



# S.C. ROMCARBON S.A.



**Report: Annual Report according to the CNVM Regulation no.1/2006**

**Reporting date: 29/30.04.2016**

**Financial year ended 31 December 2015**

**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.**

## 1.THE 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 significant merger or reorganization of the Company during the year ended.

**1.1.d)** The inputs of “Property, plant and equipment” during 2015 are presented in the table below :

<u>Type</u>	<u>Value</u>
Plants	831,866 lei
Equipment and Machineries	35,967,335 lei
Controlling device	330,900 lei
Vehicles	738,565 lei
Furniture	97,884 lei
<b>TOTAL</b>	<b>37,966,549 lei</b>

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

Item	Entry Value	Profit Center
2 Regranulating lines	11,926,170 lei	CP7 - Compounds
Line for sorting, washing and grinding the scraps	5,721,599 lei	CP7 - Compounds
Film extruder	3,899,368 lei	CP3 - PE
Thermoforming line	3,891,160 lei	CP5 - PSE
Machinery for manufacturing bags	1,931,278 lei	CP3 - PE
Equipment for water plant	1,383,800 lei	CP7 - Compounds
Echipment for scraps pre-sorting	1,257,974 lei	CP7 - Compounds
5 Film extruders	4,348,996 lei	CP3 - PE

The outputs of tangible assets from the company in 2015 are shown in the table below:

Assets	Dismantle/casasion
Plants	22,711 lei
Equipment and Machineries	63,642 lei
<b>Total</b>	<b>86,353 lei</b>

1.1.1 General Assesment items :

a)	Net Profit/Loss	6,391,913 lei
b)	Turnover	179,235,483 lei
c)	Export	29,101,011 lei
d)	Total Expences	188,092,361 lei

e) Market share (%) in Romania:

Group		% domestic market (estimation)
Car filters	~CP1	3%
Active carbon	~CP2	3%
Protective materials	~CP2	32%
PE product	~CP3	5%
PVC pipes	~CP4	0.5%
PS products	~CP5	8%
PP products	~CP6	16%

f) Cash and cash equivalent : 12,888,836 lei

**1.1.2 The assessment of the tehcnical level of the company**

SC Romcarbon S.A. Buzau activity profile is to manufacture 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.

In 2015, 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 wih 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 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 – 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 – 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;

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

<b>Grupa de produse</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
CP1~ Auto and industrial filters,	3.64%	2.62%	2.60%
CP2~ Respiratory protective equipment and Active Carbon	1.65%	1.70%	1.39%
CP3~ Polyethylene products	12.17%	11.81%	10.49%
CP4~ PVC products	0.16%	0.15%	0.14%
CP5~ Polystyrene products	13.92%	16.54%	16.99%
CP6~ Polypropylene products	25.56%	23.49%	21.93%
CP7~Compounds	2.66%	5.10%	7.19%
<b>TOTAL</b>	<b>59.76%</b>	<b>61.40%</b>	<b>60.73%</b>

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

### **New product developed in 2015**

In 2015 was enlarged the range of industrial filters with 6 new items. Also 10 new air filters and 9 cabin filters entered in production. In 2015 it were developed 3 railway filters and one for military equipment.

In CP7- Compounds were developed 14 new receipts of compounds manufactured from recycled plastic, one of these compounds was developed for Renault and its subcontractors.

The development activity was focused both on developing new products and new production technologies and on improving the existing technologies. An investment project in CP7 - Compounds and CP3- Polyethylene products was co-financed by EU. The eligible cost of this project was around 6.5 MEUR. The project was focused on:

1. Tehnological upgrade of the Compound section by using new recycling technologies for scraps resulting from big-bags, PP bags, PE foil, PP and PE wrappings;
2. Tehnological upgrade of PE section by enlarging the range of products resulted from PE regranulated and PE virgin granules.

The investment project consisted in acquisition and installation of the following equipment:

- Line for sorting, washing, grinding the scraps resulting from PP/PE products;
- Equipment for wastage water treatment and building arrangements;
- 2 regranulated lines;
- Laboratory equipment;
- 6 co-extruding lines and an automatic machine for manufacturing garbage bags;

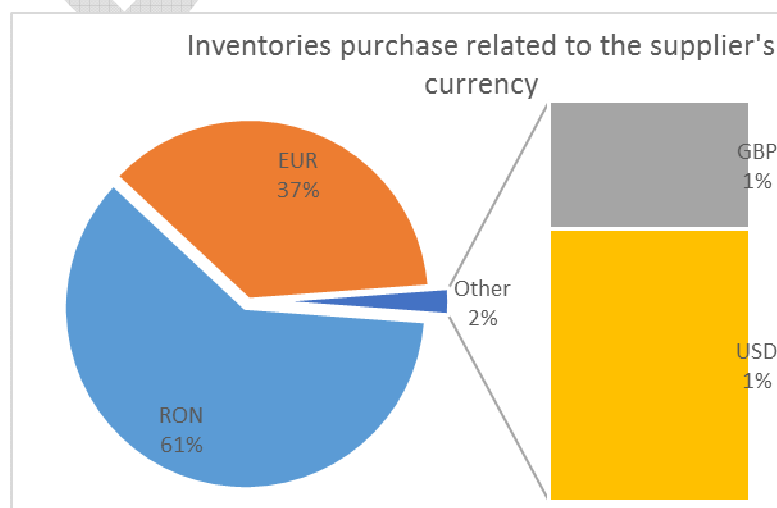
### 1.1.3. The assessment of procurement activity (domestic and import)

The raw materials and materials were purchased in 2015 in a share of 39% from the foreign markets and 61% from the domestic market.

The collaboration with these suppliers is based on the contracts signed with them or on supplying orders. The largest share (66%) in the total value of acquisitions of raw materials have polymer granules (polypropylene, polyethylene, polystyrene), which are provided by companies that we have developed strong partnerships during last years.

For other types of raw materials and materials the suppliers portfolio is splited into Romanian distributors of foreign manufacturers and foreign companies.

For each type of raw material exists a supplier database and the company constantly compares at least three offers. In certain situations the company organize an open auction for purchasing the materials required by the production activity. Related to the supplier's currency in 2015 the acquisitions of raw materials and materials had the following structure:



### 1.1.4. The assessment of the selling activity

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

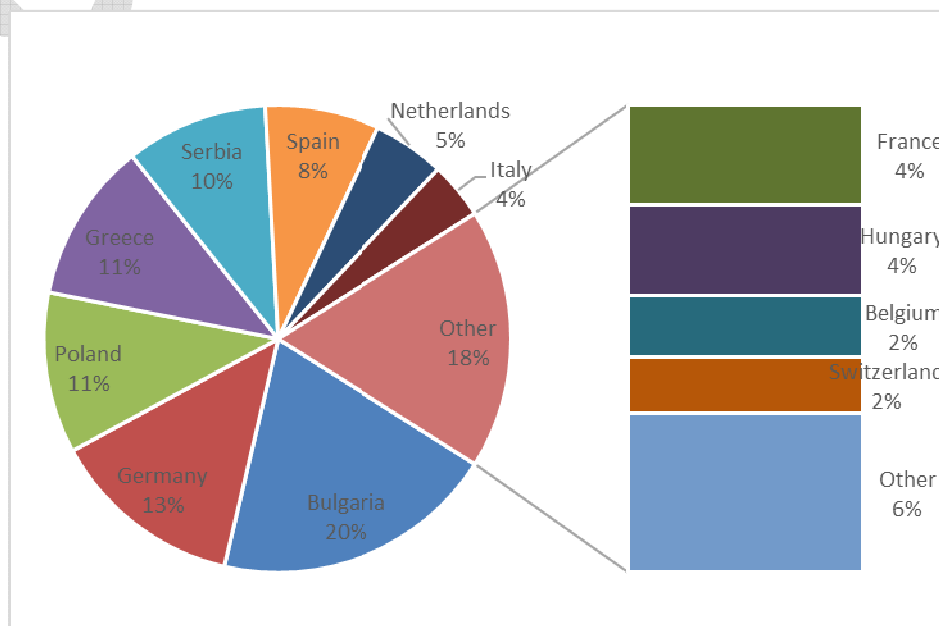
Group of products	2013		2014		2015		2015 vs. 2014
	Sales	% in total	Sales	% in total	Sales	% in total	
CP1~ Auto and industrial filters,	5,180,012	6.09%	4,205,621	4.27%	4,655,408	4.28%	▲ 10.69%
CP2~ Respiratory protective equipment and active carbon	2,344,419	2.75%	2,730,701	2.77%	2,492,717	2.29%	▼ -8.72%
CP3~ Polyethylene products	17,337,902	20.37%	18,945,893	19.23%	18,800,848	17.27%	▼ -0.77%
CP4~ PVC products	230,309	0.27%	236,542	0.24%	252,613	0.23%	▲ 6.79%
CP5~ Polystyrene products	19,829,284	23.30%	26,536,242	26.94%	30,460,257	27.98%	▲ 14.79%
CP6~ Polypropylene products	36,398,513	42.77%	37,683,735	38.25%	39,301,193	36.10%	▲ 4.29%
CP7~Compounds	3,782,286	4.44%	8,176,591	8.30%	12,890,948	11.84%	▲ 57.66%
<b>TOTAL</b>	<b>85,102,725</b>	<b>100.00%</b>	<b>98,515,325</b>	<b>100.00%</b>	<b>108,853,984</b>	<b>100.00%</b>	<b>▲ 10.49%</b>

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

Sales	2013		2014		2015	
	Valoare	%	Valoare	%	Valoare	%
Domestic	65,585,236	75.20%	75,646,136	77.07%	80,283,409	73.75%
Foreign	19,517,489	24.80%	22,869,188	22.93%	28,570,575	26.25%
<b>Total</b>	<b>85,102,725</b>	<b>100.00%</b>	<b>98,515,325</b>	<b>100.00%</b>	<b>108,853,984</b>	<b>100.00%</b>

Structure of turnover resulting from the sale of finished products in 2015 based on foreign sales markets is presented below .

Country	Exports (Lei)
Bulgaria	5,629,939
Germany	3,815,612
Poland	3,182,346
Greece	3,165,038
Serbia	2,809,163
Spain	2,275,949
Netherlands	1,427,667
Italy	1,124,147
France	1,096,349
Hungary	1,002,570
Belgium	675,844
Switzerland	615,730
Other	1,750,222
<b>Total</b>	<b>28,570,575</b>



#### 1) **AUTO AND INDUSTRIAL FILTERS**

##### a) **The Market**

The main market is the domestic one with a share of 80%, while the exports contributes with 20% of sales. 52% of filters sales consist in industrial, agricultural, vacuum cleaner, railway and ships filters, while the sales



of automotive filters represent 48% of total sales.

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.

Medium and long term perspectives :

- Increasing the sales of automotive filters for all the brands of vehicles manufactured in Romania, both through the major auto parts selling networks and through actual distributors of Romcarbon brands;
- Increasing the sales of automotive filters for the vehicles imported on Romanian market;
- Increasing the sales of auto filters by potential collaborations with retail companies that sell products under their own brands;
- Identifying the market requirements and answering them by manufacturing new types of industrial filters for motors locomotives, railcars, ships and boats, filters for agricultural machines, vacuum cleaners, s.o.

b) **Competition**, in terms of the 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 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, namely very low price.

## 2) **ACTIVE CARBON AND RESPIRATORY PROTECTIVE EQUIPMENTS:**

a) **Market:**

SC ROMCARBON SA Buzau is the unique producer of active carbon and individual and collective protective equipments.

In 2015 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 filtration 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 firms and to some online-stores.

### **Medium and long-term prospects**

Given the insolvency of large companies, reducing the activity of most companies and closing other companies, it isn't expected an increase of sales in the next period on the active carbon and respiratory protective equipments.

The insufficient budget of Romanian Army for acquisitions (80 % of costs were for personnel and only 20 % for investments) and drastic reduction of workforce up to 85000 soldiers don't give us encouraging perspectives for the sale of military protective equipments.

Mining activity has decreased in recent years. Our client Energy Complex Hunedoara became insolvent in January 2016 and the 6300 employees from coal mines Lupeni, Lonea, Livezeni and the thermal power stations Mintia and Paroseni will interrupt temporary their work, by rotation. There are no perspectives to change this.

Our attempts for searching companies specializing in wastewater treatment, in greening pits, in retaining pollutants from incinerators and in biogas purification have been a successful for a relatively short period. Meanwhile some performant technologies appeared and they use active carbon no longer.

b) **Competition**

Our main competitors are some distributors of equivalent products made 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: 85% on domestic market and 15% 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 2015 the sales of Polyethylene products were almost at the same level as in 2014.

#### **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, following the new equipment installed at the begging of 2016.

### **4) RECYCLED PVC SUPPORTS FOR ROAD SIGNS**

#### **The market**

In 2015, the sales of recycled PVC supports for road signs focused entirely on domestic market where they were sold with 35% more than in 2014 due to the newly opened road infrastructure works in the country.

### **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 pannels / XPS PANNELS 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 2015 was of 76% on domestic market and 24% on foreign market. The share of export sales registered an increase of 36% compared to 2014, especially in the markets of Bulgaria, the Czech Republic, Hungary and Croatia. The main markets: Bulgaria, Serbia, Czech Republic, Hungary, Croatia, Israel.

#### **b) Competition**

The main competitors for polystyrene packaging are: British Foam Group - local producer, and other European manufacturers such as Linpac, Sirapgema, Coopbox.

For boards, the main competitors are manufacturers in Poland (DECORA,VTM) and Germany (SELITAC).

### **6) POLYPROPYLENE PRODUCTS**

#### **a) The market**

Market Profile is represented by the market of packaging plastics.

In 2015 it remained about the same structure in terms of geographic market: 65% domestic market and 35% foreign market, given that the total turnover increased by 4% in value terms compared to the one recorded in 2014.

##### **a.1) Domestic market**

S.C. ROMCARBON S.A. is leading the market for small bags of polypropylene in Romania, with most of their production capacity.

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. SC ROMCARBON holds, according to data from NIS, approximately 16% of the local market.

#### **a.2) External market**

We have no data to help us to determine 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 etc.

#### **b) Competition.**

On the domestic market polypropylene packaging we meet with two major manufacturers and the other importers of several small bags of polypropylene.

The price is formed on the basis of supply and demand continually monitoring both the customer satisfaction and maintaining a margin of profitability.

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

### **7) COMPOUNDS**

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 10,000 tons/ year.

The product range consists of two main categories:

- Plastics made compounds of virgin polymers

At this time, similar products 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)

For future aims diversification of products range made of compounds based on technical polymers (ABS, PC, PBT etc.)

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

The potential of this market segment is determined by the presence in Romania of two major automobile companies, Dacia Renault and Ford, and consequently their subcontractors that provide various plastic injection molded parts. Also in the electrics and appliances field in Romania are present or have announced investments in production capacity names well known in the field. With some of them have already started testing and approval procedures.

- Compounds and re-granulated recycled polymers.

Recycled polymers represent a cost saving alternative to virgin raw materials. Depending on the purity of the material, Romcarbon installed 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, etc.).

Since the end of 2015, following the new equipment installation – the washing lines and the extruders – it were developed new Polypropylene and Polyethylene products which will have a consistent part in the increase of 2016 profit center's turnover.

At this time, similar products in this subcategory are:



- Polypropylene regranulated.
- Polypropylene reinforced with calcium carbonate regranulated-;
- Polypropylene reinforced with talc regranulated;
- Polystyrene regranulated different colors;
- ABS (Acrylo-Butadien-Stiren) regranulated;
- High and low density Polyethylene regranulated;

The 2015 sales were distributed as follows : 70% on the domestic market and 30% on foreign markets.

**a) Competition**

For virgin made compounds competition is mainly represented by imports, but there are small local production capacities.

For materials of recycled polymers for product segments with no special features competition is represented by local manufacturers of regranulated. But for recycled materials reinforced with various additives, competition is represented by foreign manufacturers.

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

The number of SC Romcarbon SA employees at 31.12.2015 was 862, grouped according to the level of education as follows:

Number of staff, total, of which:	<b>862</b>
• higher education	115
• post-secondary school	12
• technical school for foreman	12
• secondary education	379
• vocational school	196
• occupational qualification	66
• school	82

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

Each employee is directly subordinate to its manager in direct line. The chiefs are responsible for the legality and validity of the dispositions given, and the consequences of these dispositions.

There were no conflicts in relationships between managers and employees.

The employees are not organized in a trade union structure.

**1.1.6 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. 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 airway - SRAC certificate.;

Within SC ROMCARBON are identified all actual and potential environmental issues, positive and negative, including indirect aspects, generated by companies that are operating on the ROMCARBON's headquarter

and affect environmental performance. Identification of environmental issues is based on systematic analysis of each process / subprocess (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.

#### **1.1.7. The assessment of the research and development activity**

The research - development activity carried out by the Department of Technical and Investment in collaboration with internal departments involved and with agreed service providers , include certification of products regulated in accordance with national and European legislation. The research - development activity includes:

- Product certification according to the national and european regulations:

In 2015 it were renewed the certifications of the following products:

- Protective mask with free aspiration of the clean air, code P200
- Filtering cartridge with two connection pipes for retaining the carbon monoxide, code P 2442
- Recertification 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 tehcnical documentation of the PSE and Compound products.

The cost of reaserch and development activity in 2015 was 607,159 lei, while for 2016 it was budgeted a cost of 650,755 lei.

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

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:

##### *The Market risk*

In 2015 the company recorded an increase of turnover with 11.71% as compared with 2014 reaching a total of 179,235,483 lei. The turnover resulting from the sale of finished products had increased in 2015 with 10.49% as compared with 2014. The largest increase was accounted by CP7 - Compounds (+4,714,357 lei/+57.66%), CP5 – Polystyrene products(+3,924,015 lei/+14.79%) and CP6 – Polypropylene products (+1,617,459 lei/4.29%).

Products manufactured by Romcarbon used in food industry and agriculture represents approximately 82% of turnover from the sale of finished products.

The Romcarbon main selling market is the domestic one, with a share in turnover resulting from the sale of finished products of 74% in 2015 (77% in 2014).

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 sale of goods SC Romcarbon SA has two clients (Kasakrom Chemiclas SRL and Livingjumbo Industry SA) that in 2015 had a turnover representing 20% and

15% of total turnover. Also the sales to Livingjumbo Industry SA in 2015 included the sales of finished products, rents and income from other activities, which accounted for 3% of turnover.

The Exchange rate risk

Currency exposure of SC Romcarbon SA is generated mainly by the loans denominated in euro. As at 31.12.2015 the balance of this loan was EUR 17,144,561. In 2015 the loss generated by the fluctuation of foreign currencies rate was 1,070,263 lei.

Cash flow in foreign currency in 2015 has the following structure:

Item	EURO	USD	GBP
Proceeds from foreign clients	6,680,399.29	6,299.08	0.00
Proceeds from credits	9,966,660.63	0.00	0.00
Other proceeds	2,359.86	42.58	86.48
Payment to the foreign suppliers (raw materials and equipment)	-17,700,894.45	-1,180,295.15	-10,436.38
Payments of credits, interest, bank fees	-6,116,082.40	-2,370.96	0.00
Other currency payments	-514,969.10	0.00	-181.69
<b>Net cash flow</b>	<b>-7,682,526.16</b>	<b>-1,176,324.45</b>	<b>-10,531.59</b>

The liquidity risk

Current liquidity of SC Romcarbon SA (calculated as the ratio between current assets and current debts) grew from 0.77 in 2014 to 0.82 in 2018.

The 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 2016.

**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 2016, the company budgeted the following financial indicators:

- A total turnover of 213,373,743 lei (up by 19% as compared with 2015) of which the turnover related to the sales of finished products is budgeted at the level of 153,425,335 lei( 41% higher as compared with 2015);
- An operating profit of 4,846,622 lei;

*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 60.418,55 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 located in town of Buzau - railway - a total area of 663 sqm.

- 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 13.8421 square meters, of which built area of 305 sqm;
- land located in town of Buzau, Buzau North in total area of 11,525 square meters;
- land located in town of Buzau, Fundatura Uzinei , a total area of 242 square meters;
- land and civil construction located in town of Buzau, str. Orizontului, a total area of 419 sqm, built area of 109.19 square meters;
- land and industrial buildings located in Iasi, str. Calea Chisinau, no. 29 total area of 92,555 sqm, built area of 24792.02 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 and storage services :**

- Filter housings stamps hall with an area of 2497 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 1806 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 premises is by six industrial doors Sectional with electric drive; related facilities have been fully restored;
- 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 - an area of 1693 square meters, prefabricated foundation pillars of glass type precast concrete beams, brick masonry and glass, the concrete foundation of reinforced concrete roof, of which 1,318 sq rent;
- hall - area of 1,653 square meters, prefabricated foundation pillars of glass type precast concrete beams, brick masonry and glass, the concrete foundation 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 3035 square meters, prefabricated foundation pillars of glass type precast concrete beams, brick masonry and glass, the concrete foundation concrete roof;
- Hall - an area of 2718 square meters, 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 square meters, built of prefabricated foundation pillars of glass type precast concrete beams, brick masonry, roof prefabricated concrete.

#### **II.) WORKING POINT IASI**

##### ASSET 1

- Mechanical workshop 1 - area of 6227 square meters of reinforced concrete foundation construction on the structure of concrete pillars, brick masonry, concrete floor;
- Mechanical pavilion 1 - area of 472 sqm construction on reinforced concrete foundation, structure of concrete pillars, brick masonry;
- Warehouse - area of 1421 square meters of reinforced concrete foundation construction on the structure of concrete pillars, brick masonry, concrete floor;

##### ASSET 2

- Oxygen plant hall - 302 sqm surface construction on reinforced concrete foundation, structure of concrete pillars, brick masonry, concrete floor;
- compressor and mechanical hall - 236 sqm surface construction on reinforced concrete foundation, structure of concrete pillars, concrete floor;
- wastewater treatment plant building - area 774 sqm construction on reinforced concrete foundation, structure of concrete pillars, brick masonry, concrete floor;
- recycled water pump station - 444 sqm surface construction on reinforced concrete foundation, structure of concrete pillars, brick masonry, concrete floor;

##### ASSET 4

- auto maintenance workshop - area of 472 sqm built on reinforced concrete foundation, structure of concrete pillars, brick masonry, concrete floor ;

##### ASSET 5

- fire fighting station building - 607 sqm surface construction on reinforced concrete foundation, structure of concrete pillars, brick masonry;

##### ASSET 6

- Telephone exchanges building - area of 472 sqm construction on reinforced concrete foundation, structure of concrete pillars, brick masonry, concrete floor;



ASSET 8

- administrative building - construction area of 1906 square meters on reinforced concrete foundation, structure of concrete pillars, brick masonry, concrete floor;

ASSET 10

- color preparation building - area of 1935 square meters of reinforced concrete foundation construction on the structure of concrete pillars, brick masonry, concrete floor;
- carbon black hall - 196 sqm surface construction on reinforced concrete foundation, structure of concrete pillars, concrete floor;

ASSET 11

- hall workshop + office - 709 sqm surface construction on reinforced concrete foundation, structure of concrete pillars, brick masonry, concrete floor;

ASSET 14

- distillation hall area 164 sqm construction on reinforced concrete foundation, structure of concrete pillars, brick masonry, concrete floor ;

ASSET 15

- Mechanical washing + drying hall - 419 sqm surface construction on reinforced concrete foundation, structure of concrete pillars, brick masonry, concrete floor ;

ASSET 17

- warehouse building - construction area of 3216 square meters on reinforced concrete foundation, structure of concrete pillars, brick masonry, concrete floor ;

ASSET 18.

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

ASSET 19

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

ASSET 20

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

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 Tristram;
- type shed hall - 753 sqm area, foundation type glass - pillars and steel structure, roof sheets;

2.2 O parte a capacitatilor de productie au vechime mare si un grad de uzura cuprins intre 15 -50 %.

Printre acestea se numara instalatia de obtinere a carbinelui activ, o parte din instalatiile : de obtinere a filtrelor, a materialelor de protectie, a prelucratelor din polietilena si polipropilena

2.3 S.C. Romcarbon S.A. Buzau detine titlul de proprietate asupra tuturor activelor corporale.

### **3. SECURITIES MARKET ISSUED BY THE COMPANY**

3.1 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 :

2013 – 1,003,664.00 lei

2014 – 2,007,328.00 lei

2015 – *according to the General Stockholders Asseby decision dated 29/30.04.2016*

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

In the Extraordinary General Meeting of Shareholders dated 27.04.2012 has been decided the acquisition by the company on the stock market, of its own shares, depending on its available cash (in terms of art. 103<sup>1</sup> d), followed by their cancellation (in terms of art and 103<sup>1</sup> 207 para. 1 letter c of Law 31/1990), in the following conditions: **maximum number of shares to be purchased** : 26,412,209 shares, representing 10% of the company's shares : **purchase price**: minimum price 0.1 lei / share - maximum price 0.25 lei / share; **Maximum duration for running the acquisition operation**: 18 months after publication of the decision approving the operation of acquiring in the Official Gazette, Part IV-A . **The purpose of this acquisition operation is to reduce the company's share capital.**

**Until the date of this annual report, the company did not proceed to buyback its own shares as approved EGM of 27.04.2012.**

**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 2015.

## **4. The Management of the Company**

### **4.1. Managers of the company :**

a) The Board of Directors, following the OGMS Decision of 05.02.2008, the OGMS Decision of 01.11.2010, respectively OGMS Decision of 05.01.2012 :

**Hung Ching Ling** –Chairman of the Board starting on 05.01.2012, for a term of four years, expiring on 02.04.2016, appointed on Ordinary General Meeting of Shareholders decision of SC ROMCARBON SA dated 05.01.2012, 46 years old ;

**Simionescu Dan** – Deputy Chairman of the Board starting with 05.01.2012, for a term of four years, expiring on 02.04.2016, appointed on Ordinary General Meeting of Shareholders decision of SC ROMCARBON SA dated 05.01.2012, 64 years.;

**Wang Yi Hao** – Member of Board starting with 05.01.2012, for a term of four years, expiring on 02.04.2016, appointed on Ordinary General Meeting of Shareholders decision of SC ROMCARBON SA dated 05.01.2012, 30 years old;

b) Not applicable.

c) Participation of administrators to  $\text{of}$  share capital of SC Romcarbon SA, at the reference date 31.12.2015:

Hung Ching Ling- 1,368 shares

Wang Yi Hao - 0 shares

Simionescu Dan -493,328 shares

d) List of affiliated persons on 31.12.2015 the Company:

d.1. Legal entities in which SC Romcarbon S.A. owned, on 31.12.2014, directly, at least 25% holdings :

Company	Total number of shares	Nominal Value (lei)	Social capital (lei)	No. of shares held by RCB	Social capital Held by RCB (lei)	Interest quota (%)
RECYPLAT LTD CIPRU ROMCARBON	26,000	4.3521	113,154	26,000	20,857,287	100.0000%
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%
GREENSORT RECYCLING SRL	4,000	10	40,000	2,040	20,400	51.0000%
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 in which SC Romcarbon S.A. owned at 31.12.2015, indirectly; minimum holdings of 25%:

- Grinfield Ucraina- 62.62%
- Grinruh Ucraina- 62.62%;
- Romgreen Universal Limited Cipru – 25%;

d.3. Legal persons who have in SC ROMCARBON S.A. direct holdings of at least 25% - SC LIVING PLASTIC INDUSTRY S.R.L.- 32.8540%.

#### 4.2. Executive members:

a) Indefinitely period:

Andrei Radu- CEO starting on 01/09/2013

Cretu Victor- Deputy Commercial General Manager starting on 01.09.2013

Titi Mihai - Deputy Technical General Manager since 01.06.2010

Genes Alina - Development Director since 01.04.2010

Zainescu Viorica Ioana - CFO starting on 15.01.2010

Damian Nicoleta - Human Resources Director since 01.02.2006

Stroescu Daniela - Production Manager starting on 01.06.2005

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 :

-Unconsolidated financial statements for the year ended on 31.12.2015 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").

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.

(Including: Independent-auditor Report of Deloitte Audit SRL -, Income and expenses statement, Statement of comprehensive income, Statement of financial position, Statement of changes in equity, Cash flow statement, Notes to financial statements, the Administrators Financial Report attached to the financial situations;

- The decision of the Ordinary General Meeting of Shareholders dated 29/30.04.2016, which approved the 2015 financial statements;

- Declaration of the management company of the conformity of the accounting statements.

### a.) STATEMENT OF FINANCIAL POSITION

The statement of financial position for the years 2013, 2014, 2015 is shown in the following table .

Items	2013	2014	2015	2015 vs. 2014	
Property, plant and equipment	115,730,546	113,254,098	147,831,285	34,577,187	▲ 30.53%
Investment property	45,934,052	46,317,533	43,799,325	-2,518,208	▼ -5.44%
Intangible assets	339,167	209,289	189,900	-19,388	▼ -9.26%
Financial assets	24,125,945	22,919,676	22,863,010	-56,666	▼ -0.25%
<b>Total non-current assets</b>	<b>186,129,710</b>	<b>182,700,596</b>	<b>214,683,520</b>	<b>31,982,924</b>	<b>▲ 17.51%</b>
Inventories	15,719,338	18,104,795	20,499,859	2,395,064	▲ 13.23%
Trade and other receivables	31,926,260	29,399,410	33,959,316	4,559,906	▲ 15.51%
Loans granted to related parties	0	635,099	0	-635,099	▼ -100.00%
Current tax assets	18,839	131,401	439,598	308,197	▲ 234.55%
Other assets	262,596	246,451	366,752	120,301	▲ 48.81%
Cash and bank balances	9,307,666	9,560,212	12,888,836	3,328,624	▲ 34.82%
<b>Total current assets</b>	<b>57,234,699</b>	<b>58,077,367</b>	<b>68,154,361</b>	<b>10,076,994</b>	<b>▲ 17.35%</b>
<b>Total assets</b>	<b>243,364,409</b>	<b>240,777,963</b>	<b>282,837,881</b>	<b>42,059,918</b>	<b>▲ 17.47%</b>
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	49,242,206	49,418,796	55,375,509	3,956,713	▲ 8.01%
Retained earnings	12,697,983	47,730,966	48,158,839	427,873	▲ 0.90%
<b>Total Equity</b>	<b>90,534,682</b>	<b>125,744,256</b>	<b>130,128,841</b>	<b>4,384,586</b>	<b>▲ 3.49%</b>
Borrowings LT	21,095,797	14,842,699	32,432,440	17,589,741	▲ 118.51%
Long term finance leases and other interest bearing obligations	3,791,346	2,705,112	1,195,151	-1,509,961	▼ -55.82%
Deferred tax liabilities	10,570,635	11,041,869	11,142,757	100,888	▲ 0.91%
Other non current liabilities	12,593,199	11,052,206	24,475,344	13,423,138	▲ 121.45%
Deferred income	<b>48,050,977</b>	<b>39,641,885</b>	<b>69,245,692</b>	<b>29,603,807</b>	<b>▲ 74.68%</b>
<b>Total non-current liabilities</b>	<b>27,599,072</b>	<b>28,900,849</b>	<b>30,928,649</b>	<b>2,027,801</b>	<b>▲ 7.02%</b>
Trade and other payables	31,277,371	0	0	0	— n/a
Loans received from related parties	42,869,851	42,801,193	49,411,862	6,610,670	▲ 15.45%
Borrowings ST	1,408,860	1,588,642	1,709,000	120,358	▲ 7.58%
Short term finance leases and other interest bearing obligations	41,602	8,320	16,798	8,478	▲ 101.89%
Deferred revenue	1,581,993	2,092,819	1,397,039	-695,780	▼ -33.25%
Other liabilities	<b>104,778,750</b>	<b>75,391,823</b>	<b>83,463,348</b>	<b>8,071,525</b>	<b>▲ 10.71%</b>
<b>Total current liabilities</b>	<b>152,829,727</b>	<b>115,033,708</b>	<b>152,709,040</b>	<b>37,675,332</b>	<b>▲ 32.75%</b>
<b>Total liabilities</b>	<b>243,364,409</b>	<b>240,777,963</b>	<b>282,837,881</b>	<b>42,059,918</b>	<b>▲ 17.47%</b>

\* As a result of applying IFRS, beginning with fiscal year 2012 there were restated financial statements, resulting from the application of LAS 29 adjustment for inflation of capital amounting to 201,639,749 lei.

In 2013 we proceeded to cover the loss recorded as a negative result reported from adjustments of negative share capital, amounting to 201,639,749 lei.

### NON-CURRENT ASSETS

In 2015 **The Non-current assets** hold 75.90% of the company's assets, recording an increase of 31,982,924 lei, i.e. 17.51%, as compared with december, 2014.

Structure of non-current assets is presented in the bellow table:

<b>Non-current assets (NCA)</b>	<b>2015</b>	<b>% in total NCA</b>	<b>% in total Assets</b>	<b>2015 vs. 2014</b>
Property, plant and equipment	147,831,285	68.86%	52.27%	30.53%
Investment property	43,799,325	20.40%	15.49%	-5.44%
Intangible assets	189,900	0.09%	0.07%	-9.26%
Financial assets	22,863,010	10.65%	8.08%	-0.25%
<b>Total active pe termen lung</b>	<b>214,683,520</b>	<b>100.00%</b>	<b>75.90%</b>	<b>17.51%</b>

During 2015 were purchased equipment and machineries in total amount of 29,988,347 lei according to the investment program co-financed by European Fund for Regional Development « Development of the company Romcarbon SA by purchasing new equipment » .

The grant received was in amount of 14,605,372 lei, out of which the amount of 13,481,689 lei was cashed till the end of December 2015, and the difference of 1,123,683 lei was cashed in January, 2016.

At the end of 2015 were evaluated the assets classified as Investment Property resulting a negative difference of 2,502,393 lei; the amount was recorded directly in the Profit and Loss Account.

The main entries of tangible assets are detailed at the point 1.1.d) of this report.

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:

<b>Investment property</b>	<b>Land</b>	<b>Plants</b>	<b>Total</b>
Iasi	27,233,467	8,265,986	35,499,453
Buzau	2,026,350	1,869,306	3,895,656
Stefanesti	1,935,851	2,468,365	4,404,216
<b>Total</b>	<b>31,195,668</b>	<b>12,603,657</b>	<b>43,799,325</b>

### FINANCIAL ASSETS

Financial assets representing 10.65% of Non-current assets and 8.08% of Total Assets, have registered in the reporting period a decrease of 56,666 lei.

In addition to the information shown at point 4.1.d.1 of this report, the company has as at 31.12.2015 the following financial investments:

<b>Company</b>	<b>Total number of shares</b>	<b>Nomin al Value (lei)</b>	<b>Social capital (lei)</b>	<b>No. of shares held by RCB</b>	<b>Social capital Held by RCB (lei)</b>	<b>Interest quota (%)</b>
KANG YANG BIOTECHNOLOGY CO.LTD	2,889,993			139,000	203,963	4.8097%
REGISTRUL MIORITA SA	10,500	10	105,000	398	5,000	3.7905%



**TOTAL**

**208,963**

Starting with february 2015, SC Romcarbon SA has increased its participation quota in RC Energo Install SRL' s share capital from 99.50 % to 100% by purchasing a share for which it paid the amount of 13,122 lei.

TOTAL COMMERCIAL MANAGEMENT SRL started the voluntary dissolution procedure according to the company' s shareholders meeting decision dated on 02.04.2015 on the ground of art.227 lit.D and art.235 of Companies Law (31/1990). In June the company was erased from Commerce Registry Office.

According to the credit contract concluded by Taipei Cimeo SRL with UniCredit Tiriac Bank SA, SC Romcarbon SA, as guarantor of Taipei Cimeo SRL, paid on 09 July 2015 the amount of 377,458 lei representing the outstanding loan of Taipei Cimeo SRL. On 24 August 2015 Taipei Cimeo SRL paid back to Romcarbon SA the amount of 56,800 lei.

On 26.08.2015 SC Taipei Cimeo SRL started the voluntary dissolution procedure according to the company' s shareholders meeting decision dated on 26.08.2015 on the ground of art.227 lit.D and art.235 of Companies Law (31/1990).

On 27.04.2015 S.C POLYMASTERS CHEMICALS SA started the voluntary dissolution procedure according to the company' s shareholders meeting decision dated on 27.04.2015 on the ground of art.227 lit.D and art.235 of Companies Law (31/1990). The company paid to Romcarbon SA the amount of 64,314 lei representing the partial capital repayment.

As at 31.12.2015 are accounted impairment of financial assets as follows:

<b>Company</b>	<b>Interest quota</b>	<b>Adjustment</b>
ROMCARBON DEUTSCHLAND GmbH	100.00%	110,138
GREENSORT RECYCLING SRL	51.00%	738
YENKI SRL	33.34%	11,989
ECO PACK MANAGEMENT SA	25.36%	554,262
<b>Total</b>		<b>677,127</b>

CURRENT ASSETS hold 24.10% of total assets recording an increase of 10,076,994 lei, i.e.17.35 % as compared with the beginning of the year, have the following structure:

<b>Current Assets (CA)</b>	<b>2015</b>	<b>% in total CA</b>	<b>% in Total Assets</b>	<b>2015 vs. 2014</b>
Inventories	20,499,859	30.08%	7.25%	13.23%
Trade and other receivables	33,959,316	49.83%	12.01%	15.51%
Loans granted to related parties	-	0.00%	0.00%	-100.00%
Current tax assets	439,598	0.65%	0.16%	234.55%
Other assets	366,752	0.54%	0.13%	48.81%
Cash and bank balances	12,888,836	18.91%	4.56%	34.82%
<b>Total</b>	<b>68,154,361</b>	<b>100.00%</b>	<b>24.10%</b>	<b>17.35%</b>

Liabilities

Total Liabilities hold 53.99% of the company's Equity&Liabilities recording an increase of 37,675,332 lei, i.e. 32.75% as compared with the beginning of the year.

Current liabilities of the Company, representing 54.66% of the Total Liabilities and 29.51% of Total Equity & Liabilities have increased with 8,071,525 lei as compared with 31.12.2014, i.e. 10.71%, have the following structure:

<b>Current liabilities (CL)</b>	<b>2015</b>	<b>% in total liabilities</b>	<b>% in Total CL</b>	<b>2015 vs. 2014</b>
Trade and other payables	30,928,649	20.25%	37.06%	7.02%
Loans received from related parties	0	0.00%	0.00%	n/a
Borrowings ST	49,411,862	32.36%	59.20%	15.45%
Short term finance leases and other interest bearing obligations	1,709,000	1.12%	2.05%	7.58%
Deferred revenue	16,798	0.01%	0.02%	101.89%
Other liabilities	1,397,039	0.91%	1.67%	-33.25%
<b>Total</b>	<b>83,463,349</b>	<b>54.66%</b>	<b>100.00%</b>	<b>10.71%</b>

**Non-current Liabilities** representing 45.34% of the Total Liabilities and 24.48% of the company's Equity&Liabilities have registered in the reporting period an increase of 29,603,807 lei, i.e. 74.68%, as compared with 31.12.2014, have the following structure:

<b>Non-current liabilities</b>	<b>2015</b>	<b>% in total liabilities</b>	<b>% in Total NCL</b>	<b>2015 vs. 2014</b>
Borrowings LT	32,432,440	21.24%	46.84%	118.51%
Long term finance leases and other interest bearing obligations	1,195,151	0.78%	1.73%	-55.82%
Deferred tax liabilities	11,142,757	7.30%	16.09%	0.91%
Other non current liabilities	24,475,344	16.03%	35.35%	121.45%
<b>Total non-current liabilities</b>	<b>69,245,692</b>	<b>45.34%</b>	<b>100.00%</b>	<b>74.68%</b>

As at 31.12.2015 S.C. ROMCARBON S.A. had contracted the following loans :

<b>Bank</b>	<b>Type of Credit</b>	<b>CCY</b>	<b>Initial amount</b>	<b>Balance as at 31.12.2015 in euro</b>	<b>Tenor</b>
UniCredit Bank	Credit line	EUR	€ 3,450,000	€ 3,124,462	02/07/2016
UniCredit Bank	Credit line	EUR	€ 2,500,000	€ 2,257,192	04/07/2016
BRD GSG	Credit line	EUR	€ 2,550,000	€ 2,153,153	30/09/2016
BRD GSG	Investment credit (I)	EUR	€ 2,058,000	€ 1,138,468	01/03/2018
BRD GSG	Investment credit (II)	EUR	€ 1,000,000	€ 689,618	03/09/2022
BRD GSG	Investment credit (III)	EUR	€ 3,153,160	€ 2,740,246	03/02/2022
UniCredit Bank	Investment credi - CCE 2015	EUR	€ 3,042,240	€ 2,967,420	04/12/2023
UniCredit Bank	Bridge loan - CCE 2015	EUR	€ 2,133,369	€ 2,074,003	31/03/2016
<b>TOTAL Credits in Euro</b>			<b>€ 19,886,769</b>	<b>€ 17,144,561</b>	

<b>Bank</b>	<b>Type of Credit</b>	<b>CCY</b>	<b>Initial amount</b>	<b>Balance as at 31.12.2015 in lei</b>	<b>Tenor</b>
UniCredit Bank	VAT facility - CCE 2015	RON	3,000,000 lei	1,219,561 lei	31/03/2016
Eximbank SA	Investment credit	RON	6,142,500 lei	3,054,174 lei	20/06/2022
<b>Total credits in lei</b>			<b>9,142,500 lei</b>	<b>4,273,735 lei</b>	

Short term loans, totalizing 44,694,620 lei, have the following structure :

<b>Bank</b>	<b>Type of Credit</b>	<b>CCY</b>	<b>Initial amount</b>	<b>Balance as at 31.12.2015 in euro</b>	<b>in lei</b>
UniCredit Bank	Credit line	EUR	€ 3,450,000	€ 3,124,462	14,136,626 lei
UniCredit Bank	Credit line	EUR	€ 2,500,000	€ 2,257,192	10,212,665 lei
BRD GSG	Credit line	EUR	€ 2,550,000	€ 2,153,153	9,741,940 lei
UniCredit Bank	Bridge loan- CCE 2015*	EUR	€ 2,133,369	€ 2,074,003	9,383,827 lei

UniCredit Bank	VAT facility - CCE 2015*	RON	3,000,000 lei	€ 0	1,219,561 lei
<b>Total short terme loans</b>				<b>€ 9,608,809</b>	<b>44,694,620 lei</b>

*Note : In January 2016 it were fully repaid the balances of the Bridge loan and VAT Facility.*

Long term loans, totalizing 37,149,682 lei, have the following structure :

Bank	Type	CCY	Balance as at 31.12.2015		< 12 Months	>12 Months
			in euro	in lei		
BRD GSG	Investment credit (I)	EUR	€ 1,138,468	5,150,999 lei	2,377,384 lei	2,773,615 lei
BRD GSG	Investment credit (II)	EUR	€ 689,618	3,120,175 lei	47,276 lei	3,072,899 lei
BRD GSG	Investment credit (III)	EUR	€ 2,740,246	12,398,244 lei	2,038,068 lei	10,360,176 lei
UniCredit Bank	Investment credi - CCE 2015	EUR	€ 2,967,420	13,426,091 lei	- lei	13,426,091 lei
Eximbank SA	Investment credit	RON		3,054,174 lei	254,514 lei	2,799,659 lei
<b>Total long term loans</b>			<b>€ 7,535,752</b>	<b>37,149,682 lei</b>	<b>4,717,242 lei</b>	<b>32,432,440 lei</b>

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

These loans bear interest rates based on quotation of Euribor1M, Euribor3M and Robor1M + the bank margins varying between 1.60% and 2.90%.

**Total Equity** holding **46.01%** of Total Equity&Liabilities have registered in the reporting period an increase of 4,384,586 lei, i.e. 3.49% as compared with the previous period, have the following structure:

Equity	2015	2015 vs. 2014
Issued capital (264,122,096 shares at 0.10 lei per share)	26,412,210	0.00%
Share premium	2,182,283	0.00%
Reserves	53,375,509	8.01%
Retained earnings	48,158,839	0.90%
<b>Total equity</b>	<b>130,128,841</b>	<b>3.49%</b>

**b.) STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE ITEMS**

Indicator	2013	2014	2015	2015 vs. 2014
Revenue	138,717,368	157,939,374	176,702,913	▲ 18,763,539 12%
Investment income *	4,853,112	39,546,850	8,342,326	▼ 31,204,524 -79%
Other gains and losses	1,522,899	310,664	-2,604,404	▼ 2,915,067 -938%
Changes in inventories of finished goods and work in progress	1,150,239	1,776,904	1,538,064	▼ 238,840 -13%
Raw materials and consumables used	-110,073,327	-123,301,848	-134,762,781	▲ 11,460,932 9%
Depreciation and amortisation expenses	-6,459,813	-8,589,905	-7,106,832	▼ 1,483,073 -17%
Employee benefits expenses and social charges	-12,510,155	-15,363,377	-18,755,367	▲ 3,391,990 22%
Tax contributions related to employee benefits	-3,638,465	-4,259,181	-4,419,970	▲ 160,789 4%
Finance costs	-3,092,878	-2,647,538	-2,114,646	▼ 532,892 -20%
Other income	1,187,269	1,560,493	1,182,234	▼ 378,259 -24%
Other expenses	-11,290,975	-10,274,552	-11,508,736	▲ 1,234,184 12%
<b>Profit (loss) before tax</b>	<b>365,274</b>	<b>36,697,883</b>	<b>6,492,801</b>	<b>▼ 30,205,082 -82%</b>

Income tax expense	-313,139	-484,646	-100,888	▼	383,758	-79%
<b>Profit (loss) of the year</b>	<b>52,135</b>	<b>36,213,237</b>	<b>6,391,913</b>	<b>▼</b>	<b>29,821,324</b>	<b>-82%</b>
Lost form tangible asstes evaluation	-29,100,504	0	0	—	-	
Deffered tax adjustment related to the re-evaluation reserves fiscal unallowable	4,656,081	0	0	—	-	
<b>Total comprehensive income</b>	<b>-24,392,288</b>	<b>36,213,237</b>	<b>6,391,913</b>	<b>▼</b>	<b>29,821,324</b>	<b>-82%</b>

\*Investment income – details:

Indicator	2013	2014	2015
Rental and royalty income	3,701,812	2,513,884	2,532,570
Interest income	111,427	52,324	20,401
Investment income (dividends) - Total Commercial Management	0	14,885	0
Investment income (dividends) - Recyplat	0	35,478,880	4,698,776
Investment income (dividends) - Yenki	0	1,877	0
Investment income (dividends) - Infotech Solutions	49,873	0	100,579
Investment income (dividends) - LivingJumbo Industry	990,000	1,485,000	990,000
<b>Total</b>	<b>4,853,112</b>	<b>39,546,850</b>	<b>8,342,325</b>

Related to the revenues the main items of the STATEMENT OF COMPREHENSIVE ITEMS are presented in the following table:

Indicator	2013	2014	2015
Investment income	3.50%	25.04%	4.72%
Other gains and losses	1.10%	0.20%	-1.47%
Changes in inventories of finished goods and work in progress	0.83%	1.13%	0.87%
Raw materials and consumables used	-79.35%	-78.07%	-76.27%
Depreciation and amortisation expenses	-4.66%	-5.44%	-4.02%
Employee benefits expenses and social charges	-9.02%	-9.73%	-10.61%
Tax contributions related to employee benefits	-2.62%	-2.70%	-2.50%
Finance costs	-2.23%	-1.68%	-1.20%
Other income	0.86%	0.99%	0.67%
Other expenses	-8.14%	-6.51%	-6.51%

**TURNOVER (Sales)**

Sales	2013		2014		2015		2015 vs. 2014
	Value	% in total	Value	% in total	Value	% in total	
Sales of finished goods	85,102,725	59.76%	98,515,325	61.40%	108,853,984	60.73%	▲ 10.49%
Sales of intermediary goods	25,108	0.02%	374,422	0.23%	170,908	0.10%	▼ -54.35%
Services rendered	144,095	0.10%	80,677	0.05%	228,525	0.13%	▲ 183.26%
Sale of goods purchased for resale	50,346,451	35.35%	56,436,094	35.17%	64,883,624	36.20%	▲ 14.97%
Rental and royalty income	3,701,812	2.60%	2,513,884	1.57%	2,532,570	1.41%	▲ 0.74%
Revenues from sundry services	3,098,988	2.18%	2,532,857	1.58%	2,565,872	1.43%	▲ 1.30%
<b>Total, of which:</b>	<b>142,419,180</b>	<b>100.00%</b>	<b>160,453,258</b>	<b>100.00%</b>	<b>179,235,483</b>	<b>100.00%</b>	<b>▲ 11.71%</b>
Domestic Market	122,661,089	86.13%	137,356,336	85.61%	150,134,472	83.76%	▲ 9.30%
Export	19,758,092	13.87%	23,096,922	14.39%	29,101,011	16.24%	▲ 26.00%

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

**FINANCIAL RATIOS**

Economic and financial performance of SC Romcarbon SA registered in the reporting period can be assessed through the following indicators.

Item	2013	2014	2015
Net profit	52,135	36,213,237	6,391,913
Profit tax expense(+)	313,139	484,646	100,888
Interests (expenses) (+)	2,744,353	2,323,401	1,806,009
<b>EBIT</b>	<b>3,109,627</b>	<b>39,021,284</b>	<b>8,298,810</b>
Depreciation (+)	6,459,813	7,411,536	7,106,832
Revenues from investment subsidies (-)	1,187,269	1,560,493	1,182,234
<b>EBITDA</b>	<b>8,382,171</b>	<b>44,872,327</b>	<b>14,223,409</b>

**1 Profitability**

	Ratio	Formula	2013	2014	2015
a)	EBITDA to Turnover	$\frac{\text{EBITDA}}{\text{Turnover}} \times 100$	5.89%	27.97%	7.94%
b)	EBITDA to Total Equity	$\frac{\text{EBITDA}}{\text{Total Equity}} \times 100$	9.26%	35.69%	10.93%
c)	Gross profit ratio	$\frac{\text{Gross profit}}{\text{Turnover}} \times 100$	0.26%	22.87%	3.62%
d)	Total equity ratio	$\frac{\text{Net profit}}{\text{Total Equity}} \times 100$	0.06%	28.80%	4.91%

**2 Liquidity Analysis**

	Ratio	Formula	2013	2014	2015
a)	Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	0.55	0.77	0.82
b)	Quick ratio	$\frac{\text{Current assets}-\text{Inventories}}{\text{Current liabilities}}$	0.40	0.53	0.57

**3 Risk Analysis**

	Ratio	Formula	2013	2014	2015
a)	Non-current liabilities to Equity	$\frac{\text{Non-current liabilities}}{\text{Total Equity}}$	0.53	0.32	0.53
b)	Debt to asset ratio	$\frac{\text{Total liabilities}}{\text{Total assets}}$	0.63	0.48	0.54
c)	Interest coverage ration	$\frac{\text{EBIT}}{\text{Interest expenses}}$	1.13	16.79	5.54

**4 Activity Analysis**

	Ratio	Formula	2013	2014	2015
a)	Account receivable turnover ratio (days)	$\frac{\text{Average receivable balance}}{\text{Turnover}} \times 360$	87	69	64
b)	Account payable turnover ratio (days)	$\frac{\text{Average payable balance}}{\text{Turnover}} \times 360$	74	63	60

**5 Profitability ratios**

	Ratio	Formula	2013	2014	2015
a)	Return on assets	$\frac{\text{Net profit}}{\text{Total Assets}} \times 100$	0.0214%	15.0401%	2.2599%
b)	Return on equity	$\frac{\text{Net profit}}{\text{Total Equity}} \times 100$	0.0576%	28.7991%	4.9120%
c)	Return on sales	$\frac{\text{Net profit}}{\text{Cifra de Afaceri}} \times 100$	0.0366%	22.5693%	3.5662%

**c) STATEMENT OF CASH FLOW**



Items	2013	2014	2015
<b>Net profit / (loss) after taxation</b>	<b>52,135</b>	<b>36,213,237</b>	<b>6,391,913</b>
Income tax expense	313,139	484,646	100,888
Depreciation	6,459,813	8,589,905	7,106,832
(Gain) / Loss on fixed assets disposal	-713,460	-42,720	-736
(Gain) / Loss arising on changes in fair value of investment property	-2,139,331	-162,851	2,502,393
(Gain) / Loss arising disposal of investment property	0	0	0
Customers provisions	764,254	-1,156	13,551
Write off of receivables	235,451	26,602	338,189
(Gains) / Losses with disposal of financial assets	-468,784	1,178,369	56,665
Interest expense	2,760,326	2,339,373	1,806,009
Interest income	-111,427	-52,324	-20,401
Dividend income	-1,039,873	-36,980,642	-5,789,355
Income from subsidies	-1,187,269	-1,560,493	-1,182,234
Unrealised net forex result	798,199	-31,502	1,158,114
<b><i>Movements in working capital</i></b>			
(Increase) / Decrease in accounts receivable	3,702,559	2,501,404	-3,787,963
(Increase) / Decrease in inventories	589,236	-2,385,457	-2,395,064
(Increase) / Decrease in other assets	44,120	16,145	-120,301
Increase / (Decrease) in accounts payable	-3,126,143	1,329,676	1,868,215
(Decrease) / Increase in deferred revenue	2,006	-13,782	8,478
(Decrease)/increase in other liabilities	104,495	500,443	-634,794
<b><i>Cash generated from operations</i></b>	<b>7,039,448</b>	<b>11,948,874</b>	<b>7,420,399</b>
Income taxes paid	0	-125,974	-308,197
Interest paid	-2,760,326	-2,339,373	-1,806,009
<b><i>Net cash generated by operating activities</i></b>	<b>4,279,122</b>	<b>9,483,526</b>	<b>5,306,193</b>
<b><i>Cash flows from investing activities</i></b>			
Payments to acquire financial assets	-481,050	0	0
Interest received	111,427	52,324	20,401
Dividends received	1,039,873	36,980,642	5,789,355
Payments for property, plant and equipment	-3,970,457	-5,988,202	-41,664,630
Payments for investment property	-85,568	-220,630	15,815
Proceeds from disposal of investment property	0	0	0
Proceeds from disposal of property, plant and equipment	3,567,680	47,343	736
Proceeds from disposal of investments	3,156,539	0	0
Payment of loans/Proceeds from loans granted to related parties	55,442	-635,099	635,099
Payments for intangible assets	0	0	0
Payment of dividends	-1,558,744	-993,281	-2,068,314
<b><i>Net cash (used in)/generated by investing activities</i></b>	<b>1,835,140</b>	<b>29,243,097</b>	<b>-37,271,538</b>
<b><i>Cash flows from financing activities</i></b>			
Payments of lease liabilities	-1,204,401	-906,452	-1,389,603
Proceeds from bank loans	29,239,313	44,015,425	81,557,718
Proceeds from/repayment of related party borrowings	-3,187,559	-31,277,371	0
Repayment of bank loans	-32,854,420	-50,305,679	-58,355,836
Proceeds from subsidies	0	0	13,481,689

<i>Net cash used in financing activities</i>	-8,007,067	-38,474,077	35,293,969
<i>Net increase in cash and cash equivalents</i>	-1,892,805	252,546	3,328,624
Cash and cash equivalents at the beginning of the year	11,200,471	9,307,666	9,560,212
Effects of exchange rate changes on the balance of cash held in foreign currencies	0	0	0
<i>Cash and cash equivalents at the end of the year</i>	9,307,666	9,560,212	12,888,835

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## **6. CORPORATE GOVERNANCE**

### **I. PREAMBLE**

*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.*

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 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 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 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.

Previously 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 a new entry on the Bucharest Stock Exchange regulated market, ROMCARBON S.A. has proposed the implementation of such a policy oriented towards profit for shareholders and one to assume a role oriented 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 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](http://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, regulations issued by CNVM to regulate the capital market, 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**

### **2.1. 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.**

**Convocation, organizing and conducting of works for GMS is in strict accordance with the law, ensuring materials presentation, recording the works and decisions taken.**

### **2.2. Board of Directors**

Currently, the Company's management system is unitary.

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 equitable 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 pursued a balanced competence 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 its President or 2/3 of its members. It is chaired by the Chairman and in his absence, by the Deputy Chairman of the Board of Directors .

The convocations for Board meetings are transmitted at least 5 days prior to the meeting, by any means of distance communication (mail, email, fax) to ensure receipt confirmation in writing by the recipient / member of the Board of Directors convoked. These convocations include the date, respectively the location where the the Board of Directors meeting will take place and the agenda, the board members not being able to take any decision on any other issues, except in case of emergency and provided such decision is subject to ratification in the next meeting by absent members. In exceptional cases, justified by the urgency of the situation and the interests of the company, the Board of directors may taken decisions by unanimous vote of the members expressed in writing, without the need for a meeting of that body.

For the validity of the decisions it is required the presence of at least 2/3 of the members of the Board and decisions are taken by an absolute majority of the members present. In case of equal votes, the Chairman of the Board of Directors shall have the decisive vote. If the Chairman of the Board is unable or is forbidden to participate in the vote, the other members of the Board of Directors may elect a chairman of the meeting, with the same rights as chairman in office. In case of a tie and if the chairman does not benefit the decisive vote, the proposal subjected to the vote shall be considered rejected.

Board members express their vote on the issues on the agenda during the meeting. In case of absence, administrators can express their vote by any means of distance communication (mail, email, fax) that ensures receipt confirmation of the vote expressed in writing by the Secretary of the Board, no later than the end of the session for which they were convoked.

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

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 Bord of Directors.

At the date of this annual report, the Board of Directors of ROMCARBON S.A. consists of the following directors elected at the General Meeting dated 05.01.2012, for a term of four years, expiring on 04.02.2016:

► **Chairman – HUNG, CHING – LING**

\* **Professional experience**

- Marketing Director - KMC INTERNATIONAL TRADING, Taiwan - 1994-1996
- Export Director - DONG SHIUAN ENTRPRISE CO, Taiwan - 1996-1998
- Member of the Board of Directors of LIVING PLASTIC INDUSTRY S.A. - 1998 – 2004
- General Manager of ROMCARBON S.A.: 23.12.2003 - 04.04.2008
- Member / Chairman of the Board of Directors of ROMCARBON S.A. - 2003 - present
- General Manager of GREENFIBER INTERNATIONAL SA: 01.05.2007 - 13.02.2009, 01.04.2012-present;
- Chairman of Board of Directors of GREENFIBER INTERNATIONAL SA - 01.05.2007-dec. 2009; 20.09. 2010 - present.
- General Manager of Greentech SA - 01.04.2012-present;
- Chairman of Board of Directors of SC Greentech SA- 06.01.2009 - present
- General Manager of GREENWEEEE INTERNATIONAL SA- 01.04.2012-present;
- Chairman of Board of Directors of SC GREENWEEEE INTERNATIONAL SA: 01.11.2008 - present.
- General Manager of GREENLAMP REICLARE S.A - 01.04.2012-present
- Chairman of Board of Directors of GREENLAMP REICLARE S.A -28.05.2012-31.01.2013
- Chairman of Board of Directors of GREENGLASS RECYCLING S.A - 15.02.2013-present

► **Deputy Chairman– SIMIONESCU DAN**

\* **Professional experience :**

- Director Coopers& Lybrand Romania – 1993-1997
- Marketing Department Director, Capital Markets and External Relations for SIF Transilvania – 1997-



present

- Member of the Board of Directors of ROMCARBON S.A. – 2003 - present
- Member of the Board of Directors of GREENFIBER INTERNATIONAL SA- 01.05.2007 -dec. 2009; 20.09. 2010 – 28.05.2012
- Member of the Board of Directors of GREENTECH SA - 06.01.2009 – 28.05.2012
- Member of the Board of Directors of GREENWEEE INTERNATIONAL SA - 01.11.2008 – 28.05.2012

► **Member – WANG, YI – HAO**

**\* Professional experience**

- Director of International Trade Department Living Water in Spring International Co., Ltd - 2007-2010
  - CEO Living Water in Spring International Co, Ltd - 2010- present
- Member of the Board of Directors of GREENFIBER INTERNATIONAL SA- 20.09.2010- 28.05.2012
- Member of the Board of Directors of GREENTECH SA: 19.11.2010 – 28.05.2012
- Member of the Board of Directors of GREENWEEE INTERNATIONAL SA: 01.09.2010 – 28.05.2012

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.

**The nomination and remuneration of directors**

The nomination of Directors of ROMCARBON S.A. is made by shareholders, nominations are subject to approval by the general meeting of shareholders. Candidates for the position of member of the board of directors of the company must meet in addition to the general conditions stipulated by the Law no.31/1990 also the special conditions provided for in the Law no.297/2004.

In 2015, the Board of Directors met in 6 meetings, decisions being taken with the vote of the majority of those present and in accordance with the legal provisions regarding the convocation and quorum for conducting the meetings and legally adopt decisions. The main decisions taken by the Board were:

- Approval for negotiating a new collective labor agreement at company level for the years 2015-2017. (Decision 1/23.01.2015).
- Approval for of the amendment of the company's Internal Regulations. (Decision 1/23.01.2015)
- Approval for the convocation of the General Meetings of shareholders, Ordinary and Extraordinary, and of the materials to be present in the OGMS/EGMS of 29/30.04.2015. (Decision 2/24.03.2015)
- Approval of the financial statements of Romcarbon Deutschland GmbH for the financial year 2014. (Decision 2/24.03.2015)
- Approval for the modification of the company's organizational chart. (Decision 2/24.03.2015)
- Approval of the items on the agenda of the General Meetings of Shareholders/Associates of LIVINGJUMBO INDUSTRY SA, INFOTECH SOLUTIONS SRL, RC ENERGO INSTALL SRL, ECOPACK MANAGEMENT SA and TAIPEI CIMEO SRL regarding the approval of the financial statements for the year ended on 31.12.2014. (Decision 3/31.05.2015)
- Approval of the financing structure of the investment project “Development of the Company LIVINGJUMBO INDUSTRY SA” by purchasing new equipments, financed by the Regional European Development Fond - Priority Axis 1. (Decision no. 4/11.08.2015).
- Approval for the modification of the company's organizational chart by inserting the positions of Regional Sales Manager and Procurement Manager. (Decision 5/02.11.2015).
- Approval for performing some waterproofing works for the buildings owned by the company at the

company's working point in Iasi Calea Chisinaului no.29, Iasi County. (Decision 5/02.11.2015)

- Approval for the convocation of the Ordinary General Meeting of Shareholders for the appointment of 3 new members of the Board of Directors for a term of four years, given the expiry of the mandate of the company administrators on 04.02.2016. (Decision 6/18.12.2015)
- Approval of the items on the agenda of the General Meeting of shareholders of Romcarbon Deutschland GmbH regarding the dissolution and liquidation of the company. (Decision 6/18.12.2015)
- Approval of the items on the agenda of the General Meeting of shareholders RC ENERGO INSTALL SRL approving the investment plan for 2015-2016. (Decision 6/18.12.2015)

Convocation of the 2 general meetings of shareholders :

**Ordinary General Meeting of Shareholders from 29.04.2015**, by the Board of directors Decision no.2/24.03.2015 regarding :

- Presentation, discussion and approval of the annual report of the Board of Directors for 2014.
- Presentation and approval of individual unconsolidated financial statements for the financial year 2014 in accordance with International Financial Reporting Standards (IFRS) based on: Directors' Report and the External financial auditor's Report for 2014.
- Presentation of the external financial auditor report - Deloitte Audit SRL, member of Deloitte Touche Tohmatsu - on the unconsolidated financial statements for the financial year 2014.
- Presentation and approval of the consolidated financial statements for the financial year 2014 prepared in accordance with International Financial Reporting Standards (IFRS), based on: Directors' Report and External financial auditor's Report for 2014.
- Presentation of the external financial auditor report - Deloitte Audit SRL, member of Deloitte Touche Tohmatsu – referring to the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) for the financial year 2014.
- Approval of the distribution of net profit recorded in the year 2014 in the amount of 36.213.237,28 lei for the following destinations:
  - a) Legal reserves in the amount of 1.810.662 lei;
  - b) Other reserves in the amount of 127.129 lei ;
  - c) Dividends in the amount of 2.007.328 lei, the gross value of the dividend/share being of 0.0076 lei, for a total of 264 122 096 shares
  - d) Retained earnings in the amount of 32.268.118,28 lei consisting of undistributed profit.
- Presentation and approval of the Annual Report for 2014 prepared in accordance with the provisions of the Regulation No.1/2006 on issuers and securities operations and the Corporate Governance Code of the Bucharest Stock Exchange SA
- Approval of the discharge of the Board members for their activity in the financial year 2014.
- Approval of contracting external financial audit of the Company for the year 2015 and to authorize the Board of Directors to appoint the external financial auditor and to negotiate contractual terms.
- Approval of the income and expenditure budget for the year 2015.
- Approval of the date of 21.10.2015 as the "record date" representing the date for identifying the shareholders who will be impacted by the OGMS Decision, in accordance with art. 238 of Law 297/2004 on the capital market.
- Approval of the date of 20.10.2015 as the „ ex-date”, representing the date prior to the registration date with a securities settlement cycle minus one working day, date from which the financial instruments object of the company bodies decisions are traded without rights deriving from that decision,

according to Article 2 and Article 5 paragraph f of section 11 of the CNVM Regulation No.6 / 2009 as amended.

- Approval of the date of 26.10.2015 as the "payment date" representing the calendar date on which the distribution of income related to securities ownership, consisting of cash or securities, is certain.

**Extraordinary General Meeting of Shareholders from 29.04.2015**, by the Board of directors Decision no.2/24.03.2015 regarding:

- Approval of bank exposure of Romcarbon S.A. for the financial years 2015-2016, consisting in loans amounting to 14.191.963 Euro, leasing amounting to 953.122 Euro, letters of bank guarantee amounting to 500,000 lei and the guarantee as guarantor for the amount of 440,000 lei in favor of Taipei Cimeo SRL, as well as the approval for the extension by 12 months of the loans maturing in 2015, maintaining the relevant securities including of the guarantee in favor of Taipei Cimeo SRL. Empowering the Board of Directors to negotiate and decide, as appropriate, regarding: changing credit conditions, modification and/or establishment of new securities, restructuring, changing the currency or refinancing existing loans, and the contracting of new loans in the approved banking exposure limit and according to the law.

Empowering the General Manager and Financial Manager to sign credit contracts and addendums thereto, related warranty contracts and addendums thereto, leasing contracts and addendums thereto and any other documents necessary for the carrying out of the EGMS decision.

- Approval of implementing the project "Development of the company ROMCARBON SA" financed from European funds, a project with a total value of 30.532.394 Lei, VAT excluded, equivalent to 6.861212 Euro at an exchange rate of 4.45 lei/euro (Total value, VAT included, is of 37.860.168 lei /8.507.903 Euro), as described in the materials no.2637 20.03.2015 and no.2636/20.03.2015 and empowering the General Manager to sign any and all documents for the project implementation. The project will be financed as follows:

- 14.605.371,86 lei (3.282.106 Euro) from European Nonrefundable Funds, representing 50 % of total eligible expenses of the project;
- 20.865.734 lei from credit from which 3.042.240 Euro (equivalent of 13.537.969 lei) and 7.327.774 lei (equivalent of 1.646.691 Euro) credit for VAT on project financing, representing 50 % of total eligible expenses and part of no eligible expenses;
- 2.389.053 lei (536.866 Euro) from the company's own funds.

- Approval of the investments related to the project "Development of the Company Romcarbon" in total value of 1.530.659 Euro, that will be financed in proportion of 70%, representing 1.070.000 Euro (4.815.000 Lei) from credit and in proportion of 30%, representing 460.659 Euro (2.049.932 Lei) from the company's own funds. Empowerment of the General Manager and Financial Manager to decide on the opportunity of investments and to negotiate and sign any documents necessary for the carrying out and fulfillment of this investments.

- Approval to increase Romcarbon's existing banking exposure (presented for approval at point 1) with the amount of 5.175.609 Euro and 17.254.654 lei in order to ensure the financing of the costs not covered by European funds for the project "Development of the Company Romcarbon" and of the costs for the investments related to the project, with the following structure:

- 3.042.240 Euro long term credit for financing 50 % of eligible expenses in the project and the contribution to non-eligible expenses;
- 2.133.369 Euro bridge loan (to be used until receiving the nonrefundable financing from EU funds)
- 7.327.774 Lei credit to finance VAT from the project;
- 5.111.880 Lei L/G for pre-financing 35% of nonrefundable financing;

- 4.815.000 Lei for financing the investments related to the project.

Empowerment of the Board of Directors to negotiate and decide, as appropriate, regarding: credit conditions, changing credit conditions, modification and/or the establishment of new securities, restructuring, 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.

- Approval of the date of 21.10.2015 as the "record date" representing the date for identifying the shareholders who will be impacted by the OGMS Decision, in accordance with art. 238 of Law 297/2004 on the capital market.
- Approval of the date of 20.10.2015 as the,, ex-date”, representing the date prior to the registration date with a securities settlement cycle minus one working day, date from which the financial instruments object of the company bodies decisions are traded without rights deriving from that decision, according to Article 2 and Article 5 paragraph f of section 11 of the CNVM Regulation No.6 / 2009 as amended.
- Approval of the date of 26.10.2015 as the "payment date" representing the calendar date on which the distribution of income related to securities ownership , consisting of cash or securities, is certain.

Compliance with the provisions of art. 138<sup>2</sup> 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.

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 made in accordance with the Articles of Association and the Decision of the Ordinary General Meeting of Shareholders of 27.04.2012.

### **2.3. 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- General Manager starting on 01.09.2013

Banucu Ileana- General Manager untill 31.08.2013

Titi Mihai - Technical Deputy General Manager starting on 01.06.2010

Cretu Victor - Deputy Commercial General Manager starting on 01.09.2013

Genes Alina - Development Manager starting on 01.04.2010

Zainescu Viorica Ioana - Financial Manager starting on 15.01.2010

Nicoleta Damian - Human Resources Manager starting on 01.02.2006

Daniela Stroescu - Production Manager starting on 01.06.2005

Duracu Gheorghe - Quality Manager starting on 05.01.2004

The General Manager is appointed by the Board of Directors (in the case of Mr. Andrei Radu - Decision 10/ 30. 2013).



In relations with third parties, the company is represented by the General Manager under the provisions of art. 143 para. 4 in conjunction with Art. 143<sup>2</sup> para. 4 of Law 31/1990.

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 2015:

- a) administrators – Director fee according to OGMS Decision of 27.04.2012 - 248,675 lei;
- b) Executive Management - 1,672,232 lei.

### **III. CORPORATE RIGHTS OF 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 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.

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 liability or obligation of shareholders.

A creditor of a shareholder may make claims on the part of the company's benefit that the shareholder is entitled to, only after the general meeting of shareholders will approve the balance sheet and profits and the share of it, 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 Extraordinary General Meeting of Shareholders Decision or, in cases provided by law, the Board of Directors decision by all means and procedures provided by legal provisions and conditions provided by law.

Existing shareholders will have preemptive right, under the law, to purchase new shares in proportion to the percentage held in the share capital of the company at that time. Payments made by the shareholders to the company in exchange for these shares will be made in accordance with the laws and approval of the General Meeting of Shareholders.

The deadline for exercising the right of preemption is fixed by the Extraordinary General Meeting of Shareholders that approves the capital increase, not being less than the time required by law. If any of the aforementioned shareholders declines or fails for any reason to exercise the right of first refusal on the purchase of new shares in the period prescribed by the Extraordinary General Meeting of Shareholders, such right shall be forwarded to the other shareholders, who will be able to exercise it within 1 week after the deadline set by the meeting which approved the capital increase and proportional to the share of capital held on the date of identifying the shareholders who are to benefit from rights established by this meeting.

General Meeting of Shareholders may decide reunification of the share capital by issuing new shares.

Extraordinary General Meeting of Shareholders and Board of Directors will decide to reduce the share capital, in accordance with the legal provisions by reducing the nominal value of shares, or by reducing the



number of shares or the acquisition of own shares followed by their annulment, and in other cases of capital decrease.

In any case the decrease of capital can not attain in any way a shareholder and equality among shareholders. Currently, the share capital of S.C. ROMCARBON S.A. is of **26.412.209,60 lei**.

All holders 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 (AGA), the full realization of their rights, the dialogue between shareholders and members of the Board and / or management.

General Meeting of Shareholders of the Company is the 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. 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.

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. Shareholders can participate in their own name or representation by others. Representation of shareholders can be made by other persons than the shareholders, based on proxy according to art. 243 para. 3 of Law 297/2004.

Forms of empowerment (special power of attorney ) or vote by correspondence, in Romanian and English, may be obtained by shareholders at the registered office of the company, every working day, starting with AGA convened between 9.00-17.00 hours or on [www.romcarbon.com](http://www.romcarbon.com) company website. Special power of attorney shall be drawn up in 3 copies, of which: one copy shall be sent in writing original, registered office, so that will be registered on-site reception at least 2 days prior to GMS, 17.00 or e [office@romcarbon.com](mailto:office@romcarbon.com) mail address (given that using electronic means, proxy shall be sent by electronic signature) to the same date and time, the second copy will be handed to the representative, because it is and can prove as representative to request the Technical Secretariat of the Assembly, the third will remain at shareholder. Access shareholders entitled to attend the General Meeting of Shareholders is allowed by simply proving their identity, made in the case of natural persons, with ID, and if corporate shareholders or shareholders represented individuals, with their individual empowerment is, in Romanian or English.

Shareholders representing, individually or together, at least 5% of the share capital have the right to request the introduction of new items on the agenda.

Applications are forwarded to the Board no later than 15 days after publication of the convocation, for publication and bring them to the attention of other shareholders. If the agenda includes the appointment of directors and shareholders wish to propose candidates, the request will include information on the name, domicile and professional qualifications of the persons proposed for the respective functions.

Agenda items proposed by shareholders completed subsequently, after the convocation, is published under the requirements of the law and / or association for convening the general meeting at least 10 days before the general meeting, the date mentioned in the original convening notice.

Proposals on these draft resolutions proposed for adoption may be submitted in a sealed envelope at the company headquarters in Buzau, str. Transylvania, no. 132 in less than 15 days from the publication of the convocation, 17.00, or sent by e-mail with electronic signature in compliance with Law no. 455/2001 regarding the electronic signature, to the same date and time at [office@romcarbon.com](mailto:office@romcarbon.com) mentioning at the subject "for AGOA/AGEA from \_\_\_\_\_( AGA convening date )" These proposals must be accompanied by copies of valid identity of shareholders require the introduction of new items on the agenda, namely, ID / ID card in case of natural persons and certificate of registration for legal persons.

Each shareholder has the right to ask questions related to items on the agenda in accordance with art. 13 of NSC Regulation 6/2009. Questions can be submitted in writing to the company or by e-mail with electronic signature in compliance with Law 455/2001 regarding the electronic signature at office@romcarbon.com mentioning at the subject „ *AGOA/AGEA from*\_\_\_\_\_ (date of AGA meeting developing)”. The questions must be accompanied by copies of valid identity documents respectively, ID / ID card in case of natural persons and certificate of registration for legal persons.

The company will make an overall answer to questions with the same content will be made available on the website of the company in question and answer format.

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

Shareholders registered in the Register of Shareholders at the reference date can express and convey the vote on the items on the agenda of the General Meeting and by mail. Voting forms in Romanian and English can be obtained at the company headquarters - Shareholder Service or can be downloaded from the company's website [www.romcarbon.com](http://www.romcarbon.com) . Voting by correspondence forms completed and signed, accompanied by a copy of valid identity of the shareholder (ID / ID card in case of natural persons or certificate of registration and a copy of the identity document of the legal representative for legal persons) shall be sent at the company headquarters, with return receipt requested, so as to be registered to be received no later than 2 days before the meeting of the AGA, 17.00. Applications received after the above date and time will not be counted towards the quorum and majority in the Assembly.

In case of failure to fulfill the conditions stipulated by law and the articles of association 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 to 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 securities holders: CA 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.

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).

Currently, external financial auditor ROMCARBON S.A. is **DELOITTE AUDIT LLC** and was based on OGMS Decision from 29.04.2015 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.***

Also in 2015 Romcarbon SA took part in the weekly program "Another kind of School "; thus, over 100 students, ages younger and older, visited the factory Romcarbon in week 6 to 10 April 2015.

\* to support different social groups (young deserving, sick or disabled people) by including donations and humanitarian assistance in extreme cases, to help people in need. 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.

In ROMCARBON organization runs the program on support employees and relatives of 1st degree for serious diseases and merit scholarships for the children of employees

\* ***to support sports 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. Our aim is improving the quality of environmental factors and biodiversity conservation by promoting awareness of environmental issues and health.

ROMCARBON S.A. comply 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 the ROMCARBON S.A. identify 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 / subprocess (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 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 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

- a) articles of association of the company, if they were modified for the reporting year;
- b) Major contracts in progress 2015

*1. Major contracts undertaken in 2015 by ROMCARBON SA as seller:*



- *Contract of sale - purchase agreement concluded with S.C.KASAKROM CHEMICALS S.R.L, registered under the nr.3326 / 24.05.2012;*
- *Contract of sale - purchase agreement concluded with S.C LIVINGJUMBO INDUSTRY S.A, registered under No. 161 / 28.01.2010 extended by the addendum;*
- *Contract of sale - purchase agreement concluded with S.C LIVINGJUMBO INDUSTRY S.A, registered under nr.899 / 04.02.2010 extended by the addendum;*

2. *Major contracts undertaken in 2014 by SC ROMCARBON SA, as buyer:*

- *Contract of sale - purchase agreement concluded with S.C ROMPETROL RAFINARE SA registered under no. 3 of 05.01.2008 (extended by addendum).*

- c) acts of resignation / dismissal, if there were such situations among administration members, executives, auditors;
- d) List the Company's subsidiaries and the companies controlled by it - see section. 4.1.lit. d
- e) List of affiliated trade company - see section. 4.1.lit. d

**C.A. Chairman,  
Hung Ching Ling**

**CEO : eng.Andrei Radu  
CFO :ec. Zainescu Viorica Ioana**

DRAFT



**f) The statement "comply or explain "**

Principle / recommendation		Question	YES	NO	If NO, EXPLAIN
P19		Is the Issuer managed in a two tier system?		<b>X</b>	The Company's management is unitary.
P1	R1	Has the Issuer drawn up a Statute/Corporate Governance Regulation which describes the main aspects of the corporate governance principles?	<b>X</b>		
		Is the Statute/Corporate Governance Regulation (mentioning the date of its last update) posted on the website of the Issuer	<b>X</b>		
	R2	Does the Annual Report of the Issuer contain a chapter referring to corporate governance, which describes all the relevant events related to corporate governance registered in the previous financial year?	<b>X</b>		
	R3	Does the issuer's Annual Report includes a chapter on corporate governance describing all relevant events related to corporate governance, recorded during the previous financial year?	<b>X</b>		
		Issuer disseminate information on its website about the following aspects relating to corporate governance policy:	<b>X</b>		
		a) a description of its corporate governance structures?			
		b) the updated Articles of Association?	<b>X</b>		
		c) the internal regulation governing the functioning /its essential aspects for each special commission/ specialized committee?	<b>X</b>		
d) the "Comply or Explain" Statement?		<b>X</b>			
	e) the list of the Board of directors members specifying which members are independent, of the Executive Board and of the special commissions/committees?	<b>X</b>			
	f) a brief version of the CV of each Board of directors and Executive Board member?	<b>X</b>			
P2		Does the Issuer respect the rights of the holders of the financial instruments issued by the Issuer, ensuring equal treatment for them while also submitting any change of the granted rights for approval by the special meetings of such holders?	<b>X</b>		

P3	R4	Does the Issuer publish in a special section of its website the details of the holding of the General Meetings of Shareholders (“GMS”): <ul style="list-style-type: none"> <li>the GMS convening notice?</li> </ul>	X		
		<ul style="list-style-type: none"> <li>the materials/documents relating to the items on the agenda, as well as any other information about the items on the agenda?</li> </ul>	X		
		<ul style="list-style-type: none"> <li>the templates of the special power of attorney?</li> </ul>	X		
	R6	Has the Issuer drawn up and submitted for the GMS approval procedures for an efficient and methodical holding of the GMS according to procedure, however without prejudice to the right of any shareholder to freely express their opinion on the topics subject to the debates?	X		
	R8	Does the Issuer disclose in a special section of its website the shareholders’ rights as well as the rules and procedures for the attendance at GMS?	X		
		Does the Issuer provide the information in due time (immediately after the GMS) to all shareholders through the special section on the Issuer’s website: <ul style="list-style-type: none"> <li>the resolutions passed by GMS?</li> </ul>	X		
		<ul style="list-style-type: none"> <li>the detailed results of voting?</li> </ul>	X		
		Does the Issuer disseminate through the special section of the Issuer’s website, which is easily identifiable and accessible: <ul style="list-style-type: none"> <li>ad-hoc reports/official statements?</li> </ul>	X		
		<ul style="list-style-type: none"> <li>the financial calendar, the annual, quarterly and halfyearly reports?</li> </ul>	X		
	R9	Has the Issuer set-up a special department or has appointed a person dedicated to the relation with investors?	X		Mrs Genes Alina – Development Director
P4, P5	R10	Does the Board of directors meet at least once a quarter for supervising the activity of the Issuer?	X		
	R12	Has the Issuer a set of rules referring to the conduct and the reporting obligations relating to the trading of the shares or of other financial instruments issued by the Issuer (“ <b>issuer securities</b> ”) made on their account by the members of the Executive Board and other related natural persons?	X		
		Are the trades with the issuer’s securities made by the members of Board of directors, Executive Board or any other insiders on their own account disclosed via the Issuer’s website, according to applicable rules?	X		
P6		Does the structure of the corporate bodies of the Issuer ensure a balance between the executive and non-executive members (and	X		

		especially independent non-executive members) so that the decision-making is not to be dominated by a single person or a group of persons?			
P7		Does the structure of the Board of directors provide a sufficient number of independent members?	X		
P8	R15	In the course of its activity, is the Board of directors supported by any consultative commissions/committees nominated by the Board of directors, which deal with the analysis of some specific subjects in order to counsel the Board of directors on such topics?	X		
		Do the consultative commissions/committees submit activity reports to the Board of directors on the specific subjects assigned to them?	X		
	R16	For the assessment of the independence of their members, does the Board of directors use the assessment criteria listed in Recommendation 16?	X		
	R17	Do Executive Board members permanently improve their knowledge through training/information in the corporate governance field?	X		
P9		Is the appointment of the Board of directors members based on a transparent procedure (objective criteria regarding personal/professional qualifications etc.)?	X		
P10		Is there a Nomination Committee within the Issuer set-up?		X	The Company does not intend to establish such advisory committee that attribution nomination appointment of board members / executives belonging to the Articles of Association, excluding (i) shareholders (nominated members that under Law 31/1990), (ii) the General Meeting of Shareholders (Board of Directors members choice) or (iii) the Board of Directors (executive management members choice)
P11	R21	Does the Board of directors assess the necessity to have a Remuneration Committee/remuneration policy for the Board of directors and Executive Board members at least once a year?		X	The Company does not intend to establish such advisory committee attribution establish that application of the remuneration policy in the company owned exclusively General Meeting of Shareholders (pay / allowance board members) or

					the Board of Directors (executive management remuneration of staff respectively) within legal conferred on those bodies by the Act of incorporation and legislation companies.
		Has the remuneration policy been approved by the GMS?	X		Remuneration policy of the Board of Directors members approved by AGOA and remuneration policy in the company (ie remuneration of executive management staff) falls under the exclusive competence of Board of Directors Articles of Association of the Company and the companies legislation.
	R22	Is there a Remuneration Committee made exclusively of nonexecutive members of the Board of directors?		X	The Company does not intend to establish such advisory committee attribution establish that application of the remuneration policy in the company owned exclusively General Meeting of Shareholders (pay / allowance board members) or the Board of Directors (executive management remuneration of staff respectively) within legal conferred on those bodies by the Act of incorporation and legislation companies.
	R24	Is the remuneration policy of the Issuer mentioned in the Statute/Corporate Governance Regulation?	X		
P12, P13	R25	Does the Issuer disclose the information subject of the reporting requirements in English:		X	At company level there are under analysis solutions to align company policy recommended by the CGC.
		<ul style="list-style-type: none"> <li>• periodical information (regular providing information)?</li> <li>• permanent information (continuous providing information)?</li> </ul>		X	At company level there are under analysis solutions to align company policy recommended by the CGC
		Does the Issuer prepare and make public the financial report according to the IFRS standards?	X		
	R26	Does the Issuer organize, at least once a year, meetings with financial analysts, brokers, rating agencies and other market specialists with the view to presenting the financial elements relevant for the investment decision?	X		
	R27	Is there an Audit Committee within the Issuer?	X		
R28	Does the Board of directors or the Audit Committee, as the	X			

		case may be, assess on a regular basis the efficiency of financial reporting, internal control and the risk management system implemented by the Issuer?			
	R29	Is the Audit Committee comprised exclusively of non-executive members of the Board of directors and is it comprised of a sufficient number of independent members of the Board of directors?	X		
	R30	Does the Audit Committee meet at least twice a year, with the view to draw up and disclose to the shareholders half-yearly and annual financial statements?	X		
	R32	Does the Audit Committee make proposals to the Board of directors regarding the selection, the appointment, the reappointment and the replacement of the financial auditor, as well as the terms and conditions of its remuneration?	X		
P14		Has the Issuer approved a procedure with a view to identifying and to settling any conflicts of interest?	X		
P15	R33	Do the members of the Board of directors inform the Board of directors on conflicts of interests as they occur and do they refrain from debates and the vote on such matters, according to relevant legal provisions?	X		
P16	R34/ R35	Has the Issuer approved the specific procedures in order to provide procedural compliance (criteria to identify the significant impact of transactions, transparency, impartiality, non-competition, etc.) with the view to identify the transactions between related parties?	X		
P17	R36	Has the Issuer approved a procedure regarding the internal flow and disclosure to third parties of the documents and information referring to the Issuer, considering especially inside information?	X		
P18	R37/ R38	Does the Issuer carry on activities regarding the Issuer's social and environmental responsibility?	X		

**Chairman of the Board,  
Hung Ching Ling**

**CEO eng.Andrei Radu  
CFO :ec. Zainescu Viorica Ioana**