



ROMCARBON SA | Thinking forward
a company listed on BVB



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Romcarbon SA, one of the major plastic packages producers (Polystyrene, Polypropylene, Polyethylene) in Romania and the most important romanian producer of regenerated polymers & compounds, recorded in 2019 a net profit of LEI 370,098 decreased by LEI 4,430,256 (-92%) as compared with the same period of 2018, and a value of net sales of LEI 183,857,280 decreased by 7% as compared with the previous year (2018: LEI 198,460,719). Considering the sales of finished products the decrease was 6% compared with the previous year (2018: LEI 148,386,635).

EBITDA Operational recorded in the reported period **an amount of LEI 12,316,628 with an increase of LEI 932,385 (+8%)** as compared with the same period of 2018 as a result of the investments made in the previous years targeting the increase of productivity and a decrease of production costs.

Among the items that negatively impacted the result of 2019 were the loss recorded from the exchange rate differences as a result of the revaluation in lei of the assets and liabilities expressed in foreign currency, - LEI 1,061,793 (2018: + LEI 88,767), decrease of the item « Investment income » with LEI 1,513,011 in 2019 as compared with the previous year (-44%) - this indicator comprises also the revenues from dividends received from the company's subsidiaries which in 2018 amounted LEI 1,117,270, but in 2019 its value was 0 - , the loss arising on changes in fair value of investment property recorded at 31.12.2019 as a result of the revaluation of these assets, - LEI 429,524 (2018: + LEI 307,659) but also the decrease of the gain on disposal of non-current assets, investment property and non-current assets hold for sale, recording in 2019 an amount of LEI 33,366 (2018 : + LEI 2,720,953).

Regarding the decrease in Net Sales of finished products, a significant influence had Plastics processing sector, by the Polyethylene products group (- LEI 5,498,140, -17%, as compared with 2018), where the goal was to optimize clients portfolio by giving up those orders which, either due to quantity or due to price weren't efficient, action which finally led to a decrease in sales for this group of products but in the same time to obtaining **an improvement of EBITDA Operational**.

Within this group, the management aims to identify an optimized structure of production (in this sector are manufactured a large range of products – foils, bags, small bags, covers – both from virgin polymers and regenerated polymers) which will lead to increase in sales and in the same time improve results of the sector.

An aspect that must be highlighted is the beginning, in the last months of 2019, of **the production of biodegradable small bags**, Romcarbon obtaining for these products the certification regarding the biodegradability issued by TUV Austria.

The share of this subgroup of products in the total sales of the group in 2019 was relatively small (1.24%), but for 2020 it is expected to reach 13%, being one of the growth engines of the sector.

Another sector that had an influence on the decline in net sales of finished products in 2019 was Regenerated polymers & compounds (-LEI 3,469,861, -10%, as compared with 2018), especially due to the decrease in price of virgin polymers on the international markets which led to a decrease of the demand for recycled polymers, some plastic processors prefer to use virgin raw material.

This situation is a temporary one, the demand for recycled raw materials will increase in the next period with the CE regulations for increasing the quantities of recycled plastic in the European Union.

It should be pointed out that 41% of the sales of this sector are made on foreign markets, among the countries where the products are sold are counted Italy, Bulgaria, Germany, Hungary.

The evolution of the company main indicators is shown in the following table:

Item	2017	2018	2019	2019 vs. 2018	
Net sales	195,140,695	198,460,719	183,857,280	▼	(14,603,439) -7%
Investment income	3,987,533	3,464,433	1,951,422	▼	(1,513,011) -44%
EBITDA	15,768,480	14,702,841	10,419,424	▼	(4,283,417) -29%
EBITDA Operational¹	12,182,514	11,384,242	12,316,628	▲	932,385 8%
Net profit	4,798,066	4,800,354	370,098	▼	(4,430,256) -92%
Non-Current assets	210,024,646	170,408,687	163,480,245	▼	(6,928,442) -4%
Current assets	59,667,443	82,932,101	82,714,660	▼	(217,441) 0%
Total Equity	133,121,619	137,190,295	137,054,252	▼	(136,043) 0%
Total Liabilities	136,570,470	116,150,493	109,140,653	▼	(7,009,841) -6%
Debt ratio	51%	46%	44%	▼	(0) -3%
Current liquidity	79%	120%	110%	▼	(0) -8%

¹ EBITDA Operational was calculated taking into account only the exploitation activity, excluding financial activity, sales of assets, depreciation and any other non-recurring items. From the point of view of evaluating the main activity of the company, this indicator is the most relevant.

About Romcarbon SA

The company has the following fields of activity:

- Plastic processing sector (**56%** of 2019 sales):
 - Polyethylene processing (virgin polymers and regenerated) :bags, small bags, covers, general use foil, thermo foil;
 - Polystyrene processing : trays for the food industry (standard, absorbent, catering) and products for constructions as plates and rolls;
 - Polypropylene processing: laminated and non-laminated woven bags in different sizes for packaging products used in agriculture, food and chemical industry;
- Regenerated polymers and compounds (**17%** of 2019 sales);
- Other production sectors (**3%** of 2019 sales) :automotive and industrial filters, active carbon, breathing protective equipment, PVC traffic base;
- Other activities (**24%** of 2019 sales): sales of goods, services, other sales.

The evolution of the Group main indicators is shown in the following table (in lei thousand):

Item	2017	2018	2019	2019 vs. 2018	
Revenue (Sales)	251,993	257,709	245,772	▼	(11,937) -5%
Investment income	2,430	2,312	2,942	▲	630 27%
EBITDA	13,279	10,271	12,097	▲	1,826 18%
Net profit	(1,565)	(4,116)	(2,617)	▼	1,499 -36%
Non-Current assets	262,594	217,924	198,208	▼	(19,716) -9%
Current assets	81,059	93,636	100,889	▲	7,253 8%
Total Equity	147,445	142,568	139,561	▼	(3,007) -2%
Total Liabilities	196,208	168,993	159,536	▼	(9,457) -6%
Debt ratio	57%	54%	53%	▼	(0) -2%
Current liquidity	79%	98%	97%	▼	(0) -1%

The contribution of the company to the profit of the Group in lei thousand:

Company	Result 2018	Result 2019	2019 vs 2018
Romcarbon SA	4,800	370	(4,430)
Livingjumbo Industry SA	(6,887)	(3,154)	3,733
RC Energo Install SRL	786	305	(480)
Infotech Solutions SRL	108	78	(30)
Recyplat Ltd Cipru	(52)	(15)	38
Eco Pack Management SA	(87)	(75)	12
Project Advice SRL	(46)	(12)	34
Consolidation adjustments	(2,738)	(116)	2,622
Total	(4,116)	(2,617)	1,499

About the Group

Romcarbon Group consists of companies that produce: (i) plastic packaging products and other plastic profiles (Romcarbon SA and Livingjumbo Industry SA), (ii) regenerated polymers and compounds (Romcarbon SA), (iii) other productive activities (Romcarbon SA) and (iv) other activities such as : plumbing, heating and air conditioning services and works (RC Energo Install SRL), business and business consulting services (Recyplat LTD), information technology services (InfoTech Solutions SRL) and others.

The main production companies of the Group are Romcarbon SA and Livingjumbo Industry SA, owning 73% and 15% of the total fixed assets.

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, PVC traffic base): 2% (3% in 2018);
- other activities: 7% (14% in 2018).

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

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

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