

S.C. ROMCARBON S.A.

ANNUAL REPORT FOR THE YEAR ENDED 2018

Buzau, 132 Transilvaniei street

TABLE OF CONTENTS

SECTION 1

Annual report regarding Separate Financial Statements

<u>1. Analysis of the company activity</u>	Page 1-13
<u>1.1.1. General assessment of the company</u>	Page 1
<u>1.1.2. Tehnical assessment of the company</u>	Page 2-3
<u>1.1.3. The assessment of the procurement activity (domestic and import)</u>	Page 3
<u>1.1.4. The assessment of sales activity</u>	Page 4-9
<u>1.1.5. The assessment of the aspects related to the personnel of the company</u>	Page 10
<u>1.1.6. The assessment of the impact of the company's activity on environment</u>	Page 10-11
<u>1.1.7. The assessment of the research and development activity</u>	Page 11
<u>1.1.8. The assessment of the company's activity related to risk management</u>	Page 11-12
<u>1.1.9. Perspective elements regarding the company's activity</u>	Page 13
<u>2. The tangible assets of the company</u>	Page 13-15
<u>3. Securities market issued by the company</u>	Page 15-16
<u>4. The management of the company</u>	Page 16-17
<u>5. Financial statements of the company</u>	Page 17-28
<u>5.1 Statement of the financial position</u>	Page 18-24
<u>5.2 Statement of the comprehensive items</u>	Page 24-25
<u>5.3 Net sales evolutions</u>	Page 25-26
<u>5.4 Financial ratios</u>	Page 26
<u>5.5 Statement of cash-flow 2016-2018</u>	Page 27-28
<u>6. Corporate governance</u>	Page 29-43
<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-Flow, Notes, Board of directors' report</u>	Page 54-148
--	-------------

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-Flow, Notes, Board of directors' report, Non-financial declaration</u>	Page 149-265
--	--------------

LANGUAGE DISCLAIMER

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





S.C. ROMCARBON S.A.

Company Identification

Annual report according with ASF regulation nr. 5/2018

Date of release: 24/25.04.2019

Reporting date: 31.12.2018

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.

Thinking
forward

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 2018 are presented in the table below :

Category	Value
Plants	3,263,265
Equipment and Machineries	6,205,237
Controlling device	122,382
Vehicles	160,255
Furniture	110,983
TOTAL	9,862,122

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

Item	Entry values	Section
HOMOGENIZING MACHINERY	3,229,327	CP7-COMPOUNDURI
EXTENSION OF THE PRODUCTION HALLS (WINGS A:E)	2,117,678	CP7-COMPOUNDURI
MOULDS (3 PIECES)	856,540	CP5-POLISTIREN
IMPROVING THE FILTERING AND REGRANULATION LINE	582,914	CP7-COMPOUNDURI
IMPROVING THE REGRANULATION LINE	508,447	CP7-COMPOUNDURI
IMPROVING THE ELECTRICITY PLANT	432,063	ADMINISTRATIV
EXTENSION OF THE PRODUCTION LINE	316,314	CP7-COMPOUNDURI
EXTENSION OF THE PRODUCTION LINE – PVC GRANULE HALL	220,244	CP7-COMPOUNDURI

The outputs of tangible assets from the company in 2018 are shown in the table below:

Asset	Dismantle/casation	Sales	TOTAL
Property investments (Land and plants)	0	15,376,481	15,376,481
Tangibles asstes at gross value	968,169	225,224	1,193,393
Total	968,169	15,601,705	16,569,874

GENERAL ASSESSMENT OF THE COMPANY

Indicator	2017	2018	2018 vs. 2017	
Sales of finished goods	140,128,883	148,386,635	8,257,752	6%
Total sales (Turnover)	197,966,579	200,716,405	2,749,826	1%
Export	50,024,168	52,894,181	2,870,013	6%
Total Revenues	213,698,503	225,187,158	11,488,655	5%
Total Expenses	207,960,165	220,721,100	12,760,936	6%
EBIT	7,325,990	6,168,893	-1,157,097	-16%
EBITDA	15,768,480	14,702,843	-1,065,637	-7%
Profit/Loss of the exploitation activity	7,573,228	4,807,304	-2,765,925	-37%
Profit/Loss of the financial activity	-1,834,891	-341,245	1,493,646	-81%
Profit tax	940,272	-334,297	-1,274,569	
Net profit	4,798,066	4,800,354	2,289	0%
Cash and cash equivalents	2,529,017	3,331,011	801,993	32%

Market share (%) in Romania:

Group of products		% of domestic market (estimation)
Auto and industrial filters	~CP1	2%
Active carbon	~CP2	5%
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 2018, 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:

	2016	2017	2018
- Sales of Finished products, Total, out of which:	68.37%	71.81%	74.77%
CP1~ Auto and industrial filters,	2.31%	1.96%	1.32%
CP2~ Respiratory protective equipment and Active Carbon	1.63%	1.29%	1.00%

CP3~ Polyethylene products	14.02%	14.00%	16.40%
CP4~ PVC products	0.24%	0.30%	0.40%
CP5~ Polystyrene products	19.17%	18.66%	19.06%
CP6~ Polypropylene products	20.78%	19.17%	19.23%
CP7~ Regenerated plastics & Compounds	10.21%	16.42%	17.35%

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

New products developed in 2018

In 2018 was enlarged the range of industrial filters with 25 new items. In automotive sector and railways 29 new filters entered in production.

In Profit Center No. 7- Compounds were developed 14 new receipts of compounds manufactured from recycled plastic, the new products are delivered to beneficiaries for testing.

In Profit Center No. 3- Polyethylene , new products have been assimilated which are delivered to customers: wrapping foil for EPS panels for automatic installation; collection foil for automatic installation; HDPE garbage bags and grabage bags made form virgin polymers.

The development activity was focused both on developing new products and new production tehnologies and on improving the existing tehnologies.

Have developed new projects in the following Profit centers

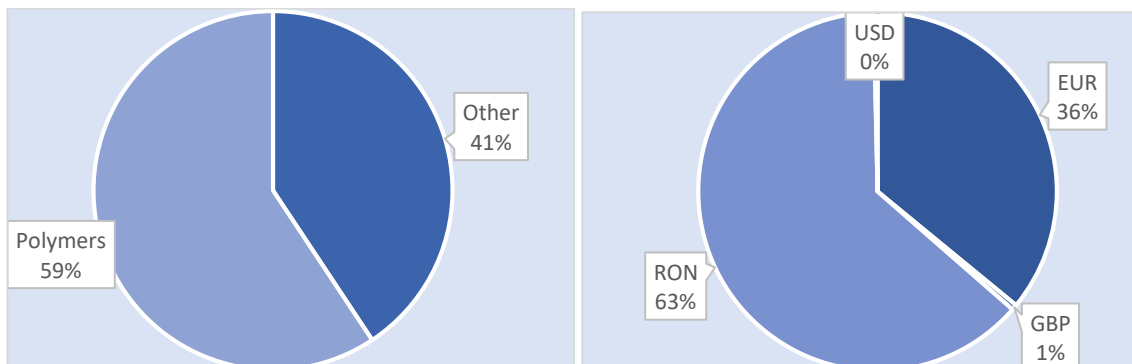
- Profit Center No. 7- Compounds : Shredding line for waste and lumps generated during the extrusion process. Has the role of reducing to small and uniform sizes, a wide range of materials(different types of post-industrial waste and postconsum, and lumps). The products obtained after grinding may be marketed as such like semi-finished products or can be reintroduced into the process, getting new products. The regranulation line by extending the processing of the range of low-density for raw materials. the improvement consists in provision with feed conveyor equipped with a metal detector.
- Profit center No. 3- Polyethylene: Homogenizer of 1 mc- First purchased from a series of homogenizers. For optimize the extrusion process it is necessary to provide a homogeneous raw material, to provide continuity to the technological process and provide the same physico-chemical characteristics of the products obtained. This serves the extruders which are not foreseen with multiple gavimetric dispensers and for which recipes are used with polymers and additives in varying proportions. New laboratory equipment has been installed and put into operation.

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 63%, and companies acting on the foreign markets in a percentage of 37%. For the Compound sector, the raw material supplied comes in a percentage of 87% from romanian market, while the difference is ensured by the foreign markets.

The most important weight (59%) 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 2018 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:

Group of products	2016		2017		2018		2018 vs. 2017		
	Value	% in total	Value	% in total	Value	% in total			
CP1~ Auto and industrial filters,	4,130,687	3.38%	3,830,438	2.73%	2,623,159	1.77%	▼	(1,207,279)	-32%
CP2~ Respiratory protective equipment and Active Carbon	2,915,747	2.39%	2,514,286	1.79%	1,994,419	1.34%	▼	(519,866)	-21%
CP3~ Polyethylene products	25,059,617	20.51%	27,326,932	19.50%	32,556,680	21.94%	▲	5,229,748	19%
CP4~ PVC products	434,054	0.36%	582,367	0.42%	784,529	0.53%	▲	202,162	35%
CP5~ Polystyrene products	34,260,687	28.04%	36,420,305	25.99%	37,832,816	25.50%	▲	1,412,511	4%
CP6~ Polypropylene products	37,144,517	30.40%	37,408,712	26.70%	38,163,803	25.72%	▲	755,091	2%
CP7~ Regenerated plastics & Compounds	18,245,980	14.93%	32,045,842	22.87%	34,431,228	23.20%	▲	2,385,386	7%
Total	122,191,290	100.00%	140,128,883	100.00%	148,386,635	100.00%	▲	8,257,752	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	2016		2017		2018	
	Value	%	Value	%	Value	%
Domestic market	83,100,987	68.01%	90,478,709	64.57%	96,001,772	64.70%
Exports	39,090,303	31.99%	49,650,174	35.43%	52,384,863	35.30%
Total	122,191,290	100.00%	140,128,883	100.00%	148,386,635	100.00%

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

Tara	2017	% in 2017	2018	% in 2018
Bulgaria	14,719,698	29.65%	12,321,732	23.52%
Germany	8,488,229	17.10%	12,042,150	22.99%
Polond	4,595,353	9.26%	5,031,717	9.61%
Serbia	4,457,607	8.98%	4,517,145	8.62%
Hungary	1,695,768	3.42%	2,795,920	5.34%
Spain	2,282,144	4.60%	2,482,621	4.74%
Italy	1,322,556	2.66%	2,039,302	3.89%
China	363,780	0.73%	2,025,882	3.87%
France	1,449,905	2.92%	1,596,481	3.05%
Greece	2,807,035	5.65%	1,437,220	2.74%
Slovakia	1,288,786	2.60%	1,347,909	2.57%
Moldova	1,446,715	2.91%	920,346	1.76%
Netherlands	777,563	1.57%	699,199	1.33%
Ukraine	431,060	0.87%	571,134	1.09%
Switzerland	893,153	1.80%	543,909	1.04%
Cehia	347,750	0.70%	321,988	0.61%
Croatia	601,685	1.21%	312,269	0.60%
Bosnia and Hertegovina	185,733	0.37%	284,111	0.54%
Non-UE countries	354,732	0.71%	242,430	0.46%
Macedonia	119,009	0.24%	147,627	0.28%
Belgium	182,043	0.37%	130,046	0.25%
Maroc	0	0.00%	105,244	0.20%
Other	839,870	1.69%	468,481	0.89%
Total	49,650,174	100.00%	52,384,863	100.00%

1)AUTOMOTIVE AND INDUSTRIAL FILTERS**a) The market**

The main market is the domestic one with a share of 97%, while the exports contributes with 3% of sales. 50% of filters sales consist in automotive filters, 24% railway and ships filters, 13% industrial filters and 13% 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 2019 we intend to increase the sales of industrial and agriculture filters and also to resume the sales of vacuum 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 2018 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 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: 63% on domestic market and 37% 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. In 2018 the sales of Polyethylene increased with 19% as compared with 2017.

b) 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 2018, the recycled PVC supports for road signs entered foreign markets. The sales increased in 2018 by 35% as compared with 2017.



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 2018 was of 67% on domestic market and 33% on foreign market. The sales increased in 2018 by 3.8% as compared with 2017. The share of export sales registered an increase of 2% compared to 2017, 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 2018 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.

b) 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 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**
(91% 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 increased in 2018 with 7% as compared with 2017.

The 2018 sales were distributed as follows : 53% on the domestic market and 47% on foreign markets. The foreign market is represented by clients from Bulgaria, Hungary, Germany, Italy, Spain, Croatia, Czech Republic, Poland, Belgium. New collaborations have begun with customers from China and Ireland.

c) **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, Calex, 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 SC Romcarbon SA employees at 31.12.2018 was 969, grouped according to the level of education as follows:

Total personnel, out of which:	969	%
• higher education*	106	11%
• post-secondary school	13	1%
• technical school for foreman	9	1%
• secondary education	393	41%
• vocational school	216	22%
• 9 – 11 classes/apprentice school	107	11%
• occupational qualification	43	4%
• school	82	8%

*Out of the total personnel with higher education, 66 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 finds 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 2018 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 2018 it were prolonged the product certification for oil filters, fuel filters, autovehicles filters, multigas filters and corrugated hose with two connectors for CO retention;

- 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 tehcnical documentation of the PSE and Compound products.

The cost of reaserch and development activity in 2018 was RON 967,348, while for 2019 it was budgeted a cost of RON 997,846.

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.

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 2018 the company recorded an increase of turnover with 1% as compared with 2017 reaching a total of RON 200,716,405. The turnover resulting from the sales of finished products had increased in 2018 with 6% as compared with 2017. The largest increase was accounted by CP7 - Compounds (+ RON 2,385,386 /+7%), CP3 - Polyethylene products(+ RON 5,229,748 /+19%) and CP5 - Polystyrene products (+ RON 1,412,511/+ 4%).

Romcarbon main market is the domestic one, with a share in turnover resulting from the sales of finished products of 74% in 2018 (75% in 2017).

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 2018 had a turnover representing 13% and 8% of total turnover. Also the sales to Livingjumbo Industry SA in 2018 included sales of finished products, rents and income from other activities, which accounted for 4% of turnover.

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 31.12.2018 the balance of these loans was EUR 10,454,410 (2017: EUR 12,727,688).

In 2018 the profit generated by the fluctuation of foreign currencies rate was RON + 88,767 (- RON 1,502,397 in 2017).

Cash flow in foreign currency in 2018 has the following structure:

Item	EURO	USD	GBP
Proceeds from foreign clients	10,707,117	479,816	0
Proceeds from credits	0	0	0
Other proceeds	25,294	-6,004	0
Payment to the foreign suppliers (raw materials and equipment)	-9,194,453	-	0
Payments of credits, interest, bank fees	-2,525,135	-1,354	-70
Other currency payments	-23,443	0	0
Net cash flow	-1,010,619	293,566	-70

Liquidity risk

Current liquidity of SC Romcarbon SA (calculated as the ratio between current assets and current debts) climbed up from 0.79 in 2017 to 1.20 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 2019.

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 2019, the company budgeted the following financial indicators:

- A total turnover of RON 239,228,570 (up with 19% as compared with 2018) out of which the turnover related to the sales of finished products is budgeted at the level of RON 165,627,467 (11% higher as compared with 2018);
- An operating profit of RON 3,990,090.

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 52,647.68 square meters, built area of 11,935.85 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 2

- compressor and mechanical hall - 236 square meters surface construction on reinforced concrete foundation, structure of concrete pillars, concrete floor;
- recycled water pump station - 444 square meters surface construction on reinforced concrete foundation, structure of concrete pillars, brick masonry, concrete floor;

ASSET 5

- fire fighting station building - 607 square meters surface construction on reinforced concrete foundation, structure of concrete pillars, brick masonry;
ASSET 6
- Telephone exchanges building - area of 472 square meters construction on reinforced concrete foundation, structure of concrete pillars, brick masonry, concrete floor;
ASSET 8
- administrative building - construction area of 1,906 square meters on reinforced concrete foundation, structure of concrete pillars, brick masonry, concrete floor;
ASSET 10
- color preparation building - area of 196 square meters of reinforced concrete foundation construction on the structure of concrete pillars, brick masonry, concrete floor;
ASSET 17
- warehouse building - construction area of 3,216 square meters on reinforced concrete foundation, structure of concrete pillars, brick masonry, concrete floor ;
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:

2016 - RON 2,007,327.93

2017 - RON 2,007,327.93

2018 - according to the General Stockholders Assebly decision dated 24/25.04.2019

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 2018.

4. THE MANAGEMENT OF THE COMPANY

4.1.DIRECTORS

a) The Board of Directors, following the OGMS Decision of 21.01.2016:

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, 68 years old;

Wang Yi Hao –Membru C.A. incepand cu data de 21.01.2016, 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, 34 years old ;

b) Not applicable.

c) Participation of administrators to share capital of SC Romcarbon SA, at the reference date 31.12.2018:

Wang Yi Hao - 0 shares

Simionescu Dan -493,328 shares

d) Company' s affiliates as per 31.12.2018:

d.1. Legal entities in which SC Romcarbon S.A. owned, on 31.12.2018, 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	200	4,032	806,400	198	1,639,232	99.0000%
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

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:

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 - Deputy Technical General Manager since 01.06.2010

Genes Alina - Development Director until 30.06.2018

Zainescu Viorica Ioana - CFO starting on 15.01.2010
 Damian Nicoleta - Human Resources Director until 31.08.2018
 Duracu Gheorghe - Quality Manager starting on 05.01.2004

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

There are attached:

- Separate financial statements for the year ended on 31.12.2018 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 2014 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 24/25.04.2019, which approved the 2018 financial statements;
- Declaration of the management company of the conformity of the accounting statements.

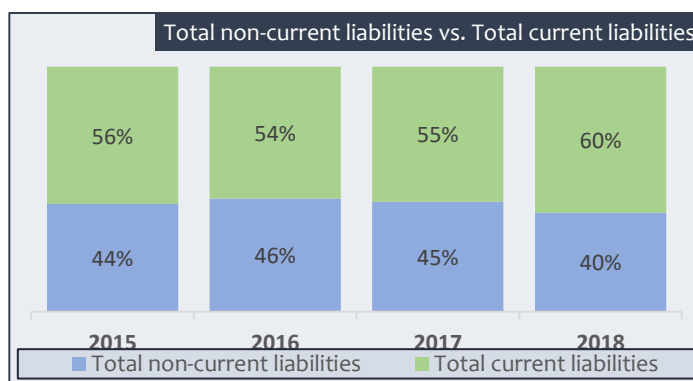
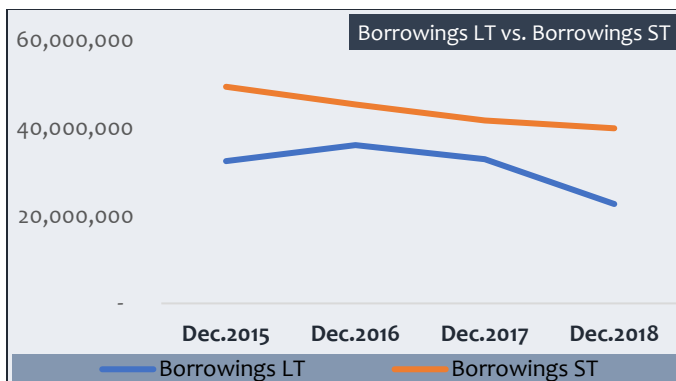


Thinking
forward

5.1 STATEMENT OF THE FINANCIAL POSITION

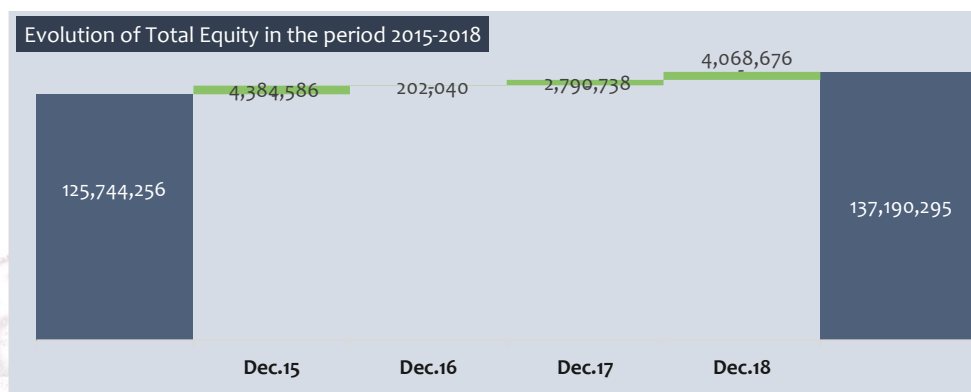
Indicator	31.12.2016	31.12.2017	31.12.2018	31.12.2018 vs. 31.12.2017	
Property, plant and equipment	147,005,912	137,757,935	130,049,723	-7,708,212	▼ -5.60%
Investment property	45,680,013	49,859,449	18,033,515	-31,825,934	▼ -63.83%
Intangible assets	246,401	160,081	78,269	-81,813	▼ -51.11%
Financial assets	22,844,368	22,247,181	22,247,181	0	— 0.00%
Total non-current assets	215,776,694	210,024,646	170,408,687	-39,615,959	▼ -18.86%
Non-current assets held for sale	0	0	16,000,390	16,000,390	▲
Inventories	25,668,489	23,824,916	20,695,919	-3,128,997	▼ -13.13%
Trade and other receivables	26,553,753	32,493,266	35,722,416	3,229,150	▲ 9.94%
Amounts to receive from affiliates (financial)	0	0	6,174,452	6,174,452	▲
Taxes receivables	447,239	0	0	0	—
Other assets	294,011	820,245	1,007,913	187,668	▲ 22.88%
Cash and bank balances	5,615,329	2,529,017	3,331,011	801,993	▲ 31.71%
Total current assets	58,578,820	59,667,445	82,932,101	23,264,656	▲ 38.99%
Total assets	274,355,514	269,692,090	253,340,788	-16,351,302	▼ -6.06%
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	54,506,299	53,222,860	58,492,792	5,269,931	▲ 9.90%
Retained earnings	47,230,089	51,304,266	50,103,010	-1,201,255	▼ -2.34%
Total equity	130,330,881	133,121,619	137,190,295	4,068,676	▲ 3.06%
Borrowings [Long-term]	36,104,275	32,911,592	22,666,822	-10,244,770	▼ -31.13%
Long term finance leases and other interest bearing obligations	84,588	0	0	0	—
Deferred tax liabilities	10,468,240	10,758,395	8,902,075	-1,856,320	▼ -17.25%
Deferred income	0	0	0	0	—
Total non-current liabilities	19,939,642	17,676,474	15,413,305	-2,263,169	▼ -12.80%
Trade and other payables	66,596,745	61,346,461	46,982,202	-14,364,259	▼ -23.41%
Borrowings [Short – term]	26,896,495	28,571,443	24,537,065	-4,034,378	▼ -14.12%
Short term finance leases and other interest bearing obligations	45,337,135	41,726,661	39,935,674	-1,790,987	▼ -4.29%
Deferred revenue	1,107,270	86,797	0	-86,797	▼ -100.00%
Other liabilities	2,293,920	2,305,250	2,265,476	-39,773	▼ -1.73%
Total current liabilities	1,793,067	2,533,859	2,430,076	-103,782	▼ -4.10%
Total liabilities	77,427,887	75,224,010	69,168,292	-6,055,718	▼ -8.05%
Total equity and liabilities	144,024,633	136,570,470	116,150,493	-20,419,977	▼ -14.95%
Property, plant and equipment	274,355,514	269,692,090	253,340,788	-16,351,302	▼ -6.06%

ASSETS



NON-CURRENT ASSETS

In 2018 **Non-currents assets** hold 67.26% of the company's assets, recording a decrease of RON 39,615,959, i.e. 18.86%, as compared with the beginning of the year.

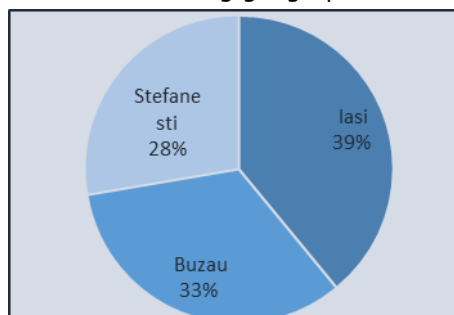


Non-current assets	31.12.2018	% in total NCA	% in total Asset	31.12.18 vs. 31.12.17
Property, plant and equipment	130,049,722	76.32%	51.33%	-5.60%
Investment property	18,033,515	10.58%	7.12%	-63.83%
Intangible assets	78,269	0.05%	0.03%	-51.11%
Financial assets	22,247,181	13.06%	8.78%	0.00%
Total non-current assets	170,408,687	100.00%	67.26%	-18.86%

The main entries of the Property, plant and equipment are presented at the point **1.1.d)** of this report.

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

Investment property	Total
Iasi	7,040,036
Buzau	6,003,274
Stefanesti	4,990,205
Total	18,033,515



On 23.04.2018 the company signed with Office&Logistic SRL, two buying selling precontracts as follows :

- Buying selling precontract having as the object the promiss to sell the assets property consisting of land in total area of 39,269.50 sq m located in Iasi, no.29 Chisinaului Way, Iasi County for the total price of EUR 3,900,000, without VAT, selling which **had be done in two stages**, having as property transfer dates 10.05.2018 and 30.07.2018 ;
- Buying selling precontract having as the object the promiss to sell the assets property consisting of land in total area of 35,192.48 sq m located in Iasi, no.29 Chisinaului Way, Iasi County for the total price of EUR 3,430,689,

without VAT, selling which is **to be done in three stages**, having as property transfer dates 30.07.2019, 29.11.2019 and 30.03.2020.

Of this sales, after completing the first two stages, on 10.05.2018 and on 30.07.2018, resulted a profit of RON 2,709,753 recognized in the Statement of comprehensive income at the position « Other gains and losses ».

In December, according with IFRS5, it was reclassified an Iasi asset, consisting in a land with an area of 35,192.48 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.

As per December 31, 2018 the Company re-valuated the Property investments held at the end of the financial year resulting an increase of the net value with RON 307,659, amount recognised in the Profit and Loss of the year.

Financial Investments hold 8.78% of Total Assets, and 13.06% of Non-current assets.

As at 31.12.2018, S.C. ROMCARBON S.A. hold shares in other companies totalizing RON 25,611,325 lei, as follows:

Company	Total no. of shares	Nominal value (lei)	Capital (lei)	Capital held (lei)	No. of shares held	Acquisition value of the shares (lei)	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	200	4,032	806,400	798,336	198	1,639,232	99.00%
GRINFILD LLC UCRAINA						2,687,755	62.62%
YENKI SRL	32,800	10	328,000	109,340	10,934	100,000	33.34%
ASOCIATIA ECOLOGICA GREENLIFE (Non-Profit Organization)				0	1,200	400	33.33%
ECO PACK MANAGEMENT SA	144,600	10	1,446,000	366,700	36,670	586,625	25.36%
KANG YANG BIOTECHNOLOGY CO.LTD	2,889,993			0	139,000	203,963	1.95%
REGISTRUL MIORITA SA	10,500	10	105,000	3,980	398	5,000	3.79%
TOTAL						25,611,325	

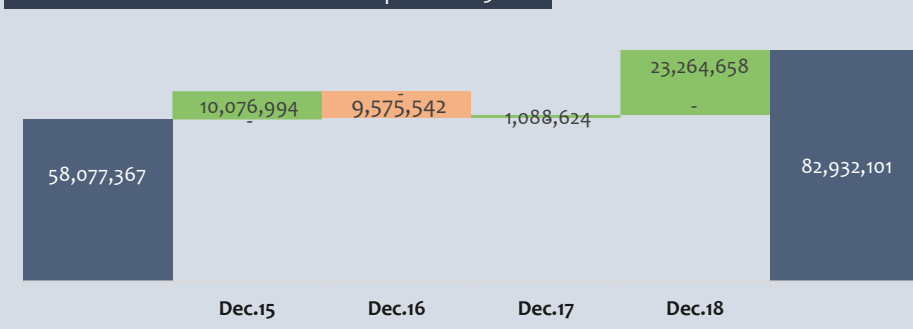
The impairment of financial investments are presented in the following table:

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 32.74% of total assets recording an increase of RON 23,264,656, i.e. 38.99 % as compared with the beginning of the year.

Evolution of Total current assets in the period 2015-2018



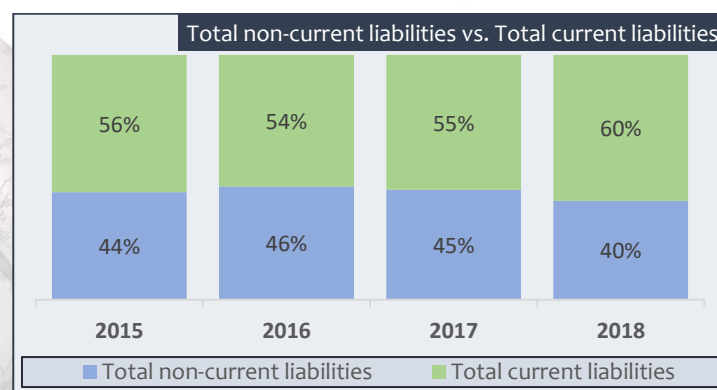
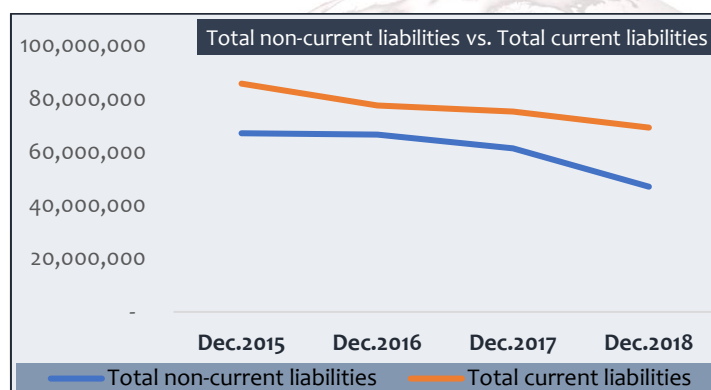
Current assets	31.12.2018	% in total CA	% in Total Assets	31.12.18 vs. 31.12.17
Non-current assets held for sale	16,000,390	19.29%	6.32%	0.00%
Inventories	20,695,919	24.96%	8.17%	-13.13%
Trade and other receivables	35,722,416	43.07%	14.10%	9.94%
Amounts to receive from affiliates (financial)	6,174,452	7.45%	2.44%	0.00%
Taxes receivables	0	0.00%	0.00%	0.00%
Other assets	1,007,913	1.22%	0.40%	22.88%
Cash and bank balances	3,331,011	4.02%	1.31%	31.71%
Total current assets	82,932,101	100.00%	32.74%	38.99%

The loans granted to the Affiliates are presented in the following table:

Affiliate	Contract value	Balance as at 31.12.2018	Interest	Total	
LivingJumbo Industry SA	€ 1,000,000	€ 1,000,000	4,663,900 lei	75,134 lei	4,739,034 lei
RC Energo Install SRL*	€ 500,000	€ 305,000	1,422,490 lei	12,929 lei	1,435,418 lei
Total	€ 1,500,000	€ 1,305,000	6,086,390 lei	88,062 lei	6,174,452 lei

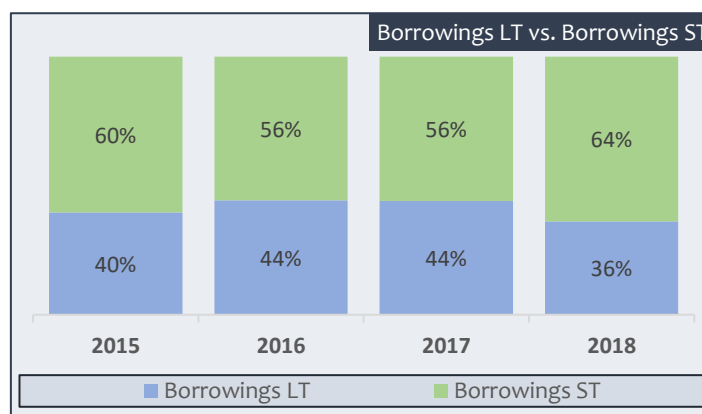
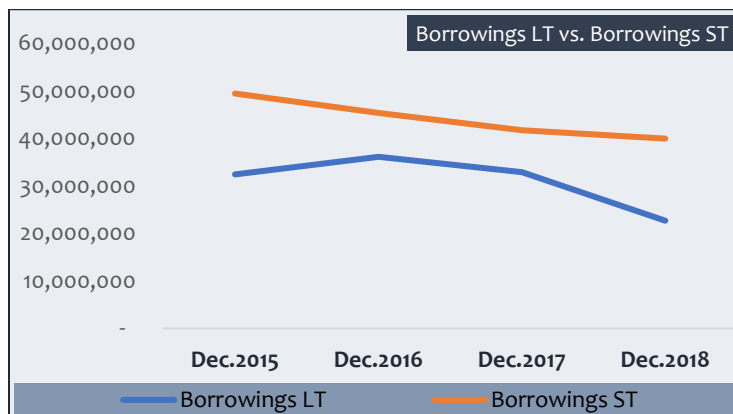
Note: In January 2019, RC Energo Install SRL fully reimbursed the loan and the interest accumulated.

LIABILITIES



Total Liabilities hold 45.85% of the company's Equity&Liabilities recording a decrease of RON 20,419,977, i.e. 14.95% as compared with the beginning of the year.

BORROWINGS



As at 31.12.2018 the loans contracted by S.C. ROMCARBON S.A. have the following structure :

Bank	Type	Initial amount	Balance as at 31.12.2018		Maturity
			in euro	in lei	
UniCredit Bank	Credit line/overdraft	€ 5,450,000	€ 4,384,182	20,447,388 lei	10/04/2019
BRD GSG	Credit line/overdraft	€ 2,550,000	€ 2,496,590	11,643,846 lei	30/10/2019
UniCredit Bank	Investment loan III	€ 442,500	€ 310,774	1,449,418 lei	19/09/2021
BRD GSG	Investment loan II	€ 1,000,000	€ 478,991	2,233,967 lei	03/09/2022
BRD GSG	Investment loan III*	€ 3,153,160	€ 486,453	2,268,767 lei	03/02/2022
UniCredit Bank	Investment loan - CCE 2015	€ 3,042,240	€ 2,297,420	10,714,936 lei	04/12/2023
Total loans in euro		€ 15,637,900	€ 10,454,410	48,758,323 lei	
Eximbank SA	Investment loan I	6,142,500 lei		3,583,125 lei	20/06/2022
Eximbank SA	Investment loan II	2,432,500 lei		2,122,292 lei	16/12/2022
UniCredit Bank	Investment loan I	3,200,000 lei		2,289,737 lei	11/07/2023
UniCredit Bank	Investment loan II	2,500,000 lei		842,224 lei	19/09/2021
UniCredit Bank	Investment loan IV	5,400,000 lei		3,233,636 lei	01/12/2021
UniCredit Bank	Investment loan V	2,250,000 lei		1,773,159 lei	06/04/2022
Total loans in lei		21,925,000 lei		13,844,172 lei	
Total bank exposure				62,602,494 lei	

Short term loans have the following structure :

Bank	Type	CCY	Initial amount	Balance as at 31.12.2018	
				in euro	in lei
UniCredit Bank SA	Credit line/overdraft	euro	€ 5,450,000	€ 4,384,182	20,447,388 lei
BRD GSG	Credit line/overdraft	euro	€ 2,550,000	€ 2,496,590	11,643,746 lei
Total short-term loans				€ 6,880,772	32,091,234 lei

Long term loans have the following structure :

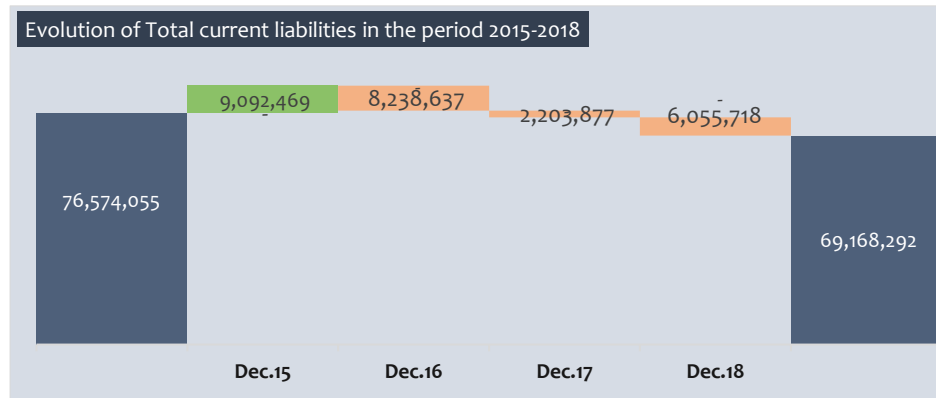
Bank	Type	Balance as at 31.12.2018		< 1 year	> 1 year
		in euro	in lei		
UniCredit Bank	Investment loan III	€ 310,774	1,449,418 lei	527,061 lei	922,357 lei
BRD GSG	Investment loan II	€ 478,991	2,233,967 lei	582,774 lei	1,651,193 lei
BRD GSG	Investment loan III	€ 486,453	2,268,767 lei	735,816 lei	1,532,951 lei
UniCredit Bank	Investment loan - CCE 2015	€ 2,297,420	10,714,936 lei	2,028,797 lei	8,686,140 lei
Total loans in euro		€ 3,573,638	16,667,089 lei	3,874,448 lei	12,792,640 lei
Eximbank SA	Investment loan I		3,583,125 lei	1,023,750 lei	2,559,375 lei
Eximbank SA	Investment loan II		2,122,292 lei	530,573 lei	1,591,719 lei
UniCredit Bank	Investment loan I		2,289,737 lei	499,579 lei	1,790,158 lei
UniCredit Bank	Investment loan II		842,224 lei	306,263 lei	535,961 lei
UniCredit Bank	Investment loan IV		3,233,636 lei	1,077,878 lei	2,155,758 lei
UniCredit Bank	Investment loan V		1,773,159 lei	531,947 lei	1,241,211 lei
Total loans in lei			13,844,172 lei	3,969,991 lei	9,874,181 lei
Total long-term loans			30,511,261 lei	7,844,439 lei	22,666,821 lei

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

Nota : * In August 2018 it was early reimbursed the amount of EUR 1,000,000 euro in the Investment loan III contracted with BRD GSG SA

CURRENT LIABILITIES

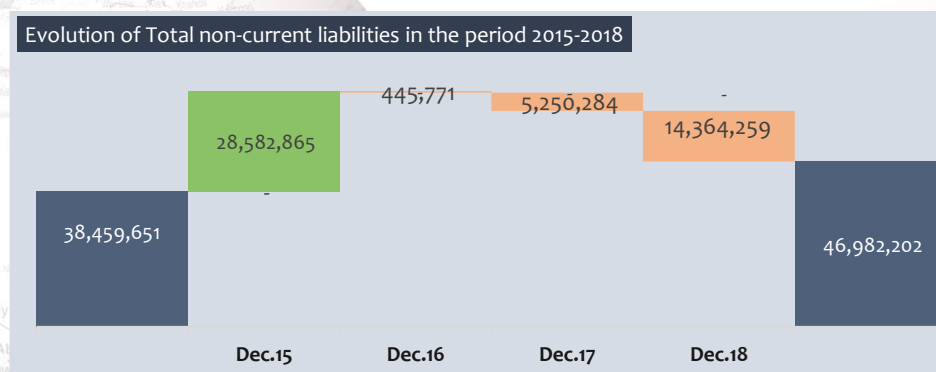
Current liabilities of the Company, representing 59.55 of the Total Liabilities and 27.30% of Total Equity & Liabilities have decreased by RON 6,055,718 as compared with the beginning of the year, i.e. 8.05%.



Current liabilities	31.12.2018	% in total liabilities	% in Total current liabilities	% in Total Equity and Liabilities	31.12.2018 vs. 31.12.17
Trade and other payables	24,537,065	21.13%	35.47%	9.69%	-14.12%
Borrowings [Short – term]	39,935,674	34.38%	57.74%	15.76%	-4.29%
Deferred revenue	2,265,476	1.95%	3.28%	0.89%	-1.73%
Other liabilities	2,430,076	2.09%	3.51%	0.96%	-4.10%
Total current liabilities	69,168,292	59.55%	100.00%	27.30%	-8.05%

NON-CURRENT LIABILITIES

Non-current Liabilities representing 18.55% of the company's Equity&Liabilities recording in the reporting period a decrease of RON 14,364,259, i.e. 23.41%, as compared with the beginning of the year.

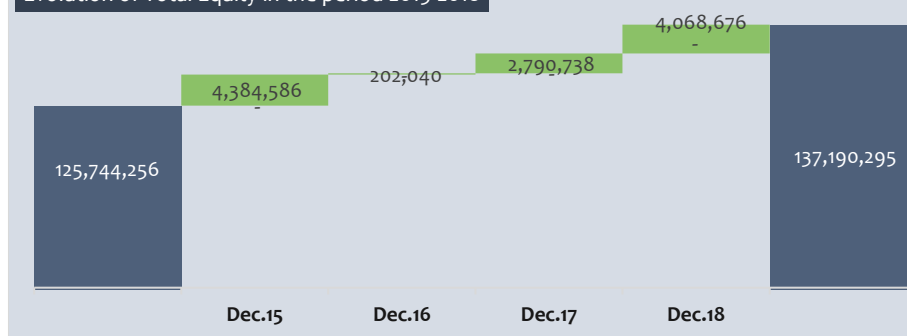


Non-current liabilities	31.12.2018	% in total liabilities	% in Total NCL	% in Total Equity and liabilities	31.12.2018 vs. 31.12.17
Borrowings [Long-term]	22,666,822	19.52%	48.25%	8.95%	-31.13%
Long term finance leases and other interest bearing obligations	0	0.00%	0.00%	0.00%	0.00%
Deferred tax liabilities	8,902,075	7.66%	18.95%	3.51%	-17.25%
Deferred income	15,413,305	13.27%	32.81%	6.08%	-12.80%
Total non-current liabilities	46,982,202	40.45%	100.00%	18.55%	-23.41%

EQUITY

Total Equity holds **54.15%** of Total Equity&Liabilities, recording in the reporting period an increase of RON 4,068,676 , as compared with the beginning of the year.

Evolution of Total Equity in the period 2015-2018



Equity	31.12.2018	% in Total Equity and liabilities
Issued capital (264,122,096 shares at 0.10 lei per share)	26,412,210	10.43%
Share premium	2,182,283	0.86%
Reserves	58,492,792	23.09%
Retained earnings	50,103,010	19.78%
Total	137,190,295	54.15%

As at 31.12.2018 Romcarbon SA's shareholders structure, according to Depozitarul Central SA:

Shareholder	No. of shares	%
LIVING PLASTIC INDUSTRY S.R.L.	86,774,508	32.85%
JOYFUL RIVER LIMITED	54,195,089	20.52%
NEW CARPATHIAN FUND	2,350,000	0.89%
OTHER LEGAL ENTITIES	16,310,342	6.18%
INDIVIDUALS	104,492,157	39.56%
Total	264,122,096	100.00%

5.2 STATEMENT OF THE COMPREHENSIVE RESULT

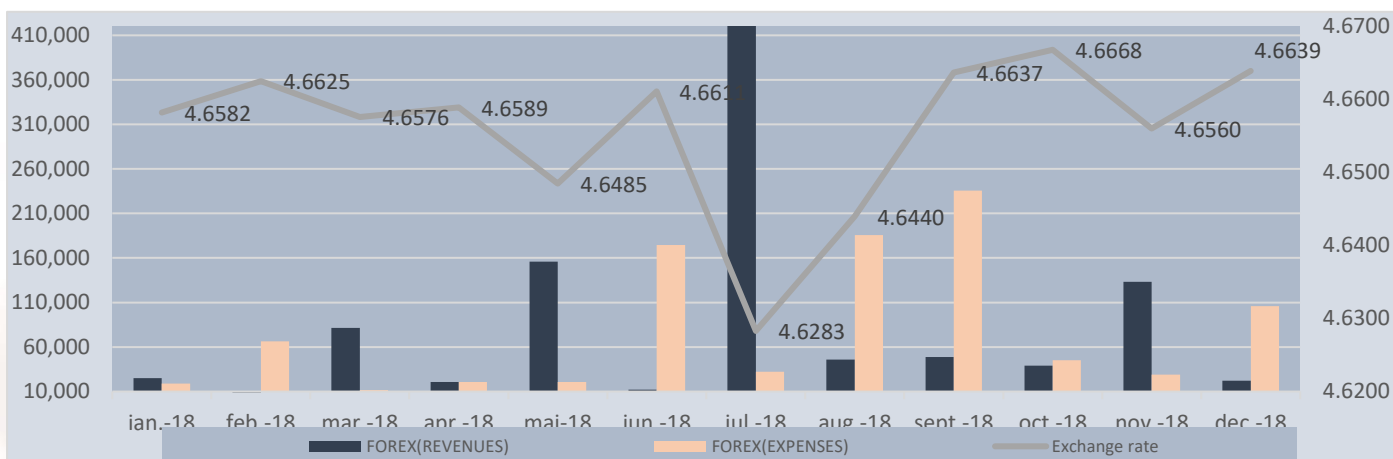
Income statement	12 M 2016	12 M 2017	12 M 2018	2018 vs. 2017
Revenue	178,719,385	195,140,695	198,460,719	▲ 3,320,024 2%
Investment income	6,866,672	3,987,533	3,464,433	▼ (523,100) -13%
Other gains and losses	1,725,659	2,796,780	3,388,764	▲ 591,984 21%
Changes in inventories of finished goods and work in progress	3,404,371	2,304,367	372,436	▼ (1,931,931) -84%
Raw materials and consumables used	(131,058,698)	(139,437,993)	(136,656,677)	▼ 2,781,315 -2%
Depreciation and amortisation expenses	(9,578,963)	(10,706,926)	(11,553,840)	▲ (846,914) 8%
Impairment losses on financial assets	(2,687,755)	-	-	- n/a
Employee benefits expenses and social charges	(23,463,899)	(28,174,199)	(35,940,642)	▲ (7,766,443) 28%
Tax contributions related to employee benefits	(5,473,802)	(6,608,431)	(1,139,629)	▼ 5,468,802 -83%
Finance costs	(2,059,292)	(1,728,613)	(1,945,033)	▲ (216,420) 13%
Other income	2,203,176	2,264,436	2,263,169	▼ (1,267) 0%
Other expenses	(14,367,897)	(14,099,311)	(16,247,641)	▲ (2,148,330) 15%
Profit (loss) before tax	4,228,957	5,738,338	4,466,059	▼ (1,272,278) -22%
Income tax expense	674,517	(940,272)	334,297	▼ 1,274,569 n/a
Profit (loss) of the year	4,903,474	4,798,066	4,800,356	▲ 2,291 0%
Deferred tax adjustment for non-deductible tax revaluation reserves	0	0	1,275,648	▲ 1,275,648
Total comprehensive income	4,903,474	4,798,066	6,076,004	▲ 1,277,939 27%

Indicator	31.12.2016	31.12.2017	31.12.2018
Average no. of employees	885	941	924

*Investment income – details:

Indicator	12 M 2016	12 M 2017	12 M 2018	2018 vs. 2017	
Rental and royalty income	2,476,548	2,825,883	2,255,686	▼	(570,197) -20%
Interest income	11,981	3,653	91,387	▲	87,734 2402%
Investment income (dividends) - Recyclat LTD	3,207,527	0			
Investment income (dividends) - LivingJumbo Industry	495,000	0		—	-
Investment income (dividends) - Infotech Solutions	275,614	157,997	117,360	▼	(40,637) -26%
Investment income (dividends) - RC Energo Install	400,000	1,000,000	1,000,000	—	-
Total	6,866,671	3,987,533	3,464,433	▼	(523,100) -13%

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 the 12 months of 2018 the company registered revenues in amount of RON 1,035,514 and expenses in amount of RON 946,747, resulting a loss of RON 88,767.



5.3 NET SALES

The item "Net Sales" had the following evolution:

Indicator	12 M 2016	12 M 2017	12 M 2018	2018 vs. 2017	
- Sales of finished goods, Total, out of which:	122,191,290	140,128,883	148,386,635	▲	8,257,752 6%
CP1~ Auto and industrial filters	4,130,687	3,830,438	2,623,159	▼	(1,207,279) -32%
CP2~ Respiratory protective equipment and Active Carbon	2,915,747	2,514,286	1,994,419	▼	(519,866) -21%
CP3~ Polyethylene products	25,059,617	27,326,932	32,556,680	▲	5,229,748 19%
CP4~ PVC products	434,054	582,367	784,529	▲	202,162 35%
CP5~ Polystyrene products	34,260,687	36,420,305	37,832,816	▲	1,412,511 4%
CP6~ Polypropylene products	37,144,517	37,408,712	38,163,803	▲	755,091 2%
CP7~Compounds	18,245,980	32,045,842	34,431,228	▲	2,385,386 7%
- Sales of intermediary goods	90,147	48,146	10,205	▼	(37,941) -79%
- Services rendered	310,378	293,439	226,336	▼	(67,103) -23%
- Sales of commodities	53,189,162	51,024,724	45,297,333	▼	(5,727,391) -11%
- Other sales	2,938,408	3,645,505	4,540,210	▲	894,705 25%
Total Net sales	178,719,385	195,140,695	198,460,719	▲	3,320,023 2%

Indicator	12 M 2016	12 M 2017	12 M 2018	2018 vs. 2017	
Net sales	178,719,385	195,140,696	198,460,719	▲	3,320,023 2%
Rental and royalty income	2,476,548	2,825,883	2,255,686	▼	(570,197) -20%
Turnover, out of which:	181,195,934	197,966,579	200,716,405	▲	2,749,825 1%
~domestic market	141,639,790	147,942,412	147,822,224	▼	(120,188) 0%
~exports	39,556,144	50,024,168	52,894,181	▲	2,870,013 6%

5.4 FINANCIAL RATIOS

In the reporting period the main financial ratios had the following evolution:

Indicator	Formula	31.12.2016	31.12.2017	31.12.2018
EBIT	Gross profit + Profit tax + Expenses with interest	5,977,645	7,325,990	6,168,893
EBITDA	EBIT + Depreciation - Subsidies for investments	13,353,431	15,768,480	14,702,843
Sales	Revenue + Rental and royalty income	181,195,934	197,966,578	200,716,405
EBITDA to sales ratio	EBITDA/Sales	7.37%	7.97%	7.33%
EBITDA to Equity ratio	EBITDA/Equity	10.25%	11.85%	10.72%
Gross profit margin	Gross profit/Sales	2.33%	2.90%	2.23%
Current ratio	Current assets/Current liabilities	0.76	0.79	1.20
Quick ratio	(Current assets- Inventories)/Current liabilities	0.43	0.48	0.90
Non-current liabilities to Equity ratio	Non-current liabilities/Equity	0.51	0.46	0.34
Total liabilities to Assets ratio	Total liabilities/Total Assets	0.52	0.51	0.46
Long term loans to Equity ratio	Long term loans/Equity	28%	25%	17%
Long term loans to engaged capital ratio	Long term loans/(Equity+long term loans)	22%	20%	14%
Interest coverage ratio	EBIT/Interest expenses	3.42	4.61	3.62
Account receivable turnover ratio	Average receivables/Sales	60	54	61
Account payable turnover ratio	Average payables/Sales	57	50	48
Non-current assets rotation	Non-current liabilities/Sales	0.84	0.94	1.18
Return on assets (ROA)	Net profit/Assets	1.79%	1.78%	1.89%
Return on equity (ROE)	Net profit/Equity	3.76%	3.60%	3.50%
Return on sales (ROS)	Net profit/Sales	2.71%	2.42%	2.39%

5.5 STATEMENT OF THE CASH-FLOW

Items	2016	2017	2018
Net profit / (loss) after taxation	4,903,474	4,798,066	4,800,356
Income tax expense	(674,517)	940,272	(1,609,945)
Depreciation	9,578,963	10,706,926	10,696,167
(Gain) / Loss on fixed assets disposal	(59,440)	424,790	(11,254)
(Gain) / Loss arising on changes in fair value of investment property	(759,449)	(1,490,374)	(307,659)
(Gain) / Loss arising on changes in fair value of Assets Held for Sale	-	-	756,722
(Gain) / Loss arising disposal of investment property	-	(2,385,785)	(2,709,699)
Income from Construction of own Assets			(635,401)
Customers provisions	337,579	16,976	(36,085)
Write off of receivables	55,334	165,833	206,804
(Gains) / Losses with disposal of financial assets	-	-	-
Expenses / revenues with adjustments of financial assets	2,687,755	-	-
Interest expense	1,748,687	1,587,652	1,702,834
Interest income	(11,981)	(3,653)	(91,477)
Dividend income	(4,378,142)	(1,157,997)	(1,117,270)
Income from subsidies	(2,203,176)	(2,264,436)	(2,263,169)
Unrealised net forex result	(123,851)	1,528,593	(88,767)
Movements in working capital			
(Increase) / Decrease in accounts receivable	7,012,197	(6,122,323)	(3,399,869)
(Increase) / Decrease in inventories	(5,296,462)	1,843,573	3,128,998
(Increase) / Decrease in other assets	(7,641)	447,239	-
Increase / (Decrease) in accounts payable	(6,494,896)	1,674,948	(4,034,378)
(Decrease) / Increase in deferred revenue	(55,404)	12,597	(39,774)
(Decrease)/increase in other liabilities	428,460	477,986	365,174
Cash generated from operations	6,687,490	11,200,885	5,312,308
Income taxes paid	-	(7,163)	(212,766)
Interest paid	(1,748,687)	(1,587,652)	(1,702,834)
Net cash generated by operating activities	4,938,803	9,606,070	3,396,708
Cash flows from investing activities			
Payments to acquire financial assets	-	-	-
Interest received	11,981	3,653	91,477
Dividends received	4,378,142	1,157,997	1,117,270
Payments for property, plant and equipment	(13,091,055)	(8,340,113)	(3,091,315)
Payments for investment property	(1,130,479)	-	-
Proceeds from disposal of investment property	-	3,575,112	18,086,180
Proceeds from disposal of property, plant and equipment	628,304	1,821,663	94,612
Proceeds from disposal of investments	-	597,187	-
Proceeds from loans granted to related parties	-	-	(6,174,452)
Payments for intangible assets	-	(33,918)	(19,139)
Payment of dividends	(2,278,010)	(2,037,153)	(1,961,297)
Net cash (used in)/generated by investing activities	-11,481,116	-3,255,571	8,143,336
Cash flows from financing activities			
Payments of lease liabilities	(1,712,293)	(1,105,061)	(86,797)
Proceeds from bank loans	16,909,738	5,202,494	2,602,061
Repayment of related party borrowings	-	-	-
Repayment of bank loans	(17,052,323)	(13,534,243)	(13,253,314)
Proceeds from subsidies	1,123,683	-	-
Net cash used in financing activities	(731,194)	(9,436,810)	(10,738,050)

Net increase in cash and cash equivalents	-7,273,507	-3,086,312	801,994
Cash and cash equivalents at the beginning of the year	12,888,835	5,615,328	2,529,016
Effects of exchange rate changes on the balance of cash held in foreign currencies	-		
Cash and cash equivalents at the end of the year	5,615,328	2,529,016	3,331,010



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 2018, the Board of Directors met in 15 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 for granting guarantees in favor of UNICREDIT BANK S.A. to guarantee the credit amounting to EUR 1,000,000 contracted by LIVINGJUMBO INDUSTRY SA from UNICREDIT BANK S.A. (Decision no.1 / 19.01.2018).
- Approval for the update of the guarantee structure set up by Romcarbon SA in favor of UNICREDIT BANK S.A. (Decision no.1 / 19.01.2018)

- Approval for the convocation of ordinary and extraordinary general meetings of the shareholders and of the materials presented at the OGMS/EGMS meetings of 26 / 27.04.2018 (Decision no.3 / 21.03.2018)
- Approval of the items on the agenda of the General Meeting of Associates of RC Energo Install SRL regarding the approval of the financial statements of the financial year 2017. (Decision no.3 / 21.03.2018)
- Approval of the items on the agenda of the General Meeting of Associates of INFO TECH SOLUTIONS SRL regarding the approval of the financial statements of the financial year 2017. (Decision no.3 / 21.03.2018)
- Approval for the appointment of Mr. Huang Liang Neng as temporary Administrator and Chairman of the Board of Directors of ROMCARBON SA. (Decision no.5 / 13.04.2018)
- Approval for the conclusion by ROMCARBON S.A (as Seller Promissory) of 2 (two) sale-purchase precontracts with OFFICE & LOGISTIC S.R.L (as Buyer Promissory). (Decision no.6 / 17.04.2018)
- Approval for the conclusion by ROMCARBON SA (as Seller / Constituent) with OFFICE & LOGISTIC SRL (as Buyer / Beneficiary) of a sale and pre-emption right contract and of a contract for granting an easement right to pass. (Decision no.7 / 27.04.2018)
- Approval for the appointment of Mr. Huang, Liang - Neng as Chairman of the Board of Directors of ROMCARBON SA, in accordance with Article 15 of the Company's Articles of Incorporation, for a term equal to the period remaining to be exercised in the term of his predecessor (04.02.2016-04.02. 2020), respectively for the period 27.04.2018 - 04.02.2020 (Decision no.7 / 27.04.2018)
- Approval for Romcarbon S.A. Extraordinary General Meeting of Shareholders convocation on 11.06.2018, at 12.00, at the headquarters of the company in Buzau, Transilvaniei street no.132. (Decision no.7 / 27.04.2018)
- Approval for the extension by 1 year of the duration of the sale contract no.1200 / 22.05.2012 (3326 / 24.05.2012), concluded between ROMCARBON SA and KASAKROM CHEMICALS SRL (Decision no.8 / 29.05.2018)
- Approval for Recyplat Limited financial statements for the financial year ended 31.12.2017. (Decision no.8 / 29.05.2019)
- Approval for the items on the agenda of the General Meeting of Associates of LIVINGJUMBO INDUSTRY S.A., approving the financial statements for the financial year 2017. (Decision No. 8 / 29.05.2019)
- Approval for the items on the agenda of the General Meeting of Shareholders of ECO PACK MANAGEMENT S.A., regarding the approval of the financial statements of the financial year 2017. (Decision no.8 / 29.05.2018).
- Approval for the convocation of the Ordinary General Meeting of the Shareholders of ROMCARBON SA for 01.08.2018, for the approval of dividend distribution in total amount of RON 2,007,327.93, the value of the gross dividend / share being RON 0.0076 / for the total number of shares of 264,122,096 (Decision no.9 / 27.06.2018)
- Approval for the convocation of the Extraordinary General Meeting of the Shareholders of ROMCARBON SA for the date of 01.08.2018, approving the granting by Romcarbon SA, as a lender, of a shareholder loan to Livingjumbo Indutry SA, as a borrower, in the amount of EUR 1,000,000, in order to support the company's activity and repayment of the loan amounting to EUR 1,000,000, contracted by Livingjumbo Industry SA from Unicredit Bank SA (Decision no.9 / 27.06.2018)
- Approval for updatin the guarantee structure set up by ROMCARBON S.A. in favor of UNICREDIT BANK S.A by replacing the guarantee established on property of ROMCARBON S.A. located in Buzau, the Road DN - 2 B, Buzau county with guarantee consisting of immovable mortgages and the interdictions to dispose, mortgage, renting, dismantling, joining, demolition, restructuring, improvement and building on immovable property on other immovable property. (Decision no. 10/10.7.2018)
- Approval for the dividend distribution procedure for the financial year 2017 due to the shareholders of ROMCARBON SA (ROCE), according to the approved by the decision of the General Meeting of the Shareholders of ROMCARBON SA dated 01.08.2018 (Decision no.12 / 03.09.2018)
- Approval, considering the provisions of art. 11, paragraph 3, letter c), of the ROMCARBON SA Incorporation Act, for completing the activity object of ROMCARBON S.A. by adding the activity "Other labor supply services" CAEN code 7830. (Decision no.13 / 08.10.2018)
- Approval, considering those approved by the Extraordinary General Meeting of the Shareholders No. 2 of 26.04.2018, for the replacement within the guarantee structure of ROMCARBON S.A. in favor of UNICREDIT BANK S.A., immovable mortgages and of the interdiction to dispose, mortgage, renting, dismantling, demolition, restructuring, improvement and construction over real estate, LIVINGJUMBO INDUSTRY S.A. property located in Campia Turzii, no.145 Laminoristilor street with immovable mortgages and of the interdiction to dispose, mortgage, renting, dismantling, demolition, restructuring, improvement and construction on real estate, Romcarbon SA property identified with no. cadastral 67264 (Decision no.13 / 08.10.2018)
- Approval for ROMCARBON S.A. to dismantle its property located in Buzau, North Road - DN2 (Decision no.15 / 12.11.2018)

Convening the General Meeting of the Shareholders:

OGMS of 26.04.2018 , by Board of Directors Decision no.3/21.03.2018 regarding:

- Presentation, discussion and approval of the annual report of the Board of Directors for the fiscal year 2017.
- Presentation and approval of the individual financial statements for the financial year 2017 in accordance with International Financial Reporting Standards (IFRS) based on: Directors' Report and External Financial Auditor's Report for the financial year 2017.
- 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 2017.
- Presentation and approval of the consolidated financial statements, for the financial year 2017 in accordance with International Financial Reporting Standards (IFRS) based on: Directors' Report and External Financial Auditor's Report for the financial year 2017.
- 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 2017.
- Approval of the distribution of the net profit recorded in the fiscal year 2017 in the amount of RON 4,798,065.69 on the following destinations:
 - a) Legal reserves amounting to RON 239,903;
 - b) Other reserves amounting to RON 1,487,753, representing fiscal facility regarding the profit tax exemption for the profit reinvested in 2017;
 - c) Retained earnings amounting to RON 3,070,409.69.
- Presentation and approval of the Annual Report for 2017, prepared in accordance with CNVM Regulation No.1/2006 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 2017.
- Approval to contract services for the statutory audit of the company for the financial year 2018.
- Approval of the income and expenses budget for the financial year 2018.
- Approval, in consideration of the provisions of Government's Emergency Ordinance no.79/2017, for the modification of Law no.227/2015, the Fiscal Code, that starting with January 1-st, 2018, ROMCARBON SA members of the Board of Directors, be granted the same net fee in payment at 31.12.2017, to which it will be added all legal tax and fees. The fee difference since January 2018 up to the day will be paid retroactively. The total of the net fee remain the same as before and the taxes paid by the company will be according to the law.
- Approval of 23.05.2018 as "registration date", according to art. 86 of Law 24/2017 regarding issuers and art.2 let.e of the C.N.V.M. Regulation no.6/2009.
- Approval of 22.05.2018 as "ex-date", according to art.2 let.f of the C.N.V.M. Regulation no.6/2009.
- To note the termination of Mr. Hung, Ching-Ling, Member and Chairman of the Board of Directors of ROMCARBON SA, due to the impossibility of being exercised.
- Election of a new member of the Board of Directors of ROMCARBON SA, considering the termination of the term of office of Mr. Hung, Ching-Ling, for a term equal to the remaining period until the expiry of his predecessor's term, ie until 04.02.2020 and granting a monthly net fee equal in value to the monthly net fee received by his/her predecessor.

And

EGMS of 26.04.2018 , by Board of Directors Decision no.3/21.03.2018 regarding:

- Approval for the banking exposure of Romcarbon SA for the financial years 2018-2019, consisting of: credits in amount of EUR 13,712,255 and RON 18,266,498; leasing contracts in amount of EUR 11,545; 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 2,057,200 as detailed in the material no. 2863/16.03.2018.
- 1.1. 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 by 36 month period and supplementing the guarantees as detailed in material no. 2863/16.03.2018;
 - the prolongation by 12 months of the validity of the credit facilities contracted by Romcarbon SA with BRD-GSG SA and UNICREDIT Bank SA, and for maintaining the related guarantee;
 - for the replacement, according to those mentioned in the Board of Directors Decision no.1/19.01.2018, in case of sale, of the mortgage on Romcarbon assets located in Iasi, no.20 Chisinaului Way, with cad.no.148536, consisting of land in total area of 8103 sqm and buildings 148536-C1, 148536-C2, 148536-C3, 148536-C4 with mortgage on other assets company/other guarantor property as detailed in the material no. 2863/16.03.2018.

- Empowerment of the Board of Directors to negotiate and decide, as appropriate, regarding: changing credit conditions (including, as appropriate, the extension of up to 12 months of short-term facilities - credit lines), modification and/or the establishment of new securities, restructuring existing credits/banking exposure, change currency or refinance existing loans and contracting of new loans, within the limits of the approved banking exposure and of the law.
- Empowerment for the General Director And Financial Director , 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.
- Approving, confirming, ratifying and assuming in its entirety, the Decision of the Board of Directors of Romcarbon SA no.1 from 19.01.2018, respectively approving, confirmation, ratification and assumption of all legal acts signed by Romcarbon SA and Unicredit Bank SA, as follows:
 - Special Credit Terms (CCS) to Credit Agreement no. BUZA / 003/2018 dated 19.01.2018;
 - Mortgage agreement signed on 19.01.2018, based on the Credit agreement no. BUZA / 003/2018 dated 19.01.2018;
 - Annex no. 1 to the Contract for the mortgage on 18.01.2017, related to the Credit Agreement no. BUZA / 044/2016;
 - Additional Act no. 17 of 19.01.2018 to the Special Credit Terms (CCS) to the Credit Agreement no. Buza / 014/2012 from 29.06.2012;
 - Mortgage agreement signed with Unicredit Bank S.A. on 19.01.2018, based on the Credit Contract no. BUZA / 014/2012 from 29.06.2012;
 - Annex no.2 dated 19.01.2018 to the Contract for the mortgage from 10.04.2017, related to the Credit Contract no. BUZA/014/2012 from 29.06.2012;
 - Annex no. 2 dated 19.01.2018 to the Contract for mortgage from 21.12.2016, related to the Credit Agreement no. BUZA/015/2016 of 21.12.2016;
 - Annex no. 3 dated 19.01.2018 to the Contract for the mortgage on 07.04.2017, related to the Credit Agreement no. BUZA/004/2017 dated 07.04.2017, as well as approving, confirming, ratifying and assuming the signing of all the aforementioned acts, on 19.01.2018, on behalf of Romcarbon SA and for it, by Mr. Radu Andrei as General Manager and Mrs. Zainescu Viorica as Financial Director, according to the powers received by decision of the board.
- Approving, confirming, ratifying and assuming in its entirety, the Decisions of the Board of Directors of Romcarbon SA no.16 from 20.12.2017 and no.2 form 12.03.2018, and the empowerment of Romcarbon SA, General manager, that on behalf of the company and in its name carry out the sale negotiation, to sign all/any necessary documents and to fulfill all formalities for applying the decisions.
- Approval of 23.05.2018 as "registration date", according to art. 86 par.1 of Law 24/2017 and art.2 let.e of the C.N.V.M. Regulation no.6/2009.
- Approval of 22.05.2018 as "ex-date", according to art.2 let.f of the C.N.V.M. Regulation no.6/2009.
- Updating accordingly the Articles of Incorporation of ROMCARBON S.A. following the proposals of new items on the agenda of the Ordinary General Meeting of the Shareholders convoked for 26/27.04.2018, as follows:
 - Art. 15 par.7 will change and have the following content:
"Upon the date of up-dating this present incorporation act, the Board of Directors consists of:
 - 1. SIMIONESCU N. DAN, Romanian citizen, born on in,, residing in, str nr. sc., ap. county, identified with series no. issued byby date of, CNP ;
 - 2. WANG, YI-HAO, Taiwanese citizen, born on in, residing in, no., Alley, Lane, Section,, identified with passport series no., issued by on
 - 3. citizen born on in,, domiciled in, str nr. sc., ap. county, identified with series no. issued byby date of, CNP, Elected for a four-year term, which expires on 04.02.2020. "
- Empowering the General Manager of Romcarbon SA, Andrei Radu, to carry out the necessary formalities and to sign the up-dated incorporation act of the company, as well as all the necessary documents, in order to carry out the items decided at point 6 of the E.G.M.S. decision.

EGMS of 11.06.2018, by Board of Directors Decision no.7/27.04.2018, regarding:

- Approval for ROMCARBON to conclude (as seller), subject to respecting the conditions agreed by the parties in accordance with the selling – buying pre-contract of 23.04.2018, a sales contract (Contract 2 for Package A) with OFFICE & LOGISTIC S.R.L. (as buyer - Romanian legal person identified with J22 / 13/2018, CIF RO 38653333) no later than 30.07.2018, with the possibility to prolong this term by 18 calendar days, regarding the sale of the company assets, located in Iasi no.29 Chisinaului Way, identified as follows: an area of about 30,000.00 sqm land (part of real estate located in Iași, no.29 Chișinăului Way, Iași County, registered in CF no.157261/Iași, from which will be dismantled, the entire real estate consisting of free land and built on a total area of 47,357.00 sqm category of use "constructions land", with the cadastral number

157261), together with the following buildings on this land: C2 - built area 1,421 sqm, no. cadastral 157261-C2, C3 - built area 6,227 sqm, no. cadastral 157261-C3, C4 - built area 472 sqm, no. cadastral 157261-C4, C7 - built area 419 sqm, no. cadastral 157261-C7, C8 - built area 507 sqm, no. cadastral 157261- C8, C10 - built area 774, no. cadastral 157261-C10, C11 - built area 48 sqm, no. cadastral 157261-C11, C12 - built area 208 sqm., no. cadastral 157261-C12, C13 - built area 472 sqm, no. cadastral 157261-C13 and C14 - built area 164 sqm, no. cadastral 157261-C14, according to technical documentation no.63022 of 05.05.2017;

The sale will take place in compliance with the following main conditions, respecting the conditions agreed by the parties in accordance with the selling – buying pre-contract of 23.04.2018:

- Price: EUR 2,400,000 , VAT excluded;

- Payment term: on the date of signing the sales contract;

- The transfer of the property will take place on the date of signing the sale contract;

1.1. Approval for ROMCARBON S.A. (as a constituent) to grant OFFICE & LOGISTIC S.R.L. (as beneficiary - Romanian legal person identified with J22 / 13/2018, CIF RO 38653333) subject to respecting the conditions agreed by the parties in accordance with the selling – buying pre-contract of 23.04.2018, at the same time as the authentication of the sale contract referred to in point 1 (Contract 2 for Package A) the following rights:

i) an use right (Use) for a determined duration of 20 months, on the following assets ROMCARBON S.A. property located in Iasi, no.29 Chisinaului Way, Iasi County, identified as follows:

a) real estate in area of approximately 17,310 sqm. land (part of the real estate with a total surface of 47,357 sqm. with cadastral number 157261), together with the buildings 157261-C1; 157261-C5; 157261-C6; 157261-C9; b) real estate with cadastral number 157255, with an area of 5,159 sqm. and construction 157255-C1; c) real estate with cadastral number 157256, with an area of 393 sqm.; d) real estate with cadastral number 157258, with an area of 967 sqm and construction 157258-C1; e) real estate in surface of about 363 m.p., part of the real estate with a total surface of 832 sqm with cadastral number 124442; f) real estate in surface of about 298 m.p., part of the real estate with a total surface of 308 sqm with cadastral number 124401; g) real estate in surface of about 28 sqm, part of the real estate with a total surface of 57 sqm with cadastral number 124375; h) real estate with cadastral number 148537, with an area of 3,371 sqm and buildings 148537-C1 and 148537-C2 ; i) real estate with cadastral number 125685 with an area of 482 sqm land; j) real estate with cadastral number 128921 with an area of 1,312.48 sqm. land and construction 128921-C1; k) real estate with cadastral number 128832 with an area of 242 sqm. land and construction 3860/223 / 2-3860 / 226/1-C49 / p / 2; l) real estate with cadastral number 140850 in the area of 192 sqm land; m) real estate with cadastral number 157259, with an area of 2,578 sqm. land; n) real estate with cadastral number 158154 in the surface of 2,337 sqm and construction 158154-C1; o) real estate with cadastral number 158156, with an area of 160 sqm. land, subject to respecting the conditions agreed by the parties in accordance with the selling – buying pre-contract of 23.04.2018.

ii) an easement right for walking and circulating with means of transport and an easement right for passage with underground, on the ground and aerial existing/future utility networks on the following assets ROMCARBON S.A. property located in Iasi, no.29 Chisinaului Way, Iasi County, identified as follows: real estate identified by cadastral numbers 123939, 157259, 125723, 125722, 125695, 125682, 125681, the 1.00 sqm area, part of real estate with cadastral number 123936, the 10.00 sqm, part of real estate with cadastral number 124401, the 469.00 sqm, part of real estate with cadastral number 124442, the 29.00 sqm, part of real estate with cadastral number 124375 and the 47.00 sqm , part of real estate with cadastral number 157261, subject to respecting the conditions agreed by the parties in accordance

iii) a preemption right (the exercise thereof shall be in compliance with the provisions of art.1730 -1736 Civ.C), for a determined duration of 5 years, under the conditions agreed by the parties according to the selling – buying pre-contract of 23.04.2018, for the following real estate, located in Iasi, no.29, Chişinăului Way, Iasi County, identified as follows: cadastral number 125719, 125708, 125718, 125680, 125697, 123936, 125698, 123925 (indivisible quota of 1/2) , 123982, 124379, 123944, 123924, 123929, 123939, 125724, 125716, 125688, 125709, 125721, 125715, 125691, 125723, 125722, 125691, 125682, 125681, 125710, 125720, 125678, 125686, 125689, 125683, 125687 , 125714, 125711, as well as all mobile goods/stocks/networks/etc. existing/located in/on these real estate at the date of the sale offer submitted by ROMCARBON S.A. to OFFICE & LOGISTIC S.R.L., the offer that will include conditions and terms of sale, which will be the same as those offered to any potential buyer / any other potential buyer of these goods.

➤ Approval for ROMCARBON S.A. (as seller) to sell to OFFICE & LOGISTIC S.R.L. (as buyer - Romanian legal person identified with J22/13/2018, CIF RO 38653333) subject to respecting the conditions agreed by the parties according to the selling – buying pre-contract of 23.04.2018, the assets of ROMCARBON S.A. property, located in Iasi, no.29 Chisinaului Way, Iasi County, identified as follows:

a) real estate in area of aproximatly 17,310.00 sqm. land , part of the total area of 47,357.00 sqm with cadastral no. 157261, together with the following constructions: C1 - built area 247 sqm., no. cadastral 157261-C1, C5 - built area 607 sqm, no. Cadastral 157261-C5, C6 - built area of 608 sqm, no. cadastral 157261-C6 and C9 - built area of 444 sqm, no. cadastral 157261-C9; b) real estate with cadastral no.157255, in area of 5,159.00 sqm. and building 157255-C1;c) real estate with cadastral no.157256, in area of 393.00 sqm; d) real estate with cadastral no.157258, in area of 967.00 sqm. and building 157258-

C1;e) real estate in area of approximately 363.00 sqm., part of the total area of 832.00 sqm. with cadastral no. 124442 (fost 3860/1/4); the area of 363.00 sqm. land will be dismantled from cadastral no. 124442;f) real estate in area of approximately 298.00 sqm., part of the total area of 308.00 sqm. with cadastral no. 124401; the area of 298.00 sqm. land will be dismantled from cadastral no. 124401.g) real estate in area of approximately 28.00 sqm., part of the total area of 57.00 sqm. with cadastral no. 124375; the area of 28.00 sqm. land will be dismantled from cadastral no. 124375;h) real estate with cadastral no.148537, in area of 3,371.00 sqm. and buildings 148537-C1 and 148537-C2;i) real estate with cadastral no.125685 in area of 482.00 sqm. land;j) real estate with cadastral no.128921 in area of 1,312.48 sqm. land and building 128921-C1;k) real estate with cadastral no.128832 in area of 242 sqm. and building 3860/223/2-3860/226/1-C49/p/2;l) real estate with cadastral no.140850 in area of 192.00 sqm. land;m) real estate with cadastral no. 157259, in area of 2,578.00 sqm. land;n) real estate with cadastral no.158154 in area of 2,337.00 sqm. and building 158154-C1;o) real estate with cadastral no.158156, in area of 160.00 sqm.land, under the following main conditions and according to the conditions agreed by the parties according to the selling – buying pre-contract of 23.04.2018:

1. Contract of sale no.1 (contract 1 for package B), which will be concluded, subject to the conditions agreed by the parties according to the selling – buying pre-contract of 23.04.2018, for the sale of the following goods:

- Sale - buying the surface of approximately 17,310 sqm land (part of the real estate with a total area of 47,357 m.p. having cadastral number 157261) together with buildings 157261-C1; 157261-C5; 157261-C6; 157261-C9;

- Price: EUR 1,150,000 , VAT excluded, which will be paid/cashed based of the payment order issued by the buyer with the bank visa at the date of signing the sale contract;

- The transfer of the property will take place on the date of signing the sale contract at the latest on 30.07.2019, with the possibility of extending it once with 15 days;

2. Contract of sale no.2 (contract 2 for package C), which will be concluded, subject to the conditions agreed by the parties according to the selling – buying pre-contract of 23.04.2018, for the sale of the following goods:

- Sale - buying the real estate with cadastral no.157255, in area of 5.159,00 sqm. and building 157255-C1; real estate with cadastral no.157256, in area of 393,00 sqm; real estate with cadastral no.157258, in area of 967.00 sqm. and building 157258-C1; real estate in area of approximately 363.00 sqm., part of the total area of 832.00 sqm. with cadastral no. 124442 (fost 3860/1/4); the area of 363.00 sqm. land will be dismantled from cadastral no. 124442; real estate in area of approximately 298,00 sqm., part of the total area of 308.00 sqm. with cadastral no. 124401; the area of 298.00 sqm. land will be dismantled from cadastral no. 124401; real estate in area of approximately 28,00 sqm., part of the total area of 57.00 sqm. with cadastral no. 124375; the area of 28,00 sqm. land will be dismantled from cadastral no. 124375; real estate with cadastral no.148537, in area of 3,371,00 sqm. and buildings 148537-C1 and 148537-C2; real estate with cadastral no.125685 in area of 482.00 sqm. land;

- Price: EUR 1,150,000 , VAT excluded, which will be paid/cashed based of the payment order issued by the buyer with the bank visa at the date of signing the sale contract;

-The transfer of the property will take place on the date of signing the sale contract at the latest on 30.11.2019, with the possibility of extending it once with 15 days;

3. Contract of sale no.3 (contract 3 for package D), which will be concluded, subject to the conditions agreed by the parties according to the selling – buying pre-contract of 23.04.2018, for the sale of the following goods:

- Sale - buying the real estate with cadastral no. 128921 in area of 1.312,48 sqm. land and building 128921-C1; real estate with cadastral no.128832 in area of 242 sqm. and building 3860/223/2-3860/226/1-C49/p/2; real estate with cadastral no.140850 in area of 192.00 sqm. land; real estate with cadastral no. 157259, in area of 2,578.00 sqm. land; real estate with cadastral no.158154 in area of 2,337.00 sqm. and building 158154-C1; real estate with cadastral no.158156, in area of 160.00 sqm.land;

- Price: EUR 1,130,689 , VAT excluded, to be paid/cashed, the amount of EUR 150,000 , VAT excluded from the escrow account paid as an advance on the price on the date of authentication of the sale purchase agreement of 23.04.2018 and the amount of EUR 980,689, VAT excluded, based of the payment order issued by the buyer with the bank visa at the date of signing the sale contract;

-The transfer of the property will take place on the date of signing the sale contract at the latest on 30.03.2020, with the possibility of extending it once with 15 days;

- Empowering the General Manager of ROMCARBON S.A., Mr. Andrei Radu, who is identified with C.I. XZ series, no.580979, issued 11 January 2013, by S.P.C.L.P. Buzau, CNP 1681127080025, that in the name and on behalf of ROMCARBON SA, to negotiate and sign all the sales contracts mentioned in the previous paragraphs and any additional acts thereto, the contracts for the easement, use, preemption right and any additional acts thereto, the contract regarding the assignment to Buyer of the lease agreements / utilities as detailed in the selling – buying pre-contract of 23.04.2018, as well as any other contracts/documents necessary for the fulfillment of the provisions of the decision of the general meeting of the shareholders, such as, but not limited to: requests to public authorities, public notaries, banks, including documents for opening and operation bank accounts, as well as to appear before the public notary, signing on behalf of the

company and for this with full powers, either in person or by empowered (on the basis of a special authenticated power of attorney) all authentic acts as well as any other documents in order to fulfill those that will be decided in the general meeting of the shareholders.

- Approval of 03.07.2018 as "registration date", according to art. 238 of Law 297/2004 regarding the capital market and art.2 let.e of the C.N.V.M. Regulation no.6/2009.
- Approval of 02.07.2018 as "ex-date", according to art.2 let.f of the C.N.V.M. Regulation no.6/2009.

OGMS of 01.08.2018, by Board of Directors Decision no.9/27.06.2018, regarding:

- Approval to distribute as dividends the amount of RON 2,007,327.93, representing part of the net profit recorded in the fiscal year 2017, in total amount of RON 3,070,409.69 lei, 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 0.0076 /share, corresponding to financial exercise 2017, for the total number of 264 122 096 shares, distribution of the dividends following to be made according to the provisions of the law and under the condition of obtaining consent from the company's creditor banks.
- Approval of 04.10.2018 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 03.10.2018 as "ex-date", according to art.2 par.2 let.l of the A.S.F. Regulation nr.5/2018.
- Approval of 24.10.2018 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.

E.G.M.S of 01.08.2018, by Board of Directors Decision no.9/27.06.2018, regarding:

- Approval, under condition of obtaining prior consent of financing banks in this regard, for Romcarbon S.A. as lender, to grant Livingjumbo Industry SA, as borrower, of a shareholder loan in amount of EUR 1,000,000 , destined for sustaining Livingjumbo Industry SA activity and reimbursment of the credit in value of EUR 1,000,000 contracted with Unicredit Bank S.A. in the following main conditions:
 - maturity: 12 months, with the possibility to prolong by additional equal periods;
 - interest rate: 4% /year;
 - guarantees: blue ceck ;
 - currency: Euro.
- The empowerment of the General Manager and Financial Manager to represent the company, negotiate the loan contract clauses and sign it and all/any addendums thereto, as well as any/all necessary documents in this regard.
- Approval for Romcarbon S.A. Investment Plan for the year 2018, in value of EUR 951,834, as detailed in point I. of the material no. 6425/26.06.2018, as well as approval for the modification of of the Investment Plan approved for the year 2017, in the sense of replacing some of the investment objectives approved according to this investment plan with other investment objectives, as detailed in point II. of the material no.6425/26.06.2018.
- The empowerment of the General Manager and Financial Manager to represent the company, negotiate the acquisition contract clauses and sign them and all/any addendums thereto, any/all necessary financing contracts and addendums tehereto, as well as all/any documents in this regard.
- Approval for Romcarbon S.A. to contract a loan in amount of EUR 700,000 to complete the financing structure for implementing the 2018 Investment Plan, as well as approval for consequently increasing Romcarbon SA banking exposure by the amount EUR 700,000 and for supplementing the guarantee structure already established, with those guarantees that will be established by the company in order to guarantee this new credit.
- The empowerment of the General Manager and Financial Manager to represent the company in order to contract the credit, to negotiate the contractual clauses, to identify the required movable guarantees and/or immovable guarantees and to sign all/any credit agreements, all/any movable and/or immovable mortgage contracts , all/any addendums thereto, as well as any other documents required for this purpose.
- Approval of 04.10.2018 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 03.10.2018 as "ex-date", according to art.2 par.2 let.l 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
- Genes Alina - Director of Development until 30.06.2018
- Zainescu Viorica Ioana - Financial Director since 15.01.2010
- Damian Nicoleta - Human Resources Director until 31.08.2018
- 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 2018:

- a) Administrators – Director fee according to OGMS Decision of 27.04.2012 – RON 321,643
- b) Executive Management -RON 2,345,237

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 correspondence. 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/generala va fi transmisa in format fizic, in original in cazul procurii speciale, respectiv in 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 persoana fizica (buletin de identitate, carte de identitate, pasaport, permis de sedere), copy representative/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 authorised 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 material aid in the financial year 2018 amounting to RON 58,076 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,
Huang Liang Neng

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

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		

Section	Provisions of the Code that must be respected	Comply	Does not comply or partially comply	The reason for non-compliance
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, 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.		NO	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		

Section	Provisions of the Code that must be respected	Comply	Does not comply or partially comply	The reason for non-compliance
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		
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	Provisions of the Code that must be respected	Comply	Does not comply or partially comply	The reason for non-compliance
Section C1 - Just reward and motivation				
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		

Section	Provisions of the Code that must be respected	Comply	Does not comply or partially comply	The reason for non-compliance
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		
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.		NO	Decisions on dividend distributions are taken by the General Assembly of Shareholders. Deadministratie Council will meet necessary efforts to develop a dividend policy.
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		

Section	Provisions of the Code that must be respected	Comply	Does not comply or partially comply	The reason for non-compliance
D.5.	External auditors will be present at the general meeting of shareholders when their reports are presented at these meetings.	YES		
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,
Huang Liang Neng**

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

ROMCARBON SA

**SEPARATE FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

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 - 26

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, 2018, 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, 2018 are identified as follows:

• Net assets / Equity	RON	137,190,295
• Net profit for the financial year	RON	4,800,356
3. In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, 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 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 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

5. 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

6. 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.

Other information – Administrators’ Report

7. 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, article no. 20.

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, article no. 20.

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

8. 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.
9. 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.
10. 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

11. 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.
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 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.
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 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, 2018 to audit the separate financial statements of Romcarbon SA for the financial year ended December 31, 2018. The uninterrupted total duration of our commitment is 1 year, covering the financial year ended December 31, 2018.

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 Andreea Gheorghe.

Andreea Gheorghe, Audit Director

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

Registered with the Authority for the Public Oversight of the Statutory Audit Activity under number 4579

On behalf of:

DELOITTE AUDIT SRL

Registered with the Authority for the Public Oversight of the Statutory Audit Activity under number 25

Sos. Nicolae Titulescu nr. 4-8, America House, Intrarea de Est,
Etajul 2 - zona Deloitte și Etajul 3, sector 1,
Bucharest, Romania
March 26, 2019

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018**
(all amounts are expressed in lei, unless specified otherwise)

	Note	Year ended:	
		December 31, 2018	December 31, 2017
Net sales	3	198,460,719	195,140,695
Investment income	3	3,464,433	3,987,533
Other gains or losses	5	3,388,764	2,796,780
Changes in inventories		372,436	2,304,367
Raw materials and consumables used	4	(136,656,677)	(139,437,993)
Depreciation and amortisation expense	6	(11,553,840)	(10,706,926)
Impairment of financial assets	6	-	-
Employee salaries and benefits	7	(35,940,642)	(28,174,199)
Social security expenses	7	(1,139,629)	(6,608,431)
Net finance cost	8	(1,945,033)	(1,728,613)
Income from subsidies		2,263,169	2,264,436
Other expenses	9	(16,247,641)	(14,099,311)
Profit before taxation		4,466,059	5,738,338
Income tax	10	334,297	(940,272)
Net profit		4,800,356	4,798,066
Comprehensive income			
Other comprehensive income		-	-
Net loss on revaluation of tangible assets		-	-
Adjustment of deferred tax on fiscally non-deductible revaluation reserves		1,275,648	-
Total comprehensive income		6,076,004	4,798,066
Earnings per share		0.023	0.0182
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 26, 2019.

**ADMINISTRATOR,
HUANG LIANG NENG**

**FINANCIAL MANAGER,
VIORICA ZAINESCU**

**GENERAL MANAGER,
RADU ANDREI**

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, 2018
(all amounts are expressed in lei, unless specified otherwise)**

	<u>Note</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
ASSETS			
Non-current assets			
Property, plant and equipment	11	130,049,723	137,757,935
Investment property	12	18,033,515	49,859,449
Intangible assets	13	78,269	160,081
Financial assets	14	22,247,181	22,247,181
Total non-current assets		<u>170,408,688</u>	<u>210,024,646</u>
Current assets			
Inventories	15	20,695,918	23,824,916
Trade and other receivables	16	35,722,416	32,493,266
Related party loans	26	6,174,452	-
Taxes receivable		-	-
Other assets	17	1,007,913	820,245
Cash and cash equivalents	27	3,331,011	2,529,017
Non-current assets held for sale		16,000,390	
Total current assets		<u>82,932,100</u>	<u>59,667,444</u>
Total assets		<u>253,340,788</u>	<u>269,692,090</u>
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	58,492,792	53,222,860
Retained earnings	20	50,103,010	51,304,266
Total equity		<u>137,190,295</u>	<u>133,121,619</u>
Non-current liabilities			
Loans from banks	21	22,666,821	32,911,592
Finance leases and other interest-bearing liabilities	24	-	-
Deferred tax liabilities	10	8,902,075	10,758,395
Deferred income	28	15,413,305	17,676,474
Total non-current liabilities		<u>46,982,201</u>	<u>61,346,461</u>

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, 2018
(all amounts are expressed in lei, unless specified otherwise)**

	<u>Note</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Current liabilities			
Trade and other payables	23	24,537,065	28,571,443
Loans from banks	21	39,935,675	41,726,661
Finance leases and other interest-bearing liabilities	24		86,797
Deferred income	28	2,265,476	2,305,250
Other liabilities	22	2,430,076	2,533,859
Total current liabilities		<u>69,168,292</u>	<u>75,224,010</u>
Total liabilities		<u>116,150,493</u>	<u>136,570,471</u>
Total equity and liabilities		<u>253,340,788</u>	<u>269,692,090</u>

The separate financial statements were approved by the Board of Directors and were authorised for issuance on March 26, 2019.

**ADMINISTRATOR,
HUANG LIANG NENG**

**FINANCIAL MANAGER,
VIORICA ZAINESCU**

**GENERAL MANAGER,
RADU ANDREI**

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, 2018
 (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 26, 2019.

**ADMINISTRATOR,
HUANG LIANG NENG**

**FINANCIAL MANAGER,
VIORICA ZAINESCU**

**GENERAL MANAGER,
RADU ANDREI**

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, 2018
 (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, 2017	<u>26,412,210</u>	<u>2,182,283</u>	<u>42,349,946</u>	<u>3,635,090</u>	<u>8,521,262</u>	<u>47,230,089</u>	<u>130,330,881</u>
Distribution of dividends	-	-	-	-	-	(2,007,327)	(2,007,327)
Net profit of the period	-	-	-	-	-	4,798,066	4,798,066
Transfer to reserves	-	-	-	239,903	1,487,753	(1,727,656)	-
Transfer of reserves to retained earnings	-	-	(3,011,094)	-	-	3,011,094	-
Corrections related to financial assets assigned and repossessed	-	-	-	-	-	-	-
December 31, 2017	<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>

As at December 31, 2017, the Company allocated the tax exempt profit for reinvested profit, less the legal reserve portion, for setting up reserves in amount of RON 1,487,753.

The total amount of RON 10,009,015 of such reserves is not subject to allocations to other destinations.

The resolution of the General Meeting of Shareholders of 01.08.2017 approved the dividend allocation in amount of RON 2,007,327. The full amount was transferred to the Central Depository to pay dividends owed to shareholders.

The separate financial statements were approved by the Board of Directors and were authorised for issuance on March 26, 2019.

**ADMINISTRATOR,
HUANG LIANG NENG**

**FINANCIAL MANAGER,
VIORICA ZAINESCU**

**GENERAL MANAGER,
RADU ANDREI**

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, 2018
(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, 2018
(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.

The separate financial statements were approved by the Board of Directors and were authorised for issuance on March 26, 2019.

**ADMINISTRATOR,
HUANG LIANG NENG**

**FINANCIAL MANAGER,
VIORICA ZAINESCU**

**GENERAL MANAGER,
RADU ANDREI**

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 CASH FLOWS
FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless specified otherwise)**

	2018	2017
Net profit for the year	4,800,356	4,798,066
Income tax expense / (income)	246,375	650.117
Deferred income tax expense / (income)	(1,856,320)	290.155
Non-current asset depreciation/(impairment)	10,797,119	10,706,926
(Gain) / Loss on sale of fixed assets	(11,254)	424,790
(Gain) / Loss on changes in fair value of investment property	(307,659)	(1,490,374)
(Gain) / Loss on disposal of investment property	(2,709,699)	(2,385,785)
(Gain) / Loss on changes in fair value of assets held for sale	756,722	
Gains on internal set-up of fixed assets	(635,401)	
Expenses / (Revenues) regarding value adjustments for clients and inventories	(36,085)	16,976
Loss on receivables and sundry debtors	206,804	165,833
(Gain) / Loss on financing investments	-	-
Expenses / (Revenues) regarding allowances for financial assets	-	-
Interest expense	1,702,834	1,587,652
Interest income	(91,477)	(3,653)
Income from dividends	(1,117,270)	(1,157,997)
Income from subsidiaries	(2,263,169)	(2,264,436)
Unrealised foreign exchange gain / (loss)	(88,767)	1,528,593
Movements in working capital:		
(Increase) / Decrease in trade and other receivables	(3,399,869)	(6,122,323)
(Increase) / Decrease in inventories	3,128,998	1,843,573
(Increase) / Decrease in other assets	-	447,239
Increase / (Decrease) in trade payables	(4,034,378)	1,674,948
Increase / (Decrease) in deferred income	(39,774)	12,597
Increase / (Decrease) in other liabilities	264,222	477,986
Cash used in operating activities	5,312,308	11,200,885
Income tax paid	(212,766)	(7,163)
Interest paid	(1702,834)	(1,587,652)
Net cash generated in operating activities	3,396,708	9,606,070
Cash flows from investing activities:		
(Payments) / Collections for financial assets	-	-
Interest received	91,477	3,653
Dividends received	1,117,270	1,157,997
Payments for tangible assets	(3,091,315)	(8,340,113)
Payments for investment property	-	-
Proceeds from sale of investment property	18,086,180	3,575,112
Proceeds from disposal of tangible assets	94,612	1,821,663
Proceeds from subsidiaries	-	597,187
Related party loans (granted)/received	(6,174,452)	-
Payments for intangible assets	(19,139)	(33,918)
Payments for dividends	(1,961,297)	(2,037,153)
Net cash generated by/(used in) investing activities	8,143,336	(3,255,571)

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, 2018
(all amounts are expressed in RON, unless specified otherwise)**

	<u>2018</u>	<u>2017</u>
Cash flows from financing activities:		
Cash payments of lessee to reduce a finance lease liability	(86,797)	(1,105,061)
Proceeds from bank loans	2,602,061	5,202,494
Repayments of bank loans	(13,253,314)	(13,534,243)
Repayments of related party borrowings	-	-
Proceeds from subsidies	-	-
Net cash generated by/(used in) financing activities	<u>(10,738,050)</u>	<u>(9,436,810)</u>
Net increase/(decrease) in cash and cash equivalents	<u>801,994</u>	<u>(3,086,312)</u>
Cash and cash equivalents at the beginning of the year	<u>2,529,017</u>	<u>5,615,329</u>
Cash and cash equivalents at the end of the year	<u>3,331,011</u>	<u>2,529,017</u>

The separate financial statements were approved by the Board of Directors and were authorised for issuance on March 26, 2019.

**ADMINISTRATOR,
HUANG LIANG NENG**

**FINANCIAL MANAGER,
VIORICA ZAINESCU**

**GENERAL MANAGER,
RADU ANDREI**

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2018
(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, 2018 are Living Plastic Industry S.A., Joyful River Limited Loc. Nicosia - Cyprus, New Carpathian Fund.

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, 2018 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, 2018, which will be published in accordance with the legislation in force.

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, 2018
(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, 2018 and December 31, 2017 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 2018 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 interpretation issued by the International Accounting Standards Board (IASB) are effective for the current reporting period:

- **IFRS 9 "Financial Instruments"** (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 15 "Revenue from Contracts with Customers"** and further amendments (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 2 "Share-based Payment"** - Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IAS 40 "Investment Property"** - Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 1 and IAS 28 due to "Improvements to IFRSs (cycle 2014-2016)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018),
- **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** (effective for annual periods beginning on or after 1 January 2018).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

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 16 "Leases"** (effective for annual periods beginning on or after 1 January 2019),
- **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"** - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019),
- **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 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IAS 19 "Employee Benefits"** - Plan Amendment, Curtailment or Settlement (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 (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 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to References to the Conceptual Framework in IFRS Standards** (effective for annual periods beginning on or after 1 January 2020),
- **IFRIC 23 "Uncertainty over Income Tax Treatments"** (effective for annual periods beginning on or after 1 January 2019).

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 9 "Financial Instruments"** - adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 15 "Revenue from Contracts with Customers"** and amendments to IFRS 15 "Effective date of IFRS 15" - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 2 "Share-based Payment"** - Classification and Measurement of Share-based Payment Transactions – adopted by the EU on 26 February 2018 (effective for annual periods beginning on or after 1 January 2018),

This is a free translation from the original Romanian version.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2018
(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 IFRS 15 "Revenue from Contracts with Customers"** - Clarifications to IFRS 15 Revenue from Contracts with Customers – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2018).
- **Amendments to IAS 40 "Investment Property"** - Transfers of Investment Property – adopted by the EU on 14 March 2018 (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 1 and IAS 28 due to "Improvements to IFRSs (cycle 2014 -2016)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 7 February 2018 (amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018),
- **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** – adopted by the EU on 28 March 2018 (effective for annual periods beginning on or after 1 January 2018).

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:

- **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),
- **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 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 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 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 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 (effective for annual periods beginning on or after 1 January 2020),

This is a free translation from the original Romanian version.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2018
(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 19 "Employee Benefits"** - Plan Amendment, Curtailment or Settlement (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 (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 (effective for annual periods beginning on or after 1 January 2019),
- **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.

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 9 "Financial Instruments"** issued on 24 July 2014 is the IASB's replacement of IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting.

Classification and Measurement - IFRS 9 introduces new approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces existing rule-based requirements under IAS 39. The new model also results in a single impairment model being applied to all financial instruments.

Impairment - IFRS 9 introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

Hedge accounting - IFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities.

Own credit - IFRS 9 removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

- **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 15 “Revenue from Contracts with Customers”** issued by IASB on 28 May 2014 (on 11 September 2015 IASB deferred effective date of IFRS 15 to 1 January 2018 and on 12 April 2016 IASB made clarifications to this standard). IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. The core principle of the new standard is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.
- **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, depending on how the benefit from use of the underlying asset is diminished.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. IFRS 16 replaces existing lease instructions, including IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating leases - Incentives and SIC-27 Evaluating the substance of transactions in the legal form of a lease. Adoption of the earlier standard is permitted for entities applying IFRS 15 on or before the initial application of IFRS 16. The standard eliminates the current dual accounting model for lessees and requires companies to register most of the leases in the balance sheet into a single model, eliminating the distinction between operating leases and finance leases. In accordance with IFRS 16, a contract is or contains a lease if it confers the right to control the use of an asset identified for a period of time in exchange for consideration.

For such contracts, the new model requires the lessee to recognize a right to use the asset and a lease right. Assets with right of use are amortized, and the liability generates interest. This will cause higher expenses at the start of the lease, even if the lessee pays constant rents. The lessee's accounting remains largely unaffected by the introduction of the new standard and the distinction between operating and finance leases will be maintained.

The Company intends to apply IFRS 16 as of 1 January 2019 using the revised retrospective method. As a result, the comparative periods were not restated. Also, due to the insignificant impact of the restatement as of January 1, 2018, the effect of the restatement was not registered in retained earnings, but will be recognized to the profit or loss for 2019.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

- **Amendments to IFRS 2 “Share-based Payment” - Classification and Measurement of Share-based Payment Transactions** issued by IASB on 20 June 2016. The amendments provide requirements on the accounting for: (a) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (b) share-based payment transactions with a net settlement feature for withholding tax obligations; and (c) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.
- **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 an early repayment gain.
- **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.
- **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 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

- **Amendments to IAS 40 “Investment Property”** - Transfers of Investment Property issued by IASB on 8 December 2016. The amendments state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management’s intentions for the use of a property by itself does not constitute evidence of a change in use. Amendments also state that the list of evidence in paragraph 57 was designated as non-exhaustive list of examples instead of the previous exhaustive list.
- **Amendments to various standards due to “Improvements to IFRSs (cycle 2014 - 2016)”** issued by IASB on 8 December 2016. Amendments to various standards resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording. Changes include: (i) deletion of the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose, (ii) clarification of the scope of IFRS 12 by specifying that the disclosure prerequisites of IFRS 12 except those in paragraphs B10-B16 apply to the interests of an entity listed in paragraph 5, which are classified as held for sale, as held for distribution or discontinued operations in accordance with IFRS 5 “Non-current assets held for sale and discontinued operations”, (iii) clarification of the election to measure at fair value through profit or loss an investment in an associate or an associate in a holding that is owned by an entity that is a venture capital organisation or another qualifying entity, is available for each investment in an associate or joint venture on an investment basis on initial recognition.
- **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 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 22 “Foreign Currency Transactions and Advance Consideration”** issued by IASB on 8 December 2016. Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

- **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 taxes.

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, 2018
(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

Lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

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

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

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.

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, 2018 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

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.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)**

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 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, 2016.

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

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, 2018
(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, 2018
(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 or at fair value through other comprehensive income in accordance with item*

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, 2018
(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 payment incidents regarding receivables.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2018
(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, 2018
(all amounts are expressed in lei, unless specified otherwise)**
3. INCOME

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

	Year ended December 31, 2018	Year ended December 31, 2017
Net sales		
Income from sale of finished products	148,975,617	140,429,783
Income from sale of commodities	44,718,309	50,471,968
Income from services delivered	226,336	293,439
Other income	4,540,460	3,645,505
	198,460,719	195,140,695
Investment income		
Income from renting investment property	2,255,686	2,825,883
Income from interest on bank deposits	91,477	3,653
Dividends received from participations (Note 26)	1,117,270	1,157,997
	3,464,433	3,987,533

Segment reporting:

Income by geographical areas:	Year ended December 31, 2018	Year ended December 31, 2017
Sales on domestic market (Romania)	145,566,788	145,116,525
Sales on foreign market (Europe)	50,139,425	49,419,314
Other (Israel, Taiwan, UAE)	2,754,506	604,856

Segment income and profit	Segment income		Segment profit	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Polyethylene + polystyrene + polypropylene plastics	109,555,816	101,155,949	13,371,901	15,616,720
Compound recycled products	34,511,720	32,045,842	6,502,561	3,817,003
Other productive sectors	5,529,657	6,927,091	710,457	1,205,822
Income from sale of commodities and other activities	48,863,526	55,011,813	3,949,686	4,391,897
Total from operations	198,460,719	195,140,695	24,534,605	25,031,442
Investment income			3,464,433	3,987,533
Administrative and salary expenses			(21,587,946)	(21,552,024)
Finance expenses			(1,945,033)	(1,728,613)
Profit before tax			4,466,059	5,738,338

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2018
(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 regranulated 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, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Asset and liability segment				
Polyethylene + polystyrene + polypropylene plastics	67,697,203	71,457,179	55,183,358	58,349,418
Compound recycled products	90,826,596	89,958,200	30,163,062	35,558,054
Other productive sectors	3,844,099	4,534,763	2,410,916	3,414,557
Other activities	90,972,889	103,741,948	28,393,158	39,248,443
Total assets/liabilities	253,340,788	269,692,090	116,150,493	136,570,471

	Depreciation segment		Segment of non-current assets additions*	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Polyethylene + polystyrene + polypropylene plastics	3,738,653	3,909,827	1,116,724	1,092,494
Compound recycled products	5,230,409	4,945,352	8,038,732	1,962,586
Other productive sectors	162,763	195,179	15,392	7,212
Other activities	1,665,294	1,656,568	691,271	2,352,467
Total	10,797,119	10,706,926	9,862,122	5,414,759

* 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 2018 a Turnover of 8% and 18% of Total turnover. Sales to LivingJumbo Industry SA in 2018 also contained sales of finished goods, rental of production spaces and income from other activities, which account for 6% of the turnover.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2018**
(all amounts are expressed in lei, unless specified otherwise)

4. RAW MATERIALS AND CONSUMABLES USED

	Year ended December 31, 2018	Year ended December 31, 2017
Raw materials	75,230,048	75,084,329
Commodities sold	44,035,878	49,954,753
Energy and water	12,374,842	9,707,443
Expenses with consumables	5,015,909	4,691,468
Total	136,656,677	139,437,993

5. OTHER GAINS AND LOSSES

	Year ended December 31, 2018	Year ended December 31, 2017
Income from penalties charged	86,671	668,728
Gain / (Loss) on sale of non-current assets	11,254	(424,790)
Losses on calamities (net of insurance indemnities)	-	-
Gain / (Loss) on adjustment of investment property at fair value	307,659	1,490,374
Gain / (Loss) on disposal of investment property	2,709,699	2,385,785
FOREX gain / (loss)	114,221	(1,442,682)
Gain / (Loss) on disposal of finance investments	-	(1,020)
Gain / (Loss) on changes in inventory	36,085	(16,976)
Other gains	123,175	137,361
Total	3,388,764	2,796,780

6. DEPRECIATION AND AMORTIZATION EXPENSES

	Year ended December 31, 2018	Year ended December 31, 2017
Total amortization expenses, of which:	11,553,840	10,706,926
Depreciation of fixed assets	10,696,166	10,586,688
Amortization of intangible assets	100,952	120,238
Impairment allowance for assets held for sale	756,722	-
Financial assets impairment	-	-
	11,553,840	10,706,926

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2018**
(all amounts are expressed in lei, unless specified otherwise)

7. EXPENSES WITH SALARIES AND SOCIAL LEVIES

	Year ended December 31, 2018	Year ended December 31, 2017
Salaries	34,700,286	26,902,032
Social contributions	1,139,629	6,608,431
Meal tickets	1,240,356	1,272,167
Total	37,080,271	34,782,630

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, 2018	Year ended December 31, 2017
Management salaries	2,345,237	1,771,568
Benefits for Board of Directors	321,643	303,629
Total	2,666,880	2,075,197

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

8. NET FINANCE COST

	Year ended December 31, 2018	Year ended December 31, 2017
Bank interest and leases expenses	1,664,212	1,552,838
Bank commissions and assimilated charges	280,821	175,775
Total	1,945,033	1,728,613

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2018**
(all amounts are expressed in lei, unless specified otherwise)

9. OTHER EXPENSES

	Year ended December 31, 2018	Year ended December 31, 2017
Expenses with transport and logistics	5,319,016	4,858,418
Other expenses with third party services*	6,205,293	5,660,634
Protocol and marketing	466,099	551,832
Expenses with repairs	1,157,805	869,997
Taxes and levies	1,790,122	1,021,177
Losses on receivables	206,804	165,833
Expenses with insurances	420,863	308,298
Expenses with postal charges and telecommunications	134,388	141,392
Expenses with travels	108,416	137,276
Expenses with rentals	241,756	203,990
Expenses with commissions and fees	5,893	10,205
Expenses with fines and penalties	312	2,788
Other expenses	190,874	167,471
Total	16,247,641	14,099,311

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

10. INCOME TAX

	Year ended December 31, 2018	Year ended December 31, 2017
Income tax expenses		
Current income tax expense	246,375	650,117
Deferred income tax expense / (income)	(580,672)	290,155
	(334,297)	940,272

The tax rate applied for the reconciliation above related to 2018 and 2017 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, 2018	Year ended December 31, 2017
Reconciliation of actual income tax rate		
Gross income before taxation	4,466,059	5,738,338
Tax calculated according to the 16% rate	714,569	918,134
Effect of non-taxable income	(237,052)	(456,537)
Effect of non-deductible expenses	767,349	259,202
Effect (tax loss) / tax profit	(580,672)	70,683
Effect of temporarily non-deductible expenses / deferred tax	-	290,155
Deductions related to reinvested profit	(998,491)	(70,683)
	(334,297)	940,272

This is a free translation from the original Romanian version.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)**

10. INCOME TAX (continued)

Components of deferred tax liabilities

	December 31, 2018	December 31, 2017
Trade and other receivables	(134,697)	(138,739)
Inventories	(228,841)	(228,841)
Investment property	1,293,258	1,877,971
Property, plant and equipment	7,972,355	9,248,004
Recognised income tax liabilities	8,902,075	10,758,395
of which deferred tax on revaluation reserves from comprehensive income	8,616,301	9,891,949
	December 31, 2018	December 31, 2017
Opening balance as at January 1	10,758,395	10,468,240
Movement from revaluation reserves	(1,275,648)	-
Recognised in income statement	(580,672)	290,155
Closing balance as at December 31	8,902,075	10,758,395

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018
 (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, 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
COST						
Balance as at January 1, 2017	48,123,284	19,401,581	108,762,199	1,316,557	8,118,629	185,722,251
Additions, of which	-	2,344,294	2,959,704	110,762	7,493,841	12,908,600
Transfers	-	2,344,294	2,959,704	110,762	-	5,414,759
Revaluation increases	-	-	-	-	-	-
Disposals, of which	(2,246,453)	(665,926)	(153,923)	(64,567)	(8,634,527)	(11,765,395)
Disposals from revaluation	-	-	-	-	-	-
Balance as at December 31, 2017	45,876,831	21,079,948	111,567,980	1,362,753	6,977,944	186,865,456

This is a free translation from the original Romanian version.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018
 (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, 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
Balance as at January 1, 2017	-	-	38,050,372	665,967	-	38,716,339
Expenses with depreciation	-	1,755,135	8,724,277	107,276	-	10,586,688
Decrease from sale of assets	-	(9,256)	(121,683)	(64,567)	-	(195,506)
Revaluation decreases	-	-	-	-	-	-
Balance as at December 31, 2017	-	1,745,879	46,652,965	708,677	-	49,107,521
NET BOOK VALUE						
As at December 31, 2018	45,876,831	20,749,609	62,556,516	658,090	208,678	130,049,723
As at December 31, 2017	45,876,831	19,334,069	64,915,015	654,076	6,977,944	137,757,935

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)**

11. PROPERTY, PLANT AND EQUIPMENT (continued)

As at December 31, 2016 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 6,536,396 (the value of lands decreased by lei 6,239,033 and the value of buildings and constructions decreased by lei 297,363).

The net book value of tangible assets under finance lease is lei 973,140 as at December 31, 2017. 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 117,976,120 as at December 31, 2018 (lei 133,821,112 as at December 31, 2017) 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, 2018 of lei 0.

In 2015, the Company purchased production equipment totalling 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 24,603,345 as at December 31, 2018 and lei 27,246,634 as at December 31, 2017.

12. INVESTMENT PROPERTY

	December 31, 2018	December 31, 2017
Balance as at January 1	49,859,449	45,680,013
Total additions, out of which:	339,043	5,410,177
Revaluation increases	339,043	1,531,788
Total disposals, of which:	(32,164,977)	(1,230,741)
Revaluation decreases	(31,384)	(41,414)
Balance as at December 31	18,033,515	49,859,449

As at December 31, 2018, 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, 2018
(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.

As at December 31, 2018, the Company performed the valuation of the investment property and the result, in amount of lei 307,659 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, 2018 would have been lei 25,951,043.

13. OTHER INTANGIBLE ASSETS

	Licenses	Other intangible assets	Intangible assets in progress	Total
COST				
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
Balance as at January 1, 2017	748,032	594,676	-	1,342,708
Additions	33,918	-	-	33,918
Transfers	-	-	-	-
Disposals	(70,893)	(2,209)	-	(73,103)
Balance as at December 31, 2017	711,057	592,467	-	1,303,523
ACCUMULATED AMORTIZATION				
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
Balance as at January 1, 2017	577,853	518,453	-	1,096,307
Expenses with amortization	93,339	26,899	-	120,238
Write-offs on disposal of assets	(70,893)	(2,209)	-	(73,103)
Balance as at December 31, 2017	600,298	543,143	-	1,143,442
NET BOOK VALUE				
As at December 31, 2018	55,845	22,424	-	78,269
As at December 31, 2017	110,758	49,323	-	160,081

This is a free translation from the original Romanian version.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018
(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-18	31-Dec-17
				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	99.00%	1,639,232	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%	5000	5,000
		TOTAL		25,611,325	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				22,247,181	22,247,181

This is a free translation from the original Romanian version.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)****14. OTHER FINANCIAL ASSETS (continued)**

Details on changes in subsidiaries and associates investments in 2018 and 2017 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)
14. OTHER FINANCIAL ASSETS (continued)

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.

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

15. INVENTORIES

	December 31, 2018	December 31, 2017
Raw materials	10,140,307	13,001,772
Consumables	3,045,873	2,702,172
Items of inventory	112,158	108,798
Packaging	226,298	196,894
Finished products	4,618,155	5,288,852
Unfinished products	1,711,621	1,916,330
Semi-finished products	2,055,979	1,832,946
Residual products	2,734	2,665
Commodities	187,924	123,004
Advances for purchases of inventory	25,125	81,739
Allowance for obsolete inventories	(1,430,256)	(1,430,256)
Total	20,695,918	23,824,916

16. TRADE AND OTHER RECEIVABLES

	December 31, 2018	December 31, 2017
Trade receivables	36,394,466	33,258,735
Allowances for doubtful clients	(1,202,652)	(1,238,738)
Taxes to recover/(paid)	118,587	45,168
Other receivables	412,015	428,101
Subsidies receivable	-	-
Total	35,722,416	32,493,266

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.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018
 (all amounts are expressed in lei, unless specified otherwise)

16. TRADE AND OTHER RECEIVABLES (continued)

	Analysis of receivables due for more than 60 days		Analysis of allowances by age	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	lei	lei	lei	lei
60 - 90 days	2,654,288	702,563	-	-
90 - 120 days	80,927	76,066	-	-
More than 120 days	1,149,913	1,238,738	1,202,652	1,238,738
Total	3,885,129	2,017,367	1,202,652	1,238,738

17. OTHER CURRENT ASSETS

	December 31, 2018	December 31, 2017
Prepaid expenses	839,094	152,874
Advances to services suppliers	168,819	667,371
Total	1,007,913	820,245

18. ISSUED CAPITAL

	Share capital	
	December 31, 2018	December 31, 2017
264,122,096 fully paid ordinary shares (2013: 264,122,096). The value of one share is RON 0.1	26,412,210	26,412,210
Inflation effect according to IAS 29	-	-
Total	26,412,210	26,412,210

	December 31, 2018		December 31, 2017	
	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%
ROMANIAN INVESTMENT FUND (Eastern Eagle Fund LTD)	-	0%	10,337,983	3.91%
STICHTING BEWAARDER OVERLEVINGSFONDS	-	0%	7,500,000	2.84%
BRAICONF SA	-	0%	23,000,000	8.71%
Other legal persons	18,044,842	6.83%	30,559,698	11.57%
Other natural persons	104,492,157	39.56%	61,477,301	23.28%
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.

This is a free translation from the original Romanian version.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)
19. RESERVES

	December 31, 2018	December 31, 2017
Legal reserves	4.115.011	3,874,993
Other reserves	14.569.353	10,009,015
Revaluation reserves	39.808.428	39,338,852
Total	58.492.792	53,222,860

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 4,115,011.

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

20. RETAINED EARNINGS

	December 31, 2018	December 31, 2017
Balance at the beginning of the year	51.304.266	47,230,089
Net profit	4.800.356	4,798,066
Transfer to legal reserves	(240.018)	(239,903)
Write-off of IAS 29 application on items of equity	-	-
Transfer to other reserves*	(4.560.338)	(1,487,753)
Reclassification of revaluation reserve to retained earnings	-	-
Transfers from revaluation reserves	806.072	3,011,094
Other changes	-	-
Dividend allocation	(2.007.328)	(2,007,327)
Balance at the end of the year	50.103.010	51,304,266

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

21. BORROWINGS

Borrowings – short-term	December 31, 2018	December 31, 2017
Credit line in Euro – BRD	11,643,846	10,978,977
Investment loan in Euro - BRD	-	408,071
Investment loan in Euro II - BRD	582,774	582,250
Investment loan in Euro III - BRD	735,816	2,098,969
UniCredit Tiriac (object loan)	20,447,388	-
UniCredit Tiriac – VAT facility - CCE 2015	2,028,797	21,828,211
Eximbank SA	509,253	2,026,970
Eximbank SA	514,500	509,250
Investment loan I - Eximbank SA	530,753	-
Investment loan I - UniCredit Bank	499,579	499,579
Investment loan II - UniCredit Bank	306,263	306,263
Investment loan III - UniCredit Bank	527,061	526,587
Investment loan IV - UniCredit Bank	1,077,878	1,077,878
Investment loan V - UniCredit Bank	531,947	369,156
Total	39,935,675	41.726.661

This is a free translation from the original Romanian version.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)
21. BORROWINGS (continued)

Borrowings – long-term	December 31, 2018	December 31, 2017
Investment loan in Euro - BRD	-	-
Investment loan in Euro II - BRD	1,651,193	2,231,955
Investment loan in Euro III – BRD	1,532,951	6,471,819
UniCredit Tiriac	8,686,140	10,705,287
Investment loan I - UniCredit Bank	1,790,158	2,289,738
Investment loan II - UniCredit Bank	535,961	842,223
Investment loan III - UniCredit Bank	922,357	1,448,113
Investment loan IV - UniCredit Bank	2,155,758	3,233,636
Investment loan V - UniCredit Bank	1,241,211	1,199,761
Investment loan S1 - Eximbank SA	1,273,123	1,782,375
Investment loan S2 - Eximbank SA	1,286,250	1,800,750
Investment loan II - Eximbank SA	1,591,719	905,935
Total	22,666,821	32,911,592

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, 2018 the Company did not meet covenant "total net financial liabilities/EBITDA" either separately, or jointly with LivingJumbo Industry SA, and met the "Coverage of debt service" at individual level, but not jointly with LivingJumbo Industry SA. In this respect, the Company obtained as at the approval date of the separate financial statements a letter from the bank stipulating that the contractual provisions were not breached and it would not demand the early repayment of the loans made available.

The Company has contracted the following short-term loans as at December 31, 2018:

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, 2018: lei 20,447,388 (equivalent of EUR 4,384,182)
- Due on: April 10, 2019
- 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;

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)

21. BORROWINGS (continued)

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

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 2018 EUR 390,500 and a net book value of lei 1,663,971 as at December 31, 2018.
7. Blank promissory note, with the mention "No Protest";
8. LivingJumbo Industry SA as co-borrower.

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

- Outstanding amount as at December 31, 2018: lei 11,643,846 (equivalent of EUR 2,496,590)
 - Due on: September 30, 2019
 - Securities:
1. Security interest in real estate over immovable assets (land + constructions) having a net book value of lei 12,051,920 as at December 31, 2017, identified as follows:
 - 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 148,353 as at December 31, 2018;
 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)

21. BORROWINGS (continued)

As at December 31, 2018, 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, 2018: lei 2,233,967 (equivalent of EUR 478,991)
 - 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 3,433,560 as at December 31, 2018;

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, 2018: lei 2,268,757 (equivalent of EUR 486,453)
 - 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;
 4. Mortgage over receivables with a minimum balance of EUR 500,000 resulting from the commercial contracts concluded with Romcarbon SA with its partners, which total an annual EUR 3,300,000.

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 Romaniei Eximbank SA (contract 1-ABZ/21.07.2015)

- Outstanding amount as at December 31, 2018: lei 3,583,125
 - 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 810,000 as per the valuation of May 2018 and August 2018 and a net book value of lei 4,002,771 as at December 31, 2018;
 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".

This is a free translation from the original Romanian version.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)

21. BORROWINGS (continued)

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, 2018: lei 10,714,936 (equivalent of EUR 2,297,420)
- 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 June 2018 of EUR 4,873,800 and a net book value of lei 24,459,872 as at December 31, 2018;
 2. Mortgage over all the future accounts/sub-accounts opened by S.C. Romcarbon S.A. with UniCredit Bank SA.

e) Investment loan I in amount of lei 3,200,000 with UniCredit Bank SA to purchase assets (land + buildings) located in Iasi, Calea Chisinaului, nr. 27-29 (contract BUZA/022/2016)

- Outstanding amount as at December 31, 2018: lei 2,289,737
- Due on: 11.07.2023
- Securities:
 1. Immovable property mortgage over real estate located in Stefanestii de jos, Str.Sinaia nr.15, Ilfov, identified by cadastral/topographic no. 50009, having a total surface area of 12,774 sq m;
 2. Immovable property mortgage over real estate located in Iasi, Calea Chisinaului, nr.27-29 identified by cadastral no. 3860/223/2-3860/226/1 – land in surface area of 242 sq m and holding cadastral no. 3860/223/2-3860/226/1- C49/p/2 building having a useful surface area of 192.39 sq m and built surface area of 224.85 sq m and holding cadastral no. 128921, land in surface area of 1,312.48 sq m – land – and holding cadastral no. 128921-C1 cafeteria building G+1 having a useful surface area of 1,193.67 sq m – ground floor and useful surface area of 1,193.67 sq m – upper floor;
 3. 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;
 4. Immovable property mortgage over real estate identified by cadastral number 54304 (in total surface area of 16,787 sq m) located at Str. Transilvaniei, 132, Buzau;
 5. Movable property mortgage over the movable assets in the form of inventory having a maximum 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 2018 of EUR 390,500 and a net book value of lei 1,663,971 as at December 31, 2018.
 7. Movable property mortgage over all the present and future accounts and sub-accounts opened by Romcarbon SA with UniCredit Bank SA.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)

21. BORROWINGS (continued)

f) *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) (partly drawn)*

- Outstanding amount as at December 31, 2018: lei 842,224
- 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 2018 of EUR 390,500 and a net book value of lei 1,663,971 as at December 31, 2018;
 5. Movable property mortgage over the movable assets purchased under the project;
 6. Movable property mortgage over all the present and future accounts and sub-accounts opened by Romcarbon SA with UniCredit Bank SA.

g) *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, 2018: lei 1,449,418 (equivalent of EUR 310,774)
- 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. Movable property mortgage over the movable assets in the form of inventory having a minimum value of EUR 2,000,000;
 3. 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;
 4. 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 December 31, 2018;
 5. Movable property mortgage over the movable assets purchased within the project;
 6. Movable property mortgage over all the present and future accounts and sub-accounts opened by Romcarbon SA with UniCredit Bank SA.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)

21. BORROWINGS (continued)

h) 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, 2018: lei 3,233,636
- Due on: 01.12.2021
- Securities:
 1. 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;
 2. Movable property mortgage over 35 machinery with a market value as per the valuation of October 2018 of EUR 836,800 and a net book value of lei 2,503,691 as at December 31, 2018;
 3. 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;
 4. 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;
 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 2018 of EUR 390,500 and a net book value of lei 1,663,971 as at December 31, 2018;
 7. Movable property mortgage over all the present and future accounts and sub-accounts opened by Romcarbon SA with UniCredit Bank SA.

i) 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) (partly drawn)

- Outstanding amount as at December 31, 2018: lei 1,773,159
- 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. Mortgage over future goods to be purchased out of such loan;

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)

21. BORROWINGS (continued)

i) 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) (partly drawn) (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 2018 of EUR 390,500 and a net book value of lei 1,663,971 as at December 31, 2018;
6. Blank promissory note, with the mention "No Protest";
7. LivingJumbo Industry SA as guarantor.

j) 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) (partly drawn)

- Outstanding amount as at December 31, 2018: lei 2,122,292
- 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 630,000 as per the valuation report of May 2018 and a net book value of lei 3,076,629 as at December 31, 2018;
 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 911,276 as per the valuation report of October 2018 and a net book value of lei 4,419,115 as at December 31, 2018;
 3. Mortgage without dispossession over 3 forklifts with a market value of EUR 52,175 as per the valuation of October 2018 and a net book value of lei 274,362 as at December 31, 2018;
 4. Immovable mortgage without dispossession over 8 machinery purchased under this project with a market value of EUR 124,376 as per the valuations of May 2018 and October 2018 and a net book value of lei 604,957 as at December 31, 2018;
 5. Movable mortgage without dispossession over a future asset "MFI leak analyser";
 6. First rank mortgage over present and future receivables arising from the commercial relationship with Toro Manufacturing and Sales SRL;
 7. Mortgage over current accounts in lei and foreign currency opened with EximBank SA by Romcarbon SA;
 8. Blank promissory note, with the mention "No Protest".

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)**21. BORROWINGS (continued)****Guarantees granted to Group companies**

ROMCARBON SA is a guarantor in the following loans contracted by LivingJumbo Industry SA 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 2018 of EUR 390,500 and a net book value of lei 1,663,971 as at December 31, 2018);
- 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 maximum value of EUR 2,000,000.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)
21. BORROWINGS (continued)

As at December 31, 2018, 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 31.12.2018		Due on	less than 1 year	more than 1 year
			in euro	in lei			
UniCredit Bank	Credit line	€ 5,450,000	€ 4,384,182	lei 20,447,388	10/04/19	lei 20,447,388	-
BRD GSG	Credit line	€ 2,550,000	€ 2,496,590	lei 11,643,846	30/10/19	lei 11,643,846	-
UniCredit Bank	Investment loan (III)	€ 442,500	€ 310,774	lei 1,449,418	19/09/21	lei 527,061	lei 922,357
BRD GSG	Investment loan (II)	€ 1,000,000	€ 478,991	lei 2,233,967	03/09/22	lei 582,774	lei 1,651,193
BRD GSG	Investment loan (III)	€ 3,153,160	€ 486,453	lei 2,268,767	03/02/22	lei 735,816	lei 1,532,951
UniCredit Bank	Investment loan - CCE 2015	€ 3,042,240	€ 2,297,420	lei 10,714,936	04/12/23	lei 2,028,797	lei 8,686,140
TOTAL loans in euro		€ 15.637.900	€ 10,454,410	lei 48,758,323		35,965,682	12,792,640
Eximbank SA	Investment loan (I) (Lei)	lei 6,142,500		lei 3,583,125	20/06/22	lei 1,023,750	lei 2,559,375
Eximbank SA	Investment loan (II) (Lei)	lei 2,432,500		lei 2,122,292	16/12/22	lei 530,573	lei 1,591,719
UniCredit Bank	Investment loan (I) (Lei)	lei 3,200,000		lei 2,289,737	11/07/23	lei 499,579	lei 1,790,158
UniCredit Bank	Investment loan (II) (Lei)	lei 2,500,000		lei 842,224	19/09/21	lei 306,263	lei 535,961
UniCredit Bank	Investment loan (IV) (Lei)	lei 5,400,000		lei 3,233,636	01/12/21	lei 1,077,878	lei 2,155,758
UniCredit Bank	Investment loan (V) (Lei)	lei 2,250,000		lei 1,773,159	06/04/22	lei 531,947	lei 1,241,211
Total loans in lei		lei 21,925,000		lei 13,844,172		lei 3,969,991	lei 9,874,181
Total				lei 62,602,494		lei 39,935,673	lei 22,666,821

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018
 (all amounts are expressed in lei, unless specified otherwise)

22. OTHER BORROWINGS

	December 31, 2018	December 31, 2017
Liabilities to employees	1,004,630	930,442
Liabilities related to social contributions	865,863	818,625
Other tax liabilities	559,483	784,792
	2,430,076	2,533,859

23. TRADE LIABILITIES

	December 31, 2018	December 31, 2017
Trade liabilities	23,166,515	27,252,655
Other liabilities	793,136	203,569
Suppliers invoices not received	359,085	863,344
Advances from clients	218,329	251,875
Total	24,537,065	28,571,443

24. FINANCE LEASE OBLIGATIONS
Lease contracts

Finance leases refer to vehicles leased for 5-6 years' term. The Company has the option to purchase the equipment for a nominal amount at the end of the contractual terms. The Company's finance lease obligations are secured by the lessee's ownership right over the assets.

Finance lease liabilities
Reconciliation of minimum lease payments at net present value

	December 31, 2018	December 31, 2017
Amounts due within one year	-	86,797
Due in more than one year, but less than 5 years	-	-
Less future finance expenses	-	-
Total	-	86,797

	December 31, 2018	December 31, 2017
Present value of future finance lease payments		
Amounts due within one year	-	86,797
Due in more than one year, but less than 5 years	-	-
Total	-	86,797

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018
(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, 2018
(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, 2018
 (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 4.6639	USD 1USD = lei 4.0736	lei 1 lei	December 31, 2018 Total
2018	lei	lei	lei	lei
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				
Short and long-term borrowings	4,767,409	6,013	19,763,644	24,537,065
Short and long-term finance lease liabilities	48,758,323	-	13,844,172	62,602,494
Other liabilities	-	-	-	-
	-	-	2,430,076	2,430,076
2017	EUR 1EUR = lei 4.6597	USD 1USD = lei 3.8915	lei 1 lei	December 31, 2017 Total
	lei	lei	lei	lei
Assets				
Cash and cash equivalents	32,262	26,895	2,469,861	2,529,017
Receivables and other current assets	3,805,992	28,540	28,658,734	32,494,266
Other assets	-	-	-	-
			820,245	820,245
Liabilities				
Trade and other liabilities	5,941,268	91,411	22,538,764	28,571,443
Short and long-term borrowings	59,307,208	-	15,331,045	74,638,253
Short and long-term finance lease liabilities	86,797	-	-	86,797
Other liabilities	-	-	2,533,859	2,533,859

This is a free translation from the original Romanian version.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018
(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-2018</u>	<u>31-Dec-2017</u>
Loss	(6,260,250)	(6,998,782)

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.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018
 (all amounts are expressed in lei, unless specified otherwise)

25. FINANCIAL INSTRUMENTS (continued)
Tables regarding liquidity and interest rate risks (continued)

2017	<u>Less than 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Total</u>
Non-interest bearing				
Trade liabilities	28,571,443	-	-	28,571,443
Other current liabilities	2,533,580	-	-	2,533,580
Interest bearing instruments				
Borrowings from financial institutions	86,797	-	-	86,797
Short and long-term leases	41,726,661	8,737,886	24,173,706	74,638,253
Non-interest bearing				
Cash and cash equivalents	2,529,017	-	-	2,529,017
Receivables and other current assets	32,493,266	-	-	32,493,266

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, 2018</u>	<u>December 31, 2017</u>
YENKI SRL BUZAU	-	-
LIVING JUMBO INDUSTRY SA	-	-
RECYPLAT LIMITED	-	-
INFO TECH SOLUTION SRL BUZAU	117,270	157,997
RC ENERGO INSTALL SRL	1,000,000	1,000,000
TOTAL	1,117,270	1,157,997

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018
 (all amounts are expressed in lei, unless specified otherwise)

26. RELATED PARTY TRANSACTIONS (continued)

	Sales of goods and services		Purchases of goods and services	
	2018	2017	2018	2017
Info Tech Solution SRL	23,281	23,333	409,721	395,705
LivingJumbo Industry SA	35,662,974	35,047,140	1,050,808	1,141,534
RC Energo Install SRL	86,463	89,672	1,980,447	1,790,895
Yenki SRL Buzau	1,765	12,678	-	-
Total	35,774,482	35,172,823	3,440,976	3,328,134

	Receivables from related parties		Payables to related entities	
	2018	2017	2018	2017
Info Tech Solution SRL	-	-	30,532	64,464
LivingJumbo Industry SA	23,000,525	12,355,709	242,854	202,113
RC Energo Install SRL	1,422,490	-	197,659	397,856
Yenki SRL Buzau	-	-	-	-
Total	24,423,015	12,355,709	471,045	664,433

As at 31 December, the Company has outstanding receivables in amount of RON 23,000,525 from LivingJumbo Industry SA representing trade receivables in amount of RON 18,336,625 and loan granted in amount of RON 4,663,900 due in August 2019.

As at 31 December, the Company has outstanding receivables in amount of RON 1,422,490 from RC Energo Install SRL represented by a loan granted, due in September 2019.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018
(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	
	2018	2017	2018	2017
Greenfiber International SA	5,107,220	3,452,596	111,556	107,675
Greenlamp Reciclare SA	533	2,481	-	-
Greentech SA	71,570	120,263	415,100	948,283
Greenweee International SA	193,080	187,432	174,101	446,969
Greentech d.o.o Serbia	-	-	6,805	-
Total Waste Management SRL	247,560	289,393	3,836	62,917
Next Eco Reciclyng SA	-	1,763	416,837	555,931
Green Resources Management SA	6,109	3,695	-	-
	5,626,071	4,057,624	1,128,236	2,121,775
	Receivables from related parties		Payables to related entities	
	2018	2017	2018	2017
Greenfiber International SA	836,113	752,766	4,564	37,991
Greenlamp Reciclare SA	-	1,302	-	-
Greentech SA	5,833	45,870	15,444	108,238
Greenweee International SA	56,690	16,655	47,418	44,498
Greentech d.o.o Serbia	-	-	-	-
Total Waste Management SRL	27,358	25,208	123	29,340
Next Eco Reciclyng SA	-	-	-	-
Green Resources Management SA	-	-	-	-
	925,994	841,801	67,549	220,067

This is a free translation from the original Romanian version.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018
(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, 2018	December 31, 2017
Cash at banks	3,197,884	2,403,783
Cash on hand	24,317	15,873
Cash equivalents	108,810	109,361
Total	3,331,011	2,529,017

28. DEFERRED INCOME

	December 31, 2018	December 31, 2017
Grants Unido funds and car scrap program	6,125	9,376
Grants – project co-funded by European funds for 2011	6,589,359	7,660,583
Grants – project co-funded by European funds for 2015	11,068,373	12,256,600
Inventory surpluses in the form of non-current assets	12,617	13,084
Total	17,676,474	19,939,643

As at December 31, 2018, the Company registered investment subsidies and other amounts in the form of investment subsidies, not transferred to income, totalling lei 17,676,474. 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)

29. COMMITMENTS AND CONTINGENCIES (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 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

At the proposal of Romcarbon's Board of Directors, the approval of the share capital increase of Livingjumbo Industry SA was included on the agenda of the Extraordinary General Meeting of Shareholders held on 24 / 25.04.2019, to which Romcarbon SA will participate by lei 4,838,400 resulting from the conversion into shares of the shareholder loan granted by Romcarbon to its subsidiary in August 2018 in amount of EUR 1,000,000 and a part of the interest accrued at 01.06.2019.

As at the date of preparation of the separate financial statements, 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.

The separate financial statements were approved by the Board of Directors and were authorised for issuance on March 26, 2019.

**ADMINISTRATOR,
HUANG LIANG NENG**

**FINANCIAL MANAGER,
VIORICA ZAINESCU**

**GENERAL MANAGER,
RADU ANDREI**

For signatures, please refer to the original Romanian version.

BOARD OF DIRECTORS' REPORT FOR THE PERIOD ENDED DECEMBER 31, 2018

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, 2018, 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 2018 in various audit missions made according to the Internal Audit Plan;
- the separate financial statements drawn for the year ended December 31, 2018 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 2018, 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 2018 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 2018 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.

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 2018, 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.

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

Group of products	2016	2017	2018
Total revenues from sales of finished products, of which:	68.37%	71.81%	74.77%
CP1~ Auto and industrial filters,	2.31%	1.96%	1.32%
CP2~ Respiratory protective equipment and Active Carbon	1.63%	1.29%	1.00%
CP3~ Polyethylene products	14.02%	14.00%	16.40%
CP4~ PVC products	0.24%	0.30%	0.40%
CP5~ Polystyrene products	19.17%	18.66%	19.06%
CP6~ Polypropylene products	20.78%	19.17%	19.23%
CP7~Compounds	10.21%	16.42%	17.35%

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

- **New products developed in 2018**

In 2018 the range of industrial filters was enlarged with 25 new items. Also 29 new air filters and railway engine filters were developed.

In the Compound sector, 14 new recipes of compounds manufactured from recycled plastic were developed, and the new products that were fit were sent to beneficiaries for testing.

In the polyethylene sector, new products were developed: PS panel packaging film for automated installations, batch film for automated installations; HDPE household sacks; household sacks made of recycled raw materials.

The development activity was focused both on developing new products and new production technologies and on improving the existing technologies. New projects were developed in the Compound and polyethylene sections:

- Line of crushing waste and filter materials generated during the extrusion process. It has the role of reducing to a small and uniform size a wide range of materials (different types of post-industrial and post-consumption waste, filtering and purging materials generated during the extrusion process). The products obtained after grinding can be sold as such, as semi-finished products or can be re-introduced into the process, obtaining new products.
- Homogenizer of 1 cubic meter – the first purchased in a series of homogenizers. In order to optimize the extrusion process, it is necessary to provide a homogenous raw material that provides continuity to the technological process and to ensure the same physicochemical characteristics of the products obtained. It serves extruders that are not provided with multiple gravimetric dispensers and for which polymers and additives are used in different proportions.

- **Assessment of procurement activity (domestic and import)**

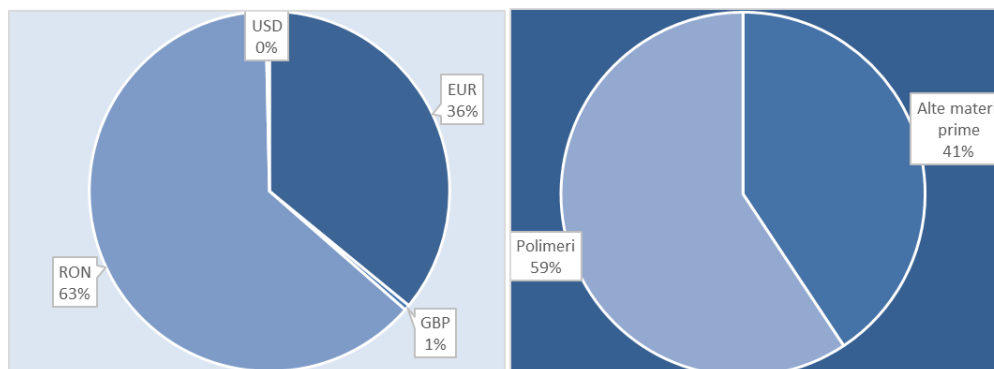
The supply of raw materials, consumables and services is carried out according to the specific internal procedures. Further to the assessment of at least 3 commercial offers, the best alternative is selected, which then turns into an acquisition. The collaboration with these suppliers is based on the contracts signed with them or on confirmed spot orders. The portfolio of suppliers of raw materials for most of the production sectors includes 63% Romanian companies, and 37% companies in the foreign market. For the Compounds sector, the raw material supplied comes 87% from Romania, while the difference is ensured by the quantities offered by foreign collaborators.

The most important share (59%) 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.

This is a free translation from the original Romanian version.

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 2016 and 2018 is presented in the following table:

Group of products	2016		2017		2018		2018 vs. 2017		
	Value	% in total	Value	% in total	Value	% in total			
CP1~ Auto and industrial filters	4,130,687	3.38%	3,830,438	2.73%	2,623,159	1.77%	▼	(1,207,279)	-32%
CP2~ Respiratory protective equipment and active carbon	2,915,747	2.39%	2,514,286	1.79%	1,994,419	1.34%	▼	(519,866)	-21%
CP3~ Polyethylene products	25,059,617	20.51%	27,326,932	19.50%	32,556,680	21.94%	▲	5,229,748	19%
CP4~ PVC products	434,054	0.36%	582,367	0.42%	784,529	0.53%	▲	202,162	35%
CP5~ Polystyrene products	34,260,687	28.04%	36,420,305	25.99%	37,832,816	25.50%	▲	1,412,511	4%
CP6~ Polypropylene products	37,144,517	30.40%	37,408,712	26.70%	38,163,803	25.72%	▲	755,091	2%
CP7~Compounds	18,245,980	14.93%	32,045,842	22.87%	34,431,228	23.20%	▲	2,385,386	7%
TOTAL	122,191,290	100%	140,128,883	100%	148,386,635	100%	▲	8,257,752	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	2016		2017		2018	
	Value	%	Value	%	Value	%
Domestic	83,100,987	68.01%	90,478,709	64.57%	96,001,772	64.70%
Foreign	39,090,303	31.99%	49,650,174	35.43%	52,384,863	35.30%
Total	122,191,290	100.00%	140,128,883	100.00%	148,386,635	100.00%

The turnover resulting from the sale of finished products in 2018 according to the foreign markets is presented in the following table.

Country	2017	% in 2017	2018	% in 2018
Bulgaria	14,719,698	29.65%	12,321,732	23.52%
Germany	8,488,229	17.10%	12,042,150	22.99%
Poland	4,595,353	9.26%	5,031,717	9.61%
Serbia	4,457,607	8.98%	4,517,145	8.62%
Hungary	1,695,768	3.42%	2,795,920	5.34%
Spain	2,282,144	4.60%	2,482,621	4.74%
Italy	1,322,556	2.66%	2,039,302	3.89%
China	363,780	0.73%	2,025,882	3.87%
France	1,449,905	2.92%	1,596,481	3.05%
Greece	2,807,035	5.65%	1,437,220	2.74%
Slovakia	1,288,786	2.60%	1,347,909	2.57%
Moldova	1,446,715	2.91%	920,346	1.76%
The Netherlands	777,563	1.57%	699,199	1.33%
Ukraine	431,060	0.87%	571,134	1.09%
Switzerland	893,153	1.80%	543,909	1.04%
Czech Republic	347,750	0.70%	321,988	0.61%
Croatia	601,685	1.21%	312,269	0.60%
Bosnia and Herzegovina	185,733	0.37%	284,111	0.54%
Non-EU	354,732	0.71%	242,430	0.46%
Macedonia	119,009	0.24%	147,627	0.28%
Belgium	182,043	0.37%	130,046	0.25%
Morocco	0	0.00%	105,244	0.20%
Other	839,870	1.69%	468,481	0.89%
Total	49,650,174	100.00%	52,384,863	100.00%

- **Assessment of aspects related to the personnel of the company**

The number of Romcarbon SA employees as at 31.12.2018 was 969, grouped according to the level of education as follows:

Total number of employees, of which:	969	%
· higher education*	106	11%
· post-high school education	13	1%
· technological foremen school	9	1%
· high school education	393	41%
· vocational education	216	22%
· 9 – 11 grades/apprenticeship	107	11%
· on-the-job qualification	43	4%
· secondary education	82	8%

*Out of the total higher education staff, 66 fill positions that 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.

- **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 2018, the certifications of the Filter and Protection Equipment Workshop were extended for oil filters, fuel filters, car filters, multi-gas filters and filtering box equipped with 2 CO retention connections:

- 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 2018 was 967,348 lei, while for 2019 it was budgeted a cost of 997,846 lei.

- **The assessment of the impact of the company's activity on the 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. 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.

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 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.

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 management system assessment according to the following standards:

- Environmental management system fulfills the requirements SR EN ISO 14001: 2005, which 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 qualified companies 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 continuously improve its effectiveness.

- **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 2018, the company recorded an increase of total turnover by 1%, reaching a total of lei 200,716,405. Sales of finished products increased by 6%. The largest increase was accounted by CP7 - Compounds (+2,385,386 lei/+7%), CP3 – polyethylene by 5,229,748 lei (19%) and CP5 – Polystyrene products (+1,412,511 lei/+4%).

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 74% in 2018 (75% in 2017).

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 2018 had a turnover represented 13% and 8% of total turnover. The sales to Livingjumbo Industry SA in 2018 included the sales of finished products, rents and income from other activities, which accounted for 4% of turnover.

Exchange rate risk

Currency exposure of SC Romcarbon SA is generated mainly by the loans denominated in euro. As at 31.12.2018 the balance of this loan was EUR 10,454,410 (December 31, 2017: EUR 12,727,688).

In 2018, the financial result generated by the fluctuation of foreign currencies rate was + lei 88,767 (2017: lei 1,502,397).

Cash flow in foreign currencies in 2017 has the following structure:

Item	EURO	USD	GBP
Proceeds from foreign clients	10,707,117	479,816	-
Proceeds from credits	-	-	-
Other proceeds	25,294	-6,004	-
Payment to the foreign suppliers (raw materials and equipment)	-9,194,453	-178,892	-
Payments of credits, interest, bank fees	-2,525,135	-1,354	-70
Other currency payments	-23,443	-	-
Net cash flow	-1,010,619	293,566	-70

Liquidity risk

Current liquidity of SC Romcarbon SA (calculated as the ratio between current assets and current debts) registered an increase from 0.79 in 2017 to 1.2 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 2019.

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.

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:

- a) achievement of the objectives of the organization
- b) preservation of the assets of the organization
- c) 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 internal 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.

REVIEWING THE ECONOMIC AND FINANCIAL SITUATION OF THE COMPANY

1) Statement of financial position

The statement of financial position for the years 2017 and 2018 is shown in the following table.

Items	2017	2018	2018 vs. 2017	
Property, plant and equipment	137,757,935	130,049,723	-7,708,212	▼ -5.60%
Investment property	49,859,449	18,033,515	-31,825,934	▼ -63.83%
Intangible assets	160,081	78,269	-81,813	▼ -51.11%
Financial assets	22,247,181	22,247,181	0	— 0.00%
Total non-current assets	210,024,646	170,408,687	-39,615,959	▼ -18.86%
Non-current assets held for sale	0	16,000,390	16,000,390	▲
Inventories	23,824,916	20,695,919	-3,128,997	▼ -13.13%
Trade and other receivables	32,493,266	35,722,416	3,229,150	▲ 9.94%
Financial amounts receivable from affiliates	-	6,174,452	6,174,452	▲ -
Tax recoverable	-	-	-	— -
Other assets	820,245	1,007,913	187,668	▲ 22.88%
Cash and bank balances	2,529,017	3,331,011	801,993	▲ 31.71%
Total current assets	59,667,445	82,932,101	23,264,656	▲ 38.99%
Total assets	269,692,090	253,340,788	-16,351,302	▼ -6.06%

Items	2017	2018	2018 vs. 2017	
Issued capital	26,412,210	26,412,210	0	— 0.00%
Share premium	2,182,283	2,182,283	0	— 0.00%
Reserves	53,222,860	58,492,792	5,269,931	▲ 9.90%
Retained earnings	51,304,266	50,103,010	-1,201,255	▼ -2.34%
Total equity	133,121,619	137,190,295	4,068,676	▲ 3.06%
Long-term borrowings	32,911,592	22,666,822	-10,244,770	▼ -31.13%
Long-term finance leases and other interest bearing obligations	-	-	-	—
Deferred tax liabilities	10,758,395	8,902,075	-1,856,320	▼ -17.25%
Other long-term liabilities	-	-	0	—
Long-term deferred income	17,676,474	15,413,305	-2,263,169	▼ -12.80%
Total non-current liabilities	61,346,461	46,982,202	-14,364,259	▼ -23.41%
Trade and other payables	28,571,443	24,537,065	-4,034,378	▼ -14.12%
Financial amounts payable to affiliates	-	-	-	—
Short-term borrowings	41,726,661	39,935,674	-1,790,987	▼ -4.29%
Short-term finance leases and other interest bearing obligations	86,797	-	-86,797	▼ -100.00%
Short-term deferred income	2,305,250	2,265,476	-39,773	▼ -1.73%
Other liabilities	2,533,859	2,430,076	-103,782	▼ -4.10%
Total current liabilities	75,224,010	69,168,292	-6,055,718	▼ -8.05%
Total liabilities	136,570,470	116,150,493	-20,419,977	▼ -14.95%
Total equity and liabilities	269,692,090	253,340,788	-16,351,302	▼ -6.06%

In 2018, non-current assets hold 67.26% of the company's assets, decreasing by lei 39,615,959, namely 18.86% compared to December 31, 2017.

The structure of non-current assets is presented in the below table:

Non-current assets (NCA)	2018	% in total NCA	% in total asset	2018 vs. 2017
Property, plant and equipment	130,049,723	76.32%	51.33%	-5.60%
Investment property	18,033,515	10.58%	7.12%	-63.83%
Intangible assets	78,269	0.05%	0.03%	-51.11%
Financial assets	22,247,181	13.06%	8.78%	0.00%
Total non-current assets	170,408,687	100.00%	67.26%	-18.86%

The inputs of "Property, plant and equipment" during 2018 are presented in the table below:

Type	Value
Plants	3,263,265
Equipment and Machineries	6,205,237
Controlling device	122,382
Vehicles	160,255
Furniture	110,983
TOTAL	9,862,122

Outflows of property, plant and equipment and investment property in the company’s patrimony in 2018 are presented in the following table:

Asset	Scraps	Sales	Total
Investment property (land and buildings)	-	15,376,481	15,376,481
Property, plant and equipment at gross value	968,169	225,224	1,193,393
Total	968,169	15,601,705	16,569,874

In the category of the investment property are comprised the assets (land and plants) held in order to obtain revenues by renting them to the interested parties. The structure of the Investment Property is presented in the below table:

Investment property	Total
Iasi	7,040,036
Buzau	6,003,274
Stefanesti	4,990,205
Total	18,033,515

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.

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.

As at December 31, 2018, the Company performed the valuation of the investment property and the result, in amount of lei 307,659 was charged to profit and loss.

Financial assets account for 8.78% out of total assets, and 13.06% out of total non-current assets.

As at December 31, 2018, Romcarbon SA held direct ownership in other companies worth lei 25,611,325, as follows:

Company	Total shares	No. of shares held	Acquisition/investment value	Holding (%)
RECYPLAT LTD CIPRU	26,000	26,000	20,261,120	100.0000%
ROMCARBON DEUTSCHLAND GmbH			110,138	100.0000%
RC ENERGO INSTALL SRL	200	200	15,112	100.0000%
INFO TECH SOLUTIONS SRL	200	198	1,980	99.0000%
LIVINGJUMBO INDUSTRY SA	200	198	1,639,232	99.0000%
GRINFILD LLC UCRAINA			2,687,755	62.6200%
YENKI SRL	32,800	10,934	100,000	33.3354%
ASOCIATIA ECOLOGICA GREENLIFE (Non-Profit Organization)		1,200	400	33.3333%
ECO PACK MANAGEMENT SA	144,600	36,670	586,625	25.3596%
KANG YANG BIOTECHNOLOGY CO.LTD	2,889,993	139,000	203,963	1.9542%
REGISTRUL MIORITA SA	10,500	398	5,000	3.7905%
TOTAL			25,611,325	

As at 31.12.2018, the Company registered impairment of financial assets as follows:

Company	Interest quota	Adjustment	Incorporation date
ROMCARBON DEUTSCHLAND GmbH	100.00%	110,138	31/12/2014
GRINFILD LLC UCRAINA	62.62%	2,687,755	31/08/2016
YENKI SRL	33.34%	11,989	31/12/2014
ECO PACK MANAGEMENT SA	25.36%	554,262	31/12/2014
Total		3,364,144	

Current assets account for 32.74% of total assets recording an increase of 23,264,656 lei, i.e. 38.99% as compared with the beginning of the year.

Current assets	31.12.2018	% out of total current assets	% out of total assets	31.12.2018 vs. 31.12.17
Non-current assets held for sale	16,000,390	19.29%	6.32%	0.00%
Inventories	20,695,919	24.96%	8.17%	-13.13%
Trade and other receivables	35,722,416	43.07%	14.10%	9.94%
Financial amounts receivable from affiliates	6,174,452	7.45%	2.44%	0.00%
Tax recoverable	0	0.00%	0.00%	0.00%
Other assets	1,007,913	1.22%	0.40%	22.88%
Cash and cash equivalents	3,331,011	4.02%	1.31%	31.71%
Total current assets	82,932,101	100.00%	32.74%	38.99%

The loans granted to affiliates as at December 31, 2018 is presented in the table below:

Group companies loans	Contract value	Outstanding loan as at December 31, 2018		Interest	Total
LivingJumbo Industry SA	€ 1,000,000	€ 1,000,000	4,663,900 lei	75,134 lei	4,739,034 lei
RC Energo Install SRL	€ 500,000	€ 305,000	1,422,490 lei	12,929 lei	1,435,418 lei
Total	€ 1,500,000	€ 1,305,000	6,086,390 lei	88,062 lei	6,174,452 lei

In January 2019, RC Energo Install SRL repaid the entire outstanding loan as at December 31, 2018 and the related interest.

Total liabilities hold 45.85% of the company’s total Equity and liabilities recording a decrease of 20,419,977 lei, i.e. 14.95% as compared with the beginning of the year.

Current liabilities of the Company, representing 27.30% of Total Equity & Liabilities have decreased by 6,055,718 lei as compared with 31.12.2017, i.e. 8.05%.

Non-current Liabilities represent 18.55% out of the Total equity and liabilities and have registered a decrease of 14,364,259 lei (23.41%) as compared with the beginning of the year.

Total Equity holds 54.15% out of total equity and liabilities and registered an increase of 4,068,676 lei, compared with the beginning of the year.

Equity	31.12.2018	% 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	10.43%
Share premium	2,182,283	0.86%
Reserves	58,492,792	23.09%
Retained earnings	50,103,010	19.78%
Total equity	137,190,295	54.15%

The subscribed and paid in capital of the company amounting to lei 26,412,209.60 in 2018 is divided into 264,122,096 registered shares, dematerialized, with a nominal value of 0.10 lei per share.

As at 31.12.2018 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.	86,774,508	32.85%
Joyful River Limited	54,195,089	20.52%
NEW CARPATHIAN FUND	2,350,000	0.89%
Other legal entities	16,310,342	6.18%
Other individuals	104,492,157	39.56%
Total	264,122,096	100.00%

2) Statement of profit and loss and comprehensive income statement' items

Income statement	2017	2018	2018 vs. 2017	
Revenue	195,140,695	198,460,719	▲	3,320,024 2%
Investment income	3,987,533	3,464,433	▼	(523,100) -13%
Other gains and losses	2,796,780	3,388,764	▲	591,984 21%
Changes in inventories of finished goods and work in progress	2,304,367	372,436	▼	(1,931,931) -84%
Raw materials and consumables used	(139,437,993)	(136,656,677)	▼	2,781,315 -2%
Depreciation and amortisation expenses	(10,706,926)	(11,553,840)	▲	(846,914) 8%
Impairment of financial assets	-	-	—	- n/a
Employee benefits expenses and social charges	(28,174,199)	(35,940,642)	▲	(7,766,443) 28%
Tax contributions related to employee benefits	(6,608,431)	(1,139,629)	▼	5,468,802 -83%
Finance costs	(1,728,613)	(1,945,033)	▲	(216,420) 13%
Other income	2,264,436	2,263,169	▼	(1,267) 0%
Other expenses	(14,099,311)	(16,247,641)	▲	(2,148,330) 15%
Profit (loss) before tax	5,738,338	4,466,059	▼	(1,272,278) -22%
Income tax expense	(940,272)	334,297	▼	1,274,569 n/a
Profit (loss) of the year	4,798,066	4,800,356	▲	2,291 0%
Loss from tangible assets evaluation	-	-	—	-
Deferred tax adjustment related to the re-evaluation reserves fiscal unallowable	-	1,275,648	▲	1,275,648
Total comprehensive income	4,798,066	6,076,004	▲	1,277,939 27%

The item "Investment income" has the following structure:

Indicator	2017	2018
Rental income	2,825,883	2,255,686
Interest income	3,653	91,387
Investment income (dividends) - Recyplat	-	-
Investment income (dividends) - LivingJumbo Industry	-	-
Investment income (dividends) - Infotech Solutions	157,997	117,360
Investment income (dividends) - RC Energo Install	1,000,000	1,000,000
Total	3,987,533	3,464,433

“Net sales” had the following trend in the reporting period:

Revenue	2017	2018	2018 VS 2017	
Total sales of finished goods, of which	140,128,883	148,386,635	▲	8,257,752 6%
- Sales of intermediary goods	48,146	10,205	▼	(37,941) -79%
- Services rendered	293,439	226,336	▼	(67,103) -23%
- Sale of goods purchased for resale	51,024,724	45,297,333	▼	(5,727,391) -11%
- Revenues from sundry services	3,645,505	4,540,210	▲	894,705 25%
Total, of which:	195,140,696	198,460,719	▲	3,320,023 2%

Revenue	31.12.2017	31.12.2018	31.12.2018 vs.31.12.2017	
Net sales	195,140,696	198,460,719	▲	3,320,023 2%
Rental income	2,825,883	2,255,686	▼	(570,197) -20%
Total turnover, of which:	197,966,579	200,716,405	▲	2,749,826 1%
- Domestic market	147,942,412	147,822,224	▼	(120,188) 0%
- Foreign market	50,024,168	52,894,181	▲	2,870,013 6%

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 2018 have increased from lei 2,529,017 (31.12.2017) to lei 3,331,011.

4) **Financial ratios**

In the reporting period the main financial indicators and ratios had the following evolution:

Ratio	Formula	2016	2017
EBIT	Gross profit + interest expenses	7,325,990	6,168,893
EBITDA	EBIT + amortization – income from subsidiaries	15,768,480	14,702,843
Turnover		197,966,578	200,716,405
EBITDA in total sales	EBITDA/Turnover	7.97%	7.33%
EBITDA in equity	EBITDA/Equity	11.85%	10.72%
Gross profit	Gross profit /turnover	2.90%	2.23%
Current liquidity ratio	Current assets/current liabilities	0.79	1.20
Immediate liquidity ratio (acid test)	(Current assets -Inventories)/Current liabilities	0.48	0.90
Gearing ratio (1)	Long-term liabilities/Equity	0.46	0.34
Gearing ratio (2)	Total liabilities/Total assets	0.51	0.46
Gearing ratio (3)	Long-term capital borrowed/Total equity	25%	17%
Gearing ratio (4)	Long-term capital borrowed/Capital engaged	20%	14%
Interest coverage ratio	EBIT/Interest expenses	4.61	3.62
Turnover of trade receivables	Average balance of trade receivables /Turnover	54	61
Turnover of trade liabilities	Average balance of trade liabilities /Turnover	50	48
Turnover of non-current assets	Turnover/non-current assets	0.94	1.18
Return on assets (ROA)	Net result /Total assets	1.78%	1.89%
Return on equity (ROE)	Net result/Equity	3.60%	3.50%
Return on sales (ROS)	Net result/Turnover	2.42%	2.39%

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 31.12.2018, SC ROMCARBON SA holds shares in the following legal entities:

Company	Acquisition/investment value	Participation quota (%)
RECYPLAT LTD CIPRU	20,261,120	100.0000%
ROMCARBON DEUTSCHLAND GmbH	110,138	100.0000%
RC ENERGO INSTALL SRL	15,112	100.0000%
INFO TECH SOLUTIONS SRL	1,980	99.0000%
LIVINGJUMBO INDUSTRY SA	1,639,232	99.0000%
GRINFILD LLC UCRAINA	2,687,755	62.6200%
YENKI SRL	100,000	33.3354%
ASOCIATIA ECOLOGICA GREENLIFE (Non-Profit Organization)	400	33.3333%
ECO PACK MANAGEMENT SA	586,625	25.3596%
KANG YANG BIOTECHNOLOGY CO.LTD	203,963	1.9542%
REGISTRUL MIORITA SA	5,000	3.7905%
TOTAL	25,611,325	

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.

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".

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.

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 2018, 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.

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
- Genes Alina - Development Manager until 01.04.2010
- Zainescu Viorica Ioana - Chief Financial Officer starting on 15.01.2010
- Nicoleta Damian - Human Resources Manager until 31.08.2018
- 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 2018:

- a) Directors – allowance according to OGMS Decision of 27.04.2012 – lei 321,643;
- b) Executive Management – lei 2,345,237.

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 SC ROMCARBON S.A. is SC DELOITTE AUDIT SRL and was appointed for a period of 1 year based on the OGMS Decision of 26.04.2018.

CORPORATE RIGHTS OF SHAREHOLDERS

The company's 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.

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.

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 2018, ROMCARBON SA gave financial aid in amount of lei 58,076 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.

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;

S.C. ROMCARBON S.A 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.

For 2019, 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 2019 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 2019, the company budgeted the following financial indicators:

- a total turnover of lei 239.228.570 (up by 19% as compared with 2018) of which the turnover related to the sales of finished products is budgeted at the level of lei 165,627,467 (11% higher as compared with 2018);
- an operating profit in amount of lei 3,990,090, down by 20% as compared with 2018).

We appreciate that the management report presents the key aspects regarding the business development of the company and its financial position for the year ended December 31, 2018.

As at the date of preparation of this report, the Company's management is not aware of events, economic changes or other uncertainties that might affect significantly the company's income or liquidities.

THE NON-FINANCIAL DECLARATION –

The Consolidated Directors' Report includes the Consolidated Non-financial Statement for the financial year 2018 that contains information necessary to understand the Group's development, performance and position, and the impact of its activity.

HUANG LIANG NENG,
Chairman of the Board

VIORICA ZAINESCU,
Chief Financial Officer

RADU ANDREI,
Chief Executive Officer

For signatures, please refer to the original Romanian version.

DECLARATION OF THE MANAGEMENT

Undersigners, **HUANG LIANG NENG- the Chairman of the Board**, **ANDREI RADU-** the Chief Executive Officer 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 31.12.2018 and we confirm the followings:

- a) The accounting policies used in preparation of the Financial Statements for the year ended 31.12.2018 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 31.12.2018 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, 24.04.2019

HUANG LIANG NENG

ANDREI RADU

ZĂINESCU VIORICA IOANA

Thinking
forward
L.S.

L.S.

L.S.

For signatures, please refer to the original Romanian version.



ANNUAL REPORT
For the period ended December, 31 2018

COMPANY IDENTIFICATION

Report: Annual Report according to the ASF Regulation no.5/2018

Reporting date: 24/25.04.2019

Financial year ended 31 December 2018

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 regarding Consolidated Financial Statements

Undersigners

Huang Liang Neng, Chairman of the Board,
Andrei Radu, Chief Executive Officer,
Zainescu Viorica Ioana, Chief Financial Officer,

Declare that the Consolidated Financial Statements for the year ended December 31, 2018 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 FSA 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.



DECLARATION REGARDING THE REPORT

The annual report regarding the consolidated financial statements as of December 31, 2018 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



Thinking
forward

**Chairman of the Board,
Huang Liang Neng**

General Manager: eng.Andrei Radu

Financial Manager :ec. Zainescu Viorica Ioana

For signatures, please refer to the original Romanian version.



**Thinking
forward**

ROMCARBON SA AND SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

**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)**



**Thinking
forward**

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 – 39



This is a free translation from the original Romanian version.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of,
Romcarbon SA

Report on the Audit of the Consolidated Financial Statements

Opinion

17. 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, 2018, 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.

18. The consolidated financial statements as at December 31, 2018 are identified as follows:

- Total equity RON 142,567 thousand
- Net loss for the financial year RON 4,117 thousand

19. 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, 2018, 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

20. 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.

Key Audit Matters

21. 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 address the risks described in the "Key audit matters" section regarding occurrence of sales based on valid shipments; - assessing the proper booking of revenues in the appropriate accounting periods in accordance with the transfer of main risks and rewards for sales occurring around year-end; - tests of detail by preparing a statistical selection of clients and obtaining confirmation letters for the revenue booked during the year, as well as selecting 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 revenues, as well as comparing revenues with the figures from the 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 tangible non-current assets based on 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. Evaluating whether the gains and losses resulting from revaluation are accurately booked in accordance with international reporting standards.

Other information – Administrators' Consolidated Report

22. 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, 2018, 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, 2018, 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

- 23. 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.
- 24. 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.
- 25. 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

- 26. 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.

27. 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.
28. 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.
29. 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.
30. 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

31. We were appointed by the General Meeting of Shareholders on April 26, 2018 to audit the consolidated financial statements of Romcarbon SA and its subsidiaries for the financial year ended December 31, 2018. The uninterrupted total duration of our commitment is 1 year, covering the financial year ended December 31, 2018.

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 Andreea Gheorghe.

Andreea Gheorghe, Audit Director

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

*Authority for the Public Oversight
of the Statutory Audit Activity under number 4579*

On behalf of:

DELOITTE AUDIT SRL

*Authority for the Public Oversight
of the Statutory Audit Activity under number 25*

Sos. Nicolae Titulescu nr. 4-8, America House, Intrarea de Est,
Etajul 2 - zona Deloitte și Etajul 3, sector 1,
Bucharest, Romania
April 4, 2019

**Thinking
forward**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Note	Year ended December 31, 2018	Year ended December 31, 2017
		<i>thousand LEI</i>	<i>thousand LEI</i>
Income	3	257,709	251,993
Other income		3,982	3,987
Investment income		2,312	2,430
Other gains or losses	5	3,304	126
Changes in finished products and production in progress		1,347	5,600
Raw materials and consumables used	4	(165,723)	(166,870)
Depreciation and amortization expense	6	(17,112)	(16,226)
Employee salaries and social security	7	(64,806)	(61,681)
Finance costs	8	(2,925)	(2,607)
Other expenses	9	(21,049)	(18,550)
Share of profit / loss of associates	14	(1,344)	1,457
Profit / (loss) before taxation		(4,305)	(341)
Income tax expense	10	189	(1,224)
Profit / (loss) for the year from operations		(4,117)	(1,566)
Profit / (loss) for the year		(4,117)	(1,566)
Attributable to:			
Owners of the parent		(4,048)	(1,492)
Non-controlling interests		(69)	(74)
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 4, 2019.

PREPARED,

For signatures, please refer to the original Romanian version.

HUANG LIANG NENG,
Administrator

VIORICA ZAINESCU,
Chief Financial Officer

RADU ANDREI,
Chief Executive Officer

The accompanying notes are integral part of these consolidated financial statements.
This is a free translation from the original Romanian version.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018**

<u>Note</u>	<u>Year ended December 31, 2018</u> <i>thousand LEI</i>	<u>Year ended December 31, 2017</u> <i>thousand LEI</i>
Comprehensive income		
Other comprehensive income subsequently transferred to profit or loss:		
Exchange differences on translating foreign operations	(65)	(48)
Net losses on revaluation of property, plant and equipment	-	-
Adjustment of deferred tax for fiscally non-deductible revaluation reserves	1,276	-
Other comprehensive income subsequently transferrable to profit or loss:		
Exchange differences on translating foreign operations	1	(28)
Comprehensive income of the year		
Attributable to:		
Owners of the parent	1	(28)
Non-controlling interests	-	-
Total comprehensive income	(2,906)	(1,642)
Owners of the parent	(2,837)	(1,568)
Non-controlling interests	(69)	(74)

The consolidated financial statements were approved by the Board of Administration and were authorized for issuance on April 4, 2019.

PREPARED,

For signatures, please refer to the original Romanian version.

HUANG LIANG NENG,
Administrator

VIORICA ZAINESCU,
Chief Financial Officer

RADU ANDREI,
Chief Executive Officer

The accompanying notes are integral part of these consolidated financial statements.
This is a free translation from the original Romanian version.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDED DECEMBER 31, 2018**

	<u>Note</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
		<i>thousand LEI</i>	<i>thousand LEI</i>
ASSETS			
Non-current assets			
Property, plant and equipment	11	172,357	183,416
Investment property	32	18,035	49,860
Goodwill	12	143	143
Other intangible assets	13	90	227
Investment in associates	14	27,103	28,751
Financial assets	14	197	197
Total non-current assets		<u>217,925</u>	<u>262,594</u>
Current assets			
Inventories	15	36,548	38,234
Trade and other receivables	16	30,295	36,237
Other current assets	17	1,002	592
Cash and bank balances	31	9,791	5,997
Assets held for sale	33	16,000	-
Total current assets		<u>93,636</u>	<u>81,060</u>
Total assets		<u>311,560</u>	<u>343,654</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	18	26,412	26,412
Share premiums		2,182	2,182
Reserves	19	38,677	38,272
Retained earnings	20	74,357	79,572
Equity attributable to owners of the parent		141,629	146,438
Non-controlling interest	21	939	1,007
Total equity		<u>142,567</u>	<u>147,445</u>

The accompanying notes are integral part of these consolidated financial statements.
This is a free translation from the original Romanian version.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDED DECEMBER 31, 2018**

	<u>Note</u>	<u>December 31, 2018</u> <i>thousand LEI</i>	<u>December 31, 2017</u> <i>thousand LEI</i>
Non-current liabilities			
Long-term borrowings	22	37,241	51,589
Finance lease liabilities	22	24	-
Deferred tax liabilities	10	8,902	10,758
Other non-current liabilities with provisions		285	264
Deferred income	26	27,301	31,250
Total non-current liabilities		<u>73,753</u>	<u>93,861</u>
Current liabilities			
Trade and other liabilities	24	34,353	38,670
Short-term borrowings	22	52,593	54,816
Finance leases	22	14	87
Deferred income		3,998	4,058
Other current liabilities	23	4,282	4,717
Total current liabilities		<u>95,240</u>	<u>102,348</u>
Total liabilities		<u>168,993</u>	<u>196,209</u>
Total equity and liabilities		<u>311,560</u>	<u>343,654</u>

The consolidated financial statements were approved by the Board of Administration and were authorized for issuance on April 4, 2019.

PREPARED,

For signatures, please refer to the original Romanian version.

HUANG LIANG NENG,
Administrator

VIORICA ZAINESCU,
Chief Financial Officer

RADU ANDREI,
Chief Executive Officer

The accompanying notes are integral part of these consolidated financial statements.
This is a free translation from the original Romanian version.

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<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, 2017	26,412	2,182	42,407	-	(1,043)	80,032	149,990	1,072	151,062
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	-	-	-	-	-	(1,492)	(1,492)	(74)	(1,566)
Transfer of reserves to retained earnings	-	-	(3,011)	-	-	3,011	-	-	-
Corrections of financial assets disposed and repossessed	-	-	-	-	-	-	-	-	-
Exchange differences on translating foreign operations	-	-	-	-	(28)	-	(28)	-	(28)
Corrections of ownership interests in associates during the year	-	-	(48)	-	-	-	(48)	-	(48)
Decrease of minority interests due to increase of ownership of parent	-	-	-	-	-	(9)	(9)	9	-
Minority interests from company de-registrations	-	-	-	-	-	-	-	-	-
Minority interests from the acquisition of companies	-	-	-	-	-	-	-	-	-
Corrections	-	-	-	-	(5)	37	31	-	31
Total December 31, 2017	26,412	2,182	39,348	-	(1,076)	79,572	146,438	1,007	147,445

The ordinary general meeting of shareholders' resolution of 01.08.2017 approved the distribution of RON 2,007,327 as dividends. The amount was entirely transferred to the Central Depository to pay the dividends owed to the shareholders.

The consolidated financial statements were approved by the Board of Administration and were authorized for issuance on April 2, 2018.

PREPARED,

For signatures, please refer to the original Romanian version.

HUANG LIANG NENG,
Administrator

VIORICA ZAINESCU,
Chief Financial Officer

RADU ANDREI,
Chief Executive Officer

The accompanying notes are integral part of these consolidated financial statements.

This is a free translation from the original Romanian version.

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<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.

The consolidated financial statements were approved by the Board of Administration and were authorized for issuance on April 4, 2019.

PREPARED,

For signatures, please refer to the original Romanian version.

HUANG LIANG NENG,
Administrator

VIORICA ZAINESCU,
Chief Financial Officer

RADU ANDREI,
Chief Executive Officer

The accompanying notes are integral part of these consolidated financial statements.

This is a free translation from the original Romanian version.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018**

<u>Note</u>	<u>Year ended December 31, 2018</u>	<u>Year ended December 31, 2017</u>
	<i>thousand LEI</i>	<i>thousand LEI</i>
Cash flows from operating activities:		
Gross profit / (loss) for the year	(4,306)	(341)
Finance expenses recognized in profit	2,925	2,607
(Gain) / Loss on sale or disposal of fixed assets	(52)	436
(Gain) / Loss on sale or disposal of investment property	(2,710)	(2,386)
Income from dividends	-	-
Loss on impairment of stocks	-	349
Loss on impairment of trade receivables	32	(343)
Loss on time-barred receivables	207	166
Loss on impairment of goodwill	-	-
Loss on impairment of property, plant and equipment	-	1,186
Amortization / Depreciation of non-current assets	16,356	16,226
Net (gain) / loss on foreign exchange	10	(28)
(Gain) / Loss on investment	(5)	(26)
(Gain) / Loss on revaluation of investment property	(308)	(1,490)
(Gain) / Loss on revaluation of assets held for sale	757	-
(Gain) / Loss from short-term investments	-	-
(Gain) / Loss on share of profit of associates	1,584	(539)
Increase / Decrease in provisions	21	(1)
Increases in subsidiaries	(3,982)	(3,987)
Movements in working capital:		
(Increase) / Decrease in trade and other receivables	5,704	(6,331)
(Increase) / Decrease in inventories	1,685	(1,412)
(Increase) / Decrease in other assets	(410)	781
Increase / (Decrease) in trade and other payables	(4,540)	7,482
Increase / (Decrease) in other payables	(461)	2,726
Cash generated by/used in operating activities	12,509	15,075
Interest paid	(2,518)	(2,336)
Income tax paid	(146)	(240)
Bank commissions paid	(408)	(271)
Net cash generated by operating activities	9,438	12,227
Cash flows from investing activities:		
Payments for property, plant and equipment	(5,244)	(12,108)
Payments for intangible assets	-	-
Proceeds from disposal of property, plant and equipment	136	1,824
Proceeds from subsidiaries	-	-
Proceeds from investments in associates	-	-
Acquisition of subsidiaries	-	-
Payments for investment property	-	-
proceeds from sale of investment property	18,086	-
Interest received	5	26
Dividends received	-	-
Net cash generated by / (used in) investing activities	12,983	(10,257)

The accompanying notes are integral part of these consolidated financial statements.
This is a free translation from the original Romanian version.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note	Year ended December 31, 2018	Year ended December 31, 2017
	<i>thousand LEI</i>	<i>thousand LEI</i>
Cash flows from financing activities:		
(Repayment) / Drawings of borrowings	(16,571)	(4,399)
Lease payments	(49)	(1,110)
Dividends paid for non-controlling interest	(2,007)	(2,007)
Net cash generated by financing activities	(18,627)	(7,517)
Net decrease / (increase) in cash and cash equivalents	3,794	(5,547)
Cash and cash equivalents at the beginning of the year	5,997	11,544
Cash from subsidiaries acquired during the year	-	-
Cash and cash equivalents at the end of the year	9,791	5,997

The consolidated financial statements were approved by the Board of Administration and were authorized for issuance on April 4, 2019.

PREPARED,

For signatures, please refer to the original Romanian version.

HUANG LIANG NENG,
Administrator

VIORICA ZAINESCU,
Chief Financial Officer

RADU ANDREI,
Chief Executive Officer

The accompanying notes are integral part of these consolidated financial statements.
This is a free translation from the original Romanian version.

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, 2018 the Parent's shares were traded on the BSE and its main shareholders as at December 31, 2018 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, 2018 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% 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%. 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. As presented in note 29, this subsidiary was purchased in 2017.

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 17.59% 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).

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.

GREENLAMP REICLARE S.A. is a company established in 2010, where SC Romcarbon SA indirectly holds 17.5879%, and the remaining shares are held by GREENWEEE INTERNATIONAL S.A. The company's main office is located in Tintesti, Odaia Banului village, Frasinu farm, Greenweee warehouse, etaj 1, camera 1, Buzău county. The company's main object of activity is - NACE code 3822 - Treatment and disposal of hazardous 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 17.5249% of the share capital.

GREENGLASS RECYCLING S.A. 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 S.A. disposed 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 Buzau, 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**
1. GENERAL INFORMATION (continued)

Name	Place of establishment	Object of activity	Interest %	Control %	Cost as at 31.12.2018	Interest %	Control %	Cost as at 31.12.2017
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 fibres	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	99.00%	99.00%	1,639,232	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%	-	-	-	-
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%	-	17.52%	17.52%	-
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 31.12.2018</u>	<u>Interest %</u>	<u>Control %</u>	<u>Cost as at 31.12.2017</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%	-	17.58%	17.58%	-
Eco Pack Management SA	Romania	Other business support service activities n.e.c.	99.46%	99.24%	2.619.254	99.24%	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	99.00%	99.00%	500	99%	99%	500
Green Resources Management SA	Romania	Business consultancy and management	11.68%	11.68%	-	11.68%	11.68%	-

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, 2017 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 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 9 "Financial Instruments"** - adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 15 "Revenue from Contracts with Customers"** and amendments to IFRS 15 "Effective date of IFRS 15" - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 2 "Share-based Payment"** - Classification and Measurement of Share-based Payment Transactions – adopted by the EU on 26 February 2018 (effective for annual periods beginning on or after 1 January 2018),

2. MAIN ACCOUNTING POLICIES (continued)**Initial application of new amendments to the existing standards effective for the current reporting period (continued)**

- **Amendments to IAS 40 "Investment Property"** - Transfers of Investment Property – adopted by the EU on 14 March 2018 (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 1 and IAS 28 due to "Improvements to IFRSs (cycle 2014 -2016)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 7 February 2018 (amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018),
- **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** – adopted by the EU on 28 March 2018 (effective for annual periods beginning on or after 1 January 2018),

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

At the date of authorisation of these financial statements, the following new standards, amendments to standards and new interpretations were issued, but not yet adopted:

- **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 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"** - 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 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 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IAS 19 "Employee Benefits"** - Plan Amendment, Curtailment or Settlement (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 (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 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to References to the Conceptual Framework in IFRS Standards** (effective for annual periods beginning on or after 1 January 2020).
- **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).

This is a free translation from the original Romanian version.

2. MAIN ACCOUNTING POLICIES (continued)**New standards and amendments to the existing standards issued by IASB, but not yet adopted by the EU (continued)**

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

- **IFRS 9 "Financial Instruments"** - adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 15 "Revenue from Contracts with Customers"** and amendments to IFRS 15 "Effective date of IFRS 15" - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 2 "Share-based Payment"** - Classification and Measurement of Share-based Payment Transactions – adopted by the EU on 26 February 2018 (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 15 "Revenue from Contracts with Customers"** - Clarifications to IFRS 15 Revenue from Contracts with Customers – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2018).
- **Amendments to IAS 40 "Investment Property"** - Transfers of Investment Property – adopted by the EU on 14 March 2018 (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 1 and IAS 28 due to "Improvements to IFRSs (cycle 2014 -2016)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 7 February 2018 (amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018),
- **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** – adopted by the EU on 28 March 2018 (effective for annual periods beginning on or after 1 January 2018).

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:

- **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),
- **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 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 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,

This is a free translation from the original Romanian version.

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 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 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 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IAS 19 "Employee Benefits"** - Plan Amendment, Curtailment or Settlement (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 (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 (effective for annual periods beginning on or after 1 January 2019),
- **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.

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 9 "Financial Instruments"** issued on 24 July 2014 is the IASB's replacement of IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting.

Classification and Measurement - IFRS 9 introduces new approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces existing rule-based requirements under IAS 39. The new model also results in a single impairment model being applied to all financial instruments.

Impairment - IFRS 9 has introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

2. MAIN ACCOUNTING POLICIES (continued)**More details about individual standards, amendments to existing standards and interpretations that can be used as appropriate (continued)**

Hedge accounting - IFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities.

Own credit - IFRS 9 removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss.

- **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 15 "Revenue from Contracts with Customers"** and further amendments (effective for annual periods beginning on or after 1 January 2018) issued by IASB on 28 May 2014 (on 11 September 2015 IASB deferred effective date of IFRS 15 to 1 January 2018 and on 12 April 2016 IASB made clarifications to this standard). IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. The core principle of the new standard is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.
- **IFRS 16 "Leases"** (effective for annual periods beginning on or after 1 January 2019) 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, depending on how the benefit from use of the underlying asset is diminished.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. IFRS 16 replaces existing lease instructions, including IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating leases - Incentives and SIC-27 Evaluating the substance of transactions in the legal form of a lease. Adoption of the earlier standard is permitted for entities applying IFRS 15 on or before the initial application of IFRS 16. The standard eliminates the current dual accounting model for lessees and requires companies to register most of the leases in the balance sheet into a single model, eliminating the distinction between operating leases and finance leases. In accordance with IFRS 16, a contract is or contains a lease if it confers the right to control the use of an asset identified for a period of time in exchange for consideration.

2. MAIN ACCOUNTING POLICIES (continued)**More details about individual standards, amendments to existing standards and interpretations that can be used as appropriate (continued)**

For such contracts, the new model requires the lessee to recognize a right to use the asset and a lease right. Assets with right of use are amortized, and the liability generates interest. This will cause higher expenses at the start of the lease, even if the lessee pays constant rents. The lessee's accounting remains largely unaffected by the introduction of the new standard and the distinction between operating and finance leases will be maintained.

In 2018, Romcarbon Group did not engage in finance leases with significant impact on the financial statements.

The Group intends to apply IFRS 16 as of 1 January 2019 using the revised retrospective method. As a result, the comparative periods were not restated. Also, due to the insignificant impact of the restatement as of January 1, 2018, the effect of the restatement was not registered in retained earnings, but will be recognized to the profit or loss for 2019.

- **Amendments to IFRS 2 “Share-based Payment” - Classification and Measurement of Share-based Payment Transactions** issued by IASB on 20 June 2016 (effective for annual periods beginning on or after 1 January 2018). The amendments provide requirements on the accounting for: (a) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (b) share-based payment transactions with a net settlement feature for withholding tax obligations; and (c) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.
- **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 an early repayment gain.
- **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.
- **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 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.

This is a free translation from the original Romanian version.

2. MAIN ACCOUNTING POLICIES (continued)**More details about individual standards, amendments to existing standards and interpretations that can be used as appropriate (continued)**

- **Amendments to IAS 40 "Investment Property"** - Transfers of Investment Property issued by IASB on 8 December 2016. The amendments state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. Amendments also state that the list of evidence in paragraph 57 was designated as non-exhaustive list of examples instead of the previous exhaustive list.
- **Amendments to various standards due to "Improvements to IFRSs (cycle 2014 - 2016)"** issued by IASB on 8 December 2016. Amendments to various standards resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording. Changes include: (i) deletion of the short-term exemptions in paragraphs E3-E7 of IFRS 1, because they have now served their intended purpose, (ii) clarification of the scope of IFRS 12 by specifying that the disclosure prerequisites of IFRS 12 except those in paragraphs B10-B16 apply to the interests of an entity listed in paragraph 5, which are classified as held for sale, as held for distribution or discontinued operations in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations", (iii) clarification of the election to measure at fair value through profit or loss an investment in an associate or an associate in a holding that is owned by an entity that is a venture capital organisation or another qualifying entity, is available for each investment in an associate or joint venture on an investment basis on initial recognition.
- **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 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 22 "Foreign Currency Transactions and Advance Consideration"** issued by IASB on 8 December 2016. Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

2. MAIN ACCOUNTING PRINCIPLES (continued)

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

- **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 taxes.

Business combination

Acquisitions of subsidiaries and activities are accounted for using the acquisition method. The business combination cost is measured as the sum of the fair value (on the exchange date) of assigned assets, estimated or undertaken liabilities and capital instruments issued by the Group in exchange for the control of the acquired company, plus any costs directly attributable to the business combination. The acquired company’s assets, liabilities and potential liabilities fulfilling the conditions to be recognized in accordance with IFRS 3 Business Combination are recognized at fair value less sale costs on the acquisition date except for assets held for sale (IFRS 5), recognized at the minimum value of net book value and fair value reduced by the sale cost.

Goodwill from acquisitions is recognized as asset and is measured initially at cost. It represents the value exceeding the acquisition cost of the Group’s participating interests compared to the net fair value of recognized assets, liabilities and potential liabilities. If, further to valuation, the Group’s interests in the net fair value of identifiable assets, liabilities and potential liabilities of the acquired company exceed the cost of the business combination, then the excess value is immediately recognized in the income statement. According to International Financial Reporting Standards, goodwill is reviewed at the end of each reporting period for any losses of value.

The interests of minority shareholders in the acquired company are initially measured as the minority portion of the net fair value of recognized assets, liabilities and potential liabilities.

Interests in joint ventures

The Group reports its interests in jointly controlled entities by using the pro rata consolidation method. The Group’s share of the assets, liabilities, income and expenses of jointly controlled entities is combined with the equivalent elements in the consolidated financial statements, row by row.

If the Group carries out transactions with its jointly controlled entities, the unrealized profit and losses are eliminated within the limit of the Group’s interests in the joint venture.

Goodwill

Goodwill arising from the acquisition of a subsidiary or a jointly controlled entity represents the value exceeding the acquisition cost of the Group’s participating interests compared to the net fair value of the assets, liabilities and potential liabilities of the subsidiary or jointly controlled entity, recognized on the acquisition date. Goodwill is initially recognized as asset at cost and is subsequently measured at cost less accumulated impairment losses.

To test impairment, goodwill is allocated to each of the Group’s cash generating unit that is expected to generate benefits from the synergy of the combination. Cash generating units to which goodwill has been allocated are tested for impairment on an annual basis or more often when there is indication that the unit may be subject to impairment. If the recoverable amount of the cash generating unit is lower than the unit’s book value, then the impairment loss is allocated first to reduce the book value of any goodwill allocated to the unit and then to other assets of the unit, percentage based depending on the book value of each unit asset. Impairment losses recognized for goodwill are not carried forward to a subsequent period.

Upon the sale of a subsidiary or jointly controlled entity, the attributable value of goodwill is included when determining the profit or the loss upon sale.

2. MAIN ACCOUNTING PRINCIPLES (continued)

Income recognition

The Group 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 Group 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 Group's retained earnings.

In applying IFRS 15, the Group has not identified any impact on the consolidated 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)

Lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

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.

2. MAIN ACCOUNTING PRINCIPLES (continued)

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.

Provisions for taxes and levies

As at December 31, 2017 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.

2. MAIN ACCOUNTING POLICIES (continued)**Taxation (continued)**Deferred tax (continued)

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.

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.

2. MAIN ACCOUNTING POLICIES (continued)**Property, plant and equipment (continued)**

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:

	<u>Years</u>
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.

Intangible assetsIntangible 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:

	<u>Years</u>
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.

2. MAIN ACCOUNTING POLICIES (continued)

Impairment of tangible and intangible assets, goodwill exclusively (continued)

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.

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.

2. MAIN ACCOUNTING POLICIES (continued)

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 amortised 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 amortised 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.

After initial recognition, the Group measures a financial asset:

- amortised 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.

2. MAIN ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

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.

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.

2. MAIN ACCOUNTING POLICIES (continued)**Financial assets and liabilities (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.

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 2018 is presented below:

	Year ended December 31, 2018	Year ended December 31, 2017
	<i>thousand LEI</i>	<i>thousand LEI</i>
Income from sale of finished products	215,451	201,489
Income from sale of commodities	23,047	26,633
Income from services delivered	3,691	7,160
Other income (income from sale of semi-finished goods, residual goods, other income)	15,521	16,711
Total	257,709	251,993

Segment reporting	Year ended December 31, 2018	Year ended December 31, 2017
	<i>thousand LEI</i>	<i>thousand LEI</i>
Sales on domestic market (Romania)	159,391	161,078
Sales on foreign market (Europe)	95,563	90,310
Other (Israel, Taiwan)	2,755	605
Total	257,709	251,993

	Segment income		Segment profit	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>
Plastics	192,231	178,472	12,949	17,689
Compound recycled products	34,512	32,046	6,503	3,817
Other productive sectors	5,530	6,927	710	1,206
Other	25,437	34,548	763	4,398
Total from operations	257,709	251,993	20,925	27,110
Investment income	-	-	2,312	2,430
Other income	-	-	3,982	3,987
Administrative and salary expenses	-	-	(28,599)	(31,261)
Finance expenses	-	-	(2,925)	(2,607)
Profit before taxation	-	-	(4,305)	(341)

3. INCOME (continued)

Investment income	Year ended December 31, 2018	Year ended December 31, 2017
	<i>thousand LEI</i>	<i>thousand LEI</i>
Rental income	2,306	2,404
Dividends from related parties	-	-
Interest Income	6	26
Other income	-	-
Total	2.312	2.430

“**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), 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,	December 31,	December 31,	December 31,
		2017	2016	2017	2016
		<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>
Romcarbon, LivingJumbo	Polyethylene + polystyrene + polypropylene plastics	137,449	144,865	126,604	126,538
Romcarbon	Compound recycled products	90,836	89,968	30,193	35,588
Romcarbon	Other productive sectors	3,844	4,535	2,411	3,415
Romcarbon	Other activities	79,429	104,286	9,785	30,668
	Total assets/liabilities	311,560	343,654	168,993	196,209
	Depreciation and non-current assets additions	Depreciation segment		Segment of non-current assets additions *	
		December 31,	December 31,	December 31,	December 31,
		2017	2016	2017	2016
		<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>
Romcarbon, LivingJumbo	Polyethylene + polystyrene + polypropylene plastics	9,045	9,175	1,733	5,934
Romcarbon	Compound recycled products	5,230	4,945	8,039	1,963
Romcarbon	Other productive sectors	163	195	15	7
Romcarbon	Other activities	2,674	1,911	814	2,759
	Total	17,112	16,226	10,601	10,681

* *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 7% (9% in 2017) of the Group's income accounts.

4. RAW MATERIALS AND CONSUMABLES USED

	Year ended December 31, 2018	Year ended December 31, 2017
	<i>thousand LEI</i>	<i>thousand LEI</i>
Raw materials	98,660	98,172
Commodities sold	8,911	9,686
Energy expenses	12,383	9,764
Goods sold	44,678	48,438
Packaging cost	1,091	810
	165,723	166,870

5. OTHER GAINS AND LOSSES

	Year ended December 31, 2018	Year ended December 31, 2017
	<i>thousand LEI</i>	<i>thousand LEI</i>
Income from the sale of fixed assets	136	1,824
Other income	368	276
FOREX gains	1,913	2,715
FOREX losses	(1,923)	(4,910)
Income / (Expenses) from changes in fair value of investment property	3,017	3,876
Income / (Expenses) from assets disposed and capital operations	(324)	(3,179)
Client allowances	(4)	(188)
Compensations, fines and penalties	99	676
Net income from provisions	36	194
Other finance expenses	(23)	28
Other general expenses	-	(1,186)
Other financial income	9	-
Total	3,304	126

6. DEPRECIATION AND AMORTIZATION EXPENSE

	Year ended December 31, 2018	Year ended December 31, 2017
	<i>thousand LEI</i>	<i>thousand LEI</i>
Amortization/depreciation	17,112	16,226
of which:		
Depreciation of property, plant and equipment	16,929	15,964
Amortization of intangible assets	183	262

7. EXPENSES WITH SALARIES AND SOCIAL LEVIES

	Year ended December 31, 2018	Year ended December 31, 2017
	<i>thousand LEI</i>	<i>thousand LEI</i>
Salaries	60,318	47,514
Social contributions	1,765	11,382
Meal tickets	2,724	2,785
Total	64,806	61,681

8. FINANCE COSTS

	Year ended December 31, 2018	Year ended December 31, 2017
	<i>thousand LEI</i>	<i>thousand LEI</i>
Total interest	2,518	2,336
of which:		
Interest	2,518	2,336
Bank commissions and assimilated charges	408	271
Total	2,925	2,607

9. OTHER EXPENSES

	Year ended December 31, 2018	Year ended December 31, 2017
	<i>thousand LEI</i>	<i>thousand LEI</i>
Expenses with repairs	797	652
Expenses with rents	452	361
Expenses with insurance premiums	496	380
Research expenses	-	-
Other expenses with commissions	206	286
Protocol, advertising and publicity expenses	908	951
Transport	7,350	6,673
Expenses with travels	203	231
Expenses with postal charges and telecommunications	225	229
Expenses with third party services	7,219	6,907
Other taxes and levies	2,496	1,203
Losses on receivables and sundry debtors	207	166
Expenses with indemnifications, fines and penalties	2	6
Other expenses	488	505
Total	21,049	18,550

10. INCOME TAX**Income tax expenses**

	Year ended December 31, 2018	Year ended December 31, 2017
	<i>thousand LEI</i>	<i>thousand LEI</i>
Current income tax expense	392	934
Deferred tax income expense / (income)	(581)	290
Total expense (income) with income tax	(189)	1,224

The tax rate applied for the reconciliation above related to 2017 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, 2018	Year ended December 31, 2017
	<i>thousand LEI</i>	<i>thousand LEI</i>
Profit before taxation	(4,306)	(342)
Tax calculated according to the 16% rate	(689)	(55)
Effect of non-taxable income	(237)	(513)
Sponsorship deductions	-	2
Exemption of reinvested profit	(998)	(251)
Tax loss from previous years	513	251
Effect of deferred tax	(581)	290
Effect of non-deductible expenses	1,804	1,499
Expense with income tax recognized in income statement	(189)	1,224

Components of deferred tax liabilities

	Year ended December 31, 2018	Year ended December 31, 2017
	<i>thousand LEI</i>	<i>thousand LEI</i>
Property, plant and equipment	7,972	9,248
Investment property	1,293	1,878
Inventories	(229)	(229)
Trade and other receivables	(135)	(139)
Other	-	-
Recognized deferred income tax liabilities	8,902	10,758
of which: deferred tax on revaluation reserves from comprehensive income	8,616	9,892

10. INCOME TAX (continued)

	Year ended December 31, 2018	Year ended December 31, 2017
	<i>thousand LEI</i>	<i>thousand LEI</i>
Opening balance as at January 1	10,758	10,468
(Expense) / Income during the year		
- movement from revaluation reserves	(1,276)	-
- recognized in income statement	(581)	290
- from acquisition of subsidiaries	-	-
Closing balance as at December 31	8,902	10,758

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, 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, of which	-	-	-	-	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
Balance as at January 1, 2017	48,156	22,202	168,024	1,430	10,315	250,136
Additions, of which	725	4,010	5,802	127	10,586	21,250
- Transfers	725	4,019	5,090	111	-	9,945
- Revaluation	-	-	-	-	-	-
Disposals, of which	2,246	666	238	72	13,165	16,303
- Transfers, of which	-	-	-	-	12,532	12,532
- Transfers to investment property	-	-	-	-	2,587	2,587
- Revaluation	-	-	-	-	-	-
Balance as at December 31, 2017	46,634	25,335	173,425	1,478	8,234	255,105

In 2018, the additions of fixed assets were in amount of RON 10,601 thousand (excluding advances and property, plant and equipment in progress) of which the amount of RON 5,415 thousand for Romcarbon, RON 4,845 thousand for LivingJumbo Industry and RON 412 thousand for RC Energo Install.

This is a free translation from the original Romanian version.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**
11. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land	Buildings	Plant and equipment	Installations and furniture	Tangible assets in progress	Total
	<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, 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
Balance as at January 1, 2017	15	397	53,598	709	-	54,720
Depreciation charge	4	2,030	13,804	128	-	15,964
Disposals from sale of assets	-	9	122	72	-	203
Revaluation decrease	-	-	-	-	-	-
Balance as at December 31, 2017	19	2,418	67,302	765	-	70,503
IMPAIRMENT						
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, 2018	46,611	24,058	99,314	708	1,667	172,357
As at December 31, 2017	46,615	22,917	106,123	713	7,048	183,416

This is a free translation from the original Romanian version.

11. PROPERTY, PLANT AND EQUIPMENT (continued)

As at December 31, 2016 the Company revalued fixed assets in the category of land and buildings through an independent valuer.

Further to the revaluation, the value of the land and buildings decreased by LEI 6,536 thousand (the land value decreased by LEI 6,239 thousand and value of buildings and constructions decreased by LEI 297 thousand).

As at December 31, 2018 Livingjumbo Industry holds a property consisting of plot of land in surface area of 38,235 sq m and building, located in Campia Turzii, Cluj county, the acquisition cost of which is LEI 2,338 thousand. Such property was bought in 2017 and, as at the date of these financial statements, it has not been valued, as the Group considered that the acquisition cost of 2017 is its fair value.

The net book value of tangible assets under finance lease is LEI 54 thousand as at December 31, 2018 (LEI 973 thousand as at December 31, 2017).

Pledged and restricted tangible assets**ROMCARBON SA**

Tangible assets having a net book value of LEI 117,976 thousand as at December 31, 2018 (December 31, 2017: LEI 133,821 thousand) represent security for loans and credit lines contracted from: BRD GSG SA, UniCredit Bank and EXIMBANK SA.

Living Jumbo Industry SA

Tangible assets with a net book value of LEI 117,976 thousand as at December 31, 2018 (December 31, 2017: LEI 40,598 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 LivingJumbo Industry SA from UniCredit Bank SA as follows:

- 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 2018 of EUR 391 thousand and a net book value of LEI 1,664 thousand as at December 31, 2018;
- non-binding loan – cash line – in amount of EUR 450,000 (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.

12. GOODWILL

COST	Year ended December 31, 2018	Year ended December 31, 2017
	<i>thousand LEI</i>	<i>thousand LEI</i>
Balance at the beginning of the year	143	144
Additions from acquisition of subsidiaries	-	-
Impairment of goodwill	-	-
Disposals from sale of subsidiaries	-	1
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 LEI 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	Licenses	Other intangible assets	Intangible assets in progress	Total
	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>
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
Balance as at January 1, 2017	579	1,198	-	1,778
Additions	16	114	-	130
Disposals	(16)	(72)	-	(88)
Balance as at December 31, 2017	579	1,240	-	1,820

13. OTHER INTANGIBLE ASSETS (continued)

ACUMULATED AMORTIZATION	Licenses	Other intangible assets	Total
	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>
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
Balance as at January 1, 2017	473	932	1,405
Expenses with amortization	93	169	262
Write-offs on disposal of assets	(71)	(3)	(74)
Transfer	-	-	-
Balance as at December 31, 2017	495	1,098	1,593
NET BOOK VALUE			
As at December 31, 2018	12	78	90
As at December 31, 2017	85	142	227

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	
			2018	2017
			%	%
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%

14. OTHER FINANCIAL ASSETS (continued)**Changes of investment regarding associates and financial assets**

	Year ended December 31, 2018	Year ended December 31, 2017
	<i>thousand LEI</i>	<i>thousand LEI</i>
As at January 1	28,948	28,467
Share of profit / loss of associates (Romgreen)	(1,344)	1,457
Additions	-	-
Transfer to other comprehensive income	(65)	(48)
Loss on retroactive correction of previous year's profit sharing*	(240)	(918)
Reduction of Romgreen* share premiums	-	-
Net loss on the reduction of partial holdings in Romgreen	-	-
Others	-	(8)
Total	27,300	28,948

* In 2017, the shareholders' profit sharing was corrected retroactively (Romgreen) for 2016, further to the reduction of the profit attributable to the parent in the final consolidated financial statements as at December 31, 2016, compared to the estimated profit upon execution of the consolidated financial statements as at December 31, 2016 of Romcarbon group.

15. INVENTORIES

	Year ended December 31, 2018	Year ended December 31, 2017
	<i>thousand LEI</i>	<i>thousand LEI</i>
Raw materials	16,032	18,971
Consumables	4,404	3,793
Items of inventory	130	110
Packaging	328	268
Finished products	6,831	6,999
Production in progress	1,727	2,001
Semi-finished products	6,140	6,259
Residual products	593	990
Commodities	2,001	480
Impairment allowances for inventories	(1,637)	(1,637)
Total	36,548	38,234

Inventories cost recognized in the income statement in 2018 amounted to LEI 165,723 thousand (LEI 166,870 thousand in 2017).

In 2018, the Group's average turnover was 52 days, as compared to 53 days in 2017.

16. TRADE AND OTHER RECEIVABLES

	Year ended December 31, 2018	Year ended December 31, 2017
	<i>thousand LEI</i>	<i>thousand LEI</i>
Trade receivables	29,942	36,065
Allowances for doubtful clients	(1,964)	(2,407)
Advances to suppliers of fixed assets	-	-
Advances to suppliers of inventories	34	133
Advances to services suppliers	370	854
Subsidies	-	2
Warranties withheld	217	6
Other receivables	1,696	1,584
Total	30,295	36,237
	Year ended December 31, 2018	Year ended December 31, 2017
	<i>thousand LEI</i>	<i>thousand LEI</i>
Changes of allowance for doubtful clients		
Balance at the beginning of the year	2,407	2,568
Receivables transferred to expenses during the year	-	-
Decrease of allowance recognized in profit and loss	(443)	(178)
Balance at the end of the year	1,964	2,407

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

	Analysis of receivables past due beyond 60 days		Analysis of value adjustments by age	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>
60 - 90 days	419	695	-	-
90 - 120 days	82	70	-	-
More than 120 days	2,352	3,337	(1,964)	(2,407)
Total	2,853	4,102	(1,964)	(2,407)

17. OTHER CURRENT ASSETS

	Year ended December 31, 2018	Year ended December 31, 2017
	<i>thousand LEI</i>	<i>thousand LEI</i>
Suppliers-debtors for services	-	-
Pre-paid amounts	764	75
Taxes recoverable	230	351
VAT recoverable	7	166
Total	1,002	592

18. ISSUED CAPITAL

	Share capital	
	Year ended December 31, 2018	Year ended December 31, 2017
	<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, 2018		December 31, 2017	
	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%	7,500,000	2.84%
BRAICONF SA	-	0%	23,000,000	8.71%
Other legal persons	18,044,842	6.83%	30,559,698	11.57%
Other natural persons	104,492,157	39.56%	61,477,301	23.28%
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.

19. RESERVES

	Year ended December 31, 2018	Year ended December 31, 2017
	<i>thousand LEI</i>	<i>thousand LEI</i>
Revaluation reserves	39.752	39.348
Reserves from the application of IAS 29 on items of equity	-	-
Translation differences	(1.075)	(1.076)
Total	38.677	38.272

20. RETAINED EARNINGS

	Year ended December 31, 2017	Year ended December 31, 2016
	<i>thousand LEI</i>	<i>thousand LEI</i>
Balance at the beginning of the year	79,572	80,032
Net profit / (net loss) attributable to parent	(4,048)	(1,492)
Write-off of application of IAS 29 on capital accounts	-	-
Reclassification of revaluation reserve to retained earnings	806	3,011
Corrections of financial assets disposed and repossessed	-	-
Dividends paid	(2,007)	(2,007)
Decrease of minority holding further to the increase of parent's holding	-	(9)
Other	35	37
Balance at the end of the year	74,357	79,572

21. NON-CONTROLLING INTERESTS

	Year ended December 31, 2018	Year ended December 31, 2017
	<i>thousand LEI</i>	<i>thousand LEI</i>
Balance at the beginning of the year	1,007	1,072
Share of profit / (loss) for the year	(69)	(74)
Share of other items of capital	-	-
Decrease of minority holding further to the increase of parent's holding	-	9
Dissolution of subsidiaries	-	-
Balance at the end of the year	939	1,007

22. BORROWINGS

Secured borrowings – at amortized cost	Short-term		Long-term	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>
Overdraft and Investment loans	52,593	54,816	37,241	51,589
Lease liabilities	14	87	24	-
Total	52,607	54,903	37,265	51,589

Short-term bank loans	Entity	December 31, 2018	December 31, 2017
		<i>thousand LEI</i>	<i>thousand LEI</i>
Credit line Euro - BRD	Romcarbon	11,644	10,979
	LivingJumbo		
Credit line Euro - BRD	Industry	8,417	8,853
Credit line Euro - UniCredit Tiriac Bank SA	Romcarbon	20,447	21,828
Investment loan Euro-BRD II	Romcarbon	736	2,099
Investment loan Euro-BRD II	Romcarbon	583	582
Investment loan Euro-BRD I	Romcarbon	-	408
Investment loan in Lei - Eximbank SA	Romcarbon	1,024	1,024
Investment loan in Lei II - Eximbank SA		530	-
Investment loan Euro - UniCredit Bank SA - CCE 2015 project	Romcarbon	2,029	2,027
	LivingJumbo		
Investment loan I in Euro - BRD	Industry	502	502
	LivingJumbo		
Investment loan II in Euro - BRD	Industry	187	186
	LivingJumbo		
Investment loan Euro - UniCredit Bank SA	Industry	405	404
Investment loan Euro - UniCredit Bank SA - CCE 2015 Project	LivingJumbo		
	Industry	3,147	3,144
Investment loan I in Lei - UniCredit Bank	Romcarbon	500	500
Investment loan II in Lei - UniCredit Bank	Romcarbon	306	306
Investment loan III in Lei - UniCredit Bank	Romcarbon	527	527
Investment loan IV in Lei - UniCredit Bank	Romcarbon	1,078	1,078
Investment loan V in Lei - UniCredit Bank	Romcarbon	532	369
Total		52,593	54,816

22. BORROWINGS (continued)

<u>Long-term bank loans</u>	<u>Entity</u>	<u>Year ended December 31, 2018</u>	<u>Year ended December 31, 2017</u>
		<i>thousand LEI</i>	<i>thousand LEI</i>
Investment loan in Euro Euro-BRD I	Romcarbon	-	-
Investment loan in Euro Euro-BRD II	Romcarbon	1,651	2,232
Investment loan in Euro Euro-BRD III	Romcarbon	1,533	6,472
Investment loan I in lei - UniCredit Bank	Romcarbon	1,790	2,290
Investment loan II in lei - UniCredit Bank	Romcarbon	536	842
Investment loan III in lei - UniCredit Bank	Romcarbon	922	1,448
Investment loan IV in lei - UniCredit Bank	Romcarbon	2,156	3,234
Investment loan V in lei - UniCredit Bank	Romcarbon	1,241	1,200
Investment loan in Euro - UniCredit Tiriatic Bank SA - CCE project	Romcarbon	8,686	10,705
Investment loan in Lei - Eximbank SA	Romcarbon	2,559	3,583
Investment loan I in Euro - BRD	LivingJumbo Industry	1,592	906
Investment loan II in Euro - BRD	LivingJumbo Industry	1,297	1,797
Investment loan in Euro - UniCredit Tiriatic	LivingJumbo Industry	31	97
Investment loan in Euro - UniCredit Tiriatic Bank SA - CCE 2015 project	LivingJumbo Industry	12,192	15,325
Credit investitii Euro - UniCredit Tiriatic Bank SA - Proiect CCE 2015	LivingJumbo Industry	1,054	1,458
Total		37,241	51,589

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, 2018 the parent 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.

22. BORROWINGS (continued)

As at December 31, 2018, the Group had more loans contracted from various banks, the most important of which are presented below.

Romcarbon S.A. borrowings**c) credit line contracted from UniCredit Bank SA in amount of EUR 5,450,000 (contract BUZA/014/2012)**

- Outstanding amount as at December 31, 2018: lei 20,447,388 (equivalent of EUR 4,384,182)
 - Due on: April 10, 2019
 - Securities:
2. 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;
 9. 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;
 10. Mortgage over the credit balance in lei or foreign currency opened by Livingjumbo Industry SA with UniCredit Bank Suc. Buzau;
 11. 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.

12. Mortgage over movable assets in the form of inventory having a minimum value of EUR 2,000,000;
13. Real estate mortgage of subsequent rank over 4 machinery with a market value as per the valuation of January 2018 EUR 390,500 and a net book value of lei 1,663,971 as at December 31, 2018.
14. Blank promissory note, with the mention "No Protest";
15. LivingJumbo Industry SA as co-borrower.

This is a free translation from the original Romanian version.

21. BORROWINGS (continued)**Romcarbon S.A. borrowings (continued)****d) credit line contracted from BRD GSG in amount of EUR 2,550,000 (contract 134/11.05.2007)**

- Outstanding amount as at December 31, 2018: lei 11,643,846 (equivalent of EUR 2,496,590)
 - Due on: September 30, 2019
 - Securities:
5. Security interest in real estate over immovable assets (land + constructions) having a net book value of lei 12,051,920 as at December 31, 2017, identified as follows:
 - 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.
 6. Mortgage without dispossession over 31 machinery with a net book value of lei 148,353 as at December 31, 2018;
 7. Mortgage over the credit balance of the accounts opened by Romcarbon SA with BRD GSG - Buzău Branch;
 8. 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 HYPERMARCHÉ 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, 2018, the Company contracted the following long-term loans:**k) 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, 2018: lei 2,233,967 (equivalent of EUR 478,991)
 - Due on: 03.09.2022
 - Securities:
4. 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;
 5. 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;
 6. Mortgage without dispossession over 4 machinery having a net book value of lei 3,433,560 as at December 31, 2018;

21. BORROWINGS (continued)**Romcarbon S.A. borrowings (continued)*****l) 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, 2018: lei 2,268,757 (equivalent of EUR 486,453)
- Due on: 03.02.2022
- Securities:
- 5. 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;
- 6. 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;
- 7. 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;
- 8. Mortgage over receivables with a minimum balance of EUR 500,000 resulting from the commercial contracts concluded with Romcarbon SA with its partners, which total an annual EUR 3,300,000.

m) 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, 2018: lei 3,583,125
- Due on: 20.06.2022
- Securities:
- 5. 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;
- 6. Mortgage without dispossession over 2 machinery having a market value of EUR 810,000 as per the valuation of May 2018 and August 2018 and a net book value of lei 4,002,771 as at December 31, 2018;
- 7. Mortgage over current accounts in lei and foreign currency opened with EximBank SA by Romcarbon SA;
- 8. Blank promissory note, with the mention "No Protest".

n) 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, 2018: lei 10,714,936 (equivalent of EUR 2,297,420)
- Due on: 04.12.2023
- Securities:
- 3. Mortgage over the goods purchased in project "Development of Romcarbon SA", having a market value as per the valuation of June 2018 of EUR 4,873,800 and a net book value of lei 24,459,872 as at December 31, 2018;
- 4. Mortgage over all the future accounts/sub-accounts opened by S.C. Romcarbon S.A. with UniCredit Bank SA.

21. BORROWINGS (continued)**Romcarbon S.A. borrowings (continued)****o) Investment loan I in amount of lei 3,200,000 with UniCredit Bank SA to purchase assets (land + buildings) located in Iasi, Calea Chisinaului, nr. 27-29 (contract BUZA/022/2016)**

- Outstanding amount as at December 31, 2018: lei 2,289,737
 - Due on: 11.07.2023
 - Securities:
8. Immovable property mortgage over real estate located in Stefanestii de jos, Str.Sinaia nr.15, Ilfov, identified by cadastral/topographic no. 50009, having a total surface area of 12,774 sq m;
 9. Immovable property mortgage over real estate located in Iasi, Calea Chisinaului, nr.27-29 identified by cadastral no. 3860/223/2-3860/226/1 – land in surface area of 242 sq m and holding cadastral no. 3860/223/2-3860/226/1- C49/p/2 building having a useful surface area of 192.39 sq m and built surface area of 224.85 sq m and holding cadastral no. 128921, land in surface area of 1,312.48 sq m – land – and holding cadastral no. 128921-C1 cafeteria building G+1 having a useful surface area of 1,193.67 sq m – ground floor and useful surface area of 1,193.67 sq m – upper floor;
 10. 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;
 11. Immovable property mortgage over real estate identified by cadastral number 54304 (in total surface area of 16,787 sq m) located at Str. Transilvaniei, 132, Buzau;
 12. Movable property mortgage over the movable assets in the form of inventory having a maximum value of EUR 2,000,000;
 13. 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 December 31, 2018.
 14. Movable property mortgage over all the present and future accounts and sub-accounts opened by Romcarbon SA with UniCredit Bank SA.

p) 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) (partly drawn)

- Outstanding amount as at December 31, 2018: lei 842,224
 - Due on: 19.09.2021
 - Securities:
7. 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;
 8. 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;
 9. Movable property mortgage over the movable assets in the form of inventory having a minimum value of EUR 2,000,000;
 10. 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 December 31, 2018;
 11. Movable property mortgage over the movable assets purchased under the project;
 12. Movable property mortgage over all the present and future accounts and sub-accounts opened by Romcarbon SA with UniCredit Bank SA.

21. BORROWINGS (continued)**Romcarbon S.A. borrowings (continued)****q) 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, 2018: lei 1,449,418 (equivalent of EUR 310,774)
- Due on: 19.09.2021
- Securities:
 7. 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;
 8. Movable property mortgage over the movable assets in the form of inventory having a minimum value of EUR 2,000,000;
 9. 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;
 10. 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 December 31, 2018;
 11. Movable property mortgage over the movable assets purchased within the project;
 12. Movable property mortgage over all the present and future accounts and sub-accounts opened by Romcarbon SA with UniCredit Bank SA.

r) 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, 2018: lei 3,233,636
- Due on: 01.12.2021
- Securities:
 8. 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;
 9. Movable property mortgage over 35 machinery with a market value as per the valuation of October 2018 of EUR 836,800 and a net book value of lei 2,503,691 as at December 31, 2018;
 10. 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;
 11. 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;
 12. Movable property mortgage over the movable assets in the form of inventory having a minimum value of EUR 2,000,000;
 13. 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 December 31, 2018;
 14. Movable property mortgage over all the present and future accounts and sub-accounts opened by Romcarbon SA with UniCredit Bank SA.

21. BORROWINGS (continued)**Romcarbon S.A. borrowings (continued)****s) *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) (partly drawn)***

- Outstanding amount as at December 31, 2018: lei 1,773,159
 - Due on: 06.04.2022
 - Securities:
8. 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.
 9. 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;
 10. Mortgage over future goods to be purchased out of such loan;
 11. Mortgage over movable assets in the form of inventory having a minimum value of EUR 2,000,000;
 12. 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 December 31, 2018;
 13. Blank promissory note, with the mention "No Protest";
 14. LivingJumbo Industry SA as guarantor.

t) *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) (partly drawn)*

- Outstanding amount as at December 31, 2018: lei 2,122,292
 - Due on: 16.12.2022
 - Securities:
9. Mortgage of subsequent rank over equipment (PE plastic film washing, sorting and grinding line) with a market value of EUR 630,000 as per the valuation report of May 2018 and a net book value of lei 3,076,629 as at December 31, 2018;
 10. Mortgage without dispossession over an equipment (filtering line, grinding and production of compounds in the form of grains) with a market value of EUR 911,276 as per the valuation report of October 2018 and a net book value of lei 4,419,115 as at December 31, 2018;

21. BORROWINGS (continued)**Romcarbon S.A. borrowings (continued)*****i) 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) (partly drawn) (continued)***

11. Mortgage without dispossession over 3 forklifts with a market value of EUR 52,175 as per the valuation of October 2018 and a net book value of lei 274,362 as at December 31, 2018;
12. Immovable mortgage without dispossession over 8 machinery purchased under this project with a market value of EUR 124,376 as per the valuations of May 2018 and October 2018 and a net book value of lei 604,957 as at December 31, 2018;
13. Movable mortgage without dispossession over a future asset "MFI leak analyser";
14. First rank mortgage over present and future receivables arising from the commercial relationship with Toro Manufacturing and Sales SRL;
15. Mortgage over current accounts in lei and foreign currency opened with EximBank SA by Romcarbon SA;
16. Blank promissory note, with the mention "No Protest".

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, 2018: lei 8,416,992 (equivalent of EUR 1,804,711)
- Due on: October 30, 2019
- 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.

b) Long-term loan contracted from BRD GSG at an initial value of EUR 645,000 (partly contracted)

- Outstanding amount as at December 31, 2018: LEI 1,798,820 (equivalent of EUR 385,690)
- 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.

21. BORROWINGS (continued)**LivingJumbo Industry SA loans (continued)****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, 2018: Lei 1,458,938 (equivalent of EUR 312,815)
- 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 December 31, 2018;
 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, 2018: Lei 15,338,578 (equivalent of EUR 3,288,788)
- 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 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, 2018: LEI 217,743 (equivalent of EUR 46,687)
- 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

21. BORROWINGS (continued)**Energio Install SRL loans****a) Linie de credit in valoare de 1.000.000 lei pentru finantarea activitatii curente, contractata cu Banca de Export-Import a Romaniei Eximbank SA (neangajata)**

- Outstanding amount as at December 31, 2018: LEI 0
- Due on: October 14, 2019
- Securities:
 1. Guarantee issued by EximBank SA in the name and on account of the State, in amount of LEI 700,000, representing 70% of the exposure value;
 2. Movable property mortgage over 22 machinery with a book value of LEI 834,449;
 3. Mortgage over current and future accounts in lei and foreign currency opened RC Energio 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".

23. OTHER CURRENT LIABILITIES

	Current	
	December 31, 2017	December 31, 2016
	<i>thousand LEI</i>	<i>thousand LEI</i>
Liabilities to employees	1,718	1,730
Liabilities related social contributions	1,415	1,454
VAT payable	707	705
Income tax	31	8
Tax on salaries	289	720
Other taxes payable	122	100
Other non-trade liabilities	-	-
Interest payable	-	-
Total	4,282	4,717

24. TRADE AND OTHER LIABILITIES

	December 31, 2018	December 31, 2017
	<i>thousand LEI</i>	<i>thousand LEI</i>
Trade liabilities	30,244	34,516
Suppliers invoices not received	683	1,421
Advances to clients	699	712
Sundry creditors (a)	2,727	2,020
Total	34,353	38,670

In 2018, sundry debtors include LEI 1,674 thousand, which represents borrowings from natural person shareholders, which will be repaid in 2019 (see note 28).

25. 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.

Finance lease liabilities

	Minimum lease payments		Present value of minimum lease payments	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	<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	14	87	14	87
More than one year, but less than 5 years	24	-	24	-
Total lease liabilities	38	87	38	87
Less future finance expenses	-	-	-	-
Present value of finance lease payments	-	87	-	-
Included in the financial statements as:				
Short-term borrowings	-	87	-	-
Long-term borrowings	-	-	-	-

26. OTHER LONG-TERM LIABILITIES

As at December 31, 2016 the value of investment subsidies received from the Group amounts to LEI 35,199 thousand, as follows:

Romcarbon SA:	LEI 19,940 thousand
LivingJumbo Industry SA:	LEI 15,259 thousand

Non-refundable amounts in the form of investment subsidies are transferred to income together with the monthly amortization.

As at December 31, 2017 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, 2018 the value of investment subsidies received from the Group amounts to LEI 27,301 thousand, as follows:

Romcarbon SA:	LEI 15,413 thousand
LivingJumbo Industry SA:	LEI 11,888 thousand
PROJECT ADVISE SRL:	LEI 0 thousand

27. 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.

27. 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**
27. 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:

2018	EUR 1 EUR = LEI 4.6639	USD 1 USD = LEI 4.0736	Leu 1 LEI	31-Dec-2018 Total
	<u><i>thousand LEI</i></u>	<u><i>thousand LEI</i></u>	<u><i>thousand LEI</i></u>	<u><i>thousand LEI</i></u>
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
2017	EUR 1 EUR = LEI 4.6597	USD 1 USD = LEI 3.8915	Leu 1 LEI	31-Dec-2017 Total
	<u><i>thousand LEI</i></u>	<u><i>thousand LEI</i></u>	<u><i>thousand LEI</i></u>	<u><i>thousand LEI</i></u>
Cash and cash equivalents	701	27	5,270	5,997
Receivables and other current assets	9,453	29	26,754	36,237
Other current assets	-	-	592	592
LIABILITIES				
Trade and other liabilities	8,128	91	30,451	38,670
Other current liabilities	-	-	4,717	4,717
Short and long-term borrowings	91,073	-	15,331	106,404
Short and long-term finance lease liabilities	87	-	-	87

This is a free translation from the original Romanian version.

27. 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, 2018	December 31, 2017
	<i>thousand LEI</i>	<i>thousand LEI</i>
Loss	(8,733)	(10,234)

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.

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
2017	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	38,670	-	-	38,670
current liabilities				
Interest bearing instruments				
Short and long-term borrowings	54,816	12,885	38,703	106,404
Short and long-term leases	87	-	-	87
Non-interest bearing				
Cash and cash equivalents	5,997	-	-	5,997
Receivables and other current assets	36,828	-	-	36,828

27. 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:

Company	Counterparty	Turnover 2018	Value of receivable as at 31.12.2018	Credit limit	Credit in days
ROMCARBON	KASAKROM CHEMICALS SRL	16,930	1,227	NO	max 105
ROMCARBON	DEDEMAN SRL BACAU	6,412	1,418	NO	90
ROMCARBON	GREENFIBER INTERNATIONAL SA	5.107	836	NO	37
ROMCARBON	PH BRATPOL JERZY BRATKOWSKI	4,255	803	NO	75
ROMCARBON	POLONIA - EUR	4,150	73	NO	11
LIVINGJUMBO INDUSTRY	COMANDOR IMPEX SRL FOCSANI	8,665	191	NO	60
LIVINGJUMBO INDUSTRY	CARLESTAM POLAND SP. Z O.O.	8,154	947	NO	60
LIVINGJUMBO INDUSTRY	BAOBAG	5,651	1,229	NO	60
LIVINGJUMBO INDUSTRY	EXPERGO BUSINESS NETWORK SRL	4,634	246	NO	35
LIVINGJUMBO INDUSTRY	POLIMERO	4,092	288	NO	50
LIVINGJUMBO INDUSTRY	THRACE-IPOMA SA				

28. 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:

	December 31, 2018	December 31, 2017
	<i>thousand LEI</i>	<i>thousand LEI</i>
Executive management salaries	4,197	3,288
Benefits for Board of Administration	378	341
Total	4,575	3,629

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

Shareholder borrowings	December 31, 2018	December 31, 2017
	<i>thousand LEI</i>	<i>thousand LEI</i>
WU HUI TZU (Living Jumbo Industry SA)	18	18
LIVING PLASTTIC INDUSTRY SRL (LivingJumbo Industry SA)	1,454	1,350
WINPACK INDUSTRY (Eco Pack Management SRL)	202	189
Total	1,674	1,557

This is a free translation from the original Romanian version.

28. 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 2018	12 months 2017	12 months 2018	12 months 2017	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Greenfiber International SA	6,268	7,500	7,199	268	951	947	1,402	198
GREENTEH DOO SERBIA	275	247	7	-	66	74	-	-
Greenglass Recycling SA	-	27	-	-	-	-	-	-
Greentech sa	3,478	2,987	1,266	7,553	43	95	15	1,747
Total Waste Management	248	745	4	63	170	60	-	29
Greenweee International SA	490	659	174	447	132	65	47	44
Greenlamp Reciclare SA	1	2	-	-	-	1	-	0
TOTAL	10,765	12,167	8,649	8,331	1,363	1,234	1,465	2,019

29. ACQUISITION OF SUBSIDIARIES

In December 2017, the Group acquired a new subsidiary, PROJECT ADVISE SRL.

PROJECT ADVISE SRL is a company established in 2010, where SC Romcarbon SA indirectly holds 99%. 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.

30. DISPOSAL OF SUBSIDIARIES

In 2016, Greensort Recycling SRL was de-registered from the Trade Registry.

In July 2016, Next Eco Recycling SA was assigned.

31. 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, 2018	December 31, 2017
	<i>thousand LEI</i>	<i>thousand LEI</i>
Cash at banks	9,756	5,852
Cash on hand	35	36
Cash equivalents	-	109
Total	9,791	5,997

32. INVESTMENT PROPERTY

	December 31, 2018	December 31, 2017
	<i>thousand LEI</i>	<i>thousand LEI</i>
Land	8,317	32,428
Buildings	9,718	17,432
Total investment property	18,035	49,860

As at December 31, 2018, 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;

32. INVESTMENT PROPERTY (continued)

- 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.

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.

As at December 31, 2018, the Company performed the valuation of the investment property and the result, in amount of lei 307,659 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, 2018 would have been lei 25,951,043

33. ASSETS HELD FOR SALE

Assets held for sale	December 31, 2018	December 31, 2017
	<i>thousand LEI</i>	<i>thousand LEI</i>
Land	10,909	-
Buildings	5,848	-
Impairment allowances	(757)	-
Total assets held for sale	16,000	-

34. 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.

34. 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.

35. SUBSEQUENT EVENTS**ROMCARBON SA**

At the proposal of Romcarbon's Board of Directors, the approval of the share capital increase of Livingjumbo Industry SA was included on the agenda of the Extraordinary General Meeting of Shareholders held on 24 / 25.04.2019, to which Romcarbon SA will participate by lei 4,838,400 resulting from the conversion into shares of the shareholder loan granted by Romcarbon to its subsidiary in August 2018 in amount of EUR 1,000,000 and a part of the interest accrued at 01.06.2019.

LIVINGJUMBO INDUSTRY SA

The Extraordinary General Meeting of Shareholders of the company approved in the meeting of 08.02.2019 the contracting of a non-binding loan (credit line) from UniCredit Bank SA in amount of EUR 500,000 to finance the working capital, due on 05.08.2019. The loan is secured by an immovable property mortgage over an asset (land and buildings) of the Company's patrimony and movable mortgage over the accounts in LEI and foreign currency opened by the company with the bank.

RC ENERGO INSTALL SRL

On 14.01.2019, the mandate of Ms. Banucu Ileana as Director of RC ENERGO INSTALL SRL ceased. As at such date, she had also been the company's CEO.

As of 14.01.2019, Mr. Duca Eugen Florin was appointed Director of the company for unlimited period. He will also be the CEO of RC ENERGO INSTALL SRL

The consolidated financial statements were approved by the Board of Administration and were authorized for issuance on April 4, 2019.

PREPARED,

For signatures, please refer to the original Romanian version.

HUANG LIANG NENG,
Administrator

VIORICA ZAINESCU,
Chief Financial Officer

RADU ANDREI,
Chief Executive Officer

This is a free translation from the original Romanian version.



ADMINISTRATORS' REPORT REGARDING THE CONSOLIDATED FINANCIAL STATEMENTS

ACTIVITY OF THE GROUP OF COMPANIES

As at December 31, 2018 ROMCARBON SA Buzau holds participations directly and/or indirectly in 13 companies:

Company	31/12/2018		Consolidation method
	Interest	Control	
RECYPLAT LTD CYPRUS	100.00%	100.00%	Global
ROMCARBON DEUTSCHLAND GMBH	100.00%	100.00%	Global
RC ENERGO INSTALL SRL	99.50%	99.50%	Global
ECO PACK MANAGEMENT SA	25.36%	99.24%	Global
INFOTECH SOLUTIONS SRL	99.00%	99.00%	Global
LIVINGJUMBO INDUSTRY SA	99.00%	99.00%	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, 2018, the Group also holds participations according to the table below.

Company	31/12/2018	
	Interest	Control
ROMGREEN UNIVERSAL LTD CYPRUS	17.5879%	17.5879%
GREENLAMP REICLARE SA	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 pro rata consolidation method.

PRESENTATION OF THE GROUP AND THE MAIN INDICATORS ACHIEVED IN 2018**PRESENTATION OF THE GROUP'S MEMBER COMPANIES**

As at December 31, 2018 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 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.

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 806,400, where S.C. Romcarbon S.A. has held since 2011 99% 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.

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 construction and wholesale.

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%. 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 disposed its 70% holding in NEXT ECO RECICLYNG SA (a company established in 2011, whose main object of activity is - 8299 - Other business support service activities n.e.c.). The Group purchased such company in December 2015.

In October 2016, GREENSORT RECYCLING SRL was de-registered from the Trade Registry. The company had been established in 2012, and its main object of activity was Recovery of sorted materials (NACE code 3832).

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.

GREENLAMP REICLARE S.A. is a company established in 2010, with a share capital of lei 3,199,770, where SC Romcarbon SA indirectly holds 17.5879%, and the remaining shares are held by GREENWEEE INTERNATIONAL S.A. The company's main office is located in Tintesti, Odaia Banului village, Frasinu farm, Greenweee warehouse, etaj 1, camera 1, Buzău county. The company's main object of activity is - NACE code 3822 - Treatment and disposal of hazardous waste.

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).

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 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, 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 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 Romcarbon SA indirectly holds 12.79%. The Company's share capital is in amount of LEI 8,444,696. 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 June 2016, SC GREENFIBER INTERNATIONAL SA disposed 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).

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.

Company	Romgreen Universal holding		Recyplat LTD holding	
	30/06/2016	04/07/2016	30/06/2016	04/07/2016
ROMGREEN UNIVERSAL LTD CIPRU			25.0000%	17.58794%
Greenfiber International SA	67.8298%	99.3191%	16.9574%	17.46819%
Greentech SA	70.2509%	99.9976%	17.5627%	17.58751%
Total Waste Management SRL(TBM)	70.2509%	99.6416%	17.5627%	17.52490%
GreenWeee International SA	76.4187%	99.9999974%	19.1047%	17.58794%
Greenlamp Reciclare SA	99.9998%	99.9999%	25.0000%	17.58792%
Greentech Doo Serbia	61.0468%	89.3872%	15.2617%	15.72137%
GrintehMacedonia	60.6873%	88.8608%	15.1718%	15.62879%
Asociatia ecologica Greenlife	46.0269%	66.3202%	44.8401%	44.99770%
Greentech Recycling Deutschland GmbH	67.8298%	99.3191%	16.9574%	17.46819%
Greenglass Recycling SA	70.0000%	70.0000%	17.5000%	12.31156%
Greenweee International Hungary KFT	76.4187%	99.9996%	19.1047%	17.58787%

ACTIVITY OF THE GROUP OF COMPANIES

PRESENTATION OF THE GROUP COMPANIES

The following persons ensured the executive management of the group companies in 2018:

ROMCARBON SA – CEO – Radu Andrei
 RECYPLAT LTD CYPRUS – Director – Nicos Avraamides
 RC ENERGO INSTALL SRL – CEO Banucu Ileana
 ECO PACK MANAGEMENT SA – CEO Adrian Ianca until 31.07.2018; As of 01.08.2018, the sole administrator is Ionescu Adin
 INFO TECH SOLUTIONS SRL - CEO Hristache Cornel
 LIVINGJUMBO INDUSTRY SA – CEO WU,HUI-TZU (as of 01.06.2018)
 PROJECT ADVICE SRL – Administrator Zamfir Maricica until 07.11.2018; as of 08.11.2018, the sole administrator is Wei Jinn Shyang
 GRINFILD LLC UKRAINE – CEO Perepelitea Olena Ivanivna
 GRINRUH LLC UKRAINE – CEO Iulia Golets
 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 REICLARE S.A. – CEO Costache Iulian Marius as of 16.05.2018
 GREENGLASS RECYCLING SA – CEO Costache Iulian Marius as of 16.05.2018
 GREENWEEE INTERNATIONAL SA – CEO Costache Iulian Marius as of 16.05.2018
 GREENWEEE INTERNATIONAL HUNGARY KFT - Managing Director - Costache Iulian Marius
 TOTAL WASTE MANAGEMENT SRL – Administrators CRISTEA CONSTANTIN - member, Mihai Zamfir – BoA President, Marin Georgian Ionut - member
 GREENTECH SA - CEO Genes Alina Elena as of 16.05.2018
 GREENFIBER INTERNATIONAL SA – CEO Genes Alina Elena as of 16.05.2018
 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]	31.12.2016	31.12.2017	31.12.2018
1	Net sales	238,236	251,993	257,709
2	Total income	264,357	276,918	286,509
3	Total expenses	261,071	278,484	290,627
4	Net profit of the year	3,286	-1,566	-4,117
5	Profit attributable to parent	3,464	-1,492	-4,089

ACTIVITY OF THE GROUP OF COMPANIES

The evolution of the subsidiaries' contribution to the consolidated net profit of the group in 2018 is presented in the table below:

Company	Net profit/loss (thousand lei)	Attributable to parent	Attributable to NCI
Romcarbon SA	4,800	4,800	0
Living Jumbo Industry SA	-6,887	-6,818	-69
RC Energo Install SRL	786	786	0
Infotech Solutions SRL	108	107	1
Grinfield Ukraine	0	0	0
Grinruh Ukraine	0	0	0
Recyplat Ltd Cyprus	-52	-52	0
Romcarbon Deutschland GmbH	0	0	0
Eco Pack Management SA	-87	-86	-1
Project Advise SRL	-46	-46	0
Consolidation adjustments	-2,738	-2,779	40
Total	-4,116	-4,089	-28

Note: Consolidation adjustments include the elimination of dividends receivable from RC Energo Install SRL and Info Tech Solutions SRL, the elimination of intra-group transactions, the shareholders' profit share (Romgreen, Yenki).

FINANCIAL ACCOUNTING STATUS
A) STATEMENT OF FINANCIAL POSITION

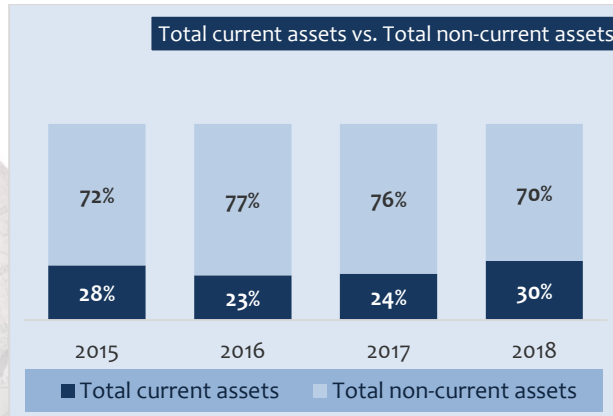
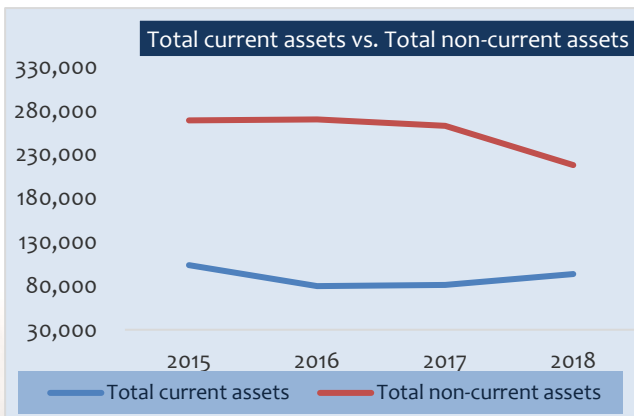
Indicator	31.12.2016	31.12.2017	31.12.2018	2018 vs. 2017		
Property, plant and equipment	195,416	183,416	172,357	-11,059	▼	-6.03%
Investment property	45,680	49,859	18,034	-31,825	▼	-63.83%
Goodwill (conso)	144	143	143	0	—	0.00%
Other intangible assets	374	227	90	-137	▼	-60.35%
Investments in associates	28,270	28,752	27,103	-1,649	▼	-5.74%
Other non current financial assets	197	197	197	0	—	0.00%
Total non-current assets	270,081	262,594	217,924	-44,670	▼	-17.01%
Inventories	37,171	38,234	36,548	-1,686	▼	-4.41%
Assets classified as held for sale	0	0	16,000	16,000	▲	n/a
Trade and other receivables	29,728	36,237	30,295	-5,942	▼	-16.40%
Other current assets	1,372	591	1,001	410	▲	69.37%
Cash and bank balances	11,544	5,997	9,791	3,794	▲	63.26%
Total current assets	79,815	81,060	93,635	12,575	▲	15.51%
Total asset	349,895	343,654	311,560	-32,094	▼	-9.34%
Issued capital	26,412	26,412	26,412	0	—	0.00%
Share premium	2,182	2,182	2,182	0	—	0.00%
Reserves	41,364	38,272	38,677	405	▲	1.06%
Retained earnings	80,032	79,571	74,357	-5,214	▼	-6.55%
Equity attributable to equity holders of the parent	149,991	146,438	141,629	-4,809	▼	-3.28%
Minority interest	1,072	1,007	939	-68	▼	-6.75%
Total equity	151,063	147,445	142,568	-4,877	▼	-3.31%
Borrowings LT	58,009	51,589	37,241	-14,348	▼	-27.81%
Long term finance leases and other interest bearing obligations	85	0	24	24	▲	n/a
Deferred tax liabilities	10,468	10,758	8,902	-1,856	▼	-17.25%
Non-current provisions	265	264	285	21	▲	7.95%
Deferred income	35,199	31,250	27,301	-3,949	▼	-12.64%
Total non-current liabilities	104,026	93,861	73,753	-20,108	▼	-21.42%
Trade and other payables	33,351	38,670	34,353	-4,317	▼	-11.16%
Borrowings ST	52,794	54,816	52,593	-2,223	▼	-4.06%
Short term finance leases and other interest bearing obligations	1,112	87	14	-73	▼	-83.91%
Deferred revenue	4,008	4,058	3,998	-60	▼	-1.48%
Other current liabilities	3,541	4,717	4,282	-435	▼	-9.22%
Total current liabilities	94,806	102,348	95,240	-7,108	▼	-6.94%
Total liabilities	198,832	196,209	168,993	-27,216	▼	-13.87%
Total Equity and liabilities	349,895	343,654	311,560	-32,094	▼	-9.34%

	2016	2017	2018
Average no. of employees	1,544	1,672	1,661

The participation of the consolidation companies in the indicators of the Statement of Financial Position is presented in the table below:

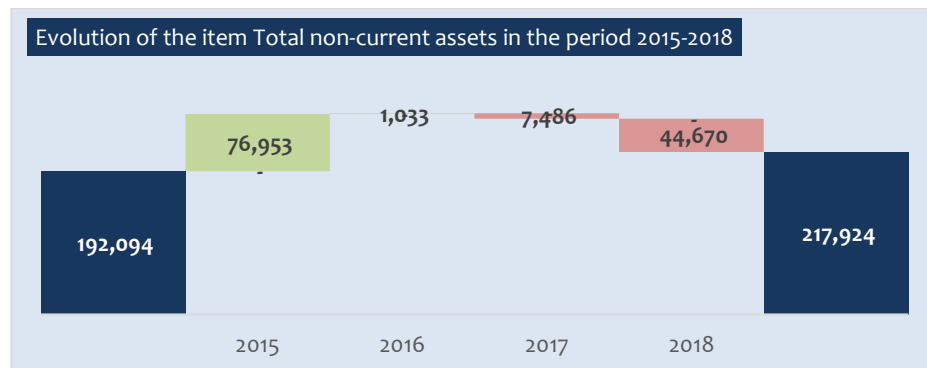
Company	Non-current assets	Current assets	Non-current liabilities	Current liabilities
Romcarbon SA	170,409	82,932	46,982	69,168
LivingJumbo Industry SA	41,987	27,766	26,743	44,678
RC Energo Install SRL	486	7,884	2	4,938
InfoTech Solutions SRL	84	288	24	237
Grinfild Ucraina	4,427	-866	0	5
Grinruh Ucraina	1,186	1,008	0	7
Recyclat Limited Cipru	20,608	17	0	7
Romcarbon Deutschland GmbH	0	9	3	27
Eco Pack Management SA	158	182	0	1,167
Project Advice SRL	0	224	0	126
Ajustari consolidate	-21,420	-25,809	73,753	-25,120
Total	217,925	93,635	147,506	95,240

ASSETS



NON-CURRENT ASSETS

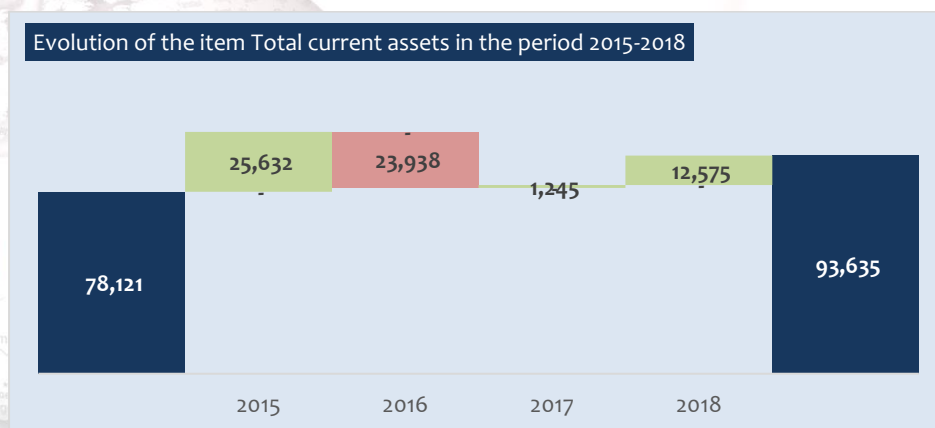
Non-current assets account for 69.95% of total assets, registering an increase of lei 44,670 thousand, namely 17.01% as compared to the beginning of the year.



Non-current assets (NCA)	31.12.2018	% in total NCA	% in total Assets	31.12.18 vs. 31.12.17
Property, plant and equipment	172,357	79.09%	55.32%	-6.03%
Investment property	18,034	8.28%	5.79%	-63.83%
Goodwill (conso)	143	0.07%	0.05%	0.00%
Other intangible assets	90	0.04%	0.03%	-60.35%
Investments in associates	27,103	12.44%	8.70%	-5.74%
Other non current financial assets	197	0.09%	0.06%	0.00%
Total non-currents	217,924	100.00%	69.95%	-17.01%

CURRENT ASSETS

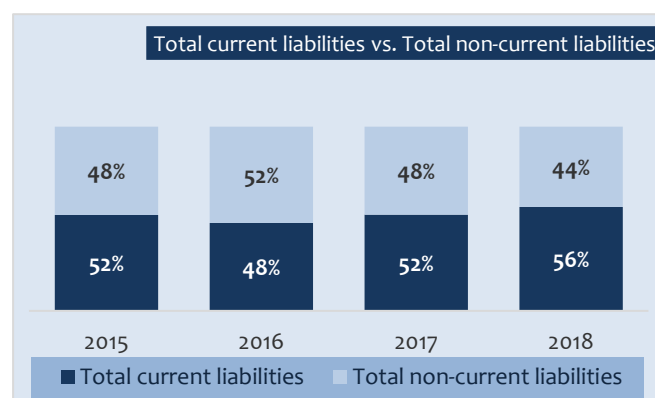
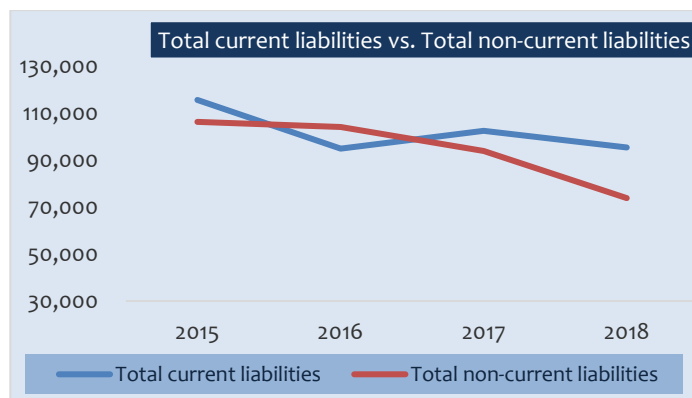
Current assets account for 30.05% of total assets, registering an increase of lei 12,575 thousand, namely 15.51% as compared to the beginning of the year.



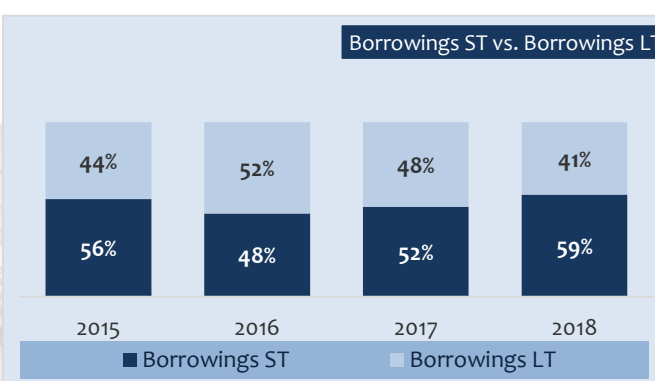
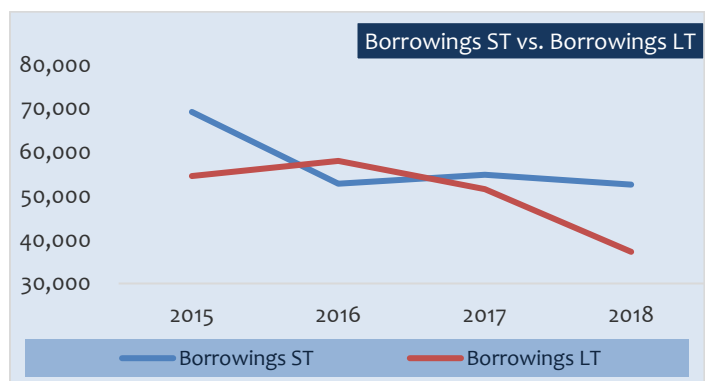
Current assets	31.12.2018	% in total Current assets	% in Total Assets	31.12.18 vs. 31.12.17
Inventories	36,548	39.03%	11.73%	-4.41%
Assets classified as held for sale	16,000	17.09%	5.14%	-
Trade and other receivables	30,295	32.35%	9.72%	-16.40%
Other current assets	1,001	1.07%	0.32%	69.37%
Cash and bank balances	9,791	10.46%	3.14%	63.26%
Total	93,635	100.00%	30.05%	15.51%

LIABILITIES

Total liabilities of the Group account for 54.24% of total Capital and payables, registering a decrease of lei 27,216 thousand, namely 13.87% as compared to the beginning of the year.



Borrowings



Short-term bank loans are broken down as follows:

Company	Type	31.12.2016	31.12.2017	31.12.2018
LivingJumbo Industry SA	Investment loan in Euro - BRD	0	186	187
LivingJumbo Industry SA	Credit line in Euro - BRD	4,087	8,853	8,417
LivingJumbo Industry SA	Investment loan in euro - CCE 2015 project - UniCredit Bank SA	2,553	3,144	3,147
LivingJumbo Industry SA	Investment loan in euro [2015] -UniCredit Bank SA	328	404	405
LivingJumbo Industry SA	Investment loan in Euro - BRD [II]	488	502	502
Romcarbon SA	Credit line in Euro - BRD	11,061	10,979	11,644
Romcarbon SA	Credit line in Euro - UniCredit Tiriatic Bank SA	15,489	21,828	20,447
Romcarbon SA	Credit line in Euro - UniCredit Tiriatic Bank SA	10,442	0	0
Romcarbon SA	Investment loan in Euro - BRD [I]	2,386	408	0
Romcarbon SA	Investment loan in Euro - BRD [II]	331	582	583
Romcarbon SA	Investment loan in Euro - BRD [III]	2,046	2,099	736
Romcarbon SA	Investment loan in Euro - Proiect CCE 2015 - UniCredit Bank SA	978	2,027	2,029
Romcarbon SA	Investment loan in Euro- UniCredit [I]	402	500	500
Romcarbon SA	Investment loan in Euro - UniCredit [II]	156	306	306
Romcarbon SA	Investment loan in Euro - UniCredit [III]	0	527	527
Romcarbon SA	Investment loan in Euro - UniCredit [IV]	1,023	1,078	1,078

Company	Type	31.12.2016	31.12.2017	31.12.2018
Romcarbon SA	Investment loan in Euro - UniCredit [V]	0	369	532
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	0	531
Total		52,794	54,816	52,593

Long-term bank loans are broken down as follows:

Company	Type	31.12.2016	31.12.2017	31.12.2018
LivingJumbo Industry SA	Investment loan in euro-BRD [I]	49	97	31
LivingJumbo Industry SA	Investment loan in euro-BRD [II]	2,043	1,797	1,297
LivingJumbo Industry SA	Investment loan in euro [2015]-UniCredit Bank SA	17,999	15,325	12,192
LivingJumbo Industry SA	Investment loan in euro - Proiect CCE 2015 - UniCredit Bank SA	1,814	1,458	1,054
Romcarbon SA	Investment loan in euro-BRD [I]	398	0	0
Romcarbon SA	Investment loan in euro-BRD [II]	2,743	2,232	1,651
Romcarbon SA	Investment loan in euro-BRD [III]	8,353	6,472	1,533
Romcarbon SA	Investment loan in euro-UniCredit [I]	2,789	2,290	1,790
Romcarbon SA	Investment loan in euro-UniCredit [II]	627	842	536
Romcarbon SA	Investment loan in euro-UniCredit [III]	0	1,448	922
Romcarbon SA	Investment loan in euro-UniCredit [IV]	4,091	3,234	2,156
Romcarbon SA	Investment loan in euro-UniCredit [V]	0	1,200	1,241
Romcarbon SA	Investment loan in lei I - Eximbank SA	4,607	3,583	2,559
Romcarbon SA	Investment loan in lei II - Eximbank SA	0	906	1,592
Romcarbon SA	Investment loan in euro - Proiect CCE 2015 - UniCredit Bank SA	12,497	10,705	8,686
Total		58,009	51,589	37,241

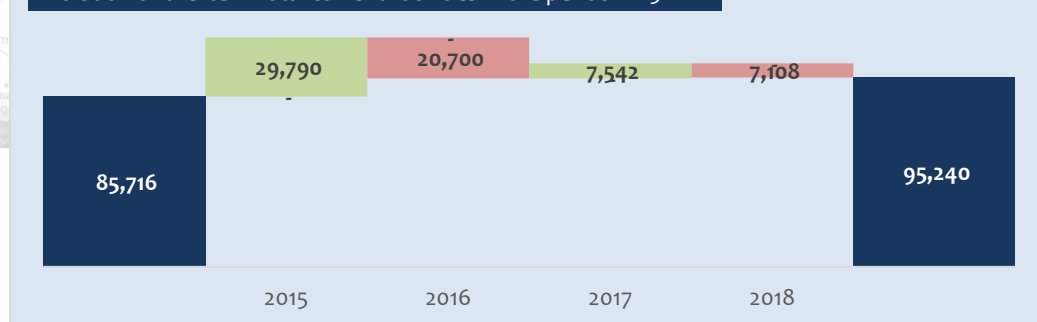
The installments whose due date is less than 1 year, related to investment loans, were classified as short-term payables.

The bank loans were secured by movable and immovable mortgages over buildings and land, equipment and machinery, inventories, by assignment of receivables and by assignments of the cash in banks.

CURRENT LIABILITIES

The current liabilities of the Group, accounting for 56.37% of Total Liabilities and 30.58% of Total Equity and Liabilities, registered a decrease of LEI 7,108 thousand compared to December 31, 2017, namely 6.94%.

Evolution of the item Total current liabilities in the period 2015-2018



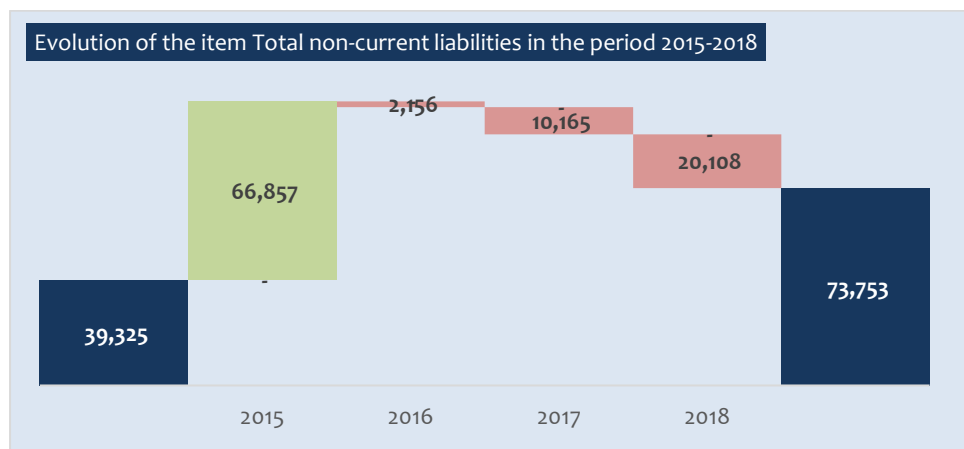
Current liabilities	31/12/2018	% in total liabilities	% in Total current liabilities	% in Total Liabilities and Equity	31.12.18 vs. 31.12.17
Trade and other payables	34,353	20.33%	36.07%	11.03%	-11.16%
Borrowings ST	52,593	31.12%	55.22%	16.88%	-4.06%
Short term finance leases and other interest bearing obligations	14	0.01%	0.01%	0.00%	-83.91%
Deferred revenue	3,998	2.37%	4.20%	1.28%	-1.48%
Other current liabilities	4,282	2.53%	4.50%	1.37%	-9.22%
Total	95,240	56.36%	100.00%	30.57%	-6.94%

NON-CURRENT

Non-current payables

account for 23.67% in Total equity and payables, decreasing by LEI 20,108 thousand, namely 21.42% compared to the beginning of the year.

Evolution of the item Total non-current liabilities in the period 2015-2018

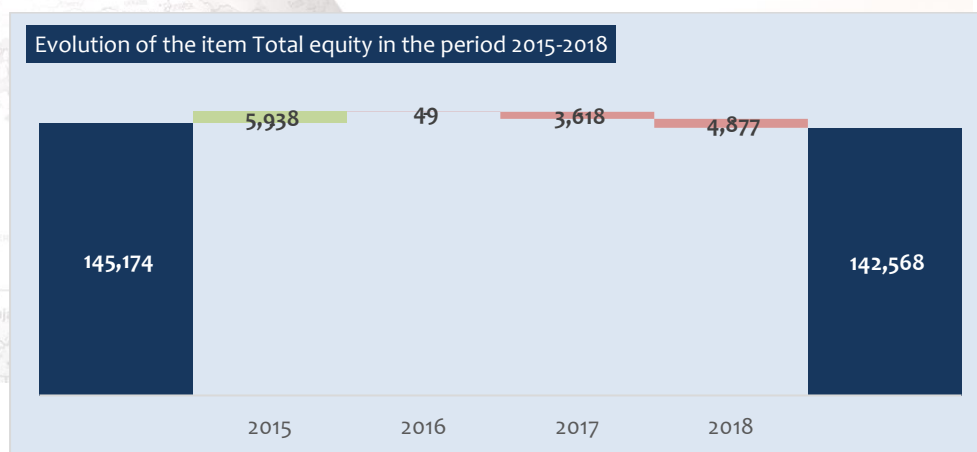


Non-current liabilities	31/12/2018	% in total liabilities	% in Total current liabilities	% in Total Liabilities and Equity	31.12.18 vs. 31.12.17
Borrowings LT	37,241	22.04%	50.49%	11.95%	-27.81%
Long term finance leases and other interest bearing obligations	24	0.01%	0.03%	0.01%	#DIV/0!
Deferred tax liabilities	8,902	5.27%	12.07%	2.86%	-17.25%
Non-current provisions	285	0.17%	0.39%	0.09%	7.95%
Deferred income	27,301	16.16%	37.02%	8.76%	-12.64%
Total	73,753	43.64%	100.00%	23.67%	-21.42%

EQUITY

EQUITY accounts for 45.76% of Total Equity and Liabilities, registering a decrease by LEI 4,877 thousand, namely 3.31% compared to the beginning of the year.

Evolution of the item Total equity in the period 2015-2018



Equity	31.12.2018	31.12.18 vs. 31.12.17
Issued capital	26,412	0.00%
Share premium	2,182	0.00%
Reserves	38,677	1.06%
Retained earnings	74,357	-6.55%
Total	142,568	-3.31%

B.) STATEMENT OF THE COMPREHENSIVE ITEMS

	2016	2017	2018	2018 vs.2017	
Income	238,236	251,993	257,709	▲	5,716 2%
Other income	3,889	3,987	3,982	▼	-5 0%
Investment income	1,989	2,430	2,312	▼	-118 -5%
Other gains or losses	-1,386	126	3,304	▲	3,178 2522%
Changes in finished products and production in progress	4,183	5,600	1,347	▼	-4,253 -76%
Raw materials and consumables used	-147,840	-166,870	-165,723	▼	1,147 -1%
Depreciation and amortization expense	-14,851	-16,226	-17,112	▲	-886 5%
Employee salaries and social security	-51,191	-61,681	-64,806	▲	-3,125 5%
Finance costs	-3,060	-2,607	-2,925	▲	-318 12%
Other expenses	-30,318	-18,550	-21,049	▲	-2,499 13%
Share of profit / loss of associates	3,904	1,457	-1,344	▼	-2,801 -192%
Profit / (loss) before taxation	3,555	-341	-4,305	▲	-3,964 1162%
Income tax expense	-270	-1,224	189	▼	1,413 -115%
Profit / (loss) for the year from operations	3,285	-1,563	-4,116	▲	-2,553 163%
Owners of the parent	3,464	-1,492	-4,089	▲	-2,597 174%
Non-controlling interests	-178	-74	-28	▼	46 -62%
Profit / (loss) for the year	3,286	-1,566	-4,117	▲	-2,551 163%
Exchange differences on translating foreign operations	586	-76	-65	▼	11 -14%
Adjustment of deferred tax for fiscally non-deductible revaluation reserves	0	0	1,276	▲	1,276 n/a
Comprehensive income of the year, attributable to:	3,872	-1,642	-2,906	▲	-1,264 77%
Owners of the parent	4,050	-1,568	-2,837	▲	-1,269 81%
Non-controlling interests	-178	-74	-69	▼	5 -7%

C.) INCOME

The contribution of the consolidated companies in Total Income in the reporting period is presented in the table below:

Company	12 M 2016 [KRON]	% in total	12 M 2017 [KRON]	% in total	12 M 2018 [KRON]	% in total	2018 vs.2017
Romcarbon SA	178,719	66.46%	195,141	67.39%	198,461	67.06%	1.70%
LivingJumbo Industry SA	64,337	23.92%	82,571	28.52%	87,293	29.50%	5.72%
RC Energo Install SRL	10,878	4.05%	10,458	3.61%	8,606	2.91%	-17.70%
Eco Pack Management SA	59	0.02%	3	0.00%	2	0.00%	-21.11%
Info Tech Solutions SRL	1,728	0.64%	1,269	0.44%	1,583	0.53%	24.77%
Taipei Cimeo SRL		0.00%		0.00%	-	0.00%	
Next Eco Reciclyng SA	13,206	4.91%		0.00%	-	0.00%	
Romcarbon Deutschland GmbH		0.00%		0.00%	-	0.00%	
Project Advice SRL			119				
Total, out of which:	268,928	100.00%	289,560	99.96%	295,953	100.00%	2.21%
Within the Group	30,692	11.41%	37,567	12.97%	38,244	12.92%	1.80%
Outside the group	238,236	88.59%	251,993	87.03%	257,709	87.08%	2.27%

In the reporting period the indicator "Income", by constitutive elements, is presented below:

Structura of the item "Income"	12 M 2016	% in total	12 M 2017	% in total	12 M 2018	% in total	2018 vs.2017
Income from sales of finished products	165,530	69%	201,488	80%	215,451	84%	6.93%
Income from sales of semi-finished products	14,343	6%	15,941	6%	14,532	6%	-8.83%
Income from sale of residual products	10	0%	64	0%	378	0%	490.10%
Sales from supplies of services	18,245	8%	7,160	3%	3,691	1%	-48.46%
Income from sale of commodities	39,169	16%	26,633	11%	23,047	9%	-13.47%
Income from other activities	940	0%	706	0%	610	0%	-13.54%
Total	238,236	100%	251,993	100%	257,709	100%	2.27%

D.) FINANCIAL RATIOS

Indicator	Formula	2016	2017	2018
EBIT	Gross profit + interest expenses	6,212	1,997	(1,787)
EBITDA	EBIT + amortization – income from subsidiaries	17,175	14,237	10,586
Turnover	Net sales + Income from rentals	240,212	254,397	260,016
EBITDA in total sales	EBITDA/Turnover	7.15%	5.60%	4.07%
EBITDA in equity	EBITDA/Equity	11.36%	9.42%	9.99%
Gross profit	Gross profit /turnover	1.48%	-0.13%	-1.66%
Current liquidity ratio	Current assets/current liabilities	0.88	0.84	0.98
Immediate liquidity ratio (acid test)	(Current assets -Inventories)/Current liabilities	0.56	0.45	0.60
Gearing ratio (1)	Long-term liabilities/Equity	69%	64%	52%
Gearing ratio (2)	Total liabilities/Total assets	57%	57%	54%
Interest coverage ratio	EBIT/Interest expenses	2.34	0.85	(0.71)
Turnover of trade receivables	Average balance of trade receivables /Turnover	65	47	46
Turnover of trade liabilities	Average balance of trade liabilities /Turnover	53	51	51
Return on assets (ROA)	Net result /Total assets	0.9295%	-0.4467%	-1.3211%
Return on equity (ROE)	Net result/Equity	2.1728%	-1.0347%	-2.8870%
Return on sales (ROS)	Net result/Turnover	1.3675%	-0.6144%	-1.5830%

E.) STATEMENT OF CASH FLOW

Consolidated statement of cash flows for the reporting period is expressed in thousand lei as follows:

	2016	2017	2018
Net cash generated by operating activities	6,292	12,227	9,438
Net cash used in investing activities	4,611	-10,257	12,983
Net cash generated by financing activities	-16,373	-7,517	-18,627
Net increase in cash and cash equivalents	-5,470	-5,547	3,794
Cash and cash equivalents at the beginning of the year	17,014	11,544	5,997
Effect of exchange rate on the foreign currency cash balance	0	0	0
Cash inflows from acquisition of new subsidiaries	0	0	0
Cash and cash equivalents at the end of the year	11,544	5,997	9,791

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 internal 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.

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

Given the international climate, where the financial crisis has affected in recent years the markets where the Group operates, in 2018 the Group managed to obtain a turnover of lei 260,016 thousand, and for 2019 it sets itself to maintain a growing trend by 5-15% as compared to last year. However, the Group's management cannot predict the changes that may occur on domestic and foreign markets or the effects thereof on its financial statement, operating results and cash flows.

NON-FINANCIAL DECLARATION

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 71% and 19% 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 2018 are as follows: Romcarbon SA (71%), Livingjumbo Industry SA (19%), 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 2018 was as follows:

- plastics processing (polyethylene, polystyrene, polypropylene, PET, PVC): 75% (71% in 2017);
- recycling of plastic products: 13% (13% in 2017);
- other productive activities (production of filters for motor vehicles and industrial filters, production of respiratory protection masks): 2% (3% in 2017);
- other activities: 10% (14% in 2017).

The distribution of assets by field of activity in 2018 was the following:

- plastic processing (polyethylene, polystyrene, polypropylene, PET, PVC): 44% (42% in 2017);
- recycling of plastic products: 29% (26% in 2017);
- other productive activities (production of filters for cars and industrial filters, production of masks for respiratory protection): 1% (1% in 2017);
- other activities: 26% (30% in 2017).

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). Respecting the right to information of each shareholder;

Customers and Suppliers

- requirements stipulated by the contracts 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 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 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 2018 are:

- 1. Increase in turnover by at least 27% through:**
 - achieving and overcoming the budget sales program;
 - ensuring the ongoing payment of receivables ;
 - carrying out the investment plan;
- 2. Maintaining the value of operating profitability by 185%**
- 3. Increasing annual labor productivity by 19%**
- 4. Increasing customer satisfaction by:**
 - increasing the level of use of customer feedback;
 - reducing the number of complaints by 30%;
 - reducing delivery bounce rate by 2%;
- 5. Ensuring skills growth through training and development opportunities for all staff**
 - ensuring human resources appropriate to the activity.

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 2018, the indicators reached the established performance values with a total customer satisfaction of 91.3% for ROMCARBON and 95.8% for LIVINGJUMBO INDUSTRY.

	2016	2017	2018
Number of complaints	74	62	59

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;
- 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);
- 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.

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; 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 2018, 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;
- *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, regranulating 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; 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 2018, the number of work-related accidents decreased by 63% compared to the previous year

	2016	2017	2018
Number of labour accidents	3	8	3

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, 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 2018, 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
Proposed matters	187	245
Accomplished matters	168	226
Achievement (%)	90%	92%

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
Total number of staff, of which:	1,728	1,626
Men	769	721
Women	959	905
<i>% women out of total staff</i>	<i>55%</i>	<i>56%</i>
Number of execution staff, of which:	641	606
Men	209	197
Women	432	409
<i>% women out of total execution staff</i>	<i>67%</i>	<i>67%</i>
Number of management staff, of which:	56	51
Men	15	16
Women	41	35
<i>% women out of total management staff</i>	<i>73%</i>	<i>69%</i>

From this statistic we can see that the share of women in total management positions is higher than the share of women in the total number of staff in the two organizations of the Group.

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		
	2016	2017	2018
Total number of staff	1,628	1,728	1,626
Staff increase compared to previous year	177	100	-102
No. of leavers	301	342	386
% out of total number of staff	18%	20%	24%
No. of new hires	497	451	302
% out of total number of staff	31%	26%	19%
No. of hires/leavers	165%	132%	78%

Assessment of the efficiency of recruitments

Description	Number of staff		
	2016	2017	2018
No. of interviewees	1,155	981	760
No. of individuals selected for employment	497	451	305
Achievement rate (hires/interviewees)	43%	46%	40%

Disaggregation of staff by sex, age and job

		Total, of which:	Processing of plastics	Waste recycling	Other production departments	Support departments
18 -24 years	Men	88	71	15	0	2
	Women	48	46	2	0	0
25 - 34 years	Men	119	85	14	3	17
	Women	146	125	6	1	14
35 - 44 years	Men	165	109	24	3	29
	Women	272	233	14	0	25
45 - 54 years	Men	243	142	36	20	45
	Women	366	299	20	5	42
Over 55 years	Men	105	55	12	22	16
	Women	74	42	4	7	21
Total	Men	720	462	101	48	109
	Women	906	745	46	13	102
	Total	1,626	1,207	147	61	211

Disaggregation of staff by sex and age

Age	Total, din care:	%	men	%	women	%
18 -24 years	136	8%	88	12%	48	5%
25 - 34 years	265	16%	119	17%	146	16%
35 - 44 years	437	27%	165	23%	272	30%
45 - 54 years	609	37%	243	34%	366	40%
Over 55 years	179	11%	105	15%	74	8%
Total	1.626	100%	720	100%	906	100%

Disaggregation of staff by sex and seniority

Seniority	Total, of which:	%	Men	%	Women	%
Less than 3 years	261	16%	145	20%	116	13%
3 -5 years	293	18%	126	17%	167	18%
5 - 10 years	269	17%	87	12%	182	20%
10 - 15 years	256	16%	86	12%	170	19%
15 - 20 years	136	8%	49	7%	87	10%
20 - 25 years	84	5%	44	6%	40	4%
More than 25 years	327	20%	186	26%	141	16%
Total	1,626	100%	723	100%	903	100%

Disaggregation of staff by sex, seniority and field of activity:

Range	Gender	Total, of which:	Processing of plastics	Waste recycling	Other production departments	Support departments
Less than 3 years	Men	145	106	20	1	18
	Women	116	98	12	0	6
3 -5 years	Men	126	107	10	1	8
	Women	167	157	4	0	6
5 - 10 years	Men	87	58	12	4	13
	Women	182	161	12	0	9
10 - 15 years	Men	86	61	12	2	11
	Women	170	159	1	1	9
15 - 20 years	Men	49	31	6	0	12
	Women	87	64	5	0	18
20 - 25 years	Men	44	17	20	2	5
	Women	40	29	5	0	6
More than 25 years	Men	186	85	21	38	42
	Women	141	74	7	12	48
Total	Men	723	465	101	48	109
	Women	903	742	46	13	102
	Total	1,626	1,207	147	61	211

Staff distribution by COR structure

	Men	Women	Total
Senior management and officers	65	28	93
Specialists in various fields of activity	23	34	57
Technicians and other technical specialists	16	52	68
Administrative clerks	10	38	48
Services workers	10	1	11
Qualified workers in agriculture, forestry and fishery qualified and similar workers	1	0	1
Operators of installations and machinery; machine and equipment assembler	173	246	419
Unqualified workers	147	105	252
	276	401	677
Total	721	905	1,626

Average monthly salary by sex and field of activity

	Processing of plastics	Waste recycling	Other production departments	Support departments
Men	2,634	2,459	2,689	2,697
Women	2,472	2,610	2,509	3,204

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.

Signalling 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 specialisation/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 labour, 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.

For signatures, please refer to the original Romanian version.

**HUANG LIANG NENG,
ADMINISTRATOR**

**VIORICA ZAINESCU,
CHIEF FINANCIAL OFFICER**

**ANDREI RADU,
CHIEF EXECUTIVE OFFICER**

ROMCARBON SA

Buzau, 132 Transilvaniei street

Postal code 120012

Phone : +40(0)238 711 155

Fax: +40(0)238 710 697

www.romcarbon.com

investor.relations@romcarbon.com