued by a competent authority in the state where the shareholder is registered legally certifying the quality of legal representative, presented in original or certified copy, in case of legal persons. Documents certifying the legal representative quality of the shareholder legal person shall be issued not more than 3 months before the publication date of the GSM Convocation.

The company will issue an general valid answer to questions with the same content that will be made available on the website of the company in question and answer format.

Information materials, power of attorney forms and draft resolutions relating to the items on the agenda can be found at the company headquarters, every working day, or on the company website (www.romcarbon.com-Section shareholders / General Meeting of Shareholders) starting with 30 days before the General Meeting.

In case of failure to fulfill the conditions stipulated by law and the articles of incorporation for holding the General Meeting of Shareholders on the date and time mentioned in the convocation , the next meeting is convened for a later date approved by the Board of Directors, in the same place with the same agenda and for the same shareholders registered on the same date.

To make available to shareholders relevant information in real-time, ROMCARBON S.A. created on www.romcarbon.com a special section called Shareholders, accessible and constantly updated.

This page is structured to contain all information necessary to shareholders: Board meeting information, the general meetings of shareholders, financial calendar, periodic and current reports, dividends, corporate governance etc.

Also, ROMCARBON S.A. has internal structures specialized for investor relations and relationship with their shareholders at company level being active an Investors Relations Department . Persons appointed to stay in contact with investors and shareholders will attend periodically training courses.

Regarding the relationship with shareholders and investors, ROMCARBON S.A. is subject to corporate discipline by making suitable ongoing periodic reporting on all major events, including the financial situation, performance, ownership and management. For the purpose of company activity adequacy to the rules and discipline on corporate governance, the company established an Investors Relations Department, to ensure compliance with corporate standards under the Corporate Governance Code of the Bucharest Stock Exchange.

Above mentioned reports are transmitted to the Bucharest Stock Exchange, the Financial Supervisory Authority, published in a national and local newspaper and posted on the Company's website at www.romcarbon.com, shareholders section.

ROMCARBON S.A. develops and disseminates relevant information periodic and continuous, in accordance with International Financial Reporting Standards (IFRS) and other reporting standards or environmental, social and leadership (ESG - Environment, Social and Governance).

Currently, external financial auditor ROMCARBON S.A. is DELOITTE AUDIT SRL and was based on OGMS Decision from 26.04.2018 respectively for a period of 1 year.

In terms of managing conflict of interest in case of transactions with parties, corporate behavior of board members is: avoid any conflict of interest directly or indirectly with the company or any subsidiary controlled by it, by informing the Board of Directors on conflicts of interest occurred, in which case it will refrain from discussions and voting on such matters.

IV. SOCIAL RESPONSIBILITY

The company's strategy in terms of social responsibility is based on a set of principles that define its relationship with partners - employees, creditors, suppliers, customers, investors (stakeholders)

The management team of ROMCARBON S.A. believes that development is not possible without the contribution of each employee and the company as a whole.

The company aims, through an active policy of CSR:

- * to support and respect the human rights of its employees in particular. In this respect the employees benefit from various specialized programs / professional training and a constant awareness of the evolution of the company (presentation by the representatives of the employees, ie periodic review of the financial statements of the Company). In the framework of their responsibilities, the company took the steps necessary to protect the safety and health of employees, including occupational risk prevention activities and training information, as well as the implementation of labor protection and means of organizing it. (Eg. Training periodic granting personal protective equipment, workwear, sanitary materials, periodic medical examination, etc.). ROMCARBON SA does not use child labor, do not engage in trafficking and do not in any way encourage these ideas. There are not tolerated under any circumstances corporal punishment or mental pressure, physical or verbal or any form of inhuman treatment .

- * to support freedom of association. The Company respects the legal right of all staff to appoint representatives who negotiate on behalf and for them in regular negotiations collective bargaining agreement at company level. Employee representatives to ensure their protection of the law against all forms of conditioning, constraint or limitation of exercising their functions.

- * Contribute to the elimination of discrimination in employment jobs, profession, and the wage determination. Any direct or indirect discrimination against an employee based on sex, sexual orientation, genetic characteristics, age, national origin, race, color, ethnicity, religion, social origin, handicap, family status or responsibility, trade union membership or activity is prohibited in the Company.

- * **To combat any form of corruption.**

- * **To support educational activities.**

- * **To support various social categories** (deserving young people, sick or disabled people) through humanitarian actions that include sponsorship / mecenation, but also assistance in extreme cases and to help disadvantaged or underprivileged people. Under this active CSR policy, ROMCARBON SA granted in 2019 the amount of RON 9,450 as sponsorship to NGO and donations and indemnizations amounting to RON 59,395 to its own employees affected by various events with a strong social and human impact (childbirth, deaths of family members , fires, floods, etc.).

The company is a founding member of GREENLIFE ENVIRONMENTAL ASSOCIATION.

The purpose of the Association is to represent, promote and support employers and professional interests of its members in relations with public authorities and other legal entities and individuals, to strengthen their authority and social prestige and act to modernize and develop the field of the protection environment in the international norms and standards. The Association aims to promote the spirit of human solidarity by organizing and supporting humanitarian actions.

Within the organization, runs a program for the support of employees and first degree relatives for serious illnesses and merit scholarships granted to the children of employees.

- * To support sports activities in Buzau with financial aid;

In the local community in which it operates, the company assumes an active role by supporting community initiatives through human and financial resources.

- * To anticipate environmental issues and to promote environmental responsibility.

In this regard, ROMCARBON S.A. aims to improving the quality of environmental factors and biodiversity conservation by promoting awareness of environmental issues and health.

ROMCARBON S.A. complies with environmental protection legislation pivind, being involved in litigation regarding infringement legislation. Periodically evaluates compliance with laws, regulations and other requirements to which the organization subscribes.

ROMCARBON S.A. has implemented and certified an integrated quality management system certified by SRAC - environment-occupational health and safety standards ISO 9001: 2008; ISO 14001: 2005; OHSAS 18001: 2007

In ROMCARBON S.A. we identify all real and potential environmental aspects, positive and negative environmental aspects, including indirect issues generated by companies operating at company headquarters and affecting environmental performance. The identification of the environmental aspects is based on the systematic analysis of each process / subprocess (including their inputs and outputs) according to the PS 03 "Environmental System" procedure in normal, abnormal (including start and stop) and emergency situations, accidents .

Under normal operating conditions the company's activity does not cause significant environmental impacts. Following the identification and evaluation of environmental aspects were developed management programs to improve the environmental performance of the company.

For a better quality of life, ROMCARBON S.A. has developed in recent years a number of social responsibility actions and punctual sponsorships were directed to different areas: education, health, social issues, environmental protection, such as participating in various events / campaigns / contests on the International Day Environment under the title "for a cleaner world!" / "We have only one Earth. Let's give priority!", organized each year on 5 June, with companies like Greentech SA, Greenfiber International S.A. and Greenwee International S.A.

Partners of these events are constantly Environmental Protection Agency Buzau, Buzau Prefecture and Municipality of Buzau.

In fact, environmental protection is an absolute priority, because ROMCARBON S.A. supports, in a decisive way, development in Buzau of "industries" which proves more and more that the economy and the environment can survive together without compromise - "Green Industry".

Since 2012 in the Center for profit no. 7 - Compound is pursuing Waste plastics recycling by separating recyclable fractions and milling, extrusion, filtration these separated fractions to obtain composite materials.

Starting 4 September 2014 Romcarbon became a member of the Romanian Association of Sanitation, which became meanwhile Romanian Association for Waste Management - ARMD; as final waste recycler, Romcarbon supports the strands of this entity:

- promoting sustained interests of its members;
- permanent involvement in the drafting of legislation on waste management in Romania;
- active involvement in waste management Association of Romania, through studies and market research;
- initiation of contracts with organizations in order to attract funds and grants, both for members and for the sustainable development of the association's activities;

As a socially responsible company, ROMCARBON SA aims, therefore, not only increase employee, trading partners and its shareholders satisfaction and increase the efficiency of the level of professional competence and human resources, including those available in the community.

7. ANNEXES

Not in case.

**Chairman of the Board and General Manager,
Huang Liang Neng**

**Financial Manager,
ec. Zainescu Viorica Ioana**

**General Manager for Administrative Operations,
Manaila Carmen**

Section	Provisions of the Code that must be respected	Comply	Does not comply or partially comply	The reason for non-compliance
Section A – Responsibilities				
A.1.	All companies should have an internal regulation of the Council which includes terms of reference/ responsibilities of the Board and key management of the Company, and which apply, inter alia, the general principles of Section A.		Partially	Articles of Incorporation contains provisions on the terms of reference and responsibilities of the Board of Directors. The Board of Directors will take action for the adoption of a Board regulation.
A.2.	Provisions for managing conflicts of interest should be included in the Board of Directors Regulation. However, the Board members must notify the Board of Directors any conflicts of interest that have arisen or may arise and refrain from participating in discussions (including by default, unless that failure would prevent the formation of quorum) and vote for a decision on the matter that gives rise to this conflict of interest.		Partially	The Articles of Incorporation of the company includes provisions for managing conflicts of interest and how to vot. Provisions for managing conflicts of interest will be included in the Board of Directors Regulation to be adopted.
A.3.	The Board of Directors or the Supervisory Board must consist of at least five members.		NO	Articles of Incorporation provides for a Board of directors comprising of three members according to article 137 paragraph 2 of Law No. 31/1990.
A.4.	The majority of the Board members must have no executive function. At least one member of the Board or the Supervisory Board should be independent in the case of companies in the Standard category.	YES		
A.4.	Each independent member of the Board of the Directors or the Supervisory Board, as appropriate, shall submit a declaration at the time of his nomination for the election or re-election, and when there is any change of status or indicating the elements based on which it is considered that it is independent in terms of its character and judgment.		NO	Regulation of the Board of Directors to be developed and approved will regulate measures to comply with this requirement.
A.5.	Other commitments and professional obligations relatively permanent of a member of the Board of Directors, including non-executive Board members and executive positions of companies and nonprofit institutions, shareholders and potential investors should be disclosed before and during his mandate.	YES		On the company's website are published the board members CV's including information on its member's professional obligations.
A.6.	Any member of the Council must provide information on any relation to a shareholder who directly or indirectly hold shares representing more than 5% of all voting rights. This also applies to any report that may affect limb position on matters decided by the Council.	YES		
A.7.	The company must appoint a secretary of the Board responsible for supporting the Board of Directors activity.	YES		
A.8.	Corporate governance statement will inform if there was an evaluation of the Board of Directors under the President or the nomination committee and, if so,		NO	

Section	Provisions of the Code that must be respected	Comply	Does not comply or partially comply	The reason for non-compliance
	will summarize the key measures and changes resulting from it. The company must have a policy/guidance on the assessment of the Committee including the scope, criteria and frequency of the evaluation process.			It will be analyzed and implemented, the company will inform in a current report on compliance with this requirement.
A.9.	Corporate governance statement must contain information on the number of meetings of Council and Committees during the past year, participating administrators (in person and in absence) and a report of the Board of Directors and committees on their activities.	YES		
A.10.	Corporate governance statement must include information on the exact number of independent members of the Board of Directors or Supervisory Board.	YES		
A.11.	The Council of Premium Category Companies should establish a nomination committee consisting of people without executive functions, which will lead the nominations procedure for new members in the Council and make recommendations to the Board. Most members of the nomination committee should be independent.			Not the case
Section B - The risk management and internal control system				
B.1.	The board should establish an audit committee in which at least one member must be independent non-executive director. Most members, including the president, must be shown to have appropriate qualifications relevant to the functions and responsibilities of the committee. At least one audit committee member should have accounting or auditing experience proven and appropriate. If companies in the premium category, the audit committee must be composed of at least three members and the majority of audit committee members must be independent.	YES		
B.2.	Chairman of the audit committee must be an independent non-executive member.	YES		
B.3.	Within its responsibilities, the audit committee must conduct an annual assessment of internal control system.	YES		
B.4.	The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of reporting risk management and internal control presented to the Audit Committee of the Board, timeliness and effectiveness of the executive management solves deficiencies or weaknesses identified from control internal and presenting relevant reports to the Board.	YES		
B.5.	The Audit Committee shall assess conflicts of interest in connection with transactions of the Company and its subsidiaries with related parties.	YES		

Section	Provisions of the Code that must be respected	Comply	Does not comply or partially comply	The reason for non-compliance
B.6.	The Audit Committee shall assess the effectiveness of internal control system and risk management systems.	YES		
B.7.	The audit committee must monitor the implementation of legal standards and internal audit standards generally accepted. The Audit Committee should receive and evaluate internal audit team reports.	YES		
B.8.	Whenever mention code or analysis reports initiated by the Audit Committee, they must be followed by periodic reports (at least annually) or ad hoc Council to be submitted later.	YES		
B.9.	No shareholder may be given preferential treatment over other shareholders in connection with the transactions and agreements concluded by the company with shareholders and their affiliates.	YES		
B.10.	Council should adopt a policy to ensure that any transaction of the Company with any of the companies with which it has close relationships whose value is equal to or greater than 5% of the net assets of the company (according to the latest financial report) approved Council following a binding opinions by the audit committee of the Board and disclosed correctly shareholders and potential investors, to the extent that such transactions fall within the category of events subject to reporting requirements.	YES		
B.11.	Internal audits must be performed by a separate structural division (internal audit department) within the company or by hiring an independent third party entity.	YES		
B.12.	In order to ensure the fulfillment of the main functions of the internal audit department, he must report functionally to the Council through the audit committee. Administrative purposes and the management obligations to monitor and reduce risks, it must report directly to the Director General.	YES		
Section C1 - Just reward and motivation				

Section	Provisions of the Code that must be respected	Comply	Does not comply or partially comply	The reason for non-compliance
C.1.	The company shall publish on its website the remuneration policy and include a statement in the annual report on the implementation of remuneration policy during the annual period under consideration. Remuneration policy should be formulated so as to allow shareholders understand the principles and arguments underlying remuneration of Board members and the CEO, and the Executive Board in the dual system. It should describe the driving process and making decisions regarding remuneration, detailing components of the remuneration of the executive management (such as salary, annual bonus, long-term incentives linked to shareholder value, benefits in kind, pension and others) and describe purpose, principles and assumptions underlying each component (including the general performance criteria related to any form of variable remuneration). In addition, the remuneration policy should specify the duration of the contract Executive Director and the period of notice stipulated in the contract and any compensation for unjust dismissal. Report on remuneration must submit implementation of the remuneration policy for persons identified in the remuneration policy during the annual period under consideration. Any fundamental change in remuneration policy interventions must be published in due course on the website of the company.		NO	Remuneration policy of the members Board of Directors is established by the OGMS and the company's remuneration policy (remuneration of executive management staff respectively) falls under the exclusive competence of the Board of Directors according to the document of the company and legislation companies. The Board of Directors is considering all necessary measures to ensure compliance with this requirement.
Section D - adding value to the investor relations				
D.1.	The company must hold an Investor Relations Service -made widely known by the person / persons responsible or organizational unit. In addition to the information required by the law, the company must include on its website a section dedicated to investor relations in Romanian and English, with all relevant information of interest to investors, including.	YES		
D.1.1.	The main corporate regulations: articles of association, the procedures for general meetings of shareholders;	YES		
D.1.2.	Professional CV's of the management members of the Company, other professional commitments of Board members, including non-executive and executive positions on boards of companies or nonprofit institutions;	YES		
D.1.3.	Current reports and periodic reports (quarterly and annual) - at least those provided for in section D.8 - including current reports with detailed information on non-compliance with this Code;	YES		

Section	Provisions of the Code that must be respected	Comply	Does not comply or partially comply	The reason for non-compliance
D.1.4.	Information on shareholders meetings: agenda and information materials; the election of Board members; arguments supporting the proposals of candidates for election to the Council, together with their professional CVs; Shareholders with questions regarding items on the agenda and the company's response, including decisions adopted;	YES		
D.1.5.	Information on corporate events such as payment of dividends and other distributions to shareholders or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles of such operations. The information will be published within a period to allow investors to take investment decisions;	YES		
D.1.6.	Name and contact details of someone who can provide, upon request, relevant information;	YES		Contact information for investors are posted on the company's website, they will be filled with information about those responsible for investor relations.
D.1.7.	Company presentation (eg., Investor presentations, quarterly results presentations, etc.), financial statements (quarterly, half-yearly, annual) audit reports and annual reports.		Partially	Presentation of the firm is the reporting system established by the laws in force and by disseminating financial statements and audit reports.
D.2.	The company will have an annual dividend distribution policy or other benefits to shareholders, proposed by the Director General or by the Executive Council and adopted as a set of guidelines that the company intends to follow on the distribution of net profits. Principles policy annual distribution to shareholders will be publicatepe website of the company.	YES		By Decision no.19 / 24.12.2019 the Board of Directors has adopted the dividend policy of ROMCARBON S.A.
D.3.	The company will adopt a policy about predictions, whether they are made public or not. Projections refers to findings quantified studies aimed at determining the overall impact of a number of factors relating to a future period (so called hypotheses) by its nature, this project has a high level of uncertainty, actual results can differ significantly forecasts presented initially. Policy forecasts will determine the frequency, time and content envisaged forecasts. If published projections can only be included in the annual reports, semi-annual or quarterly. Policy forecasts will be published on the website of the company.		NO	Until now the company has not implemented a policy forecasts. It will consider the future implementation of such policies.
D.4.	Rules shareholders' meetings should not limit participation of shareholders at general meetings and exercise their rights. Rule changes will come into force at the earliest, starting with the next meeting of shareholders.	YES		
D.5.	External auditors will be present at the general meeting of shareholders when their reports are presented at these meetings.	YES		

Section	Provisions of the Code that must be respected	Comply	Does not comply or partially comply	The reason for non-compliance
D.6.	Council will present the annual general meeting of shareholders a brief assessment of the internal control systems and management of significant risks and opinions on issues subject to the decision of the General Assembly.	YES		
D.7.	Any specialist, consultant, expert or financial analyst may participate in the shareholders meeting under a prior invitation from the Council. Accredited journalists can also attend the general meeting of shareholders, unless the Chairman of the Board decides otherwise requires.	YES		
D.8.	Financial reports quarterly and half will include information both in Romanian and in English on the key factors influencing changes in the level of sales, operating profit, net profit and other financial indicators relevant from both qoq and from year to year.	YES		
D.9.	A company will hold at least two meetings / teleconferences with analysts and investors every year. Information presented on these occasions will be published in the Investor Relations section of the company website on meetings / teleconferences.		NO	On the company's website and through reports that society makes, ensure transparently inform all those interested in its work. The company also responded and respond positively requests from representatives from the specialized press and analysts on the provision of financial information and / or information regarding future development projects designed communication media channels. The Company will inform investors about oragnizarea advance of any meetings / teleconferences with analysts and investors.
D.10.	If a company supports various forms of artistic expression and cultural, sports, educational activities or scientific and considers their impact on the innovative nature and competitiveness of the company are part of the mission and its development strategy, will publish policy on activity in this area.	YES		

**Chairman of the Board and General Manager,
Huang Liang Neng**

**Financial Manager,
ec. Zainescu Viorica Ioana**

**General Manager for Administrative Operations
Manaila Carmen**

ROMCARBON SA

SEPARATE FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

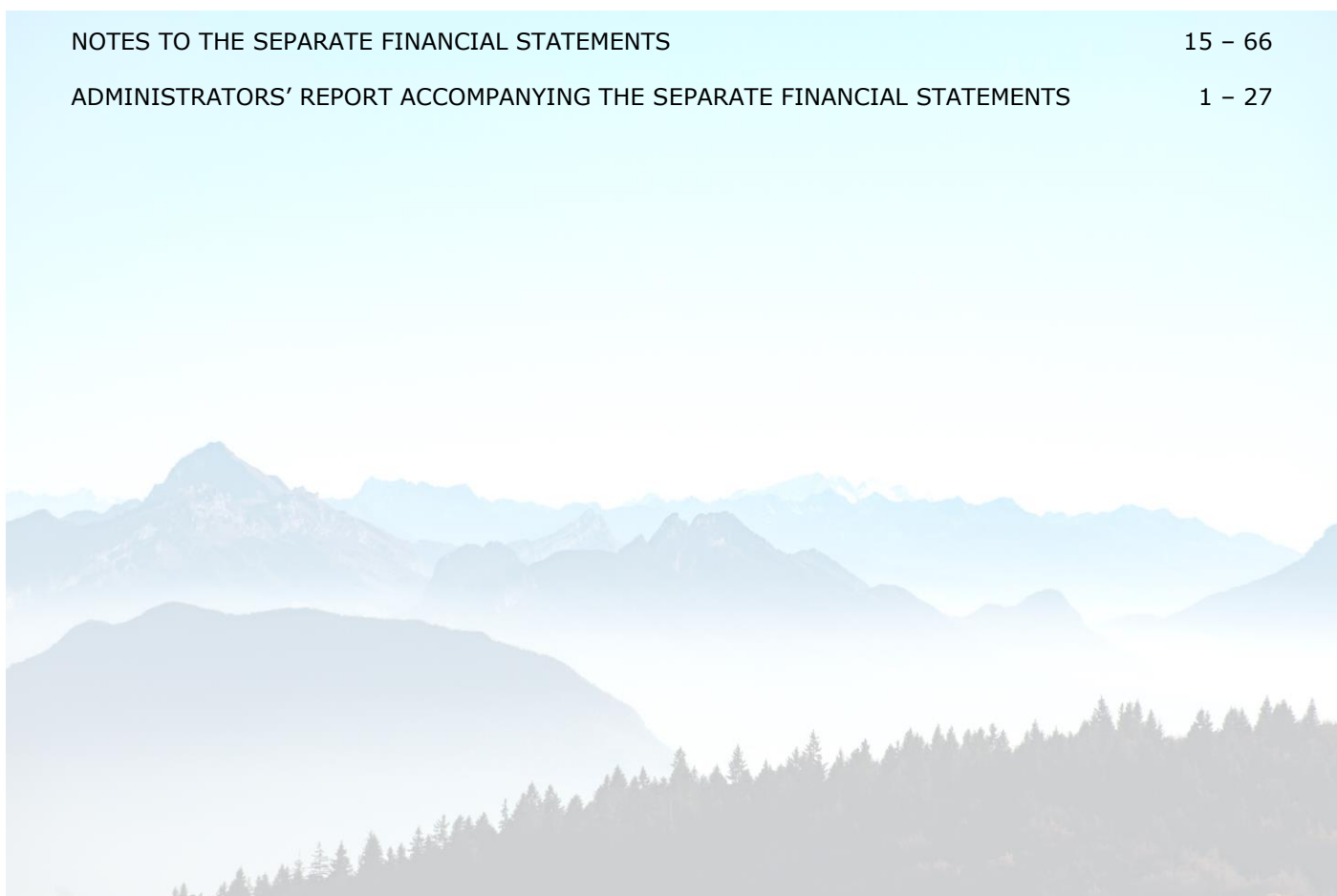
FOR THE YEAR ENDED DECEMBER 31, 2019

Prepared in accordance with Ministry of Public Finance Order no. 2844/2016 approving the Accounting regulations compliant with International Financial Reporting Standards as adopted by the European Union, as amended



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CONTENTS	PAGE
INDEPENDENT AUDITOR'S REPORT	1 – 5
SEPARATE STATEMENT OF COMPREHENSIVE INCOME	6
SEPARATE STATEMENT OF FINANCIAL POSITION	7 – 8
SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	9 – 12
SEPARATE STATEMENT OF CASH FLOWS	13 – 14
NOTES TO THE SEPARATE FINANCIAL STATEMENTS	15 – 66
ADMINISTRATORS' REPORT ACCOMPANYING THE SEPARATE FINANCIAL STATEMENTS	1 – 27



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of,
Romcarbon SA

Report on the Audit of the Separate Financial Statements

Opinion

1. We have audited the separate financial statements of Romcarbon SA (the Company), with registered office in Buzau, Str. Transilvaniei, nr. 132, identified by the unique tax registration code RO1158050, which comprise the separate statement of financial position as at December 31, 2019, and the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, including a summary of significant accounting policies and notes to the separate financial statements.
2. The separate financial statements as at December 31, 2019 are identified as follows:

• Net assets / Equity	RON	137,054,252
• Net profit for the financial year	RON	370,098
3. In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion" section of our report, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU.

Basis for Qualified Opinion

4. As of December 31, 2019, the Company held interest in participating in Living Jumbo Industry S.A. with a total net book value in the amount of RON 6,477,632, as presented in note 14 in the annexed financial statements, and trade receivables in the amount of RON 27.974.239 RON, as presented in note 26 in the annexed financial statements, for which at this date there were indications of impairment. According to the provisions of the Order of the Minister of Public Finance no. 2844/2014 with the subsequent changes, in this situation the Company should have performed on the balance sheet date an analysis of the recoverable amount of these financial assets. As of December 31, 2019, this analysis was not performed due to the lack of necessary information, and we were not able to determine during our audit any corrections that may have been needed on the Company's financial position and equity at December 31, 2019, respectively on its financial performance and cash flows for the financial year ended at this date, if such an analysis would have been performed.
5. We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and the Council (forth named The "Regulation") and Law 162/2017 ("the Law"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), in accordance with ethical requirements relevant for the audit of the financial statements in Romania including the Regulation and the Law and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Aspects

6. We draw attention to Note 2 of the separate financial statements, which states that the consolidated financial statements of the Company prepared in accordance with Order 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU have not been issued yet. Note 2 to the separate financial statements clarifies details in respect of the publication date of the consolidated financial statements. Our opinion is not qualified in this respect.

Key Audit Matters

7. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	Audit response to Key Audit Matters
<p>Revenue recognition</p> <p>Sale of finished goods is the main activity of the Company. Given the large number of domestic and foreign clients, the diversity of products sold as well as the diversity of the client's businesses, there is a risk that revenue is not properly and accurately recognised. That is, revenue may not be recognised in the correct accounting year, taking into account the transfer of main risks and rewards associated with the product, or may represent fictitious sales for which the delivery has not taken place, or sales towards bad debtors, that are insolvent or bankrupt. We consider that, revenue recognition is a key audit matter, given the above mentioned points.</p> <p>Revenue is disclosed in Note 3 to the separate financial statements.</p>	<p>Our audit procedures performed to address the risk of material misstatement for revenue recognition included:</p> <ul style="list-style-type: none"> - evaluating the internal controls which addresses the risks described in "Key audit matters" regarding occurrence of sales based on valid shipments; - assessing the proper booking of sales in the appropriate accounting periods in accordance with the transfer of main risks and rewards for sales occurring around year-end; - tests of detail regarding revenues, by preparing a statistical selection of clients and obtaining confirmation letters for the revenue booked during the year, as well as selecting of individual sales to clients for which confirmation letters were not sent and obtaining the supporting documents for these transactions; - analysis of revenues based on client, product and main markets in order to understand the evolution of revenue, as well as comparing revenues with the figures from prior period.
<p>Investment property</p> <p>The Company owns property in Iasi, Stefanesti and Buzau which are not used for its main activity, but are held for future capital appreciation or for partial rent towards third parties. We consider that, investment property is a key audit matter, being measured at fair value subsequent to initial recognition, the resulting gains and losses being stated to profit and loss as incurred. Also, the criteria used for classification of a tangible non-current asset as investment property takes into account management intention to use each property as well as the percentage of it being rented, both of which may vary from financial year to another. As a result, there is a risk of improper classification of these properties, as well as valuation of the investment property, as the fair value considered is a management estimate.</p> <p>The Company's disclosures regarding investment property are included in Note 12 to the separate financial statements.</p>	<p>Our audit procedures performed to address the risk of material misstatement of investment property included:</p> <ul style="list-style-type: none"> - analysing the proper classification of property, plant and equipment based on the investment property list and based on rental agreements in force at the audit date; - obtaining the valuation reports prepared at year-end and verification thereof. Evaluate whether the gains and losses resulting from the valuation are booked in accordance with international reporting standards. - Involvement of internal valuation experts for verification of fair value as at December 31, 2019, to provide us support in the analysis of the reevaluation method used by the evaluator employed by the Company.

Other information – Administrators’ Report

8. The administrators are responsible for preparation and presentation of the other information. The other information comprises the Administrators’ report but does not include the separate financial statements and our auditor’s report thereon, nor the non-financial information declaration which is presented in a separate report.

Our opinion on the separate financial statements does not cover the other information and, unless otherwise explicitly mentioned in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the separate financial statements for the year ended December 31, 2018, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

With respect to the Administrators’ report, we read and report if this has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU.

On the sole basis of the procedures performed within the audit of the financial statements, in our opinion:

- a) the information included in the Administrators’ report for the financial year for which the financial statements have been prepared is consistent, in all material respects, with these separate financial statements;
- b) the Administrators’ report has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU.

Moreover, based on our knowledge and understanding concerning the Company and its environment gained during the audit on the separate financial statements prepared as at December 31, 2018, we are required to report if we have identified a material misstatement of this Administrators’ report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

9. Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.
10. In preparing the separate financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
11. Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor's Responsibilities for the Audit of the Separate Financial Statements

12. Our objectives are to obtain reasonable assurance about whether the separate 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 is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.
13. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
 - Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
 - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
 - Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
14. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
15. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
16. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

17. We were appointed by the General Meeting of Shareholders on July 9, 2019 to audit the separate financial statements of Romcarbon SA for the financial year ended December 31, 2019. The uninterrupted total duration of our commitment is 1 year, covering the financial year ended December 31, 2019.

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Company that we issued the same date we issued and this report. Also, in conducting our audit, we have retained our independence from the audited entity.
- We have not provided for the Company the prohibited non-audit services referred to in Article 5(1) of EU Regulation No. 537/2014.

The engagement partner on the audit resulting in this independent auditor's report is Corina Dimitriu.

Ana-Corina Dimitriu, Audit Partner

For signature, please refer to the original signed Romanian version.

Registered in the Electronic Public Register of Financial Auditors and Audit Firms under no. AF 3677

On behalf of:

DELOITTE AUDIT SRL

Registered in the Electronic Public Register of Financial Auditors and Audit Firms under no. FA 25

The Mark Building, 84-98 and 100-102 Calea Grivitei,
8th Floor and 9th Floor, District 1
Bucharest, Romania
March 27, 2020

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019**
(all amounts are expressed in lei, unless specified otherwise)

	Note	Year ended:	
		December 31, 2019	December 31, 2018
Net sales	3	183,857,280	198,460,719
Investment property income	3	1,951,422	3,464,433
Income from subsidies		2,275,213	2,263,169
Raw materials and consumables used	4	(123,157,911)	(136,656,677)
Changes in inventories		3,560,611	372,436
Employee salaries and benefits	5	(37,440,065)	(35,940,642)
Social security expenses	5	(1,153,670)	(1,139,629)
Operational expenses	6	(15,482,186)	(16,247,641)
Other gains or losses	7	(1,334,935)	3,388,764
Depreciation/amortisation and impairment expense	8	(10,634,489)	(11,553,840)
Net finance cost	9	(1,853,730)	(1,945,033)
		<hr/>	<hr/>
Profit before taxation		587,540	4,466,059
		<hr/>	<hr/>
Income tax	10	(217,442)	334,297
		<hr/>	<hr/>
Net profit		370,098	4,800,356
		<hr/>	<hr/>
Comprehensive income			
Other comprehensive income			
Net loss on revaluation of tangible assets		-	-
Adjustment of deferred tax on fiscally non-deductible revaluation reserves	10	74,009	1,275,648
		<hr/>	<hr/>
Total comprehensive income		444,107	6,076,004
		<hr/>	<hr/>
Earnings per share		0.0017	0.023
		<hr/>	<hr/>
Number of shares		264,122,096	264,122,096

The separate financial statements were approved by the Board of Directors and were authorised for issuance on March 27, 2020.

**ADMINISTRATOR,
HUANG LIANG NENG**

**FINANCIAL MANAGER,
VIORICA ZAINESCU**

**DEPUTY GENERAL MANAGER,
CARMEN MANAILA**

For signatures, please refer to the original Romanian version.

The accompanying notes are integral part of these separate financial statements in accordance with IFRS.

This is a free translation from the original Romanian version.

**STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

	<u>Note</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
ASSETS			
Non-current assets			
Property, plant and equipment	11	122,648,084	130,049,723
Investment property	12	13,432,444	18,033,515
Intangible assets	13	314,136	78,269
Financial assets	14	27,085,581	22,247,181
Total non-current assets		163,480,245	170,408,688
Current assets			
Inventories	15	25,346,355	20,695,918
Trade and other receivables	16	45,865,813	35,722,416
Related party loans	26	335,912	6,174,452
Taxes receivable		-	-
Other assets	17	1,249,969	1,007,913
Cash and cash equivalents	27	5,549,445	3,331,011
Non-current assets held for sale	12	4,367,166	16,000,390
Total current assets		82,714,660	82,932,100
Total assets		246,194,905	253,340,788
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	18	26,412,210	26,412,210
Share premiums		2,182,283	2,182,283
Reserves	19	58,845,305	58,492,792
Retained earnings	20	49,614,454	50,103,010
Total equity		137,054,252	137,190,295
Non-current liabilities			
Loans from banks	21	12,705,852	22,666,821
Finance leases and other interest-bearing liabilities	24	-	-
Deferred tax liabilities	10	8,368,626	8,902,075
Deferred income	28	13,138,559	15,413,305
Total non-current liabilities		34,213,037	46,982,201

The accompanying notes are integral part of these separate financial statements in accordance with IFRS.

This is a free translation from the original Romanian version.

**STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

	<u>Note</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Current liabilities			
Trade and other payables	23	23,643,049	24,537,065
Loans from banks	21	46,071,939	39,935,675
Finance leases and other interest-bearing liabilities	24	-	-
Deferred income	28	2,345,590	2,265,476
Other liabilities	22	2,867,038	2,430,076
Total current liabilities		<u>74,927,616</u>	<u>69,168,292</u>
Total liabilities		<u>109,140,653</u>	<u>116,150,493</u>
Total equity and liabilities		<u>246,194,905</u>	<u>253,340,788</u>

The separate financial statements were approved by the Board of Directors and were authorised for issuance on March 27, 2020.

**ADMINISTRATOR,
HUANG LIANG NENG**

**FINANCIAL MANAGER,
VIORICA ZAINESCU**

**DEPUTY GENERAL MANAGER,
CARMEN MANAILA**

For signatures, please refer to the original Romanian version.

The accompanying notes are integral part of these separate financial statements in accordance with IFRS.

This is a free translation from the original Romanian version.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED DECEMBER 31, 2019

(all amounts are expressed in lei, unless specified otherwise)

	<u>Share capital</u>	<u>Share premiums</u>	<u>Revaluation reserves</u>	<u>Legal reserves</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>
January 1, 2019	26,412,210	2,182,283	39,808,428	4,115,011	14,569,353	50,103,010	137,190,295
Increases from revaluation of property, plant and equipment	-	-	1,197,466	-	-	-	1,197,466
Decreases from revaluation of property, plant and equipment	-	-	(437,206)	-	-	-	(437,206)
Dividends declared	-	-	-	-	-	(1,056,488)	(1,056,488)
Net profit of the period	-	-	-	-	-	370,098	370,098
Transfer to reserves	-	-	-	18,505	261,695	(280,200)	-
Transfer of reserves to retained earnings	-	-	(761,956)	-	-	761,956	-
Adjustment of material errors	-	-	-	-	-	(283,922)	(283,922)
Adjusted deferred tax related to fiscally non-deductible revaluation reserves	-	-	74,009	-	-	-	74,009
December 31, 2019	26,412,210	2,182,283	39,880,741	4,133,516	14,831,048	49,614,454	137,054,252

As at December 31, 2019, the Company allocated the tax exempt profit for reinvested profit, less the legal reserve portion in amount of RON 18,505 for setting up reserves in amount of RON 261,695.

The total amount of RON 14,831,048 of such reserves is not subject to allocations to other destinations.

The resolution of the General Meeting of Shareholders of 29.08.2019 approved the dividend allocation in amount of RON 1,056,488. The full amount was transferred to the Central Depository to pay dividends owed to shareholders.

Further to the sale of investment property, the Company adjusted the deferred tax related to fiscally non-deductible revaluation reserves by RON 74,009.

The separate financial statements were approved by the Board of Directors and were authorised for issuance on March 27, 2020.

**ADMINISTRATOR,
HUANG LIANG NENG**

**FINANCIAL MANAGER,
VIORICA ZAINESCU**

**DEPUTY GENERAL MANAGER,
CARMEN MANAILA**

For signatures, please refer to the original Romanian version.

The accompanying notes are integral part of these separate financial statements in accordance with IFRS.

This is a free translation from the original Romanian version.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED DECEMBER
31, 2019
(all amounts are expressed in lei, unless specified otherwise)

	<u>Share capital</u>	<u>Share premiums</u>	<u>Revaluation reserves</u>	<u>Legal reserves</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>
January 1, 2018	<u>26,412,210</u>	<u>2,182,283</u>	<u>39,338,852</u>	<u>3,874,993</u>	<u>10,009,015</u>	<u>51,304,266</u>	<u>133,121,619</u>
Distribution of dividends	-	-	-	-	-	(2,007,328)	(2,007,328)
Net profit of the period	-	-	-	-	-	4,800,356	4,800,356
Transfer to reserves	-	-	-	240,018	4,560,338	(4,800,356)	-
Transfer of reserves to retained earnings	-	-	(806,072)	-	-	806,072	-
Adjusted deferred tax related to fiscally non-deductible revaluation reserves	-	-	1,275,648	-	-	-	1,275,648
December 31, 2018	<u>26,412,210</u>	<u>2,182,283</u>	<u>39,808,428</u>	<u>4,115,011</u>	<u>14,569,353</u>	<u>50,103,010</u>	<u>137,190,295</u>

As at December 31, 2018, the Company allocated the tax exempt profit for reinvested profit, less the legal reserve portion in amount of RON 240,018 for setting up reserves in amount of RON 4,560,338.

The total amount of RON 14,569,353 of such reserves is not subject to allocations to other destinations.

The resolution of the General Meeting of Shareholders of 01.08.2018 approved the dividend allocation in amount of RON 2,007,328. The full amount was transferred to the Central Depository to pay dividends owed to shareholders.

Further to the sale of investment property, the Company adjusted the deferred tax related to fiscally non-deductible revaluation reserves by RON 1,275,648.

The separate financial statements were approved by the Board of Directors and were authorised for issuance on March 27, 2020.

**ADMINISTRATOR,
HUANG LIANG NENG**

**FINANCIAL MANAGER,
VIORICA ZAINESCU**

**DEPUTY GENERAL MANAGER,
CARMEN MANAILA**

For signatures, please refer to the original Romanian version.

The accompanying notes are integral part of these separate financial statements in accordance with IFRS.

This is a free translation from the original Romanian version.

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

As at December 31, 2013, the Company revalued tangible assets from the land and buildings category, using the services of an independent valuator. The differences in value reflected in the financial statements ended December 31, 2013 amounted to lei 29,100,504 as a result of the revaluation of Romcarbon S.A.'s assets.

As at December 31, 2013, the Company reclassified the revaluation reserves to retained earnings, in amount of lei 4,024,653.

Following the application of IFRS from the financial year 2012, financial statements were restated resulting from application of IAS 29 an adjustment to inflation of total equity in amount of lei 202,092,991 as follows: adjustment to inflation of share capital of lei 201,639,749, adjustment to inflation for the legal reserve in amount of lei 150,141, adjustment to inflation for Other reserves in amount of lei 303,101.

In 2013, the loss registered as loss carried forward was covered by such adjustments in amount of RON 202,092,991, which was approved by the shareholders.

By the shareholders' decision of April 29, 2015 the followings were approved:

- distribution of the net profit registered in 2014, in amount of lei 36,213,237.28 as follows: lei 1,810,662 to legal reserve and lei 127,129 to other reserves, lei 2,007,328 to dividends and lei 32,268,118.28 as retained earnings in the form of profit not distributed.

During 2015, the Company reclassified the revaluation reserve to retained earnings in amount of lei 462,087.

As at December 31, 2015 the legal reserve was established, according to art. 183 of Law 31/1990, with subsequent amendments, which provides as follows: "From the Company's profit at least 5% shall be transferred each year, for the setup of the reserve fund, until the reserve reaches at least one fifth of the share capital", in amount of lei 319,596.

At the end of 2015, an amount of lei 4,099,203 (representing accounting profit that benefits from the exemption of the tax, less the related legal reserve), was transferred to "Other reserves": (According with art 19⁴. (Reinvested profit tax exemption (effective 1 July 2014) in conjunction with HG 571/2003 Law 44/2004 on Fiscal Code Methodological Norms).

As at December 31, 2016 the Company established the legal reserve, according to Art.183 of Law no. 31/1990, as revised, which stipulates: "From the Company's profit at least 5% shall be transferred each year, for the setup of the reserve fund, until the reserve reaches at least one fifth of the share capital", in amount of RON 245,174.

At the end of 2016, the amount of RON 3,258,617 (representing profit which was tax exempt, less the legal reserve portion) was allocated to „Other reserves“: (according to Art. 22: Tax exemption of reinvested profit of Law 227/2015 corroborated with GR 1/2016 on the Tax Code and the Application Rules thereof).

As at December 31, 2016 the Company revalued non-current assets in the form of land, buildings and investment property, using the services of an independent valuer.

The differences in value reflected in the financial statements as at December 31, 2016 totaled RON 1,987,613 corresponding to the revaluation of the assets of Romcarbon S.A, the revalued amount of land dropped by RON 6,239,033, and the revalued amount of buildings and constructions increased by RON 4,251,420 (net).

In 2016, the Company reclassified the revaluation reserve to retained earnings in amount of RON 385,388.

The accompanying notes are integral part of these separate financial statements in accordance with IFRS.

This is a free translation from the original Romanian version.

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

As at December 31, 2017 the legal reserve was established, according to art. 183 of Law 31/1990, with subsequent amendments, which provides as follows: "From the Company's profit at least 5% shall be transferred each year, for the setup of the reserve fund, until the reserve reaches at least one fifth of the share capital", in amount of lei 239,903.

At the end of 2017, the amount of lei 1,487,753 (representing tax exempt accounting profit, less the related legal reserve), was transferred to "Other reserves" (according to Art. 22: Tax exemption of reinvested profit according to Law 227/2015 corroborated with GR 1/2016 on the Tax Code and the Application Rules thereof).

In 2017, the Company reclassified the revaluation reserve to retained earnings in amount of RON 3,011,094.

As at December 31, 2018 the Company established the legal reserve, as per article 183 of Law 31/1990, as amended, according to which: "Out of the company's profit, entities shall use at least 5% to set up the reserve fund, until it reaches at least one fifth of the share capital", in amount of RON 240,018.

At the end of 2018, the amount of RON 4,560,338 (representing tax exempt accounting profit, less the related legal reserve), was transferred to "Other reserves" (according to Art. 22: Tax exemption of reinvested profit according to Law 227/2015 corroborated with GR 1/2016 on the Tax Code and the Application Rules thereof).

In 2018, the Company reclassified the revaluation reserve to retained earnings in amount of RON 806,072.

The adjustment of deferred tax on fiscally non-deductible revaluation reserves is explained in Note 10.

As at December 31, 2019 the Company established the legal reserve, as per article 183 of Law 31/1990, as revised, according to which: " Out of the company's profit, entities shall use at least 5% to set up the reserve fund, until it reaches at least one fifth of the share capital", in amount of RON 18,505.

At the end of 2019, the RON 261,695 (representing tax exempt accounting profit, less the related legal reserve), was transferred to "Other reserves" (according to Art. 22: Tax exemption of reinvested profit according to Law 227/2015 corroborated with GR 1/2016 on the Tax Code and the Application Rules thereof).

At December 31, 2019 the Company revalued non-current assets in the form of land, buildings and investment property, using the services of an independent valuer.

The differences of value, reflected in the financial statements for the year ended December 31, 2019 were in total amount of RON 664,528 resulting from the revaluation of the assets of Romcarbon SA, the revalued amount of land dropped by RON 129,275, and the revalued amount of land and buildings grew by RON 793,803 (net).

In 2019, the Company reclassified the revaluation reserve to retained earnings in amount of RON 761,956.

The adjustment of deferred tax on fiscally non-deductible revaluation reserves is explained in Note 10.

The separate financial statements were approved by the Board of Directors and were authorised for issuance on March 27, 2020.

**ADMINISTRATOR,
HUANG LIANG NENG**

**FINANCIAL MANAGER,
VIORICA ZAINESCU**

**DEPUTY GENERAL MANAGER,
CARMEN MANAILA**

For signatures, please refer to the original Romanian version.

The accompanying notes are integral part of these separate financial statements in accordance with IFRS.

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**STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in RON, unless specified otherwise)**

	2019	2018
Net profit for the year	370,098	4,800,356
Income tax expense / (income)	676,882	246,375
Deferred income tax expense / (income)	(459,440)	(1,856,320)
Non-current asset depreciation/(impairment)	10,634,489	10,797,119
(Gain) / Loss on sale of fixed assets	330,904	(11,254)
(Gain) / Loss on changes in fair value of investment property	429,524	(307,659)
(Gain) / Loss on disposal of investment property	-	(2,709,699)
(Gain) / Loss on changes in fair value of assets held for sale	795,624	756,722
Gains on internal set-up of fixed assets	(244,040)	(635,401)
Expenses / (Revenues) regarding value adjustments for clients and inventories	19,414	(36,085)
Loss on receivables and sundry debtors	4,006	206,804
(Gain) / Loss on disposal of held-for-sale assets	(185,760)	-
Expenses / (Revenues) regarding allowances for financial assets	-	-
Interest expense	1,472,607	1,702,834
Interest income	(86,264)	(91,477)
Income from dividends	-	(1,117,270)
Income from subsidiaries	(2,275,213)	(2,263,169)
Unrealised foreign exchange gain / (loss)	600,347	(88,767)
Movements in working capital:		
(Increase) / Decrease in trade and other receivables	(10,166,817)	(3,399,869)
(Increase) / Decrease in inventories	(4,650,437)	3,128,998
(Increase) / Decrease in other assets	(242,056)	-
Increase / (Decrease) in trade payables	894,016	(4,034,378)
Increase / (Decrease) in deferred income	(467)	(39,774)
Increase / (Decrease) in other liabilities	(3,388,503)	264,222
Cash used in operating activities	(5,471,085)	5,312,308
Income tax paid	(491,719)	(212,766)
Interest paid	(1,472,607)	(1,702,834)
Net cash generated in operating activities	(7,435,411)	3,396,708
Cash flows from investing activities:		
Payments for purchases of financial assets	-	-
Interest received	86,264	91,477
Dividends received	-	1,117,270
Payments for tangible assets	(2,189,850)	(3,091,315)
Payments for investment property	-	-
Proceeds from sale of investment property	-	18,086,180
Proceeds from disposal of tangible assets	157,638	94,612
Proceeds from sale of held-for-sale assets	16,186,151	-
Related party loans (granted)/received	-	(6,174,452)
Payments for intangible assets	-	(19,139)
Payments for dividends	(1,032,280)	(1,961,297)
Net cash generated by/(used in) investing activities	13,207,922	8,143,336

The accompanying notes are integral part of these separate financial statements in accordance with IFRS.

This is a free translation from the original Romanian version.

**STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in RON, unless specified otherwise)**

	<u>2019</u>	<u>2018</u>
Cash flows from financing activities:		
Cash payments of lessee to reduce a finance lease liability	-	(86,797)
Proceeds from bank loans	4,778,586	2,602,061
Repayments of bank loans	(9,769,474)	(13,253,314)
Proceeds from loans to affiliates	1,436,811	-
Repayments of related party borrowings	-	-
Proceeds from subsidies	-	-
Net cash generated by/(used in) financing activities	<u>(3,554,077)</u>	<u>(10,738,050)</u>
Net increase/(decrease) in cash and cash equivalents	<u>2,218,434</u>	<u>801,994</u>
Cash and cash equivalents at the beginning of the year	<u>3,331,011</u>	<u>2,529,017</u>
Cash and cash equivalents at the end of the year	<u>5,549,445</u>	<u>3,331,011</u>

The separate financial statements were approved by the Board of Directors and were authorised for issuance on March 27, 2020.

**ADMINISTRATOR,
HUANG LIANG NENG**

**FINANCIAL MANAGER,
VIORICA ZAINESCU**

**DEPUTY GENERAL MANAGER,
CARMEN MANAILA**

For signatures, please refer to the original Romanian version.

The accompanying notes are integral part of these separate financial statements in accordance with IFRS.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)****1. GENERAL INFORMATION**

ROMCARBON S.A. has its main office in Buzău, Str. Transilvaniei, nr. 132 and is organised as a joint-stock company with the following identification details: registered with the Registry of Commerce under no. J10/83/1991, Fiscal Code RO1158050. The Company's shares are traded on the BSE, and its main shareholders as at December 31, 2019 are Living Plastic Industry S.A., Joyful River Limited Loc. Nicosia – Cyprus.

The Company's main field of activity is the manufacture of plastic.

2. MAIN ACCOUNTING POLICIES**Statement of compliance**

The separate financial statements were prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

Basis of preparation

These separate financial statements of the Company were prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS") effective on the Company's reporting date, i.e. December 31, 2019 and in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016 approving the Accounting regulations compliant with International Financial Reporting Standards, applicable to companies whose securities are admitted to trading on a regulated market, with subsequent amendments and clarifications. Such provisions are consistent with the requirements of the International Financial Reporting Standards adopted by the European Union.

The accounting regulations in accordance with the Fourth EEC Directive, approved by NSC Order 13/2011 are applied together with Accounting Law no. 82/1991 (republished).

The separate financial statements were prepared at historical cost adjusted to hyperinflation as at December 31, 2003 for fixed assets, share capital and reserves. NSC Order 13/2011 on the approval of accounting regulations in accordance with the Fourth Directive of the European Economic Community applicable to entities authorised, regulated and supervised by the National Securities Commission provides the preparation of financial statements at historical cost.

The Company has the obligation to prepare separate and consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS"). The Romcarbon group, which includes Romcarbon S.A. and its subsidiaries, will prepare a set of consolidated financial statements in accordance with IFRS as adopted by EU, for the financial year ended December 31, 2019, which will be published in accordance with the legislation in force.

The consolidated financial statements will be published after the separate annual financial statements, within maximum 30 days.

The separate financial statements were prepared on the going concern basis. The financial statements are prepared based on the statutory accounts kept in accordance with Romanian accounting principles, adjusted for the transition to IFRS as adopted by EU.

The main accounting policies are described below.

Basis of preparation of the separate financial statements

These financial statements are Separate financial statements prepared in accordance with IAS 27. According to this standard, separate financial statements are the statements disclosed by a parent, by an investor in an associate or by an associate in a jointly controlled entity, where investment is accounted for based on the direct participation in equity rather than the reported results and net assets of investees.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

Basis of preparation of the separate financial statements (continued)

The financial statements of an entity that does not have a subsidiary, associate or interest in a jointly controlled entity are not separate financial statements.

When an entity prepares separate financial statements, investments in subsidiaries, jointly controlled entities and associates must be accounted for either:

- a. at cost, or
- b. in accordance with IFRS 9.

The Company presents investments in associates at cost. Given the transition to IFRS 9, while, prior to the initial application of IFRS 9, the Company accounted for such investments as per IAS 27.10a or IAS 27.10c (cost or equity method), the same accounting treatment is applied after the transition to IFRS 9. Thus, they continue to be accounted for at cost.

The entity must apply the same accounting for each category of investments. Investment accounted at cost must be accounted in accordance with IFRS 5 Non-current assets held for sale and discontinued operations when classified as held for sale (or included in a disposal group that is classified as held for sale). The accounting of investments in accordance with IFRS 9 does not change in these circumstances.

An entity must recognize in its separate financial statements dividends from a subsidiary, jointly controlled entity or associate when the entity's right to receive such dividend is established.

The Company's direct holdings as at December 31, 2019 and December 31, 2018 in subsidiaries or associates, which were not consolidated in these separate financial statements, are presented in Note 14. Investments in such subsidiaries or associates were disclosed in these separate financial statements at cost.

The Company will issue for 2019 consolidated financial statements in accordance with IFRS as adopted by the European Union.

Initial application of new amendments to the existing standards effective for the current reporting period

The following new standards, amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **IFRS 16 "Leases"** – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IFRS 9 "Financial Instruments"** - Prepayment Features with Negative Compensation – adopted by the EU on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IAS 19 "Employee Benefits"** - Plan Amendment, Curtailment or Settlement – adopted by the EU on 13 March 2019 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IAS 28 "Investments in Associates and Joint Ventures"** - Long-term Interests in Associates and Joint Ventures – adopted by the EU on 8 February 2019 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to various standards due to "Improvements to IFRSs (cycle 2015 -2017)"** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 14 March 2019 (effective for annual periods beginning on or after 1 January 2019),

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

- **IFRIC 23 "Uncertainty over Income Tax Treatments"** – adopted by the EU on 23 October 2018 (effective for annual periods beginning on or after 1 January 2019).

New standards and amendments to existing standards in issue not yet adopted

At the date of authorisation of these financial statements, the following new standards, amendments to existing standards and new interpretation were in issue, but not yet effective:

- **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2021),
- **Amendments to IFRS 3 "Business Combinations"** - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period),
- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures"** - Interest Rate Benchmark Reform - adopted by the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded).
- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** - Definition of Material - adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IAS 1 "Presentation of Financial Statements"** - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to References to the Conceptual Framework in IFRS Standards** (effective for annual periods beginning on or after 1 January 2020),

The company anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the company in the period of initial application.

Initial application of new amendments to the existing standards effective for the current reporting period

The following new standards, amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **IFRS 16 "Leases"** – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IFRS 9 "Financial Instruments"** - Prepayment Features with Negative Compensation – adopted by the EU on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019).
- **Amendments to IFRS 9 "Financial Instruments"** - Prepayment Features with Negative Compensation – adopted by the EU on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019),

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

Initial application of new amendments to the existing standards effective for the current reporting period (continued)

- **Amendments to IAS 19 "Employee Benefits"** - Plan Amendment, Curtailment or Settlement – adopted by the EU on 13 March 2019 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IAS 28 "Investments in Associates and Joint Ventures"** - Long-term Interests in Associates and Joint Ventures – adopted by the EU on 8 February 2019 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to various standards due to "Improvements to IFRSs (cycle 2015 -2017)"** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 14 March 2019 (effective for annual periods beginning on or after 1 January 2019),
- **IFRIC 23 "Uncertainty over Income Tax Treatments"** – adopted by the EU on 23 October 2018 (effective for annual periods beginning on or after 1 January 2019).

The adoption of these new standards, amendments to the existing standards and interpretation has not led to any material changes in the company's financial statements.

Standards and amendments to the existing standards issued by IASB and adopted by the EU, but not yet effective

At the date of authorisation of these financial statements, the following new standard, amendments to the existing standard and interpretation issued by IASB and adopted by the EU are not yet effective:

- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** - Definition of Material - adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures"** - Interest Rate Benchmark Reform - adopted by the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to References to the Conceptual Framework in IFRS Standards** adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020).

New standards and amendments to the existing standards issued by IASB, but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU:

- **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2021),
- **Amendments to IFRS 3 "Business Combinations"** - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period),

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU (continued)

- **Amendments to IAS 1 "Presentation of Financial Statements"** - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2022).
- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded).

The Company anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Company in the period of initial application.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated.

According to the company's estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to **IAS 39: "Financial Instruments: Recognition and Measurement"** would not significantly impact the financial statements, if applied as at the balance sheet date.

More details about individual standards, amendments to existing standards and interpretations that can be used as appropriate:

- **IFRS 14 "Regulatory Deferral Accounts"** issued by IASB on 30 January 2014. This standard is intended to allow entities that are first-time adopters of IFRS, and that currently recognise regulatory deferral accounts in accordance with their previous GAAP, to continue to do so upon transition to IFRS.
- **IFRS 16 "Leases"** issued by IASB on 13 January 2016. Under IFRS 16 a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate. As with IFRS 16's predecessor, IAS 17, lessors classify leases as operating or finance in nature. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease. For finance leases a lessor recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognises operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis.
- **IFRS 17 "Insurance Contracts"** issued by IASB on 18 May 2017. The new standard requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 "Insurance Contracts" and related interpretations while applied.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

- **Amendments to IFRS 3 “Business Combinations”** - Definition of a Business issued by IASB on 22 October 2018. Amendments were introduced to improve the definition of a business. The amended definition emphasises that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. In addition to amending the wording of the definition, the Board has provided supplementary guidance.
- **Amendments to IFRS 9 “Financial Instruments” - Prepayment Features with Negative Compensation** issued by IASB on 12 October 2017. The amendments modifies the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. Under the amendments, the sign of the prepayment amount is not relevant, i.e. depending on the interest rate prevailing at the time of termination, a payment may also be made in favour of the contracting party effecting the early repayment. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of a early repayment gain. Moreover, amendments contain clarification regarding the accounting for a modification of a financial liability that does not result in derecognition. In this case, carrying amount is adjusted with the corresponding result recognized in comprehensive income. The effective interest rate is not recalculated.
- **Amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement” and IFRS 7 “Financial Instruments: Disclosures”** - Interest Rate Benchmark Reform issued by IASB on 26 September 2019. The changes in Interest Rate Benchmark Reform:
 - a) modify specific hedge accounting requirements so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform;
 - b) are mandatory for all hedging relationships that are directly affected by the interest rate benchmark reform;
 - c) are not intended to provide relief from any other consequences arising from interest rate benchmark reform (if a hedging relationship no longer meets the requirements for hedge accounting for reasons other than those specified by the amendments, discontinuation of hedge accounting is required); and
 - d) require specific disclosures about the extent to which the entities' hedging relationships are affected by the amendments.
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** issued by IASB on 11 September 2014. The amendments address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

- **Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” - Definition of Material** issued by IASB on 31 October 2018. The amendments clarify the definition of material and how it should be applied by including in the definition guidance.
- **Amendments to IAS 1 “Presentation of Financial Statements”** issued by IASB on 23 January 2020. The amendments provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date.
- **Amendments to IAS 19 “Employee Benefits” - Plan Amendment, Curtailment or Settlement** issued by IASB on 7 February 2018. The amendments require to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.
- **Amendments to IAS 28 “Investments in Associates and Joint Ventures” - Long-term Interests in Associates and Joint Ventures** issued by IASB on 12 October 2017. Amendments were introduced to clarify that an entity applies IFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. Amendments also delete paragraph 41 because the Board felt that it merely reiterated requirements in IFRS 9 and had created confusion about the accounting for long-term interests.
- **Amendments to various standards due to “Improvements to IFRSs (cycle 2015 -2017)”** issued by IASB on 12 December 2017. Amendments to various standards resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording. The amendments clarify that: a company remeasures its previously held interest in a joint operation when it obtains control of the business (IFRS 3); a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business (IFRS 11); a company accounts for all income tax consequences of dividend payments in the same way (IAS 12); and a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale (IAS 23).
- **Amendments to References to the Conceptual Framework in IFRS Standards** issued by IASB on 29 March 2018. Due to the fact that Conceptual Framework was revised, the IASB updated references to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. This was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction.
- **IFRIC 23 “Uncertainty over Income Tax Treatments”** issued by IASB on 7 June 2017. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company’s tax treatment. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income tax.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

Income recognition

The Company has applied IFRS 15 for the first time effective from January 1, 2018.

Under the new standard, revenue is recognized when or as the customer acquires control of the goods or services at the value that reflects the price that the Company expects to be entitled to receive in exchange for those goods and services. Income is recognized at the fair value of the services rendered or the goods delivered, net of VAT, excise duties and other sales taxes.

IFRS 15 "Revenue from contracts with customers"

IFRS 15 "Revenue from contracts with customers" introduces a comprehensive model for the recognition and measurement of income. The standard replaces the existing income recognition criteria, replacing IAS 18 "Revenue", IAS 11 "Construction Contracts" and IFRIC 13 "Customer Loyalty Programs". Under the new standard, revenue is recognized when or as the customer acquires control of the goods or services at the value that reflects the price that the Company expects to be entitled to receive in exchange for those goods and services.

Being permitted by the standard, the Company adopted IFRS 15 as of January 1, 2018 using the revised retrospective method with cumulative adjustments from the initial application recognized as at 1 January 2018 in equity and without altering the figures for prior periods. Initial application has no impact on the Company's retained earnings.

In applying IFRS 15, the Company has not identified any impact on the financial statements.

Income is measured at the fair value of amounts received or receivable. Income is reduced by the value of returns, commercial rebates and other similar costs.

Sale of goods

Income from sale of goods is recognized when the following conditions are met:

- The Company has transferred to the buyer all the significant risks and rewards of ownership of the goods;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The value of the income can be measured reliably.

Dividend and interest income

Income from dividends related to investments is recognized when the shareholders' right to receive them is established.

Interest income is recognized on a timely basis, by reference to the outstanding capital and the actual applicable interest rate, which is the exact discount rate of future cash received estimated throughout the life of the financial asset, within the limit of the net book value of such asset.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

Foreign currency transactions

The Company operates in Romania and its functional currency is the Romanian leu.

When preparing the financial statements of individual entities and the Company, transactions in currencies other than the functional currency (foreign currencies) are registered at the exchange rates prevailing at the date of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing at the balance sheet date.

Non-monetary items that are measured at historical cost in a foreign currency are not translated again.

Foreign exchange differences are recognized in profit or loss as they arise.

The official translation rates to convert the balance sheet lines expressed in foreign currency at the end of reporting periods were as follows:

- December 31, 2016: RON 4.3033/ USD 1 and RON 4.5411 / EUR 1
- December 31, 2017: RON 3.8915/ USD 1 and RON 4.6597 / EUR 1
- December 31, 2018: RON 4.0736/ USD 1 and RON 4.6639 / EUR 1
- December 31, 2019: RON 4.2608/ USD 1 and RON 4.7793 / EUR 1

Costs related to long-term borrowings

Costs related to long-term borrowings directly attributable to the acquisition, construction or production of assets, which require a substantial amount of time to be used or for sale are added to the cost of such assets, until such assets are ready to be used according to their purpose or for sale. Income from temporary investments from borrowings, until such borrowings are spent on assets, is deducted from the costs related to long-term borrowings eligible for capitalization.

All the other borrowing costs are recognized in the income statement as incurred.

Government subsidies

Government subsidies are not recognized until there is reasonable assurance that the Company will comply with the conditions of such subsidies and the subsidies are received.

Government subsidies whose main condition is that the Company acquire, build or otherwise obtain non-current assets are recognized as deferred income in the balance sheet and are transferred to the income statement systematically and rationally throughout the useful life of such assets.

Other Government subsidies are systematically recognized as income in the same period as the costs they are intended to offset. Government subsidies received as compensation for expenses or losses already recorded or intended to grant immediate financial support to the Company, without future related costs, are recognized in the income statement when they become due.

Employee contributions

The Company makes payments to the State budget for social insurance, pension and unemployment benefits at the rates provided by law and in force during the year, calculated based on gross salaries. The cost of these contributions is charged to the income statement in the same period as the related salary costs.

The Company pays its employees retirement benefits. Such benefits are defined in the Company's collective labour agreement.

This is a free translation from the original Romanian version.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Provisions for taxes and levies

As at December 31, 2019 the Company's separate financial statements include revaluation reserves. Based on the latest provisions of current legislation, such reserves may become taxable if their destination changed, by using them to cover accounting losses or by the Company's winding up.

The Company's management considers that there is no intention to use such reserves to cover accounting losses. Nevertheless, if such reserves are used to cover losses, the Company must register an income tax liability in connection with such reserves. These financial statements do not include such provision for deferred income related to such reserves.

Deferred tax

Deferred tax is recognized on the difference between the carrying amounts of assets and liabilities in the separate financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than from a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for temporary taxable differences associated with investments in subsidiaries and associates, and interests in joint ventures, except if the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from temporary deductible differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set them off similarly to current tax assets and liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

Current and deferred tax for the period

Current and deferred taxes are recognized as expense or income in statement of comprehensive income, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is considered when calculating goodwill or when determining the excess of the acquirer's interests in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired company on cost.

Property, plant and equipment

Land and buildings held to be used in the production or delivery of goods or services or for administrative purposes are recorded in the balance sheet at fair value, less the subsequently accumulated depreciation and accumulated impairment losses.

The Company conducted a valuation of land and buildings based on a valuation report issued by a professional valuator, in order to determine the fair value thereof as at the balance sheet date. The revaluations are made with sufficient regularity so that the book value should not differ substantially from that determined using the fair value at the end of the reporting period. The increases in the book values of tangible assets further to valuation were credited to Revaluation reserves under Equity. The last revaluation of tangible assets in the form of land and buildings was registered as at December 31, 2019.

Gains and losses on the sale or disposal of an asset are determined as difference between income from the asset sale and their net book value. Gains and losses are recognized in the Income Statement.

The buildings' depreciation is charged to the income statement.

Assets under construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at historical cost. Depreciation of these assets, on the same basis as other tangible assets, commences when the assets are ready for their intended use.

Plant and equipment are recorded in the balance sheet at historical cost less the subsequently accumulated depreciation and accumulated impairment losses.

Depreciation is registered so as to diminish the cost other than the cost of land and buildings under construction, throughout their estimated useful life, on a straight line basis. The estimated useful lives, residual values and depreciation method are reviewed at the end of each year, with the effect of any changes in estimate accounted for on a prospective basis.

The expenses incurred with significant improvements are capitalized, if such extend the service life of the fixed asset or lead to a significant increase in its capacity to generate income. The costs incurred with maintenance, repairs and minor improvements are charged against expenses as incurred.

Subsequent expenses

Expenses incurred with replacing a component of a plant, property and equipment item, which is accounted separately, is capitalized, and the carrying amount of the initial component is written off. Other subsequent expenses are capitalized only when they generate future economic benefits by virtue of the use of such non-current asset. All other expenses are accounted for in the income statement as expenses as they are incurred.

Assets held under finance lease are depreciated over their useful life, similarly to assets held or, if the lease is shorter, throughout such lease term.

Losses or gains from selling or disposing a tangible asset are computed as difference between sale revenues and the net book value of the asset and are recognized in the income statement.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

The following useful lives are used in the depreciation calculation:

Buildings	5 – 45 years
Plant and equipment	3 – 20 years
Other installations, office equipment	3 – 30 years
Vehicles in finance lease	5 – 6 years

Intangible assets

Intangible assets acquired separately

Intangible assets with definite useful life which are acquired separately are accounted at cost less accumulated amortization and impairment. Amortization is calculated on a straight-line basis throughout their useful life. The estimated useful life and method of amortization are reviewed at the end of each reporting period. Intangible assets with indefinite useful lives, which are acquired separately, are accounted at cost less cumulated impairment losses.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the Company estimates the recoverable amount of the asset in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment of tangible and intangible assets

Where a reasonable and consistent basis of allocation cannot be identified, tangible assets are allocated to the smallest group of cash-generating units for which a consistent and reasonable allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

Investment property

Investment property are properties held to earn rentals and/or for future capital appreciation. They are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value each year. Gains and losses arising from changes in the fair value of investment properties are included in the profit or loss in the period in which they arise.

The Company classifies a property (land or building and land) as investment property when:

- a. it is held for future capital appreciation;
- b. at least 50% of its total useful surface area is rented; or
- c. it is not used in the Company's administrative or productive activity and less than 50% of its total useful surface area is/is not rented.

Since the Company discloses at the balance sheet date the investment property using the fair value model, buildings in this category are not depreciated.

Assets held for sale

Assets held for sale are represented by real estate held by the Company, which forms the object of a selling plan as at the date of the separate financial statements. Such assets are not depreciated and are carried at the lower of carrying amount and fair value, less costs to sell and are presented separately in the separate financial statements. Resulting gains and losses are included in profit or loss as they arise.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs, including a portion corresponding to indirect fixed and variable expenses are allocated to inventories held according to the most suitable method to that class of inventory, most of them being measured using the weighted average. The net realizable value represents the estimated selling price for inventories less all estimated completion costs and costs necessary to make the sale.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive), as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

The amount recognized as provision is the best estimate of the required amount to settle the obligation at the balance sheet date, considering the risks and uncertainties related to the obligation. If a provision is measured using estimated cash flows to settle the current obligation, then the carrying value is the current value of such cash flows.

Warranties

Provisions for warranties are recognized on the selling date of the products, according to the managements' best estimate regarding the expenditure required to settle the Company's obligation.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

Financial assets and liabilities

The Company applies IFRS 9 - Financial Instruments that came into effect starting January 1, 2018 and uses for the classification of financial assets, the business model of the entity and the cash flow characteristics of the financial asset under the contract.

Classification of financial assets

According to IFRS 9 Financial Instruments, the financial assets are classified into:

1. *financial asset measured at depreciation cost if both conditions below are met:*
 - the financial asset is held in a business model whose objective is to hold the financial assets to collect the contractual cash flows, and
 - the contractual terms of the financial asset generate at certain dates cash flows that are exclusively payments of principal and interest related to the principal owed.
2. *financial asset measured at fair value through other comprehensive income if both conditions below are met:*
 - the financial asset is held in a business model whose objective is met both through the collection of contractual cash flows and sale of financial assets, and
 - the contractual terms of the financial asset generate at certain dates cash flows that are exclusively payments of principal and interest related to the principal owed
3. *a financial asset measured at fair value through profit or loss, unless measured at depreciation cost in accordance with point 1 or at fair value through other comprehensive income in accordance with item 2*

Except for trade receivables that fall under IFRS 15, a financial asset or a financial liability is initially measured at fair value and, in the case of a financial asset or financial liability that is not stated at fair value through profit or loss, plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

After initial recognition, the subsequent valuation of financial assets is performed at:

- depreciation cost
- fair value through other comprehensive income or
- fair value through profit or loss

Financial assets comprise shares held in subsidiaries, associates and jointly controlled entities, loans to these entities, other investments held as property, plant and equipment and other loans.

The Company presents investments in associates at cost. Given the transition to IFRS 9, while, prior to the initial application of IFRS 9, the Company accounted for such investments as per IAS 27.10a or IAS 27.10c (cost or equity method), the same accounting treatment is applied after the transition to IFRS 9. Thus, they continue to be accounted for at cost.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

The Company's financial assets include cash and cash equivalent, trade receivables and long-term investments. Financial liabilities include finance lease liabilities, interest bearing bank loans, overdrafts, trade liabilities and other liabilities. For each element, the accounting policies on recognition and measurement are presented in this note. The management considers that the estimated fair values of such instruments approximate their carrying values.

Borrowings are initially recognized at fair value less costs incurred with such operation. Subsequently, they are registered at depreciation cost. Any difference between the entry value and the repayment value is recognized in the income statement over the term of the loan, using the effective interest method.

Financial instruments are classified as liabilities or equity according to the substance of the contractual arrangements. Interest, dividends, gains and losses related to a financial instrument classified as debt are reported as expense or income. Distributions to equity holders are directly recorded to equity. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on net basis, or to realize the asset and simultaneously write off the obligation.

The classification of investments depends on their nature and scope and is determined on the initial recognition date.

Financial assets available for sale (AFS)

Shares held in an unlisted capital instruments are classified as AFS and are registered at fair value. Gains and losses arising from changes in fair value are directly recognized in equity, in investment revaluation reserves, except for impairment losses, interest calculated using the effective interest method and gains and losses from the exchange rate of monetary assets, which are recognized directly in profit and loss. If the investment is sold or it is found impaired, then the gain or loss previously cumulated previous recognized in the investment revaluation reserve, is included in the profit and loss of the period.

Dividends from AFS capital instruments are recognized in profit and loss when the Company's right to receive them is established.

Impairment of financial assets

Financial assets, other than the ones recognized at fair value through the profit and loss account, are measured for impairment on each balance sheet date.

Financial assets are impaired when there is objective evidence that one or more of the events occurring after initial recognition have affected future cash flows related to the investment.

For shares available for sale, a significant or extended decline of the fair value of the security below its cost is considered objective evidence of impairment.

Certain categories of financial assets, such as receivables, assets evaluated as individually non-impairable, are subsequently evaluated for impairment collectively. Objective evidence for the impairment of a portfolio of receivables may include the Company's past experience in collective payments, an increase of delayed payments beyond the credit period, as well as visible changes of national and local economic conditions correlated with the expected credit loss.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

The carrying value of a financial asset is reduced by impairment loss, directly for all financial assets, except for trade receivables, in which case the carrying value is reduced by using a provision account. If a receivable is considered non-recoverable, it is eliminated and deducted from the provision. Subsequent recoverable of amounts previously eliminated are credited in the provision account. Changes in the carrying value of the provision account are recognized in the profit and loss account.

Derecognition of assets and liabilities

The Company derecognizes financial assets only when the contractual rights over cash flows related to the assets expire; or when it transfers the financial asset and substantially all risks and rewards related to the asset to another entity.

The Company derecognizes financial liabilities when and only when the Company's liabilities have been paid, written off or expired.

Earnings per share

IAS 33 - Earnings per share provides that, if an entity presents consolidated financial statements and separate financial statements, the presentation of earnings per share is based on consolidated disclosures only. If it chooses to disclose earnings per share based on its separate financial position, it must disclose such information on earnings per share only in the statement of comprehensive income.

The Company has chosen to disclose earnings per share in these separate financial statements.

Use of estimates

The preparation of the financial information requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the end of reporting date, and the reported amounts of revenue and expenses during the reporting period. Actual results could vary from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Comparatives

For each item of the statement of financial position, the statement of comprehensive income and, where is the case, for the statement of changes in equity and for the statement of cash flows, for comparative information purposes is presented the value of the corresponding item for the previous year ended.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**
3. INCOME

An analysis of the Company's income for 2018 is presented below:

Net sales	Year ended December 31, 2019	Year ended December 31, 2018
Income from sale of finished products	140,648,530	148,975,617
Income from sale of commodities	37,898,369	44,718,309
Income from services delivered	286,433	226,336
Other income	5,023,948	4,540,460
	183,857,280	198,460,719

Investment income	Year ended December 31, 2019	Year ended December 31, 2018
Income from renting investment property	1,865,024	2,255,686
Income from interest on bank deposits	86,398	91,477
Dividends received from participations (Note 26)	-	1,117,270
	1,951,422	3,464,433

Segment reporting:

Income by geographical areas:	Year ended December 31, 2019	Year ended December 31, 2018
Sales on domestic market (Romania)	136,738,171	145,566,788
Sales on foreign market (Europe)	46,119,954	50,139,425
Other (Israel, Taiwan, UAE)	999,155	2,754,506
Total	183,857,280	198,460,719

Segment income and profit	Segment income		Segment profit	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Polyethylene + polystyrene + polypropylene plastics	105,481,233	109,555,816	16,241,278	13,371,901
Compound recycled products	31,193,048	34,511,720	4,528,351	6,502,561
Other productive sectors	5,673,155	5,529,657	1,097,947	710,457
Income from sale of commodities and other activities	41,509,843	48,863,526	(467,059)	3,949,686
Total from operations	183,857,280	198,460,719	21,400,517	24,534,605
Investment income	-	-	1,951,422	3,464,433
Administrative and salary expenses	-	-	(20,910,669)	(21,587,946)
Finance expenses	-	-	(1,853,730)	(1,945,033)
Profit before tax	-	-	587,540	4,466,059

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

3. INCOME (continued)

Plastics include income obtained by the Company from selling polyethylene products (agriculture foils and thermo-contractible foils, polyethylene bags of different thicknesses and sizes, covers), polypropylene products (polypropylene bags for the milling and bakery industry, the chemical industry, sugar industry, etc. and big-bags), polystyrene products (expanded polystyrene trays - standard and catering, expanded polystyrene boards for floor insulation), etc.

Other productive sectors include income obtained by the Company from selling auto and industrial filters, respiratory protection equipment, activated charcoal, PVC pipes and tubes, recycled PVC bases for traffic signs.

Compounds include income obtained by the Company from selling plastic compounds made of virgin polymers and compounds and re-granulated materials made of recycled polymers.

Other activities include income obtained from other activities representing sales of commodities, rentals and other services delivered.

	Asset segment		Liability segment	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Asset and liability segment				
Polyethylene + polystyrene + polypropylene plastics	68,674,613	67,697,203	58,619,175	55,183,358
Compound recycled products	85,495,772	90,826,596	25,478,979	30,163,062
Other productive sectors	6,908,247	3,844,099	3,605,878	2,410,916
Commercial assets, real estate and financial investments and other assets	85,116,273	90,972,889	21,561,563	28,393,158
Total assets/liabilities	246,194,905	253,340,788	109,265,596	116,150,493
			Segment of non-current assets additions*	
Depreciation and of non-current assets additions	Depreciation segment		December 31, 2018	December 31, 2017
	December 31, 2018	December 31, 2017		
Polyethylene + polystyrene + polypropylene plastics	3,470,057	3,738,653	117,870	1,116,724
Compound recycled products	5,501,823	5,230,409	637,145	8,038,732
Other productive sectors	381,777	162,763	66,071	15,392
Other activities	1,280,833	1,665,294	610,947	691,271
Total	10,634,489	10,797,119	1,432,033	9,862,122

* Segment of non-current assets additions represents inflows of fixed assets during the year and does not include inflows from purchases of subsidiaries.

The client portfolio related to the company's production is diverse; it does not depend on certain clients. Nevertheless, as regards the sale of commodities, S.C Romcarbon SA has two clients (Kasakrom Chemicals SRL and LivingJumbo Industry SA). From the relation with such clients, the Company registered in 2019 a Turnover of 6% and 18% of Total turnover. Sales to LivingJumbo Industry SA in 2019 also contained sales of finished goods, rental of production spaces and income from other activities, which account for 5% of the turnover.

This is a free translation from the original Romanian version.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2019**
(all amounts are expressed in lei, unless specified otherwise)

4. RAW MATERIALS AND CONSUMABLES USED

	Year ended December 31, 2019	Year ended December 31, 2018
Raw materials	67,266,522	75,230,048
Commodities sold	37,493,305	44,035,878
Energy and water	13,109,724	12,374,842
Expenses with consumables	5,288,360	5,015,909
Total	123,157,911	136,656,677

5. EXPENSES WITH SALARIES AND SOCIAL LEVIES

	Year ended December 31, 2019	Year ended December 31, 2018
Salaries	36,333,967	34,700,286
Social contributions	1,153,670	1,139,629
Meal tickets	1,106,098	1,240,356
Total	38,593,735	37,080,271

Expenses with salaries and social levies increased as compared to the previous year, due to the increase in the number of employees and increase in the average salary in the company as a result of the minimum salary on economy increase.

Indemnities granted to top management

The remuneration of managers and other top management members was the following:

	Year ended December 31, 2019	Year ended December 31, 2018
Management salaries	2,631,957	2,345,237
Benefits for Board of Directors	252,501	321,643
Total	2,884,458	2,666,880

The remuneration of managers and executive personnel is determined by the shareholders, depending on individual performances and market conditions.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

6. OPERATING EXPENSES

	Year ended December 31, 2019	Year ended December 31, 2018
Expenses with transport and logistics	5,379,810	5,319,016
Other expenses with third party services*	5,353,584	6,205,293
Protocol and marketing	275,614	466,099
Expenses with repairs	1,433,588	1,157,805
Taxes and levies	1,814,900	1,790,122
Losses on receivables	4,006	206,804
Expenses with insurances	409,228	420,863
Expenses with postal charges and telecommunications	122,187	134,388
Expenses with travels	115,891	108,416
Expenses with rentals	200,380	241,756
Expenses with commissions and fees	8,030	5,893
Expenses with fines and penalties	106,077	312
Other expenses	258,891	190,874
Total	15,482,186	16,247,641

(*) Operating expenses with third party services include legal advisory services, financial audit, security, occupational medicine, technical consultancy, IT services, maintenance services, etc.

7. OTHER GAINS AND LOSSES

	Year ended December 31, 2019	Year ended December 31, 2018
Income from penalties charged	10,395	86,671
Gain / (Loss) on sale of non-current assets	(223,239)	11,254
Losses on calamities (net of insurance indemnities)	-	-
Gain / (Loss) on adjustment of investment property at fair value	(429,524)	307,659
Gain / (Loss) on disposal of investment property	256,605	2,709,699
FOREX gain / (loss)	(1,081,651)	114,221
Gain / (Loss) on disposal of finance investments	-	-
Gain / (Loss) on changes in inventory	(19,414)	36,085
Other gains	151,894	123,175
Total	(1,334,935)	3,388,764

8. DEPRECIATION AND AMORTIZATION EXPENSES

	Year ended December 31, 2019	Year ended December 31, 2018
Total amortization expenses, of which:	10,634,489	11,553,840
Depreciation of fixed assets	10,529,053	10,696,166
Amortization of intangible assets	105,436	100,952
Impairment allowance for assets held for sale	-	756,722
Financial assets impairment	-	-
	10,634,489	11,553,840

This is a free translation from the original Romanian version.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2019**
(all amounts are expressed in lei, unless specified otherwise)

9. NET FINANCE COST

	Year ended December 31, 2019	Year ended December 31, 2018
Bank interest and leases expenses	1,438,751	1,664,212
Bank commissions and assimilated charges	414,979	280,821
Total	1,853,730	1,945,033

10. INCOME TAX

	Year ended December 31, 2019	Year ended December 31, 2018
Income tax expenses		
Current income tax expense	676,882	246,375
Deferred income tax expense / (income)	(459,440)	(580,672)
	217,442	(334,297)

The tax rate applied for the reconciliation above related to 2019 and 2018 is 16% and is due by all Romanian legal persons.

The total expense of the year may be reconciled with the accounting profit as follows:

	Year ended December 31, 2019	Year ended December 31, 2018
Reconciliation of actual income tax rate		
Gross income before taxation	587,540	4,466,059
Tax calculated according to the 16% rate	94,006	714,569
Effect of non-taxable income	(233.384)	(237,052)
Effect of non-deductible expenses	333.008	767,349
Effect (tax loss) / tax profit	(459.440)	(580,672)
Effect of temporarily non-deductible expenses / deferred tax	-	-
Deductions related to reinvested profit	483.252	(998,491)
	217,442	(334,297)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2019**
(all amounts are expressed in lei, unless specified otherwise)

10. INCOME TAX (continued)

Components of deferred tax liabilities	Year ended December 31, 2019	Year ended December 31, 2018
Trade and other receivables	(136,871)	(134,697)
Inventories	(228,841)	(228,841)
Investment property	835,991	1,293,258
Property, plant and equipment	7,898,347	7,972,355
Recognised income tax liabilities	8,368,626	8,902,075
of which deferred tax on revaluation reserves from comprehensive income	8,542,292	8,616,301
	Year ended December 31, 2019	Year ended December 31, 2018
Opening balance as at January 1	8,902,075	10,758,395
Movement from revaluation reserves	(74,009)	(1,275,648)
Recognised in income statement	(459,440)	(580,672)
Closing balance as at December 31	8,368,626	8,902,075

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
 (all amounts are expressed in lei, unless specified otherwise)

11. PROPERTY, PLANT AND EQUIPMENT

	<u>Land</u>	<u>Buildings</u>	<u>Plant and equipment</u>	<u>Installations and furniture</u>	<u>Tangible assets in progress and advances</u>	<u>Total</u>
COST						
Balance as at January 1, 2019	45,876,831	24,343,213	116,870,655	1,465,542	208,678	188,764,919
Additions, of which	151,209	1,573,843	808,733	72,680	2,952,427	5,558,892
Transfers	-	527,587	808,733	72,680	-	1,409,000
Revaluation increases	151,209	1,046,256	-	-	-	1,197,465
Disposals, of which	(280,484)	(5,679,552)	(220,056)	(766,330)	(1,409,000)	(8,355,422)
Disposals from revaluation	(280,484)	(5,478,388)	-	-	-	(5,758,872)
Balance as at December 31, 2019	45,747,556	20,237,504	117,459,332	771,891	1,752,105	185,968,388
COST						
Balance as at January 1, 2018	45,876,831	21,079,948	111,567,980	1,362,753	6,977,944	186,865,456
Additions, of which	-	3,263,265	6,487,874	110,983	3,092,856	12,954,978
Transfers	-	3,263,265	6,487,874	110,983	-	9,862,122
Revaluation increases	-	-	-	-	-	-
Disposals, of which	-	-	(1,185,199)	(8,194)	(9,862,122)	(11,055,515)
Disposals from revaluation	-	-	-	-	-	-
Balance as at December 31, 2018	45,876,831	24,343,213	116,870,655	1,465,542	208,678	188,764,919

Further to revaluation, the value of assets in the form of land and buildings dropped by RON 4,561,407 (the value of land dropped by RON 129,275 and the value of buildings and construction dropped by RON 4,432,132). The revaluation differences were registered as follows: the RON (95,732) in the income statement and the RON 760,260 as set up of reserves. The difference of RON (5,225,935) represents the write-off of the depreciation of the assets revalued at December 31, 2019.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
 (all amounts are expressed in lei, unless specified otherwise)

11. PROPERTY, PLANT AND EQUIPMENT (continued)

	<u>Land</u>	<u>Buildings</u>	<u>Plant and equipment</u>	<u>Installations and furniture</u>	<u>Tangible assets in progress and advances</u>	<u>Total</u>
CUMULATED DEPRECIATION						
Balance as at January 1, 2019	-	3,593,604	54,314,139	807,452	-	58,715,195
Expenses with depreciation	-	1,775,867	8,685,579	67,606	-	10,529,052
Decrease from sale of assets	-	(143,536)	(135,915)	(418,558)	-	(698,008)
Revaluation decreases	-	(5,225,935)	-	-	-	(5,225,935)
Balance as at December 31, 2019	-	-	62,863,804	456,500	-	63,320,305
CUMULATED DEPRECIATION						
Balance as at January 1, 2018	-	1,745,879	46,652,965	708,677	-	49,107,521
Expenses with depreciation	-	1,847,725	8,741,473	106,969	-	10,696,167
Decrease from sale of assets	-	-	(1,080,299)	(8,194)	-	(1,088,493)
Revaluation decreases	-	-	-	-	-	-
Balance as at December 31, 2018	-	3,593,604	54,314,139	807,452	-	58,715,195
NET BOOK VALUE						
As at December 31, 2019	45,747,556	20,237,504	54,595,529	315,391	1,752,105	122,648,084
As at December 31, 2018	45,876,831	20,749,609	62,556,516	658,090	208,678	130,049,723

This is a free translation from the original Romanian version.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

11. PROPERTY, PLANT AND EQUIPMENT (continued)

As at December 31, 2019 the Company revalued tangible assets from the land and buildings category using the services of an independent valuer.

Further to revaluation, the valued of land and buildings decreased by lei 4,561,407 (the value of lands decreased by lei 129,275 and the value of buildings and constructions decreased by lei 4,432,132).

In 2018, the Company paid and closed the pending lease agreements.

Pledged and restricted tangible assets

Tangible assets with a net book value of lei 101,999,180 as at December 31, 2019 (lei 117,976,120 as at December 31, 2018) represent security for loans and credit lines contracted from: BRD GSG SA, UniCredit Bank SA and Eximbank SA. Some of the commercial banks issued letters of guarantee in favor of the Company's commercial partners. To issue such letters of guarantee, the Company pledged fixed assets with a net book value as at December 31, 2019 of lei 0.

In 2015, the Company purchased production equipment totaling lei 29,988,347 based on a grant under Sectoral Operational Program "Increase of Economic Competitiveness" (SOP IEC) 2007 – 2013 - co-funded from the European Regional Development Fund, Priority Axis 1, generically called – "Development of S.C. ROMCARBON S.A. through the purchase of new equipment".

The net book value of the equipment purchased under this project is lei 22,811,183 as at December 31, 2019 and lei 24,603,345 as at December 31, 2018.

12. INVESTMENT PROPERTY

	December 31, 2019	December 31, 2018
Balance as at January 1	18,033,515	49,859,449
Total additions, out of which:	702,518	339,043
Revaluation increases	679,485	339,043
Total disposals, of which:	(5,303,589)	(32,164,977)
Revaluation decreases	(1,109,008)	(31,384)
Balance as at December 31	13,432,444	18,033,515

As at December 31, 2019, the Company owns in its locations in Iasi, Stefanesti and Buzau non-current assets that are not used for its core activity. They are held to acquire future appreciation and to be partly rented to third parties. Based on such criteria, in accordance with IAS 40 "Investment Property", the Company decided to classify such non-current assets as investment property.

On April 23, 2018 the Company signed two undertakings for the sale of assets with Office&Logistic SRL as follows:

- Sale undertaking for the promise to sell a plot of land in surface area of 39,269.50 sq m located in Iasi, Calea Chisinaului, nr. 29 and the buildings erected on such land; the sale under such undertaking, for which a total price of EUR 3,900,000 EUR, without VAT, was received, was done in two stages, on 10.05.2018 and on 30.07.2018;
- Sale undertaking for the promise to sell a plot of land in surface area of 35,192.48 sq m located in Iasi, Calea Chisinaului, nr. 29 and the buildings erected on such land for which a total price of EUR 3,430,689, without VAT will be received, which will be done in three stages, for which ownership will be transferred on 30.07.2019, 29.11.2019 and 30.03.2020.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)

12. INVESTMENT PROPERTY (continued)

From the sale performed on 10.05.2018 and 30.07.2018, the Company obtained a profit of lei 2,709,753 registered in the statement of comprehensive income under "Other gains or losses".

In December 2018, in accordance with IFRS 5, the asset consisting of land in surface area of 35,192.48 sq m located in Iasi, Calea Chisinaului, nr. 29 and the buildings erected on such land, was reclassified, which will form the object of the second sale undertaking, from "Investment property" to "Assets held for sale". The asset (land and buildings) which formed the object of such reclassification is worth lei 16,757,112. Further to reclassification, the Company registered a loss of lei 756,722 on the recognition of such asset in accordance with IFRS 5. The value at December 31, 2018 is lei 16,000,390.

In May 2019, an intermediary phase of the sale transaction with Office&Logistic SRL was undertaken, whose aim was to sell a plot of land of 1,289 sqm for which a price of lei 600,566 (euro 126,322) was cashed.

On August 13, 2019 the first phase as per sale undertaking no. 2, entered into with OFFICE & LOGISTIC SRL (as buyer) was completed, representing the counter value of a property located in Iasi, Calea Chisinaului, nr. 29 in total surface area of 17,569 sqm, of which 1,906 sqm built surface area, according to sale agreement no. 2917 of 13.08.2019 for which a price of lei 5,435,475 was cashed (the equivalent of euro 1,150,000).

On November 28, 2019 the second phase agreed upon according to sale undertaking no. 2, entered into with OFFICE & LOGISTIC SRL (as buyer) was completed, represented the counter value of a property located in Iasi, Calea Chisinaului, nr. 29 in total surface area of 11,061 sqm, of which 5,830 sqm built surface area, according to sale agreements nos. 4364 and 4365 of November 28, 2019 for which a price of lei 5,496,080 was cashed (the equivalent of euro 1,150,000).

On November 28, 2019 the third phase agreed upon according to sale undertaking no. 2, entered into with OFFICE & LOGISTIC SRL (as buyer) was completed at an earlier stage (initial term was March 30, 2020) represented the counter value of a property located in Iasi, Calea Chisinaului, nr. 29 in total surface area of 5,340.48 sqm, of which 1,609.85 sqm built surface area, according to sale agreement no. 4366 of 28.11.2019 for which a price of lei 4,654,029 was cashed (the equivalent of euro 977,666.59).

At December 31, 2019, the Stefanesti asset, with a net value of lei 4,194,581, was reclassified from "Investment property" to "Current assets held for sale". On January 31, 2020 the sale was completed (as per the sale undertaking entered into on December 18, 2019, with GREEN PC AMBALAJE SRL – promissory buyer) for the property located in Ilfov, Stefanestii de Jos, Str. Sinaia nr. 15, in total surface area of 12,774 sqm, of which 4,928 sqm built surface, further to the signing of the sale agreement under which the price of lei 3,987,387.32 was cashed (the equivalent of euro 834,356).

As at December 31, 2019, the Company performed the valuation of the investment property and the result, in amount of lei (429,524) was charged to profit and loss.

If the Company had valued the investment property and the assets held for sale at cost, then the value as of December 31, 2019 would have been lei 17,523,480.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)

13. OTHER INTANGIBLE ASSETS

	<u>Licenses</u>	<u>Other intangible assets</u>	<u>Intangible assets in progress</u>	<u>Total</u>
COST				
Balance as at January 1, 2019	730,196	592,467	-	1,322,662
Additions	284,422	-	308,003	592,425
Transfers	-	-	-	-
Disposals	(2,291)	-	(250,923)	(253,213)
Balance as at December 31, 2019	1,012,327	592,467	57,080	1,661,874
Balance as at January 1, 2018	711,057	592,467	-	1,303,523
Additions	19,139	-	-	19,139
Transfers	-	-	-	-
Disposals	-	-	-	-
Balance as at December 31, 2018	730,196	592,467	-	1,322,662
ACCUMULATED AMORTIZATION				
Balance as at January 1, 2019	674,351	570,042	-	1,244,393
Expenses with amortization	83,012	22,424	-	105,436
Write-offs on disposal of assets	(2,091)	-	-	(2,091)
Balance as at December 31, 2019	755,272	592,466	-	1,347,738
Balance as at January 1, 2018	600,298	543,143	-	1,143,442
Expenses with amortization	74,053	26,899	-	100,952
Write-offs on disposal of assets	-	-	-	-
Balance as at December 31, 2018	674,351	570,042	-	1,244,393
NET BOOK VALUE				
As at December 31, 2019	257,056	-	57,080	314,136
As at December 31, 2018	55,845	22,424	-	78,269

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)
14. OTHER FINANCIAL ASSETS

Details on the Company's investments in subsidiaries and associates are as follows:

Name of investment	Core activity	Place of establishment and operations	%	31-Dec-19	31-Dec-18
				RON	RON
RECYPLAT LTD CYPRUS	Business and other management consultancy activities	Nicosia	100.00%	20,261,120	20,261,120
ROMCARBON DEUTSCHLAND GmbH	Trade of plastics finished goods, recovery of plastics materials and purchase of plastics waste	Germany	100.00%	110,138	110,138
RC ENERGO INSTALL SRL	Plumbing, heat and air conditioning installation (NACE code 4322)	Buzau	100.00%	15,112	15,112
INFO TECH SOLUTIONS SRL	Other information technology and computer service activities (NACE code 6209)	Buzau	99.00%	1,980	1,980
LIVING JUMBO INDUSTRY SA	Manufacture of plastic packing goods (NACE code 2222).	Buzau	99.86%	6,477,632	1,639,232
GRINFILD LTD	Retail trade	Odessa	62.62%	2,687,755	2,687,755
ECO PACK MANAGEMENT SA	Other business support service activities n.e.c. (NACE code 8299)	Bucharest	25.36%	586,625	586,625
ASOCIATIA ECOLOGICA GREENLIFE (Non-Profit Organization)	The scope of the association is to represent, promote and support the employer and professional interests of its members	Buzau	33.33%	400	400
YENKI SRL	Activities of sports facilities (NACE code 9311)	Buzau	33.34%	100,000	100,000
KANG YANG BIOTECHNOLOGY CO. LTD	Manufacture of products beneficial for the human health	Taiwan	4.81%	203,963	203,963
Registrul Miorita SA	Other financial service activities, except insurance and pension funding n.e.c. (NACE code 6499)	Cluj	3.79%	5,000	5,000
			TOTAL	30,449,725	25,611,325
Financial assets impairment					
GRINFILD LTD				(2,687,755)	(2,687,755)
ROMCARBON DEUTSCHLAND GmbH				(110,138)	(110,138)
ECO PACK MANAGEMENT SA				(554,263)	(554,263)
YENKI SRL				(11,988)	(11,988)
				(3,364,144)	(3,364,144)
Net book value				27,085,581	22,247,181

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)****14. OTHER FINANCIAL ASSETS (continued)**

Details on changes in subsidiaries and associates investments in 2019 and 2018 are as follows:

In 2013, S.C. ROMCARBON S.A participated in the share capital of ROMCARBON DEUTSCHLAND GmbH with an amount of lei 110,138, the equivalent of EUR 25,000, holding 100% of its share capital. The field of activity of ROMCARBON DEUTSCHLAND GmbH is "Trade with plastic finished products, recycling of plastic materials and purchase of plastic waste".

In 2016, ROMCARBON DEUTSCHLAND GmbH initiated the voluntary liquidation proceedings.

In March 2013, S.C. ROMCARBON S.A. purchased 139,000 shares in KANG YANG BIOTECHNOLOGY CO.LTD TAIWAN for which it paid lei 203,963, the equivalent of EUR 46,500. The field of activity of the company is the manufacture of products beneficial for human health. Between May 22, 2013 and May 21, 2016 SC POLYMASTER CHEMICALS SA is suspended pursuant to Art. 237 of Law 31/1990.

On August 1, 2013 SIGUREC INTERNATIONAL SA started the voluntary dissolution proceedings according to the Decision of the GMS of August 1, 2013 according to Art. 113 letter i) and Art. 227 letter d) of Law 31/1990. In February 2014, the company was de-registered from the Registry of Commerce.

In December 2013, SC Romcarbon SA participated to the increase of the share capital of SC Eco Pack Management SA with an amount of lei 166,950, by converting the shareholder loan granted based on contract no. 8870/20.12.2012.

Between November and December 2013, SC ROMCARBON SA sold its participation in Grinfield Ukraine to Recyplat LTD Cyprus. In exchange for such participation, it received EUR 709,000.

In November 2014, S.C. ROMCARBON S.A. reduced its holding in the share capital of SC ECO PACK MANAGEMENT S.A. from 49.966% to 25.3597%, by not participating in the increase of such company's share capital.

In December 2014, S.C. ROMCARBON S.A. increased its holding in Yenki SRL from 25% to 33.33% by purchasing 2,734 share parts against lei 18,000.

As at December 31, 2014, the Company recorded an impairment for financial assets in amount of lei 1,178,369, broken down as follows: Eco Pack Management SA lei 554,263, Taipei Cimeo SRL lei 491,040, Romcarbon Deutschland GMBH lei 110,138, other investments lei 22,929.

In 2015, Taipei Cimeo S.R.L, Polymasters Chemicals S.A. and Total Commercial Management S.R.L were shut down.

In 2016, sale-purchase contract no. 9690 of 26.11.2013 between Romcarbon SA and Recyplat LTD for the assignment of 62.62% of the share capital of Grinfield LLC Ukraine to Recyplat LTD was terminated as the buyer could not register its title in the relevant registries of Ukraine. Following the termination of the contract, the parties were reinstated to their condition prior to 25.11.2013, as a result of which SC Romcarbon SA had to repay the price received, EUR 709,000.

On 04.10.2016, Greensort Recycling S.R.L. was deregistered from the Trade Registry.

On 17.10.2016, Arch Development Associates S.R.L. was incorporated, having a share capital of lei 2,000, in which Romcarbon S.A. holds 51%. The company's object of activity is Developing of building projects, NACE code 4110. On 12.12.2016, the company's shareholders decided to increase the share capital by lei 450,000, by issuing 45,000 share parts at a nominal value of lei 10/share part, in which Romcarbon S.A. did not participate. Further to such capital increase, Romcarbon S.A. reduced its holding in the share capital of Arch Development Associates S.R.L. from 51% to 0.23%.

In June 2017, the reduction of Recyplat LTD equity was approved, namely share premiums, by RON EUR 130,000. In the same month, Recyplat LTD returned EUR 130,000 (equivalent of lei 596,167) to Romcarbon SA.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)
14. OTHER FINANCIAL ASSETS (continued)

On September 27, 2017 Arch Development Associates SRL was deregistered from the Trade Registry.

On June 1, 2019, Romcarbon SA took part in the increase of share capital of LivingJumbo Industry SA by lei 4,834,400 (1,200 shares * lei 4.032 /share) through the conversion into shares of the loans granted and part of the related interest, as follows:

- lei 4,740,000 (euro 1,000,000 * lei 4.74 /euro) represented the loan granted;
- lei 94,800 (euro 20,759.49 * lei 4.74 /euro) representing the interest on the loan.

15. INVENTORIES

	December 31, 2019	December 31, 2018
Raw materials	11,393,277	10,140,307
Consumables	3,636,550	3,045,873
Items of inventory	92,376	112,158
Packaging	189,478	226,298
Finished products	7,094,415	4,618,155
Unfinished products	1,865,324	1,711,621
Semi-finished products	1,847,960	2,055,979
Residual products	17,074	2,734
Commodities	531,766	187,924
Advances for purchases of inventory	108,391	25,125
Allowance for obsolete inventories	(1,430,256)	(1,430,256)
Total	25,346,355	20,695,918

16. TRADE AND OTHER RECEIVABLES

	December 31, 2019	December 31, 2018
Trade receivables	46,642,677	36,394,466
Allowances for doubtful clients	(1,222,066)	(1,202,652)
Taxes to recover/(paid)	90,324	118,587
Other receivables	354,878	412,015
Subsidies receivable	-	-
Total	45,865,813	35,722,416

When determining the recoverability of a receivable, the Company takes into account any change in the receivable's crediting capacity from the date the loan was granted, until the reporting date. The level of credit risk is limited given that the client basis is large and clients are not related to each other.

The company records debt adjustment values in accordance with IFRS 9, as well as specific provisions for the clients in dispute.

Therefore, the Company's management considers that there is no need for an additional provision exceeding the allowance for doubtful debts.

Out of the total receivables older than 60 days at December 31, 2019, 84% are held by the Romcarbon Group companies.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
 (all amounts are expressed in lei, unless specified otherwise)

16. TRADE AND OTHER RECEIVABLES (continued)

31/12/2019	Not past due	Trade receivables – days past due					Total
		<30	31-60	61-90	91-120	>120	
Expected loss rate	0.02%	0.03%	0.10%	0.12%	0.31%	1.53%	
Total estimated default gross carrying amount	19.610.137	5.004.676	3.351.672	3.751.552	3.684.302	8.164.290	43.566.628
Lifetime expected loss rate							

31/12/2018	Not past due	Trade receivables – days past due					Total
		<30	31-60	61-90	91-120	>120	
Expected loss rate	0.02%	0.04%	0.22%	1.07%	2.06%	6.46%	
Total estimated default gross carrying amount	20.847.607	6.675.651	3.549.575	2.805.502	96.242	74.392	34.048.970
Lifetime expected loss rate							

This is a free translation from the original Romanian version.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
 (all amounts are expressed in lei, unless specified otherwise)

17. OTHER CURRENT ASSETS

	December 31, 2019	December 31, 2018
Prepaid expenses	965,731	839,094
Advances to services suppliers	284,238	168,819
Total	1,249,969	1,007,913

18. ISSUED CAPITAL

	Share capital	
	December 31, 2019	December 31, 2018
264,122,096 fully paid ordinary shares (2013: 264,122,096). The value of one share is RON 0.1 Inflation effect according to IAS 29	26,412,210	26,412,210
	-	-
Total	26,412,210	26,412,210

	December 31, 2019		December 31, 2018	
	Number of shares	% ownership	Number of shares	% ownership
Living Plastic Industry SA	86,774,508	32.85%	86,774,508	32.85%
Unitai International Corporation	615,500	0.23%	615,500	0.23%
Joyful River Limited Loc. Nicosia CYP	54,195,089	20.52%	54,195,089	20.52%
STICHTING BEWAARDER OVERLEVINGSFONDS	-	0%	-	0%
BRAICONF SA	-	0%	-	0%
Other legal persons	18,422,952	6.98%	18,044,842	6.83%
Other natural persons	104,114,047	39.42%	104,492,157	39.56%
Total	264,122,096	100%	264,122,096	100%

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)
19. RESERVES

	December 31, 2019	December 31, 2018
Legal reserves	4,133,516	4,115,011
Other reserves	14,831,048	14,569,353
Revaluation reserves	39,880,741	39,808,428
Total	58,845,305	58,492,792

REVALUATION RESERVES

	December 31, 2019	December 31, 2018
Opening balance	39,808,428	39,338,852
Increases from revaluation of property, plant and equipment	760,260	
Decreases from revaluation of property, plant and equipment		
Transfer of reserves to retained earnings	(761,956)	(806,072)
Adjustment of deferred tax on fiscally non-deductible revaluation reserves	74,009	1,275,648
Closing balance	39,880,741	39,808,428

The legal reserve is used to transfer profits from retained earnings. According to Romanian legislation, it is necessary a transfer of the net profit of the Company. The transfer can be of up to 5% of the profit before tax, until the reserve reaches 20% of the share capital. The value as per the IFRS of reserves includes statutory legal reserves in amount of lei 4,133,516.

The reserve cannot be distributed to shareholders, but it can be used to cover operating losses.

20. RETAINED EARNINGS

	December 31, 2019	December 31, 2018
Balance at the beginning of the year	50,103,010	51,304,266
Net profit	370,098	4,800,356
Transfer to legal reserves	(18,505)	(240,018)
Write-off of IAS 29 application on items of equity	-	-
Transfer to other reserves*	(261,695)	(4,560,338)
Reclassification of revaluation reserve to retained earnings	-	-
Transfers from revaluation reserves	761,956	806,072
Other changes – correction of material errors**	(283,922)	-
Dividend allocation	(1,056,488)	(2,007,328)
Balance at the end of the year	49,614,454	50,103,010

* Transfer of reinvested profit to Other reserves according to the Fiscal Code.

** The (283,922) represents the income tax difference for 2018, recalculated in 2019.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)
21. BORROWINGS

Borrowings – short-term	December 31, 2019	December 31, 2018
Credit line in Euro – BRD	12,088,156	11,643,846
Investment loan in Euro - BRD	-	-
Investment loan in Euro II - BRD	597,194	582,774
Investment loan in Euro III - BRD	754,023	735,816
UniCredit Tiriac (object loan)	25,297,660	20,447,388
UniCredit Tiriac – VAT facility - CCE 2015	2,078,996	2,028,797
Eximbank SA	509,250	509,253
Eximbank SA	514,500	514,500
Investment loan I - Eximbank SA	596,833	530,753
Investment loan I - UniCredit Bank	-	499,579
Investment loan II - UniCredit Bank	306,263	306,263
Investment loan III - UniCredit Bank	540,102	527,061
Investment loan IV - UniCredit Bank	1,547,751	1,077,878
Investment loan V - UniCredit Bank	1,241,211	531,947
Total	46,071,939	39,935,675

Borrowings – long-term	December 31, 2019	December 31, 2018
Investment loan in Euro II - BRD	1,094,854	1,651,193
Investment loan in Euro III – BRD	816,859	1,532,951
UniCredit Tiriac	6,822,067	8,686,140
Investment loan I - UniCredit Bank	-	1,790,158
Investment loan II - UniCredit Bank	229,698	535,961
Investment loan III - UniCredit Bank	405,077	922,357
Investment loan IV - UniCredit Bank	608,007	2,155,758
Investment loan V - UniCredit Bank	-	1,241,211
Investment loan S1 - Eximbank SA	763,875	1,273,123
Investment loan S2 - Eximbank SA	771,750	1,286,250
Investment loan II - Eximbank SA	1,193,665	1,591,719
Total	12,705,852	22,666,821

According to the existing loan contracts, the Company is subject to certain restrictive conditions. Such conditions require, inter alia, to maintain certain financial covenants including the DSCR ratio, total financial liabilities/ EBITDA, financial liabilities, current liquidity and net financial assets to equity.

According to the loan contracts, the Company must meet the financial covenants to a certain level, separately and/or jointly with LivingJumbo Industry SA.

As at December 31, 2019 the Company did not meet covenant “total net financial liabilities/equity” either separately, or jointly with LivingJumbo Industry SA. Also, the Company fulfilled separately covenants “Current liquidity” and “Total net financial liabilities/EBITDA”, but did not meet such covenants together with LivingJumbo Industry SA.

„Service debt coverage ratio” was not fulfilled either separately, or together with LivingJumbo Industry SA at the date of these financial statements.

In this respect, the Company obtained as at the approval date of the separate financial statements a letter from the banking institutions stipulating that the contractual provisions were not breached, as the conditions were calculated based on the statements submitted, and it would not demand the early repayment of the loans made available.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)

21. BORROWINGS (continued)

The Company has contracted the following short-term loans as at December 31, 2019:

a) credit line contracted from UniCredit Bank SA in amount of EUR 5,450,000 (contract BUZA/014/2012)

- Outstanding amount as at December 31, 2019: lei 25,297,660 (equivalent of EUR 5,293,173)
 - Due on: April 10, 2020
 - Securities:
1. Mortgage on the following immovable assets (land + constructions), identified as follows:
 - cadastral no. 67264 (having a total surface area of 10,037 sq m) located at Str. Transilvaniei, 132, Buzău;
 - cadastral no. 54304 (having a total surface area of 16,787 sq m) located at Str. Transilvaniei, 132, Buzău;
 - cadastral no. 67301, having a surface area of 3,348 sq m, resulting from joining cadastral no. 64699, having a surface area of 3,308 sq m with cadastral no. 67265 having a total surface area of 40 sq m) located at Str. Transilvaniei, 132, Buzău;
 - cadastral no. 64371, having a total surface area of 22,830 sq m, resulting from the division of the area holding cadastral no. 54553, formerly 18335 (having a total surface area of 23.451 sq m) located at Str. Transilvaniei, 132, Buzău;
 - cadastral no. 52784, formerly 344/1/5 (having a total surface area of 7,659 sq m) located at Str. Transilvaniei, 132, Buzău;
 - cadastral no. 52768, formerly 344/1/7 (having a total surface area of 10,191 sq m) located at Str. Transilvaniei, 132, Buzău;
 - cadastral no. 54575, formerly 344/1/1 (having a total surface area of 9,814 sq m) located at Str. Transilvaniei, 132, Buzău;
 2. Mortgage over the credit balance of the accounts in RON or foreign currency opened by S.C. Romcarbon S.A. with UniCredit Bank – Buzău Branch;
 3. Mortgage over the credit balance in lei or foreign currency opened by Livingjumbo Industry SA with UniCredit Bank Suc. Buzau;
 4. Mortgage over the monetary receivables and accessories thereto from current and prospective contracts and/or the firm orders and/or invoices executed/issued by ROMCARBON SA with its clients, in their capacity of assigned debtors, with possibility of sending accepted or non-accepted notices to assigned debtors in accordance with the negotiations held with the Bank;

Currently, the following debtors are notified: LivingJumbo Industry SA, P.H. Bratpol Poland, Yugosac D.O.O.Serbia, KASAKROM Chemicals SRL Bucharest, Arpa SA Logistics Greece, Metro Cash & Carry Romania SRL, Comandor Impex SRL Focșani, Auchan Romania SA, Snick Ambalaje si Consumabile Magura BZ, Carrefour Romania SA, Horeca Distribution SRL Bucharest, V&T Trade Ltd Sofia Bulgaria.

The list will be supplemented/revised by inclusion / exclusion of new data.
 5. Mortgage over movable assets in the form of inventory having a minimum value of EUR 2,000,000;
 6. Real estate mortgage of subsequent rank over 4 machinery with a market value as per the valuation of January 2019 EUR 390,500 and a net book value of lei 1,369,682 as at December 31, 2019.
 7. Blank promissory note, with the mention "No Protest";
 8. LivingJumbo Industry SA as co-borrower;
 9. Mortgage over a collateral deposit in amount of euro 250,000 established by Romcarbon SA.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)

21. BORROWINGS (continued)

b) credit facility contracted from BRD GSG in amount of EUR 2,550,000 (contract 134/11.05.2007)

- Outstanding amount as at December 31, 2019: lei 12,088,156 (equivalent of EUR 2,529,273)
- Due on: September 29, 2020
- Type and limit of facilities:
 - sub-limit of credit line facility: euro 2,550,000;
 - sub-limit of bank letters of guarantee: euro 500,000;
 - sub-limit of facility of letters of credit: euro 500,000.
- Securities:
 1. Security interest in real estate over immovable assets (land + constructions) bearing the following cadastral numbers:
 - 61094 (344/1/6) having a total surface area of 8,922 sq m, 52789 (344/1/8) having a total surface area of 17,922 sq m, 65873 (344/1/9) having a total surface area of 5,950sq m, 52777 (344/1/10) having a total surface area of 3,720 sq m, 52808 (344/1/11/1) having a total surface area of 4,561 sq m located at Strada Transilvaniei, nr. 132, Buzău.
 2. Mortgage without dispossession over 31 machinery with a net book value of lei 77,462 as at December 31, 2019;
 3. Mortgage over the credit balance of the accounts opened by Romcarbon SA with BRD GSG - Buzău Branch;
 4. Mortgage over receivables with a minimum balance of 30% of the credit balance, resulting from the commercial contracts concluded with its partners: DUCTIL SA, DEDEMAN SRL, NENEA SRL, AGRANA ROMANIA SRL, ROMANIA HYPERMARCHE SA, HITEXIM SRL, MAGIC SERV SRL, SAPTE SPICE SA, ROCA OBIECTE SANITARE, GD AGRO COM SRL, M&V SRL, AUTONET IMPORT SRL, SUBANSAMBLE AUTO SA, FABRYO CORPORATION SRL.

As at December 31, 2019, the Company contracted the following long-term loans:

a) Investment loan II in amount of EUR 1,000,000 (withdrawn in part) contracted from BRD GSG (contract 148007/9022/03.11.2014):

- Outstanding amount as at December 31, 2019: lei 1,692,048 (equivalent of EUR 354,037)
- Due on: 03.09.2022
- Securities:
 1. Mortgage over the credit balance of present and prospective accounts/sub-accounts in lei and foreign currency opened by Romcarbon SA with BRD GSG – Buzău Branch;
 2. Mortgage over the credit balance of present and future accounts/sub-accounts in lei and foreign currency opened by LivingJumbo Industry SA, as co-debtor, with BRD GSG – Buzău Branch;
 3. Mortgage without dispossession over 4 machinery having a net book value of lei 3,017,948 as at December 31, 2019;

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)

21. BORROWINGS (continued)

b) Investment loan III in amount of EUR 3,153,160 contracted from BRD GSG (contract 150819/9022/19.12.2014)

- Outstanding amount as at December 31, 2019: lei 1,570,881 (equivalent of EUR 328,684)
- Due on: 03.02.2022
- Securities:
 1. Mortgage over the credit balance of present and future accounts/sub-accounts in lei and foreign currency opened by S.C. Romcarbon S.A. with BRD GSG – Buzău Branch;
 2. Mortgage over the credit balance of present and future accounts/sub-accounts in lei and foreign currency opened by S.C. LivingJumbo Industry S.A, as co-debtor, with BRD GSG – Buzău Branch;
 3. First rank mortgage over real estate having a total surface area of **35,159 sq m**, identified by the following cadastral numbers: 65984 with a surface area of 17,373 sq m, 54582 with a surface area of 4,108 sq m and 64815 with a surface area of 13,678 sq m;

c) Investment loan for the purchase of equipment and financing and re-financing of construction and fit-out works of shop floors in amount of lei 6,142,500 contracted from Banca de Export-Import a României Eximbank SA (contract 1-ABZ/21.07.2015)

- Outstanding amount as at December 31, 2019: lei 2,559,375
- Due on: 20.06.2022
- Securities:
 1. Mortgage over real estate having a total surface area of **23,001 sq m**, identified by the following cadastral numbers: 52853 with a surface area of 1,323 sq m, 52837 with a surface area of 1,907 sq m, 54576 with a surface area of 380 sq m, 54588 with a surface area of 4,882 sq m, 54558 with a surface area of 152 sq m, 54430 with a surface area of 1,320 sq m, 60631 with a surface area of 911 sq m, 64035 with a surface area of 601 sq m, and 56197 with a surface area of 11,525 sq m;
 2. Mortgage without dispossession over 2 machinery having a market value of EUR 742,390 as per the valuation of May 2019 and July 2019 and a net book value of lei 3,585,257 as at December 31, 2019;
 3. Mortgage over current accounts in lei and foreign currency opened with EximBank SA by Romcarbon SA;
 4. Blank promissory note, with the mention "No Protest".

d) Investment loan to co-fund project "Development of Romcarbon SA" worth EUR 2,967,420 contracted from UniCredit Bank SA (contract BUZA/010/2015)

- Outstanding amount as at December 31, 2019: lei 8,901,063 (equivalent of EUR 1,862,420)
- Due on: 04.12.2023
- Securities:
 1. Mortgage over the goods purchased in project "Development of Romcarbon SA", having a market value as per the valuation of May 2019 of EUR 4,475,100 and a net book value of lei 22,724,601 as at December 31, 2019;
 2. Mortgage over all the future accounts/sub-accounts opened by Romcarbon SA with UniCredit Bank SA;
 3. Mortgage over a collateral deposit in amount of euro 250,000 established by Romcarbon SA.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)

21. BORROWINGS (continued)

e) *Investment loan II in amount of lei 2,500,000 contracted from UniCredit Bank SA for the co-financing of the 2016 investment plan (contract BUZA/023/2016)*

- Outstanding amount as at December 31, 2019: lei 535,961
- Due on: 19.09.2021
- Securities:
 1. Immovable property mortgage over real estate identified by cadastral number 67264 ((in total surface area of 10,037 sq m) located at Str. Transilvaniei, 132, Buzau;
 2. Immovable property mortgage over real estate identified by cadastral number 54304 ((in total surface area of 16.787 mp) located at Str. Transilvaniei, 132, Buzau;
 3. Movable property mortgage over the movable assets in the form of inventory having a minimum value of EUR 2,000,000;
 4. Movable property mortgage of subsequent rank over 4 machinery with a market value as per the valuation of January 2019 of EUR 390,500 and a net book value of lei 1,369,682 as at December 31, 2019;
 5. Movable property mortgage over 3 pieces of machinery having a market value as per the valuation of September 2019 of euro 642,600 and a net carrying amount of lei 3,105,476 at December 31, 2019;
 6. Movable property mortgage over all the present and future accounts and sub-accounts opened by Romcarbon SA with UniCredit Bank SA;
 7. Mortgage over a collateral deposit in amount of euro 250,000 established by Romcarbon SA.

f) *Investment loan III in amount of lei 442,500 from UniCredit Bank SA to co-fund the 2016 investment plan (contract BUZA/024/2016)*

- Outstanding amount as at December 31, 2019: lei 945,179 (equivalent of EUR 197,765)
- Due on: 19.09.2021
- Securities:
 1. Immovable property mortgage over real estate identified by cadastral no. 67264 (in total surface area of 10.037 sq m) located at Str. Transilvaniei, 132, Buzau;
 2. Immovable property mortgage over real estate identified by cadastral no. 54304 (in total surface area of 16.787 sq m) located at Str. Transilvaniei, 132, Buzau;
 3. Movable property mortgage over the movable assets in the form of inventory having a minimum value of EUR 2,000,000;
 4. Movable property mortgage of subsequent rank over 4 machinery with a market value as per the valuation of January 2019 of EUR 390,500 and a net book value of lei 1,369,682 as at December 31, 2019;
 5. Movable property mortgage over 3 pieces of machinery having a market value as per the valuation of September 2019 of euro 642,600 and a net carrying amount of lei 3,105,476 at December 31, 2019;
 6. Movable property mortgage over all the present and future accounts and sub-accounts opened by Romcarbon SA with UniCredit Bank SA;
 7. Mortgage over a collateral deposit in amount of euro 250,000 established by Romcarbon SA.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)

21. BORROWINGS (continued)

g) Investment loan IV in amount of lei 5,400,000 from UniCredit Bank SA to refinance self-funded investments in 2016 (contract BUZA/038/2016)

- Outstanding amount as at December 31, 2019: lei 2,155,758
- Due on: 01.12.2021
- Securities:
 1. Movable property mortgage over 35 machinery with a market value as per the valuation of October 2019 of EUR 775,100 and a net book value of lei 1,778,474 as at December 31, 2019;
 2. Immovable property mortgage over real estate identified by cadastral no. 67264 (in total surface area of 10,037 sq m) located at Str. Transilvaniei, 132, Buzau;
 3. Immovable property mortgage over real estate identified by cadastral no. 54304 (in total surface area of 16,787 sq m) located at Str. Transilvaniei, 132, Buzau;
 4. Immovable property mortgage over real estate located in Stefanestii de jos, Str. Sinaia nr. 15, Ilfov, identified by cadastral/topographic no. 50009, in total surface area of 12,774 sq m;
 5. Movable property mortgage over the movable assets in the form of inventory having a minimum value of EUR 2,000,000;
 6. Movable property mortgage of subsequent rank over 4 machinery with a market value as per the valuation of January 2019 of EUR 390,500 and a net book value of lei 1,369,682 as at December 31, 2019;
 7. Movable property mortgage over all the present and future accounts and sub-accounts opened by Romcarbon SA with UniCredit Bank SA;
 8. Mortgage over a collateral deposit in amount of euro 250,000 established by Romcarbon SA.

h) Investment loan V in amount of lei 2,250,000 from UniCredit Bank SA to refinance self-funded investments in 2016 (contract BUZA/004/2017)

- Outstanding amount as at December 31, 2019: lei 1,241,212
- Due on: 06.04.2022
- Securities:
 1. Movable property mortgage over the following immovable assets (land and buildings), identified as follows:
 - cadastral no. 67301 in surface area of 3,348 sq m resulting from joining cadastral no. 64699 in surface area of 3,308 sq m to cadastral no. 67265 in surface area of 40 sq m, located at Str. Transilvaniei, 132, Buzau;
 - cadastral no. 64371 in total surface area of 22,830 sq m resulting from the division of cadastral no. 54553 formerly 18335 (in total surface area of 23,451 sq m) located at Str. Transilvaniei, 132, Buzau;
 - cadastral no. 54575 formerly 344/1/1 (in total surface area of 9,814 sq m) located at Str. Transilvaniei, 132, Buzau;
 - cadastral no. 67264 (in total surface area of 10,037 sq m) located at Str. Transilvaniei, 132, Buzau;
 - cadastral no. 54304 (in total surface area of 16,787 sq m) located at Str. Transilvaniei, 132, Buzau.
 2. Mortgage over the credit balance of the accounts in RON or foreign currency opened by S.C. Romcarbon S.A. with UniCredit Bank – Buzău Branch;
 3. Movable property mortgage over 34 pieces of machinery having a market value as per the valuation of July 2019 of euro 112,300 and a net carrying amount of lei 464,779 at December 31, 2019;

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)

21. BORROWINGS (continued)

h) Investment loan V in amount of lei 2,250,000 from UniCredit Bank SA to refinance self-funded investments in 2016 (contract BUZA/004/2017) (continued)

4. Mortgage over movable assets in the form of inventory having a minimum value of EUR 2,000,000;
5. Movable property mortgage of subsequent rank over 4 machinery with a market value as per the valuation of January 2019 of EUR 390,500 and a net book value of lei 1,369,682 as at December 31, 2019;
6. Blank promissory note, with the mention "No Protest";
7. LivingJumbo Industry SA as guarantor.

i) Investment loan II in amount of lei 2,432,500 to finance and re-finance objectives included in the 2017 investment plan contracted from Banca de Export-Import a Romaniei Eximbank SA (contract 7-ABZ/18.12.2017)

- Outstanding amount as at December 31, 2019: lei 1,790,498
- Due on: 16.12.2022
- Securities:
 1. Mortgage of subsequent rank over equipment (PE plastic film washing, sorting and grinding line) with a market value of EUR 587,700 as per the valuation report of May 2019 and a net book value of lei 2,763,904 as at December 31, 2019;
 2. Mortgage without dispossession over an equipment (filtering line, grinding and production of compounds in the form of grains) with a market value of EUR 836,500 as per the valuation report of October 2019 and a net book value of lei 3,628,403 as at December 31, 2019;
 3. Mortgage without dispossession over 3 forklifts with a market value of EUR 47,400 as per the valuation of October 2019 and a net book value of lei 233,065 as at December 31, 2019;
 4. Immovable mortgage without dispossession over 9 machinery purchased under this project with a market value of EUR 115,300 as per the valuations of May 2019 and October 2019 and a net book value of lei 589,811 as at December 31, 2019;
 5. First rank mortgage over present and future receivables arising from the commercial relationship with Toro Manufacturing and Sales SRL;
 6. Mortgage over current accounts in lei and foreign currency opened with EximBank SA by Romcarbon SA;
 7. Blank promissory note, with the mention "No Protest".

Line of letters of guarantee

Line of letters of guarantee contracted from UniCredit Bank SA Buzau Branch, in amount of lei 500,000 (contract BUZA/002/2009).

- Due date: 01.07.2022
- Guarantees:
 1. Movable asset mortgage over two pieces of production equipment: extruder PP line (inventory no. 24078) with a market value of euro 44,400 at April 22, 2019 and a net carrying amount of lei 0 at February 28, 2019 and a flexographic printing machine (inventory no. 24075) with a market value of euro 22,700 at April 22, 2019 and a net carrying amount of lei 0 at February 28, 2019.
 2. Movable property mortgage over all the present and future accounts and sub-accounts opened by Romcarbon SA with UniCredit Bank SA Buzau Branch in lei and in foreign currency.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)

21. BORROWINGS (continued)

Treasury line

Non-binding loan – treasury line - in amount of eur 300,000, contracted from UniCredit Bank SA (contract BUZA/15/2016) to hedge against interest rate risk caused by loan agreement BUZA/010/2015.

- Due date: 15.02.2024
- Guarantees:
 1. Movable property mortgage over the movable assets in the form of inventory having a minimum value of EUR 2,000,000;
 2. Movable property mortgage over all the present and future accounts and sub-accounts opened by Romcarbon SA with UniCredit Bank SA Buzau Branch in lei and in foreign currency.

Guarantees granted for loans contracted by Group companies

Guarantees granted to LivingJumbo Industry SA for the following loans contracted from UniCredit Bank SA:

- Investment loan in amount of EUR 607,200 (due in February 2024), contract BUZA/016/2015 secured by an immovable property mortgage of subsequent rank identified by cadastral no. 67264 (in total surface area of 10,037 sq m) and cadastral no. 54304 (in total surface area of 16.787 sq m) and movable mortgage over movable assets in the form of form of inventory having a minimum value of EUR 2,000,000 and movable mortgage of subsequent rank over 4 machinery with a market value as per the valuation of January 2019 of EUR 390,500 and a net book value of lei 1,369,682 as at December 31, 2019) and movable mortgage over a collateral deposit in amount of euro 250,000;
- Non-binding loan – cash line – in amount of EUR 450,000 (due in February 2024), contract BUZA/044/2016 secured by mortgage on inventories, having a minimum value of EUR 2,000,000;
- Investment loan with an initial value of euro 4,723,205 (due in February 2024), contract BUZA/017/2015, guaranteed by movable mortgage over a collateral deposit in amount of euro 250,000;

Guarantees granted to RC Energo Install SRL for the following loans contracted from EXIMBANK SA:

- Credit line in amount of lei 1,000,000 for financing the current activity (due on 14/10/2020), guaranteed by movable mortgage of subsequent rank over the movable asset Coperion line (line for filtering, regrinding and production of compounds in the form of ZSK 70 mc 18 grains), inventory no. 24781, having a market value of euro 836,500 as per the valuation of October 2019 and a net carrying amount of lei 3,628,403 at December 31, 2019;
- Credit for financing the current activity in amount of lei 1,250,000 (due on 14/10/2020), guarantees by movable mortgage of subsequent rank over the movable asset Coperion line (line for filtering, regrinding and production of compounds in the form of ZSK 70 mc 18 grains), inventory no. 24781, having a market value of euro 836,500 as per the valuation of October 2019 and a net carrying amount of lei 3,628,403 at December 31, 2019.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)
21. BORROWINGS (continued)

As at December 31, 2019, Romcarbon SA has contracts for the followings loans:

Such loans bear Euribor (1M) or Euribor (3M) and Robor (1M) + bank margin ranging from 1.50 to 2.50%.

Bank	Type of facility	Initial value	Balance as at 31.12.2019		Due on	less than 1 year	more than 1 year
			in euro	in lei			
UniCredit Bank	Credit line	€ 5,450,000	€ 5,293,173	25,297,660 lei	10/04/2020	25,297,660 lei	- lei
BRD GSG	Credit line	€ 2,550,000	€ 2,529,273	12,088,156 lei	29/10/2020	12,088,156 lei	- lei
UniCredit Bank	Investment loan (III)	€ 442,500	€ 197,765	945,179 lei	19/09/2021	540,102 lei	405,077 lei
BRD GSG	Investment loan (II)	€ 1,000,000	€ 354,037	1,692,048 lei	03/09/2022	597,194 lei	1,094,854 lei
BRD GSG	Investment loan (III)	€ 3,153,160	€ 328,684	1,570,881 lei	03/02/2022	754,023 lei	816,859 lei
UniCredit Bank	Investment loan - CCE 2015	€ 3,042,240	€ 1,862,420	8,901,063 lei	04/12/2023	2,078,996 lei	6,822,067 lei
TOTAL loans in euro		€ 15,637,900	€ 10,565,352	50,494,987 lei		41,356,130 lei	9,138,857 lei
Eximbank SA	Investment loan (I) (Lei)	6,142,500 lei		2,559,375 lei	20/06/2022	1,023,750 lei	1,535,625 lei
Eximbank SA	Investment loan (II) (Lei)	2,432,500 lei		1,790,498 lei	16/12/2022	596,833 lei	1,193,665 lei
UniCredit Bank	Investment loan (II) (Lei)	2,500,000 lei		535,961 lei	19/09/2021	306,263 lei	229,698 lei
UniCredit Bank	Investment loan (IV) (Lei)	5,400,000 lei		2,155,758 lei	01/12/2021	1,547,751 lei	608,007 lei
UniCredit Bank	Investment loan (V) (Lei)	2,250,000 lei		1,241,212 lei	06/04/2022	1,241,212 lei	0 lei
Total loans in lei		21,925,000 lei		8,282,802 lei		4,715,808 lei	3,566,995 lei
Total				58,777,790 lei		46,071,938 lei	12,705,852 lei

This is a free translation from the original Romanian version.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
 (all amounts are expressed in lei, unless specified otherwise)

22. OTHER BORROWINGS

	December 31, 2019	December 31, 2018
Liabilities to employees	1,013,477	1,004,630
Liabilities related to social contributions	769,921	865,863
Other tax liabilities	1,083,640	559,483
	<u>2,867,038</u>	<u>2,430,076</u>

23. TRADE LIABILITIES

	December 31, 2019	December 31, 2018
Trade liabilities	23,031,597	23,166,515
Other liabilities	80,474	793,136
Suppliers invoices not received	256,350	359,085
Advances from clients	274,628	218,329
Total	<u>23,643,049</u>	<u>24,537,065</u>

24. FINANCE LEASE LIABILITIES
Finance lease liabilities
Reconciliation of minimum lease payments at net present value

	December 31, 2019	December 31, 2018
Amounts due within one year	-	-
Due in more than one year, but less than 5 years	-	-
Less future finance expenses	-	-
Total	<u>-</u>	<u>-</u>

	December 31, 2019	December 31, 2018
Present value of future finance lease payments		
Amounts due within one year	-	-
Due in more than one year, but less than 5 years	-	-
Total	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**25. FINANCIAL INSTRUMENTS****(a) Capital risk management**

The Company manages its capital to ensure that Company entities will be able to continue as a going concern while maximizing revenues for shareholders, by optimizing the debt and equity balance.

The Company's capital consists of liabilities, which include the borrowings presented in note 21, cash and cash equivalent and equity attributable to the company. Equity comprises the share capital, reserves and retained earnings as presented in notes 18, 19 and 20.

The management of the Company's risk also consists in a regular review of the capital structure. As part of this review, the management takes into account the cost of capital and risks associated with each class of capital. Based on the management's recommendations, the Company will balance the general structure of its capital by dividend payment, issuance of new shares and redemption of shares, as well as by contracting new debts or settling existing debts.

(b) Main accounting policies

Details of the main accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2 to the financial statements.

(c) Objectives of financial risk management

The Company's treasury function supplies services necessary to the business, coordinates access to national and international financial market, monitors and manages financial risk related to the Company's operations through reports on internal risks, analyzing exposure by the degree and extent of risks. Such risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

(d) Market risk

The Company's activities expose it firstly to financial risks regarding the fluctuation of the foreign exchange rate (see (e) below) and interest rate (see (f) below).

There has been no change in the Company's exposure to market risks or in the manner the Company manages and measures risks.

(e) Currency risk management

The Company undertakes transactions denominated in various foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policies.

(f) Interest rate risk management

The Company is exposed to interest rate risk given that Company entities borrow funds both at fixed and at variable interest. The risk is managed by the Company by maintaining a balance between fixed rate and variable rate borrowings.

The Company's exposures to interest rates over financial assets are presented in the section regarding liquidity risk management under this note.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)

25. FINANCIAL INSTRUMENTS (continued)

(g) Other risks regarding prices

The Company is exposed to risks related to equity, arising from equity investments. Equity investments are held for strategic purposes rather than commercial purposes. The Company does not actively trade such investments.

(h) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The management monitors the Company's exposure and the credit ratings of its contractual counterparties.

Trade receivables consist of a large number of clients from various industries and geographical areas. Credits are constantly assessed as regards the clients' financial status and, if applicable, credit insurance is concluded.

The Company does not have any significant credit risk exposure towards any counterparty or any group of similar counterparties. The Company defines counterparties as having similar characteristics when they are related entities. At no time during the year has the credit risk percentage exceeded 5% of the gross monetary assets.

(i) Liquidity risk management

The ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built a proper liquidity risk management framework regarding the Company funds' short, medium and long term insurance and the liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, backup banking facilities and loan facilities, by continually monitoring cash flows and matching the maturity profiles of financial assets and liabilities. Note 26 includes a list of additional facilities not drawn, available to the Company in order to further mitigate liquidity risk.

(j) Fair value of financial instruments

The fair values of financial assets and liabilities are determined as follows:

- the fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined by reference to quoted market prices;
- the fair value of other financial assets and liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The financial statements include unlisted share holdings, measured at fair value. The best estimate for fair value is determined using the historical cost of shares.

The financial instruments in the balance sheet include trade receivables and other receivables, cash and cash equivalents, short and long term borrowings and other liabilities. The estimated fair values of such instruments approximate their carrying values. The carrying values represent the Company's maximum exposure to credit risks related to existing receivables.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)
25. FINANCIAL INSTRUMENTS (continued)

The carrying values of the Company's currencies expressed in monetary assets and liabilities as at the reporting date are as follows:

	EUR 1EUR = lei 4.7793	USD 1USD = lei 4.2608	lei 1 lei	December 31, 2019 Total
	<i>lei</i>	<i>lei</i>	<i>lei</i>	<i>lei</i>
2018				
Assets				
Cash and cash equivalents	1,231,555	153,664	4,164,226	5,549,445
Receivables and other current assets	5,077,232	-	40,788,582	45,865,813
Loans granted to Group companies	335,912	-	-	335,912
Other assets	243,505	40,733	965,731	1,249,969
Liabilities				
Trade and other liabilities	6,026,129	88,525	17,528,395	23,643,049
Short and long-term borrowings	50,494,989	-	8,282,802	58,777,791
Short and long-term finance lease liabilities	-	-	-	-
Other liabilities	-	-	2,458,532	2,458,532
2017				
Assets				
Cash and cash equivalents	22,083	131,034	3,177,893	3,331,011
Receivables and other current assets	4,265,368	227,779	31,229,269	35,722,416
Other assets	6,174,452	-	-	6,174,452
	-	-	1,007,913	1,007,913
Liabilities				
Trade and other liabilities	4,767,409	6,013	19,763,644	24,537,065
Short and long-term borrowings	48,758,323	-	13,844,172	62,602,494
Short and long-term finance lease liabilities	-	-	-	-
Other liabilities	-	-	2.430.076	2.430.076

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)

25. FINANCIAL INSTRUMENTS (continued)

The Company is mainly exposed to EUR and USD exchange rates. The following table details the Company's sensitivity to a 10% increase and decrease in the lei against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to top management and represents management's estimate of the reasonably possible changes in foreign exchange rates. The vulnerability analysis includes only outstanding foreign currency denominated in monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. In the following table, a negative number below indicates a decrease in profit, whereas the lei weaken 10% against the EUR/USD. For a 10% strengthening of the Leu against the EUR/USD, there would be an equal and opposite impact on the profit and other equity, and the balances below will be positive. Changes will be attributable to the exposure related to EUR borrowings at the end of the year.

	<u>31-Dec-2019</u>	<u>31-Dec-2018</u>
Loss	(5,877,779)	(6,260,250)

Tables regarding liquidity and interest rate risks

The following tables present the maturity terms of the Company's financial liabilities.

The tables have been prepared based on the cash flows, not current, of the financial liabilities on the nearest date when the Company is likely to be claimed payment. The table includes both interest and cash flows related to principal.

2019	<u>Less than 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Total</u>
Non-interest bearing				
Trade liabilities	23,643,049	-	-	23,643,049
Other current liabilities	2,458,532	-	-	2,458,532
Interest bearing instruments				
Short and long-term leases	-	-	-	-
Borrowings from financial institutions	46,071,940	10,041,775	2,664,076	58,777,791
Non-interest bearing				
Cash and cash equivalents	5,549,445	-	-	5,549,445
Receivables and other current assets	45,865,813	-	-	45,865,813
Interest bearing				
Loans to Group companies	335,912	-	-	335,912

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
 (all amounts are expressed in lei, unless specified otherwise)

25. FINANCIAL INSTRUMENTS (continued)
Tables regarding liquidity and interest rate risks (continued)

2018	<u>Less than 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Total</u>
Non-interest bearing				
Trade liabilities	24,537,065	-	-	24,537,065
Other current liabilities	2,430,076	-	-	2,430,076
Interest bearing instruments				
Short and long-term leases	-	-	-	-
Borrowings from financial institutions	39,935,673	15,480,548	7,186,273	62,602,494
Non-interest bearing				
Cash and cash equivalents	3,331,011	-	-	3,331,011
Receivables and other current assets	35,722,416	-	-	35,722,416
Interest bearing				
Loans to Group companies	6,174,452	-	-	6,174,452

26. RELATED PARTY TRANSACTIONS

The transactions among the Company and its subsidiaries – Company’s related parties - are presented under this note. Companies and individuals may be deemed related parties if one party holds control or exercises significant influence over the other party.

Dividends received

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
YENKI SRL BUZAU	-	-
LIVING JUMBO INDUSTRY SA	-	-
RECYPLAT LIMITED	-	-
INFO TECH SOLUTION SRL BUZAU	-	117,270
RC ENERGO INSTALL SRL	-	1,000,000
TOTAL	<u>-</u>	<u>1,117,270</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
 (all amounts are expressed in lei, unless specified otherwise)

26. RELATED PARTY TRANSACTIONS (continued)

	Sales of goods and services		Purchases of goods and services	
	2019	2018	2019	2018
Eco Pack Management SA	3,598	-	-	-
Info Tech Solution SRL	25,196	23,281	547,539	409,721
LivingJumbo Industry SA	33,335,125	35,662,974	1,310,145	1,050,808
RC Energo Install SRL	92,315	86,463	2,520,394	1,980,447
Yenki SRL Buzau	2,521	1,765	-	-
Total	33,458,755	35,774,482	4,378,078	3,440,976

	Receivables from related parties		Payables to related entities	
	2019	2018	2019	2018
Eco Pack Management SA	616	-	-	-
Info Tech Solution SRL	-	-	86,685	30,532
LivingJumbo Industry SA	27,974,239	23,000,525	65,239	242,854
RC Energo Install SRL	(49,526)	1,422,490	67,587	197,659
Yenki SRL Buzau	-	-	-	-
Total	27,925,329	24,423,015	219,511	471,045

As at 31 December, the Company has outstanding receivables in amount of RON 334,551 from RC Energo Install SRL represented by a loan granted, due in June 2020.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)
26. RELATED PARTY TRANSACTIONS (continued)

Transactions with companies where Romcarbon SA indirectly holds less than 25% of the shares:

	Sales of goods and services		Purchases of goods and services	
	2019	2018	2019	2018
Greenfiber International SA	4,460,487	5,107,220	56,157	111,556
Greenlamp Reciclare SA	-	533	-	-
Greentech SA	29,062	71,570	119,659	415,100
Greenweee International SA	6,789	193,080	403,323	174,101
Greentech d.o.o Serbia	-	-	-	6,805
Total Waste Management SRL	34,797	247,560	-	3,836
Next Eco Reciclyng SA	-	-	-	416,837
Green Resources Management SA	62,761	6,109	-	-
	4,593,896	5,626,071	579,139	1,128,236
	Receivables from related parties		Payables to related entities	
	2019	2018	2019	2018
Greenfiber International SA	821,166	836,113	7,902	4,564
Greenlamp Reciclare SA	-	-	-	-
Greentech SA	5,866	5,833	35,206	15,444
Greenweee International SA	963	56,690	67,117	47,418
Greentech d.o.o Serbia	-	-	-	-
Total Waste Management SRL	(22,290)	27,358	-	123
Next Eco Reciclyng SA	-	-	-	-
Green Resources Management SA	-	-	-	-
	805,705	925,994	110,225	67,549

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)

27. CASH ON HAND AND AT BANKS

Within the meaning of statement of cash flows, cash and cash equivalent include petty cash and bank accounts. Cash and cash equivalents at the end of the financial year, as presented in the statement of cash flows, may be reconciled with the corresponding elements of balance sheet, as follows:

	December 31, 2019	December 31, 2018
Cash at banks	5,433,668	3,197,884
Cash on hand	30,237	24,317
Cash equivalents	85,540	108,810
Total	5,549,445	3,331,011

28. DEFERRED INCOME

	December 31, 2019	December 31, 2018
Grants Unido funds and car scrap program	2,980	6,125
Grants – project co-funded by European funds for 2011	5,518,135	6,589,359
Grants – project co-funded by European funds for 2015	9,880,146	11,068,373
Inventory surpluses in the form of non-current assets	-	12,617
Total	15,401,261	17,676,474

As at December 31, 2019, the Company registered investment subsidies and other amounts in the form of investment subsidies, not transferred to income, totaling lei 15,401,261. They are recognized as income on a monthly basis, in line with the depreciation of property, plant and equipment purchased throughout the useful life.

29. COMMITMENTS AND CONTINGENCIES

Potential tax liabilities

In Romania, there are agencies authorized to conduct controls (audits). Such controls are to a great extent similar to those conducted in other countries by tax authorities, but may extend to other legal or regulatory fields in which the Romanian authorities may become interested. The Company is likely to continue to be subject to periodic controls for breaches or alleged breaches of new and existing laws and regulations. Although the Company may challenge the alleged breaches and penalties when the management considers that it is entitled to, the adoption or implementation of laws and regulations in Romania might have a significant effect on the Company. The tax system in Romania is under continual development, being subject to constant interpretations and changes, often retroactive. In Romania, the fiscal year remains open for fiscal verification for 5 years.

The Company's administrators consider that the Company's tax liabilities have been calculated and recorded according to the legal provisions.

Transfer pricing

The Romanian fiscal legislation has provided rules on transfer prices between related parties ever since 2000. The current legislative framework defines "market value" for transactions between related parties, as well as the methods to establish transfer prices. Therefore, the fiscal authorities are expected to initiate thorough verifications of transfer prices, in order to make sure that the fiscal result and/or the customs value of imported assets are not distorted by the effect of prices practiced in connection to related parties. The Company may not quantify the outcome of such verification.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)

29. COMMITMENTS AND CONTINGENCIES (continued)

Environmental matters

The Company's core activity has inherent effects on the environment. The effects of the Company's activities on the environment are monitored by local authorities and the Company's management. Therefore, no provisions have been recorded for any obligations, not measurable at present, regarding the environment or the required remedy works.

30. SUBSEQUENT EVENTS

On 31.01.2020 the sale (according to the sale undertaking concluded on 18.12.2019 with GREEN PC AMBALAJE SRL - promissory buyer) of the building located in Ilfov, Stefanestii de Jos, Str. Sinaia nr.15, with a total surface area of 12,774 sqm, of which 4,928 sqm built area, further to the signing of the sale agreement on the basis of which the price of lei 3,987,387.32 (equivalent to euro 834,356) was cashed.

The Ordinary General Meeting of Shareholders dated 23.01.2020 approved the new component of the Board of Directors of Romcarbon SA for a term of 4 years, starting February 4, 2020, while maintaining the one-tier management system of the company.

Therefore, starting February 4, 2020, the Board of Administration of Romcarbon SA consists of:

Huang Liang Neng - Chairman of the Board of Administration, appointed based on the Decision of the Ordinary General Meeting of ROMCARBON SA from 23.01.2020 for a 4-year term, which expires on 04.02.2024, aged 49;

Wang Yi Hao - Vice President of the Board of Administration, appointed based on the Decision of the Ordinary General Meeting of ROMCARBON SA from 23.01.2020 for a 4-year term, which expires on 04.02.2024, aged 34;

Toderita Stefan Alexandru - Member of the Board of Administration, appointed based on the Decision of the Ordinary General Meeting of ROMCARBON SA from 23.01.2020 for a 4-year term, which expires on 04.02.2024, aged 25.

The mandate entrusted to the new members of the Board of Administration will be exercised free of charge, in accordance with the vote expressed by shareholders within the OGMS of 23.01.2020.

In the international context regarding the evolution of the epidemiological situation caused by the spread of coronavirus COVID-19, as well as the declaration of the state of emergency in Romania for a period of 30 days, the Company's management has established and implemented preventive measures for the protection of both its employees and collaborators (delegates, drivers, couriers, etc.). The measures are constantly reassessed and adapted according to the evolution of the situation and the official communications / measures ordered by the public authorities / competent bodies.

At the date of this Report, no major difficulties and risks were identified in the activity of supply, production and sale that would significantly affect the economic activity of the Company. The Company is elaborating a Risk Plan in case of cessation of production and establishment of quarantine or other future events that would require measures to temporarily interrupt the economic activity of the Company.

The future evolution of the crisis generated by the expansion of COVID-19 can have an impact in the coming months as regards the decrease of sales with a difficult percentage to estimate, which can vary, reaching up to 20% due to the decrease in demand in the automotive industry and in the construction sector.

The supply of raw materials and materials remains stable with no anticipated price growth trends. There are no conditions for concentration risk as there are no major dependencies on significant suppliers or customers or the markets affected to a large extent by COVID-19. The activity of the company is not affected by the restrictions on external financing, it has the ability to control its cash flow and minimizes the risks of non-collection. We have not identified the premises for the exposure to major risks in terms of cash flows. There will be pressure on the RON / EUR exchange rate, but we cannot estimate its level.

The separate financial statements were approved by the Board of Directors and were authorised for issuance on March 27, 2020.

**ADMINISTRATOR,
HUANG LIANG NENG**

**FINANCIAL MANAGER,
VIORICA ZAINESCU**

**DEPUTY GENERAL MANAGER,
CARMEN MANAILA**

For signatures, please refer to the original Romanian version.

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BOARD OF DIRECTORS' REPORT FOR THE PERIOD ENDED DECEMBER 31, 2019

ROMCARBON S.A., a legal entity with headquarters in Buzau, str. Transilvaniei nr. 132, registered at the Buzau Trade Registry under no. J10/83/1991, recorded in accounting balance sheet for the year ended December 31, 2019, the amount of 26,412,209.60 lei as subscribed and paid in share capital representing a number of 264,122,096 shares of 0.10 lei each share.

The regulated market for trading securities issued is the Bucharest Stock Exchange, Standard category, the main characteristics of which being: 264,122,096 ordinary shares, dematerialized, having a nominal value of lei 0.1.

Data and information from the following sources have been used for the present Report:

- the internal audit reports drawn up in 2019 in various audit missions made according to the Internal Audit Plan;
- the separate financial statements drawn for the year ended December 31, 2019 in accordance with applicable accounting regulations for the companies whose securities are admitted to trading on a regular market, i.e. International Financial Reporting Standards (IFRS) which comprise:
 - a) Statement of financial position
 - b) Statement of profit or loss
 - c) Statement of comprehensive income
 - d) Statement of changes in shareholders' equity
 - e) Statement of cash flows
 - f) Policies and explanatory notes to the annual financial statements.

Also, it had been used information resulting from internal controls implemented by the management of the company through specific procedures performed in order to draw up financial statements covering the occurrence of any error or fraud.

In preparing the separate financial statements as at 2019, the Company complied with Accounting Law no. 82/1991, republished, Ministry of Public Finance Order no. 2844/2016 approving the Accounting regulations compliant with International Financial Reporting Standards, MoPFO no. 881/2012 on the application by the companies whose securities are admitted to trading on a regulated market of International Financial Reporting Standards - standards adopted under the procedure provided in art. 6 para. (2) of Regulation (EC) no. 1606 /2002 of the European Parliament and of the Council of 19 July 2002 on the application of international standards of accounting. The Company will issue for 2019 consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU.

Annual financial statements prepared in accordance with Financial Reporting Standards present fairly the assets, liabilities, equity, financial position, income and expenses and cash flows of the company.

In the process of drawing the 2019 financial statements of Romcarbon SA Buzau it had been fully applied the principles and accounting policies, the evaluation methods, and the provisions of accounting regulations.

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**ADMINISTRATORS' REPORT
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

ASSESSMENT OF THE COMPANY'S ACTIVITY

• **The assessment of the technical level of the company**

The activity profile of S.C. Romcarbon S.A. Buzau is manufacturing of polymer products, filters and filter elements, protective materials, active carbon for the food, chemical and pharmaceutical industry, plastic waste recovery, regranulation and manufacture of compounds.

The company has the following working points:

- Working point - Bucharest – Here the main activity is commercial operations and management;
- Working point - Stefanesti – The main activity is renting the assets for production purpose;
- Working point - Iasi - The main activity is renting the assets for production purpose.

In 2019, the production activity was carried out in 7 profit centers as follows:

- **Profit Center no. 1 – Car and industrial filters.** In this center are manufactured air, oil and fuel filters for cars, trucks and tractors, railway equipment and also industrial and agriculture filter;
- **Profit Center no. 2 with 2 workshops:**
 - Workshop of Protective equipment that produce personal protective respiratory equipment - masks and cartridges - for chemical industry, mining industry, for the Ministry of National Defense, civil defense and collective protective equipment;
 - Workshop of Active Carbon that manufactures charcoal - semi finished necessary for protective equipment, as well as coal used in the oil industry, food, chemical and pharmaceutical industries.
- **Profit Center no. 3** with Polyethylene workshop where are manufactured different sizes of polyethylene packaging (little bags, bags, pouches by extrusion, printing, welding), general purpose film, foil for greenhouse, thermo foil and photopolymer clichés.
- **Profit Center no. 4 with two workshops:**
 - PVC pipes workshop is engaged in the production of PVC pipes as semi –finished products for domestic use.
 - PVC bases workshop is engaged in the production of PVC bases used as road traffic signs.
- **Profit Center no. 5** with expanded Polystyrene Workshop, consisting of extrusion and thermoforming sector, where are manufactured casseroles and trays for food industry and products for constructions as plates and rolls.
- **Profit Center no. 6** with 2 workshops - Polypropylene - where are manufactured polypropylene products: laminated and non-laminated woven bags in different sizes for packaging products used in agriculture, food and chemical industry.
- **Profit center no. 7** with two activities:
 - Treating of plastic scraps by separating the recyclable fractions, grinding, extruding and filtering the separated fractions. The finished products are plastics regranulated products, compounds and composites plastic products.
 - Treating the postproduction Polyethylene foil scraps by washing, extruding and filtering/separating. The finished products are PE and PP regranulated products and compounds.

**ADMINISTRATORS' REPORT
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

The main groups of products and their share in the total turnover:

Group of products	2017	2018	2019
Total revenues from sales of finished products, of which:	71.81%	74.77%	76.10%
CP1~ Auto and industrial filters,	1.96%	1.32%	1.40%
CP2~ Respiratory protective equipment and Active Carbon	1.29%	1.00%	1.15%
CP3~ Polyethylene products	14.00%	16.40%	14.72%
CP4~ PVC products	0.30%	0.40%	0.50%
CP5~ Polystyrene products	18.66%	19.06%	21.87%
CP6~ Polypropylene products	19.17%	19.23%	19.62%
CP7~Compounds	16.42%	17.35%	16.84%

The difference up to 100% represents the sales of merchandises, services, rents and other sales.

New products developed in 2019

In 2019 the range of industrial filters was enlarged with 7 new items. Also 15 new air filters and railway engine filters were developed.

In the Compound sector, 25 new recipes of compounds manufactured from recycled and virgin plastic were developed, and the new products that were fit were sent to beneficiaries for testing. Other 13 products were optimised in order to decrease costs or the stock of semi-finished products

In the polyethylene sector, new products were developed: PS panel packaging film for automated installations, batch film for automated installations; thermos foil for packaging of XPS panels or mineral wool for automated installations, 5-season greenhouse film, mulch film, impact resistant > 500 g liner, biodegradable film and packaging, film for packaging of pallets.

In the field of polypropilene, the Company aimed at optimising costs by increasing the filler content in the thread/fabric from 7% to 10%, and to obtain a 400 Den fabric.

• **Assessment of procurement activity (domestic and import)**

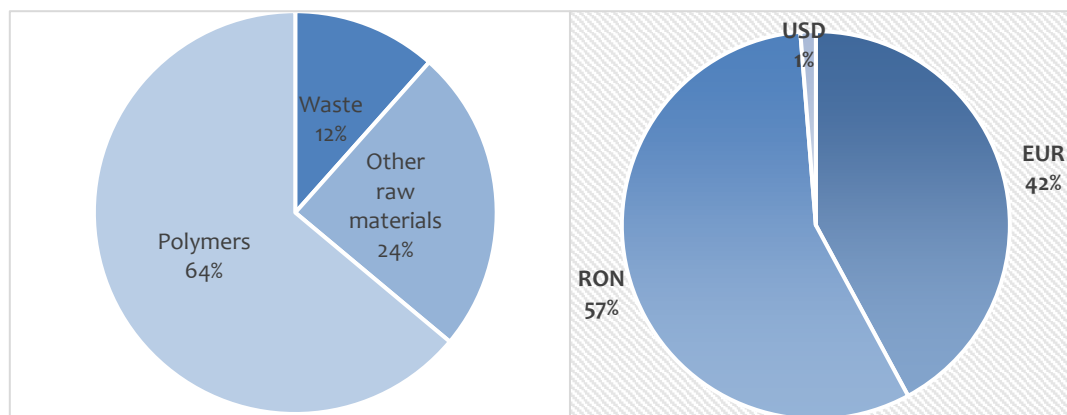
The supply of raw materials, consumables and services is carried out according to the specific internal procedures. Further to the assessment of at least 3 commercial offers, the best alternative is selected, which then turns into an acquisition. The collaboration with these suppliers is based on the contracts signed with them or on confirmed spot orders. The portfolio of suppliers of raw materials for most of the production sectors includes 57% Romanian companies, and 43% companies in the foreign market. For the Compounds sector, the raw material supplied comes 81% from Romania, while the difference is ensured by the quantities offered by foreign collaborators.

The most important share (64%) in the total value of acquisitions of raw materials is represented by polymer granules (polypropylene, polyethylene, polystyrene), which represents the basic raw materials. They are provided by various companies with which Romcarbon SA has developed strong partnerships over the years.

**ADMINISTRATORS' REPORT
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

In order to ensure the best price-to value products to its clients, Romcarbon is permanently involved in developing new projects and is open to new collaborations.

Depending on the supplier's currency, the acquisitions of raw materials and materials had the following structure:



- Assessment of sales**

The evolution of sales of finished products between 2017 and 2019 is presented in the following table:

Group of products	2017		2018		2019		2019 vs. 2018		
	Value	% in total	Value	% in total	Value	% out of total			
CP1~ Auto and industrial filters	3,830,438	3%	2,623,159	2%	2,579,380	2%	▼	(43,779)	-2%
CP2~ Respiratory protective equipment and active carbon	2,514,286	2%	1,994,419	1%	2,111,661	2%	▲	117,242	6%
CP3~ Polyethylene products	27,326,932	20%	32,556,680	22%	27,058,540	19%	▼	(5,498,140)	-17%
CP4~ PVC products	582,367	0%	784,529	1%	916,070	1%	▲	131,541	17%
CP5~ Polystyrene products	36,420,305	26%	37,832,816	25%	40,214,038	29%	▲	2,381,222	6%
CP6~ Polypropylene products	37,408,712	27%	38,163,803	26%	36,075,081	26%	▼	(2,088,722)	-5%
CP7~Compounds	32,045,842	23%	34,431,228	23%	30,961,367	22%	▼	(3,469,861)	-10%
TOTAL	140,128,883	100%	148,386,635	100%	139,916,138	100%	▼	(8,470,497)	-6%

The following table present the turnover from the sale of finished products, depending on its allocation to the domestic/foreign market:

Sales of finished products	2017		2018		2019	
	Value	%	Value	%	Value	%
Domestic	90,478,709	64.57%	96,001,772	64.70%	92,908,312	66.40%
Foreign	49,650,174	35.43%	52,384,863	35.30%	47,007,826	33.60%
Total	140,128,883	100.00%	148,386,635	100.00%	139,916,138	100.00%

**ADMINISTRATORS' REPORT
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

The turnover resulting from the sale of finished products in 2019 according to the foreign markets is presented in the following table.

Country	2018	% in 2018	2019	% in 2019
Bulgaria	12,321,732	23.52%	11,625,599	24.73%
Germany	12,042,150	22.99%	7,353,121	15.64%
Poland	4,517,145	8.62%	6,007,414	12.78%
Serbia	5,031,717	9.61%	5,185,035	11.03%
Hungary	2,482,621	4.74%	2,939,186	6.25%
Spain	2,039,302	3.89%	2,887,636	6.14%
Italy	2,795,920	5.34%	2,319,937	4.94%
China	1,596,481	3.05%	1,383,285	2.94%
France	1,437,220	2.74%	1,373,322	2.92%
Greece	920,346	1.76%	1,226,578	2.61%
Slovakia	2,025,882	3.87%	855,715	1.82%
Moldova	1,347,909	2.57%	719,486	1.53%
The Netherlands	543,909	1.04%	627,048	1.33%
Ukraine	312,269	0.60%	664,917	1.41%
Switzerland	284,111	0.54%	260,029	0.55%
Czech Republic	321,988	0.61%	252,954	0.54%
Croatia	699,199	1.33%	236,085	0.50%
Bosnia and Herzegovina	1,200	0.00%	201,503	0.43%
Non-EU	147,627	0.28%	178,453	0.38%
Macedonia	571,134	1.09%	167,130	0.36%
Belgium	97,324	0.19%	95,301	0.20%
Morocco	95,818	0.18%	92,152	0.20%
Other	751,860	1.44%	355,939	0.76%
Total	52,384,863	100.00%	47,007,826	100.00%

• **Assessment of aspects related to the personnel of the company**

The number of Romcarbon SA employees as at 31.12.2019 was 940, grouped according to the level of education as follows:

Total number of employees, of which:	940	%
· higher education*	103	11%
· post-high school education	12	1%
· technological foremen school	10	1%
· high school education	407	43%
· vocational education	222	24%
· 9 – 11 grades/apprenticeship	108	11%
· on-the-job qualification	0	0%
· secondary education	78	8%

*Out of the total higher education staff, 59 fill positions that require higher education.

**ADMINISTRATORS' REPORT
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

The relationships between managers and employees are relations of subordination according to the Company's organizational chart, job descriptions and individual labor contract. Each employee is directly subordinated to their superior. Superiors are responsible for the legality and validity of the instructions they issue, and the consequences of these instructions. There were no conflicts in the relations between managers and employees. Employees are not organized in a trade union.

• **Assessment of the research and development activity**

The research - development activity carried out by the Technical and Investment Department in collaboration with internal departments involved and with agreed service providers, includes:

- Product certification according to the national and European regulations:

In 2019, the certifications of the Filter and Protection Equipment Workshop were extended for oil filters, fuel filters, car filters, multi-gas filters:

- re-certification of packaging manufactured from polypropylene, polyethylene and polystyrene in terms of compatibility with food, in accordance with regulations in force; obtaining annual health certificate required for expanded polystyrene packaging for export to non-EU countries;
- development of new products and technologies while developing existing ones;
- acquisition of the new equipment in order to increase the company productivity and the products quality;
- updating the technical documentation of the PSE and Compound products.

The cost of research and development activity in 2019 was 970,906 lei, while for 2020 it was budgeted a cost of 1,040,996 lei.

• **The assessment of the impact of the company's activity on the environment**

ROMCARBON S.A. holds the new environmental permit in accordance with the new NACE codes Classification of Activities of National Economy, Revised Edition, NACE Rev. 2 according to INS Order 337/2007, published in Official Gazette of Romania, Part I, no. 293 / 03.05.2007.

ROMCARBON S.A. complies with environmental protection legislation, not being involved in litigation regarding infringement legislation. The company periodically evaluates compliance with laws, regulations and other requirements to which the organization subscribes.

ROMCARBON S.A. has implemented and certified an integrated quality management system - environment - occupational health and safety standards ISO 9001: 2008; ISO 14001: 2005; OHSAS 18001: 2007, applicable to the design and manufacture of protective equipment airway - SRAC certificate.

The evaluation/re-evaluation of environmental aspects is documented in the internal procedure entitled PS-03-Environment. This procedure documents the process whereby the organization establishes the environmental implications of its activities and products, which it can control and influence, as well as the related environmental impact on their life cycle.

The Company takes into account the following when it assesses environmental aspects: air emissions, leaks into the water, soil, use of raw materials or natural resources, use of energy, the energy discharged (heat, radiations, vibrations (noise), light), waste generations, use of space.

The Company takes into account the life stages that may be controlled or influenced by the organization.

**ADMINISTRATORS' REPORT
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

The list of significant environmental aspects is updated annually or any time changes occur in the organization, the applicable legislation or other requirements to which the organization subscribes.

Depending on the significant environmental aspects, top management and the responsible with the environment and MCM (Quality and Environmental Management) Department lay down the strategic objectives (Level 1) and the tactic operational objectives (Level 2) documented in the *Management Program*.

The objectives are set in accordance with the Quality, Environment and Occupational Health and Security Policy, with the commitments to prevent pollution and the compliance and improvement obligations.

Change and the development of new activities or products may invalidate aspects previously identified or require the introduction of new aspects in the list, in which cases the Company reassesses and revises the environmental aspects. Examples of such changes include:

- change of scope of SMI;
- development of new products/services;
- changes in processes/technology/introduction of new processes;
- significant extension or reduction of capacity;
- extension or relocation of an activity;
- changes in environmental compliance obligations;
- emergency situations.

At the beginning of 2019, the Company reassessed the environmental aspects and established that it might face significant environmental aspects only in abnormal conditions or in emergency situations.

• **Assessment of the management system**

SC ROMCARBON Buzau holds certifies for integrated management system assessment according to the following standards:

- Quality management system as per the requirements of SR EN ISO 9001:2015, whereby management is engaged in a policy of continuous improvement of organizational quality and implicitly the quality of the products and services offered;
- Environmental management system as per the requirements SR EN ISO 14001: 2015, whereby management is engaged in a policy of continuous improvement of environmental conditions and pollution prevention;
- The management of the organization's occupational health and safety OHSAS 18001: 2007, the company is engaged in a process of continuous improvement in the workplace health and safety conditions and prevention of accidents and occupational diseases throughout the organization.

The Quality, Environment, Health and Occupational Safety Integrated Management System is certified by a RENAR accredited body, namely SRAC ROMANIA. The Quality Management System of ROMCARBON SA has been certified since 1994.

No certification audits or supervision visits from the qualified company or audits from our clients have registered non-conformities with the standards no observations; during these visits, only suggestions were made for improving the company's activity.

The top-level management aims to develop the Integrated Management System in line with the requirements of the reference standards: ISO 9001: 2015, ISO 14001-2015 and OH & S 18001-2007 and to continuously improve its effectiveness and guarantee customer satisfaction.

**ADMINISTRATORS' REPORT
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

• **Assessment of the company's activity related to risk management**

SC ROMCARBON SA implemented the risk management in accordance with the requirements of Standard SR EN ISO 31010 – Risk Management, which includes risk assessment techniques, identifying and assessing risks involving every operating department in the organization. The Company drafted a Risk Register for every operating department, the Organization's Risk Register and the Risk Treatment Action Plan.

Given the global financial and economic crisis, SC Romcarbon SA had to adapt to new conditions and constraints coming from the market facing with these risks:

Market risk

In 2019, the company recorded a decrease of total turnover by 7%, reaching a total of 185,722,304 lei (2018: 200,716,405 lei). Sales of finished products decreased by 6%. The largest increase was accounted by CP5 – Polystyrene products with 2,381,222 lei (6%), and major decreases were registered by CP3-Polyethylene -5,498,140 lei (-17%) and CP7-Compounds -3,469,861 lei (-10%).

Romcarbon's main selling market is the domestic one, with a share in turnover resulting from the core activity (Income from sale of finished products) of 66% in 2019 (64% in 2018).

The clients portfolio for the company's production activity is diversified, there is no clear dependence on certain clients. However, for the activity of sales of goods SC Romcarbon SA has two clients (Kasakrom Chemiclas SRL and Livingjumbo Industry SA) that in 2019 had a turnover represented 13% and 6% of total turnover. The sales to Livingjumbo Industry SA in 2019 included the sales of finished products, rents and income from other activities, which accounted for 3% of turnover.

As an element of novelty, with impact on the activity of this center, in 2019 the EU adopted the Directive of the European Parliament and of the Council on reduction of the impact of certain plastic products on the environment.

According to the definition above, the ban will apply to the subgroup of catering casseroles, produced in Profit Center no. 5 (expanded polystyrene products). They are delivered and resold / used by our clients for the purposes listed in the text of the Directive. In 2019, catering casseroles have a share of 34% in CP5 sales, distributed by market, as follows: domestic market and EU - 88%; non-EU market - 12%.

Some of the measures envisaged to replace the market segment that will be lost, are the increase of sales of catering casseroles on non-EU markets and the increase of sales of other product groups where there are possibilities of growth: standard trays and XPS plates.

Exchange rate risk

Currency exposure of SC Romcarbon SA is generated mainly by the loans denominated in euro. As at 31.12.2019 the balance of this loan was EUR 10,565,352 (EUR 10,454,410 at December 31, 2018).

In 2019, the financial result generated by the fluctuation of foreign currencies rate was -1,061,793 lei (+ lei 88,767 in 2018).

**ADMINISTRATORS' REPORT
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

Cash flow in foreign currencies in 2019 has the following structure:

Item	EURO	USD	GBP
Proceeds from foreign clients	9,557,358	245,486	0
Proceeds from credit lines	941,674	0	0
Other proceeds	26,566	0	0
Payment to the foreign suppliers (raw materials and equipment)	-8,727,436	-221,630	0
Payments of credits, interest, bank fees	-1,063,065	0	0
Other currency payments	-63,445	-17,967	-48
Net cash flow	671,653	5,889	-48

Liquidity risk

Current liquidity of SC Romcarbon SA (calculated as the ratio between current assets and current debts) registered a slight decrease from 1.20 in 2018 to 1.11 in 2019.

Cash flow risk

SC Romcarbon SA is not exposed to a high risk in terms of cash flow as the company cash management is very rigorous; by forecasting cash inflows and outflows over a period of three months and daily tracking performance of this projection, surplus cash is placed in term deposits, aiming at getting the best interest rates on the market. Regarding loans to finance production activity, they are contracted for a period of 12 months with the possibility of extending the due date for a similar period, and in this sense are not anticipated higher cash outflow during 2020.

9) Internal control of the company - aims at ensuring a rigorous and effective management of the entity's activity through the management's adoption of policies and procedures which ensure consistency of objectives, identify the key factors of success and communicate to the entity's managers in real-time information on performance and perspectives.

Internal control is organized so as to comply not only with financial-accounting regulations, but with all regulations, such as Environmental, Occupational Health and Safety, Emergency Situations, applicable to products, the Civil Code.

The Company's organization chart establishes the hierarchical levels of responsibility and authority existing and allows knowledge of functional and managerial aspects of the organization.

The Board of Directors is independent of management at the organization and its members are involved in management activities, which they supervise carefully. The Board of Directors delegates to the managers the responsibilities regarding internal control and makes systematic and independent assessments of the internal control system established by management.

Internal audit has an assistance function that must ensure management that internal procedures are implemented and adhered to by all departments involved.

Regular or permanent check and assessment according to the Program approved by the Company's management of the quality operation of internal control is performed to determine whether internal controls are applied according to the procedures and if they are modified appropriately when the situation requires.

Internal control establishes methods by which employees are assessed, trained, promoted and rewarded as staff represents an essential component of internal control. The organizational chart, the internal regulations (IR), job descriptions are updated according to the modifications.

**ADMINISTRATORS' REPORT
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

The organization's management has taken action *in order to remove or reduce incentives that could cause employees to engage in dishonest, illegal or immoral activities*. They are found in the Internal Regulations and other regulations issued but also in personal examples.

Management is in charge of the filling of specific positions by *competent personnel* who has the knowledge and skills to perform the tasks characteristic of each function.

The organization *faces various risks* arising from the external or the internal environment that must be managed appropriately by management. Risk identification and analysis is an ongoing process and a critical component of an effective internal control. Some of the *examples* are the company's inability to achieve the set objectives, staff quality, importance and complexity of basic economic processes, introduction of new information technologies, entry of new competitors on the market etc.

Management identifies and assesses these risks and formulates specific measures to reduce the risk at an acceptable level.

For an adequate split of the responsibilities (tasks) in order to prevent significant frauds and errors, the Company applies:

- a) The division of the administration of assets to avoid the risk of theft;
- b) The division of the authorization of the operations of assets administration;
- c) The separation of the IT tasks from the tasks of the persons outside the IT system (the tasks related to the design and control of accounting software are separated from the ones related to the update of information)

Inside the organization, there are three different functions, whose separation (their aggregation is not admitted) represents the grounds for mutual control between departments and performers, namely:

- achievement of the objectives of the organization
- preservation of the assets of the organization
- the accounting function.

For an efficient internal control, the same person cannot fulfill all such roles. If any two of such roles are fulfilled by the same person, the risk of error and fraud is higher.

Most of the operations and transactions involve at least two of the presented roles; as result, errors and frauds can be easily detected, because they result in a lack of correlation between the statements, between the departments or performers.

The internal accounting and financial control is a major element of internal control inside the entity and it relates to the entire processes of obtaining and communicating the accounting and financial information in order to obtain reliable information and in accordance with legal requirements.

The internal accounting and financial control focuses on providing:

- compliance of the accounting and financial information with the applicable rules;
- application of the management instructions according to this information;
- protection of the assets;
- prevention and detection of accounting and financial frauds and irregularities;
- reliability of the information disseminated and used internally for controlling purposes, to the extent it contributes to preparing published accounting and financial information;
- reliability of the annual published financial statements and other information communicated to the market.

All intern control activities seek to perform a permanent and periodical review of activities, in order for the management to identify the best solutions for its decisions for increasing the performance of the company and become more competitive on the market.

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**ADMINISTRATORS' REPORT
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

REVIEWING THE ECONOMIC AND FINANCIAL SITUATION OF THE COMPANY

1) Statement of financial position

The statement of financial position for the years 2018 and 2019 is shown in the following table.

Items	2018	2019	2019 vs. 2018		
Property, plant and equipment	130,049,723	122,648,084	-7,401,639	▼	-5.69%
Investment property	18,033,515	13,432,444	-4,601,071	▼	-25.51%
Intangible assets	78,269	314,136	235,868	▲	301.36%
Financial assets	22,247,181	27,085,581	4,838,400	▲	21.75%
Total non-current assets	170,408,688	163,480,245	-6,928,443	▼	-4.07%
Non-current assets held for sale	16,000,390	4,367,166	-11,633,224	▼	-72.71%
Inventories	20,695,918	25,346,355	4,650,437	▲	22.47%
Trade and other receivables	35,722,416	45,865,813	10,143,397	▲	28.40%
Financial amounts receivable from affiliates	6,174,452	335,912	-5,838,540	▼	-94.56%
Other assets	1,007,913	1,249,969	242,057	▲	24.02%
Cash and bank balances	3,331,011	5,549,445	2,218,435	▲	66.60%
Total current assets	82,932,100	82,714,660	-217,440	▼	-0.26%
Total assets	253,340,788	246,194,905	-7,145,884	▼	-2.82%
Issued capital	26,412,210	26,412,210	-	—	0.00%
Share premium	2,182,283	2,182,283	-	—	0.00%
Reserves	58,492,792	58,845,305	352,513	▲	0.60%
Retained earnings	50,103,010	49,614,454	-488,556	▼	-0.98%
Total equity	137,190,295	137,054,252	-136,043	▼	-0.10%
Long-term borrowings	22,666,822	12,705,852	-9,960,970	▼	-43.95%
Long-term finance leases and other interest bearing obligations	-	-	-	—	
Deferred tax liabilities	8,902,075	8,368,626	-533,449	▼	-5.99%
Long-term deferred income	15,413,305	13,138,559	-2,274,746	▼	-14.76%
Total non-current liabilities	46,982,202	34,213,037	-12,769,165	▼	-27.18%
Trade and other payables	24,537,065	23,643,049	-894,017	▼	-3.64%
Financial amounts payable to affiliates	-	-	-	—	
Short-term borrowings	39,935,674	46,071,939	6,136,265	▲	15.37%
Short-term finance leases and other interest bearing obligations	-	-	-	—	
Short-term deferred income	2,265,476	2,345,590	80,114	▲	3.54%
Other liabilities	2,430,076	2,867,038	436,962	▲	17.98%
Total current liabilities	69,168,292	74,927,616	5,759,324	▲	8.33%
Total liabilities	116,150,493	109,140,653	-7,009,841	▼	-6.04%
Total equity and liabilities	253,340,788	246,194,905	-7,145,884	▼	-2.82%

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**ADMINISTRATORS' REPORT
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

In 2019, non-current assets hold 66.40% of the company's assets, decreasing by lei 6,928,442, namely 4.07% compared to the beginning of the year.

The structure of non-current assets is presented in the below table:

Non-current assets (NCA)	2019	% in total NCA	% in total asset	2019 vs. 2018
Property, plant and equipment	122,648,084	75.02%	49.82%	-5.69%
Investment property	13,432,444	8.22%	5.46%	-25.51%
Intangible assets	314,136	0.19%	0.13%	301.36%
Financial assets	27,085,581	16.57%	11.00%	21.75%
Total non-current assets	163,480,245	100.00%	66.40%	-4.07%

The inputs of "Property, plant and equipment" (except advances and non-current assets in progress) during the reporting period had the following structure:

· Constructions (including developments and upgrades)	:	527,586 lei
· Equipment and machinery	:	808,733 lei
· Furniture and office equipment	:	72,680 lei
Total		1,408,999 lei

The inflows of fixed assets in 2019 had the following destinations: CP7-Compounduri: 661,416 lei; CP5-PSE: 40,100 lei; Administrative and other sectors: 707,483 lei.

In 2019, outflows of property, plant and equipment at registration price were in amount of lei 1,018,537, out of which sales lei 971,043 and cash in lei 47,494.

Investment property (land and buildings) are broken down by geographical area as follows:

Investment property	Total
Iasi	7,430,161
Buzau	6,002,283
Total	13,432,444

As at December 31, 2019, the Company performed the valuation of the investment property and it resulted a decrease of net carrying amount of lei 429,524, which was charged to the 2019 profit or loss.

**ADMINISTRATORS' REPORT
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

Financial assets account for 11% out of total assets, and 16.57% out of total non-current assets.

As at December 31, 2019, Romcarbon SA held direct ownership in other companies worth lei 30,449,725, as follows:

Company	Total shares	Nominal value (lei)	Share capital (lei)	Share capital held (lei)	No. of shares held	Acquisition/investment value	Holding (%)
RECYPLAT LTD CIPRU	26,000	4.3521	113,154	113,154	26,000	20,261,120	100.00%
ROMCARBON DEUTSCHLAND GmbH			110,138	110,138		110,138	100.00%
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	1,400	4,032	5,644,800	5,636,736	1,398	6,477,632	99.8571 %
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	1.95%
REGISTRUL MIORITA SA	10,500	10	105,000	3,980	398	5,000	3.79%
TOTAL						30,449,725	

On June 1, 2019, Romcarbon SA took part in the increase of share capital of Livingjumbo Industry SA by lei 4,834,400 (1,200 shares * lei 4.032 /share) through the conversion into shares of the loans granted and part of the related interest, as follows:

- lei 4,740,000 (euro 1,000,000 * lei 4.74 /euro) represented the loan granted;
- lei 94,800 (euro 20,759.49 * lei 4.74 /euro) representing the interest on the loan.

As at 31.12.2018, the Company registered impairment of financial assets as follows:

Company	Interest 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

**ADMINISTRATORS' REPORT
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

Current assets account for 33.60% of total assets recording a decrease of 217,440 lei, i.e. 0.26% as compared with the beginning of the year.

Current assets	31.12.2019	% out of total current assets	% out of total assets	31.12.2019 vs. 31.12.18
Non-current assets held for sale ^{2 3 4 5 6}	4,367,166	5.28%	1.77%	-72.71%
Inventories	25,346,355	30.64%	10.30%	22.47%
Trade and other receivables	45,865,813	55.45%	18.63%	28.40%
Financial amounts receivable from affiliates ⁷	335,912	0.41%	0.14%	-94.56%
Tax recoverable	-	0.00%	0.00%	0.00%
Other assets	1,249,969	1.51%	0.51%	24.02%
Cash and cash equivalents	5,549,445	6.71%	2.25%	66.60%
Total current assets	82,714,661	100.00%	33.60%	-0.26%

*In December 2018, in accordance with IFRS 5, the asset consisting of land in surface area of 35,192.48 sq m located in Iasi, Calea Chisinaului, nr. 29 and the buildings erected on such land, was partially reclassified, which will form the object of the second sale undertaking, from "Investment property" to "Assets held for sale". The asset (land and buildings) which formed the object of such reclassification is worth lei 16,757,112. Further to reclassification, the Company registered a loss of lei 756,722 on the recognition of such asset in accordance with IFRS 5.

² In May 2019, an intermediate phase of the sale transaction with Office & Logistic SRL was carried out, which aimed to sell a land of 1,289 sqm for which the price of 600,566 lei (126,322 euro) was collected.

³ On 13.08.2019, the first stage agreed according to sale undertaking no. 2, concluded with OFFICE & LOGISTIC S.R.L., was completed (as buyer), representing the value of a building located in Iasi, Calea Chisinaului, nr. 29, with a total area of 17,569 sqm, of which 1,906 sqm built area, according to the purchase agreement no. 2917 from 13.08.2019 for which the price of 5,435,475 lei (equivalent of 1,150,000 euro) was collected.

⁴ On 28.11.2019, the second stage was agreed, according to sale undertaking no. 2, concluded with OFFICE & LOGISTIC S.R.L. (as buyer) representing the value of a building located in Iasi, Calea Chisinaului, nr. 29, with a total area of 11,061 sqm, of which 5,830 sqm built area, according to the sale contracts no. 4364 and 4365 from 28.11.2019 for which the price of 5,496,080 lei (equivalent of 1,150,000 euro) was collected.

⁵ On 28.11.2019, the third stage agreed according to the undertaking for sale purchase no. 2, concluded with OFFICE & LOGISTIC S.R.L., was finalized in advance (initial term was 30.03.2020). (as buyer) representing the value of a building located in Iasi, Calea Chisinaului, no.29, with a total area of 5,340.48 sqm, of which 1,609.85 sqm built area, according to sale contract no. 4366 from 28.11.2019 for which the price of 4,654,029 lei (equivalent of 977,666.59 euro) was collected.

⁶ At December 31, 2019, the Stefanesti asset having a net value of 4,194,581 lei was reclassified from "Investment property" to "Fixed assets held for sale".

⁷ Loans granted to affiliated parties

Group companies loans	Contract value	Outstanding loan as at December 31, 2019	Interest	Total	
RC Energo Install SRL	€ 250,000	€ 70,000	334,551 lei	1,361 lei	335,912 lei
Total	€ 250,000	€ 70,000	334,551 lei	1,361 lei	335,912 lei

Total liabilities hold 44.33% of the company's total Equity and liabilities recording a decrease of 7,009,841 lei, i.e. 6.04% as compared with the beginning of the year.

**ADMINISTRATORS' REPORT
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

Current liabilities of the Company, representing 68.65% of Total Liabilities and 30.43% of Total equity, have increased by 5,759,324 lei as compared with 31.12.2018, i.e. 8.33%.

Total Equity holds 55.67% out of Total Equity and Liabilities and registered a decrease of 136,043 lei, compared with the beginning of the year.

Equity	31.12.2019	% of Total equity and liabilities
Subscribed and paid in share capital (representing the counter value of 264,122,096 shares at a nominal value of lei 0.1/share)	26,412,210	10.73%
Share premium	2,182,283	0.89%
Reserves	58,845,305	23.90%
Retained earnings	49,614,454	20.15%
Total equity	137,054,252	55.67%

The subscribed and paid in capital of the company amounting to lei 26,412,209.60 in 2019 is divided into 264,122,096 registered shares, dematerialized, with a nominal value of 0.10 lei per share.

As at 31.12.2019 the structure of the company shareholding according to Depozitarul Central SA is the following:

Shareholder	No. of shares	% quota
Living Plastic Industry S.R.L., Buzau county	86,774,508	32.85%
Joyful River Limited, Nicosia, Cyprus	54,195,089	20.52%
Other legal entities	19,038,452	7.21%
Other individuals	104,114,047	39.42%
Total	264,122,096	100.00%

2) Statement of profit and loss and comprehensive income statement' items

Income statement	2018	2019	2019 vs. 2018	
Revenue	198,460,719	183,857,280	▼	(14,603,439) -7%
Investment income ¹¹	3,464,433	1,951,422	▼	(1,513,011) -44%
Other gains and losses ¹²	3,388,764	(1,334,935)	▼	(4,723,698) -139%
Changes in inventories of finished goods and work in progress	372,436	3,560,611	▲	3,188,175 856%
Raw materials and consumables used	(136,656,677)	(123,157,911)	▼	13,498,766 -10%
Depreciation and amortisation expenses	(11,553,840)	(10,634,489)	▼	919,351 -8%
Employee benefits expenses and social charges	(35,940,642)	(37,440,065)	▲	(1,499,423) 4%
Tax contributions related to employee benefits	(1,139,629)	(1,153,670)	▲	(14,041) 1%
Finance costs	(1,945,033)	(1,853,730)	▼	91,303 -5%
Other income	2,263,169	2,275,213	▲	12,044 1%
Other expenses	(16,247,641)	(15,482,186)	▼	765,455 -5%
Profit (loss) before tax	4,466,057	587,540	▼	(3,878,517) -87%
Income tax expense	334,297	(217,442)	▼	- 551,739 n/a
Profit (loss) of the year	4,800,354	370,098	▼	(4,430,256) -92%
Deferred tax adjustment related to the re-evaluation reserves fiscal unallowable	1,275,648	74,009	▼	(1,201,639)
Total comprehensive income	6,076,002	444,107	▼	(5,631,895) -93%
EBITDA operational	11,384,243	12,316,630	▲	932,387 8%

**ADMINISTRATORS' REPORT
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

The item "Investment income" has the following structure:

Indicator	12-month 2018	12-month 2019	2019 v 2018		
Rental income	2,255,686	1,865,024	▼	(390,662)	-17%
Interest income	91,387	86,398	▼	(4,989)	-5%
Investment income (dividends) - Infotech Solutions	117,360	-	▼	(117,360)	-
Investment income (dividends) - RC Energo Install	1,000,000	-	▼	(1,000,000)	-
Total	3,464,433	1,951,422	▼	(1,513,011)	-44%

The item "Other gains or losses" has the following structure:

Indicator	12-month 2017	12-month 2018	12-month 2019	2019 vs. 2018		
Gains/loss on disposal of assets held for sale	-	-	256,605	▲	256,605	0%
Gains/loss on fair value measurement of investment property	1,490,374	307,659	(429,524)	▲	(737,183)	-240%
Gains/loss on disposal of investment property	2,385,785	2,709,699	-	▼	(2,709,699)	-100%
income from compensations, fines and penalties	668,728	86,671	10,395	▼	(76,276)	-88%
Gains/loss on sale of assets and other capital operations	(424,790)	11,254	(223,239)	▲	(234,493)	-2084%
Other operating revenues	137,362	123,175	140,829	▲	17,654	14%
Loss on receivables with investments	(1,020)	-	-	—	-	0%
Gains/loss on FX differences	59,713	25,454	(19,851)	▼	(45,304)	-178%
Income from discounts obtained	-	-	11,065	▲	11,065	0%
Gains/loss on FX differences (end of month)	(1,502,395)	88,767	(1,061,801)	▲	(1,150,568)	-1296%
Gains/loss on impairment of current assets	(16,976)	36,085	(19,414)	▼	(55,499)	-154%
Total	2,796,780	3,388,764	(1,334,935)	▼	(4,723,698)	-139%

Note: According to MoPFO no. 1286/2012 for the approval of the Accounting regulations compliant with International Financial Reporting Standards, applicable to commercial companies whose securities are admitted to trading on a regulated market, entities must measure on a daily basis their cash, receivables and liabilities in foreign currency, at the exchange rate of the market communicated by the NBR on the last banking day of the month. From the revaluation of cash, receivables and liabilities in foreign currency in 2019, the Company registered favorable differences of 752,073 lei (financial income from exchange rate differences) and unfavorable differences of 1,813,866 lei (financial expenses from foreign exchange differences), resulting in a loss of 1,061,793 lei.

During the similar period of 2018 further to the measurement of the availability, receivables and debts in foreign currency at the exchange rate of the foreign exchange market communicated by the NBR on the last banking day of the month, a profit of 88.767 lei was registered.

**ADMINISTRATORS' REPORT
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

"Net sales" had the following trend in the reporting period:

Indicator	12 months of 2018	12 months of 2019	2019 vs 2018	
Total sales of finished goods, of which	148,386,635	139,916,138	▼	(8,470,497) -6%
- Sales of intermediary goods	10,205	18,643	▲	8,438 83%
- Services rendered	226,336	286,433	▲	60,097 27%
- Sale of goods purchased for resale	45,297,333	38,612,118	▼	(6,685,215) -15%
- Revenues from sundry services	4,540,210	5,023,948	▲	483,738 11%
Total, of which:	198,460,719	183,857,280	▼	(14,603,439) -7%

Indicator	12 months of 2018	12 months of 2019	2019 vs 2018	
Net sales	198,460,719	183,857,280	▼	(14,603,439) -7%
Rental income	2,255,686	1,865,024	▼	(390,662) -17%
Total turnover, of which:	200,716,405	185,722,304	▼	(14,994,101) -7%
- Domestic market	147,822,224	138,603,195	▼	(9,219,029) -6%
- Foreign market	52,894,181	47,119,109	▼	(5,775,072) -11%

Note: Turnover includes "Net sales" in the Statement of comprehensive income, plus "Rental income" generated by investment property.

3) Statement of cash flows

Cash and cash equivalents at the end of 2019 have increased from lei 3,310,010 (31.12.2018) to 5,549,444 lei.

4) Financial ratios

In the reporting period the main financial indicators and ratios had the following evolution:

Ratio	Formula	2018	2019
EBIT	Gross profit + interest expenses	6,168,891	2,060,147
EBITDA	EBIT + amortization - income from subsidies	14,702,841	10,419,424
Turnover		200,716,405	185,722,304
EBITDA in total sales	EBITDA/Turnover	7.33%	5.61%
EBITDA in equity	EBITDA/Equity	10.72%	7.60%
Gross profit	Gross profit /turnover	2.23%	0.32%
Current liquidity ratio	Current assets/current liabilities	1.20	1.10
Immediate liquidity ratio (acid test)	(Current assets -Inventories)/Current liabilities	0.90	0.77
Gearing ratio (1)	Long-term liabilities/Equity	0.34	0.25
Gearing ratio (2)	Total liabilities/Total assets	0.46	0.44
Interest coverage ratio	EBIT/Interest expenses	3.62	1.40
Turnover of trade receivables	Average balance of trade receivables /Turnover	61	79
Turnover of trade liabilities	Average balance of trade liabilities /Turnover	48	47
Turnover of non-current assets	Turnover/non-current assets	1.18	1.14
Return on assets (ROA)	Net result /Total assets	1.89%	0.15%
Return on equity (ROE)	Net result/Equity	3.50%	0.27%
Return on sales (ROS)	Net result/Turnover	2.39%	0.20%

**ADMINISTRATORS' REPORT
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

SECURITIES MARKET ISSUED BY THE COMPANY

Company shares are traded on the Bucharest Stock Exchange SA, Section Equities, Standard category.

In order to ensure transparency in the capital market and a permanent information both for shareholders and potential investors in the Extraordinary General Meeting of Shareholders dated 20.11.2007, the shareholders decided admission to trading of the company on BSE, Equities Section, Category II. At the hearing dated 11.03.2008, National Securities Commission decided, by Decision no. 469 / 11.03.2008, the approval of the Prospectus prepared for admission to trading on the regulated market administered by SC Bucharest Stock Exchange S. A. of the shares issued by SC ROMCARBON S.A.

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

As at 31.12.2019, SC ROMCARBON SA holds shares in the following legal entities:

Company	Acquisition/investment value	Participation quota (%)
RECYPLAT LTD CIPRU	20,261,120	100.00%
ROMCARBON DEUTSCHLAND GmbH	110,138	100.00%
RC ENERGO INSTALL SRL	15,112	100.00%
INFO TECH SOLUTIONS SRL	1,980	99.00%
LIVINGJUMBO INDUSTRY SA	6,477,632	99.8571%
GRINFILD LLC UCRAINA	2,687,755	62.62%
YENKI SRL	100,000	33.34%
ASOCIATIA ECOLOGICA GREENLIFE (Non-Profit Organization)	400	33.33%
ECO PACK MANAGEMENT SA	586,625	25.36%
KANG YANG BIOTECHNOLOGY CO.LTD	203,963	1.95%
REGISTRUL MIORITA SA	5,000	3.79%
TOTAL	30,449,725	

ASPECTS REGARDING CORPORATE GOVERNANCE

This chapter summarizes the Company's Corporate Governance main rules, structures, procedures and decision-making practices within the company, governance standards that ensure the general principles of management and effective control of the activities of the company according to the object of activity, for the benefit of shareholders and for increase investor confidence. The entire set of standards of corporate governance provides the structure through which the company objectives are set, the means of achieving them and to monitor the performance and aims to promote fairness, transparency and accountability in the society.

ROMCARBON SA is a legal Romanian entity that operates as a joint stock company, in accordance with legal provisions in force. It operates in accordance with the Romanian laws and the company's Articles of incorporation.

The company was founded in 1952, originally under the name "Intreprinderea de mase plastice". The company is headquartered in Romania, Buzau, Transilvania Street no. 132, is organized as a joint-stock company and is subject to Romanian law.

**ADMINISTRATORS' REPORT
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

The main activity domain of the company is: 222 - Manufacture of plastic and the main activity, according to the encoding - 2221 Manufacture of plates, sheets, tubes and profiles in plastic.

In 2005, the company implemented a modern ERP system for enterprise resource planning (ERP - Enterprise Resource Planning), in order to optimize the decision process.

Investments made by the company targeted expansion of production activities by land acquisition, modernization and acquisition of equipment, expansion and introduction of new products in line with the regulations in force (including alignment with EU norms).

In the meeting of 11.03.2008, the National Securities Commission decided, by Decision no. 469 / 11.03.2008, the approval of the Prospectus prepared for admission to trading on the regulated market of BURSA DE VALORI BUCURESTI S.A. of the shares issued by ROMCARBON S.A.

Thus, starting from 30.05.2008 until 05.01.2015 the shares of ROMCARBON S.A. were traded on the regulated market of the Bucharest Stock Exchange, Equities Sector, Second category of Shares.

Starting with 05.01.2015 the shares of ROMCARBON S.A. are traded on the regulated market of the Bucharest Stock Exchange, Equity Sector, Standard category, according to the new market segmentation introduced by Bucharest Stock Exchange.

Prior to the trading on the Bucharest Stock Exchange, the company was listed on Second category of the RASDAQ market.

The main features of the shares issued by ROMCARBON S.A. are:

- Number of shares – 264,122,096
- a) nominal value – lei 0,1
- b) ISIN code: ROROCEACNOR1
- symbol: ROCE

Although new on the Bucharest Stock Exchange regulated market, ROMCARBON S.A. has planned to implement both a policy oriented towards profit for shareholders and one of corporate responsibility and ethics, with significant impact on the environment and consequently the community.

In this respect, the management of ROMCARBON S.A. states that voluntarily adopts the Bucharest Stock Exchange Code of Corporate Governance, as adopted by the Board of Bucharest Stock Exchange in December 2007, as amended, with the sole purpose of its implementation in the company, by assuming its corporate governance policies.

A first step in implementing a corporate governance policy was to adopt and implement the Code of Corporate Governance of Bucharest Stock Exchange, at company level, which can be accessed in Romanian language and English on Bucharest Stock Exchange site - www.bvb.ro.

Implementation of the Code in ROMCARBON S.A. consisted primarily in the adoption by the Board of Directors of Corporate Governance Regulation, Regulation that can be accessed on the company's website www.romcarbon.com.

The regulations which we comply with in the preparation of this chapter of Corporate Governance: **Law no. 31/1990 on companies**, republished in 2004, as amended and supplemented, **Law no. 297/2004 on the capital market** and Law no. 24/2017 on issuers of financial instruments and market operations, as amended and supplemented, the regulations issued by FSA to regulate the capital market (Regulation no. 5 of 21/06/2018 on issuers of financial instruments and market operations, Regulation no. 10/2016 on the organization and operation of the Financial Supervisory Authority, etc.), accounting regulations, regulations on Audit, Law no. 82/1991 for Accounting, republished with subsequent modifications, Corporate Governance Code of the Bucharest Stock Exchange adopted by the Council of the Bucharest Stock Exchange in December 2007, the Articles of incorporation of ROMCARBON SA, the Collective Labour Agreement and the Internal Regulation, concluded at the level of the company and the Code of Ethics hereinafter generically referred to as "Legal provisions".

**ADMINISTRATORS' REPORT
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

II. STRUCTURE AND CORPORATE GOVERNANCE ASPECTS

1. The General Meeting of Shareholders

The General Meeting of Shareholders (GMS) includes all shareholders and meets in ordinary meetings (OGMS) and extraordinary meetings (EGM), each with competencies established by law. The call, organization and conduct of works for GMS are in strict accordance with the law, ensuring materials presentation, recording the works and decisions taken.

2. Board of Directors

Currently, the Company's management system is **one-tier**. ROMCARBON S.A. is administered by the Board of Directors consisting of 3 members, elected or appointed by the General Meeting of Shareholders in accordance with the law, by secret vote, for a term of four years, with the possibility of re-election.

Members of the Board of Directors ensure an effective capacity to monitor, analyze and evaluate the work of directors and fair treatment of shareholders. The election of members of the Board of Directors is done between the persons appointed by the shareholders. In appointing members of the Board of Directors, the General Meeting has sought a balanced structure according to the structure and activity of ROMCARBON S.A. as well as the personal experience and qualifications of board members.

The Board of Directors meets at the company's headquarters or elsewhere, monthly and whenever necessary, convoked by the Chairman at the grounded request of at least 2 of its members or the CEO. The Chairman must honor such request. The Board of Directors is chaired by the Chairman and in his absence, by the Deputy Chairman.

For the validity of the decisions it is required the presence of at least half of the members of the Board and decisions are taken by a simple majority of the members present. In the case of parity of votes, the Chairman of the Board of Directors (who is not at the same time officer of the company) will have the decisive vote. If the Chairman in office of the Board of Directors cannot or is not allowed to vote, the other members of the Board of Directors may elect a chairman of the meeting, having the same rights as the chairman in office. In case of parity of votes and if the president does not have a decisive vote, the voted proposal is considered rejected.

Decision-making process remains a collective responsibility of board members they are held jointly responsible for all decisions adopted in exercise of the powers.

The Board of Directors' duties are stipulated in the Article of incorporation of ROMCARBON S.A., being in strict accordance with the law, ensuring the presentation of materials, recording of the works and the decisions taken.

Chairman of the Board, Board members, general manager, directors, respond individually or jointly, as appropriate, to the company for damages resulting from criminal offenses or violations of legal provisions for deviations from the article of association, as well as mistakes in administrating and management of the company. In such situations, they may be revoked by the decision of the General Meeting of Shareholders respectively the decision of the Board of Directors.

Compliance with the provisions of art. 138² of Law 31/1990 of Principle VI (CGC) respectively with the recommendation no.16 from the Implementation Guide Corporate Governance Code, we mention that the administrators meet the condition of independence partly because only Mr. SIMIONESCU DAN and Mr. WANG YI -HAO are independent administrators.

At the date of the annual report, the Board of Directors of ROMCARBON SA is formed of the following directors who have a mandate of 4 years, which expires on 04.02.2020: HUANG, LIANG - NENG -Chairman, Mr. Simionescu Dan – Deputy Chairman and Mr. Wang Yi Hao – Member.

In the company there is also an Audit Committee composed of the following directors: SIMIONESCU DAN and WANG, YI -HAO.

**ADMINISTRATORS' REPORT
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

Regarding the existence of a Remuneration Committee, we specify that the company does not intend to establish such advisory committee, the competence for establishing and application of the remuneration policy in the company belongs exclusively to the General Meeting of Shareholders (pay/fee for the board members) or the Board of Directors (remuneration of executive management staff respectively), within legal limitations conferred by the Act of incorporation and companies legislation referring to these bodies.

Currently, directors' remuneration is performed in accordance with the Articles of Association and the Decision of the Ordinary General Meeting of Shareholders of 27.04.2012.

In 2019, the Board of Directors met in 15 meetings, decisions being taken either with the vote of the majority of those present, or by unanimity and in accordance with the legal provisions regarding the convocation and quorum for conducting the meetings and legally adopt decisions.

The Ordinary General Meeting of Shareholders dated 23.01.2020 approved the new structure of the Board of Directors of Romcarbon SA for a term of 4 years, starting February 4, 2020, with the consequent maintenance of the one-tier management system of the company.

Therefore, starting February 4, 2020, the Board of Directors of Romcarbon SA consists of:

Huang Liang Neng - Chairman of the Board of Directors, appointed based on the Decision of the Ordinary General Meeting of ROMCARBON S.A. from 23.01.2020 for a 4-year term, which expires on 04.02.2024, aged 49;

Wang Yi Hao - Vice President C.A. named on the basis of the Decision of the Ordinary General Assembly of S.C ROMCARBON S.A. from 23.01.2020 for a 4-year term, which expires on 04.02.2024, aged 34;

Toderita Stefan Alexandru - Member of the BoD appointed on the basis of the Decision of the Ordinary General Meeting of ROMCARBON SA from 23.01.2020 for a 4-year term, which expires on 04.02.2024, aged 25;

The exercise of the mandate entrusted to the new members of the Board of Directors will be done free of charge, in accordance with the vote expressed by shareholders within the Ordinary General Meeting of Shareholders of 23.01.2020.

The General Meeting of Shareholders dated 23.01.2020 approved the structure of the Board of Directors for a 4-year term starting February 4, 2020, with the consequent maintenance of the one-tier system of company management:

Huang Liang Neng - Chairman of the Board of Directors, appointed based on the Decision of the Ordinary General Assembly of ROMCARBON S.A. from 23.01.2020 for a 4-year term, which expires on 04.02.2024, 49 years;

Wang Yi Hao - Vice President of the BoD, appointed on the basis of the Decision of the Ordinary General Meeting of ROMCARBON S.A. from 23.01.2020 for a 4-year term, which expires on 04.02.2024, aged 34;

Toderita Stefan Alexandru - Member of the BoD, appointed on the basis of the Decision of the Ordinary General Meeting of ROMCARBON SA from 23.01.2020 for a 4-year term, which expires on 04.02.2024, aged 25.

The exercise of the mandate entrusted to the new members of the Board of Directors will be done free of charge, according to the vote expressed by the shareholders who have expressed their vote within the General Meeting of Shareholders of 23.01.2020.

At company level, the new Audit Committee consists of the following directors: WANG, YI -HAO and Toderita Stefan Alexandru.

**ADMINISTRATORS' REPORT
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

3. Executive management

The executive management of ROMCARBON S.A. is provided by the following persons, whom have been delegated the powers for the management of the company:

- Andrei Radu- Chief Executive Officer starting on 01.09.2013
- Manaila Carmen – Chief of Operations starting 01.10.2017
- Cretu Victor - Chief of Operations Polypropylene Section starting 01.10.2017
- Pindaru Marina Alina - Chief of Operations Polyethylene Section starting 01.10.2017
- Voicheci Neli - Chief of Operations Compounds Section starting 01.10.2017
- Ungureanu Ion - Chief of Operations PSE Section starting 01.10.2017
- Titi Mihai - Technical Deputy General Manager starting on 30.06.2018
- Zainescu Viorica Ioana - Chief Financial Officer starting on 15.01.2010
- Duracu Gheorghe - Quality Manager starting on 05.01.2004

The Board of Directors delegates the company's management to the General Manager and the Chief of Operations, who act independently of one another and are liable to take all the adequate measures for the Company's management, within the limits of the Company's scope and in compliance with the exclusive duties provided by law or the Constitutive Act, to the Board of Directors or the General Meeting of Shareholders.

In this regard, in its relations with third parties, the company is represented by the General Manager and the Chief of Operations under the provisions of art. 143 para. 4 in conjunction with Art. 143² para. 4 of Law 31/1990, who act independently within the limit of the mandate entrusted to them.

The company's officers are appointed or revoked by the Board of Directors, which sets their duties, responsibilities and powers, the company's officers being able to delegate the powers to represent the Company to a third party only with the written consent of the Board of Directors.

Remuneration of directors of the company is in accordance with the articles of association.

The remuneration policy of the Company, based solely on professional and ethically irreproachable profile of the administrators or directors, consisted of the following gross compensation - total 2019:

- a) Directors – allowance according to OGMS Decision of 27.04.2012 – lei 252,501;
- b) Executive management – lei 2,631,957.

Starting 17.02.2020 the management of the company is secured by the following persons:

a.1) Specific period (mandate contract):

Huang Liang Neng - CEO (17.02.2020- 17.02.2024)

a.2) Indefinite period:

Manaila Carmen – Administrative Deputy General Manager starting 17.02.2020;
 Dobrota Cristinel - Development Deputy General Manager starting 17.02.2020;
 Cretu Victor- Manager of Profit Center no. 6 - Processed Polypropylene starting 17.02.2020;
 Pindaru Marina Alina - Manager of Profit Center no. 3 - Processed Polyethylene starting 17.02.2020;
 Ungureanu Ion - Manager of Profit Center no.3 - Processed PSE starting 17.02.2020;
 Constantinescu Gabriel - Manager of Profit Centers no. 1 and 2 - Automotive and industrial filters and Personal Protective Equipment starting 17.02.2020;
 Titi Mihai - Chief Technology Officer starting 21.01.2019;
 Zainescu Viorica Ioana - CFO since 15.01.2010

**ADMINISTRATORS' REPORT
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

4. Internal auditor

The company organizes its internal audit in accordance with the legal provisions, which are also included in the company's constitutive act. Internal audit is provided to the company by "Stefanoiu Vasile - Financial Auditor Office".

The internal auditor attends meetings of the Board and General Meetings of Shareholders and notifies management irregularities, and if applicable, breaches of the legal provisions and of the provisions of the constitutive act.

The mission, powers and responsibilities of the internal audit are defined in an Internal Audit Charter approved by the Board of Directors of the Company; the Internal Audit Charter sets out the internal audit position in the company, determines how to access the company documents for the proper performance of audits, defines the scope of internal audit.

5. Risk management

Risk factors include general matters (emerging markets present a higher risk than countries with developed economies and mature political and legal systems), a potential political instability, risks arising from a temporary instability of the legislative, fluctuation of interest rate and inflation rate, and risks related to capital market and its liquidity.

SC ROMCARBON S.A. approaches risk prudently, in accordance with its long-term strategy. Prudent risk management becomes more important in the context of an extension of the economic and financial uncertainties and obvious market volatility. Strategic vision on risk management is determined by the Board of Directors and is applied through actions taken by the executive management of the company.

SC ROMCARBON SA implemented the risk management in accordance with the requirements of Standard SR EN ISO 31010 – Risk Management. Risk Assessment Techniques, identifying and assessing risks involving every operating department in the organization. The Company drafted a Risk Register for every operating department, the Organization's Risk Register and the Risk Treatment Action Plan.

Control and risk management are ensured through a number of specific structures governed by the provisions of the capital market, the company's constitutive act, the collective labour contract and organizational structure of the company, as follows:

- financial auditor;
- internal auditor;
- configuration of the organisational and functional structure.

The financial statements of the company are, by law, audited by an external auditor (legal entity), member of the Chamber of Financial Auditors of Romania, appointed by the Ordinary General Meeting of Shareholders, which operates under a services supply contract approved by the Board of Directors of the company.

Currently, the external financial auditor of ROMCARBON SA is DELOITTE AUDIT SRL and was appointed for a period of 1 year based on the OGMS Decision of 24.04.2019.

CORPORATE RIGHTS OF SHAREHOLDERS

The company' shareholders are natural or legal persons who have acquired or will acquire ownership of one or more shares in the company and who have registered the acquired right in the shareholder register kept by the company named in the contract, according to the law S.C. DEPOZITARUL CENTRAL S.A. The acquisition, in any form, of the company's shares, involves from shareholders an unreserved adherence to all provisions of the articles of association in force at the date of acquisition.

**ADMINISTRATORS' REPORT
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

SC ROMCARBON S.A. respects the rights of securities holders and ensures an equal treatment for all holders of securities of the same type and class, providing all relevant information so that they may exercise all rights. Securities holders must exercise the rights conferred by them in good faith, respecting the rights and legitimate interests of other shareholders and the priority interest of the company, otherwise being liable for damages. Each share subscribed and paid by shareholders gives them the right to one vote at the general meeting of shareholders, the right to vote and to be elected to the governing bodies of the company, the right to participate in profit sharing, according to the articles of association of the Company and social asset to dissolve the company and other rights provided by law. All holders of shares issued by ROMCARBON S.A. are treated fairly. All issued shares confer equal rights to holders.

SC ROMCARBON S.A. facilitates and encourages: participation of shareholders at the General Meetings of Shareholders (AGA), the full realization of their rights, the dialogue between shareholders and members of the Board and / or management. At the General Meeting of Shareholders are entitled to attend and vote shareholders registered in the Register of Shareholders (issued by the Central Depository) at the reference date established/ approved by the Board of Directors.

To make available to shareholders relevant information in real-time, ROMCARBON S.A. created on www.romcarbon.com a special section called Shareholders, Investor Relations, accessible and constantly updated. This section is structured to contain all information necessary to securities holders: Board of directors' meeting information, the general meetings of shareholders, financial calendar, periodic and current reports, dividends, corporate governance etc.

Also, ROMCARBON S.A. has internal structures specialized for investor relations and relationship with their shareholders. Persons appointed to stay in contact with investors and shareholders will attend periodically training courses.

Regarding the ***relationship with shareholders and investors***, ROMCARBON S.A. is subject to corporate discipline by making suitable ongoing periodic reporting on all major events, including the financial situation, performance, ownership and management.

For purposes of capital adequacy to corporate governance rules and discipline, the Company set up the Investor Relations Department, which ensures compliance with corporate rules according to the Corporate Governance Code of the Bucharest Stock Exchange.

Above mentioned reports are transmitted Bucharest Stock Exchange, the Financial Supervisory Authority, published in a national and local newspaper and posted on the Company's website at www.romcarbon.com.

ROMCARBON S.A. develops and disseminates relevant information periodic and continuous, in accordance with International Financial Reporting Standards (IFRS) and other reporting standards or environmental, social and leadership (ESG - Environment, Social and Governance).

In terms of managing conflict of interest in case of transactions with parties, corporate behavior of board members is: avoid any conflict of interest directly or indirectly with the company or any subsidiary controlled by it, by informing the Board of Directors on conflicts of interest occurred, in which case it will refrain from discussions and voting on such matters.

SOCIAL RESPONSIBILITY

The company's strategy in terms of social responsibility is based on a set of principles that define its relationship with partners - employees, creditors, suppliers, customers, investors (stakeholders).

The management team of ROMCARBON S.A. believes that development is not possible without the contribution of each employee and the company as a whole.

**ADMINISTRATORS' REPORT
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

The company aims, through an active policy of **CSR**:

* **to support and respect the human rights of its employees in particular.** In this respect, the employees benefit from various specialized programs / professional training and a constant awareness of the evolution of the company (presentation by the representatives of the employees, i.e. periodic review of the financial statements of the Company). In the framework of their responsibilities, the company took the steps necessary to protect the safety and health of employees, including occupational risk prevention activities and training information, as well as the implementation of labor protection and means of organizing it. (e.g. periodic training, provision of personal protective equipment, working equipment, sanitary materials, periodic medical examination, etc.). ROMCARBON SA does not use child labor, does not engage in trafficking and does not in any way encourage these ideas. The company has zero tolerance under any circumstances for corporal punishment or mental pressure, physical or verbal or any form of inhuman treatment.

* **to support freedom of association.** The Company respects the legal right of all staff to appoint representatives who negotiate on behalf and for them in regular negotiations collective bargaining agreement at company level. Employee representatives to ensure their protection of the law against all forms of conditioning, constraint or limitation of exercising their functions.

* **Contribute to the elimination of discrimination in employment jobs, profession, and the wage determination.** Any direct or indirect discrimination against an employee based on sex, sexual orientation, genetic characteristics, age, national origin, race, color, ethnicity, religion, social origin, handicap, family status or responsibility, trade union membership or activity is prohibited in the Company.

* **To combat any form of corruption.**

* **To support educational activities.**

* **to support different social groups** (young deserving, sick or disabled people) through humanitarian actions that include sponsorships /charity work, assistance in extreme cases, and aid to vulnerable persons or in distress. Under this active CSR policy, in 2019, ROMCARBON SA granted sponsorships in amount of lei 9,450 to NGOs and financial aid in amount of lei 59,395 to its employees affected by various events with strong social and human impact (child birth, death of family members, fire, floods, etc.).

The company is a founding member of **GREENLIFE ENVIRONMENTAL ASSOCIATION**. The purpose of the ASSOCIATION is to represent, promote and support employers and professional interests of its members in relations with public authorities and other legal entities and individuals, to strengthen their authority and social prestige and act to modernize and develop the field of the protection environment in the international norms and standards. The ASSOCIATION aims to promote the spirit of human solidarity by organizing and supporting humanitarian actions.

The organization runs the program for the support of employees and relatives of 1st degree for serious diseases and merit scholarships for the children of employees

* **to support sport activities in the city of Buzau, by financial aids**

In the local community in which it operates, the company takes an active role by supporting community initiatives through financial and human resources.

* **Proactively address environmental issues and promote responsibility towards the environment.**

In this regard, ROMCARBON S.A. aims to improve the quality of environmental factors and biodiversity conservation by promoting awareness of environmental issues and health issues.

**ADMINISTRATORS' REPORT
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

ROMCARBON S.A. complies with environmental protection legislation. The company is not involved in litigation regarding the infringement of the environmental legislation. It periodically evaluates compliance with laws, regulations and other requirements to which the organization subscribes.

ROMCARBON S.A. has implemented and certified an integrated quality management system - environment-occupational health and safety standards ISO 9001: 2008; ISO 14001: 2005; OHSAS 18001: 2007 applicable for the design and production of individual protective breathing equipment -SRAC certified.

ROMCARBON S.A. identifies all actual and potential environmental issues, including positive and negative aspects arising from indirect and companies that operate at the company and may affect environmental performance. Identification of environmental issues is based on systematic analysis of each process / sub-process (including their inputs and outputs) according to the procedure of system "PS 03 Environmental aspects" in situations of normal operation, abnormal (including starting and stopping) and emergency, accident.

In normal operating conditions, the company's activity does not cause significant environmental impacts. Following the identification and evaluation of environmental aspects were developed management programs to improve the environmental performance of the company.

For a better quality of life, ROMCARBON S.A. has developed in recent years a number of social responsibility actions and punctual sponsorship were directed to different areas: education, health, social issues, environmental protection, such as participating in various events / campaigns / contests on the **Environmental International Day** celebrated on the 5th of June under the title "for a cleaner world!" / "We have only one Earth. Let's give it priority!".

Partners of these events are constantly the Environmental Protection Agency in Buzau, Buzau Prefect's Office and Municipality of Buzau.

In fact, environmental protection is an absolute priority, because ROMCARBON S.A. supports, in a decisive way, the development in Buzau of "an industry" which proves more and more that the economy and the environment can survive together without compromise - "Green Industry".

Since 2012 in the Center for profit no. 7 - Compound is pursuing Waste plastics recycling by separating recyclable fractions and milling, extrusion, filtration, these separated fractions to obtain composite materials.

Starting from September 4th 2014, Romcarbon SA became a member of the Romanian Association of Sanitation, which became in the meantime the Romanian Association for Waste Management - A.R.M.D.; as final waste recycling body, Romcarbon supports the actions of this entity:

- a) Sustained promotion of its members' interests;
- b) Permanent involvement in the process of preparing the legislation in the waste management field in Romania;
- c) Dynamic involvement of the Association in the waste management in Romania, by studies and market researches;
- d) Initiation of contracts with the organizations in order to attract funds and grants, both for members and for sustainable development of the association's activities;

ROMCARBON SA aims not only at increasing the satisfaction of employees, commercial partners and own shareholders but also at increasing the efficiency of its activity and the level of professional competence of the human resources, including those available in the community.

Romcarbon will continue to develop the Integrated Management System and increase its efficiency, will undertake actions to eliminate or mitigate risks of non-compliance with applicable legal provisions in the field of occupational security and health, environmental protection and will secure the resources needed to achieve the objectives laid down in its internal policies.

**ADMINISTRATORS' REPORT
FOR THE PERIOD ENDED DECEMBER 31, 2019
(all amounts are expressed in lei, unless specified otherwise)**

For 2020, the Company aims at consolidating its position on the markets where it operates, streamlining the investments implemented in previous years meant to ensure a range of products as diverse as possible and at the highest standards.

The main objectives in 2020 are the manufacturing of products and implementing new technologies that will ensure the growth of the company both on domestic and foreign markets in the next years.

For 2020, the company budgeted the following financial indicators:

- a total turnover of lei 214,587,796 (up by 16% as compared with 2019) of which the turnover related to the sales of finished products is budgeted at the level of lei 161,086,298 (15% higher as compared with 2019);
- a gross operating profit in amount of lei 3,068,443.

In the international context regarding the evolution of the epidemiological situation caused by the spread of coronavirus COVID-19, as well as the declaration of the state of emergency in Romania for a period of 30 days, the Company's management has established and implemented preventive measures for the protection of both its employees and collaborators (delegates, drivers, couriers, etc.). The measures are constantly reassessed and adapted according to the evolution of the situation and the official communications / measures ordered by the public authorities / competent bodies.

At the date of this Report, no major difficulties and risks were identified in the activity of supply, production and sale that would significantly affect the economic activity of the Company. The Company is elaborating a Risk Plan in case of cessation of production and establishment of quarantine or other future events that would require measures to temporarily interrupt the economic activity of the Company.

The future evolution of the crisis generated by the spread of COVID-19 may have an impact in the coming months as regards the decrease of sales by about 20%, in light of the decrease of the demand in the automotive industry and in the construction sector.

The supply of raw materials and consumables remains stable with no anticipated price growth trends. There are no premises of concentration risk because there are no major dependencies on significant suppliers or customers or the markets affected to a large extent by COVID-19. The activity of the company is not affected by the restrictions on external financing, it has the ability to control its cash flows and mitigate risks of non-collection. We have not identified any premises for the exposure to major risks in terms of cash flows. There will be pressure on the RON / EUR exchange rate, but we cannot estimate the extent.

As at the date of preparation of this report, the Company's management is not aware of other events, economic changes or other uncertainties that might affect significantly the company's income or liquidities.

**HUANG LIANG NENG,
Chairman of the BoD**

**VIORICA ZAINESCU,
CFO**

**CARMEN MANAILA,
Deputy CEO**

For signatures, please refer to the original Romanian version.

DECLARATION OF THE MANAGEMENT

Undersigners, **HUANG LIANG NENG**- the Chairman of the Board and General Manager, **MANAILA CARMEN**- the Deputy general manager for administrative operations and **ZĂINESCU VIORICA-IOANA**, the Chief Financial Officer of ROMCARBON S.A. Buzau, a company located in Buzau, 132 Transilvaniei street, registered with Buzau Trade Register under the number J10/83/91, having the sole registration code RO 1158050, we take responsibility for the fair presentation of the Financial Statements for the year ended 31.12.2019 and we confirm the followings:

- a) The accounting policies used in preparation of the Financial Statements for the year ended 31.12.2019 are in accordance with International Financial Reporting Standards (IFRS) as it were adopted by European Union;
- b) The Separate Financial Statements prepared for the year ended 31.12.2019 provide a fair and accurate view of the assets, liabilities, financial position, income statement and statement of comprehensive income;
- c) The report of the Board of Directors prepared in accordance with Regulation no. 5/2018 of FSA provides a correct analysis of the development and performance of S.C. ROMCARBON S.A., as well as a description of the main risks and uncertainties specific to the company's activity;
- d) ROMCARBON S.A. operates in terms of continuity.

Given today, 29.04.2020

HUANG LIANG NENG

MĂNĂILĂ CARMEN

ZĂINESCU VIORICA IOANA

For signatures, please refer to the original Romanian version.



132, Transilvaniei Street, 120012, Buzau, Romania

Commerce Registry Number : J10/83/1991

Sole Registration Number : 1158050

VAT Number: RO1158050

Tel: +4 0238 711.155

Fax: +4 0238 710.697, 723.115

E-mail: investor.relations@romcarbon.com

Website: www.romcarbon.com

Share Capital: 26.412.209,60 lei

Number of Shares: 264.122.096

ANNUAL REPORT

For the period ended December, 31 2019

Consolidated audited Financial Statement

COMPANY IDENTIFICATION

Report: Annual Report according to the art.63 Law 24/2017

Reporting date: 29/30.04.2020

Financial year ended 31 December 2019

Name of the Company: SC ROMCARBON S.A.

Headquarters: Buzau, Transilvaniei Street, no.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.**

DECLARATION OF THE MANAGEMENT**Undersigners**

Huang Liang Neng, Chairman of the Board and General Manager
Manaila Carmen, Deputy General Manager for Administrative Operations,
Zainescu Viorica Ioana, Financial Manager

Declare that the Consolidated Financial Statements for the year ended December, 31 2019 prepared in accordance with IFRS, as far as we know, give a true and fair view of the assets, liabilities, financial position, of the incomes and expenses of S.C. Romcarbon S.A. and its subsidiaries and the Directors' report prepared in accordance with ASF requirements, gives a true and fair view of the performance of the business together with a description of the principals risks associated with the company's activity.

HUANG LIANG NENG**MĂNĂILĂ CARMEN****ZĂINESCU VIORICA IOANA**

For signatures, please refer to the original Romanian version.

DECLARATION REGARDING THE REPORT

The annual report regarding the consolidated financial statements as of December 31, 2019 was prepared in accordance with the requirements of the art.63 of the Law no.24/2017 and presents only the novelty elements uncomprised in the separate annual report as it resulted from the consolidation process of the Romcarbon financial statements and of its subsidiaries.

Table of contents (Annex)

INDEPENDENT AUDITOR'S REPORT

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

CONSOLIDATED STATEMENT OF CASH FLOWS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ADMINISTRATORS' REPORT

**Chairman of the Board and General Manager,
Huang Liang Neng**

**Financial Manager,
ec. Zainescu Viorica Ioana**

**General Manager for Administrative Operations,
Manaila Carmen**

ROMCARBON SA AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Prepared in accordance with Ministry of Public Finance Order no. 2844/2016
for the approval of Accounting regulations conforming with International Financial Reporting
Standards as adopted by the European Union, with subsequent amendments

(together with Independent Auditor's Report and Administrators' consolidated report)

This is a free translation from the original Romanian version.

CONTENTS:	PAGE:
INDEPENDENT AUDITOR'S REPORT	1 - 5
CONSOLIDATED STATEMENT OF PROFIT OR LOSS	6
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	7
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	8 - 9
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	10 - 11
CONSOLIDATED STATEMENT OF CASH FLOWS	12 - 13
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	14 - 72
ADMINISTRATORS' REPORT	1 - 38

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of,
Romcarbon SA

Report on the Audit of the Consolidated Financial Statements

Opinion

1. We have audited the consolidated financial statements of Romcarbon SA and its subsidiaries ("the Group"), with registered office in Buzau, Str. Transilvaniei, nr. 132, identified by unique tax registration code RO1158050, which comprise the consolidated statement of financial position as at December 31, 2019 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.
2. The consolidated financial statements as at December 31, 2019 are identified as follows:

• Total equity	thousand RON	139,561
• Net loss for the financial year	thousand RON	2,617
3. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Ministry of Public Finance Order no. 2844/2016 for the approval of Accounting regulations conforming with International Financial Reporting Standards as adopted by the European Union, with subsequent amendments.

Basis for Opinion

4. We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and the Council (forth named The "Regulation") and Law 162/2017 ("the Law"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), in accordance with ethical requirements relevant for the audit of the consolidated financial statements in Romania including the Regulation and the Law and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Aspects

5. We draw attention to the notes 36 from the consolidated financial statements describing the assessment of the current or possible impact of COVID-19 effects on the group. Our opinion is not changed in this respect.

Key Audit Matters

6. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the matter
<p>Revenue recognition</p> <p>Sale of finished goods is the main activity of the Group. Given the large number of domestic and foreign clients, the diversity of products sold as well as the diversity of the clients' businesses, there is a risk that sale is not properly and accurately recognised. That is, revenue may not be recognised in the correct accounting year, taking into account the transfer of main risks and rewards associated with the product, or may represent fictitious sales for which the delivery has not taken place, or sales towards bad debtors, that are insolvent or bankrupt. In our opinion, revenue recognition is a key audit matter, given the above-mentioned points.</p> <p>The Group's revenue disclosures are presented in Note 3 of the consolidated financial statements.</p>	<p>Our audit procedures performed to address the risk of material misstatement for revenue recognition included:</p> <ul style="list-style-type: none"> - evaluating the internal controls which addresses the risks described in "Key audit matters" regarding occurrence of sales based on valid shipments; - assessing the proper booking of sales in the appropriate accounting periods in accordance with the transfer of main risks and rewards for sales occurring around year-end; - tests of detail regarding revenues, by preparing a statistical selection of clients and obtaining confirmation letters for the revenue booked during the year, as well as selecting of individual sales to clients for which confirmation letters were not sent and obtaining the supporting documents for these transactions; - analysis of revenues based on client, product and main markets in order to understand the evolution of revenue, as well as comparing revenues with the figures from prior period.
<p>Investment property</p> <p>The Group owns property in Iasi, Stefanesti and Buzau which are not used for its main activity, but are held for long-term capital appreciation or for partial rent towards third parties. In our opinion, investment property is a key audit matter, being valued at fair value subsequent to initial recognition, the gains and losses resulting from fair value estimation being recorded through profit or loss as they arise. Also, the criteria used for classification of a tangible non-current asset as an investment property takes into account management's intention to use each property as well as percentage of it being rented, both of which may vary from financial year to another. As a result, there is a risk of improper classification of these properties, as well as valuation of the investment property, as the fair value considered is a management estimate.</p> <p>Investment property is disclosed in Note 32 of the consolidated financial statements.</p>	<p>Our audit procedures performed to address the risk of material misstatement of investment property included:</p> <ul style="list-style-type: none"> - analysing the proper classification of property, plant and equipment based on the investment property list and based on rental agreements in force at the audit date; - obtaining the valuation reports prepared at year-end and verification thereof. Evaluate whether the gains and losses resulting from the valuation are booked in accordance with international reporting standards. - Involvement of internal valuation experts for verification of fair value as at December 31, 2019, to provide us support in the analysis of the revaluation method used by the evaluator employed by the Group.

Other information – Administrators' Consolidated Report

7. The administrators are responsible for preparation and presentation of the other information. The other information comprises the Administrators' consolidated report, which also includes the non-financial information declaration, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and, unless otherwise explicitly mentioned in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements for the year ended December 31, 2019, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

With respect to the Administrators' consolidated report, we read and report if this has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU, article no. 20.

On the sole basis of the procedures performed within the audit of the consolidated financial statements, in our opinion:

- c) the information included in the Administrators' consolidated report for the financial year for which the consolidated financial statements have been prepared is consistent, in all material respects, with these consolidated financial statements;
- d) the Administrators' consolidated report has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU, article no. 20.

Moreover, based on our knowledge and understanding concerning the Group and its environment gained during the audit on the consolidated financial statements prepared as at December 31, 2019, we are required to report if we have identified a material misstatement of this Administrators' consolidated report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

- 8. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.
- 9. In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.
- 10. Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

- 11. Our objectives are to obtain reasonable assurance about whether the consolidated 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 is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

12. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
 - Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
 - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
 - Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
13. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
14. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
15. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

16. We were appointed by the General Meeting of Shareholders on April 26, 2019 to audit the consolidated financial statements of Romcarbon SA and its subsidiaries for the financial year ended December 31, 2019. The uninterrupted total duration of our commitment is 1 year, covering the financial year ended December 31, 2019.

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Group that we issued on March 26, 2019. Also, in conducting our audit, we have retained our independence from the audited entity.
- We have not provided for the Group the prohibited non-audit services referred to in Article 5(1) of EU Regulation No. 537/2014.

The engagement partner on the audit resulting in this independent auditor's report is Corina Dimitriu

Ana-Corina Dimitriu, Audit Partner

For signature, please refer to the original signed Romanian version.

Registered in the Electronic Public Register of Financial Auditors and Audit Firms under no. AF 3677

On behalf of:

DELOITTE AUDIT SRL

Registered in the Electronic Public Register of Financial Auditors and Audit Firms under no. FA 25

The Mark Building, 84-98 and 100-102 Calea Grivitei,
8th Floor and 9th Floor, District 1
Bucharest, Romania
April 09, 2020

ROMCARBON SA
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Note</u>	<u>Year ended December 31, 2019</u>	<u>Year ended December 31, 2018</u>
		<i>thousand LEI</i>	<i>thousand LEI</i>
Income	3	245,772	257,709
Other income		3,961	3,982
Investment income	3	2,942	2,312
Raw materials and consumables used	4	(155,174)	(165,723)
Changes in finished products and production in progress		6,251	1,347
Employee salaries and social security	5	(67,409)	(64,806)
Operational expenses	6	(19,729)	(21,049)
Other gains and losses	7	117	3,304
Depreciation and amortization expense	8	(16,304)	(17,112)
Finance costs	9	(2,702)	(2,925)
Share of profit / loss of associates		<u>(68)</u>	<u>(1,344)</u>
Profit / (loss) before taxation		<u>(2,343)</u>	<u>(4,305)</u>
Income tax expense	10	<u>(274)</u>	<u>189</u>
Profit / (loss) for the year from operations		<u>(2,617)</u>	<u>(4,117)</u>
Profit / (loss) for the year		<u>(2,617)</u>	<u>(4,117)</u>
Attributable to:			
Owners of the parent		(2,586)	(4,048)
Non-controlling interests		(31)	(69)
From core operations:			
RON (cents per share)		-	-
Average number of shares		264,122	264,122

The consolidated financial statements were approved by the Board of Administration and were authorized for issuance on April 9, 2020.

PREPARED BY,

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HUANG LIANG NENG,
Chairman of the Board
And General Manager

VIORICA ZAINESCU,
Financial Manager

CARMEN MANAILA,
Deputy General Manager for
Administrative Operations

The accompanying notes are integral part of these consolidated financial statements.
This is a free translation from the original Romanian version.

ROMCARBON SA
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019

<u>Note</u>	<u>Year ended December 31, 2019</u> <i>thousand LEI</i>	<u>Year ended December 31, 2018</u> <i>thousand LEI</i>
Comprehensive income		
Other comprehensive income subsequently transferred to profit or loss:		
Exchange differences on translating foreign operations	(1)	(65)
Increases from the revaluation of tangible assets	760	-
Net losses on revaluation of property, plant and equipment	-	-
Adjustment of deferred tax for fiscally non-deductible revaluation reserves	74	1,276
Other comprehensive income subsequently transferrable to profit or loss:		
Exchange differences on translating foreign operations	1	1
Comprehensive income of the year		
Attributable to:		
Owners of the parent	1	1
Non-controlling interests	-	-
Total comprehensive income	(1,783)	(2,906)
Owners of the parent	(1,752)	(2,837)
Non-controlling interests	(31)	(69)

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ROMCARBON SA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDED DECEMBER 31, 2019

	<u>Note</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
		<i>thousand LEI</i>	<i>thousand LEI</i>
ASSETS			
Non-current assets			
Property, plant and equipment	11	157,094	172,357
Investment property	33	13,433	18,035
Goodwill	12	143	143
Other intangible assets	13	308	90
Investment in associates	14	27,034	27,103
Financial assets	14	197	197
Total non-current assets		<u>198,208</u>	<u>217,925</u>
Current assets			
Inventories	15	45,929	36,548
Trade and other receivables	16	34,461	30,295
Other financial assets	18	2,390	-
Other current assets	17	1,472	1,002
Cash and bank balances	32	9,764	9,791
Assets held for sale	34	6,873	16,000
Total current assets		<u>100,889</u>	<u>93,636</u>
Total assets		<u>299,097</u>	<u>311,560</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	19	26,412	26,412
Share premiums		2,182	2,182
Reserves	20	38,749	38,677
Retained earnings	21	71,310	74,357
Equity attributable to owners of the parent		138,654	141,629
Non-controlling interest	22	907	939
Total equity		<u>139,561</u>	<u>142,567</u>

The accompanying notes are integral part of these consolidated financial statements.
This is a free translation from the original Romanian version.

ROMCARBON SA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDED DECEMBER 31, 2019

	<u>Note</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
		<i>thousand LEI</i>	<i>thousand LEI</i>
Non-current liabilities			
Long-term borrowings	23	23,504	37,241
Finance lease liabilities	26	9	24
Deferred tax liabilities	10	8,364	8,902
Other non-current liabilities with provisions		249	285
Deferred income	27	23,507	27,301
Total non-current liabilities		<u>55,633</u>	<u>73,753</u>
Current liabilities			
Trade and other liabilities	25	35,231	34,353
Short-term borrowings	23	60,411	52,593
Finance leases	26	15	14
Deferred income	27	3,881	3,998
Other current liabilities	24	4,365	4,282
Total current liabilities		<u>103,903</u>	<u>95,240</u>
Total liabilities		<u>159,536</u>	<u>168,993</u>
Total equity and liabilities		<u>299,097</u>	<u>311,560</u>

The consolidated financial statements were approved by the Board of Administration and were authorized for issuance on April 9, 2020.

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HUANG LIANG NENG,
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And General Manager

VIORICA ZAINESCU,
Financial Manager

CARMEN MANAILA,
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ROMCARBON SA
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Share capital</u>	<u>Share premiums</u>	<u>Revaluation reserves</u>	<u>Other reserves</u>	<u>Exchange differences on translating foreign operations</u>	<u>Retained earnings</u>	<u>Attributable to owners of the parent</u>	<u>Non-controlling interest</u>	<u>Total</u>
Total January 1, 2019	26,412	2,182	39,752	-	(1,075)	74,357	141,629	939	142,567
Dividends distributed	-	-	-	-	-	(1,005)	(1,005)	-	(1,005)
Increases from revaluation of property, plant and equipment	-	-	1,197	-	-	-	1,197	-	1,197
Decreases from revaluation of property, plant and equipment	-	-	(437)	-	-	-	(437)	-	(437)
Net profit / (loss) of the period	-	-	-	-	-	(2,586)	(2,586)	(31)	(2,617)
Transfer of reserves to retained earnings	-	-	(762)	-	-	762	-	-	-
Corrections of financial assets disposed and repossessed	-	-	-	-	-	-	-	-	-
Exchange differences on translating foreign operations	-	-	-	-	1	-	1	-	1
Corrections of ownership interests in associates during the year	-	-	-	-	-	-	-	-	-
Decrease of minority interests due to increase of ownership of parent	-	-	-	-	-	-	-	-	-
Minority interests from company de-registrations	-	-	-	-	-	-	-	-	-
Minority interests from the acquisition of companies	-	-	-	-	-	-	-	-	-
Adjustment of deferred tax on fiscally non-deductible revaluation reserves	-	-	74	-	-	-	74	-	74
Corrections	-	-	(1)	-	-	(217)	(219)	-	(219)
Total December 31, 2019	26,412	2,182	37,823	-	(1,074)	71,310	138,654	907	139,561

The ordinary general meeting of shareholders' resolution of 29.08.2019 approved the distribution of RON 1,056 thousand as dividends. The amount was entirely transferred to the Central Depository to pay the dividends owed to the shareholders. Further to the sales of certain property investment, the Group adjusted the deferred tax on fiscally non-deductible revaluation reserves by RON 74 thousand.

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**CARMEN MANAILA,
Deputy General Manager for Administrative
Operations**

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ROMCARBON SA
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Share capital</u>	<u>Share premiums</u>	<u>Revaluation reserves</u>	<u>Other reserves</u>	<u>Exchange differences on translating foreign operations</u>	<u>Retained earnings</u>	<u>Attributable to owners of the parent</u>	<u>Non-controlling interest</u>	<u>Total</u>
Total January 1, 2018	26,412	2,182	39,348	-	(1,076)	79,572	146,438	1,007	147,445
Dividends distributed	-	-	-	-	-	(2,007)	(2,007)	-	(2,007)
Increases from revaluation of property, plant and equipment	-	-	-	-	-	-	-	-	-
Decreases from revaluation of property, plant and equipment	-	-	-	-	-	-	-	-	-
Net profit / (loss) of the period	-	-	-	-	-	(4,048)	(4,048)	(69)	(4,117)
Transfer of reserves to retained earnings	-	-	(806)	-	-	806	-	-	-
Corrections of financial assets disposed and repossessed	-	-	-	-	-	-	-	-	-
Exchange differences on translating foreign operations	-	-	-	-	1	-	1	-	1
Corrections of ownership interests in associates during the year	-	-	-	-	-	-	-	-	-
Decrease of minority interests due to increase of ownership of parent	-	-	-	-	-	-	-	-	-
Minority interests from company de-registrations	-	-	-	-	-	-	-	-	-
Minority interests from the acquisition of companies	-	-	-	-	-	-	-	-	-
Adjustment of deferred tax for fiscally non-deductible revaluation reserves	-	-	1,276	-	-	-	-	-	1,276
Corrections	-	-	(65)	-	-	35	(30)	-	(30)
Total December 31, 2018	26,412	2,182	39,752	-	(1,075)	74,357	141,629	939	142,567

The ordinary general meeting of shareholders' resolution of 01.08.2018 approved the distribution of RON 2,007 thousand as dividends. The amount was entirely transferred to the Central Depository to pay the dividends owed to the shareholders.

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ROMCARBON SA
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Note</u>	<u>Year ended December 31, 2019</u>	<u>Year ended December 31, 2018</u>
		<i>thousand LEI</i>	<i>thousand LEI</i>
Cash flows from operating activities:			
Gross profit / (loss) for the year		(2,343)	(4,306)
Finance expenses recognized in profit		2,702	2,925
(Gain) / Loss on sale or disposal of fixed assets		336	(52)
(Gain) / Loss on sale or disposal of investment property		-	(2,710)
(Gain) / Loss on sale or disposal of assets held for sale		(186)	-
Income from dividends		-	-
Interest income		(6)	-
Loss on impairment of stocks		-	-
Loss on impairment of trade receivables		112	32
Loss on time-barred receivables		4	207
Loss on impairment of goodwill		-	-
Loss on impairment of property, plant and equipment		-	-
Amortization / Depreciation of non-current assets		16,304	16,356
Net (gain) / loss on foreign exchange		(206)	10
(Gain) / Loss on investment		-	(5)
(Gain) / Loss on revaluation of tangible assets		96	-
(Gain) / Loss on revaluation of investment property		430	(308)
(Gain) / Loss on revaluation of assets held for sale		(71)	757
(Gain) / Loss from short-term investments		-	-
(Gain) / Loss on share of profit of associates		68	1,584
Increase / Decrease in provisions		-	21
Increases in subsidies		(3,794)	(3,982)
Movements in working capital:			
(Increase) / Decrease in trade and other receivables		(4,282)	5,704
(Increase) / Decrease in inventories		(9,380)	1,685
(Increase) / Decrease in other assets		(2,861)	(410)
Increase / (Decrease) in trade and other payables		842	(4,540)
Increase / (Decrease) in other payables		(38)	(461)
Cash generated by/used in operating activities		(2,273)	12,509
Interest paid		(2,100)	(2,518)
Income tax paid		(734)	(146)
Bank commissions paid		(603)	(408)
Net cash generated by operating activities		(5,710)	9,438
Cash flows from investing activities:			
Payments for property, plant and equipment		(3,710)	(5,244)
Payments for intangible assets		-	-
Proceeds from disposal of property, plant and equipment		161	136
Proceeds from subsidies		-	-
Proceeds from investments in associates		-	-
Acquisition of subsidiaries		-	-
Payments for investment property		-	-
proceeds from sale of investment property		(23)	18,086
Interest received		6	5
Dividends received		-	-
Encashments from the sales of assets held for sales		16,186	-
		12,620	12,983

The accompanying notes are integral part of these consolidated financial statements.
This is a free translation from the original Romanian version.

ROMCARBON SA
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

Net cash generated by / (used in) investing activities

<u>Note</u>	<u>Year ended December 31, 2019</u>	<u>Year ended December 31, 2018</u>
	<i>thousand LEI</i>	<i>thousand LEI</i>
Cash flows from financing activities:		
(Repayment) / Drawings of borrowings	(5,919)	(16,571)
Lease payments	(13)	(49)
Dividends paid for non-controlling interest	(1,005)	(2,007)
Net cash generated by financing activities	(6,937)	(18,627)
Net decrease / (increase) in cash and cash equivalents	(27)	3,794
Cash and cash equivalents at the beginning of the year	9,791	5,997
Cash from subsidiaries acquired during the year	-	-
Cash and cash equivalents at the end of the year	9,764	9,791

The consolidated financial statements were approved by the Board of Administration and were authorized for issuance on April 9, 2020.

PREPARED BY,

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Chairman of the Board
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VIORICA ZAINESCU,
Financial Manager

CARMEN MANAILA,
Deputy General Manager for
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1. GENERAL INFORMATION

ROMCARBON S.A. (the "Parent") has its main office in Buzău, Str. Transilvaniei, nr. 132 and is organised as a joint-stock company with the following identification details: registered with the Registry of Commerce under no. J10/83/1991, Fiscal Code RO1158050. As at December 31, 2019 the Parent's shares were traded on the BSE and its main shareholders as at December 31, 2019 were Living Plastic Industry S.R.L., Joyful River Limited Loc. Nicosia CYP, Unitai International Corporation.

The Parent's main field of activity is the manufacture of plastic packaging.

As at December 31, 2019 the Parent was holding directly or through other subsidiaries, participating interest in the following entities, thus forming Romcarbon Group:

RC ENERGO INSTALL S.R.L. is a company established in 2005, where S.C. Romcarbon S.A. holds 100%. The company's main office is located in Buzău, Str. Transilvaniei, nr. 132. The company was established by outsourcing the maintenance and repair of water installations, sewage and substations; the main object of activity is Plumbing, heat and air conditioning installation (NACE code 4322).

ROMCARBON DEUTSCHLAND GMBH is a company established in 2013, wholly owned by S.C. Romcarbon S.A. The company's main office is located in Bergisch Gladbach, Germany. The company's main object of activity is trade with plastic finished products, recycling of plastic materials and purchase of plastic waste. As at the date of these financial statements, the company is under voluntary liquidation.

LIVINGJUMBO INDUSTRY S.A. is a company established in 2002, where S.C. Romcarbon S.A. has held since 2011 99.86% of the shares and the remaining shares are held by legal persons. The company's main office is located in Buzău, Str. Transilvaniei, nr. 132. The company's main object of activity is Manufacture of plastic packing goods (NACE code 2222).

INFO TECH SOLUTIONS S.R.L. is a company established in 2005, where S.C. Romcarbon S.A. holds 99.00% of the shares and the remaining shares are held by natural persons. The company's main office is located in Buzău, Str. Transilvaniei, nr. 132. The company was established by outsourcing the IT services and its main object of activity is Data processing, hosting and related activities (NACE code 6311) or Computer consultancy activities (NACE code 6202).

YENKI S.R.L. is a company established in 2007, where S.C. Romcarbon S.A. holds 25.00% of the shares and the remaining shares are held by Romanian legal and natural persons. The company's main office is located at Soseaua Nordului, DN2, Buzău. The company's main object of activity is Operation of sports facilities (NACE code 9311).

GRINFILD UKRAINE is a company established in 2007, where SC Romcarbon SA holds 62.62% of the shares and the remaining shares are held by foreign legal persons. The company's main office is located in Ukraine, Odessa region, Krijianivka locality, Str. Mikolayevska, Bl. 2. The company's main object of activity is wholesale.

GRINRUH LLC UKRAINE is a company established in 2007, where SC Romcarbon SA holds 62.62%. The company's main office is located in Ukraine, Odessa region, Krijianivka locality, Str. Mikolayevska, Bl. 2. The company's main object of activity is construction and other wholesale.

"Greenlife" Ecological Association, established in accordance with GO no. 26/2000, is a non-governmental, non-profit and non-political organization. The association's patrimony amounts to RON 1,200. The association's purpose is to represent, promote and support the employer and professional interests of its members in the relationship with public authorities and other legal and natural persons, to consolidate their authority and social renown and to act towards modernizing the developing the field regarding environmental protection according to the international rules and standards. Also, the association sets itself to promote human solidarity, by organizing and supporting humanitarian actions. The association was established by SC Greenfiber International SA, SC Greentech SA and SC Romcarbon SA as founding members, each holding 33.33% of its patrimony.

RECYPLAT LTD is a company established in 2011, wholly owned by SC Romcarbon SA. The company's main office is located in Akropoleos, 59-61, 3rd floor, Nicosia, Cyprus.

1. GENERAL INFORMATION (continued)

The company's main object of activity is the Conduct of activities and business of consultants, experts in all scientific fields, financial, administrative or otherwise, in relation to the setting up, operation, development and improvement of any business, industry, company, partnership or other organization.

ECO PACK MANAGEMENT SA is a company established in 2010, where SC Romcarbon SA directly holds 25.36% and 74.62%, indirectly through LivingJumbo Industry SA. The remaining shares are held by Romanian legal persons. The company's main office is located in Bucharest, sector 2, str. Barbu Vacarescu (formerly, Fabrica de Glucoza 2-4), nr. 164A, etaj 3, within Building C3 – Office Building. The company's main object of activity is - NACE code 8299 - Other business support service activities n.e.c.

PROJECT ADVICE SRL is a company established in 2010, where SC Romcarbon SA indirectly holds 99.86%. The company's main office is located in Iasi, Calea CHISINAULUI, Nr. 29, Pavilion Administrativ A, camera nr. 2, Etaj 1. The company's object of activity is – NACE code 7022 - Business and other management consultancy activities.

In July 2016, the Group sold its ownership of 70% in the share capital of NEXT ECO RECYCLING SA (company established in 2011, whose main object of activity is NACE code 8299 - Other business support service activities n.e.c.).

The group had purchased this company in December 2015.

In October 2016, GREENSORT RECYCLING SRL was de-registered from the Trade Registry. The company had been established in 2012, having as its main object of activity – NACE code 3832 - Recovery of sorted materials.

ROMGREEN UNIVERSAL LTD Cyprus is a company established in 2011, where SC Romcarbon SA indirectly holds 17.5879% through Recyplat LTD Cyprus. The company's main office is located in 2 Prodromou & Dimitrakopoulou, 5th floor, 1090 Cyprus. The company's object of activity is the conduct of activities and business of consultants, experts in all scientific fields, financial, administrative or otherwise, in relation to the setting up, operation, development and improvement of any business, industry, company, partnership or other organization.

GREENFIBER INTERNATIONAL SA is a company established in 2004, where SC Romcarbon SA indirectly holds 17.4681% of the shares. The company's main office is located in Buzău, Aleea Industriilor, no. 17. The company's main object of activity is Manufacture of man-made fibres (NACE code 2060).

GREENTECH DOO SERBIA is a company established in 2005, where SC Romcarbon SA indirectly holds 15.7214% of the shares. The company's main office is located in Serbia, Backa Palanka, str. Zarka Zrenjanina nr. 152. The company's main object of activity is the recycling of non-metallic waste and scraps.

GREENTECH RECYCLING DEUTSCHLAND GMBH is a company established in 2010, where SC Romcarbon SA indirectly holds 17.4681% of the shares. The company's main office is located in Bergisch Gladbach, Germany. The company's main object of activity is trade with plastics and recycling of plastic waste. As at the date of these financial statements, the company is under voluntary liquidation.

GREENTECH DOO MACEDONIA is a company established in 2007, where SC Romcarbon SA indirectly holds 15.6288% of the shares and the remaining shares are held by foreign natural persons. The company's main office is located in Macedonia, Skopje, bd. Romanija b.b Gazela, 1000. The company's main object of activity is Recycling of non-metallic waste and scraps.

GREENTECH SA is a company established in 2002, where SC Romcarbon SA indirectly holds 17.5875% of the shares and the remaining shares are held by foreign and Romanian natural and legal persons. The company's main office is located in Buzău, Aleea Industriilor, nr. 17. The company's main object of activity is Recovery of sorted materials (NACE code 3832).

1. GENERAL INFORMATION (continued)

GREENWEEE INTERNATIONAL SA is a company established in 2007 where SC Romcarbon SA indirectly holds 17.5879% of the shares. The company's main office is located in Buzău, Comuna Tintesti, Str. Ferma Frasinu. The company's object of activity is dismantling of wrecks for materials recovery (NACE code 3831).

At December 31, 2019 GREENWEEE INTERNATIONAL SA (absorbing company) merged with GREENLAMP RECICLARE SA (absorbed company). Further to the merger, the share capital of GREENWEEE INTERNATIONAL SA increased from 26,212,300 lei to 28,827,300 lei, through the issuance of 26,150 new shares at a nominal value of 100 lei.

GREENWEEE INTERNATIONAL HUNGARY KFT is a company established in 2011, where SC Romcarbon SA indirectly holds 17.5879% and the remaining shares are held by foreign natural and legal persons. The company's main office is located in 1051 Budapest, Dorottya utca 9.2. em. 1. The company's object of activity is Management of used waste and treatment of other waste.

TOTAL WASTE MANAGEMENT SRL is a company established in 2005. In 2012, it changed its object of activity from Business and other management consultancy activities (NACE code 7022) to Collection of non-hazardous waste (NACE code 3811). The company's main office is located in Buzău, Str. Aleea Industriilor, nr. 17. As at the date of these financial statements, SC Romcarbon SA was indirectly holding 17.47435% of the share capital.

GREENGLASS RECYCLING SA is a company established in 2013, where SC Romcarbon SA indirectly holds 12.3116% of the shares and the remaining shares are held by natural and legal persons. The company's main office is located in Buzău, Str. Aleea Industriilor, nr. 17, pav. Comercial, Et. 1, Cam. 2. The company's main object of activity is Recovery of sorted materials (NACE code 3832).

In June 2016, GRENFIBER INTERNATIONAL SA sold its 60% holding in GREENFIBER HELLAS (a company established in 2008 whose main object of activity was the recycling of scraps and non-metal waste).

GREEN RESOURCES MANAGEMENT is a company established in 2016 where SC Romcarbon SA indirectly holds 11.68%. The company's main office is located in Buzău, Str. Transilvaniei, nr.132, Remiza PSI Camera 1. The company's object of activity is Business and other management consultancy activities (NACE code 7022).

GREENTECH BALTIC UAB LITUANIA is a company established in 2016 where SC Romcarbon SA indirectly holds 12.79%. The company's main office is located in Vilnius, Sandeliu g.16. The company's object of activity is commercial, economic, financial and industrial activity.

In July 2016, the shareholders of ROMGREEN UNIVERSAL LTD decided to increase the share capital of the company by issuing 11,800 shares (11,252 Class A shares and 548 Class b shares) at a nominal value of EUR 1/share. The capital increase was performed by an issuance premium of EUR 624.7015/share.

RECYPLAT LTD, a company 100% held by ROMCARBON SA, did not participate in this increase, therefore the shareholding in ROMGREEN UNIVERSAL dropped to 17.5879%.

In July 2016, ROMGREEN UNIVERSAL LTD increased its holding in subsidiaries by purchase of shares from minority shareholders. Consequently, the holding shares of RECYPLAT LTD in such companies also changed.

ROMCARBON SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

1. GENERAL INFORMATION (continued)

Name	Place of establishment	Object of activity	Interest %	Control %	Cost as at 31.12.2019 (lei)	Interest %	Control %	Cost as at 31.12.2018 (lei)
Greenweee International SA	Romania	Dismantling of wrecks for materials recovery	17.59%	17.59%	-	17.59%	17.59%	-
Greenfiber International SA	Romania	Manufacture of man-made fibers	17.47%	17.47%	-	17.47%	17.47%	-
Greenweee International Hungary KFT	Hungary	Management of used waste and treatment of other waste	17.59%	17.59%	-	17.59%	17.59%	-
LivingJumbo Industry SA	Romania	Manufacture of plastic packing goods	99.86%	99.86%	6,477,632	99.00%	99.00%	1,639,232
Greentech DOO Serbia	Serbia	Recycling of non-metallic waste and scraps	15.72%	15.72%	-	15.72%	15.72%	-
Grinteh MK DOO Macedonia	Macedonia	Recycling of non-metallic waste and scraps	15.63%	15.63%	-	15.63%	15.63%	-
GREENTECH BALTIC UAB Lithuania	Lithuania	Commercial, economic, financial and industrial activity	12.79%	12.79%	-	12.79%	12.79%	-
Grinfield LLC Ukraine	Ukraine	Wholesale trade	62.62%	62.62%	2,687,755	62.62%	62.62%	2,687,755
Grinruh LLC Ukraine	Ukraine	Wholesale trade	62.62%	62.62%	4,426,809	62.62%	62.62%	4,426,809
RC Energo Install SRL	Romania	Plumbing, heat and air conditioning installation	100.00%	100.00%	15,112	100.00%	100.00%	15,112
Info Tech Solutions SRL	Romania	Consultancy in IT technology	99.50%	99.50%	1,980	99.50%	99.50%	1,980
Total Waste Management SRL	Romania	Collection of non-hazardous waste	17.47%	17.47%	-	17.47%	17.47%	-
Greentech SA	Romania	Recovery of sorted materials	17.59%	17.59%	-	17.59%	17.59%	-
Greentech Recycling Deutschland GMBH	Germany	Trade with plastics and recycling of plastic waste	17.47%	17.47%	-	17.47%	17.47%	-

This is a free translation from the original Romanian version.

1. GENERAL INFORMATION (continued)

	<u>Place of establishment</u>	<u>Object of activity</u>	<u>Interest %</u>	<u>Control %</u>	<u>Cost as at 31.12.2019 (lei)</u>	<u>Interest %</u>	<u>Control %</u>	<u>Cost as at 31.12.2018 (lei)</u>
"Greenlife" Ecological Association	Romania		33.33%	45.00%	400	33.33%	45.00%	400
Recyplat LTD	Cyprus	Business and other management consultancy activities	100.00%	100.00%	20.261.120	100.00 %	100.00 %	20.261.120
Romgreen Universal Cipru	Cyprus	Business and other management consultancy activities	17.59%	17.59%	-	17.59%	17.59%	-
Greenlamp Reciclare SA	Romania	Treatment and disposal of hazardous waste	-	-	-	17.59%	17.59%	-
Eco Pack Management SA	Romania	Other business support service activities n.e.c.	99.46%	99.24%	2.619.254	99.46%	99.24%	2.619.254
Romcarbon Deutschland GMBH	Germany	Trade with plastic finished products, recycling of plastic materials and purchase of plastic waste	100.00%	100.00%	110.138	100.00 %	100.00 %	110.138
Project Advice SRL	Romania	Business and other management consultancy activities	99.86%	99.86%	500	99.00%	99.00%	500
Green Resources Management SA	Romania	Business consultancy and management	11.68%	11.68%	-	11.68%	11.68%	-

This is a free translation from the original Romanian version.

2. MAIN ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS") effective on the Company's reporting date, i.e. December 31, 2019 and in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016 approving the Accounting regulations compliant with International Financial Reporting Standards, applicable to companies whose securities are admitted to trading on a regulated market, with subsequent amendments and clarifications. Such provisions are consistent with the requirements of the International Financial Reporting Standards adopted by the European Union.

Bases of preparation

The consolidated financial statements were prepared on a going concern basis, at historical cost, adjusted to hyperinflation as at December 31, 2003 for fixed assets, share capital and reserves.

The financial statements are prepared based on the statutory accounts kept in accordance with Romanian accounting principles, adjusted for compliance with IFRS.

The main accounting policies are described below.

Bases of consolidation

The consolidated financial statements include the financial statements of the Parent, of its subsidiaries and joint ventures. Control is obtained when the Parent has the power to govern the financing and operating policies of an entity to acquire benefits from the latter's activities.

The profit of the subsidiary acquired during the year is included in the consolidated income statement as at the acquisition date.

Where required, the subsidiary's financial statements are corrected to adjust its accounting policies in accordance with the policies used by the Parent.

All group transactions, balances, income and expenses are completely eliminated from the consolidation.

Non-controlling interests in net assets (excluding goodwill) of the subsidiary are disclosed separately from the Group's equity. Non-controlling interests consist in the sum of interests as at the date of the original business combination (see below) and the non-controlling share in changes in equity starting from the combination date. Losses corresponding to the minority, which exceed the non-controlling interest held in the subsidiary's equity are allocated as compared to the Group's interests, except if the minority holds an obligation and can make additional investments to cover losses.

Initial application of new amendments to the existing standards effective for the current reporting period

The following new standards, amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **IFRS 16 "Leases"** – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IFRS 9 "Financial Instruments"** - Prepayment Features with Negative Compensation – adopted by the EU on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IAS 19 "Employee Benefits"** - Plan Amendment, Curtailment or Settlement – adopted by the EU on 13 March 2019 (effective for annual periods beginning on or after 1 January 2019),

2. MAIN ACCOUNTING POLICIES (continued)

- **Amendments to IAS 28 “Investments in Associates and Joint Ventures”** - Long-term Interests in Associates and Joint Ventures – adopted by the EU on 8 February 2019 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to various standards due to “Improvements to IFRSs (cycle 2015 -2017)”** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 14 March 2019 (effective for annual periods beginning on or after 1 January 2019),
- **IFRIC 23 “Uncertainty over Income Tax Treatments”** – adopted by the EU on 23 October 2018 (effective for annual periods beginning on or after 1 January 2019).

New standards and amendments to existing standards in issue not yet adopted

At the date of authorization of these financial statements, the following new standards, amendments to existing standards and new interpretation were in issue, but not yet effective:

- **IFRS 17 “Insurance Contracts”** (effective for annual periods beginning on or after 1 January 2021),
- **Amendments to IFRS 3 “Business Combinations”** - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period),
- **Amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement” and IFRS 7 “Financial Instruments: Disclosures”** - Interest Rate Benchmark Reform - adopted by the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded).
- **Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”** - Definition of Material - adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IAS 1 “Presentation of Financial Statements”** - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to References to the Conceptual Framework in IFRS Standards** (effective for annual periods beginning on or after 1 January 2020),

The Group anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Group in the period of initial application.

2. MAIN ACCOUNTING POLICIES (continued)

Initial application of new amendments to the existing standards effective for the current reporting period

The following new standards, amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **IFRS 16 "Leases"** – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IFRS 9 "Financial Instruments"** - Prepayment Features with Negative Compensation – adopted by the EU on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019).
- **Amendments to IAS 19 "Employee Benefits"** - Plan Amendment, Curtailment or Settlement – adopted by the EU on 13 March 2019 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IAS 28 "Investments in Associates and Joint Ventures"** - Long-term Interests in Associates and Joint Ventures – adopted by the EU on 8 February 2019 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to various standards due to "Improvements to IFRSs (cycle 2015 -2017)"** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 14 March 2019 (effective for annual periods beginning on or after 1 January 2019),
- **IFRIC 23 "Uncertainty over Income Tax Treatments"** – adopted by the EU on 23 October 2018 (effective for annual periods beginning on or after 1 January 2019).

The adoption of these new standards, amendments to the existing standards and interpretation has not led to any material changes in the Group's financial statements.

Standards and amendments to the existing standards issued by IASB and adopted by the EU, but not yet effective

At the date of authorization of these financial statements, the following new standard, amendments to the existing standard and interpretation issued by IASB and adopted by the EU are not yet effective:

- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** - Definition of Material - adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures"** - Interest Rate Benchmark Reform - adopted by the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to References to the Conceptual Framework in IFRS Standards** adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020).

2. MAIN ACCOUNTING POLICIES (continued)

New standards and amendments to the existing standards issued by IASB, but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU:

- **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2021),
- **Amendments to IFRS 3 "Business Combinations"** - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period).
- **Amendments to IAS 1 "Presentation of Financial Statements"** - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2022).
- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded).

The Group anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Group in the period of initial application.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated.

More details about individual standards, amendments to existing standards and interpretations that can be used as appropriate:

- **IFRS 14 "Regulatory Deferral Accounts"** issued by IASB on 30 January 2014. This standard is intended to allow entities that are first-time adopters of IFRS, and that currently recognise regulatory deferral accounts in accordance with their previous GAAP, to continue to do so upon transition to IFRS.
- **IFRS 16 "Leases"** issued by IASB on 13 January 2016. Under IFRS 16 a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate. As with IFRS 16's predecessor, IAS 17, lessors classify leases as operating or finance in nature. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease. For finance leases a lessor recognizes finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognizes operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis.

2. MAIN ACCOUNTING POLICIES (continued)

- **IFRS 17 “Insurance Contracts”** issued by IASB on 18 May 2017. The new standard requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 “Insurance Contracts” and related interpretations while applied.
- **Amendments to IFRS 3 “Business Combinations”** - Definition of a Business issued by IASB on 22 October 2018. Amendments were introduced to improve the definition of a business. The amended definition emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. In addition to amending the wording of the definition, the Board has provided supplementary guidance.
- **Amendments to IFRS 9 “Financial Instruments” - Prepayment Features with Negative Compensation** issued by IASB on 12 October 2017. The amendments modifies the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. Under the amendments, the sign of the prepayment amount is not relevant, i.e. depending on the interest rate prevailing at the time of termination, a payment may also be made to the contracting party effecting the early repayment. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of a early repayment gain. Moreover, amendments contain clarification regarding the accounting for a modification of a financial liability that does not result in derecognition. In this case, carrying amount is adjusted with the corresponding result recognized in comprehensive income. The effective interest rate is not recalculated.
- **Amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement” and IFRS 7 “Financial Instruments: Disclosures”** - Interest Rate Benchmark Reform issued by IASB on 26 September 2019. The changes in Interest Rate Benchmark Reform:
 - e) modify specific hedge accounting requirements so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform;
 - f) are mandatory for all hedging relationships that are directly affected by the interest rate benchmark reform;
 - g) are not intended to provide relief from any other consequences arising from interest rate benchmark reform (if a hedging relationship no longer meets the requirements for hedge accounting for reasons other than those specified by the amendments, discontinuation of hedge accounting is required); and
 - h) require specific disclosures about the extent to which the entities' hedging relationships are affected by the amendments.
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** issued by IASB on 11 September 2014. The amendments address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.

2. MAIN ACCOUNTING POLICIES (continued)

- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" - Definition of Material** issued by IASB on 31 October 2018. The amendments clarify the definition of material and how it should be applied by including in the definition guidance.
- **Amendments to IAS 1 "Presentation of Financial Statements"** issued by IASB on 23 January 2020. The amendments provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date.
- **Amendments to IAS 19 "Employee Benefits"** - Plan Amendment, Curtailment or Settlement issued by IASB on 7 February 2018. The amendments require to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.
- **Amendments to IAS 28 "Investments in Associates and Joint Ventures" - Long-term Interests in Associates and Joint Ventures** issued by IASB on 12 October 2017. Amendments were introduced to clarify that an entity applies IFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. Amendments also delete paragraph 41 because the Board felt that it merely reiterated requirements in IFRS 9 and had created confusion about the accounting for long-term interests.
- **Amendments to various standards due to "Improvements to IFRSs (cycle 2015 -2017)"** issued by IASB on 12 December 2017. Amendments to various standards resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording. The amendments clarify that: a company remeasures its previously held interest in a joint operation when it obtains control of the business (IFRS 3); a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business (IFRS 11); a company accounts for all income tax consequences of dividend payments in the same way (IAS 12); and a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale (IAS 23).
- **Amendments to References to the Conceptual Framework in IFRS Standards** issued by IASB on 29 March 2018. Due to the fact that Conceptual Framework was revised, the IASB updated references to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. This was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction.
- **IFRIC 23 "Uncertainty over Income Tax Treatments"** issued by IASB on 7 June 2017. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income tax.

2. MAIN ACCOUNTING POLICIES (continued)

Income recognition

The Company has applied IFRS 15 for the first time effective from January 1, 2018.

Under the new standard, revenue is recognized when or as the customer acquires control of the goods or services at the value that reflects the price that the Company expects to be entitled to receive in exchange for those goods and services. Income is recognized at the fair value of the services rendered or the goods delivered, net of VAT, excise duties and other sales taxes.

IFRS 15 "Revenue from contracts with customers"

IFRS 15 "Revenue from contracts with customers" introduces a comprehensive model for the recognition and measurement of income. The standard replaces the existing income recognition criteria, replacing IAS 18 "Revenue", IAS 11 "Construction Contracts" and IFRIC 13 "Customer Loyalty Programs". Under the new standard, revenue is recognized when or as the customer acquires control of the goods or services at the value that reflects the price that the Company expects to be entitled to receive in exchange for those goods and services.

Being permitted by the standard, the Company adopted IFRS 15 as of January 1, 2018 using the revised retrospective method with cumulative adjustments from the initial application recognized as at 1 January 2018 in equity and without altering the figures for prior periods. Initial application has no impact on the Company's retained earnings.

In applying IFRS 15, the Company has not identified any impact on the financial statements.

- Income is measured at the fair value of amounts received or receivable. Income is reduced by the value of returns, commercial rebates and other similar costs

Sale of goods

Income from sale of goods is recognized when the following conditions are met:

- The Group has transferred to the buyer all the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The value of the income can be measured reliably.

Dividend and interest income

Income from dividends related to investments is recognized when the shareholders' right to receive them is established.

Interest income is recognized on a timely basis, by reference to the outstanding capital and the actual applicable interest rate, which is the exact discount rate of future cash received estimated throughout the life of the financial asset, within the limit of the net book value of such asset.

2. MAIN ACCOUNTING PRINCIPLES (continued)

Foreign currency transactions

The Group operates in Romania and its functional currency is the Romanian leu.

When preparing the financial statements of individual entities and the Group, transactions in currencies other than the functional currency (foreign currencies) are registered at the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing at the balance sheet date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Foreign exchange differences are recognized in the profit and loss as they arise.

Costs related to long-term borrowings

Costs related to long-term borrowings directly attributable to the acquisition, construction or production of assets, which require a substantial amount of time to be used or for sale are added to the cost of such assets, until such assets are ready to be used according to their purpose or for sale.

All the other borrowing costs are recognized in the income statement as incurred.

Government subsidies

Government subsidies are not recognized until there is reasonable assurance that the Group will comply with the conditions of such subsidies and the subsidies are received.

Government subsidies whose main condition is that the Group acquire, build or otherwise obtain non-current assets are recognized as deferred income in the balance sheet and are transferred to the income statement systematically and rationally throughout the useful life of such assets.

Other Government subsidies are systematically recognized as income in the same period as the costs they are intended to offset. Government subsidies received as compensation for expenses or losses already recorded or intended to grant immediate financial support to the Group, without future related costs, are recognized in the income statement when they become due.

Employee contributions

The Group makes payments to the State budget for social insurance, pension and unemployment benefits at the rates provided by law and in force during the year, calculated based on gross salaries.

The cost of these contributions is charged to the income statement in the same period as the related salary costs.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

2. MAIN ACCOUNTING PRINCIPLES (continued)

Provisions for taxes and levies

As at December 31, 2019 the Group's financial statements include revaluation reserves. Based on the latest provisions of current legislation, such reserves may become taxable if their destination changed, by using them to cover accounting losses or by the Group's winding up. The Group's management considers that there is no intention to use such reserves to cover accounting losses. Nevertheless, if such reserves are used to cover losses, the Group must register an income tax liability in connection with such reserves.

Deferred tax

Deferred tax is recognized on the difference between the carrying amounts of assets and liabilities in the separate financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than from a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for temporary taxable differences associated with investments in subsidiaries and associates, and interests in joint ventures, except if the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from temporary deductible differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set them off similarly to current tax assets and liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred taxes are recognized as expense or income in statement of comprehensive income, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is considered when calculating goodwill or when determining the excess of the acquirer's interests in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired company on cost.

2. MAIN ACCOUNTING POLICIES (continued)

Property, plant and equipment

Land and buildings held to be used in the production or delivery of goods or services or for administrative purposes are recorded in the balance sheet at historical value adjusted to the effect of hyperinflation as at December 31, 2003, according to IAS 29 Financial Reporting in Hyperinflationary Economies less the subsequently accumulated depreciation and other losses of value.

As of December 31, 2013 the Group companies conducted a valuation of land and buildings based on a valuation report issued by a professional valuer, in order to determine the fair value thereof as at the balance sheet date. The increases in the book values of tangible assets further to valuation were credited to Revaluation reserves under Equity.

As of December 31, 2016 the Group companies conducted a revaluation of land and buildings based on a valuation report issued by a professional valuer, in order to determine the fair value thereof as at the balance sheet date. The increases in the book values of tangible assets further to valuation were credited to Revaluation reserves under Equity. The decreases in the book values were debited to Revaluation reserves under Equity up to the level previously credited and the difference was registered to profit or loss.

Gains and losses on the sale or disposal of an asset are determined as difference between income from the asset sale and their net book value. Gains and losses are recognized in the Income Statement.

The buildings' depreciation is charged to the income statement.

Assets under construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at historical cost. Depreciation of these assets, on the same basis as other tangible assets, commences when the assets are ready for their intended use.

Plant and equipment are recorded in the balance sheet at historical cost adjusted to the effect of hyperinflation as at December 31, 2003, in accordance with IAS 29 Financial Reporting in Hyperinflationary Economies less the subsequently accumulated depreciation and impairment losses.

Depreciation is registered so as to diminish the cost other than the cost of land and buildings under construction, throughout their estimated useful life, on a straight line basis. The estimated useful lives, residual values and depreciation method are reviewed at the end of each year, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held in financial leasing are amortized over the useful life, similarly to the assets held or, if the lease term is shorter, over the term of the respective leasing contract.

Losses or gains from selling or disposing a tangible asset are computed as difference between sale revenues and the net book value of the asset and are recognized in the income statement.

The following useful lives are used in the depreciation calculation:

	Years
Buildings	5 – 45
Plant and equipment	3 – 20
Other installations, office equipment	3 – 30
Vehicles in finance lease	5 – 6

Investment property

Investment property are properties held to earn rentals and/or for future capital appreciation. They are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in the profit or loss in the period in which they arise.

2. MAIN ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately are carried at cost less accumulated amortization. Amortization is calculated on a straight line basis throughout their useful life. The estimated useful life and method of amortization are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The calculation of amortization uses the following useful lives:

	Years
Licenses	1 – 5

Impairment of tangible and intangible assets, goodwill exclusively

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the Group estimates the recoverable amount of the asset in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation cannot be identified, tangible assets are allocated to the smallest group of cash-generating units for which a consistent and reasonable allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Impairment of property, plant and equipment and intangible assets, excluding goodwill

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs, including a portion corresponding to indirect fixed and variable expenses are allocated to inventories held according to the most suitable method to that class of inventory, most of them being measured using the weighted average. The net realizable value represents the estimated selling price for inventories less all estimated completion costs and costs necessary to make the sale.

2. MAIN ACCOUNTING POLICIES (continued)

Assets held for sale

Assets held for sale are represented by real estate held by the Company, which forms the object of a selling plan as at the date of the consolidated financial statements. Such assets are not depreciated and are carried at the lower of carrying amount and fair value, less costs to sell and are presented separately in the consolidated financial statements. Resulting gains and losses are included in profit or loss as they arise.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive), as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

The amount recognized as provision is the best estimate of the required amount to settle the obligation at the balance sheet date, considering the risks and uncertainties related to the obligation. If a provision is measured using estimated cash flows to settle the current obligation, then the carrying value is the current value of such cash flows.

Warranties

Provisions for warranties are recognized on the selling date of the products, according to the managements' best estimate regarding the expenditure required to settle the Group's obligation.

Financial assets and liabilities

The group applies IFRS 9 – Financial instruments, which became effective as of 1 January 2018 and which uses the entity's business model and the contractual cash flows characteristics of the financial asset to classify financial assets.

Classification of financial assets

According to IFRS 9 Financial instruments, financial assets are classified into:

1. *Financial assets measured at amortized cost if both of the following conditions are met:*
 - the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
 - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
2. *Financial assets measured at fair value through other comprehensive income if both of the following conditions are met*
 - the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
 - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding
3. *Financial assets measured at fair value through profit or loss unless measured at amortized cost in accordance with paragraph 1 or at fair value through other comprehensive income in accordance with paragraph 2.*

Except for trade receivables within the scope of IFRS 15, the Group measures a financial asset or financial liability at its fair value, and in the case of a financial asset or financial liability not at fair value through profit or loss, plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

2. MAIN ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

After initial recognition, the Group measures a financial asset:

- amortized cost
- fair value through other comprehensive income or
- fair value through profit or loss

Financial assets include shares in subsidiaries, associates and jointly controlled entities, loans granted to such entities, other investments held as non-current assets and other loans.

In the application of IFRS 9, the Group did not identify any impact on the consolidated financial statements.

The Group presents investments in associates at cost. Given the transition to IFRS 9, while, prior to the initial application of IFRS 9, the Group accounted for such investments as per IAS 27.10a or IAS 27.10c (cost or equity method), the same accounting treatment is applied after the transition to IFRS 9. Thus, they continue to be accounted for at cost.

In the application of IFRS 9, the Group did not identify any impact on the consolidated financial statements as regards financial assets.

The Group's financial assets include cash and cash equivalent, trade receivables and long-term investments. Financial liabilities include finance lease liabilities, interest bearing bank loans, overdrafts, trade liabilities and other liabilities. For each element, the accounting policies on recognition and measurement are presented in this note. The management considers that the estimated fair values of such instruments approximate their carrying values.

Borrowings are initially recognized at fair value less costs incurred with such operation. Subsequently, they are registered at amortized cost. Any difference between the entry value and the repayment value is recognized in the income statement over the borrowing term, using the effective interest method.

Financial liabilities are classified as liabilities or equity according to the substance of the contractual arrangements. Interest, dividends, gains and losses related to a financial instrument classified as debt are reported as expense or income. Distributions to equity holders are directly recorded to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on net basis, or to realize the asset and simultaneously write off the obligation.

The classification of investments depends on their nature and scope and is determined on the initial recognition date.

Financial assets available for sale (AFS)

Shares held in an unlisted capital instruments are classified as AFS and are registered at fair value. Gains and losses arising from changes in fair value are directly recognized in equity, in investment revaluation reserves, except for impairment losses, interest calculated using the effective interest method and gains and losses from the exchange rate of monetary assets, which are recognized directly in profit and loss. If the investment is sold or it is found impaired, then the gain or loss previously cumulated previous recognized in the investment revaluation reserve, is included in the profit and loss of the period.

Dividends from AFS capital instruments are recognized in profit and loss when the Group's right to receive them is established.

2. MAIN ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

Impairment of financial assets

Financial assets, other than the ones recognized at fair value through the profit and loss account, are measured for impairment on each balance sheet date.

Financial assets are impaired when there is objective evidence that one or more of the events occurring after initial recognition have affected future cash flows related to the investment.

For shares available for sale, a significant or extended decline of the fair value of the security below its cost is considered objective evidence of impairment.

Certain categories of financial assets, such as receivables, assets evaluated as individually non-impaired, are subsequently evaluated for impairment collectively. Objective evidence for the impairment of a portfolio of receivables may include the Group's past experience in collective payments, an increase of delayed payments beyond the credit period, as well as visible changes of national and local economic conditions correlated with payment incidents regarding receivables.

The carrying value of a financial asset is reduced by impairment loss, directly for all financial assets, except for trade receivables, in which case the carrying value is reduced by using a provision account. If a receivable is considered non-recoverable, it is eliminated and deducted from the provision. Subsequent recoverable of amounts previously eliminated are credited in the provision account. Changes in the carrying value of the provision account are recognized in the profit and loss account.

De-recognition of assets and liabilities

The Group derecognizes financial assets only when the contractual rights over cash flows related to the assets expire; or when it transfers the financial asset and substantially all risks and rewards related to the asset to another entity.

The Group derecognizes financial assets when and only when the Company's liabilities have been paid, written off or expired.

Use of estimates

The preparation of the financial information requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the end of reporting date, and the reported amounts of revenue and expenses during the reporting period. Actual results could vary from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

3. INCOME

An analysis of the Group's income for 2019 is presented below:

	Year ended December 31, 2019	Year ended December 31, 2018
	<i>thousand LEI</i>	<i>thousand LEI</i>
Income from sale of finished products	213,204	215,451
Income from sale of commodities	16,873	23,047
Income from services delivered	2,787	3,691
Other income (income from sale of semi-finished goods, residual goods, other income)	12,908	15,521
Total	245,772	257,709

Segment reporting	Year ended December 31, 2019	Year ended December 31, 2018
	<i>thousand LEI</i>	<i>thousand LEI</i>
Sales on domestic market (Romania)	158,140	159,391
Sales on foreign market (Europe)	86,596	95,563
Other (Israel, Taiwan)	1,036	2,755
Total	245,772	257,709

	Segment income		Segment profit	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>
Plastics	192,210	192,231	17,750	12,949
Compound recycled products	31,193	34,512	4,528	6,503
Other productive sectors	5,673	5,530	1,098	710
Other	16,696	25,437	501	763
Total from operations	245,772	257,709	23,877	20,925
Investment income			2,942	2,312
Other income			3,961	3,982
Administrative and salary expenses			(30,421)	(28,599)
Finance expenses			(2,702)	(2,925)
Profit before taxation			(2,343)	(4,305)

3. INCOME (continued)

Investment income	Year ended December 31, 2019	Year ended December 31, 2018
	<i>thousand LEI</i>	<i>thousand LEI</i>
Rental income	2,936	2,306
Dividends from related parties	-	-
Interest Income	6	6
Other income	-	-
Total	2.942	2.312

“**Plastics**” segment include income obtained by the Group from selling polyethylene products (agriculture foils and thermo-contractible foils, polyethylene bags of different thicknesses and sizes, covers), polypropylene products (polypropylene bags for the milling and bakery industry, the chemical industry, sugar industry, etc. and big-bags), polystyrene products (expanded polystyrene trays - standard and catering, expanded polystyrene boards for floor insulation), PET products (PET trays and multilayer films (lamination, sealing, thermoforming), PVC tubes, etc.

“**Compounds – Recycled products**” segment includes income from sale of compounds and re-granulated materials made of recycled polymers and plastics compounds made of virgin polymers used by the processors of plastics products that manufacture items for various uses in the automotive industry, the electrical and household industry, furniture, constructions, pipes, packaging, etc.

Other productive sectors include the following groups of products:

- “**Materials for respiratory protection and activated coal**” include respiratory protection equipment used by the big chemical and petrochemical plants in the country as well as activated coal applied in different actions of purification of methane in the biodegradation of household waste, pit soil reclamation, retention of toxic gas from incinerators, etc.
- “**Filters**” include sales of oil, fuel and air filters for both motor vehicles and industrial use.
- “**Processed PVC**” includes products made of recycled materials used to produce traffic signs.

3. INCOME (continued)

Other activities include income obtained from other activities representing sales of commodities, rentals and services.

Assets and liabilities		Asset segment		Liability segment	
		December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
		<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>
Romcarbon, LivingJumbo	Polyethylene + polystyrene + polypropylene plastics + PET products	141,380	137,449	131,080	126,604
Romcarbon	Compound recycled products	85,505	90,836	25,509	30,193
Romcarbon	Other productive sectors	6,908	3,844	3,606	2,411
Romcarbon	Income from sale of goods, sales of utilities, provision of services, other income	65,303	79,429	(659)	9,785
Total assets/liabilities		299,097	311,560	159,536	168,993
Depreciation and non-current assets additions		Depreciation segment		Segment of non-current assets additions *	
		December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
		<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>
Romcarbon, LivingJumbo	Polyethylene + polystyrene + polypropylene plastics	8,919	9,045	1,539	1,733
Romcarbon	Compound recycled products	5,502	5,230	637	8,039
Romcarbon	Other productive sectors	382	163	66	15
Romcarbon	Other activities	1,501	2,674	619	814
Total		16,304	17,112	2,861	10,601

* *Non-current assets additions represent inflows of fixed assets during the year and do not include inflows from purchases of subsidiaries.*

In "Other activities" segment, the Group has one client (Kasakrom Chemicals SRL) whose turnover represents 5% of the Group's income (7% in 2018).

4. RAW MATERIALS AND CONSUMABLES USED

	Year ended December 31, 2019	Year ended December 31, 2018
	<i>thousand LEI</i>	<i>thousand LEI</i>
Raw materials	93,803	98,660
Commodities sold	9,393	8,911
Energy expenses	13,206	12,383
Goods sold	37,360	44,678
Packaging cost	1,412	1,091
	155,174	165,723

5. EXPENSES WITH SALARIES AND SOCIAL LEVIES

	Year ended December 31, 2019	Year ended December 31, 2018
	<i>thousand LEI</i>	<i>thousand LEI</i>
Salaries	63,142	60,318
Social contributions	1,774	1,765
Meal tickets	2,494	2,724
Total	67,409	64,806

6. OPERATING EXPENSES

	Year ended December 31, 2019	Year ended December 31, 2018
	<i>thousand LEI</i>	<i>thousand LEI</i>
Expenses with repairs	895	797
Expenses with rents	825	452
Expenses with insurance premiums	489	496
Research expenses	-	-
Other expenses with commissions	52	206
Protocol, advertising and publicity expenses	707	908
Transport	7,411	7,350
Expenses with travels	232	203
Expenses with postal charges and telecommunications	196	225
Expenses with third party services	5,861	7,219
Other taxes and levies	2,575	2,496
Losses on receivables and sundry debtors	4	207
Expenses with indemnifications, fines and penalties	106	2
Other expenses	376	488
Total	19,729	21,049

7. OTHER GAINS AND LOSSES

	Year ended December 31, 2019	Year ended December 31, 2018
	<i>thousand LEI</i>	<i>thousand LEI</i>
Income from the sale of fixed assets	161	136
Other income	152	368
FOREX gains	1,544	1,913
FOREX losses	(3,304)	(1,923)
Income / (Expenses) from changes in fair value of investment property	(430)	3,017
Income / (Expenses) fair value adjustment of assets held for sale	71	-
Income / (Expenses) from assets disposed and capital operations	1,815	(324)
Client allowances	(141)	(4)
Compensations, fines and penalties	11	99
Net income from provisions	64	36
Other finance expenses	(22)	(23)
Other general expenses	-	-
Other financial income	197	9
Total	117	3,304

8. DEPRECIATION AND AMORTIZATION EXPENSE

	Year ended December 31, 2019	Year ended December 31, 2018
	<i>thousand LEI</i>	<i>thousand LEI</i>
Amortization/depreciation	16,304	17,112
of which:		
Depreciation of property, plant and equipment	16,161	16,929
Amortization of intangible assets	142	183

9. FINANCE COSTS

	Year ended December 31, 2019	Year ended December 31, 2018
	<i>thousand LEI</i>	<i>thousand LEI</i>
Interest	2,100	2,518
Bank commissions and assimilated charges	602	408
Total	2,702	2,925

10. INCOME TAX

Income tax expenses

	Year ended December 31, 2019	Year ended December 31, 2018
	<i>thousand LEI</i>	<i>thousand LEI</i>
Current income tax expense	734	392
Deferred tax income expense / (income)	(459)	(581)
Total expense (income) with income tax	274	(189)

The tax rate applied for the reconciliation above related to 2019 and 2018 is 16% and is due by all Romanian legal persons.

The total expense of the year may be reconciled with the accounting profit as follows:

	Year ended December 31, 2019	Year ended December 31, 2018
	<i>thousand LEI</i>	<i>thousand LEI</i>
Profit before taxation	(2,343)	(4,306)
Tax calculated according to the 16% rate	(375)	(689)
Effect of non-taxable income	(1,392)	(237)
Sponsorship deductions	9	-
Exemption of reinvested profit	37	(998)
Tax loss from previous years	(37)	513
Effect of deferred tax	(459)	(581)
Effect of non-deductible expenses	2,491	1,804
Expense with income tax recognized in income statement	274	(189)

Components of deferred tax liabilities

	Year ended December 31, 2019	Year ended December 31, 2018
	<i>thousand LEI</i>	<i>thousand LEI</i>
Property, plant and equipment	7,898	7,972
Investment property	836	1,293
Inventories	(229)	(229)
Trade and other receivables	(137)	(135)
Other	-	-
Recognized deferred income tax liabilities	8,369	8,902
of which: deferred tax on revaluation reserves from comprehensive income	8,369	8,616

10. INCOME TAX (continued)

	Year ended December 31, 2019	Year ended December 31, 2018
	<i>thousand LEI</i>	<i>thousand LEI</i>
Opening balance as at January 1	<u>8,902</u>	<u>10,758</u>
(Expense) / Income during the year		
- movement from revaluation reserves	(74)	(1,276)
- recognized in income statement	(459)	(581)
- from acquisition of subsidiaries	-	-
Closing balance as at December 31	<u>8,369</u>	<u>8,902</u>

11. PROPERTY, PLANT AND EQUIPMENT

	<u>Land</u>	<u>Constructions</u>	<u>Plant and equipment</u>	<u>Other fixtures, plant and furniture</u>	<u>Tangible assets in progress and advances</u>	<u>Total</u>
	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>
COST						
Balance as at January 1, 2019	46,634	28,600	177,360	1,584	2,583	257,032
Additions, of which	151	1,569	2,250	79	3,068	7,117
- Transfers	-	523	1,416	4	-	2,824
- Revaluation	151	1,046	-	-	-	1,197
Disposals, of which	1,005	7,293	313	766	2,833	12,210
- Transfers	-	201	313	766	2,686	3,944
- Transfers to assets held for sale	725	1,613	21	-	147	2,506
- Transfers to investment property	-	-	-	-	-	-
- Revaluation	280	5,479	-	-	-	5,760
Balance as at December 31, 2019	45,780	22,876	179,568	897	2,818	251,939
Balance as at January 1, 2018	46.634	25.335	173.425	1.478	8.234	255.105
Additions, of which	-	3,266	7,221	115	5,050	15,651
- Transfers	-	3,263	7,147	111	-	10,521
- Revaluation	-	-	-	-	-	-
Disposals, of which	-	-	3,285	8	10,432	13,725
- Transfers	-	-	-	-	10,432	10,432
- Transfers to investment property	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-
Balance as at December 31, 2018	46,634	28,600	177,360	1,584	2,583	257,032

This is a free translation from the original Romanian version.

ROMCARBON SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

11. PROPERTY, PLANT AND EQUIPMENT (continued)

	<u>Land</u>	<u>Buildings</u>	<u>Plant and equipment</u>	<u>Installations and furniture</u>	<u>Tangible assets in progress</u>	<u>Total</u>
	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>
ACUMULATED DEPRECIATION						
Balance as at January 1, 2019	23	4,543	78,046	877	-	83,489
Depreciation charge	4	2,056	14,020	81		16,161
Disposals from sale of assets	-	149	197	419		765
Revaluation decrease	-	5,226	-	-		5,226
Balance as at December 31, 2019	27	1,224	91,869	539		93,659
Balance as at January 1, 2018	19	2,418	67,302	765	-	70,503
Depreciation charge	4	2,125	13,924	119	-	16,172
Disposals from sale of assets	-	-	3,179	8	-	3,187
Revaluation decrease	-	-	-	-	-	-
Balance as at December 31, 2018	23	4,543	78,046	877	-	83,489
IMPAIRMENT						
Balance as at January 1, 2019						
Impairment allowances						
Balance as at December 31, 2019						
Balance as at January 1, 2018	-	-	-	-	1,186	1,186
Impairment allowances	-	-	-	-	-	-
Balance as at December 31, 2018	-	-	-	-	1,186	-
NET BOOK VALUE						
As at December 31, 2019	45,753	21,652	87,699	358	1,632	157,094
As at December 31, 2018	46,611	24,058	99,314	708	1,667	172,357

This is a free translation from the original Romanian version.

11. PROPERTY, PLANT AND EQUIPMENT (continued)

As at December 31, 2019 the parent company revalued fixed assets in the category of land and buildings through an independent valuer. Further to revaluation, the value of land and buildings decreased by RON 4,561 thousand (the value of lands decreased by RON 129 thousand and the value of buildings and constructions decreased by RON 4,432 thousand). The revaluation differences were registered as follows: the amount of RON (96) thousand in the income statement and the amount of RON 760 thousand as set up of reserves. The difference of RON (5,225) thousand represents the write-off of the depreciation of the assets revalued at December 31, 2019.

In 2019, addition of non-current assets amounted to RON 2.861 thousand (advances and tangible assets in progress are not included) of which to Romcarbon SA the amount of RON 1.409 thousand, to LivingJumbo Industry the amount of RON 1.421 thousand and to RC Energo Install SRL and Infotech Solutions SRL the amount of RON 31 thousand.

In 2019, the Group transferred from property, plant and equipment to assets held for sale a property consisting of plot of land in surface area of 38,235 sq m and building, located in Campia Turzii, Cluj worth RON 2,608 thousand, owned by Livingjumbo Industry SA and a building composed of land with a total area of 12,774 sqm, of which built area of 1,019.30 sqm, located in Stefanestii village below, Ilfov county, owned by Romcarbon SA.

In 2018 addition of non-current assets amounted to RON 10,601 thousand (advances and tangible assets in progress are not included) of which to Romcarbon SA the amount of RON 9,862 thousand, to LivingJumbo Industry SA the amount of RON 615 thousand and to RC Energo Install SRL and Infotech Solutions SRL the amount of RON 123 thousand.

Pledged and restricted tangible assets

ROMCARBON SA

Tangible assets having a net book value of RON 101,999 thousand as at December 31, 2019 (December 31, 2018: RON 117,976 thousand) represent security for loans and credit lines contracted from: BRD GSG SA, UniCredit Bank and EXIMBANK SA. Certain commercial banks have issued letters of guarantee in favor of the company's commercial partners. To issue such letters of guarantee, the Company pledged fixed assets at a net carrying amount of RON 0 at December 31, 2019.

Living Jumbo Industry SA

Tangible assets with a net book value of RON 36,411 thousand as at December 31, 2019 (December 31, 2018: RON 40,414 thousand) consisting of technical installations and equipment represent security for loans and credit lines contracted from BRD GSG and UniCredit Bank SA.

ROMCARBON SA is guarantor in the following loans contracted by Group companies.

Guarantees granted to Livingjumbo Industry SA for the following loans contracted from UniCredit Bank SA:

- investment line in amount of EUR 607 thousand (due in February 2024), *ctr. BUZA/016/2015*, secured by an immovable mortgage of subsequent rank over real estate identified by cadastral no. 67264 (having a total surface area of 10,037 sq m), and cadastral number 54304 (having a total surface area of 16,787 sq m) and movable mortgage over inventories having a minimum value of EUR 2,000 thousand and movable mortgage of subsequent rank over 4 machinery having a market value as per the valuation of January 2019 of EUR 391 thousand and a net book value of RON 1,370 thousands as at December 31, 2019 and a movable mortgage on a collateral of EUR 250 thousand;
- non-binding loan – cash line – in amount of EUR 450 thousand (due in February 2024), *ctr. BUZA/044/2016*, secured by mortgage on tangible assets in the form of inventories at a value of maximum EUR 2,000 thousand;
- investment loan at an initial amount of EUR 4,723 thousand (due in February 2024), *ctr. BUZA/017/2015*, secured by movable mortgage on a collateral in amount of EUR 250 thousand.

11. PROPERTY, PLANT AND EQUIPMENT (continued)

Guarantees granted to RC Energo Install SRL for the following loans contracted from EXIMBANK SA:

- Credit line in amount of RON 1,000 thousand for financing the current activity (due on 14/10/2020), guaranteed by movable mortgage of subsequent rank over the movable asset Coperion line (line for filtering, regrinding and production of compounds in the form of ZSK 70 mc 18 grains), inventory no. 24781, having a market value of EUR 837 thousand as per the valuation of October 2019 and a net carrying amount of RON 3,628 thousand at December 31, 2019;
- Credit for financing the current activity in amount of RON 1,250,000 (due on 14/10/2020), guarantees by movable mortgage of subsequent rank over the movable asset Coperion line (line for filtering, regrinding and production of compounds in the form of ZSK 70 mc 18 grains), inventory no. 24781, having a market value of EUR 837 thousand as per the valuation of October 2019 and a net carrying amount of RON 3,628 thousand at December 31, 2019;

12. GOODWILL

COST	Year ended December 31, 2019	Year ended December 31, 2018
	<i>thousand LEI</i>	<i>thousand LEI</i>
Balance at the beginning of the year	143	143
Additions from acquisition of subsidiaries	-	-
Impairment of goodwill	-	-
Disposals from sale of subsidiaries	-	-
Balance at the end of the year	143	143

According to International Financial Reporting Standards, goodwill is reviewed at the end of each reporting period for any impairment.

On December 30, 2015 the Company acquired Next Eco Reciclyng SRL.

Next Eco Recycling SRL is a company established in 2011 in which Romcarbon SA indirectly holds through LivingJumbo Industry SA 69.30%, the remaining being held by Romanian legal entities. The Company's headquarters is located in Buzau, Str. Transilvaniei, nr. 132. The Company's core object of activity is 8299 – Other business support service activities n.e.c.

Further to the acquisition, the Company registered a goodwill of RON 834 thousand, for which it registered an impairment allowance as at December 31, 2015.

On July 14, 2016 the Group lost control over Next Eco Recycling SRL.

In 2016, the Group established Green Resources Management SRL.

In 2017, the Group yielded control on Green Resources Management SRL.

13. OTHER INTANGIBLE ASSETS

COST	<u>Licenses</u> <i>thousand LEI</i>	<u>Other intangible assets</u> <i>thousand LEI</i>	<u>Intangible assets in progress</u> <i>thousand LEI</i>	<u>Total</u> <i>thousand LEI</i>
Balance as at January 1, 2019	613	1,251	-	1,865
Additions	300	4	308	612
Disposals	11	-	251	262
Balance as at December 31, 2019	902	1,255	57	2,215
Balance as at January 1, 2018	579	1,240	-	1,820
Additions	34	12	-	46
Disposals	-	1	-	1
Balance as at December 31, 2018	613	1,251	-	1,865
ACUMULATED AMORTIZATION	<u>Licenses</u> <i>thousand LEI</i>	<u>Other intangible assets</u> <i>thousand LEI</i>	<u>Total</u> <i>thousand LEI</i>	
Balance as at January 1, 2019	602	1,173	1,774	
Expenses with amortization	59	84	143	
Write-offs on disposal of assets	8	3	11	
Transfer	-	-	-	
Balance as at December 31, 2019	653	1,254	1,907	
Balance as at January 1, 2018	495	1,098	1,593	
Expenses with amortization	107	76	183	
Write-offs on disposal of assets	-	-	-	
Transfer	-	2	2	
Balance as at December 31, 2018	602	1,173	1,774	
NET BOOK VALUE				
As at December 31, 2019	249	1	309	
As at December 31, 2018	12	78	90	

14. OTHER FINANCIAL ASSETS

Details on the Group's associates are as follows:

Name of investment	Core activity	Place of establishment and operations	Ownership interest	
			2019 %	2018 %
Kang Yang Biotechnology Co. Ltd	Manufacture of products beneficial for human health	Taiwan	1.95%	1.95%
Romgreen Universal Ltd	Business and other management consultancy activities, core activity	Cyprus	17.59%	17.59%
"Greenlife" Ecological Association	Non-profit organization	Romania	33.33%	33.33%
Registrul Miorita SA	Insurance related to Shareholders' Registry	Romania	4%	4%
Yenki		Romania	33.34%	33.34%

Changes of investment regarding associates and financial assets

	Year ended December 31, 2019 <i>thousand LEI</i>	Year ended December 31, 2018 <i>thousand LEI</i>
As at January 1	27,103	28,948
Share of profit / loss of associates (Romgreen)	(68)	(1,344)
Additions	-	-
Transfer to other comprehensive income	-	(65)
Loss on retroactive correction of previous year's profit sharing*	-	(240)
Reduction of Romgreen* share premiums	-	-
Net loss on the reduction of partial holdings in Romgreen	-	-
Others	-	-
Total	27,034	27,103

15. INVENTORIES

	Year ended December 31, 2019 <i>thousand LEI</i>	Year ended December 31, 2018 <i>thousand LEI</i>
Raw materials	18,320	16,032
Consumables	5,231	4,404
Items of inventory	106	130
Packaging	301	328
Finished products	10,550	6,831
Production in progress	2,162	1,727
Semi-finished products	6,068	6,140
Residual products	165	593
Commodities	4,662	2,001
Impairment allowances for inventories	(1,637)	(1,637)
Total	45,929	36,548

Inventories cost recognized in the income statement in 2019 amounted to RON 166.870 thousand (RON 155.174 thousand in 2018).

In 2018, the Group's average turnover was 60 days, as compared to 52 days in 2018.

16. TRADE AND OTHER RECEIVABLES

	Year ended December 31, 2019	Year ended December 31, 2018
	<i>thousand LEI</i>	<i>thousand LEI</i>
Trade receivables	35,345	29,942
Allowances for doubtful clients	(2,078)	(1,964)
Advances to suppliers of fixed assets	-	-
Advances to suppliers of inventories	153	34
Advances to services suppliers	479	370
Warranties withheld	195	217
Other receivables	367	1,696
Total	34,461	30,295
	Year ended December 31, 2019	Year ended December 31, 2018
	<i>thousand LEI</i>	<i>thousand LEI</i>
Changes of allowance for doubtful clients		
Balance at the beginning of the year	1,964	2,407
Receivables transferred to expenses during the year	-	-
Decrease of allowance recognized in profit and loss	112	(443)
Balance at the end of the year	2,076	1,964

When determining the recoverability of a receivable, the Group takes into account any change in the receivable's crediting capacity from the date the loan was granted, until the reporting date. The level of credit risk is limited given that the client basis is large and the client portfolio is diverse and clients are independent from each other.

The Company registers adjustments of receivables as per IFRS 9, and specific allowances for doubtful clients.

Therefore, the Group's management considers that there is no need for an additional provision exceeding the allowance for doubtful debts.

16. TRADE AND OTHER RECEIVABLES (continued)

	Not past due	Trade receivables – days past due					Total
		<30	31-60	61-90	91-120	>120	
31/12/2019							
Expected loss rate	0.02%	0.03%	0.10%	0.13%	0.34%	1.67%	
Total gross carrying amount of specific un-provisioned receivables	26,548	3,345	392	233	277	2,426	32,222
		Trade receivables – days past due					
31/12/2018	Not past due	<30	31-60	61-90	91-120	>120	Total
Expected loss rate	0.02%	0.04%	0.21%	1.07%	2.06%	6.46%	
Total gross carrying amount of specific un-provisioned receivables	21,543	3,718	304	404	96	2,422	28,487

This is a free translation from the original Romanian version.

17. OTHER CURRENT ASSETS

	Year ended December 31, 2019	Year ended December 31, 2018
	<i>thousand LEI</i>	<i>thousand LEI</i>
Suppliers-debtors for services	-	-
Pre-paid amounts	1,018	764
Taxes recoverable	454	230
VAT recoverable	-	7
Total	1,472	1,002

18. OTHER CURRENT FINANCIAL ASSETS

	Year ended December 31, 2019	Year ended December 31, 2018
	<i>thousand LEI</i>	<i>thousand LEI</i>
Short term bank-deposits	2.390	-
Total	2.390	2.390

At the date of these situations, Livingjumbo Industry SA had set up a bank deposit to guarantee the credit line contracted with BRD GSG. The amount of this deposit is EUR 500 thousand. The deposit can be unblocked by the bank when the company both individually and together with Romcarbon SA meets the level of the indicators stipulated in the credit agreement; the date on which the indicators will be verified is 31.08.2020. Taking these aspects into account, the deposit was classified according to IAS7 in „Other current financial assets“.

19. ISSUED CAPITAL

	Share capital	
	Year ended December 31, 2019	Year ended December 31, 2018
	<i>thousand LEI</i>	<i>thousand LEI</i>
264,122,096 fully paid ordinary shares (2013: 264,122,096).		
The value of one share is LEI 0.1	26,412	26,412
Inflation effect according to IAS 29	-	-
Total	26,412	26,412

	December 31, 2019		December 31, 2018	
	Number of shares	% ownership	Number of shares	% ownership
Living Plastic Industry SRL	86,774,508	32.85%	86,774,508	32.85%
Unitai International Corporation	615,500	0.23%	615,500	0.23%
Joyful River Limited Loc, Nicosia CYP	54,195,089	20.52%	54,195,089	20.52%
Stichting Bewaarder				
Overlevingsfonds	-	0%	-	0%
BRAICONF SA	-	0%	-	0%
Other legal persons	18,044,842	6.83%	18,422,952	6.98%
Other natural persons	104,492,157	39.56%	104,114,047	39.42%
Total	264,122,096	100%	264,122,096	100%

The main characteristics of the securities issued by the Company: 264,122,096 nominal shares, dematerialized, at nominal value of LEI 0.1.

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20. RESERVES

	Year ended December 31, 2019	Year ended December 31, 2018
	<i>thousand LEI</i>	<i>thousand LEI</i>
Revaluation reserves	38,881	39,752
Reserves from the application of IAS 29 on items of equity	-	-
Translation differences	(1,132)	(1,075)
Total	38,749	38,677

21. RETAINED EARNINGS

	Year ended December 31, 2019	Year ended December 31, 2018
	<i>thousand LEI</i>	<i>thousand LEI</i>
Balance at the beginning of the year	74,357	79,572
Net profit / (net loss) attributable to parent	(2,586)	(4,048)
Write-off of application of IAS 29 on capital accounts	-	-
Reclassification of revaluation reserve to retained earnings	762	806
Corrections of financial assets disposed and repossessed	-	-
Dividends paid	(1,005)	(2,007)
Decrease of minority holding further to the increase of parent's holding	-	-
Other	(217)	35
Balance at the end of the year	71,310	74,357

22. NON-CONTROLLING INTERESTS

	Year ended December 31, 2019	Year ended December 31, 2018
	<i>thousand LEI</i>	<i>thousand LEI</i>
Balance at the beginning of the year	938	1,007
Share of profit / (loss) for the year	(31)	(69)
Share of other items of capital	-	-
Decrease of minority holding further to the increase of parent's holding	-	-
Dissolution of subsidiaries	-	-
Balance at the end of the year	907	939

23. BORROWINGS

Secured borrowings – at amortized cost	Short-term		Long-term	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>
Overdraft and Investment loans	60,411	52,593	23,504	37,241
Lease liabilities	15	14	9	24
Total	60,426	52,607	23,513	37,265

Short-term bank loans	Entity	December 31, 2019	December 31, 2018
		<i>thousand LEI</i>	<i>thousand LEI</i>
Credit line Euro - BRD	Romcarbon	12,088	11,644
	LivingJumbo		
Credit line Euro - BRD	Industry	8,544	8,417
Credit line Euro - UniCredit Tiriac Bank SA	Romcarbon	25,298	20,447
Investment loan Euro-BRD II	Romcarbon	754	736
Investment loan Euro-BRD II	Romcarbon	597	583
Investment loan Euro-BRD I	Romcarbon	-	-
Investment loan in Lei - Eximbank SA	Romcarbon	1,024	1,024
Investment loan in Lei II - Eximbank SA		597	530
Credit line - Eximbank SA	Energoinstall	332	-
Loan for current activity - Eximbank SA	Energoinstall	1,250	-
Investment loan Euro - UniCredit Bank SA - CCE 2015 project	Romcarbon	2,079	2,029
	LivingJumbo		
Investment loan I in Euro - BRD	Industry	514	502
	LivingJumbo		
Investment loan II in Euro - BRD	Industry	59	187
	LivingJumbo		
Investment loan Euro - UniCredit Bank SA	Industry	415	405
Investment loan Euro - UniCredit Bank SA - CCE 2015 Project	LivingJumbo		
	Industry	3,225	3,147
Investment loan I in Lei - UniCredit Bank	Romcarbon	-	500
Investment loan II in Lei - UniCredit Bank	Romcarbon	306	306
Investment loan III in Lei - UniCredit Bank	Romcarbon	540	527
Investment loan IV in Lei - UniCredit Bank	Romcarbon	1,548	1,078
Investment loan V in Lei - UniCredit Bank	Romcarbon	1,241	532
Total		60,411	52,593

23. BORROWINGS (continued)

<u>Long-term bank loans</u>	<u>Entity</u>	<u>Year ended December 31, 2019</u> <i>thousand LEI</i>	<u>Year ended December 31, 2018</u> <i>thousand LEI</i>
Investment loan in Euro Euro-BRD I	Romcarbon	-	-
Investment loan in Euro Euro-BRD II	Romcarbon	1,095	1,651
Investment loan in Euro Euro-BRD III	Romcarbon	817	1,533
Investment loan I in lei - UniCredit Bank	Romcarbon	-	1,790
Investment loan II in lei - UniCredit Bank	Romcarbon	230	536
Investment loan III in lei - UniCredit Bank	Romcarbon	405	922
Investment loan IV in lei - UniCredit Bank	Romcarbon	608	2,156
Investment loan V in lei - UniCredit Bank	Romcarbon	-	1,241
Investment loan in Euro - UniCredit Tiriatic Bank SA - CCE project	Romcarbon	6,822	8,686
Investment loan in Lei - Eximbank SA	Romcarbon	1,536	2,559
Investment loan I in Euro - BRD	LivingJumbo Industry	1,194	1,592
Investment loan II in Euro - BRD	LivingJumbo Industry	814	1,297
Investment loan in Euro - UniCredit Tiriatic	LivingJumbo Industry	49	31
Investment loan in Euro - UniCredit Tiriatic Bank SA - CCE 2015 project	LivingJumbo Industry	9,268	12,192
Credit investitii Euro - UniCredit Tiriatic Bank SA - Proiect CCE 2015	LivingJumbo Industry	666	1,054
Total		23,504	37,241

According to the existing loan contracts, the parent is subject to certain restrictive conditions. Such conditions require the parent, inter alia, to maintain certain financial covenants including the DSCR ratio, total financial liabilities/ EBITDA, financial liabilities, current liquidity and net financial assets to equity.

In the loan contracts, the parent must reach a certain level of the financial covenants, severally and/or together with Livingjumbo Industry SA.

As at December 31, 2019 the parent company did not meet covenant "Total net financial liabilities/EBITDA" either separately, or jointly with Livingjumbo Industry SA, fulfilling covenant "Coverage of debt service" separately, but not together with Livingjumbo Industry SA. In this respect, both the parent and Livingjumbo Industry SA obtained as at the approval date of the financial statements a letter from the bank stipulating that the contractual provisions were not breached and the bank would not demand the early repayment of the loans made available.

23. BORROWINGS (continued)

As at December 31, 2019, the Group had more loans contracted from various banks, the most important of which are presented below.

Romcarbon SA loans

a) credit line contracted from UniCredit Bank SA in amount of EUR 5,450,000 (contract BUZA/014/2012)

- Outstanding amount as at December 31, 2019: lei 25,297,660 (equivalent of EUR 5,293,173)
- Due on: April 10, 2020
- Securities:
 1. Mortgage on the following immovable assets (land + constructions), identified as follows:
 - cadastral no. 67264 (having a total surface area of 10,037 sq m) located at Str. Transilvaniei, 132, Buzău;
 - cadastral no. 54304 (having a total surface area of 16,787 sq m) located at Str. Transilvaniei, 132, Buzău;
 - cadastral no. 67301, having a surface area of 3,348 sq m, resulting from joining cadastral no. 64699, having a surface area of 3,308 sq m with cadastral no. 67265 having a total surface area of 40 sq m) located at Str. Transilvaniei, 132, Buzău;
 - cadastral no. 64371, having a total surface area of 22,830 sq m, resulting from the division of the area holding cadastral no. 54553, formerly 18335 (having a total surface area of 23.451 sq m) located at Str. Transilvaniei, 132, Buzău;
 - cadastral no. 52784, formerly 344/1/5 (having a total surface area of 7,659 sq m) located at Str. Transilvaniei, 132, Buzău;
 - cadastral no. 52768, formerly 344/1/7 (having a total surface area of 10,191 sq m) located at Str. Transilvaniei, 132, Buzău;
 - cadastral no. 54575, formerly 344/1/1 (having a total surface area of 9,814 sq m) located at Str. Transilvaniei, 132, Buzău;
 2. Mortgage over the credit balance of the accounts in RON or foreign currency opened by S.C. Romcarbon S.A. with UniCredit Bank – Buzău Branch;
 3. Mortgage over the credit balance in lei or foreign currency opened by Livingjumbo Industry SA with UniCredit Bank Suc. Buzau;
 4. Mortgage over the monetary receivables and accessories thereto from current and prospective contracts and/or the firm orders and/or invoices executed/issued by ROMCARBON SA with its clients, in their capacity of assigned debtors, with possibility of sending accepted or non-accepted notices to assigned debtors in accordance with the negotiations held with the Bank;

Currently, the following debtors are notified: LivingJumbo Industry SA, P.H. Bratpol Poland, Yugosac D.O.O.Serbia, KASAKROM Chemicals SRL Bucharest, Arpa SA Logistics Greece, Metro Cash & Carry Romania SRL, Comandor Impex SRL Focșani, Auchan Romania SA, Snick Ambalaje si Consumabile Magura BZ, Carrefour Romania SA, Horeca Distribution SRL Bucharest, V&T Trade Ltd Sofia Bulgaria.

The list will be supplemented/revised by inclusion / exclusion of new data.

5. Mortgage over movable assets in the form of inventory having a minimum value of EUR 2,000,000;
6. Real estate mortgage of subsequent rank over 4 machinery with a market value as per the valuation of January 2019 EUR 390,500 and a net book value of lei 1,369,682 as at December 31, 2019.
7. Blank promissory note, with the mention "No Protest";
8. LivingJumbo Industry SA as co-borrower;
9. Mortgage over a collateral deposit in amount of euro 250,000 established by Romcarbon SA.

23. BORROWINGS (continued)

b) credit facility contracted from BRD GSG in amount of EUR 2,550,000 (contract 134/11.05.2007)

- Outstanding amount as at December 31, 2019: lei 12,088,156 (equivalent of EUR 2,529,273)
- Due on: October 29, 2020
- Type and limit of facilities:
 - sub-limit of credit line facility: euro 2,550,000;
 - sub-limit of bank letters of guarantee: euro 500,000;
 - sub-limit of facility of letters of credit: euro 500,000.
- Securities:
 1. Security interest in real estate over immovable assets (land + constructions) bearing the following cadastral numbers:
 - 61094 (344/1/6) having a total surface area of 8,922 sq m, 52789 (344/1/8) having a total surface area of 17,922 sq m, 65873 (344/1/9) having a total surface area of 5,950sq m, 52777 (344/1/10) having a total surface area of 3,720 sq m, 52808 (344/1/11/1) having a total surface area of 4,561 sq m located at Strada Transilvaniei, nr. 132, Buzău.
 2. Mortgage without dispossession over 31 machinery with a net book value of lei 77,462 as at December 31, 2019;
 3. Mortgage over the credit balance of the accounts opened by Romcarbon SA with BRD GSG - Buzău Branch;
 4. Mortgage over receivables with a minimum balance of 30% of the credit balance, resulting from the commercial contracts concluded with its partners: DUCTIL SA, DEDEMAN SRL, NENEA SRL, AGRANA ROMANIA SRL, ROMANIA HYPERMARCHE SA, HITEXIM SRL, MAGIC SERV SRL, SAPTE SPICE SA, ROCA OBIECTE SANITARE, GD AGRO COM SRL, M&V SRL, AUTONET IMPORT SRL, SUBANSAMBLE AUTO SA, FABRYO CORPORATION SRL.

As at December 31, 2019 the Company contracted the following long-term loans:

c) Investment loan II in amount of EUR 1,000,000 (withdrawn in part) contracted from BRD GSG (contract 148007/9022/03.11.2014):

- Outstanding amount as at December 31, 2019: lei 1,692,048 (equivalent of EUR 354,037)
- Due on: 03.09.2022
- Securities:
 1. Mortgage over the credit balance of present and prospective accounts/sub-accounts in lei and foreign currency opened by Romcarbon SA with BRD GSG – Buzău Branch;
 2. Mortgage over the credit balance of present and future accounts/sub-accounts in lei and foreign currency opened by LivingJumbo Industry SA, as co-debtor, with BRD GSG – Buzău Branch;
 3. Mortgage without dispossession over 4 machinery having a net book value of lei 3,017,948 as at December 31, 2019;

d) Investment loan III in amount of EUR 3,153,160 contracted from BRD GSG (contract 150819/9022/19.12.2014)

- Outstanding amount as at December 31, 2019: lei 1,570,881 (equivalent of EUR 328,684)
- Due on: 03.02.2022
- Securities:

23. BORROWINGS (continued)

1. Mortgage over the credit balance of present and future accounts/sub-accounts in lei and foreign currency opened by S.C. Romcarbon S.A. with BRD GSG – Buzău Branch;
2. Mortgage over the credit balance of present and future accounts/sub-accounts in lei and foreign currency opened by S.C. LivingJumbo Industry S.A, as co-debtor, with BRD GSG – Buzău Branch;
3. First rank mortgage over real estate having a total surface area of 35,159 sq m, identified by the following cadastral numbers: 65984 with a surface area of 17,373 sq m, 54582 with a surface area of 4,108 sq m and 64815 with a surface area of 13,678 sq m;

e) Investment loan for the purchase of equipment and financing and re-financing of construction and fit-out works of shop floors in amount of lei 6,142,500 contracted from Banca de Export-Import a Romaniei Eximbank SA (contract 1-ABZ/21.07.2015)

- Outstanding amount as at December 31, 2019: lei 2,559,375
- Due on: 20.06.2022
- Securities:
 1. Mortgage over real estate having a total surface area of **23,001 sq m**, identified by the following cadastral numbers: 52853 with a surface area of 1,323 sq m, 52837 with a surface area of 1,907 sq m, 54576 with a surface area of 380 sq m, 54588 with a surface area of 4,882 sq m, 54558 with a surface area of 152 sq m, 54430 with a surface area of 1,320 sq m, 60631 with a surface area of 911 sq m, 64035 with a surface area of 601 sq m, and 56197 with a surface area of 11,525 sq m;
 2. Mortgage without dispossession over 2 machinery having a market value of EUR 742,390 as per the valuation of May 2019 and July 2019 and a net book value of lei 3,585,257 as at December 31, 2019;
 3. Mortgage over current accounts in lei and foreign currency opened with EximBank SA by Romcarbon SA;
 4. Blank promissory note, with the mention "No Protest".

f) Investment loan to co-fund project "Development of Romcarbon SA" worth EUR 2,967,420 contracted from UniCredit Bank SA (contract BUZA/010/2015)

- Outstanding amount as at December 31, 2019: lei 8,901,063 (equivalent of EUR 1,862,420)
- Due on: 04.12.2023
- Securities:
 1. Mortgage over the goods purchased in project "Development of Romcarbon SA", having a market value as per the valuation of May 2019 of EUR 4,475,100 and a net book value of lei 22,724,601 as at December 31, 2019;
 2. Mortgage over all the future accounts/sub-accounts opened by Romcarbon SA with UniCredit Bank SA;
 3. Mortgage over a collateral deposit in amount of euro 250,000 established by Romcarbon SA.

23. BORROWINGS (continued)

g) Investment loan II in amount of lei 2,500,000 contracted from UniCredit Bank SA for the co-financing of the 2016 investment plan (contract BUZA/023/2016)

- Outstanding amount as at December 31, 2019: lei 535,961
- Due on: 19.09.2021
- Securities:
 1. Immovable property mortgage over real estate identified by cadastral number 67264 ((in total surface area of 10,037 sq m) located at Str. Transilvaniei, 132, Buzau;
 2. Immovable property mortgage over real estate identified by cadastral number 54304 ((in total surface area of 16.787 mp) located at Str. Transilvaniei, 132, Buzau;
 3. Movable property mortgage over the movable assets in the form of inventory having a minimum value of EUR 2,000,000;
 4. Movable property mortgage of subsequent rank over 4 machinery with a market value as per the valuation of January 2019 of EUR 390,500 and a net book value of lei 1,369,682 as at December 31, 2019;
 5. Movable property mortgage over 3 pieces of machinery having a market value as per the valuation of September 2019 of euro 642,600 and a net carrying amount of lei 3,105,476 at December 31, 2019;
 6. Movable property mortgage over all the present and future accounts and sub-accounts opened by Romcarbon SA with UniCredit Bank SA;
 7. Mortgage over a collateral deposit in amount of euro 250,000 established by Romcarbon SA.

h) Investment loan III in amount of lei 442,500 from UniCredit Bank SA to co-fund the 2016 investment plan (contract BUZA/024/2016)

- Outstanding amount as at December 31, 2019: lei 945,179 (equivalent of EUR 197,765)
- Due on: 19.09.2021
- Securities:
 1. Immovable property mortgage over real estate identified by cadastral no. 67264 (in total surface area of 16,787 sq m) located at Str. Transilvaniei, 132, Buzau;
 2. Immovable property mortgage over real estate identified by cadastral no. 54304 (in total surface area of 8,103 sq m) at a net book value of lei 3,059,838 as at December 31, 2017;
 3. Movable property mortgage over the movable assets in the form of inventory having a minimum value of EUR 2,000,000;
 4. Movable property mortgage of subsequent rank over 4 machinery with a market value as per the valuation of January 2019 of EUR 390,500 and a net book value of lei 1,369,682 as at December 31, 2019;
 5. Movable property mortgage over 3 pieces of machinery having a market value as per the valuation of September 2019 of euro 642,600 and a net carrying amount of lei 3,105,476 at December 31, 2019;
 6. Movable property mortgage over all the present and future accounts and sub-accounts opened by Romcarbon SA with UniCredit Bank SA;
 7. Mortgage over a collateral deposit in amount of euro 250,000 established by Romcarbon SA.

23. BORROWINGS (continued)

i) Investment loan IV in amount of lei 5,400,000 from UniCredit Bank SA to refinance self-funded investments in 2016 (contract BUZA/038/2016)

- Outstanding amount as at December 31, 2019: lei 2,155,758
- Due on: 01.12.2021
- Securities:
 1. Movable property mortgage over 35 machinery with a market value as per the valuation of October 2019 of EUR 775,100 and a net book value of lei 1,778,474 as at December 31, 2019;
 2. Immovable property mortgage over real estate identified by cadastral no. 67264 (in total surface area of 10,037 sq m) located at Str. Transilvaniei, 132, Buzau;
 3. Immovable property mortgage over real estate identified by cadastral no. 54304 (in total surface area of 16,787 sq m) located at Str. Transilvaniei, 132, Buzau;
 4. Immovable property mortgage over real estate located in Stefanestii de jos, Str. Sinaia nr. 15, Ilfov, identified by cadastral/topographic no. 50009, in total surface area of 12,774 sq m;
 5. Movable property mortgage over the movable assets in the form of inventory having a minimum value of EUR 2,000,000;
 6. Movable property mortgage of subsequent rank over 4 machinery with a market value as per the valuation of January 2019 of EUR 390,500 and a net book value of lei 1,369,682 as at December 31, 2019;
 7. Movable property mortgage over all the present and future accounts and sub-accounts opened by Romcarbon SA with UniCredit Bank SA;
 8. Mortgage over a collateral deposit in amount of euro 250,000 established by Romcarbon SA.

j) Investment loan V in amount of lei 2,250,000 from UniCredit Bank SA to refinance self-funded investments in 2016 (contract BUZA/004/2017)

- Outstanding amount as at December 31, 2019: lei 1,241,212
- Due on: 06.04.2022
- Securities:
 1. Movable property mortgage over the following immovable assets (land and buildings), identified as follows:
 - cadastral no. 67301 in surface area of 3,348 sq m resulting from joining cadastral no. 64699 in surface area of 3,308 sq m to cadastral no. 67265 in surface area of 40 sq m, located at Str. Transilvaniei, 132, Buzau;
 - cadastral no. 64371 in total surface area of 22,830 sq m resulting from the division of cadastral no. 54553 formerly 18335 (in total surface area of 23,451 sq m) located at Str. Transilvaniei, 132, Buzau;
 - cadastral no. 54575 formerly 344/1/1 (in total surface area of 9,814 sq m) located at Str. Transilvaniei, 132, Buzau;
 - cadastral no. 67264 (in total surface area of 10,037 sq m) located at Str. Transilvaniei, 132, Buzau;
 - cadastral no. 54304 (in total surface area of 16,787 sq m) located at Str. Transilvaniei, 132, Buzau.
 2. Mortgage over the credit balance of the accounts in RON or foreign currency opened by Romcarbon SA with UniCredit Bank – Buzău Branch;
 3. Movable property mortgage over 3 pieces of machinery having a market value as per the valuation of July 2019 of EUR 112,300 and a net carrying amount of lei 464,779 at December 31, 2019;

23. BORROWINGS (continued)

j) *Investment loan V in amount of lei 2,250,000 from UniCredit Bank SA to refinance self-funded investments in 2016 (contract BUZA/004/2017) (continued)*

1. Mortgage over movable assets in the form of inventory having a minimum value of EUR 2,000,000;
2. Movable property mortgage of subsequent rank over 4 machinery with a market value as per the valuation of January 2019 of EUR 390,500 and a net book value of lei 1,369,682 as at December 31, 2019;
3. Blank promissory note, with the mention "No Protest";
4. LivingJumbo Industry SA as guarantor.

k) *Investment loan II in amount of lei 2,432,500 to finance and re-finance objectives included in the 2017 investment plan contracted from Banca de Export-Import a Romaniei Eximbank SA (contract 7-ABZ/18.12.2017)*

- Outstanding amount as at December 31, 2019: lei 1,790,498
- Due on: 16.12.2022
- Securities:
 1. Mortgage of subsequent rank over equipment (PE plastic film washing, sorting and grinding line) with a market value of EUR 587,700 as per the valuation report of May 2019 and a net book value of lei 2,763,904 as at December 31, 2019;
 2. Mortgage without dispossession over an equipment (filtering line, grinding and production of compounds in the form of grains) with a market value of EUR 836,500 as per the valuation report of October 2019 and a net book value of lei 3,628,403 as at December 31, 2019;
 3. Mortgage without dispossession over 3 forklifts with a market value of EUR 47,400 as per the valuation of October 2019 and a net book value of lei 233,065 as at December 31, 2019;
 4. Immovable mortgage without dispossession over 9 machinery purchased under this project with a market value of EUR 115,300 as per the valuations of May 2019 and October 2019 and a net book value of lei 589,811 as at December 31, 2019;
 5. First rank mortgage over present and future receivables arising from the commercial relationship with Toro Manufacturing and Sales SRL;
 6. Mortgage over current accounts in lei and foreign currency opened with EximBank SA by Romcarbon SA;
 7. Blank promissory note, with the mention "No Protest".

23. BORROWINGS (continued)

I. Line of letters of guarantee

Line of letters of guarantee contracted from UniCredit Bank SA Buzau Branch, in amount of lei 500,000 (contract BUZA/002/2009).

- Due date: 01.07.2022
- Guarantees:
 1. Movable asset mortgage over two pieces of production equipment: extruder PP line (inventory no. 24078) with a market value of euro 44,400 at April 22, 2019 and a net carrying amount of lei 0 at February 28, 2019 and a floexographic printing machine (inventory no. 24075) with a market value of euro 22,700 at April 22, 2019 and a net carrying amount of lei 0 at February 28, 2019.
 2. Movable property mortgage over all the present and future accounts and sub-accounts opened by Romcarbon SA with UniCredit Bank SA Buzau Branch in lei and in foreign currency.

II. Treasury line

Non-binding loan – treasury line - in amount of eur 300,000, contracted from UniCredit Bank SA (contract BUZA/15/2016) to hedge against interest rate risk caused by loan agreement BUZA/010/2015.

- Due date: 15.02.2024
- Guarantees:
 1. Movable property mortgage over the movable assets in the form of inventory having a minimum value of EUR 2,000,000;
 2. Movable property mortgage over all the present and future accounts and sub-accounts opened by Romcarbon SA with UniCredit Bank SA Buzau Branch in lei and in foreign currency.

III. Guarantees granted for loans contracted by Group companies

LivingJumbo Industry SA loans

a) Credit line contracted from BRD GSG within the limit of EUR 2,000,000

- Outstanding amount as at December 31, 2019: lei 8,543,622 (equivalent of EUR 1,787,628)
- Due on: October 24, 2020
- Securities:
 1. Mortgage without dispossession over the machinery belonging to the company estimated at a market value of EUR 800,150;
 2. Mortgage over the credit balance of the accounts in RON or foreign currency opened by LIVINGJUMBO INDUSTRY SA with BRD-GSG – Buzău Branch;
 3. Assignment of amounts received out of the commercial contracts concluded with clients in amount of minimum EUR 7,000,000;
 4. Mortgage over all the stocks of raw materials, consumables, semi-finished goods, finished goods, etc., property of LivingJumbo Industry SA, located in the production facilities in Buzau, str. Transilvaniei nr. 132, Buzau county, at a minimum value of EUR 720,000;
 5. Mortgage over EUR 500,000 blocked in the borrower's account.

23. BORROWINGS (continued)

LivingJumbo Industry SA loans (continued)

b) Long-term loan contracted from BRD GSG at an initial value of EUR 645,000 (partly contracted)

- Outstanding amount as at December 31, 2019: LEI 1,328,913 (equivalent of EUR 278,056)
- Due on: July 7, 2022
- Securities:
 1. Mortgage without dispossession over the machinery forming the object of the investment.
 2. Mortgage over the credit balance of the accounts opened in LEI or foreign currency by S.C. LIVING JUMBO INDUSTRY S.A. with BRD-GSG - Buzău Branch.

c) Long-term loan contracted from UniCredit Bank SA at an initial value of EUR 607,200 (partly contracted)

- Outstanding amount as at December 31, 2019: Lei 1,080,466 (equivalent of EUR 226,072)
- Due on: February 15, 2024
- Securities:
 1. Immovable property mortgage of subsequent rank over real estate property of Romcarbon SA identified by cadastral no. 67264 (in surface area of 10,037 sq m) and cadastral no. 54304 (in surface area of 16,787 sq m);
 2. Movable property mortgage over the movable assets in the form of inventory property of Romcarbon SA, having a minimum value of EUR 2,000,000;
 3. Movable property mortgage of subsequent rank over 4 machinery with a market value as per the valuation of January 2018 of EUR 390,500 and a net book value of lei 1,663,971 as at June 30, 2019;
 4. Mortgage over the accounts opened in LEI and foreign currency with UniCredit Bank SA.

d) Long-term loan contracted from UniCredit Bank SA to co-fund investment project "Development of S.C. LIVINGJUMBO INDUSTRY S.A. through the purchase of new equipment" at an initial value of EUR 4,723,205 (partly contracted)

- Outstanding amount as at December 31, 2019: Lei 12,493,300 (equivalent of EUR 2,614,044)
- Due on: February 15, 2024
- Securities:
 1. The machinery funded, the estimated value, without VAT, EUR 8,867,855; the assignment of the insurance policy of the machinery purchased out of the loan to UniCredit Bank SA, which will be the sole beneficiary of the policy;
 2. Mortgage over the accounts and sub-accounts opened in LEI and foreign currency with UniCredit Bank SA.

e) Long-term loan contracted from BRD GSG at an initial value of EUR 160,000 (partly contracted)

- Outstanding amount as at December 31, 2019: LEI 108,844 (equivalent of EUR 22,774)
- Due on: November 1, 2021
- Securities:
 1. Mortgage without dispossession over the machinery forming the object of the investment.
 2. Mortgage over the credit balance of the accounts opened in LEI and foreign currency by LIVING JUMBO INDUSTRY SA with BRD-GSG – Buzău Branch

23. BORROWINGS (continued)

Energo Install SRL loans

a) Credit line in amount of lei 1,000,000 to finance the current operations, contracted from Banca de Export-Import a Romaniei Eximbank SA (partly binding)

- Outstanding amount as at December 31, 2019: LEI 331,914
- Due on: October 14, 2020
- Securities:
 1. Guarantee issued by EximBank SA in the name and on account of the State, in amount of LEI 500,000, representing 70% of the exposure value;
 2. Movable property mortgage over 8 equipment and machinery with a book value of LEI 424,458;
 3. Mortgage over current and future accounts in lei and foreign currency opened RC Energo Install SRL with Exim Bank;
 4. Movable property mortgage over all of the receivables, except Greentech, Greenfiber International and Greenweee International SA;
 5. Blank promissory note, with the mention "No Protest";
 6. Movable mortgage over the movable asset Coperion line (line for filtering, regrinding and production of compounds in the form of ZSK 70 mc 18 grains), inventory no. 24781, property of Romcarbon SA.

Credit in amount of lei 1,500,000 to finance the current activity, contracted from Banca de Export-Import a Romaniei Eximbank SA

- Balance at December 31, 2019: lei 1,250,000
- Due date: 28.08.2020.
- Securities:
 1. Movable property mortgage over 8 equipment and machinery with a book value of lei 424,458 at December 31, 2019;
 2. Mortgage over current and future accounts in lei and foreign currency opened RC Energo Install SRL with Exim Bank;
 3. Movable mortgage over the movable asset Coperion line (line for filtering, regrinding and production of compounds in the form of ZSK 70 mc 18 grains), inventory no. 24781, property of Romcarbon SA;
 4. Movable property mortgage over all of the receivables, except Greentech, Greenfiber International and Greenweee International SA;
 5. Blank promissory note, with the mention "No Protest"

24. OTHER CURRENT LIABILITIES

	Current	
	December 31, 2019	December 31, 2018
	<i>thousand LEI</i>	<i>thousand LEI</i>
Liabilities to employees	1,834	1,718
Liabilities related social contributions	1,363	1,415
VAT payable	304	707
Income tax	119	31
Tax on salaries	319	289
Other taxes payable	427	122
Other non-trade liabilities	-	-
Interest payable	-	-
Total	4,365	4,282

25. TRADE AND OTHER LIABILITIES

	December 31, 2019	December 31, 2018
	<i>thousand LEI</i>	<i>thousand LEI</i>
Trade liabilities	30,133	30,244
Suppliers invoices not received	636	683
Advances to clients	2,536	699
Sundry creditors (a)	1,925	2,727
Total	35,231	34,353

In 2019, sundry debtors include RON 1,584 thousand, which represents borrowings from natural person shareholders, which will be repaid in 2019 (see note 28).

26. FINANCE LEASE LIABILITIES

Lease contracts

Finance leases refer to vehicles leased for 5-6 years' term. The Group has the option to purchase the equipment for a nominal amount at the end of the contractual terms. The Group's finance lease obligations are secured by the lessee's ownership right over the assets.

26. FINANCE LEASE LIABILITIES (continued)

Finance lease liabilities

	Minimum lease payments		Present value of minimum lease payments	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>
Present value of finance lease payments				
Amounts due within one year	16	14	16	14
More than one year, but less than 5 years	9	24	9	24
Total lease liabilities	25	38	25	38
Less future finance expenses		-		-
Present value of finance lease payments		-		-
Included in the financial statements as:				
Short-term borrowings		-		-
Long-term borrowings		-		-

27. DEFERED INCOME

As at December 31, 2017 the value of investment subsidies received from the Group amounts to LEI 35,232 thousand, as follows:

Romcarbon SA:	LEI 19,940 thousand
LivingJumbo Industry SA:	LEI 15,259 thousand
PROJECT ADVISE SRL:	LEI 33 thousand

Non-refundable amounts in the form of investment subsidies are transferred to income together with the monthly amortization.

As at December 31, 2018 the value of investment subsidies received from the Group amounts to LEI 31,250 thousand, as follows:

Romcarbon SA:	LEI 17,676 thousand
LivingJumbo Industry SA:	LEI 13,574 thousand
PROJECT ADVISE SRL:	LEI 0 thousand

As at December 31, 2019 the value of investment subsidies received from the Group amounts to LEI 27,289 thousand, as follows:

Romcarbon SA:	LEI 15,401 thousand
LivingJumbo Industry SA:	LEI 11,887 thousand
PROJECT ADVISE SRL:	LEI 0 thousand

28. FINANCIAL INSTRUMENTS

(b) Capital risk management

The Group manages its capital to ensure that Group entities will be able to continue as a going concern while maximizing revenues for shareholders, by optimizing the debt and equity balance.

The Company's capital consists of liabilities, which include the borrowings presented in note 22, cash and cash equivalent and equity attributable to the company. Equity comprises the share capital, reserves and retained earnings as presented in notes 18, 19 and 20.

The management of the Group's risk also consists in a regular review of the capital structure. As part of this review, the management takes into account the cost of capital and risks associated with each class of capital. Based on the management's recommendations, the Group will balance the general structure of its capital by dividend payment, issuance of new shares and redemption of shares, as well as by contracting new debts or settling existing debts.

(b) Main accounting policies

Details of the main accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2 to the financial statements.

(c) Objectives of financial risk management

The Group's treasury function supplies services necessary to the business, coordinates access to national and international financial market, monitors and manages financial risk related to the Group's operations through reports on internal risks, analysing exposure by the degree and extent of risks. Such risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

(d) Market risk

The Group's activities expose it firstly to financial risks regarding the fluctuation of the foreign exchange rate (see (e) below) and interest rate (see (f) below).

There has been no change in the Group's exposure to market risks or in the manner the Group manages and measures risks.

(e) Currency risk management

The Group undertakes transactions denominated in various foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policies.

(f) Interest rate risk management

The Group is exposed to interest rate risk given that Group entities borrow funds both at fixed and at variable interest. The risk is managed by the Group by maintaining a balance between fixed rate and variable rate borrowings.

The Group's exposures to interest rates over financial assets are presented in the section regarding liquidity risk management under this note.

28. FINANCIAL INSTRUMENTS (continued)

(g) Other risks regarding prices

The Group is exposed to risks related to equity, arising from equity investments. Equity investments are held for strategic purposes rather than commercial purposes. The Group does not actively trade such investments.

(h) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The management monitors the Group's exposure and the credit ratings of its contractual counterparties.

Trade receivables consist of a large number of clients from various industries and geographical areas. Credits are constantly assessed as regards the clients' financial status and, if applicable, credit insurance is concluded.

The Group does not have any significant credit risk exposure towards any counterparty or any group of similar counterparties. The Group defines counterparties as having similar characteristics when they are related entities. At no time during the year has the credit risk percentage exceeded 5% of the gross monetary assets.

(i) Liquidity risk management

The ultimate responsibility for liquidity risk management rests with the Board of Administration, which has built a proper liquidity risk management framework regarding the Group funds' short, medium and long term insurance and the liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, backup banking facilities and loan facilities, by continually monitoring cash flows and matching the maturity profiles of financial assets and liabilities. Note 32 includes a list of additional facilities not drawn, available to the Group in order to further mitigate liquidity risk.

(j) Fair value of financial instruments

The fair values of financial assets and liabilities are determined as follows:

- the fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined by reference to quoted market prices;
- the fair value of other financial assets and liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The financial statements include unlisted share holdings, measured at fair value. The best estimate for fair value is determined using the historical cost of shares.

The financial instruments in the balance sheet include trade receivables and other receivables, cash and cash equivalents, short and long term borrowings and other liabilities. The estimated fair values of such instruments approximate their carrying values. The carrying values represent the Group's maximum exposure to credit risks related to existing receivables.

28. FINANCIAL INSTRUMENTS (continued)

The carrying values of the Group's currencies expressed in monetary assets and liabilities as at the reporting date are as follows:

	EUR 1 EUR = LEI 4.7793 <i>thousand LEI</i>	USD 1 USD = LEI 4.2608 <i>thousand LEI</i>	Leu 1 LEI <i>thousand LEI</i>	31-Dec-2019 Total <i>thousand LEI</i>
2019				
Cash and cash equivalents	2,073	154	7,537	9,764
Receivables and other current assets	9,618	-	24,843	34,461
Other current assets	244	41	1,188	1,472
LIABILITIES				
Trade and other liabilities	8,500	89	26,643	35,231
Other current liabilities	-	-	4,365	4,365
Short and long-term borrowings	74,050	-	9,865	83,915
Short and long-term finance lease liabilities	31	-	-	31
2018				
	EUR 1 EUR = LEI 4.6639 <i>thousand LEI</i>	USD 1 USD = LEI 4.0736 <i>thousand LEI</i>	Leu 1 LEI <i>thousand LEI</i>	31-Dec-2018 Total <i>thousand LEI</i>
Cash and cash equivalents	22	131	9,638	9,791
Receivables and other current assets	4,265	227	25,802	30,295
Other current assets	-	-	1,002	1,002
LIABILITIES				
Trade and other liabilities	5,609	6	28,738	34,353
Other current liabilities	-	-	4,282	4,282
Short and long-term borrowings	75,989	-	13,844	89,834
Short and long-term finance lease liabilities	38	-	-	38

This is a free translation from the original Romanian version.

28. FINANCIAL INSTRUMENTS (continued)

The Group is mainly exposed to EUR and USD exchange rates. The following table details the Group's sensitivity to a 10% increase and decrease in the LEI against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to top management and represents management's estimate of the reasonably possible changes in foreign exchange rates. The vulnerability analysis includes only outstanding foreign currency denominated in monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. In the following table, a negative number below indicates a decrease in profit, whereas the LEI weaken 10% against the EUR/USD. For a 10% strengthening of the LEI against the EUR/USD, there would be an equal and opposite impact on the profit and other equity, and the balances below will be positive. Changes will be attributable to the exposure related to EUR borrowings at the end of the year.

	December 31, 2019	December 31, 2018
	<i>thousand LEI</i>	<i>thousand LEI</i>
Loss	(7,546)	(8,733)

Tables regarding liquidity and interest rate risks

The following tables present the maturity terms of the Group's financial liabilities.

The tables have been prepared based on the cash flows, not current, of the financial liabilities on the nearest date when the Group is likely to be claimed payment. The table includes both interest and cash flows related to principal.

2019	Less than 1 year	1-2 years	2-5 years	Total
	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>
Non-interest bearing				
Trade liabilities and other	35,231	-	-	35,231
current liabilities	4,365	-	-	4,365
Interest bearing instruments				
Short and long-term borrowings	-	-	-	-
Short and long-term leases	60,411	18,201	5,483	83,915
Non-interest bearing				
Cash and cash equivalents	9,764	-	-	9,764
Receivables and other current assets	34,461	-	-	34,461
2018	Less than 1 year	1-2 years	2-5 years	Total
	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>
Non-interest bearing				
Trade liabilities and other	34,353	-	-	34,353
current liabilities	4,282	-	-	4,282
Interest bearing instruments				
Short and long-term borrowings	52,593	23,619	13,622	89,834
Short and long-term leases	14	14	10	38
Non-interest bearing				
Cash and cash equivalents	9,791	-	-	9,791
Receivables and other current assets	31,297	-	-	31,297

28. FINANCIAL INSTRUMENTS (continued)

The table below present the credit limit and the balance of 10 major counterparties as at the date of the balance sheet, in LEI:

<u>Company</u>	<u>Counterparty</u>	<u>Turnover 2019</u>	<u>Value of receivable as at 31.12.2019</u>	<u>Credit limit</u>	<u>Credit in days</u>
Romcarbon SA	KASAKROM CHEMICALS SRL	11,327	490	NO	47
Romcarbon SA	DEDEMAN SRL BACAU	8,068	1,980	NO	90
Romcarbon SA	COMANDOR IMPEX SRL FOCSANI PH BRATPOL JERZY BRATKOWSKI	4,778	374	NO	17
Romcarbon SA	POLONIA - EUR	4,346	918	NO	75
Romcarbon SA	GREENFIBER INTERNATIONAL SA	4,311	821	NO	60
LivingJumbo Industry SA	POLIMERO Bulgaria	6,024	-	NO	35
LivingJumbo Industry SA	Carlestam Poland Sp. z o.o.	5,992	739	NO	60
LivingJumbo Industry SA	BAOBAG France	5,387	493	NO	60
LivingJumbo Industry SA	MICRO GRUP BUSINESS SOLUTION SRL	4,992	2,104	NO	90
LivingJumbo Industry SA	EXPERGO BUSINESS NETWORK SRL	4,037	437	NO	60

29. RELATED PARTY TRANSACTIONS

The transactions among the Parent and its subsidiaries – Group’s related parties – were eliminated from the consolidation and are not presented under this note. Companies and individuals may be deemed related parties if one party holds control or exercises significant influence over the other party.

Indemnities granted to top management

The remuneration of managers and other top management members was the following:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
	<i>thousand LEI</i>	<i>thousand LEI</i>
Executive management salaries	4,293	4,197
Benefits for Board of Administration	313	378
Total	4,606	4,575

The remuneration of managers and executive personnel is determined by the shareholders, depending on individual performances and market conditions.

Shareholder borrowings	<u>December 31, 2019</u>	<u>December 31, 2018</u>
	<i>thousand LEI</i>	<i>thousand LEI</i>
WU HUI TZU (Living Jumbo Industry SA)	18	18
LIVING PLASTTIC INDUSTRY SRL (Livingjumbo Industry SA)	1,350	1,454
WINPACK INDUSTRY (Eco Pack Management SRL)	216	202
Total	1,584	1,674

29. RELATED PARTY TRANSACTIONS (continued)

Related party transactions

(all amounts are expressed in thousand LEI)

	Sales of goods and services		Purchases of goods and services		Receivables from related parties		Payables to related parties	
	12 months 2019	12 months 2018	12 months 2019	12 months 2018	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Greenfiber International SA	5,021	6,268	7,501	7,199	872	951	8	1,402
GREENTEH DOO SERBIA	218	275	-	7	34	66	-	-
Greenglass Recycling SA	-	-	-	-	-	-	-	-
Greentech sa	-	3,478	-	1,266	-	43	-	15
Total Waste Management	2,583	248	126	4	62	170	35	-
Greenweee International SA	54	490	-	174	-	132	22	47
Greenlamp Reciclare SA	1,043	1	403	-	12	-	67	-
TOTAL	8,982	10,765	566	8,649	979	1,363	28	1,465

This is a free translation from the original Romanian version.

30. ACQUISITION OF SUBSIDIARIES

In 2019 the Group did not purchase new subsidiaries.

31. DISPOSAL OF SUBSIDIARIES

In 2019 the Group did not sell any subsidiaries.

32. CASH ON HAND AND AT BANKS

Within the meaning of statement of cash flows, cash and cash equivalent include petty cash and bank accounts. Cash and cash equivalents at the end of the financial year, as presented in the statement of cash flows, may be reconciled with the corresponding elements of balance sheet, as follows:

	December 31, 2019	December 31, 2018
	<i>thousand LEI</i>	<i>thousand LEI</i>
Cash at banks	9,700	9,756
Cash on hand	64	35
Cash equivalents	-	-
Total	9,764	9,791

33. INVESTMENT PROPERTY

	December 31, 2019	December 31, 2018
	<i>thousand LEI</i>	<i>thousand LEI</i>
Land	6,087	8,317
Buildings	7,346	9,718
Total investment property	13,432	18,035

As at December 31, 2019, the parent company owns in its locations in Iasi, Stefanesti and Buzau non-current assets that are not used for its core activity. They are held to acquire future appreciation and to be partly rented to third parties. Based on such criteria, in accordance with IAS 40 "Investment Property", the Company decided to classify such non-current assets as investment property.

In December 2019, in accordance with IFRS5, the asset from Stefanesti, consisting of land with an area of 12,774 sqm located in Stefanestii de Jos, Ilfov County and from the buildings erected on this land, an asset that was the object of a purchase contract concluded with GREEN PC AMBALAJE SRL, has been reclassified from «Real estate investments» into «Assets held for sale». The asset (land and buildings) that was the object of this reclassification has a value of RON 4,297 thousand.

On April 23, 2018 the Company signed two undertakings for the sale of assets with Office&Logistic SRL as follows:

- Sale undertaking for the promise to sell a plot of land in surface area of 39,269.50 sq m located in Iasi, Calea Chisinaului, nr. 29 and the buildings erected on such land; the sale under such undertaking, for which a total price of EUR 3,900 thousand, without VAT, was received, was done in two stages, on 10.05.2018 and on 30.07.2018;
- Sale undertaking for the promise to sell a plot of land in surface area of 35,192.48 sq m located in Iasi, Calea Chisinaului, nr. 29 and the buildings erected on such land for which a total price of EUR 3,431 thousand, without VAT will be received, which will be done in three stages, for which ownership will be transferred on 30.07.2019, 29.11.2019 and 30.03.2020.

34. ASSETS HELD FOR SALE

Assets held for sale	December 31, 2019	December 31, 2018
	<i>thousand LEI</i>	<i>thousand LEI</i>
Land	3.394	10,909
Buildings	3.210	5,848
Equipment and non-current assets in progress	270	-
Impairment allowances	-	(757)
Total assets held for sale	6.873	16,000

As of December 31, 2018, the property located in Iasi, Calea Chisinaului, no. 26-29, with a total area of 35,451.18 square meters and a net book value of RON 16,000 thousand, was classified as "Assets held for sale".

During the year 2019, several sales-purchase contracts were signed with Office & Logistic SRL Iasi after which the total area of 35,259.48 sqm of this property was transferred to the buyer.

In December 2019, the assets from Campia Turzii, consisting of land with an area of 38,235 square meters and of the buildings built on this land were reclassified from «Property, Plant & Equipment» to «Assets held for sale». The asset (land, buildings and equipment) that was the object of this reclassification has a value of RON 2,506 thousand.

The assets held for sale have the following geographical distribution:

Assets held for sale	December 31, 2019	December 31, 2018
	<i>thousand LEI</i>	<i>thousand LEI</i>
Iasi	70	16.000
Stefanesti	4.297	-
Campia Turzii	2.506	-
Total	6.873	16.000

On 31.01.2020, the sale was completed according to the pre-contract of sale purchase no.1830 from 18.12.2019, concluded with GREEN PC AMBALAJE S.R.L. (as buyer) representing the value of a building located in Ilfov, Stefanestii de Jos, Str. Sinaia no.15, with a total area of 12,774 sqm, of which 4,928 sqm built area, according to the purchase agreement no. 183 of 31.01.2020 for which the price of RON 3,987 thousand was cashed (equivalent of EUR 834 thousand).

35. COMMITMENTS AND CONTINGENCIES

Potential tax liabilities

In Romania, there are agencies authorized to conduct controls (audits). Such controls are to a great extent similar to those conducted in other countries by tax authorities, but may extend to other legal or regulatory fields in which the Romanian authorities may become interested. The Group is likely to continue to be subject to periodic controls for breaches or alleged breaches of new and existing laws and regulations. Although the Group may challenge the alleged breaches and penalties when the management considers that it is entitled to, the adoption or implementation of laws and regulations in Romania might have a significant effect on the Group. The tax system in Romania is under continual development, being subject to constant interpretations and changes, often retroactive. In Romania, the fiscal year remains open for fiscal verification for 5 years.

The Group's administrators consider that the Group's tax liabilities have been calculated and recorded according to the legal provisions.

35. COMMITMENTS AND CONTINGENCIES (continued)

Potential tax liabilities (continued)

Transfer pricing

The Romanian fiscal legislation has provided rules on transfer prices between related parties ever since 2000. The current legislative framework defines "market value" for transactions between related parties, as well as the methods to establish transfer prices.

Therefore, the fiscal authorities are expected to initiate thorough verifications of transfer prices, in order to make sure that the fiscal result and/or the customs value of imported assets are not distorted by the effect of prices practiced in connection to related parties. The Company may not quantify the outcome of such verification.

Environmental matters

The Group's core activity has inherent effects on the environment. The effects of the Group's activities on the environment are monitored by local authorities and the Group's management. Therefore, no provisions have been recorded for any obligations, not measurable at present, regarding the environment or the required remedy works.

36. SUBSEQUENT EVENTS

In the international context regarding the evolution of the epidemiological situation caused by the spread of coronavirus COVID-19, as well as the declaration of the state of emergency in Romania for a period of 30 days, the Company's management has established and implemented preventive measures for the protection of both its employees and collaborators (delegates, drivers, couriers, etc.). The measures are constantly reassessed and adapted according to the evolution of the situation and the official communications / measures ordered by the public authorities / competent bodies.

At the date of this Report, no major difficulties and risks were identified in the activity of supply, production and sale that would significantly affect the economic activity of the Company. The Company is elaborating a Risk Plan in case of cessation of production and establishment of quarantine or other future events that would require measures to temporarily interrupt the economic activity of the Company

35% of Group's business consist in export to the other European countries and some of these countries have taken drastic measures to close those activities that are not essential. As a result it was a negative impact to companies' business. In response to this impact, two of the companies of the Group, Romcarbon SA and RC Energo Install SRL, have sent around 120 employees for technical unemployment in April from the Compounds and regenerated polymers sector and Plastic processing sector (polypropylene products) and also from the services sector.

The future evolution of the crisis generated by the outbreak of COVID-19 may have an impact in the upcoming months as far as a decrease in sales is concerned, but the percentage is difficult to foresee, as it may vary, and can even reach 20% given the drop of demand in the car industry and construction sector. The supply of raw materials and consumables remain stable and the Group does not expect price increases. There are no concentration risk premises as there is no major reliance on significant suppliers or clients or on the markets highly affected by COVID-19. The company's activity is not affected by restrictions to foreign financing, it has the ability to control its flow of collections and mitigate risks of non-collection. We have not identified any premises of exposure to major risks in terms of cash flows. There will be a pressure on the RON/EUR exchange rate, the level of which we cannot estimate though.

ROMCARBON SA

On 31.01.2020 the sale (according to the sale undertaking concluded on 18.12.2019 with GREEN PC AMBALAJE SRL - promissory buyer) of the building located in Ilfov, Stefanestii de Jos, Str. Sinaia nr.15, with a total surface area of 12,774 sqm, of which 4,928 sqm built area, further to the signing of the sale agreement on the basis of which the price of RON 3,987 thousand (equivalent to EUR 834 thousand) was cashed.

The Ordinary General Meeting of Shareholders dated 23.01.2020 approved the new component of the Board of Directors of Romcarbon SA for a mandate of 4 years, starting February 4, 2020, while maintaining the one-tier management system of the company.

36. SUBSEQUENT EVENTS (continued)

Therefore, starting February 4, 2020, the Board of Administration of Romcarbon SA consists of:

Huang Liang Neng - Chairman of the Board of Administration, appointed based on the Decision of the Ordinary General Meeting of ROMCARBON SA from 23.01.2020 for a 4-year mandate, which expires on 04.02.2024, aged 49;

Wang Yi Hao - Vice President of the Board of Administration, appointed based on the Decision of the Ordinary General Meeting of ROMCARBON SA from 23.01.2020 for a 4-year mandate, which expires on 04.02.2024, aged 34;

Toderita Stefan Alexandru - Member of the Board of Administration, appointed based on the Decision of the Ordinary General Meeting of ROMCARBON SA from 23.01.2020 for a 4-year mandate, which expires on 04.02.2024, aged 25.

The mandate entrusted to the new members of the Board of Administration will be exercised free of charge, in accordance with the vote expressed by shareholders within the OGMS of 23.01.2020.

LIVINGJUMBO INDUSTRY SA

In 10.01.2020, the company constituted a movable mortgage on a collateral deposit in the amount of EUR 200,000 thousand to guarantee the loans contracted by the company and by Romcarbon SA with UniCredit Bank SA.

Starting with 17.02.2020, the qualities of Deputy General Manager and Administrator held by Mr. Andrei Radu as well as the quality of administrator held by Mr. WU, YU-TE have ceased and Mr. Cretu Victor and Mr. Ungureanu Ion have been appointed for a mandate valid until 31.05.2021 as administrators of Livingjumbo Industry SA.

Starting with the same date, through the agreement of the parties, it ceased the quality of Operations Manager held by Manaila Carmen within Livingjumbo Industry SA and she was appointed to the position of Deputy General Manager for a mandate valid until 17.02.2023.

Also, were appointed Mr. Victor Cretu and Mr. Ion Ungureanu for a mandate valid until 17.02.2023, as Manager of the Profit center Polypropylene, respectively Manager of the Profit center PET.

As of 31.03.2020, the company in compliance with the contractual obligations assumed increased the mortgage established on some bank availability to guarantee the credit line contracted by the company with BRD GSG SA from EUR 500 thousand to EUR 600 thousand.

The consolidated financial statements were approved by the Board of Administration and were authorized for issuance on April 9, 2020.

PREPARED BY,

For signatures, please refer to the original Romanian version.

HUANG LIANG NENG,
Chairman of the Board
And General Manager

VIORICA ZAINESCU,
Financial Manager

CARMEN MANAILA,
Deputy General Manager for
Administrative Operations



S.C. ROMCARBON S.A.

**ADMINISTRATORS' REPORT
ACTIVITY OF THE GROUP OF COMPANIES**

As at December 31, 2019 ROMCARBON SA Buzau holds participations directly and/or indirectly in 13 companies:

Company	31/12/2019		Consolidation method
	Interest	Control	
RECYPLAT LTD CYPRUS	100.00%	100.00%	Global
ROMCARBON DEUTSCHLAND GMBH	100.00%	100.00%	Global
RC ENERGO INSTALL SRL	100.00%	100.00%	Global
ECO PACK MANAGEMENT SA	25.36%	99.24%	Global
INFOTECH SOLUTIONS SRL	99.00%	99.00%	Global
LIVINGJUMBO INDUSTRY SA	99.86%	99.86%	Global
GRINFILD LLC UKRAINE	62.62%	62.62%	Global
GRINRUH LLC UKRAINE	62.62%	62.62%	Global
PROJECT ADVICE STL	99.00%	99.00%	Global
ASOCIATIA ECOLOGICA GREENLIFE	44.84%	44.84%	Equity method
YENKI SRL	33.34%	33.34%	Equity method
KANG YANG BIOTECHNOLOGY CO.LTD	4.81%	4.81%	Outside the consolidation area
REGISTRUL MIORITA SA	3.79%	3.79%	Outside the consolidation area

As at December 31, 2019, the Group also holds participations according to the table below.

Company	31/12/2019	
	Interest	Control
ROMGREEN UNIVERSAL LTD CYPRUS	17.5879%	17.5879%
GREENWEEE INTERNATIONAL SA	17.5879%	17.5879%
GREENWEEE INTERNATIONAL HUNGARY KFT	17.5879%	17.5879%
GREENTECH SA	17.5875%	17.5875%
GREENGLASS RECYCLING SA	12.3116%	12.3116%
GREENFIBER INTERNATIONAL SA	17.4682%	17.4682%
GREENTECH DOO SERBIA	15.7214%	15.7214%
GREENTECH RECYCLING DEUTSCHLAND GMBH	17.4682%	17.4682%
GRINTEH MK DOO MACEDONIA	15.6288%	15.6288%
TOTAL WASTE MANAGEMENT SRL	17.4743%	17.4743%
GREEN RESOURCES MANAGEMENT S.A.	11.6839%	11.6839%
GREENTECH BALTIC UAB LITUANIA	12.7932%	12.7932%

These companies have been included in the consolidated financial statements by using the equity method.

PRESENTATION OF THE GROUP AND THE MAIN INDICATORS ACHIEVED IN 2019

PRESENTATION OF THE GROUP'S MEMBER COMPANIES

As at December 31, 2019 the company was holding directly or through other subsidiaries, participating interest in the following entities:

RECYPLAT LTD is a company established in 2011, having a share capital of Lei 112,532 (EUR 26,000) wholly owned by SC Romcarbon SA. The company's main office is located in Akropoleos, 59-61, 3rd floor, Nicosia, Cyprus.

The company's main object of activity is the Conduct of activities and business of consultants, experts in all scientific fields, financial, administrative or otherwise, in relation to the setting up, operation, development and improvement of any business, industry, company, partnership or other organization

ROMCARBON DEUTSCHLAND GMBH is a company established in 2013, with a share capital of Lei 110,138 (EUR 25,000), wholly owned by S.C. Romcarbon S.A. The company's main office is located in Bergisch Gladbach, Germany. The company's main object of activity is trade with plastic finished products, recycling of plastic materials and purchase of plastic waste. As at the date of these financial statements, the company is under voluntary liquidation.

RC ENERGO INSTALL S.R.L. is a company established in 2005, with a share capital of lei 2,000, fully owned by S.C. Romcarbon S.A. The company's main office is located in Buzău, Str. Transilvaniei, nr. 132. The company was established by outsourcing the maintenance and repair of heating, water installations, sewage and substations; the main object of activity is Plumbing, heat and air conditioning installation (NACE code 4322).

ECO PACK MANAGEMENT SA is a company established in 2010, with a share capital of lei 1,446,000, where SC Romcarbon SA directly holds 25.36% and 73.88% indirectly. The remaining shares are held by Romanian legal persons. The company's main office is located in Buzau, Str. Transilvaniei, nr.132, Remiza PSI, camera 6. The company's main object of activity is - NACE code 8299 - Other business support service activities n.e.c.

INFO TECH SOLUTIONS S.R.L. is a company established in 2005, with a share capital of lei 2,000, where S.C. Romcarbon S.A. holds 99.00% of the shares and the remaining shares are held by natural persons. The company's main office is located in Buzău, Str. Transilvaniei, nr. 132. The company was established by outsourcing the IT services and its main object of activity is Other information technology and computer service activities (NACE code 6209).

LIVINGJUMBO INDUSTRY S.A. is a company established in 2002, with a share capital of lei 5,644,800, where Romcarbon SA has held since 2011 99.86% of the shares and the remaining shares are held by Romanian legal persons. The company's main office is located in Buzău, Str. Transilvaniei, nr. 132. The company's main object of activity is Manufacture of plastic packing goods (NACE code 2222).

GRINFILD LLC UKRAINE is a company established in 2007, with a share capital of lei 4,312,062, where SC Romcarbon SA holds 62.62% of the shares and the remaining shares are held by foreign legal persons. The company's main office is located in Ukraine, Odessa region, Krijianivka locality, Str. Mikolayevska, Bl. 2. The company's main object of activity is wholesale. The company does no longer run since 2012.

GRINRUH LLC UKRAINE is a company established in 2007, with a share capital of lei 4,426,809, where SC Romcarbon SA holds 62.62%. The company's main office is located in Ukraine, Odessa region, Krijianivka locality, Str. Mikolayevska, Bl. 2. The company's main object of activity is wholesale. The company does no longer run since 2012.

YENKI S.R.L. is a company established in 2007, with a share capital of lei 328,000, where S.C. Romcarbon S.A. holds 33.34% of the shares and the remaining shares are held by Romanian legal and natural persons. The company's main office is located at Soseaua Nordului, DN2, Buzău. The company's main object of activity is Operation of sports facilities (NACE code 9311).

"Greenlife" Ecological Association, established in accordance with GO no. 26/2000, is a non-governmental, non-profit and non-political organization. The association's patrimony amounts to RON 1,200. The association's purpose is to represent, promote and support the employer and professional interests of its members in the relationship with public authorities and other legal and natural persons, to consolidate their authority and social renown and to act towards modernizing the developing the field regarding environmental protection according to the international rules and standards. Also, the association sets itself to promote human solidarity, by organizing and supporting humanitarian actions. The association was established by SC Greenfiber International SA, SC Greentech SA and SC Romcarbon SA as founding members, each holding 33.33% of its patrimony.

PROJECT ADVICE SRL is a company established in 2010, where SC Romcarbon SA indirectly holds 99.86%. The company's main office is located in Strada Transilvaniei, nr. 132, Pavilion Administrativ, camera nr. 24, Etaj 2, Buzău county. The company's object of activity is – NACE code 7022 - Business and other management consultancy activities.

ROMGREEN UNIVERSAL LTD Cyprus is a company established in 2011, with a share capital of lei 177,858 (EUR 39,800), where SC Romcarbon SA indirectly holds 17.5879% of the shares through Recyplat LTD Cyprus. The company's main office is located in 2 Prodromou & Dimitrakopoulou, 5th floor, 1090, Cyprus. The company's object of activity is the conduct of activities and business of consultants, experts in all scientific fields, financial, administrative or otherwise, in relation to the setting up, operation, development and improvement of any business, industry, company, partnership or other organization.

GREENWEEE INTERNATIONAL SA is a company established in 2007, with a share capital of lei 26,212,300, where SC Romcarbon SA indirectly holds 17.5879% of the shares. The company's main office is located in Buzău, Comuna Tintesti, Str. Ferma Frasinu. The company's object of activity is Dismantling of wrecks for materials recovery (NACE code 3831).

At December 31, 2019 GREENWEEE INTERNATIONAL SA (absorbing company) merged with GREENLAMP RECICLARE SA (absorbed company). Further to the merger, the share capital of GREENWEEE INTERNATIONAL SA increased from 26,212,300 lei to 28,827,300 lei, through the issuance of 26,150 new shares at a nominal value of 100 lei.

GREENWEEE INTERNATIONAL HUNGARY KFT is a company established in 2011, with a share capital of lei 45,563, where SC Romcarbon SA indirectly holds 17.5879%. The company's main office is located in 1051 Budapest, Dorottya utca 9.2. em.1. The company's object of activity is Management of used waste and treatment of other waste.

GREENTECH SA is a company established in 2002, with a share capital of lei 4,649,117, where SC Romcarbon SA indirectly holds LTD 17.5875% of the shares. The company's main office is located in Buzău, Aleea Industriilor, nr. 17. The company's main object of activity is Recovery of sorted materials (NACE code 3832).

GREENFIBER INTERNATIONAL SA is a company established in 2004, with a share capital of lei 35,250,000, where SC Romcarbon SA indirectly holds 17.4682% of the shares. The company's main office is located in Buzău, Aleea Industriilor, nr. 17. The company's main object of activity is Manufacture of man-made fibres (NACE code 2060).

GREENTECH DOO SERBIA is a company established in 2005, with a share capital of lei 2.189.903 (RSD 46,568,790.67), where Romcarbon SA indirectly holds 15.7214% of the shares. The company's main office is located in Serbia, Backa Palanka, str. Zarka Zrenjanina nr. 152. The company's main object of activity is the recycling of non-metallic waste and scraps.

GREENTECH RECYCLING DEUTSCHLAND GMBH is a company established in 2010, with a share capital of lei 108,808 (EUR 25,000), where SC Romcarbon SA indirectly holds 17.4682% of the shares. The company's main office is located in Bergisch Gladbach, Germany. The company's main object of activity is trade with plastics and recycling of plastic waste. As at the date of these financial statements, the company is under voluntary liquidation.

GRINTEH MK DOO MACEDONIA is a company established in 2007, with a share capital of lei 3,238,205 (MKD 46,684,925), where SC Romcarbon SA indirectly holds 15.6288% of the shares and the remaining shares are held by foreign natural persons. The company's main office is located in Macedonia, Skopje, bd. Romanija b.b Gazela, 1000. The company's main object of activity is Recycling of non-metallic waste and scraps.

TOTAL WASTE MANAGEMENT SRL is a company established in 2005. In 2012, it changed its object of activity from Business and other management consultancy activities (NACE code 7022) to Collection of non-hazardous waste (NACE code 3811). The company's share capital is lei 19,442,580. The company's main office is located in Buzău, Str. Aleea Industriilor, nr. 17. As at the date of these financial statements, Romcarbon SA was indirectly holding 17.4743% of its share capital.

GREENGLASS RECYCLING SA is a company established in 2013, where SC Romcarbon SA indirectly holds 12.3116% of the shares. The remaining shares are held by natural and legal persons. The company's share capital is lei 6,750,000. The company's main office is located in Buzău, Str. Aleea Industriilor, nr. 17, pav. Comercial, Et.1, Cam. 2. The company's main object of activity is Recovery of sorted materials (NACE code 3832).

GREEN RESOURCES MANAGEMENT is a company established in 2016 where SC Romcarbon SA indirectly holds 11.68%. The company's main office is located in Str. Barbu Vacarescu, 164A, Clădire de birouri C3, camera 18-22, Bucharest, 2nd District. The company's object of activity is Business and other management consultancy activities (NACE code 7022).

GREENTECH BALTIC UAB LITUANIA is a company established in 2016 where Romcarbon SA indirectly holds 12.79%. The Company's share capital is in amount of LEI 8,444,696 (EUR 1,852,500). The company's main office is located in Vilnius, Sandeliu g.16. The company's object of activity is commercial, economic, financial and industrial activity.

ACTIVITY OF THE GROUP OF COMPANIES

PRESENTATION OF THE GROUP COMPANIES

The following persons ensured the executive management of the group companies in 2019:

ROMCARBON SA – CEO – Radu Andrei
RECYPLAT LTD CYPRUS – Director – Nicos Avraamides
RC ENERGO INSTALL SRL – CEO Duca Eugen Florin
ECO PACK MANAGEMENT SA – sole administrator Ionescu Adin
INFO TECH SOLUTIONS SRL - CEO Hristache Cornel
LIVINGJUMBO INDUSTRY SA – CEO WU,HUI-TZU
PROJECT ADVICE SRL – sole administrator Wei Jinn Shyang
GRINFILD LLC UKRAINE – the company does no longer run since 2012
GRINRUH LLC UKRAINE – the company does no longer run since 2012
YENKI SRL – Administrator Petre Romeo Florinel
ROMCARBON DEUTSCHLAND GmbH – trustee in bankruptcy Franz Fassbender
ROMGREEN UNIVERSAL LTD CYPRUS – Nicos Avraamides, Constantinos Chiotis Grzegorz, Adam Piejka, Nicolaos Koronis, Paulina Anna Pietkiewicz
GREENLAMP RECICLARE S.A. – CEO Costache Iulian Marius
GREENGLASS RECYCLING SA – CEO Costache Iulian Marius
GREENWEEE INTERNATIONAL SA – CEO Costache Iulian Marius
GREENWEEE INTERNATIONAL HUNGARY KFT - Managing Director - Costache Iulian Marius
TOTAL WASTE MANAGEMENT SRL – Administrators Damov Constantin - member, Mihai Zamfir – BoA President, Marin Georgian Ionut - member
GREENTECH SA - CEO Genes Alina Elena
GREENFIBER INTERNATIONAL SA – CEO Genes Alina Elena
GREENTECH RECYCLING DEUTSCHLAND GMBH - Trustee in bankruptcy Franz Fassbender
GREENTECH DOO SERBIA – CEO – Mihail Mateski
GRINTEH MK DOO MACEDONIA – CEO – Mihail Mateski and Sofia Mateska
GREEN RESOURCES MANAGEMENT SA – CEO Georgescu Alina
GREENTECH BALTIC UAB LITHUANIA – Administrator VLADAS VENSKUTONIS

The general results of the activity of the company and its subsidiaries in the reporting period

No.	Indicator [thousand lei]	31.12.2017	31.12.2018	31.12.2019
1	Net sales	251,993	257,709	245,772
2	Total income	276,918	286,509	281,522
3	Total expenses	278,484	290,627	284,139
4	Net profit of the year	(1,566)	(4,117)	(2,617)
5	Profit attributable to parent	(1,492)	(4,048)	(2,586)

ACTIVITY OF THE GROUP OF COMPANIES

The evolution of the subsidiaries' contribution to the consolidated net profit of the group in 2019 is presented in the table below:

Company	Net profit/loss (thousand lei)	Attributable to parent	Attributable to NCI
Romcarbon SA	370	370	-
Living Jumbo Industry SA	(3,154)	(3,150)	(5)
RC Energo Install SRL	305	305	-
Infotech Solutions SRL	78	78	1
Grinfild Ukraine	-	-	-
Grinruh Ukraine	-	-	-
Recyplat Ltd Cyprus	(15)	(15)	-
Romcarbon Deutschland GmbH	-	-	-
Eco Pack Management SA	(75)	(74)	(1)
Project Advise SRL	(12)	(12)	-
Consolidation adjustments	(116)	(88)	(27)
Total	(2,617)	(2,586)	(31)

Note: Consolidation adjustments include the elimination of intra-group transactions, the shareholders' profit share (Romgreen, Yenki).

FINANCIAL STATEMENTS

A.) STATEMENTS OF THE FINANCIAL POSITION

KRON

Indicator	31/12/2017	31/12/2018	31/12/2019	2019 vs. 2018	
Property, plant and equipment	183,416	172,357	157,094	-15,263	▼ -8.86%
Investment property	49,859	18,034	13,432	-4,602	▼ -25.52%
Goodwill	143	143	143	0	— 0.00%
Other intangible assets	227	90	308	218	▲ 242.22%
Investments in associates	28,752	27,103	27,034	-69	▼ -0.25%
Financial assets	197	197	197	0	— 0.00%
Total non-current assets	262,594	217,924	198,208	19,716	▼ -9.05%
Inventories	38,234	36,548	45,929	9,381	▲ 25.67%
Assets classified as held for sale	0	16,000	6,873	-9,127	▼ -57.04%
Trade and other receivables	36,237	30,295	34,461	4,166	▲ 13.75%
Other current financial assets	0	0	2,390	2,390	▲
Other current assets	591	1,001	1,472	471	▲ 47.05%
Cash and bank balances	5,997	9,791	9,764	-27	▼ -0.28%
Total current assets	81,059	93,636	100,889	7,253	▲ 7.75%
Total assets	343,653	311,560	299,097	12,463	▼ -4.00%
Issued capital	26,412	26,412	26,412	0	— 0.00%
Share premium	2,182	2,182	2,182	0	— 0.00%
Reserves	38,272	38,677	38,749	72	▲ 0.19%
Retained earnings	79,571	74,357	71,310	-3,047	▼ -4.10%
Equity attributable to equity holders of the parent	146,438	141,629	138,654	-2,975	▼ -2.10%
Non-controlling interests	1,007	939	907	-32	▼ -3.41%
Total Equity	147,445	142,568	139,561	-3,007	▼ -2.11%
Borrowings [Long-term]	51,589	37,241	23,504	-13,737	▼ -36.89%
Long term finance leases and other interest bearing obligations	0	24	9	-15	▼ -62.50%
Deferred tax liabilities	10,758	8,902	8,364	-538	▼ -6.04%
Non-current provisions	264	285	249	-36	▼ -12.63%
Deferred income	31,250	27,301	23,507	-3,794	▼ -13.90%
Total non-current liabilities	93,861	73,753	55,633	18,120	▼ 24.57%
Trade and other payables	38,670	34,353	35,231	878	▲ 2.56%
Borrowings [Short-term]	54,816	52,593	60,411	7,818	▲ 14.87%
Short term finance leases and other interest bearing obligations	87	14	15	1	▲ 7.14%
Deferred revenue	4,058	3,998	3,881	-117	▼ -2.93%
Other current liabilities	4,717	4,282	4,365	83	▲ 1.94%
Total current liabilities	102,348	95,240	103,903	8,663	▲ 9.10%
Liabilities	196,209	168,993	159,536	-9,457	▼ -5.60%
Equity and Liabilities	343,653	311,560	299,097	12,463	▼ -4.00%

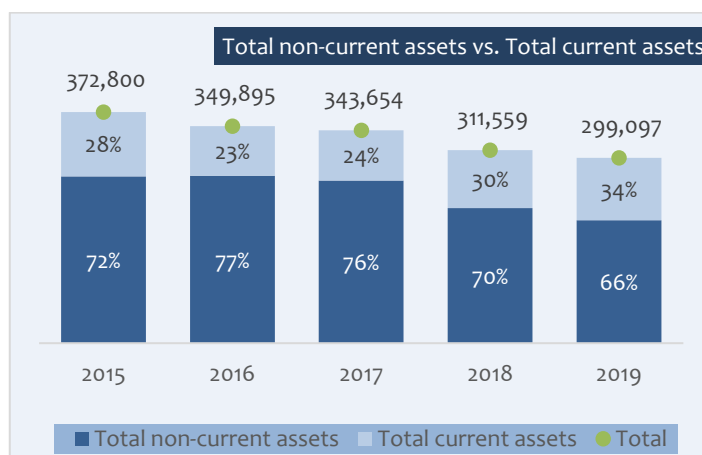
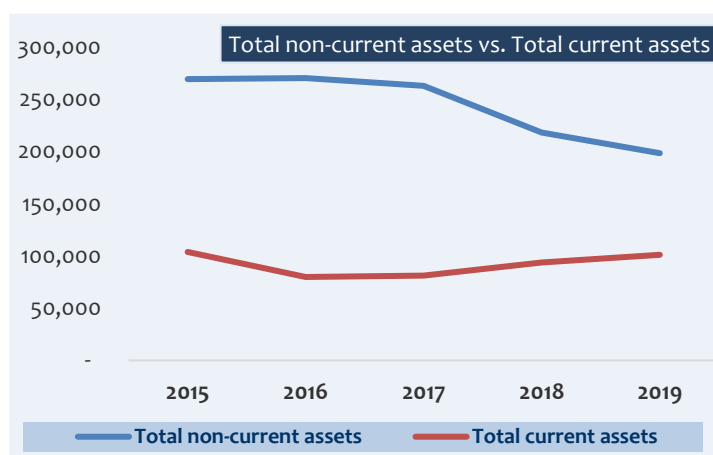
	2017	2018	2019
Average no. of employees	1,672	1,661	1,569

The participation of the consolidated companies in the indicators of the Statement of Financial Position in 2019 is presented in the table below

Company	Non-current assets	Current assets	Non-current liabilities	Current liabilities
Romcarbon SA	163,480	82,714	34,213	74,927
LivingJumbo Industry SA	34,299	38,407	21,413	51,173
RC Energo Install SRL	375	8,089	0	4,730
InfoTech Solutions SRL	55	216	4	87
Grinfeld Ucraina	4,427	-866	0	5
Grinruh Ucraina	1,186	1,008	0	7
Recyplat Limited Cipru	20,608	6	0	10
Romcarbon Deutschland GmbH	0	9	3	27
Eco Pack Management SA	115	183	0	1,199
Project Advice SRL	0	190	0	102
Ajustari consolidate	-26,338	-29,069	1	-28,366
Total	198,208	100,888	55,634	103,903

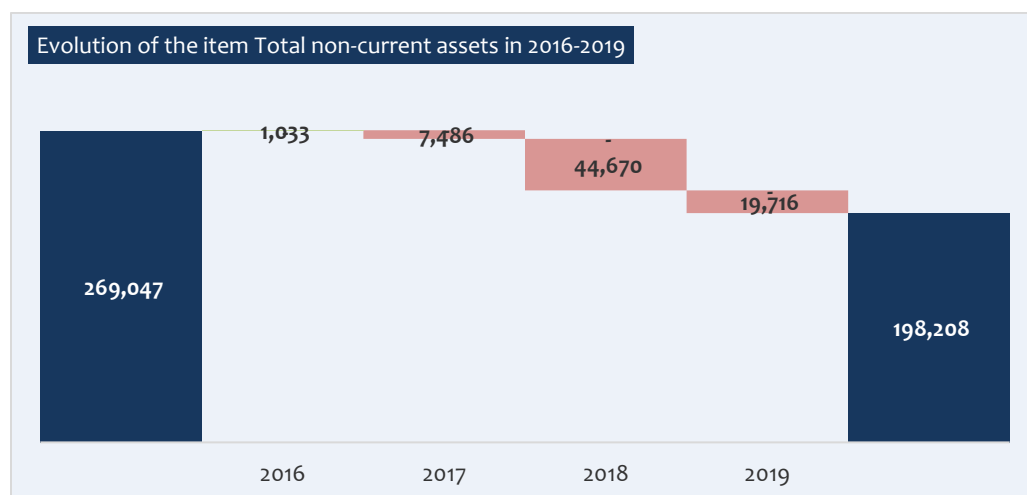
KRON

ASSETS



NON-CURRENT ASSETS

Non-current assets have a weight in Total Assets of 66.27% recording a decrease of LEI 19,716 thousand, i.e. 9.05% ,as compared with the beginning of the year.

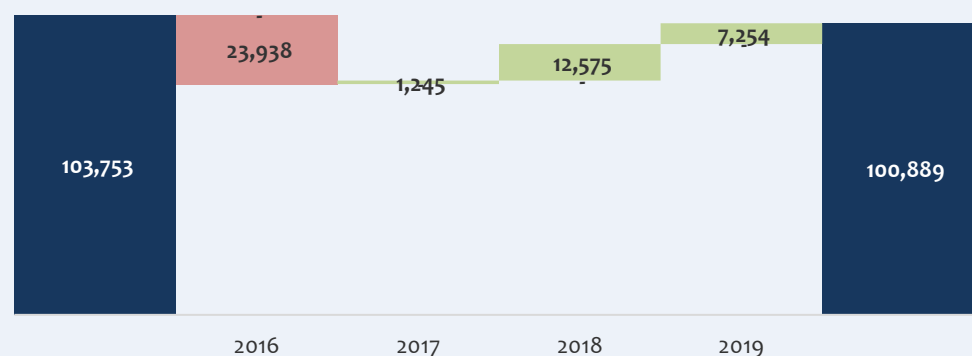


Non-current assets(NCA)	31/12/2019	% in total NCA	% in total Assets	31.12.19 vs. 31.12.18
Property, plant and equipment	157,094	79.26%	52.52%	-8.86%
Investment property	13,432	6.78%	4.49%	-25.52%
Goodwill	143	0.07%	0.05%	0.00%
Other intangible assets	308	0.16%	0.10%	242.22%
Investments in associates	27,034	13.64%	9.04%	-0.25%
Financial assets	197	0.10%	0.07%	0.00%
Total non-current assets	198,208	100.00%	66.27%	-9.05%

CURRENT ASSETS

Current assets have a weight in Total Assets of 33.73% recording an increase of LEI 7,254 thousand, i.e. 7.75%, as compared with the beginning of the year.

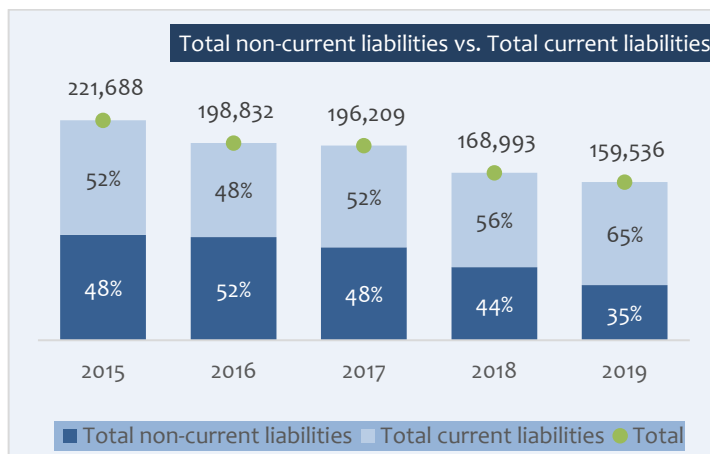
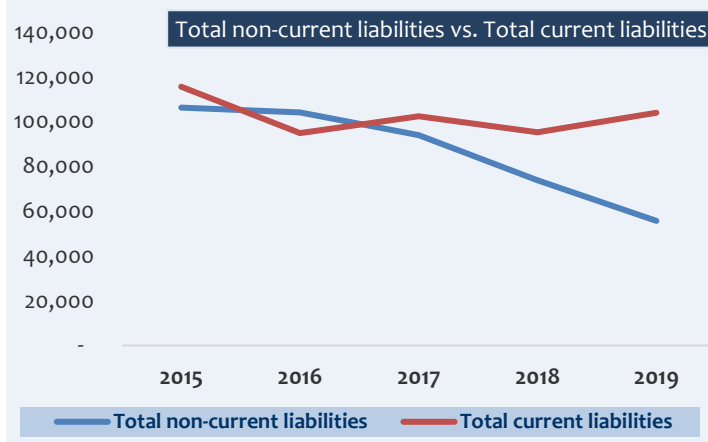
Evolution of the item Total current assets in 2016-2019

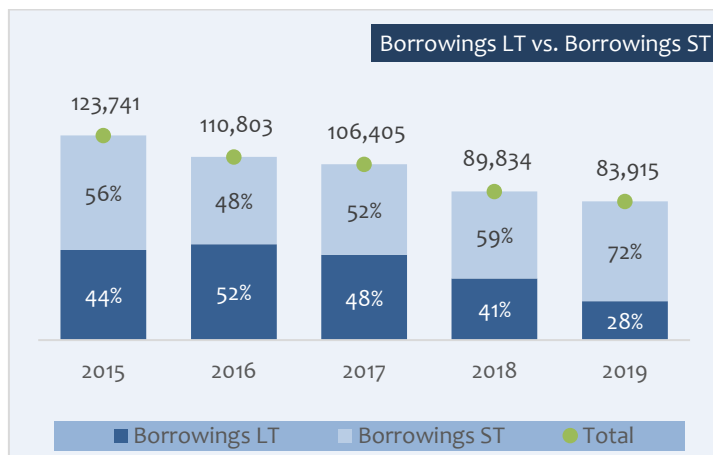
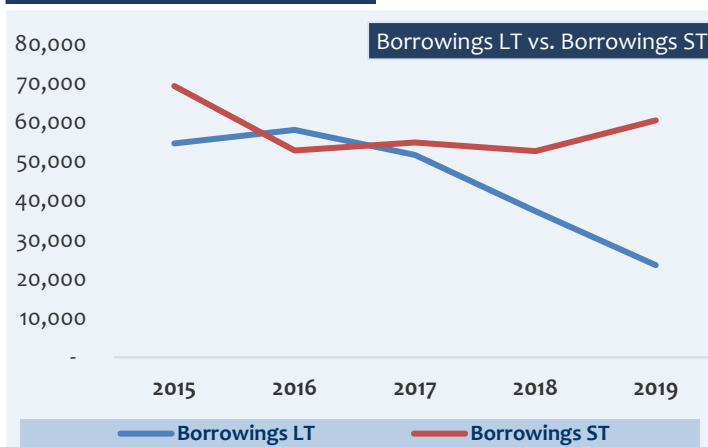


Current assets	31/12/2019	% in total CA	% in Total Assets	31.12.19 vs. 31.12.18
Inventories	45,929	45.52%	15.36%	25.67%
Assets classified as held for sale	6,873	6.81%	2.30%	-57.04%
Trade and other receivables	34,461	34.16%	11.52%	13.75%
Other current financial assets	2,390	2.37%	0.80%	0.00%
Other current assets	1,472	1.46%	0.49%	47.05%
Cash and bank balances	9,764	9.68%	3.26%	-0.28%
Total current assets	100,889	100.00%	33.73%	7.75%

LIABILITIES

Total Liabilities hold 53.34% of the Group 's Equity&Liabilities recording a decrease of lei 9,457 thousand, i.e. 5.60%, as compared with the beginning of the year.



BORROWINGS


Short-term borrowings have the following structure :

KRON

Company	Type	31.12.2017	31.12.2018	31.12.2019
LivingJumbo Industry SA	Investment loan in euro-BRD [I]	186	187	59
LivingJumbo Industry SA	Linie credit in euro- UniCredit Bank SA	0	0	0
LivingJumbo Industry SA	Linie credit in euro - BRD	8,853	8,417	8,544
LivingJumbo Industry SA	Investment loan in euro - Proiect CCE 2015 - UniCredit Bank SA	3,144	3,147	3,225
LivingJumbo Industry SA	Investment loan in euro [2015]-UniCredit Bank SA	404	405	415
LivingJumbo Industry SA	Investment loan in euro-BRD [II]	502	502	514
Romcarbon SA	Credit line in euro - BRD	10,979	11,644	12,088
Romcarbon SA	Credit line in euro - UniCredit Bank SA	21,828	20,447	25,298
Romcarbon SA	Credit line in euro - UniCredit Bank SA	0	0	0
Romcarbon SA	Investment loan in euro-BRD [I]	408	0	0
Romcarbon SA	Investment loan in euro-BRD [II]	582	583	597
Romcarbon SA	Investment loan in euro-BRD [III]	2,099	736	754
Romcarbon SA	Investment loan in euro - Proiect CCE 2015 - UniCredit Bank SA	2,027	2,029	2,079
Romcarbon SA	Investment loan in euro-UniCredit [I]	500	500	0
Romcarbon SA	Investment loan in euro-UniCredit [II]	306	306	306
Romcarbon SA	Investment loan in euro-UniCredit [III]	527	527	540
Romcarbon SA	Investment loan in euro-UniCredit [IV]	1,078	1,078	1,548
Romcarbon SA	Investment loan in euro-UniCredit [V]	369	532	1,241
Romcarbon SA	Investment loan in lei I - Eximbank SA	1,024	1,024	1,024
Romcarbon SA	Investment loan in lei II - Eximbank SA	0	531	597
RC Energo Install SRL	Credit line - Eximbank SA	0	0	332
RC Energo Install SRL	Credit for current activity - Eximbank SA	0	0	1,250
Total		54,816	52,593	60,411

Long-term borrowings have the following structure :

Company	Type	31.12.2017	31.12.2018	31.12.2019
LivingJumbo Industry SA	Investment loan in euro-BRD [I]	97	31	49
LivingJumbo Industry SA	Investment loan in euro-BRD [II]	1,797	1,297	814
LivingJumbo Industry SA	Investment loan in euro [2015]-UniCredit Bank SA	15,325	12,192	9,268
LivingJumbo Industry SA	Investment loan in euro - Proiect CCE 2015 - UniCredit Bank SA	1,458	1,054	666
Romcarbon SA	Investment loan in euro-BRD [I]	2,232	1,651	1,095
Romcarbon SA	Investment loan in euro-BRD [II]	6,472	1,533	817
Romcarbon SA	Investment loan in euro-BRD [III]	2,290	1,790	0

S.C. ROMCARBON SA.- ADMINSTRATORS' REPORT

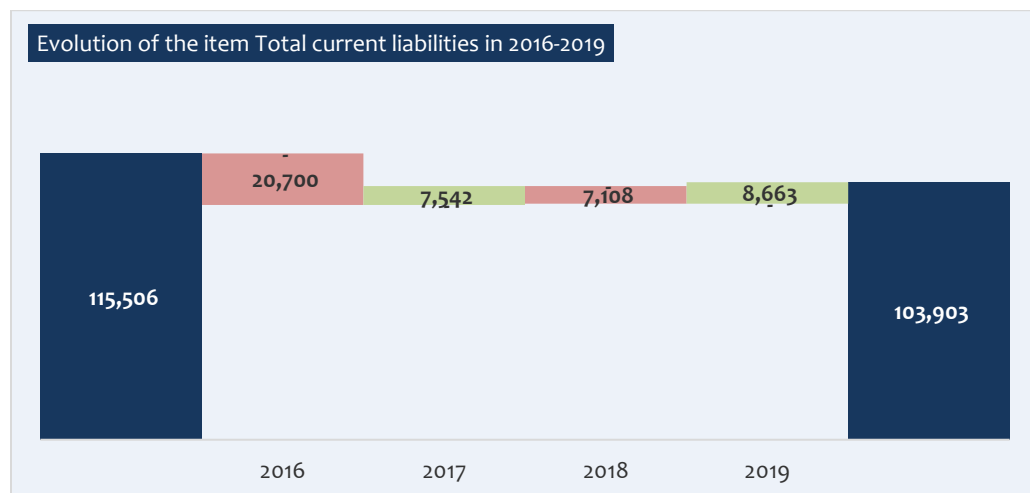
Company	Type	31.12.2017	31.12.2018	31.12.2019
Romcarbon SA	Investment loan in euro-UniCredit [II]	842	536	230
Romcarbon SA	Investment loan in euro-UniCredit [III]	1,448	922	405
Romcarbon SA	Investment loan in euro-UniCredit [IV]	3,234	2,156	608
Romcarbon SA	Investment loan in euro-UniCredit [V]	1,200	1,241	0
Romcarbon SA	Investment loan in lei I - Eximbank SA	3,583	2,559	1,536
Romcarbon SA	Investment loan in lei II - Eximbank SA	906	1,592	1,194
Romcarbon SA	Investment loan in euro - Proiect CCE 2015 - UniCredit Bank SA	10,705	8,686	6,822
Total		51,589	37,241	23,504

The installments of the investment loans due within 12 months are recognized as Short term loans.

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

CURRENT LIABILITIES

Current liabilities of the Group have a weight in Total Liabilities of 65.13% and in Total Equity and Liabilities of 34.74% recording an increase of LEI 8,663 thousand, i.e. 9.10%, as compared with the beginning of the year.



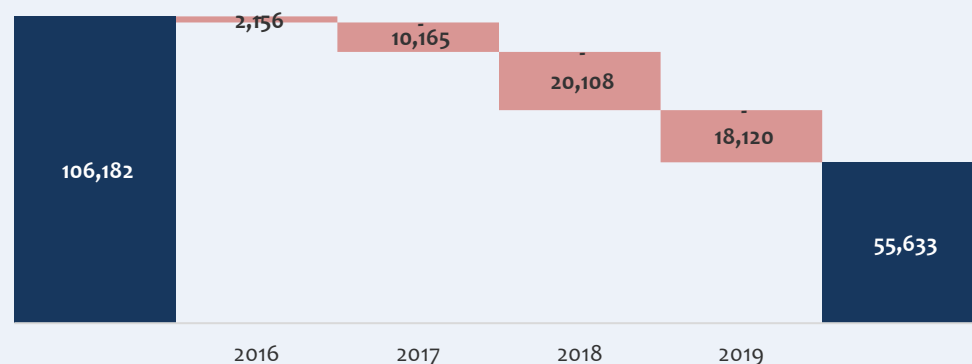
Current liabilities	31/12/2019	% in total liabilities	% in Total current liabilities	% in Total liabilities and Equity	31.12.19 vs. 31.12.18
Trade and other payables	35,231	22.08%	33.91%	11.78%	2.56%
Borrowings [Short-term]	60,411	37.87%	58.14%	20.20%	14.87%
Short term finance leases and other interest bearing obligations	15	0.01%	0.01%	0.01%	7.14%
Deferred revenue	3,881	2.43%	3.74%	1.30%	-2.93%
Other current liabilities	4,365	2.74%	4.20%	1.46%	1.94%
Total current liabilities	103,903	65.13%	100.00%	34.74%	9.10%

NON-CURRENT LIABILITIES

Non-current liabilities

have a weight in Total Equity and Liabilities of 18.60% recording a decrease of LEI 18,120 thousand, i.e. 24.57%, as compared with the beginning of the year.

Evolution of the item Total non-current liabilities in 2016-2019



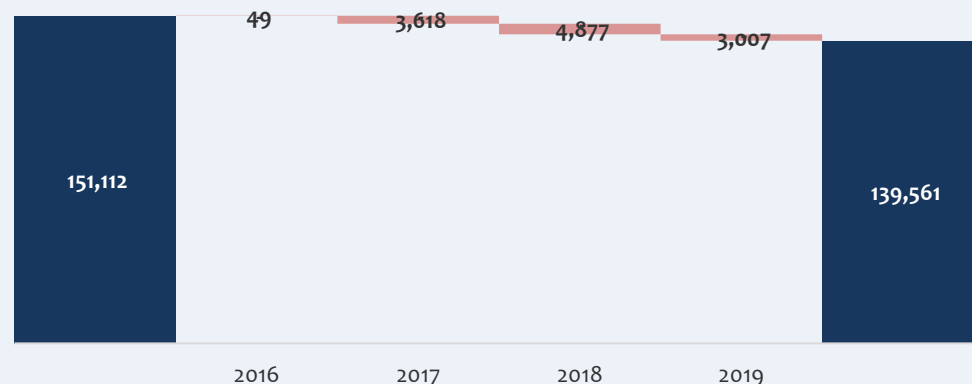
Non-current liabilities	31/12/2019	% in total liabilities	% in Total current liabilities	% in Total liabilities and Equity	31.12.19 vs. 31.12.18
Borrowings [Long-term]	23,504	14.73%	42.25%	7.86%	-36.89%
Long term finance leases and other interest bearing obligations	9	0.01%	0.02%	0.00%	-62.50%
Deferred tax liabilities	8,364	5.24%	15.03%	2.80%	-6.04%
Non-current provisions	249	0.16%	0.45%	0.08%	-12.63%
Deferred income	23,507	14.73%	42.25%	7.86%	-13.90%
Total non-current liabilities	55,633	34.87%	100.00%	18.60%	-24.57%

EQUITY

The Equity

have a weight in Total Equity and Liabilities of 46.66% recording a decrease of LEI 3,007 thousand, i.e. 2.11%, as compared with the beginning of the year.

Evolution of the item Total equity in 2016-2019



Equity	31/12/2019	31.12.19 vs. 31.12.18
Issued capital	26,412	0.00%
Share premium	2,182	0.00%
Reserves	38,749	0.19%
Retained earnings	71,310	-4.10%
Equity attributable to equity holders of the parent	138,654	-2.10%
Non-controlling interests	907	-3.41%
Total Equity	139,561	-2.11%

B.) STATEMENT OF THE COMPREHENSIVE INCOME

	2017	2018	2019		2019 vs.2018	
Revenue	251,993	257,709	245,772	▼	(11,937)	-5%
Other income	3,987	3,982	3,961	▼	(21)	-1%
Investment income	2,430	2,312	2,942	▲	630	27%
Raw materials and consumables used	(166,870)	(165,723)	(155,174)	▼	10,549	-6%
Changes in inventories of finished goods and work in progress	5,600	1,347	6,251	▲	4,904	364%
Employee benefits expenses and social charges	(61,681)	(64,806)	(67,409)	▲	(2,603)	4%
Other expenses	(18,550)	(21,049)	(19,729)	▼	1,320	-6%
Other gains and losses	126	3,304	117	▼	(3,187)	-96%
Depreciation and amortisation expenses	(16,226)	(17,112)	(16,304)	▼	808	-5%
Finance costs	(2,607)	(2,925)	(2,702)	▼	223	-8%
Gain recognized on disposal of interest in former associate	1,457	(1,344)	(68)	▼	1,276	-95%
Profit (loss) before tax	(341)	(4,305)	(2,343)	▼	1,962	-46%
Income tax expense	(1,224)	189	(274)	▲	(463)	-245%
Profit (loss) of the year	(1,565)	(4,117)	(2,617)	▼	1,500	-36%
Owners of the parent company	(1,492)	(4,048)	(2,586)	▼	1,462	-36%
Non-controlling interests	(74)	(69)	(31)	▼	38	-55%
Profit/loss of the period	(1,566)	(4,117)	(2,617)	▼	1,500	-36%
Exchange difference on translating foreign operations	(76)	(65)	1	▼	66	-102%
Increase frm revaluation of land and buildings	-	-	760	—	760	
Deferred tax allocated to the comprehensive income	-	1,276	74	▼	(1,202)	-94%
Comprehensive profit/loss, attributable to:	(1,642)	(2,906)	(1,783)	▼	1,123	-39%
Owners of the parent company	(1,492)	(2,837)	(1,752)	▼	1,085	-38%
Non-controlling interests	(150)	(69)	(31)	▼	38	-55%

C.) REVENUE

The participation of the consolidated subsidiaries in obtaining the item "Revenues (Net Sales)", in the reporting period is presented in the below table:

Company	2017 [KRON]	% in total	2018 [KRON]	% in total	2019 [KRON]	% in total	2019 vs.2018
Romcarbon SA	195,141	67.39%	198,461	67.06%	183,857	65.05%	-7.36%
LivingJumbo Industry SA	82,571	28.52%	87,293	29.50%	90,781	32.12%	4.00%
RC Energo Install SRL	10,458	3.61%	8,606	2.91%	7,034	2.49%	-18.27%
Eco Pack Management SA	3	0.00%	2	0.00%	-	0.00%	-100.00%
Info Tech Solutions SRL	1,269	0.44%	1,583	0.53%	977	0.35%	-38.28%
Project Advice SRL	119		8		-		
Total, out of which:	289,560	99.96%	295,953	100.00%	282,649	100.00%	-4.50%
Within the group	37,567	12.97%	38,244	12.92%	36,877	13%	-3.58%
Outside the group	251,993	87.03%	257,709	87.08%	245,772	87%	-4.63%

In the reporting period the item «Revenues» have the following structure:

Revenues (Net sales)	2017	% in total	2018	% in total	2019	% in total	2019 vs.2018
Sales of finished goods (701+709)	201,488	80%	215,451	84%	213,204	87%	-1.04%
Sales of intermediary goods	15,941	6%	14,532	6%	11,994	5%	-17.47%
Sales of residual products	64	0%	378	0%	326	0%	-13.84%
Services rendered	7,160	3%	3,691	1%	2,787	1%	-24.47%
Sales of goods purchased for resale	26,633	11%	23,047	9%	16,873	7%	-26.79%
Revenues from sundry services	706	0%	610	0%	588	0%	-3.62%
Total	251,993	100%	257,709	100%	245,772	100%	-4.63%

D.) STATEMENT OF THE CASH-FLOW

Items	2017	2018	2019
Gross profit / (loss) for the year	(341)	(4,305)	(2,343)
Finance expenses recognized in profit	2,607	2,925	2,702
(Gain) / Loss on sale or disposal of fixed assets	436	(52)	336
(Gain) / Loss on sale or disposal of investment property	(2,386)	(2,710)	
(Gain) / Loss on sale or disposal of assets hold for sales			(186)
Income from dividends	-	-	
Income from interests			(6)
Loss on impairment of stocks	349	-	
Loss on impairment of trade receivables	(343)	32	112
Loss on time-barred receivables	166	207	4
Loss on impairment of goodwill		-	
Loss on impairment of property, plant and equipment	1,186	-	
Amortization / Depreciation of non-current assets	16,226	16,356	16,304
Net (gain) / loss on foreign exchange	(28)	10	(206)
(Gain) / Loss on investment	(26)	(5)	
(Gain) / Loss on revaluation of fixed assets	-	-	96
(Gain) / Loss on revaluation of investment property	(1,490)	(308)	430
(Gain) / Loss on revaluation of assets held for sale	-	757	(71)
(Gain) / Loss from short-term investments	-		
(Gain) / Loss on share of profit of associates	(539)	1,584	68
Increase / Decrease in provisions	(1)	21	-
Increases in subsidies	(3,987)	(3,982)	(3,794)
Movements in working capital			
(Increase) / Decrease in trade and other receivables	(6,331)	5,704	(4,282)
(Increase) / Decrease in inventories	(1,412)	1,685	(9,380)
(Increase) / Decrease in other assets	781	(410)	(2,861)
Increase / (Decrease) in trade and other payables	7,482	(4,540)	842
Increase / (Decrease) in other payables	2,726	(461)	(38)
Cash generated from operations	15,075	12,508	(2,273)
Interest paid	(2,336)	(2,518)	(2,100)
Income tax paid	(240)	(146)	(734)
Bank commissions paid	(271)	(408)	(603)
Net cash generated by operating activities	12,228	9,436	(5,710)

Items	2017	2018	2019
Cash flows from investing activities			
Payments for property, plant and equipment	(12,108)	(5,244)	(3,710)
Payments for intangible assets			
Proceeds from disposal of property, plant and equipment	1,824	136	161
Proceeds from subsidies	-	-	
Proceeds from investments in associates	-	-	
Acquisition of subsidiaries	-	-	
Payments for investment property	-	-	
Proceeds from sale of investment property	-	18,086	(23)
Interest received	26	5	6
Dividends received	-	-	
Incasari din vanzarea de active detinute spre vanzare			16,186
Net cash (used in)/generated by investing activities	(10,258)	12,983	12,620
Cash flows from financing activities			
(Repayment) / Drawings of borrowings	(4,400)	(16,569)	(5,919)
Lease payments	(1,110)	(49)	(13)
Dividends paid for non-controlling interest	(2,007)	(2,007)	(1,005)
Net cash (used in)/generated in financing activities	(7,517)	(18,625)	(6,937)
Net increase in cash and cash equivalents	(5,547)	3,794	(27)
Cash and cash equivalents at the beginning of the year	11,544	5,997	9,791
Effects of exchange rate changes on the balance of cash held in foreign currencies	-	-	-
Cash and cash equivalents at the end of the year	5,997	9,791	9,764

E.) FINANCIAL RATIOS

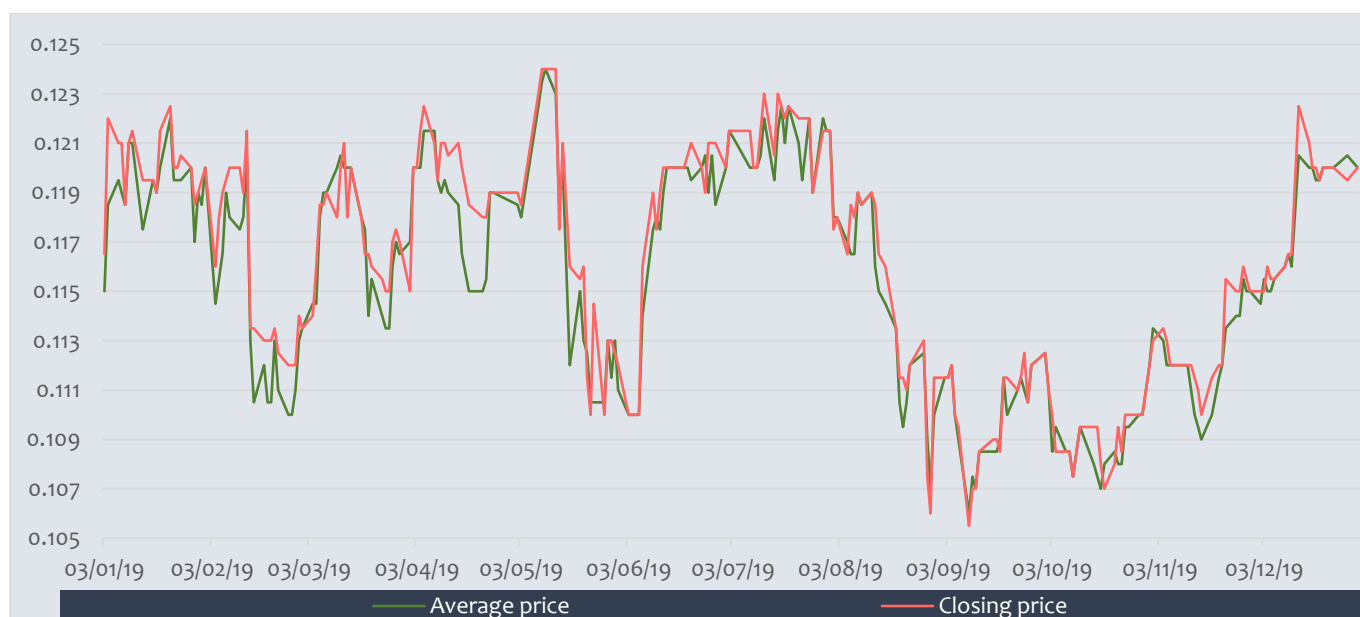
Indicator	Formula	2017	2018	2019
EBIT	Gross profit + Expenses with interests	1,994	(1,788)	(243)
EBITDA	EBIT + Depreciation-Subsidies for investment	14,234	10,585	12,097
Sales	Revenue + Rental and royalty income	254,397	260,016	248,708
EBITDA to sales ratio	EBITDA/Sales	5.60%	4.07%	4.86%
EBITDA to Equity ratio	EBITDA/Equity	9.65%	7.42%	8.67%
Gross profit margin	Gross profit/Sales	-0.13%	-1.66%	-0.94%
Current ratio	Current assets/Current liabilities	0.79	0.98	0.97
Quick ratio	(Current assets- Inventories)/Current liabilities	0.42	0.60	0.53
Non-current liabilities to Equity ratio	Non-current liabilities/Equity	64%	52%	40%
Total liabilities to Assets ratio	Total liabilities/Total Assets	57%	54%	53%
Interest coverage ratio	EBIT/Interest expenses	0.85	(0.71)	(0.12)
Account receivable turnover ratio	Average receivables/Sales (days)	47	46	47
Account payable turnover ratio	Average payables/Sales (days)	51	51	50
Return on assets (ROA)	Net profit/Assets	-0.4557%	-1.3214%	-0.8750%
Return on equity (ROE)	Net profit/Equity	-1.0621%	-2.8877%	-1.8752%
Return on sales (ROS)	Net profit/Sales	-0.6156%	-1.5834%	-1.0522%

STRUCTURE OF SHAREHOLDERS

As at 31.12.2019 the SC Romcarbon SA shareholders' structure, according to Depozitarul Central SA was as follows:

Shareholder	Number of shares	% ownership
LIVING PLASTIC INDUSTRY S.R.L. loc. BUZAU jud. BUZAU	86,774,508	32.85%
JOYFUL RIVER LIMITED loc. NICOSIA CYP	54,195,089	20.52%
ALTE PERSOANE JURIDICE	19,038,452	7.21%
ALTE PERSOANE FIZICE	104,114,047	39.42%
Total	264,122,096	100.00%

Evolution of the price of Romcarbon SA shares in 2019.



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INTERNAL CONTROL

Internal control aims at ensuring a rigorous and effective management of the Group's activity through the adoption by the Group's member companies of policies and procedures which ensure consistency of objectives, identify the key factors of success and communicate to the entity's managers in real-time information on performance and perspectives.

Internal control is organized so as to comply not only with financial-accounting regulations, but with all regulations, such as environmental, occupational health and safety, emergency situations, the Civil Code.

The Group's organization chart establishes the hierarchical levels of responsibility and authority existing and allows knowledge of functional and managerial aspects of the organization.

The Boards of Administration are independent of the management at the organization and their members are involved in management activities, which they supervise carefully. The Boards of Administration of the Group's member companies delegates to the managers responsibilities regarding internal control and make systematic and independent assessments of the internal control system established by management.

Internal (financial) audit has an assistance function that must ensure management that each of the companies' internal procedures are implemented and adhered to by all departments involved.

Regular or permanent check and assessment according to the Program approved by each of the Group companies' management of the quality operation of internal control is performed to determine whether internal controls are applied according to the procedures and if they are modified appropriately when the situation requires.

Internal control establishes methods by which employees are assessed, trained, promoted and rewarded as staff represents an essential component of internal control. The organizational chart, the internal regulations (IR), job descriptions are updated according to the modifications.

Each of the Group companies' management has taken action in order to remove or reduce incentives that could cause employees to engage in dishonest, illegal or immoral activities. They are found in the Internal Regulations and other regulations issued but also in personal examples.

Management is in charge of the filling of specific positions by competent personnel who has the knowledge and skills to perform the tasks characteristic of each function.

The Group faces various risks arising from the external or the internal environment that must be managed appropriately by management. Risk identification and analysis is an ongoing process and a critical component of an effective internal control. Some of the examples are the Group member companies' inability to achieve the set objectives, staff quality, importance and complexity of basic economic processes, introduction of new information technologies, entry of new competitors on the market etc.

Management identifies and assesses these risks and formulates specific measures to reduce the risk at an acceptable level.

For an adequate split of the responsibilities (tasks) in order to prevent significant frauds and errors, the Company applies:

- The division of the administration of assets to avoid the risk of theft;
- The division of the authorization of the operations of assets administration;
- The separation of the IT tasks from the tasks of the persons outside the IT system (the tasks related to the design and control of accounting software are separated from the ones related to the update of information)

Inside each Group member company, there are three different functions, whose separation (their aggregation is not admitted) represents the grounds for mutual control between departments and performers, namely:

- achievement of the objectives of the organization
- preservation of the assets of the organization

- the accounting function;

For an efficient internal control, the same person cannot fulfill all such roles. If any two of such roles are fulfilled by the same person, the risk of error and fraud is higher.

Most of the operations and transactions involve at least two of the presented roles; as result, errors and frauds can be easily detected, because they result in a lack of correlation between the statements, between the departments or performers.

The internal accounting and financial control is a major element of internal control inside the entity and it relates to the entire processes of obtaining and communicating the accounting and financial information in order to obtain reliable information and in accordance with legal requirements.

The internal accounting and financial control focuses on providing:

- compliance of the accounting and financial information with the applicable rules;
- application of the management instructions according to this information;
- protection of the assets;
- prevention and detection of accounting and financial frauds and irregularities;
- reliability of the information disseminated and used internally for controlling purposes, to the extent it contributes to preparing published accounting and financial information;
- reliability of the annual published financial statements and other information communicated to the market.

All intern control activities seek to perform a permanent and periodical review of activities, in order for the management to identify the best solutions for its decisions for increasing the performance of the company and become more competitive on the market.

THE GROUP'S OBJECTIVES AND POLICIES REGARDING RISK MANAGEMENT

The parent company implemented risk management in accordance with Standard SR EN ISO 31010 – Risk Management. Risk Assessment Techniques, identifying and assessing risks involving every operating department in the organization. The Company drafted a Risk Register for every operating department, the Organization's Risk Register and the Risk Treatment Action Plan.

Capital risks

The management of the Group's risk also consists in a regular review of the capital structure. The Group will balance the general structure of its capital by dividend payment, issuance of new shares and redemption of shares.

Financial risks

The Group's treasury function supplies services necessary to the business, coordinates access to national and international financial market, monitors and manages financial risk related to the Group's operations through reports on internal risks, analyzing exposure by the degree and extent of risks.

Liquidity risk

Liquidity risk, also called funding risks, is the risk for a company to face difficulties in raising funds to fulfill its commitments associated to the financial instruments.

The ultimate responsibility for liquidity risk management rests with the Board of Administration, which has built a proper liquidity risk management framework regarding the Group funds' short, medium and long term insurance and the liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, backup banking facilities and loan facilities, by continually monitoring cash flows and matching the maturity profiles of financial assets and liabilities.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from

defaults. The management monitors the Group's exposure and the credit ratings of its contractual counterparties.

Market risk

In the international context regarding the evolution of the epidemiological situation caused by the spread of coronavirus COVID-19, as well as the declaration of the state of emergency in Romania for a period of 30 days, the Company's management has established and implemented preventive measures for the protection of both its employees and collaborators (delegates, drivers, couriers, etc.). The measures are constantly reassessed and adapted according to the evolution of the situation and the official communications / measures ordered by the public authorities / competent bodies.

At the date of this Report, no major difficulties and risks were identified in the activity of supply, production and sale that would significantly affect the economic activity of the Company. The Company is elaborating a Risk Plan in case of cessation of production and establishment of quarantine or other future events that would require measures to temporarily interrupt the economic activity of the Company.

The future evolution of the crisis generated by the spread of COVID-19 may have an impact in the coming months as regards the decrease of sales by about 20%, in light of the decrease of the demand in the automotive industry and in the construction sector.

The supply of raw materials and consumables remains stable with no anticipated price growth trends. There are no premises of concentration risk because there are no major dependencies on significant suppliers or customers or the markets affected to a large extent by COVID-19. The activity of the company is not affected by the restrictions on external financing, it has the ability to control its cash flows and mitigate risks of non-collection. We have not identified any premises for the exposure to major risks in terms of cash flows. There will be pressure on the RON / EUR exchange rate, but we cannot estimate the extent.

NON-FINANCIAL DECLARATION

1. GROUP PROFILE
2. POLICY ON QUALITY
3. POLICY ON ENVIRONMENTAL PROTECTION
4. POLICY ON OCCUPATIONAL HEALTH AND SAFETY
5. ENERGY STRATEGIES
6. SOCIAL AND EMPLOYEE-RELATED POLICY
7. BUSINESS ETHICS. VALES. FIGHT AGAINST CORRUPTION
8. CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY POLICIES
9. DECLARATION ON PREVENTIVE MEASURES TAKEN TO COUNTERACT THE SPREAD OF CORONAVIRUS (COVID - 19)

This non-financial declaration contains information through which the management of the Group wishes to communicate transparently to the interested parties represented by business partners, employees, investors, the local community in general and any other interested parties the actions undertaken by the two production companies of the Group (ROMCARBON SA and Livingjumbo Industry SA) in terms of continuous improvement of product quality, environmental protection, occupational health and safety, personnel and social issues, social responsibility, ethics and business integrity and the prevention and fight against corruption.

1. Group Profile

Romcarbon Group consists of companies that produce: (i) plastic packaging products, waste recycling (Romcarbon SA and Livingjumbo Industry SA), (ii) plumbing, heating and air conditioning services and works (RC Energo Install SRL), (iii) business and business consulting services (Recyplat LTD), (iv) information technology services (InfoTech Solutions SRL).

The main production companies of the Group are Romcarbon SA and Livingjumbo Industry SA, owning 73% and 15% of the total fixed assets.

This statement of Romcarbon Group refers especially to the two companies with a production profile that hold the largest share in Romcarbon Group, the other companies / subsidiaries having as their object the provision of services specialized in different fields.

The Group's total assets per company in 2019 are as follows: Romcarbon SA (69%), Livingjumbo Industry SA (21%), Recyplat LTD (6%), RC Energo Install SRL (2%).

The areas in which the Group operates are:

- processing of plastics (polyethylene, polystyrene, polypropylene, PET, PVC - Romcarbon SA and Livingjumbo Industry SA);
- recycling of plastic products (Romcarbon SA);
- other productive activities (production of filters for motor vehicles and industrial filters, production of masks for respiratory protection - Romcarbon SA);
- other activities (RC Energo Install SRL, Recyplat LTD, Info Tech Solutions SRL, Eco Pack Management SA, Grinfield Ukraine, Grinruh Ukraine, Romcarbon Deutschland GmbH and Project Advice SRL).

The revenue distribution by field of activity in 2019 was as follows:

- plastics processing (polyethylene, polystyrene, polypropylene, PET, PVC): 78% (75% in 2018);
- recycling of plastic products: 13% (13% in 2018);
- other productive activities (production of filters for motor vehicles and industrial filters, production of respiratory protection masks): 2% (3% in 2018);
- other activities: 7% (14% in 2018).

The distribution of assets by field of activity in 2019 was the following:

- plastic processing (polyethylene, polystyrene, polypropylene, PET, PVC): 47% (44% in 2018);
- recycling of plastic products: 29% (29% in 2018);
- other productive activities (production of filters for cars and industrial filters, production of masks for respiratory protection): 2% (1% in 2018);

- other activities: 22% (26% in 2018).

Parent company Romcarbon SA is a well-known organization on the Romanian and European markets as traditional plastics processor. With 65 years of experience in the processing of polyethylene, polypropylene, PVC and polystyrene packaging, Romcarbon has the reputation of one of the leading plastic packaging manufacturers in Romania and one of the largest employers in Buzau county, currently having about 1000 employees. The organization has operating work points in Bucharest, Stefanesti and Iasi.

Livingjumbo Industry SA is a well-known organization on the Romanian and European markets as a plastic processor in the field of polypropylene packaging.

Beginning in 2002 with the production of flexible packaging (big-bag type), Livingjumbo Industry SA has steadily expanded its capacity - both quantity and assortment - and in 2016 opened a new production sector, that of rigid PET film foils / trays and multilayer barrier films for food packaging. The important investment in the new sector was made taking into account the clear trend on the market for this type of packaging, both in terms of the characteristics of extending the shelf life of products and saving and recycling materials.

The sectors in which the company operates are:

- Polypropylene processing: thread extrusion, weaving and packaging production, the products sold are: flexible containers (big-bag type) in various constructive versions, for bulk packing up to 2000 kg, fabric, thread, string, strap
- PET processing: extrusion and thermoforming, the products sold are rigid thermoforming foils, rolled and unlaminated, and trays for modified, transparent and colorful packaging.
- Flexible multilayer film (9 layers) PET sealant barrier seal for fill-form-seal and flow-pack

As of September 2011, Livingjumbo Industry SA is part of Romcarbon Group.

Being aware of the environmental impact of the packaging, we introduce on the market and also because we want to support Romania in meeting the recovery and recycling targets for packaging waste, Romcarbon Group fulfills its recycling obligations through authorized companies for the purpose of taking over the responsibilities of economic operators who place packaging on the market.

Present over the last decade in the green industry through investments made as shareholders in some of the largest waste treatment and recycling plants in central and south-eastern Europe, our Group, through Romcarbon SA, finalized in mid-2012 its investment in the most modern plastic waste recycling plant in Romania, naturally born out of the need to assimilate a technology that integrates and closes the recycling of waste.

The Group's mission is to deliver eco-efficient plastic packaging to serve different industrial and agricultural fields and to close the circle by recycling the resulting plastic waste, turning them into secondary raw materials. The company processes both its own waste and waste on the domestic and foreign markets.

The products manufactured and sold by the Group are in principle single-use packaging for the food industry and with possible multiple uses for the non-food industry. The end-user delivers the used products as waste to collection companies. At the moment, there is no alternative packaging on the market to replace the PP, PE, PSE, PET packaging we produce, so their life cycle is difficult to quantify and is valid until other methods, similar technologies appear.

The production activity of the Group is carried out through Romcarbon SA with 4 sectors of activity, 3 production sites, auxiliary activities (warehouses, transport, maintenance, quality and laboratory) and several cost centers: departments, compartments, offices and services (commercial, legal, financial, accounting, technical investment, human resources, health and safety, emergency services, quality management, supply logistics, transport) and Livingjumbo Industry SA with 2 cost centers corresponding to the activity sectors, 4 production sections, auxiliary activities (warehouses, maintenance, quality and laboratory), departments, compartments, offices and services (commercial, legal, financial, accounting, technical investment, human resources, health and safety, emergency situations, quality management, logistics supply, transport).

The expectations and relevant needs of stakeholders

Financial Institutions

- compliance with the civil law and the legislation specific to the field of activity of the company;
- compliance with the articles of incorporation of the company;
- compliance with contractual terms;
- responsible use of equipment and buildings subject to insurance;
- identifying and managing risks related to the production of insured events;

Financial Supervisory Authority

- compliance with capital market legislation (Law 24 / 2017);

Bucharest Stock Exchange

- compliance with capital market legislation (Law 24 / 2017);
- compliance with the provisions of the BSE Code;
- implementing the best practices manual in dealing with investors;

Financial analysts

- organizing regular meetings to present the company's strategy and financial results;

Shareholders

- compliance with the provisions of the articles of incorporation of the company, company law and capital market law;
- Group adoption of a dividend policy;
- sharing a portion of the company's profit as dividends;
- transparency about company decisions that may affect the company's stock price;
- good on-line and off-line communication with investors / shareholders (through www.romcarbon.com, as well as social networks like LinkedIn). Respecting the right to information of each shareholder;

Customers and suppliers

- requirements stipulated by the contracts / orders concluded;

Employees

- requirements under the collective employment agreement and individual employment agreements.

Central and local public authorities, control and regulators

- legislative and regulatory requirements specific to the Group's activity and location;
- authorization requirements for products in the regulated areas;
- authorizations, permits and licenses;

The analysis of the external context and of stakeholders is done taking into consideration the issues arising from the legal, technological, competitive, market, cultural, social and economic environments. All of these data were evaluated through SWOT and PESTLE analyzes. The analysis is carried out annually and the data obtained is input to management analysis.

2. Quality policy

According to ROMCARBON's strategic development direction, the Quality, Environment, Occupational Health and Safety Policy is set to track:

- continuously meeting the demands of customers, business partners and other stakeholders, legal and regulatory requirements applicable to the field of activity;
- identifying risk factors and taking actions to eliminate or mitigate risks by complying with the applicable legal requirements in the fields of health and safety at work, environmental protection, and other requirements that the organization adopts, to provide safe and secure jobs for the staff involved in the Group's activities.
- providing customers with safety and confidence in the products made and offered.

The top-level management aims to develop the Integrated Management System in line with the requirements of the reference standards: ISO 9001: 2015, ISO 14001-2015 and OH & S 18001-2007 and continuously improve its effectiveness.

The scope of activity of ROMCARBON SA is regulated for AUTO AND INDUSTRIAL FILTERS and individual respiratory protection equipment. For these products, all applicable legal and regulatory requirements are implemented and maintained, we have all the necessary authorizations and certifications.

Also, for plastic products intended for the food industry, the legal requirements in force, including Regulation (EU) no. 10/ 2011 on plastic materials and articles intended to come into contact with food, EC Regulation 1907/2006 of the European Parliament and EU Council on the registration, evaluation, authorization and restriction of chemicals (REACH), are observed.

The ISO 9001: 2015 standard is implemented to demonstrate and maintain the organization's ability to consistently deliver products that meet customer's quality requirements and the requirements of applicable regulations. By ISO 9001: 2015 the company also aims to increase customer satisfaction by effectively enforcing the system, including continuous improvement processes and ensuring compliance with customer requirements and applicable regulations.

The Group implemented ISO 14001-2015 to improve environmental performance and to keep the environmental impact under control, eliminate or minimize environmental hazards and to demonstrate compliance with legal requirements and other requirements in the field. The OH & S 18001-2007 standard has been implemented to eliminate or minimize the threat to employees and other stakeholders who may be exposed to OH & S risks associated with their activities to improve OH & S performance and to demonstrate compliance with legal requirements and other requirements in the field of OH & S to which the organization adheres.

The Quality, Environment, Health and Occupational Safety Integrated Management System is certified by a Renar accredited body, namely SRAC ROMANIA. The Quality Management System of ROMCARBON SA has been certified since 1994.

The management of LIVINGJUMBO INDUSTRY SA has pursued the development of the Integrated Management System in accordance with the requirements of the reference standards: ISO 9001: 2015, ISO 14001-2015, ISO 22000 -2005 (polypropylene sector) and BRC GLOBAL STANDARD for PACKAGING AND PACKAGING MATERIALS ISSUE 5: JULY 2015 (rigid PET film and multilayer films) and continuous improvement of its effectiveness.

Integrated Quality Management System, Environment, Food Safety is certified by a Renar accredited body, namely RINA-SIMTEX OC. The Quality Management System of LIVINGJUMBO INDUSTRY SA has been certified since 2003. The management system according to BRC GLOBAL STANDARD for PACKAGING AND PACKAGING MATERIALS ISSUE is certified by Lloyds Register since 2016.

The strategic objectives for quality

The main objectives of the Group in 2020 are:

- a. Increasing profitability
 - i. Efficiency in the realization of offers / orders / contracts
 - ii. Ensuring the collection on time
 - iii. Achieving and exceeding the budgeted sales plan
 - iv. Optimizing the budgeted sales plan in terms of costs and prices
- b. Maintaining orientation towards increasing customer satisfaction by meeting their needs and expectations and offering competitive, quality products / Increasing customer satisfaction / Continuous supply of quality and safety for the customer (for food products)
 - i. Reduced response time to customer requests
 - ii. Ensuring compliance with the delivery terms
 - iii. Increasing the level of use of customer feedback
 - iv. Ensuring compliance with customer requirements
- c. Increased labor productivity compared to the previous year
 - i. Increasing the efficiency of labor force use
 - ii. Providing human resources adequate for the activity
 - iii. Providing working equipment appropriate to the activity
- d. Ensuring that the SMI obtains the intended results, the processes and activities of the organization are in accordance with the documented / implemented and certified SMI and the requirements of the SMI are integrated in all the processes and activities of the organization, be they organizational or technical.
 - i. Maintaining SMI certification,
 - ii. Transition to ISO 45001/2018 standard
 - iii. Continuous improvement of the integrated management system quality, environment, occupational health and safety, according to the requirements of the reference standards: ISO 9001: 2015, ISO 14001: 2015 and OH&S 18001: 2007

The indicators related to the strategic objectives of quality, which relate to increasing customer satisfaction are as follows:

- effectiveness of customer collaboration (Percent of questionnaires returned by clients / total questionnaires sent) = 69.25%;
- number of established / implemented actions that have been identified from customer feed analysis;
- the degree of global customer satisfaction;
- number of justified complaints received from clients

In 2019, the indicators reached the established performance values with a total customer satisfaction of >90% for ROMCARBON and 95.8% for LIVINGJUMBO INDUSTRY.

	2018	2018	2019
Number of aggregated complaints	62	59	65

Other indicators set for the logistics, production, and sales processes are:

- assurance of raw materials / materials / services corresponding to the activity;
- purchase order execution rate (no. of supply / no. of required supply products * 100) = 100%;
- share of non-compliant products supplied from total supply % = 0;
- making products according to the organization / customer requirements;
- compliance with requirements (no. of non-compliant products / total quantity achieved * 100);
- compliance with requirements (number of quality complaints registered monthly and annually, realised value of losses with complaints);
- degree of achievement of budgeted production (realized value / budget value * 100);
- efficient use of raw materials, consumables and utilities;
- degree of compliance with the specific consumption of raw materials (excess values / raw materials consumed);
- degree of compliance with utility consumption;
- execution of the sales program - degree of realization of the sales program (difference between the sales value and the estimated budget value > 100 000);
- timely analysis of orders and contracts - Promptness to analyze bids / orders / contracts (Number of offers / orders / contracts analyzed in 3 days / no. of offers / orders / contracts to be analyzed / month * 100) = 100%;
- ensuring observance of delivery times - Prompt delivery (no. of deliveries with overdue term / total deliveries = 0%).

All the objectives, indicators and their target performance were analyzed in the management analysis and were within the limits set in the documented procedures.

For indicators with acceptable performance, analyzes and changes have been established in the system.

Potential risks and opportunities identified

According to the requirements of the reference standards, the Group identified and assessed the main risks and opportunities existing within the Group, in a controlled and efficient manner in order to meet the objectives and laid down the control measures and actions aimed at preventing the emergence of new risks, mitigating the risks identified by the established treatment methods.

Depending on the areas in which the Group carries out its activities, the **main risks are:**

Processing of plastics (processed from polyethylene, polystyrene, polypropylene, PVC)

- personnel insufficiently specialized for new equipment brought in;
- lack of qualified personnel;
- increase of number of specialized employees around retirement age;
- some orders are small, they require frequent changes, so they cause losses;
- competition in the field;
- seasonal products;
- price fluctuations in basic raw materials;
- some of the equipment is technologically outdated;
- changes in legal requirements affecting the plastic packaging sector.

Recycling of plastic products

- high costs, logistics for large volumes (both for the acquisition of waste and storage);
- oil price fluctuations, which affect the price of virgin raw materials and may affect us in terms of selling price of recycled material;
- compound raw materials (waste);

- testing and analysis for obtaining competitive products;
- large consumption of utilities;
- large fluctuation of staff;
- no sales in all the technological process;
- the market is not yet sufficiently shaped to meet both the demand for raw materials (recycled waste) and commercialization of recycled finished product;
- it requires extensive storage space for both raw materials and finished products;
- the lack of a well-developed selective collection system upstream (poor recycling of landfill waste);

Other productive activities (production of filters for motor vehicles and industrial filters, production of masks for respiratory protection).

- the range of filters is not complete (air, oil) as required on the market;
- some developed products are already outdated;
- products require a lot of work, possibly resulting in an uncompetitive price;
- it is a highly regulated area and requires costs with homologation and approvals;
- the main raw materials are imported, they are quantity-dependent;
- large expenses with control (destructive laboratory tests);
- high competition with low cost products;
- lack of qualified personnel;
- increase of number of specialized employees around retirement age.

For all the identified risks, the order of priorities has been set in their treatment so that the residual risks are mitigated.

As a result of the measures established and implemented by the two organizations, the risks have been kept to a minimum. Effective risk control has been materialized by:

- implementation measures and compliance with documented procedures of the integrated system;
- internal audits and controls of the integrated management system with verification of compliance with documented procedures;
- providing the necessary human resources necessary for the development of the activities and processes within the two organizations.

3. Environmental Policy

In the field of environmental protection, the management of ROMCARBON SA has adopted an environmental policy specific to the activity of the two production organizations, the size and impact on the environment, which will provide the framework for establishing and analyzing the tactical and strategic environmental objectives. As a result, management has formulated guidelines that provide the framework for setting environmental objectives and targets.

The main objective of the Group is to focus all actions towards meeting the requirements of customers and all stakeholders, protecting the environment, preventing pollution and promoting a safe and healthy working environment, preventing any work accident or professional illness through:

- ensuring that the processes and activities of the organization are in accordance with the requirements of the reference standards: ISO 9001: 2015, ISO 14001, certified / implemented and certified by the maintenance, continuous improvement and certification of the Integrated Quality, Environment, Occupational Health and Safety Management System, in line with the reference standards: ISO 9001 : 2015, ISO 14001 : 2015 si OH&S 18001:2007, as well as compliance with requirements on food safety according to ISO 22000-2005, BRC GLOBAL STANDARD for PACKAGING AND PACKAGING MATERIALS ISSUE 5: JULY 2015;
- compliance with legal and regulatory requirements applicable to products and maintenance of product certifications;
- increasing the general level of compliance with legal requirements and other requirements to which Romcarbon subscribes;
- awareness of own staff and improvement of communication in order to achieve the proposed environmental performance;
- efficient use of raw materials, consumables and utilities by reducing the amount of technological waste generated, quantities of non-compliant products and consumption of utilities;
- pollution prevention - "0" environmental incidents;
- achieving environmental goals by recovering at least 60% of the amount of packaging placed on the market;
- control and monitoring of emergency situations □ "0" real emergency situations.

The indicators related to environmental strategic objectives, which concern environmental protection and pollution prevention are the following:

- preventing pollution and promoting a safe and healthy working environment;
- number of environmental incidents / accidents produced: 0;
- number of environmental complaints by stakeholders: 0;
- number of fines / warnings or other sanctions received: 0;
- preventing any possible emergency situation and ensure the ability to respond;
- emergency response capacity - ICR: 100%
- number of simulations completed / number of planned emergency simulations: 100%;
- actual emergency situations: 0;
- number of fines given by the General Inspectorate for Emergency Situations: 0.

In 2019, the indicators reached the set performance values.

All objectives, related indicators and their target performances were analyzed in the Annual Management Analysis and fell under the limits set in the documented procedures.

Environmental protection is an essential component in the management of the two organizations, representing a social, moral and legal obligation.

The environmental management system, integrated with the general management of the organization, has as main elements:

- The environmental assessment / re-assessment is documented in the specific procedure and has as main elements the determination of the environmental aspects of the activities and products that it can control and the ones it can influence, as well as the associated environmental impacts, from the perspective of the life cycle of the products;
- The following are taken into account when determining environmental issues: air emissions, water leakage, soil flow, use of raw materials or natural resources, energy use, emitted energy (heat, radiation, vibration, noise, light), waste generation, use of space;
- Attention is paid to the stages of the life cycle that can be controlled or influenced by the organization upon supply, storage, handling, production and sale;
- *The list of significant environmental aspects* shall be updated annually or whenever changes occur at organization level, in the applicable legislation or in other requirements to which each organization subscribes;
- The objectives shall be established in accordance with the Quality, Environment and Occupational Safety and Health Policy, and the Policy on Quality, Environment and Food Safety, with the pollution prevention commitments, the compliance and improvement obligations;
- Changes and development of new activities or products may invalidate previously identified issues, or require the addition of new issues to the list, in which case environmental issues are reviewed and updated.

Examples of such changes:

- changing the scope of the Integrated Management System;
- developing new products / services;
- changes in processes / technology / introduction of new processes;
- extending or significantly reducing capacity;
- extending or relocating an activity;
- changes in compliance obligations related to environmental issues;
- emergency situations occurred.

- The process of conforming and assessing compliance with legal requirements is done annually by analyzing all aspects and elements both in the main production processes and the supporting ones: logistics, human resources, etc.
- The water management and environmental permits are reviewed and targeted according to the legislation in force and also the rest of the necessary authorizations for the operation in compliance with the legal requirements.
- All staff are trained in environmental pollution prevention, compliance with applicable legislation, procedures and responsibilities. Annually, the Training Program provides training and assessments on environmental issues, applicable legal and regulatory requirements and waste management.
- Permanent collaboration with environmental authorities: National Agency for Environmental Protection, National Environmental Guard, National Administration of Romanian Waters, etc.
- Annual environmental aspects are reassessed and significant environmental aspects have been reported only under abnormal conditions and in Emergency Situations.

Facilities and equipment for protecting the environment and preventing pollution

- protection of electrical installations against corrosion of acid vapors,
- closed containers are provided with valves for air evacuation at the time of filling,
- storage of fuels arranged for the storage of liquid fuels and oils, provided with a fenced concrete platform, the access being allowed only in the presence of the manager.
- waste storage platform compartmentalised by type and waste sorting;
- emission filtering facility for volatile organic compounds (VOC);
- replacement of condensers in electrical stations containing polychlorinated biphenyls (PCBs) with ecological capacitors

Measures, equipment and arrangements for soil and subsoil protection:

To prevent pollution and protect the soil and subsoil, the following technical and organizational measures are taken:

- collection of domestic, street and industrial waste and its disposal in accordance with the legal provisions
- to prevent soil and subsoil pollution with possible leakage from internal sewage and pre-treatment facilities, they are controlled and maintained properly, intervening immediately to remedy malfunctions (infiltrations, pipe clogging)
- collection of waste oils, degreasing), storage according to legal provisions and their delivery to authorized economic agents for recovery.
- proper handling and storage of fuels and lubricants.
- proper handling and disposal of toxic and hazardous substances.

Water quality protection:

Water is used in the technology of washing / separating plastics, which is provided with a waste water treatment plant with recirculation system.

The water is used for the thermostatic extruder, regenerating head. Water is recirculated and comes from own sources.

Sources of noise and vibration:

The identified noise sources are:

electrically operated tools, punching presses for the manufacture of sheet metal subassemblies and waste grinding mills, looms. These are located in the premises of buildings, away from protected areas;

- means of transport for the supply of raw materials and delivery of the finished product;
- for excesses of the limits of noxae noise in the area of the looms measures are taken for personnel protection both at ROMCARBON and at LIVINGJUMBO INDUSTRY SA;

Possible sources of soil and subsoil pollution:

- sewerage network in case of leaks and / or damages for various reasons;
- inappropriate disposal of waste of any type and especially household waste.

Established measures

- collection, storage, and proper handling of petroleum products and waste of any kind;
- storage of ferrous metal scrap on concrete platforms for a short period of time until delivery to authorized agents;
- non-ferrous metal waste is stored in the materials warehouse;
- worn tires and accumulators are handed over to authorized economic agents;

- used oil resulting from oil changes in engines and equipment transmission systems is collected and stored, according to GD 235/2007, in the fuel warehouse and handed over to authorized units for recovery;
- ecological solvent SE 80/155 waste from degreasing the metal landmarks are collected in metal containers (barrels), stored in the fuel warehouse and is used by authorized economic agents;
- the extrusion, thermoforming operations cause technological waste that is collected and recycled in our own production process, and the non-recyclable ones are used by authorized economic agents.

4. Occupational Health and Safety Policy

The management of ROMCARBON GROUP is constantly concerned with the creation of safe and healthy jobs, always respecting the requirements of the legislation in force.

As a result, the management of the two organizations formulated guidelines that represent the framework for setting the objectives and targets for Occupational Health and Safety.

The main objective for Occupational Health and Safety is to focus all our actions towards meeting the needs of our clients and all stakeholders, in order to prevent any work accident or occupational disease by:

- ensuring that the processes and activities of the organization are in accordance with the requirements of the IMS certified / implemented and certified by the maintenance, continuous improvement and certification of the Integrated Quality, Environment, Occupational Health and Safety Management System, in line with reference standards ISO 9001: 2015, ISO 14001: 2015 and OH & S 18001 2007, as well as compliance with requirements on food safety according to ISO 22000: 2005; BRC GLOBAL STANDARD FOR PACKAGING AND PACKAGING MATERIALS ISSUE 5: JULY 2015;
- compliance with applicable legal and regulatory requirements;
- prevention of occupational injuries and illnesses, for our own employees and for the staff working under the control of the organization - 30% decrease in the number of labour accidents;
- maintaining the SSO RISK LEVEL for both ROMCARBON and LIVINGJUMBO below 3.5%
- control and monitoring of emergency situations - "0" real emergency situations

In 2019, the number of work-related accidents decreased by 33% compared to the previous year

	2017	2018	2019
Aggregated number of labour accidents	8	3	4

Through the policy in this area, the senior management assumes the legal obligations that it has for:

- ensuring the safety and health of staff in all aspects of work;
- consultation, information and training of staff;
- ensuring the organizational framework and means for health and safety at work.

According to the requirements deriving from the legislation in force in the field of health and safety at work, namely Law 319/2006, the Law on Health and Safety at Work and GD 1425/2006 approving the methodological norms for the application of the provisions of the Law 319/2006 on health and safety at work, as revised, the occupational safety and health conditions and the prevention of work accidents and occupational diseases are ensured as follows:

- internal prevention and protection activities are organized internally through the SIPP Internal Prevention and Protection Service;
- the hazards are identified and the risks for each component of the work system are assessed using the National Institute for Labor and Social Protection Research;
- the assessment of job vacancies is constantly updated as required by law;
- the frequency of the risk reassessment is correlated with the established measure programs, after evaluating the effectiveness of the actions undertaken;
- based on the risk assessment, prevention and protection plans are developed for each job;
- instructions (ISSM) for all work equipment and activities carried out are drafted, updated and disseminated taking into account their particularities;
- occupational health and safety responsibilities are established for all staff in the organization, both the management and the executive through the job descriptions;
- areas that require security signalling and types of signaling for each area are identified according to the hazards identified, according to GD 971/2006 regarding the minimum requirements for security signaling / occupational health;
- records are being kept of the work equipment, periodic maintenance that is carried out by the appropriate personnel in compliance with the legal requirements so that the equipment does not pose a danger to the health and safety of the executing personnel;
- personal protective equipment, including noise protection (noise suppression), is provided;

- healthy and sanitary ware and adequate facilities for staff are provided;
- the staff health surveillance is ensured through our own medical practice and contract with an occupational medicine service (MAT CORD);
- checks on the operation of the alarm, warning, emergency signalling, and safety systems.

The two organizations assessed the risks for each job and by implementing the above-mentioned measures, the overall risk level for each organization is below the admissible maximum admission limit of 3.5%.

As a result of the inspections carried out by the labor inspectors, no corrective measures were taken, no deviations from the legal provisions were found, the non-conformities being immediately remedied, some of them even on the spot, no measures / sanctions being necessary.

As regards the management of emergency situations in the field of fire protection and civil protection with implications for the safety and health of the personnel, the preventive measures are ensured through the fulfillment of the applicable legal requirements and fire protection is organized.

- the Private Service for Emergency Situations (SPSU) has been set up with tasks in the field of fire protection through control, verification, simulation;
- a contract has been signed with the authorized fire protection company;
- ISU operating authorizations are obtained for all newly built / refurbished facilities;
- appropriate maintenance / verification of the technical means of fire protection;
- identify, monitor and evaluate specific risk factors, triggers of dangerous events.

5. Energy strategies

ROMCARBON SA is a big consumer of electricity, therefore the efficient use of electricity and in general of all forms of energy is a priority in the production processes.

The main objective of the Energy Management Program consists in the efficient use of energy in the immediate and prospective term, through the efficient use of energy throughout the entire energy cycle of the company, the incorporation of energy efficiency in the existing equipment and in the selection criteria for the acquisition of new equipment and compliance with energy regulations issued country-wide.

In order to evaluate the energy situation of the company, once every 4 years, Romcarbon SA performs an energetic audit on the entire energy flow (with authorized contractors in the field), with clear solutions in the energy economy, with the annual monitoring and reporting of the degree of implementation programs for measures to reduce energy consumption.

In the development program of the two organizations, we are considering the acquisition of high-tech equipment and lines in order to replace the old technologies with new technologies of high technical efficiency and low energy consumption. In the last period (2012-2018), a wide range of modern technological lines have been acquired for the recovery of plastic waste and its re-use as raw material. Also, in order to reduce the energy consumption of large consuming machines, measures have been taken over time to bring the equipment to normal parameters together with the replacement of high power motors with low power motors with variable speed, measures that have led to significant savings of energy.

Through the equipment maintenance plan, our constant wish is to bring the equipment into the parameters and fit into specific consumption.

Energy consumption is measured at each profit center through counters fitted to each consuming unit. Ensuring the proper operation of both measuring and energy equipment is ensured by firm contract with accredited contractors.

The maintenance of the energetic equipment as well as the preventive maintenance is done on the basis of a firm contract with accredited companies in line with the technical specifications of the installations in operation.

For the efficient exploitation of the technological lines, we implement permanent programs of professional training and periodical evaluation of our operators in order to use the production capacities at maximum capacity while always complying with the consumption limits.

In case of electricity cut-offs, there are generating sets that ensure the maintenance of the technological lines in operation. A significant reduction in electricity consumption was achieved through local lighting in the technological flow. Local lighting was sectorized so it would be used only where needed. Another

measure of reducing energy consumption is replacing existing lighting appliances with LED lighting both inside and outside the workshops.

For efficient use of compressed air, each workshop has been equipped with compressors, so compressors are used only in the required places. At the same time, variable speed compressors have been purchased that have a much lower specific consumption.

6. Social and Personnel Policy

Romcarbon Group has constantly reconsidered human resources policy and labor value. In this respect, following the permanent assessments of both the employed and the existing personnel on the labor market, an adaptation to the company's requirements was achieved and a supplementation and updating as needed.

Within the two organizations internal procedures were developed and implemented through which the organization of the activity was established and the necessary human resources were allocated efficiently. Social and staff related risks are identified and analyzed and their potential adverse effects are kept to an acceptable level through established objectives, actions taken and appropriate measures to cancel or mitigate them.

The main potential risks in the social and personnel field analyzed within the company are:

- large personnel turnover, lower retention rate of new hired personnel or key positions;
- lack of qualified staff to ensure the continuity of specific company activities;

The effects of these potential risks may consist in increasing absenteeism, lowering efficiency, increasing recruitment costs, employee demotivation, or labor conflicts.

In this respect, the adopted measures have managed to keep the risks in the social and personnel field at a low level.

The main objective in the field of human resources is to provide the proper human resources for the activity.

To achieve the goal, actions have been set up:

- employing staff on the basis of professional competence and experience;
- increasing staff skills through training and development opportunities and allocating sufficient resources to continually train and improve staff;
- performance appraisal based on professional and personal competence criteria;
- correct and timely communication of information;
- compliance with the legal requirements;
- social facilities (financial support for employees and in exceptional situations, their family members (husband, wife, children in their care) who have special medical problems, as well as employees who were severely affected by earthquake, landslides or floods or other natural phenomena, fires, etc.);
- communicating and permanently consulting with the representatives of the employees designated under the law.

Competent, motivated and integrated employees are the key to success in meeting the company's goals, being the most important resource for the proper conduct of the business. In 2019, given the economic context, labor migration, and the lack of qualified workforce, the company focused its attention to retention of qualified staff and training of new staff. The training, improvement and professional development of the staff is carried out on the basis of the "Annual Training Plan" elaborated at the level of the two organizations: During the analyzed period, the level of achievement of the training plan was:

	2017	2018	2019
Proposed matters	187	245	258
Accomplished matters	168	226	241
Achievement (%)	90%	92%	93%

The annual training plan was intended to be a systematic process of changing behavior, knowledge and motivation of staff in order to improve the balance between personal characteristics and job requirements.

Both women and men benefit from equal appreciation and promotion within Romcarbon SA. Internal regulations of companies include provisions for the prohibition of any form of discrimination on grounds of religion, sex, social status, etc.

The distribution of staff by gender is presented in the following table:

Description	No. of staff		
	2017	2018	2019
Total number of staff, of which:	1,728	1,626	1,554
Men	769	721	684
Women	959	905	870
<i>% women out of total staff</i>	<i>55%</i>	<i>56%</i>	<i>56%</i>
Number of execution staff, of which:	1,606	1,508	1,421
Men	703	653	608
Women	903	855	813
<i>% women out of total execution staff</i>	<i>56%</i>	<i>57%</i>	<i>57%</i>
Number of management staff, of which:	122	118	133
Men	66	68	76
Women	56	50	57
<i>% women out of total management staff</i>	<i>46%</i>	<i>42%</i>	<i>43%</i>

By eliminating any form of discrimination within the company, women are free to choose their occupation, to engage in any vacancy, and at any level of the professional hierarchy. This creates non-discriminatory conditions for career advancement, for remuneration of work in relation to professional competencies and quality of work carried out as well as for participation in vocational qualification / retraining programs, training, specialization.

The company guarantees for all employees, irrespective of gender, the application of the principle of equal pay and the right to other benefits paid by the employer to the employees.

Non-financial statistics and indicators relevant to social and staff policy assessment.

- **Assessment of staff turnover**

Description	Number of staff		
	2017	2018	2019
Total number of staff	1,728	1,626	1,554
Staff increase compared to previous year	100	-102	-72
No. of leavers	342	386	419
% out of total number of staff	20%	24%	27%
No. of new hires	451	302	351
% out of total number of staff	26%	19%	23%
No. of hires/leavers	132%	78%	84%

• **Assessment of the efficiency of recruitments**

Description	Number of staff		
	2017	2018	2019
No. of interviewees	981	760	728
No. of individuals selected for employment	451	305	386
Achievement rate (hires/interviewees)	46%	40%	53%

• **Disaggregation of staff by sex, age and job**

		Total, of which:	Processing of plastics	Waste recycling	Other production departments	Support departments
Under 18	Men	0	0	0	0	0
	Women	0	0	0	0	0
18 -24 years	Men	80	60	12	0	8
	Women	47	45	2	0	0
25 - 34 years	Men	106	67	7	3	29
	Women	131	106	6	0	19
35 - 44 years	Men	149	87	27	2	33
	Women	250	207	12	0	31
45 - 54 years	Men	246	123	38	10	75
	Women	362	291	14	3	54
Over 55 years	Men	103	34	3	6	60
	Women	80	48	3	7	22
Total employees	Men	684	371	87	21	205
	Women	870	697	37	10	126
	Total	1,554	1,068	124	31	331

• **Disaggregation of staff by sex and age**

Age	Total, of which:	%	men	%	women	%
18 -24 years	127	8%	80	12%	47	5%
25 - 34 years	237	15%	106	15%	131	15%
35 - 44 years	399	26%	149	22%	250	29%
45 - 54 years	608	39%	246	36%	362	42%
Over 55 years	183	12%	103	15%	80	9%
Total	1,554	100%	684	100%	870	100%

• **Disaggregation of staff by sex and seniority**

Seniority	Total, of which:	%	Men	%	Women	%
Less than 3 years	481	31%	243	36%	238	27%
3 -5 years	348	22%	192	28%	156	18%
5 - 10 years	310	20%	114	17%	196	23%
10 - 15 years	257	17%	80	12%	177	20%
15 - 20 years	71	5%	15	2%	56	6%
20 - 25 years	1	0%	0	0%	1	0%
More than 25 years	86	6%	40	6%	46	5%
Total	1,554	100%	684	100%	870	100%

• **Disaggregation of staff by sex, seniority and field of activity:**

Range	Sex	Total, of which:	Processing of plastics	Waste recycling	Other production departments	Support departments
Less than 3 years	Men	243	141	40	2	60
	Women	238	204	7	1	26
3 -5 years	Men	192	99	41	4	48
	Women	156	104	21	1	30
5 - 10 years	Men	114	54	6	3	51
	Women	196	165	5	0	26
10 - 15 years	Men	80	55	0	0	25
	Women	177	158	0	0	19
15 - 20 years	Men	15	14	0	0	1
	Women	56	56	0	0	0
20 - 25 years	Men	0	0	0	0	0
	Women	1	0	0	0	1
More than 25 years	Men	40	8	0	12	20
	Women	46	10	4	8	24
	Men	684	371	87	21	205
Total	Women	870	697	37	10	126
	Total	1,554	1,068	124	31	331

• **Staff distribution by COR structure**

	Men	Women	Total
Senior management and officers	66	25	91
Specialists in various fields of activity	8	15	23
Technicians and other technical specialists	7	38	45
Administrative clerks	32	13	45
Services workers	16	6	22
Qualified workers in agriculture, forestry and fishery qualified and similar workers	1	0	1
Operators of installations and machinery; machine and equipment assembler	179	136	315
Unqualified workers	110	232	342
Total	684	870	1,554

• **Average monthly salary by sex and field of activity**

	Processing of plastics	Waste recycling	Other production departments	Support departments
Average gross wage				
Men	2,974	2,891	2,493	2,542
Women	2,958	2,858	2,289	2,094

7. Business ethics. Values. Fight against corruption

General business ethics principles

The Code of Professional Ethics adopted by the Group includes a minimum set of principles, values and rules of conduct that should be taken as a reference in the activities that the directors, executive management and the functional departments of the companies fulfill.

The Code aims to promote social responsibility, a culture of quality that contributes to the achievement of superior quality products and compliance with business ethics principles. It aims at preventing the occurrence of illegal and unlawful acts that may occur in the course of the company's activities.

We believe that commitment to ethical conduct is one of the essential components of the functioning of each organization in Romcarbon Group. The activities are carried out correctly, based on a culture of ethics and compliance, social satisfaction being a permanent concern for the company's management.

ROMCARBON SA has a policy of zero tolerance to corruption, cartels, human rights violations and violation of health, safety and environmental protection rules.

The group of companies is structured and operates on a set of values whose observance ensures a stable business and development environment:

- honor
- competence
- responsibility
- commitment
- innovation

CODE OF ETHICS

Ethical behavior is the foundation of trust both in business and within the organization. ROMCARBON SA as a company operating on the principles of integrated management has thought and implemented this code that contains guidelines on the need to respect the legal framework, human rights and ethics, as well as the company's commitment to an ethical and socially responsible business environment.

A. Values and principles

Legality: ROMCARBON SA and its subsidiaries are committed to acting in good faith, within the appropriate legal framework. They comply with rules, regulations and regulatory requirements, codes of the industries in the field, organizational standards for business activities. Regulatory measures are considered benchmarks, ethics goes beyond legal compliance, integrating standards of good corporate governance, best practices and community expectations.

Competence: ROMCARBON SA can gain the trust through competence and integrity in its activity, consistency in thinking, words and actions. This implies promoting and respecting professional ethics standards just before individual or organizational goals.

Objectivity: Consider the effect felt by all stakeholders on actions taken from business, social, environmental and health perspectives. Achieving business goals must be done in a way that does not harm the entire value chain promoted in the community, the organization and the environment in general.

Personal and Social Responsibility: ROMCARBON SA assumes responsibility for the impact of its activities and takes into account the needs and expectations of all internal and external parties: employees, shareholders, business partners, competitors, governmental and political stakeholders, non-governmental organizations (NGOs) and local communities.

Professionalism: Recognition and acceptance of corporate and personal responsibility for the ethical quality of the actions and operations undertaken.

Innovation

B. Commitment to this set of values implies that every person involved in securing a proper environment for business development:

- fully knows, understands and complies with applicable laws, regulations and rules. Consistently uses the criteria, standards and performance indicators in conducting the business.
- maintains a high level of professional competence, implying a continuous care for improving knowledge.

- assumes the personal responsibility for the statements and opinions expressed and may at any time prove the compliance thereof with the applicable legal regulations, internal rules, implemented standards. Accepts the obligation to account for the activities undertaken, the opinions and conclusions formulated and to bear the consequences for non-achievements.

C. Applicability of the code in the organization's activities

All managers and employees must act in accordance with the Code of Ethics and respect it. In order to fulfill their duties, the management of each organization, as well as the employees, must constantly be guided by the ethical principles that ensure business performance:

- treatment of employees / colleagues with respect and dignity, not choosing any aggressive physical or mental behavior, no verbal abuse or inhuman treatment;
- maintaining trust and partnership relationships with shareholders / clients / suppliers / employees;
- providing safe, high-quality products;
- respect for the environment through conservation of resources; reuse of waste resulting from production processes, selective collection of waste and waste recovery through specialized units;
- compliance with the laws and internal rules of the organization;
- displaying a proper attitude and language, both in the relationship with clients / suppliers / collaborators / institutions, and in cross-department relationships;
- not to be in a situation of conflict of interest and not to yield to internal and external pressures in any relationship that would contractually bind the organization;
- management awareness to promote social investment programs by joining non-governmental, not-for-profit and apolitical associations that aim to promote human spirit and solidarity by organizing and sustaining humanitarian actions.

D. Ethical deviations

The following acts and attitudes will be considered ethical deviations:

- failure to comply with laws and regulations;
- failure to comply with internal rules and procedures;
- absence of a conflict of interest, any involvement or participation in procedures involving a conflict of interest;
- use of position to obtain personal gains of a material nature or other advantages;
- disclosure of confidential information;
- discretionary treatment of shareholders;
- refusal to cooperate with other institutions, departments or employees;
- intimidation, creating any kind of pressure, visible (bribery, threats) or less visible (blackmail, intercessions / interventions), on the people in management;

Human rights

ROMCARBON SA is committed to respecting human rights in the relationship with each stakeholder and we ask that they, in turn, respect the rights of others. A broad range of civil, political, economic, social and cultural rights are included, including the following (enumeration is not exhaustive):

- the right to human dignity;
- right to life;
- personal freedom and security;
- right to access the highest health standards;
- the right to legal and favorable working conditions;
- right to fair wages and decent living;
- right to an adequate living standard;
- right to form and to join a trade union and the right to collective negotiations;
- prohibition of all forms of forced or compulsory labor;
- prohibition of child labor;
- prohibition of discrimination;
- freedom of opinion.

Equal treatment and chances and protection of privacy

Each member organization of the Group understands the value of diversity. Employees, clients, business partners, suppliers and all other interested third parties are citizens who come from many countries, with different nationalities, beliefs, religions, convictions, cultures. The Group promotes the prohibition and prevention of discrimination of any kind, such as, but not limited to, discrimination based on race, color, gender, age, language, religion, political or other opinion, ethnicity, national or social origin, property, birth, sexual orientation or any other criteria, including marital status or parental status.

ROMCARBON SA is committed to respecting the privacy of individuals and preserving the confidentiality of their personal information.

Fair work practices

Human resources are the most important resources of Romcarbon Group, each organization being dedicated to the growth of their employees and ensuring a good balance between professional and personal life.

ROMCARBON SA does not tolerate any form of forced, compulsory or child labor, nor any other ethical practices such as wage denial, denial of sick leave or daily rest, abusive use of alternative forms of employment. Supporting people with special needs is a priority in the human resources policy.

The organization is committed to implementing a fair employment and remuneration policy in accordance with applicable laws. Disciplinary procedures are exercised fairly, impartially and transparently.

Anti-corruption and anti-fraud

ROMCARBON SA does not engage in or tolerate corruption in any form (including bribery, payments to facilitate certain services, money support, blackmail, abuse of power for personal gains, undue benefits or gifts with intent to influence), regardless of whether it occurs in the public or private sector and irrespective of size.

Fraud, including forgery of financial or non-financial information registers, money laundering and insider trading are forbidden.

ROMCARBON SA and its affiliates fight fraud and do not tolerate fraudulent practices. In order to protect the organization's values, assets and reputation, each member of the organization is responsible for acting in good faith, in accordance with the rules and regulations, and paying attention to any indication of fraud. Even ignoring suspicion of fraud can result in company and employee liability.

FINAL PROVISIONS

The ethical conduct rules presented in the Code of Ethics are mandatory for all members of the management: administrators and managers, as well as other employees, and breaches are not accepted.

Signaling issues helps the company protect the culture of integrity and ethics, reputation and financial health, and ultimately protects employees' jobs and community welfare.

8. Corporate Governance and Social Responsibility Policies

All shareholders of ROMCARBON SA are equally treated. All shares issued give the holders equal rights.

The General Meeting of Shareholders is the governing body of the company that decides on its activity and ensures its economic and commercial policy.

ROMCARBON SA facilitates and encourages: the participation of the shareholders in the works of the General Meetings of Shareholders (GMS), the full exercise of their rights, the dialogue between the shareholders and the members of the Board of Administration and / or the management.

The duties of the General Meeting of Shareholders are those stipulated in the Articles of Incorporation of ROMCARBON SA being strictly in accordance with the legal provisions, ensuring the presentation of the materials, the recording of the works and the decisions taken.

The general meeting is convened by the board of administration whenever necessary and the shareholders exercise their rights within the meetings in accordance with the legal provisions and the procedure approved by the Board of Administration in this respect.

The members of the Board of Administration guarantee the efficiency of the capacity to supervise, analyze and evaluate the activity of the administrators, as well as the fair treatment of shareholders.

When appointing the members of the Board of Administration, the General Meeting seeks a balanced membership according to the structure and activity of ROMCARBON SA, as well as the experience and personal qualifications of the members of the Board of Administration.

Persons who, under the law, are incapable or have been convicted of fraudulent misconduct, abuse of trust, forgery, deceit, embezzlement, false testimony, bribe giving or taking, and other offenses provided

by the law on commercial companies are incompatible with the capacity of member of the Board of Administration.

The decision-making process remains a collective responsibility of the members of the Board of Administration, and they are held jointly and severally liable for all decisions taken in the exercise of their duties.

In addition to the Board of Administration, the 2-member Audit Committee, which carries out an annual assessment of the internal control system, considers the efficiency and scope of the internal audit function, risk management and internal control reporting to the audit committee within the Council, as well as the ability to react to and management's efficiency in solving the deficiencies or weaknesses in the internal control system, identified and presented to the Council through relevant reports. The Audit Committee must reconsider conflict of interest in the transactions of the organization and its subsidiaries with stakeholders. The Audit Committee is responsible for reviewing the Corporate Governance Statement in its Annual Report on Internal Risk and Control as well as for assessing corporate governance and monitoring the application of statutory and generally accepted internal audit standards. The Audit Committee must receive and evaluate the reports of the internal audit team.

The internal auditor participates in the meetings of the Board of Administration and of the General Meeting of Shareholders and informs them about irregularities in the administration, violations of the legal provisions and provisions of the articles of incorporation that they find.

Risk factors include general issues (emerging markets pose a higher risk than developed economies with mature legal and political systems), potential political instability, risks of temporary instability of the legislative framework, risks linked to the instability of the foreign exchange and inflation rates, as well as risks related to the capital market and its liquidity.

ROMCARBON SA addresses the risk prudently, in line with its long-term strategy. Prudent risk management is growing in importance given the prolongation of economic uncertainties at the economic and financial level and the prominent manifestation of market volatility. The strategic vision of risk management is set by the Board of Administration and is implemented through policy actions at the level of executive management of the company. The activity of control and risk management is ensured through a series of specific structures regulated by the specific provisions of the capital market, the articles of incorporation, the collective employment agreement and the organizational structure, as follows:

- financial auditor;
- internal auditor;
- configuration of the organizational and functional structure.

The financial statements of the company are audited, according to law, by an external financial auditor (legal person), member of the Chamber of Financial Auditors of Romania, appointed by the Ordinary General Meeting of Shareholders (OGMS) and operating under a services agreement approved by the Board of Administration.

Each member of the Board of Administration will avoid any direct or indirect conflict of interest with the organization or any subsidiary controlled by it. Each administrator will inform the Board of Administration of any conflict of interest occurred, in which case he will refrain from debating and voting on the issues in question.

It is also forbidden to any person holding inside information:

- to use that information for the acquisition or alienation or intended acquisition or alienation, on its own account or on behalf of a third party, directly or indirectly, of financial instruments to which that information relates;
- to recommend to third parties to carry out transactions with securities held by the company, if it holds information in such respect;
- to disclose internal information for a purpose other than that falling under the realm of his tasks and duties;
- to disseminate information in any way that creates or is likely to create a false or wrong impression;
- to adopt a behavior that creates a false or wrong impression of the demand, offer, price, or value of the investments;
- to engage in market manipulation activities.

These obligations apply to any person who holds inside information in circumstances where those people know or ought to know that such information is sensitive.

Romcarbon Group proposes, through an active Corporate Social Responsibility Policy:

- to support and respect human rights, in particular its own employees. In this respect, the employees benefit from various programs of specialization/professional training, as well as permanent information on the evolution of the organization (presentation of employees' representatives and periodical analysis of the financial statements of the organization). Within their own responsibilities, each organization takes the necessary measures to protect the safety and health of employees, including activities to prevent occupational risks of information and training, as well as to implement the labor protection and the necessary means for it (e.g. periodic training, provision of personal protective equipment, work equipment, hygienic-sanitary materials, periodic medical check-up, etc.). ROMCARBON SA and its subsidiaries do not use child labor, do not engage in trafficking of human beings, nor encourage these ideas in any way. No physical or mental punishment, physical or verbal pressure or any form of inhuman treatment is tolerated in any way;
- to uphold the right to free association. The Romcarbon Group companies respect the legal right of all staff to appoint representatives, who negotiate on behalf of and for them in the periodic negotiations of the/ collective employment agreement at organization level. Employees' representatives are protected by law against any form of conditioning, constraint or limitation of the exercise of their duties;
- to contribute to the elimination of discrimination in employment, the pursuit of the profession, the setting and granting of salaries. Any direct or indirect discrimination against an employee based on sex, sexual orientation, genetic characteristics, age, nationality, race, color, ethnicity, religion, political options, social origin, disability, family status or responsibility, membership in trade unions;
- to combat any form of corruption;
- to support educational activities, both as a partner and as a sponsor, projects and initiatives that have an educational purpose.

9. Statement on preventive measures to counteract the spread of coronavirus – (COVID-19)

Given that the risk of spread of COVID-19 coronavirus is real and increased, WHO officially declaring that the coronavirus outbreak is a pandemic, group companies have established and implemented preventive measures for the protection of both their employees and collaborators (delegates, drivers, couriers, etc.). The measures are constantly reassessed and adapted according to the evolution of the situation and the official communications / measures ordered by the competent public authorities / international bodies.

The basic preventive measures are:

- watching public information from official / secure sources; requesting directly information and recommendations from the Public Health Directorate in Buzau in concrete situations; permanent assessment of the reaction to the measures taken and their adaptation accordingly;
- intensive and continuous information of the personnel on the preventive measures, by display in multiple visible places and by distributing printed materials containing the official information transmitted by the Ministry of Health, the Ministry of Internal Affairs - the Strategic Communication Group, the Public Health Directorate and, by training the staff collectively and personally, by acknowledgment of the training by the signature of each employee;
- equipping all sectors with hygiene and disinfectant materials - soap, disinfectant, sanitary alcohol - for personal use and for cleaning and disinfecting surfaces; efforts are being made to ensure safety stocks, given the difficulties of supply;
- intensification of the cleaning and disinfection program;
- providing masks and protective gloves for the personnel most exposed to contact with collaborators, meaning the company's personnel that carries out activities in the commercial / procurement, invoicing fields, in warehouses, but also the personnel of the security company with which we collaborate; efforts are being made to ensure safety stocks, given the difficulties of supply
- limiting access to the offices / premises of the company to persons outside the organization;
- implementation of the procedure for measuring the temperature of the employees and visitors before entering the company, as well as the procedure to be followed in case of exceeding the normal temperature and / or identifying / showing other symptoms;
- arranging separate rooms in which people with fever and / or other symptoms will remain isolated with their consent, until being transported to a medical unit in order to assess their health status by specialized medical personnel;
- for drivers of the domestic / international transport companies that come for the delivery / take-over of the goods, there are also established rules for preventing / reducing the risk of

contamination with the COVID-19 coronavirus: temperature measurement, filling in and signing a questionnaire regarding travel in risk areas, prohibiting access on suspicion of infection and / or coming from risk areas, equipping them with a protective mask that they are obliged to wear while they are on premises, alerting the company's staff regarding the interaction with the respective drivers (keeping distance, reducing direct interaction, tracking / alerting the drivers regarding the wearing of masks and observing the other preventive measures);

- implementation of remote working procedures by teleworking for the sectors / departments whose activity can be carried out in this way.

At the date of this Report, no major difficulties and risks were identified in the activity of supply, production and sale that would significantly affect the economic activity of the Company. The Company is elaborating a Risk Plan in case of cessation of production and establishment of quarantine or other future events that would require measures to temporarily interrupt the economic activity of the Company

35% of Group's business consist in export to the other European countries and some of these countries have taken drastic measures to close those activities that are not essential. As a result it was a negative impact to companies' business. In response to this impact, two of the companies of the Group , Romcarbon SA and RC Energo Install SRL, have sent around 120 employees for technical unemployment in April from the Compounds and regenerated polymers sector and Plastic processing sector (polypropylene products) and also from the services sector.

The future evolution of the crisis generated by the outbreak of COVID-19 may have an impact in the upcoming months as far as a decrease in sales is concerned, but the percentage is difficult to foresee, as it may vary, and can even reach 20% given the drop of demand in the car industry and construction sector.

The supply of raw materials and consumables remain stable and the Group does not expect price increases. There are no concentration risk premises as there is no major reliance on significant suppliers or clients or on the markets highly affected by COVID-19. The company's activity is not affected by restrictions to foreign financing, it has the ability to control its flow of collections and mitigate risks of non-collection. We have not identified any premises of exposure to major risks in terms of cash flows. There will be a pressure on the RON/EUR exchange rate, the level of which we cannot estimate though.

ROMCARBON SA, taking into account the current context, uses its know-how in filtering technology to develop a mask for its own use to ensure that its employees and group companies have enough masks during this period when the supply with protective equipment is difficult.

All necessary measures are taken to provide the raw materials needed for production, to ensure the normal flow of production and deliveries.

For signatures, please refer to the original Romanian version.

**HUANG LIANG NENG,
Chairman of the Board
And General Manager**

**VIORICA ZAINESCU,
Financial Manager**

**CARMEN MANAILA,
Deputy General Manager for
Administrative Operations**

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