



S.C. ROMCARBON S.A.



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

Reporting date: 27/28.04.2017

Financial year ended 31 December 2016

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.

LANGUAGE DISCLAIMER

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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 2016 are presented in the table below :

<u>Category</u>	<u>Value</u>
Plants	3,341,169 lei
Equipment and Machineries	6,926,088 lei
Controlling device	136,423 lei
Vehicles	438,316 lei
Furniture	76,185 lei
TOTAL	10,918,181 lei

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

Item	Entry Value	Profit Center
PE FOIL WASHING, SORTING AND CRUSHING LINE	3,754,200	CP7 - Compounds
CONCRATE PLATFORM (7155 sqm)	1,118,148	Administrative
REGRANULATING LINE	748,796	CP7 - Compounds
WATER TREATMENT STATION BUILDING	679,695	CP7 - Compounds
WAREHOUSE	650,482	Administrative
PE FOIL FOLDING EQUIPMENT FOR CO-EXTRUDER	447,653	CP3 - Polyethylene
WASHING, SORTING, CRUSHING LINE	446,969	CP7 - Compounds
PE FILM EXTRUDER	297,381	CP3 - Polyethylene
REGRANULATING LINE	227,428	CP7 - Compounds
WAREHOUSE 48X9M	223,139	Warehouses
FRONT LOADER	203,656	Warehouses

The outputs of tangible assets from the company in 2016 are shown in the table below:

Assets	Dismantle/casasion	Sales	Total
Plants	156,579 lei	465,515 lei	622,094 lei
Equipment and Machineries	782,742 lei		782,742 lei
Total	939,322 lei	465,515 lei	1,404,836 lei

1.1.1 GENERAL ASSESMENT ITEMS

a)	Net Profit/Loss	4,903,474 lei
b)	Turnover	181,195,934 lei
c)	Export	39,556,144 lei
d)	Total Expences	194,108,244 lei
	Total Revenues	199,011,718 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: **RON 5,615,329**

1.1.2 The assessment of the tehcnical level of the company

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

In 2016, 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 – Polypropylene workshop** - where are manufactured polypropylene products : laminated and non-laminated woven bags in different sizes for packaging products used in agriculture, food and chemical industry.
- **Profit center No.7 – Compounds-** with two activities:

- Treating of plastic scraps by separating the recyclable fractions, grinding, extruding and filtering the separated fractions.

The finished products are plastics regranulated products, compounds and composites plastic products.

- Treating the postproduction Polyethylene foil scraps by washing, extruding and filtering/separating. The finished products are PE and PP regranulated products and compounds.

The company has 3 working points:

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

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

Profit center	2014	2015	2016
CP1~ Auto and industrial filters,	2.62%	2.60%	2.28%
CP2~ Respiratory protective equipment and Active Carbon	1.70%	1.39%	1.61%
CP3~ Polyethylene products	11.81%	10.49%	13.83%
CP4~ PVC products	0.15%	0.14%	0.24%
CP5~ Polystyrene products	16.54%	16.99%	18.91%
CP6~ Polypropylene products	23.49%	21.93%	20.50%
CP7~Compounds	5.10%	7.19%	10.07%
TOTAL	61.40%	60.73%	67.44%

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

New products developed in 2016

In 2016 was enlarged the range of industrial filters with 9 new items. In automotive sector 12 new filters entered in production and 2 for military equipment.

In CP7- Compounds were developed 16 new recipes of compounds manufactured from recycled plastic, new products were delivered to the clients, one of these clients is Renault or its subcontractors.

The development activity was focused both on developing new products and new production technologies and on improving the existing technologies. They were developed new projects in CP7 – Compounds for processing the PE foil and PE films and also in this sector were extended the warehouse area.

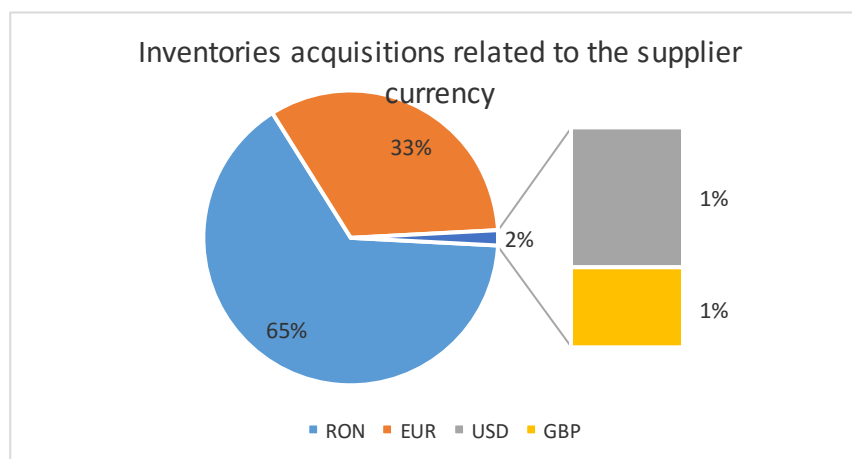
1.1.3.The assessment of procurement activity (domestic and import).

The raw materials and materials were purchased in 2016 in a share of 35% from the foreign markets and 65% from the domestic market.

The collaboration with these suppliers is based on the contracts signed with them or on supplying orders. The largest share (68%) 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 supplier portfolio is split 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 2016 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:

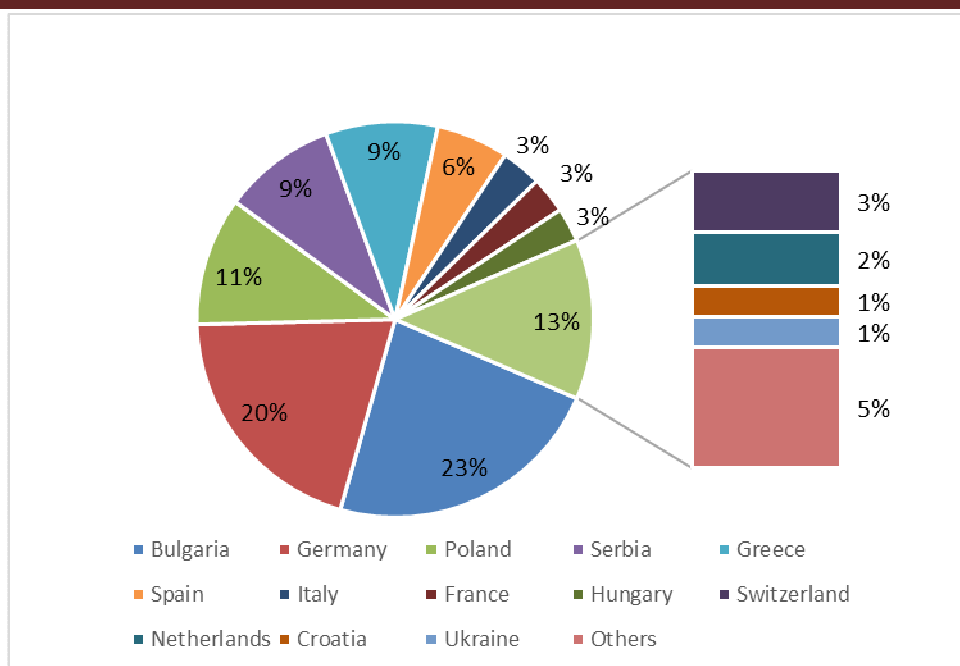
Group of product	2014		2015		2016		2016 vs. 2015
	Value	% in total	Value	% in total	Value	% in total	
CP1~ Auto and industrial filters,	4,205,621	4.27%	4,655,408	4.28%	4,130,687	3.38%	▼ -11.27%
CP2~ Respiratory protective equipment and active carbon	2,730,701	2.77%	2,492,717	2.29%	2,915,747	2.39%	▲ 16.97%
CP3~ Polyethylene products	18,945,893	19.23%	18,800,848	17.27%	25,059,617	20.51%	▲ 33.29%
CP4~ PVC products	236,542	0.24%	252,613	0.23%	434,054	0.36%	▲ 71.83%
CP5~ Polystyrene products	26,536,242	26.94%	30,460,257	27.98%	34,260,687	28.04%	▲ 12.48%
CP6~ Polypropylene products	37,683,735	38.25%	39,301,193	36.10%	37,144,517	30.40%	▼ -5.49%
CP7~Compounds	8,176,591	8.30%	12,890,948	11.84%	18,245,980	14.93%	▲ 41.54%
TOTAL	98,515,325	100.00%	108,853,984	100.00%	122,191,290	100.00%	▲ 12.25%

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

Sales of finished products	2014		2015		2016	
	Value	%	Value	%	Value	%
Domestic market	75,646,136	76.79%	80,283,409	73.75%	83,100,987	68.01%
Foreign markets	22,869,188	23.21%	28,570,575	26.25%	39,090,302	31.99%
Total	98,515,325	100.00%	108,853,984	100.00%	122,191,290	100.00%

Structure of turnover resulting from the sale of finished products in 2016 based on foreign sales markets is presented below .

Country	Exports
Bulgaria	8,962,059
Germany	7,864,061
Poland	4,111,979
Serbia	3,605,700
Greece	3,578,215
Spain	2,310,192
Italy	1,285,047
France	1,167,960
Hungary	1,091,311
Switzerland	1,064,986
Netherlands	910,231
Croatia	546,930
Ukraine	512,360
Others	2,079,272
Total	39,090,302



1) AUTOMOTIVE AND INDUSTRIAL FILTERS

a) The Market

The main market is the domestic one with a share of 94%, while the exports contributes with 6% of sales. 36% of filters sales consist in industrial, agricultural, vacuum cleaner, railway and ships filters, while the sales of automotive filters represent 64% 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 both through the major auto parts selling networks and through actual distributors of Romcarbon brands;
 - Identifying the market requirements and meet 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) The Market

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

In 2016 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 fitroventilation

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 equipment.

The insufficient budget of Romanian Army for acquisitions and drastic reduction of workforce don't give us encouraging perspectives for the sale of military protective equipments.

Mining activity has decreased in recent years. Our major client, Complexul Energetic Hunedoara, became insolvent, number of the employees of the coal mines Lupeni, Lonea, Livezeni and of the thermal power stations Mintia and Paroseni has constantly decreased and some coal mines will be colosed (Lupeni in October 2017 and Lonea in 2018).

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 on the market and they don't uses active carbon any longer. Our client IRIDEX announced us that he stopped using the active carbon technology.

b) Competition

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

3) POLYETHYLENE PRODUCTS

a) The market

The distribution of sales of Polyethylene products is: 75% on domestic market and 25% 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 2016 the sales of Polyethylene increased with 33% as compared with 2015.

b) Competition

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

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

4) PVC PRELUCRAT

a) The market

In anul 2016, the recycled PVC supports for road signs entered foreign markets. The sales increased in 2016 by 72% as compared with 2015.

5) POLYSTYRENE PRODUCTS

a) The market

• Expanded polystyrene trays (standard and catering).

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

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

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

The distribution of sales in 2016 was of 71% on domestic market and 29% on foreign market. The sales increased in 2016 by 13% as compared with 2015. The share of export sales registered an increase of 37% compared to 2015, especially in the markets of Bulgaria, Serbia, Croatia, Czech Republic, Hungary, Ukraine and R.Moldova. The main foreign markets are: Bulgaria, Serbia, Czech Republic, Hungary, Croatia, Israel.

b) Competition:

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

For XPs pannels, the main competitors are manufacturers from Poland (DECORA,VTM) and Germany (SELITAC)

6) POLYPROPYLENE PRODUCTS

a) The market

In 2016 it remained about the same structure in terms of geographic market: 64% domestic market and 36% foreign market. The sales decreased with 5.49% in terms of value as compared with 2015, but this it is owed not to a decrease of the production activity but to a decrease of the finished products price as a result of the decrease of raw materials price.

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

a) The market

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

By adding and mixing different additives and fillers in polymers are obtained improved mechanical properties, resistance to UV radiation, flame resistance, shock resistance etc. The center is equipped with the latest technology from some of the world leaders in the field of extrusion equipment and laboratory equipment. Current production capacity of the factory of compounds is about 30,000 tons/ year.

The product range consists of two main categories:

- Plastics 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 led to an increase of 2016 sales with 41.54%.

At this time, similar products in this subcategory are:

- Polypropylene regranulated in various colors.
- Polypropylene recycled compounds for various industries;
- Polypropylene reinforced with talc regranulated;
- Polystyrene regranulated in various colors;
- ABS (Acrylo-Butadien-Stiren) regranulated;
- High and low density Polyethylene regranulated;
- Low density linear polyethylene regranulated

The 2016 sales were distributed as follows : 60% on the domestic market and 40% on foreign markets.

b) **Competition**

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

Competitia compundurilor virgine este reprezentata de companii mari din industria petrochimiei.

- Domestic market – Recycled products

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

- Foreign market – Recycled products

The main competitors are: Ecoinvest (Bulgaria), PMB (Bulgaria), Sky Plastic (Austria), Atus Recycling (Poland), Rego Plast (Hungary), Pokas Recycling (Greece).

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

The number of SC Romcarbon SA employees at 31.12.2016 was 982, grouped according to the level of education as follows:

Number of staff, total, of which:	982
• higher education	117
• post-secondary school	13
• technical school for foreman	12
• secondary education	386
• vocational school	217
• 9 – 11 classes/apprentice school	97
• occupational qualification	71
• school	69

The relationships between managers and employees are relations of subordination according to the Company's organizational chart, job descriptions and individual labor contract. Each employee is directly subordinated to their superior. Superiors are responsible for the legality and validity of the instructions they issue, and the consequences of these instructions. There were no conflicts in the relations between managers and employees. Employees are not organized in a trade union.

1.1.6 The assessment of the impact of the company's activity on 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 / sub-process (including their inputs and outputs) according to the procedure of system "PS 03 Environmental aspects" in situations of normal operation, abnormal (including starting and stopping) and in emergency case or 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 and development activity carried out by the Department of Technical and Investment in collaboration with internal departments involved and with agreed service providers, includes certification of products in accordance with national and European legislation. The research and development activity includes:

- Product certification according to the national and european regulations:

In 2016 it were renewed the certifications of the following products in the Materials for protection section:

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

The cost of research and development activity in 2016 was RON 965,650, while for 2017 it was budgeted a cost of RON 905,509.

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

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

Given the global financial and economic crisis, SC Romcarbon SA had to adapt to new conditions and constraints coming from the market facing with these risks:

The Market risk

In 2016 the company recorded an increase of turnover with 1% as compared with 2015 reaching a total of RON 181,195,934. The turnover resulting from the sale of finished products had increased in 2016 with 12.25% as compared with 2015. The largest increase was accounted by CP7 - Compounds (+ RON 5,355,032 /+41.54%), CP3 – Polyethylene products(+ RON 6,258,769/+33.29%) and CP5 – Polystyrene products (+ RON 3,800,430/+ 12.48%).

The Romcarbon main selling market is the domestic one, with a share in turnover resulting from the sale of finished products of 68% in 2015 (74% in 2015).

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 2016 had a turnover representing 18% and 10% of total turnover. Also the sales to Livingjumbo Industry SA in 2016 included the sales of finished products, rents and income from other activities, which accounted for 4% of turnover.

The Exchange rate risk

Currency exposure of SC Romcarbon SA is generated mainly by the loans denominated in euro. As at 31.12.2016 the balance of these loans was EUR 14,693,069. In 2016 the loss generated by the fluctuation of foreign currencies rate was RON 153,971.

Cash flow in foreign currency in 2016 has the following structure:

Items	EURO	USD	GBP
Proceeds from foreign clients	8,595,476	27,366	0
Proceeds from credits	611,191	0	0
Other proceeds	11	1	0
Payment to the foreign suppliers (raw materials and	-12,752,161	-895,878	-13,411

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equipment)			
Payments of credits, interest, bank fees	-3,438,812	-1,865	-106
Other currency payments	-96,596	0	0
Net cash flow	-7,080,890	-870,377	-13,517

The liquidity risk

Current liquidity of SC Romcarbon SA (calculated as the ratio between current assets and current debts) climbed down from 0.80 in 2015 to 0.76 in 2016.

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 2017.

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 2017, the company budgeted the following financial indicators:

- A total turnover of RON 219,632,680(up by 21.21% as compared with 2016) of which the turnover related to the sales of finished products is budgeted at the level of RON 156,313,709 (28% higher as compared with 2016);
- An operating profit of RON 6,435,752 (45% higher as compared with 2016);

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 60,845.83 square meters;
- land and industrial and civil construction located in Transilvania Street no. 132 - the sport facility - a total area of 22,830 square meters of which 1,053 square meters built area.
- land 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 industrial buildings located in Iasi, str. Calea Chisinau, no. 29 total area of 92,555 sqm, built area of 24,792.02 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 activity, services and warehousing:

- Filter housings stamps hall with an area of 2,497 square meters, built of prefabricated foundation type glass columns, beams precast concrete, masonry brick on concrete foundation;
- Band filters hall - 1,793 sqm building area of prefabricated foundation pillars of glass type with precast concrete beams, brick masonry and glass, the foundation of reinforced concrete roof;
- Protective materials hall - area 1,405 sqm prefabricated foundation pillars of glass type, prefabricated reinforced concrete beams, brick masonry and glass reinforced concrete roof;
- Active charcoal Hall 1 - area of 639 sqm built in reinforced concrete foundation, brick walls, concrete roof;
- Active charcoal Hall 2 - area of 1,803 square meters, built of prefabricated foundation pillars of glass type prefabricated reinforced concrete beams, brick masonry on concrete foundation;
- Polyethylene Polypropylene Hall - an area of 11,506 square meters, built of prefabricated foundation pillars glass type with precast concrete beams, brick masonry and reinforced concrete foundation, reinforced concrete slab;
- Production hall + expansion and modernization of EU funds (Compounds Hall) - total area of 4,106 square meters of prefabricated foundation pillars of glass type with precast concrete beams, brick masonry and glass, the foundation of reinforced concrete roof in which the extent of 1,806 sqm - hall with glass type foundation, metal poles and steel structure; Tristram wall panels 6 cm, aluminum joinery and double glazing and roof panels Tristram 8 cm floor made of concrete and reinforcing mesh with a mesh of 100 * 100 * 8 mm quartz elicoptrizat and treatment resistance to wear and dust ; access to the plant is made by six industrial doors with electric drives; electrical facilities have been fully restored;
- Polystyrene hall and Warehouse - an area of 4,367 square meters, built of prefabricated foundation pillars of glass type precast concrete beams, brick walls, glass panels and three-layer, reinforced concrete floor and roof panels Tristram;
- PSE mill hall and warehouse area of 577 sqm built on reinforced concrete foundation, brick walls, concrete roof;
- Wiring Hall 1 -Surface 415 sqm built on reinforced concrete foundation, brick walls, concrete floor;
- Laboratory - area 642 sqm, built on concrete foundation, brick masonry, roof;
- Compressor hall with an area of 396 sqm, built on the foundation of reinforced concrete, brick walls, concrete slab, of which 276.5 sq rent;
- Deposit filters - area of 1,144 square meters, built on the foundation of reinforced concrete, reinforced concrete walls, prefabricated roof;
- Administrative building - area 361 sqm, built on the foundation of reinforced concrete, brick masonry, reinforced concrete roof slab;
- Hall with an area of 1,653 square meters, prefabricated foundation pillars of glass type precast concrete beams, brick masonry and glass, the concrete foundation of reinforced concrete roof;

I.2.) Rented buildings:

- Hall area of 717 square meters built on reinforced concrete foundation, structure of concrete pillars, brick masonry, concrete floor;

- Hall - an area of 3,035 square meters, prefabricated foundation pillars of glass type precast concrete beams, brick masonry and glass, the concrete foundation concrete roof;
- Hall - an area of 2,718 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 square meters built on reinforced concrete foundation, brick walls, floor of corrugated sheets;
- Hall with an area of 655 square meters, 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.
- Hall with an area of 1,693 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 6,227 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 1,421 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 1,906 square meters on reinforced concrete foundation, structure of concrete pillars, brick masonry, concrete floor;

ASSET 10

- color preparation building - area of 1,935 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 Some of the company's buildings have a significant age and a wear rate of 15% up to 50%.

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

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

3. SECURITIES MARKET 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:

- 2014 – RON 2,007,328.00;
- 2015 – RON 2,245,038.00.
- 2016 - according to the General Stockholders Asseby decision dated 27/28.04.2017

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. 103¹ d), followed by their cancellation (in terms of art and 103¹ 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 2016.

4.THE MANAGEMENT OF THE COMPANY

4.1.Administratorii societatii:

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

Hung Ching Ling –Chairman of the Board starting on 21.01.2016, for a term of four years, expiring on 04.02.2020, appointed on Ordinary General Meeting of Shareholders decision of SC ROMCARBON SA dated 21.01.2016, 47 years old ;

Simionescu Dan – Deputy Chairman of the Board starting with 21.01.2016, for a term of four years, expiring on 04.02.2020, appointed on Ordinary General Meeting of Shareholders decision of SC ROMCARBON SA dated 21.01.2016, 65 years old;

Wang Yi Hao – Member of Board starting with 21.01.2016, for a term of four years, expiring on 04.02.2020, appointed on Ordinary General Meeting of Shareholders decision of SC ROMCARBON SA dated 21.01.2016, 31 years old;

b) Not applicable.

c) Participation of administrators to share capital of SC Romcarbon SA, at the reference date 31.12.2016:

Hung Ching Ling- 1,368 shares

Wang Yi Hao - 0 shares

Simionescu Dan - 493,328 shares

d) List of affiliated persons on 31.12.2016 the Company:

d.1. Legal entities in which SC Romcarbon S.A. owned, on 31.12.2016, directly, at least 25% holdings :

Company	Total number of shares	Nomin al Value (lei)	Social capital (lei)	No. of shares held	Investment value	Interest quota (%)
RECYPLAT LTD CIPRU	26,000	4.3521	113,154	26,000	20,857,287	100.0000%
ROMCARBON DEUTSCHLAND GmbH			110,138		110,138	100.0000%
RC ENERGO INSTALL SRL	200	10	2,000	200	15,112	100.0000%

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INFO TECH SOLUTIONS SRL	200	10	2,000	198	1,980	99.0000%
LIVINGJUMBO INDUSTRY SA	200	4,032	806,400	198	1,639,232	99.0000%
GRINFILD LLC UCRAINA YENKI SRL	32,800	10	328,000	10,934	2,687,755	62.6200%
ASOCIATIA ECOLOGICA GREENLIFE (Non-Profit Organization)				1,200	100,000	33.3354%
ECO PACK MANAGEMENT SA	144,600	10	1,446,000	36,670	400	33.3333%
					586,625	25.3596%

d.2. 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 31.12.2016 prepared in accordance with Accounting Act no. 82/1991, republished, Order no. 1286/2012 as subsequently amended, O.M.F.P. no. 881/2012 on the application by the companies whose securities are admitted to trading on a regulated market of International Financial Reporting Standards - standards adopted under the procedure provided for in art. 6 para. (2) of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards. The company will issue for the year 2014 consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") (Including: Independent-auditor Report of Deloitte Audit SRL -, Income and expenses statement, Statement of comprehensive income, Statement of financial position, Statement of changes in equity, Cash flow statement, Notes to financial statements, the Administrators Financial Report attached to the financial situations;

- The decision of the Ordinary General Meeting of Shareholders dated 27/28.04.2017, which approved the 2016 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 2014, 2015, 2016 is shown in the following table.

Item	2014	2015	2016	Variatie	2016 vs. 2015
Property, plant and equipment	113,254,098	147,831,285	147,005,912	-825,373	▼ -0.56%
Investment property	46,317,533	43,799,325	45,680,013	1,880,688	▲ 4.29%
Intangible assets	209,289	189,900	246,401	56,501	▲ 29.75%
Financial assets	22,919,676	22,863,010	22,844,368	-18,642	▼ -0.08%
Total non-current assets	182,700,596	214,683,520	215,776,694	1,093,174	▲ 0.51%
Inventories	18,104,795	20,499,859	25,668,487	5,168,628	▲ 25.21%
Trade and other receivables	29,399,410	33,959,316	26,553,753	-7,405,563	▼ -21.81%
Loans granted to related parties	635,099	0	0	0	— n/a
Current tax assets	131,401	439,598	447,239	7,641	▲ 1.74%
Other assets	246,451	366,752	294,011	-72,741	▼ -19.83%
Cash and bank balances	9,560,212	12,888,836	5,615,329	-7,273,507	▼ -56.43%
Total current assets	58,077,367	68,154,361	58,578,819	-9,575,542	▼ -14.05%
Total assets	240,777,963	282,837,881	274,355,513	-8,482,368	▼ -3.00%
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	49,418,796	53,375,509	54,506,299	1,130,790	▲ 2.12%
Retained earnings	47,730,966	48,158,839	47,230,089	-928,750	▼ -1.93%
Total Equity	125,744,256	130,128,841	130,330,881	202,040	▲ 0.16%
Borrowings LT	14,842,699	32,432,440	36,104,275	3,671,835	▲ 11.32%
Long term finance leases and other interest bearing obligations	2,705,112	1,195,151	84,588	-1,110,563	▼ -92.92%
Deferred tax liabilities	11,041,869	11,142,757	10,468,240	-674,517	▼ -6.05%
Deferred income	9,869,972	22,272,168	19,939,642	-2,332,526	▼ -10.47%
Total non-current liabilities	38,459,652	67,042,516	66,596,745	-445,771	▼ -0.66%
Trade and other payables	28,900,849	30,928,649	26,896,495	-4,032,154	▼ -13.04%
Borrowings ST	42,801,193	49,411,862	45,337,135	-4,074,727	▼ -8.25%
Short term finance leases and other interest bearing obligations	1,588,642	1,709,000	1,107,270	-601,730	▼ -35.21%
Deferred revenue	1,190,554	2,219,975	2,293,920	73,945	▲ 3.33%
Other liabilities	2,092,819	1,397,039	1,793,067	396,028	▲ 28.35%
Total current liabilities	76,574,056	85,666,524	77,427,887	-8,238,637	▼ -9.62%
Total liabilities	115,033,708	152,709,040	144,024,632	-8,684,408	▼ -5.69%
Total equity and liabilities	240,777,963	282,837,881	274,355,513	-8,482,368	▼ -3.00%

NON-CURRENT ASSETS

In 2016 **The Non-current assets** hold 78.65% of the company's assets, recording an increase of RON 1,093,174, i.e. 0.51%, as compared with december, 2015.

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

Active pe termen lung	2016	% in total NCA	% in total Asset	2016 vs. 2015
Property, plant and equipment	147,005,912	68.13%	53.58%	-0.56%
Investment property	45,680,013	21.17%	16.65%	4.29%
Intangible assets	246,401	0.11%	0.09%	29.75%
Financial assets	22,844,368	10.59%	8.33%	-0.08%

Total non-current assets	215,776,694	100.00%	78.65%	0.51%
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As at December 31, 2016 the Company, using the services of an independent evaluator, had re-evaluated the Property, plant and equipment.

In the Financial statements for the period ended December 31, 2016 were registered the differences resulting from re-evaluation of the Property, plant and equipment for the total amount of RON 1,987,613. After re-evaluation the value of the land decreased by RON 6,239,033, while the value of the buildings increased with RON 4,251,420.

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:

Investment property	Land	Plants	Total
Iasi	26,949,733	8,535,852	35,485,585
Buzau	2,018,814	3,309,647	5,328,461
Stefanesti	2,430,559	2,435,408	4,865,967
Total	31,399,106	14,280,907	45,680,013

At the end of 2016 were re-evaluated the assets classified as Investment Property resulting a positive difference of 759,449 lei ; the amount was recorded directly in the Profit and Loss Account.

FINANCIAL ASSETS

Financial assets representing 10.59% of Non-current assets and 8.33% of Total Assets, have registered in the reporting period a decrease of RON 18,642.

In addition to the information shown at point 4.1.d.1 of this report, the company has as at 31.12.2016 the following financial investments:

Company	Total number of shares	Nominal Value (lei)	Social capital (lei)	No. of shares held	Investment value (lei)	Interest quota (%)
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%
ARCH DEVELOPMENT ASSOCIATES SRL	45,200	10	452,000	102	1,020	0.2257%
TOTAL					209,983	

In the reporting period ceased by rescission the sale contract no.9690/ 26.11.2013, concluded between Romcarbon SA as seller and Recyplat LTD as buyer, having as object the sale of 62.62% of Grinfil LLC Ukraine capital to Recyplat LTD, on the ground that the buyer could not registered the right over the shares in the Ukraine Trade Registry. As consequence, the parties were reinstated to the situation existing before 25.11.2013, Romcarbon SA repaying the sale price, i.e. EUR 709,000.

In the reporting period S.C. Romcarbon S.A. received dividends from Recyplat LTD in total amount of EUR 720,000.

In 04.10.2016 Greensort Recycling S.R.L was de-registered from Trade Registry.

In 17.10.2016 was established the company Arch Development Associates S.R.L, with a social capital in amount of RON 2,000, to whom Romcarbon SA participated with a percentage of 51%. The object of the activity of this new company is Development of building projects, NACE code 4110. As at December 12, 2016 the company's shareholders approved a capital increase of RON 450,000 by issuing a number of 45,000 shares with a nominal value of RON 10/share; Romcarbon SA did not participate in the capital increase. As a result of the capital increase the participation quota of Romcarbon SA in Arch Development Associates had reduced from 51% to 0.23%.

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

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

CURRENT ASSETS hold 21.35% of total assets recording a decrease of RON 9,575,542 , i.e. 14.05%, as compared with the beginning of the year.

Current assets	2016	% in total CA	% in Total Assets	2016 vs. 2015
Inventories	25,668,487	43.82%	9.36%	25.21%
Trade and other receivables	26,553,753	45.33%	9.68%	-21.81%
Current tax assets	447,239	0.76%	0.16%	1.74%
Other assets	294,011	0.50%	0.11%	-19.83%
Cash and bank balances	5,615,329	9.59%	2.05%	-56.43%
Total	58,578,819	100.00%	21.35%	-14.05%

LIABILITIES

Total Liabilities hold 52.50% of the company's Equity&Liabilities recording a decrease of RON 8,684,408, i.e. 5.69%, as compared with the beginning of the year.

Current liabilities of the Company, representing 53.76% of the Total Liabilities and 28.22% of Total Equity & Liabilities decreased by RON 8,238,637 as compared with 31.12.2015, i.e. 9.62%, have the following structure:

Current liabilities	2016	% in total liabilities	% in Total Current liabilities	% in Total Equity & Liabilities	2016 vs. 2015
Trade and other payables	26,896,495	18.59%	34.74%	9.80%	-13.04%
Borrowings ST	45,337,135	31.33%	58.55%	16.52%	-8.25%
Short term finance leases and other interest bearing obligations	1,107,270	0.77%	1.43%	0.40%	-35.21%
Deferred revenue	2,293,920	1.59%	2.96%	0.84%	3.33%
Other liabilities	1,793,067	1.24%	2.32%	0.65%	28.35%
Total	77,427,887	53.51%	100.00%	28.22%	-9.62%

Non-current Liabilities , representing 46.24% of total liabilities and 24.27% of the company's Equity&Liabilities were registered in the reporting period a decrease of RON 445,771 , i.e. 0.66%, have the following structure:

Non-current liabilities (NCL)	2016	% in total liabilities	% in NCL	% in Total Equity&Liabilities	2016 vs. 2015
Borrowings [Long-term]	36,104,275	25.07%	54.21%	13.16%	11.32%
Long term finance leases and other interest bearing obligations	84,588	0.06%	0.13%	0.03%	-92.92%
Deferred tax liabilities	10,468,240	7.27%	15.72%	3.82%	-6.05%
Deferred income	19,939,642	13.84%	29.94%	7.27%	-10.47%
Total Non-current liabilities	66,596,745	46.24%	100.00%	24.27%	-0.66%

BORROWINGS

As at 31.12.2016 the loans contracted by S.C. ROMCARBON S.A. have the following structure :

Bank	Type	Initial amount	Balance as at 31.12.2016		Due date
			in euro	in lei	
UniCredit Bank	Overdraft - revolving	€ 3,450,000	€ 3,410,753	15,488,569 lei	02/07/2017
UniCredit Bank	Overdraft	€ 2,500,000	€ 2,299,399	10,441,801 lei	04/07/2017
BRD GSG	Overdraft - revolving	€ 2,550,000	€ 2,435,846	11,061,421 lei	30/10/2017
UniCredit Bank	Investment loan III	€ 442,500	€ 0	- lei	19/09/2021
BRD GSG	Investment loan (I)	€ 2,058,000	€ 613,021	2,783,791 lei	01/03/2018
BRD GSG	Investment loan (II)	€ 1,000,000	€ 676,836	3,073,578 lei	03/09/2022
BRD GSG	Investment loan (III)	€ 3,153,160	€ 2,289,795	10,398,187 lei	03/02/2022
UniCredit Bank	Investment loan - CCE 2015	€ 3,042,240	€ 2,967,420	13,475,350 lei	04/12/2023
Total loans in euro		€ 18,195,900	€ 14,693,069	66,722,696 lei	
Eximbank SA	Investment loan	6,142,500 lei		5,630,625 lei	20/06/2022
UniCredit Bank	Investment loan I	3,200,000 lei		3,191,000 lei	11/07/2023
UniCredit Bank	Investment loan II	2,500,000 lei		783,198 lei	19/09/2021
UniCredit Bank	Investment loan IV	5,400,000 lei		5,113,890 lei	01/12/2021
Total loans in lei		17,242,500 lei		14,718,713 lei	
Total loans				81,441,409 lei	

In January 2016, SC Romcarbon SA reimbursed the Bridge loan in amount of EUR 2,074,003 and the VAT facility in amount of RON 1,219,561 both contracted with UniCredit Bank SA for financing the investment project co-financed by European Fund for Regional Development « Development of the company Romcarbon SA by purchasing new equipment » .

In July 2016, SC Romcarbon SA contracted with UniCredit Bank SA an investment credit in amount of RON 3,200,000 for financing the acquisition of an asset (land and construction) in total surface of 1,745.70 sqm located in Iasi, Calea Chisinaului nr.27-29.

In September 2016, SC Romcarbon SA contracted with UniCredit Bank SA two credits for investments, one in amount of EUR 442,500, and the other in amount of RON 2,500,000. These credits have the due dates 19.09.2021. The credits repayment will be made by monthly installments. The first installment will be paid in

October 2017. By the end of December 2016 the credit in amount of EUR 442,500 hadn't been engaged, while the credit in amount of RON 2,500,000 had been partially engaged.

In November 2016, SC Romcarbon SA contracted with UniCredit Bank SA an investment credit in amount of RON 5,400,000. The object of the credit is the financing and refinancing the acquisition of equipment and for the warehouses refurbishment. The credit repayment will be made by monthly installments. The first installment will be paid in January 2017. The credit's due date is 01.12.2021.

Short term loan totalizing RON 36,991,791 have the following structure :

Bank	Type	CCY	Initial amount	Balance as at 31.12.2016	
				in euro	in lei
UniCredit Bank SA	Linie de credit	euro	€ 3,450,000	€ 3,410,753	15,488,569 lei
UniCredit Bank SA	Credit obiect	euro	€ 2,500,000	€ 2,299,399	10,441,801 lei
BRD	Linie de credit	euro	€ 2,550,000	€ 2,435,846	11,061,421 lei
Total short-term loan				€ 8,145,998	36,991,791 lei

Long term loans totalizing RON 44,449,618 have the following structure :

Bank	Type	CCY	Balance as at 31.12.2016		< 12 Months	>12 Months
			in euro	in lei		
BRD GSG	Investment loan (I)	euro	€ 613,021	2,783,791 lei	2,386,107 lei	397,684 lei
BRD GSG	Investment loan (II)	euro	€ 676,836	3,073,578 lei	331,001 lei	2,742,577 lei
BRD GSG	Investment loan (III)	euro	€ 2,289,795	10,398,187 lei	2,045,545 lei	8,352,642 lei
UniCredit Bank SA	Investment loan - CCE 2015	euro	€ 2,967,420	13,475,350 lei	978,228 lei	12,497,121 lei
UniCredit Bank	Investment loan I	Lei		3,191,000 lei	401,684 lei	2,789,316 lei
UniCredit Bank	Investment loan II	Lei		783,198 lei	156,250 lei	626,948 lei
UniCredit Bank	Investment loan IV	Lei		5,113,890 lei	1,022,778 lei	4,091,112 lei
Eximbank SA	Investment loan	Lei		5,630,625 lei	1,023,750 lei	4,606,875 lei
Total long term loans				44,449,618 lei	8,345,343 lei	36,104,275 lei

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 1.50% and 2.50%.

Total Equity holding **47.50%** of Total Equity&Liabilities, registered an increase of RON 202,040, i.e. 0.16% , as compared with the beginning of the year have the following structure:

Equity	2016	% in Total Equity & Liabilities
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	54,506,299	2.12%
Retained earnings	47,230,089	-1.93%
Total Equity	130,330,881	0.16%

As at 31.12.2016 the company shareholders according to Depozitarul Central SA:

Shareholder	No.of shares	% ownership
Living Plastic Industry SRL	86,774,508	32.85%
Unitai International Corporation	615,500	0.23%
Joyful River Limited Loc. Nicosia CYP	54,195,089	20.52%
Romanian Investment Fund (Eastern Eagle Fund Ltd)	10,337,983	3.91%
Stichting Bewaarder Overlevingsfonds	13,207,000	5.00%
BRAICONF SA	15,000,000	5.68%
Other legal persons	33,121,409	12.54%
Natural persons	50,870,607	19.26%
Total	264,122,096	100.00%

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

Indicator	2014	2015	2016	2016 vs. 2015	
Net sales	157,939,374	176,702,913	178,719,385	▲	2,016,473 1%
Investment income *	39,546,850	8,342,326	6,866,672	▼	- 1,475,654 -18%
Other gains and losses	310,664	-2,604,404	1,725,659	▼	4,330,063 -166%
Changes in inventories of finished goods and work in progress	1,776,904	1,538,064	3,404,371	▲	1,866,307 121%
Raw materials and consumables used	-123,301,848	-134,762,781	-131,058,698	▼	3,704,083 -3%
Depreciation and amortization expenses	-8,589,905	-7,106,832	-9,578,963	▲	- 2,472,130 35%
Adjustments for financial investments	0	0	-2,687,755	▲	- 2,687,755 n/a
Employee salaries and benefits	-15,363,377	-18,755,367	-23,463,899	▲	- 4,708,533 25%
Social security expenses	-4,259,181	-4,419,970	-5,473,802	▲	- 1,053,832 24%
Net finance costs	-2,647,538	-2,114,646	-2,059,292	▼	55,354 -3%
Revenues from subsidies	1,560,493	1,182,234	2,203,176	▲	1,020,943 86%
Other expenses	-10,274,552	-11,508,736	-14,367,897	▲	- 2,859,161 25%
Profit (loss) before tax	36,697,883	6,492,801	4,228,957	▼	- 2,263,844 -35%
Income tax expense	-484,646	-100,888	674,517	▲	775,405 -769%
Profit (loss) of the year	36,213,237	6,391,913	4,903,474	▼	- 1,488,439 -23%
Loss from tangible asstes evaluation	0	0	-1,987,613	▲	- 1,987,613
Deffered tax adjustment related to the re-evaluation reserves fiscal unallowable	0	0	0	—	-
Total comprehensive income	36,213,237	6,391,913	2,915,861	▼	- 3,476,052 -54%

*Investment income – details:

Indicator	2014	2015	2016
Rental and royalty income	2,513,884	2,532,570	2,476,548
Interest income	52,324	20,401	11,981
Investment income (dividends) - Total Commercial Management	14,885	0	0
Investment income (dividends) - Recyplat	35,478,880	4,698,777	3,207,527
Investment income (dividends) - Yenki	1,877	0	0
Investment income (dividends) - Infotech Solutions	0	100,579	275,614
Investment income (dividends) - RC Energo Install	0	0	400,000
Investment income (dividends) - LivingJumbo Industry	1,485,000	990,000	495,000
Total	39,546,850	8,342,326	6,866,672

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Note : In accordance with Order no. 1286/2012 the company bank availabilities, the receivables and the liabilities expressed in a foreign currency are evaluated each month at the closing exchange rate communicated by NBR. From this evaluation in 2016 the company registered revenues in amount of RON 2,640,681 and expenses in amount of RON 2,918,503, resulting a net loss of RON 277,822.

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

Indicator	2014	2015	2016
Investment income	25.04%	4.72%	3.84%
Other gains and losses	0.20%	-1.47%	0.97%
Changes in inventories of finished goods and work in progress	1.13%	0.87%	1.90%
Raw materials and consumables used	-78.07%	-76.27%	-73.33%
Depreciation and amortization expenses	-5.44%	-4.02%	-5.36%
Employee benefits expenses and social charges	-9.73%	-10.61%	-13.13%
Tax contributions related to employee benefits	-2.70%	-2.50%	-3.06%
Finance costs	-1.68%	-1.20%	-1.15%
Revenues from subsidies	0.99%	0.67%	1.23%
Other expenses	-6.51%	-6.51%	-8.04%

TURNOVER (Sales)

Sales	2014		2015		2016		2016 vs. 2015
	Value	% in total	Value	% in total	Value	% in total	
Sales of finished goods	98,515,325	61.40%	108,853,984	60.73%	122,191,290	67.44%	▲ 12.25%
Sales of intermediary goods	374,422	0.23%	170,908	0.10%	90,147	0.05%	▼ -47.25%
Services rendered	80,677	0.05%	228,525	0.13%	310,378	0.17%	▲ 35.82%
Sale of commodities	56,436,094	35.17%	64,883,624	36.20%	53,189,162	29.35%	▼ -18.02%
Rental and royalty income	2,513,884	1.57%	2,532,570	1.41%	2,476,548	1.37%	▼ -2.21%
Revenues from sundry services	2,532,857	1.58%	2,565,872	1.43%	2,938,408	1.62%	▲ 14.52%
Total, of which:	160,453,258	100.00%	179,235,483	100.00%	181,195,934	100.00%	▲ 1.09%
~domestic market	137,356,336	85.61%	150,134,472	83.76%	141,639,790	78.17%	▼ -5.66%
~exports	23,096,922	14.39%	29,101,011	16.24%	39,556,144	21.83%	▲ 35.93%

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

FINANCIAL RATIOS

In the reporting period the company registered the following ratios.

Indicator	2014	2015	2016
Net profit	36,213,237	6,391,913	4,903,474
Profit tax (+)	484,646	100,888	-674,517
Expenses with interests (+)	2,323,401	1,806,009	1,748,687
EBIT	39,021,284	8,298,810	5,977,645
Depreciation(+)	7,411,536	7,106,832	9,578,963
Revenues from subsidies for investment (-)	1,560,493	1,182,234	2,203,176
EBITDA	44,872,327	14,223,409	13,353,431

1 Profitability

Nr.Crt.	Indicator	Mod de calcul	2014	2015	2016
a)	EBITDA to Turnover	$\frac{\text{EBITDA}}{\text{Turnover}} \times 100$	27.97%	7.94%	7.37%
b)	EBITDA to Total Equity	$\frac{\text{EBITDA}}{\text{Total Equity}} \times 100$	35.69%	10.93%	10.25%
c)	Gross profit ratio	$\frac{\text{Gross profit}}{\text{Turnover}} \times 100$	22.87%	3.62%	2.33%

2 Liquidity Analysis

Nr.Crt.	Indicator	Mod de calcul	2014	2015	2016
a)	Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	0.76	0.80	0.76
b)	Quick ratio	$\frac{\text{Current assets}-\text{Inventories}}{\text{Current liabilities}}$	0.52	0.56	0.43

3 Risk Analysis

Nr.Crt.	Indicator	Mod de calcul	2014	2015	2016
a)	Non-current liabilities to Equity	$\frac{\text{Non-current liabilities}}{\text{Total Equity}}$	0.31	0.52	0.51
b)	Debt ratio	$\frac{\text{Total liabilities}}{\text{Total assets}}$	0.48	0.54	0.52
c)	Interest coverage ration	$\frac{\text{EBIT}}{\text{Interest expenses}}$	16.79	4.60	3.42

4 Activity Analysis

Nr.Crt.	Indicator	Mod de calcul	2014	2015	2016
a)	Account receivable turnover ratio	$\frac{\text{Average receivable balance}}{\text{Turnover}} \times 360$	69	64	60
b)	Account payable turnover ratio	$\frac{\text{Average payable balance}}{\text{Turnover}} \times 360$	63	60	57

5 Profitability ratios

Nr.Crt.	Indicator	Mod de calcul	2014	2015	2016
a)	Return on assets (ROA)	$\frac{\text{Net profit}}{\text{Total Assets}} \times 100$	15.0401%	2.2599%	1.7873%
b)	Return on equity (ROE)	$\frac{\text{Net profit}}{\text{Total Equity}} \times 100$	28.7991%	4.9120%	3.7623%
c)	Return on sales (ROS)	$\frac{\text{Net profit}}{\text{Turnover}} \times 100$	22.5693%	3.5662%	2.7062%

c) STATEMENT OF CASH FLOW

Items	2014	2015	2016
Net profit / (loss) after taxation	36,213,237	6,391,913	4,903,474
Income tax expense	484,646	100,888	-674,517
Depreciation	8,589,905	7,106,832	9,578,963
(Gain) / Loss on fixed assets disposal	-42,720	-736	-59,440
(Gain) / Loss arising on changes in fair value of investment property	-162,851	2,502,393	-759,449
(Gain) / Loss arising disposal of investment property	0	0	0
Customers provisions	-1,156	13,551	337,579
Write off of receivables	26,602	338,189	55,334
(Gains) / Losses with disposal of financial assets	0	56,665	0
Expenses / revenues with adjustments of financial assets	1,178,369	0	2,687,755
Interest expense	2,339,373	1,806,009	1,748,687
Interest income	-52,324	-20,401	-11,981
Dividend income	-36,980,642	-5,789,355	-4,378,142
Income from subsidies	-1,560,493	-1,182,234	-2,203,176
Unrealised net forex result	-31,502	1,158,114	-123,851
Movements in working capital			
(Increase) / Decrease in accounts receivable	2,501,404	-3,787,963	7,012,197
(Increase) / Decrease in inventories	-2,385,457	-2,395,064	-5,296,462
(Increase) / Decrease in other assets	16,145	-120,301	-7,641
Increase / (Decrease) in accounts payable	1,329,676	1,868,215	-6,494,896
(Decrease) / Increase in deferred revenue	-13,782	8,478	-55,404
(Decrease)/increase in other liabilities	500,443	-634,794	428,460
Cash generated from operations	11,948,874	7,420,399	6,687,490
Income taxes paid	-125,974	-308,197	0
Interest paid	-2,339,373	-1,806,009	-1,748,687
Net cash generated by operating activities	9,483,526	5,306,193	4,938,803
Cash flows from investing activities			
Payments to acquire financial assets	0	0	0
Interest received	52,324	20,401	11,981
Dividends received	36,980,642	5,789,355	4,378,142
Payments for property, plant and equipment	-5,988,202	-41,664,630	-13,091,055
Payments for investment property	-220,630	15,815	-1,130,479
Proceeds from disposal of investment property	0	0	0
Proceeds from disposal of property, plant and equipment	47,343	736	628,304
Proceeds from disposal of investments	0	0	0
Proceeds from loans granted to related parties	-635,099	635,099	0
Payments for intangible assets	0	0	0

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Payment of dividends	-993,281	-2,068,314	-2,278,010
<i>Net cash (used in)/generated by investing activities</i>	29,243,097	-37,271,538	-11,481,116
Cash flows from financing activities			
Payments of lease liabilities	-906,452	-1,389,603	-1,712,293
Proceeds from bank loans	44,015,425	81,557,718	16,909,738
Repayment of related party borrowings	-31,277,371	0	0
Repayment of bank loans	-50,305,679	-58,355,836	-17,052,323
Proceeds from subsidies	0	13,481,689	1,123,683
<i>Net cash used in financing activities</i>	-38,474,077	35,293,969	-731,194
<i>Net increase in cash and cash equivalents</i>	252,546	3,328,624	-7,273,507
Cash and cash equivalents at the beginning of the year	9,307,666	9,560,212	12,888,835
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>	9,560,212	12,888,835	5,615,328

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.

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

The regulations which we comply with in the preparation of this chapter of Corporate Governance: Law no.31/1990 on companies, republished in 2004, as amended and supplemented, Law no.297/2004 on the capital market, as amended and supplemented, 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 21.01.2016, for a term of four years, expiring on 04.02.2020.

► **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 RECICLARE S.A - 01.04.2012-present
- Chairman of Board of Directors of GREENLAMP RECICLARE 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 2016, the Board of Directors met in 13 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 the appointment of Mr. Hung Ching-Ling as Chairmen of the Board of Directors and of Mr. Simionescu Dan as Deputy Chairman of the Board of Directors of ROMCARBON SA, for a 4 years mandate (04.02.2016-04.02.2020), according to the provisions of article 16 of the Article of incorporation of the company. (Decision no.1/27.01.2016).
- Approval to constitute provisions for impairment in amount of RON 46,735.55, for clients in dispute or uncertain for recovery debts, according to legal provisions in force. (Decision no.1/27.01.2016)
- Approval for the convocation of the Ordinary and Extraordinary General Meetings of Shareholders and of the materials to be presented in the OGMS/EGMS of 28/29.03.2016.(Decision no.2/22.03.2016)
- Approval for the modification of the Audit Comitee acting beside the Romcarbon Board of Directors (Decision no.2/22.03.2016)
- Aproval of the items includede on the Agenda of the General Meeting of Shareholders of ROMCARBON DEUTSCHLAND GmbH regarding the financial statements for 2015(Decision no.2/22.03.2016)
- Approval for the extension by 1 year of the duration of the buying-selling contract no. 1200/22.05.2012 (3326/24.05.2012), concludede between ROMCARBON SA and KASAKROM CHEMICALS SRL.(Decision no.4/22.04.2016)
- Aproval of the items includede on the Agenda of the General Meeting of Shareholders of RC Energo Install SRL, regarding the financial statements for 2015. (Decision no.4/22.04.2016)
- Approval of the items includede on the Agenda of the General Meeting of Shareholders of S.C. INFO TECH SOLUTIONS S.R.L., regarding the financial statements for 2015. (Decision no.4/22.04.2016)

- Approval for the conclusion by Romcarbon SA of a mortgage on immovable property in value of RON 318,000, with Mr. Hiticas Remus, as mortgage guarantor for the fulfilment by HITEXIM SRL of its payment obligations resulting from the sale contract no.1007/2010, concluded by Romcarbon SA and HITEXIM SRL. (Decision no.4/22.04.2016)
- Approval that Romcarbon SA participate in the overbidding procedure/direct negotiation organised by MANAGEMENT REORGANIZARE LICHIDARE IASI S.P.R.L., with headquarters in Iasi, Aleea Nicolina street, no.82, Iasi County, as Judicial Administrator for COM-BETON S.A., company in insolvency, following the announcement for overbidding of 17.05.2016, for the awarding of asset 7, property of COM-BETON S.A., located in Iasi, Calea Chisinaului no.27-29, Iasi County. (Decision no.5/27.05.2016)
- Approval of the items included on the Agenda of the General Meeting of Shareholders of LIVING JUMBO INDUSTRY SA, regarding the financial statements for the financial year ending on 31.12.2015. (Decision no.5/27.05.2016)
- Approval for the conclusion of an audit contract between ROMCARBON SA and Deloitte Audit Romania SRL, with a maximum value of EUR 25,750, for performing the statutory audit of the company for 2016 financial exercises. (Decision no.6/20.06.2016)
- Approval for the extension by 36 months of the limit the ceiling of bank guarantees in amount of RON 500,000, contracted by Romcarbon SA with UniCredit Bank, part of the company's banking exposure as approved by the Extraordinary General Meeting of Shareholders of 28.04.2016. (Decision no.6/20.06.2016)
- Approval for the convocation of Extraordinary General Meeting of Shareholders of 29.08.2016. (Decision no.7/25.07.2016)
- Approval for the total or partial conversion from EURO to RON of the multicurrency balance lines (Euro and Lei) contracted by Romcarbon SA with BRD-GSG SA and with UniCredit Bank SA. (Decision no.7/25.07.2016)
- Approval of the items included on the Agenda of the General Meeting of Shareholders of SC LIVINGJUMBO INDUSTRY SA taking place on 28.07.2016, regarding the updating of the Article of incorporation of the company.(Decision no.7/25.07.2016)
- Approval for the participation of ROMCARBON SA with the amount of RON 1,020, to the formation of the share capital of ARCH DEVELOPMENT ASSOCIATES S.R.L, in total amount of RON 2,000, representing 51% of the share capital of this company in course of establishing. (Decision no.8/02.09.2016)
- Approval of the Dividends distribution procedure for the financial year 2015, due to shareholders ROMCARBON S.A (ROCE), according to the approval by the General Meeting of Shareholders Decision of 28.04.2016.(Decision no.9/27.09.2016)
- Approval of the items included on the Agenda of the General Meeting of Shareholders of ARCH DEVELOPMENT ASSOCIATES S.R.L.(Decision no.10/24.10.2016)
- Approval to contract, within the limit of the banking exposure approved by the General Meeting of Shareholders Decision of 28.04.2016 and 29.08.2016, of a long term loan in amount of RON 5,400,000 for the financing/refinancing of some investments.(Decision no.11/11.11.2016)
- Approval of the items included on the Agenda of the General Meeting of Shareholders of ARCH DEVELOPMENT ASSOCIATES S.R.L, regarding opening a working place in Iasi, Calea Chisinaului no.29.(Decision no.11/11.11.2016)
- Approval of the items included on the Agenda of the General Meeting of Shareholders of ECO PACK MANAGEMENT SA, regarding the appointment of a new Company Administrator as effect of Mr. Damov Constantin resignation from the Administrator position. (Decision no.11/11.11.2016)
- Approval of items included on the Agenda of the General Meeting of Shareholders of ARCH DEVELOPMENT ASSOCIATES S.R.L regarding increasing the company's share capital with the amount of EUR 100,000. (Decision no.12/12.12.2016)
- Approval for ROMCARBON SA to not participate in the share capital increase of ARCH DEVELOPMENT ASSOCIATES S.R.L, having as effect the decrease of ROMCARBON SA holding in the share capital of ARCH DEVELOPMENT ASSOCIATES S.R.L, from 51% to 0.23%.(Decision no.12/12.12.2016)

- Approval of the the items included on the Agenda of the General Meeting of Shareholders of RC ENERGO INSTALL SRL, regarding the distribution as dividends of the amount of RON 150,000 previously left undistributed from preceding financial exercises. (Decision no.13/27.12.2016)
- Approval of the the items included on the Agenda of the General Meeting of Shareholders of INFO TECH SOLUTIONS SRL, regarding the distribution as dividends of the amount of RON 153,029 previously left undistributed from preceding financial exercises. (Decision no.13/27.12.2016)

Convening the General Meetings of Shareholders :

OGMS of 28.04.2016 , by Board of Directors decision no.2/22.03.2016 regarding :

- 1.Presentation, discussion and approval of the annual report of the Board of Directors for the fiscal year 2015.
 - 2.Presentation and approval of the individual financial statements for the financial year 2014 in accordance with International Financial Reporting Standards (IFRS) based on: Directors' Report and External Financial Auditor's Report for the financial year 2015.
 - 3.Presentation of the report of the external financial auditor - Deloitte Audit SRL, member of Deloitte Touche Tohmatsu - on the consolidated financial statements for the financial year 2015.
 - 4.Presentation and approval of the consolidated financial statements, for the financial year 2015 in accordance with International Financial Reporting Standards (IFRS) based on: Directors' Report and External Financial Auditor's Report for the financial year 2015.
 - 5.Presentation of the report of the external financial auditor - Deloitte Audit SRL, member of Deloitte Touche Tohmatsu - changing situations on the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) for the fiscal year 2015.
 - 6.Approval of the distribution of the net profit recorded in the fiscal year 2015 in the amount of RON 6,391,913.45 on the following destinations:
 - a) Legal reserves amounting to RON 319,596;
 - b) Other reserves amounting to RON 4,099,203;
 - c) Dividends amounting to RON 1,973,114.45.
 - 7. Approval of the distribution as dividends of a part of the net profit recorded in the financial year 2014, remained undistributed (according to the General Meeting of Shareholders Decision of 29.04.2015, pt.6 let.d) in amount of RON 271,923.55.
 - 8. Approval, as a result of approving points 6 and 7, of the distribution as dividends of the total amount of RON 2,245,038 , the gross dividend / share being of 0.0085 lei / share for total number of 264 122 096 shares, distribution of the dividends following to be made according to the provisions of the law and under the condition of obtaining consent from the company's creditor banks.
 - 9.Presentation and approval of the Annual Report for 2015, prepared in accordance with CNVM Regulation No.1/2006 on issuers and operations with securities and the Corporate Governance Code of the Bucharest Stock Exchange.
 - 10.Approval to discharge the members of the Board of Directors for the work in fiscal year 2015.
 - 11.Approval to contract services for the statutory audit of the company for the financial year 2016 and empowering the Board to appoint statutory auditor and negotiate contractual terms with it.
 - 12.Approval of the incom and expenses budget for the financial year 2016.
 - 13.Approval of 14.10.2016 as “**registration date**”, according to art. 238 of Law 297/2004 regarding the capital market and art.2 let.e of the C.N.V.M. Regulation no.6/2009.
 - 14.Approval of 13.10.2016 as “**ex-date**”, according to art.2 let.f of the C.N.V.M. Regulation no.6/2009.
 - 15.Approval of 26.10.2016 as the “**payment day**”, according to art.2 let.g of the C.N.V.M. Regulation no.6/2009.
- and

EGMS of 28.04.2016, by Board of Directors decision no.2/22.03.2016 regarding:

- 1. Approval for the banking exposure of Romcarbon SA for the financial years 2016-2017, consisting of: credits in amount of EUR 16,183,484 and RON 6,142,500, leasing contracts in amount of EUR 578,207, letters of guarantee in amount of RON 500,000 and letters of guarantee secured by collateral deposits in the amount of RON 98,985 and for the 12-months extension of credits with maturity in 2016, maintaining the related guarantees.
- Empowerment of the Board of Directors to negotiate and decide, as appropriate, regarding: 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.
- 2. Ratification of the Board of directors decision no.3/31.05.2015 regarding the approval of the engagement taken by ROMCARBON SA in the credit contract no.1-ABZ din 21.07.2015, concluded with EximBank SA, not to divide/ merge or decide early dissolution of the company throughout the duration of the investment loan in the amount of RON 6,142,500, without the prior consent of EximBank SA.
- 3. Approval of the investment plan for 2016.
- 4. Approval of **14.10.2016** as “**registration date**”, according to art. 238 of Law 297/2004 regarding the capital market and art.2 let.e of the C.N.V.M. Regulation no.6/2009.
- 5. Approval of **13.10.2016** as “**ex-date**”, according to art.2 let.f of the C.N.V.M. Regulation no.6/2009.
- 6. Approval of **26.10.2016** as the “**payment day**”, according to art.2 let.g of the C.N.V.M. Regulation no.6/2009.

EGMS of 29.08.2016, by Board of Directors decision no.2/22.03.2016 regarding:

- 1. Ratification of the points 3, 4, 5, 6 and 7 of ROMCARBON SA Board of Directors decision no.6/20.06.2016 regarding the approval for the company to contract the following loans, in the conditions and with the guarantee structure presented in the material no.6042/14.06.2016, thus increasing the company's banking exposure for the financial exercise 2016-2017.

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

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 until 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. 143² 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 **2016**:

- a) Administrators – Director fee according to OGMS Decision of 27.04.2012 – RON 250,337
- b) Executive Management -RON 1,920,232.

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 the 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 **RON 26,412,209.60**.

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.

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

In case of shareholders voting by representation by power of attorney the shareholders can be represented to GMS meetings by representative who may be another shareholder or a third person. Voting by representation by means of special power of attorney can be expressed by completing and signing the special power of attorney forms provided by the company in 3 copies out of which: a copy will be sent in writing original, at the company registered office, the second copy will be handed to representative, so that it can prove as representative to the request of the technical secretariat of the meeting, the third will remain at the shareholder. The special/general power of attorney will be sent, if special power of attorney in original or in certified copy under the representative's signature, if general power of attorney, so that it is recorded at the company's office reception up to the established date, 10.00 or by e-mail to office@romcarbon.com (in case of using electronic means, the power of attorney will be sent by electronic signature in compliance with Law no.455 / 2001), until the same date

and time. Regardless of the method of transmitting the power of attorney for the GMS should bear clear and written in capital letters *"POWER OF ATTORNEY FOR EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS of _____"*. A shareholder may appoint only one person to represent him in the GMS. A shareholder may appoint by power of attorney one or more alternate representatives to ensure its representation in the GMS if the designated representative is unable to fulfill its mandate. If by power of attorney are designated more alternates representatives the shareholder will determine the order in which they will exercise their mandate. The shareholder may also grant a general power of attorney valid for a period that will not exceed three years, which empowers the representative to vote on any matter in debate of GMS, including in terms of disposal acts, provided that the power of attorney is given by the shareholder as client to an intermediate as defined in the law of capital or to a lawyer. For identification purposes the special/general power of attorney will be accompanied by the following documents: copy shareholder identification document (identity card, passport, residence permit) and copy of representative identity document for individual shareholders; copie act de identitate reprezentant/mandatar persoana fizica (buletin de identitate, carte de identitate, pasaport, permis de sedere), copy representative/agent identification document lawyer accompanied by lawyers original mandate or if the representative/agent is a legal person copy of the identity document of the legal representative of the legal person representative accompanied by a certificate issued by the Register of Commerce or any equivalent document issued by a competent authority of the State in which reprezentantul / agent legal person is legally registered, presented in original or certified copy. Documents submitted in a language other than English will be accompanied by a translation made by an authorised translator into Romanian / English. When completing the special power of attorney forms shareholders will consider the possibility of completing/amending the agenda, in which case the power of attorney forms will be updated no later than the established date, at 17.00.

Shareholders can not be represented in GMS under a general power of attorney by a person who is in a situation of conflict of interest, according to article 243 para. (6⁴) of Law no.297 / 2004 on the capital market.

The special power of attorney for representation in GMS given by a shareholder to a credit institution providing custody services will be valid without providing other documentation relating to such shareholder, if special power of attorney is made according to CNVM Regulation No.6 / 2009, is signed by such shareholder and is accompanied by an statement on own responsibility given by the legal representative of the credit institution who received power of representation by special power of attorney showing that: (i) the credit institution is providing custody services for such shareholder; (ii) special power of attorney instructions are identical with the instructions of the SWIFT message received by the credit institution to act on behalf of that shareholder; (iii) special power of attorney is signed by the shareholder. The special power of attorney and the statement on own responsibility must be deposited at the company headquarters in original, signed and, where appropriate, stamped without further formalities in connection with these documents form.

Shareholders registered in the Register of Shareholders at the reference date can express and transmit their vote on the matters on the agenda of the GMS by correspondence. Voting forms can be obtained at the company - Shareholder Service or can be downloaded from the company's website, both in Romanian and in English, starting on the established date. Vote by correspondence forms completed and signed by the shareholder shall be sent in writing, in original at the company headquarters or by e-mail at office@romcarbon.com bearing the electronic signature in compliance with Law no.455 / 2001, so that it is recorded as received no later than the established date, 10:00. Regardless of the method of submission of the vote by correspondence it should bear this clearly written in capital letters *"VOTING FORM BY CORRESPONDENCE FOR EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS of _____"*. The form of voting by correspondence will be accompanied by the following documents: copy of identity document in case of individual shareholder; copy of the identity document of the representative/agents certificate issued by the Register of Commerce or equivalent document issued by a competent authority in the State where the shareholder is registered legally certifying the legal representative quality, submitted in original or certified copy, in case of legal persons. Documents certifying the quality of legal representative of the corporate shareholder shall be issued not more than 3 months before the GSM Convocation publication date. Documents submitted in a language other than English will be accompanied by a translation made by an authorized translator in Romanian or English. In case the shareholder who has voted by correspondence or through a representative attend the GMS, the vote expressed by correspondence is canceled. In this situation it will be considered their vote expressed in person or by representative in the meeting. Form to vote by correspondence in GMS submitted by a shareholder for which a credit institution provides custody services will be valid without presentation of other documentation relating to that shareholder if the voting

form is prepared according to CNVM Regulation No.6 / 2009, is signed by the shareholder and is accompanied by an statement on own responsibility of the legal representative of the credit institution which establishes that: (i) credit institution is providing custody services for such shareholder; (ii) the vote by correspondence form is signed by the shareholder and contains identical voting options mentioned by shareholder through a SWIFT message received by the credit institution from that shareholder. When completing the voting by correspondence form shareholders should consider the possibility of completing/amending the agenda, in which case the these documents will be updated and made available no later than the established date , at 17.00.

One or more shareholders representing, individually or together, at least 5% of the share capital have the right to introduce items on the agenda of the GMS at the latest on the established date (provided that each such item is accompanied by a justification or a draft decision to be adopted) and to propose draft decisions for items included or to be included on the agenda. Proposals on the draft decision may be submitted in a sealed envelope at the company headquarters in no. 132. Transylvania street, Buzau. Buzau County, up to date established date, 17.00, or sent by e-mail with electronic signature in compliance with Law no. 455/2001 until the same date and time at office@romcarbon.com with the written statement "*MOTION FOR NEW AGENDA ITEMS FOR EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS* of _____". Each proposed new item must be accompanied by a justification or a draft decision to be adopted at the GMS. These proposals must be accompanied by copies of identity document in case of individual shareholders; copy of the identity document of the representative / agent certificate issued by the Register of Commerce or equivalent document issued by a competent authority from the state where the shareholder is registered legally certifying the quality of legal representative, presented in original or certified copy, in case of legal persons. Documents certifying the legal representative quality of the corporate shareholder shall be issued not more than 3 months before the GMS Convocation publication date.

Each shareholder is entitled to submit, no later than the date of established date, questions related to items on the agenda in accordance with art. 13 of CNVM Regulation No.6 / 2009. Questions can be submitted in writing to the company headquarters or by e-mail with electronic signature in compliance with Law 455/2001 regarding the electronic signature at office@romcarbon.com mentioning the topic "*FOR THE EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS* of _____". The questions must be accompanied by a copy of identity document in case of individual shareholder(natural persons); copy of the identity document of the representative/agent, certificate issued by the Register of Commerce or equivalent document issued by a competent authority in the state where the shareholder is registered legally certifying the quality of legal representative, presented in original or certified copy, in case of legal persons. Documents certifying the legal representative quality of the shareholder legal person shall be issued not more than 3 months before the publication date of the GSM Convocation.

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

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

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 at company level being active an Investors Relations Department . Persons appointed to stay in contact with investors and shareholders will attend periodically training courses.

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

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

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

Currently, external financial auditor ROMCARBON S.A. is DELOITTE AUDIT LLC and was based on OGMS Decision from 28.04.2016 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 2016

1. Major contracts undertaken in 2016 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 353/22.01.2016 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 2016 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**

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Section	Provisions of the Code that must be respected	Comply	Does not comply or partially comply	The reason for non-compliance
Section A – Responsibilities				
A.1.	All companies should have an internal regulation of the Council which includes terms of reference/responsibilities of the Board and key management of the Company, and which apply, inter alia, the general principles of Section A.		Partially	Articles of Incorporation contains provisions on the terms of reference and responsibilities of the Board of Directors. The Board of Directors will take action for the adoption of a Board regulation.
A.2.	Provisions for managing conflicts of interest should be included in the Board of Directors Regulation. However, the Board members must notify the Board of Directors any conflicts of interest that have arisen or may arise and refrain from participating in discussions (including by default, unless that failure would prevent the formation of quorum) and vote for a decision on the matter that gives rise to this conflict of interest.		Partially	The Articles of Incorporation of the company includes provisions for managing conflicts of interest and how to vot. Provisions for managing conflicts of interest will be included in the Board of Directors Regulation to be adopted.
A.3.	The Board of Directors or the Supervisory Board must consist of at least five members.		NO	Articles of Incorporation provides for a Board of directors comprising of three members according to article 137 paragraph 2 of Law No. 31/1990.

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A.4.	The majority of the Board members must have no executive function. At least one member of the Board or the Supervisory Board should be independent in the case of companies in the Standard category.	YES		
A.4.	Each independent member of the Board of the Directors or the Supervisory Board, as appropriate, shall submit a declaration at the time of his nomination for the election or re-election, and when there is any change of status or indicating the elements based on which it is considered that it is independent in terms of its character and judgment.		NO	Regulation of the Board of Directors to be developed and approved will regulate measures to comply with this requirement.
A.5.	Other commitments and professional obligations relatively permanent of a member of the Board of Directors, including non-executive Board members and executive positions of companies and nonprofit institutions, shareholders and potential investors should be disclosed before and during his mandate.	YES		On the company's website are published the board members CV's including information on its member's professional obligations.
A.6.	Any member of the Council must provide information on any relation to a shareholder who directly or indirectly hold shares representing more than 5% of all voting rights. This also applies to any report that may affect limb position on matters decided by the Council.	YES		
A.7.	The company must appoint a secretary of the Board responsible for supporting the Board of Directors activity..	YES		
A.8.	Corporate governance statement will inform if there was an evaluation of the Board of Directors under		NO	It will be analyzed and implemented during 2016, the

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	the President or the nomination committee and, if so, will summarize the key measures and changes resulting from it. The company must have a policy/guidance on the assessment of the Committee including the scope, criteria and frequency of the evaluation process.			company will inform in a current report on compliance with this requirement.
A.9.	Corporate governance statement must contain information on the number of meetings of Council and Committees during the past year, participating administrators (in person and in absence) and a report of the Board of Directors and committees on their activities.	YES		
A.10.	Corporate governance statement must include information on the exact number of independent members of the Board of Directors or Supervisory Board.	YES		
A.11.	The Council of Premium Category Companies should establish a nomination committee consisting of people without executive functions, which will lead the nominations procedure for new members in the Council and make recommendations to the Board. Most members of the nomination committee should be independent.			Nu este cazul
Section B - The risk management and internal control system				
B.1.	The board should establish an audit committee in which at least one member must be independent non-executive director. Most members, including the president, must be shown to have appropriate qualifications relevant to the functions and responsibilities of the committee. At least one audit committee member should have accounting or auditing experience proven and appropriate. If companies in the premium category, the audit committee must be composed of at least three members and the majority of audit committee	YES		

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	members must be independent.			
B.2.	Chairman of the audit committee must be an independent non-executive member.	YES		
B.3.	Within its responsibilities, the audit committee must conduct an annual assessment of internal control system.	YES		
B.4.	The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of reporting risk management and internal control presented to the Audit Committee of the Board, timeliness and effectiveness of the executive management solves deficiencies or weaknesses identified from control internal and presenting relevant reports to the Board.	YES		
B.5.	The Audit Committee shall assess conflicts of interest in connection with transactions of the Company and its subsidiaries with related parties.	YES		
B.6.	The Audit Committee shall assess the effectiveness of internal control system and risk management systems.	YES		
B.7.	The audit committee must monitor the implementation of legal standards and internal audit standards generally accepted. The Audit Committee should receive and evaluate internal audit team reports.	YES		
B.8.	Whenever mention code or analysis reports initiated by the Audit Committee, they must be followed by periodic reports (at least annually) or ad hoc Council to be submitted later.	YES		
B.9.	No shareholder may be given preferential treatment over other shareholders in connection with the transactions and agreements concluded by the company with shareholders and their affiliates.	YES		

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B.10.	Council should adopt a policy to ensure that any transaction of the Company with any of the companies with which it has close relationships whose value is equal to or greater than 5% of the net assets of the company (according to the latest financial report) approved Council following a binding opinions by the audit committee of the Board and disclosed correctly shareholders and potential investors, to the extent that such transactions fall within the category of events subject to reporting requirements.	YES		
B.11.	Internal audits must be performed by a separate structural division (internal audit department) within the company or by hiring an independent third party entity.	YES		
B.12.	In order to ensure the fulfillment of the main functions of the internal audit department, he must report functionally to the Council through the audit committee. Administrative purposes and the management obligations to monitor and reduce risks, it must report directly to the Director General.	YES		
Section C1 - Just reward and motivation				
C.1.	The company shall publish on its website the remuneration policy and include a statement in the annual report on the implementation of remuneration policy during the annual period under consideration. Remuneration policy should be formulated so as to allow shareholders understand the principles and arguments underlying remuneration of Board members and the CEO, and the Executive Board in the dual system. It should describe the driving process and making decisions regarding remuneration, detailing components of the remuneration of the executive management (such as		NO	Remuneration policy of the members Board of Directors is established by the OGMS and the company's remuneration policy (remuneration of executive management staff respectively) falls under the exclusive competence of the Board of Directors according to the document of the company and legislation companies. The Board of Directors is considering all

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	salary, annual bonus, long-term incentives linked to shareholder value, benefits in kind, pension and others) and describe purpose, principles and assumptions underlying each component (including the general performance criteria related to any form of variable remuneration). In addition, the remuneration policy should specify the duration of the contract Executive Director and the period of notice stipulated in the contract and any compensation for unjust dismissal. Report on remuneration must submit implementation of the remuneration policy for persons identified in the remuneration policy during the annual period under consideration. Any fundamental change in remuneration policy interventions must be published in due course on the website of the company.			necessary measures to ensure compliance with this requirement.
Section D - adding value to the investor relations				
D.1.	The company must hold an Investor Relations Service -made widely known by the person / persons responsible or organizational unit. In addition to the information required by the law, the company must include on its website a section dedicated to investor relations in Romanian and English, with all relevant information of interest to investors, including.	YES		
D.1.1.	The main corporate regulations: articles of association, the procedures for general meetings of shareholders;	YES		
D.1.2.	Professional CV's of the management members of the Company, other professional commitments of Board members, including non-executive and executive positions on boards of companies or nonprofit institutions;	YES		

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D.1.3.	Current reports and periodic reports (quarterly and annual) - at least those provided for in section D.8 - including current reports with detailed information on non-compliance with this Code;	YES		
D.1.4.	Information on shareholders meetings: agenda and information materials; the election of Board members; arguments supporting the proposals of candidates for election to the Council, together with their professional CVs; Shareholders with questions regarding items on the agenda and the company's response, including decisions adopted;	YES		
D.1.5.	Information on corporate events such as payment of dividends and other distributions to shareholders or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles of such operations. The information will be published within a period to allow investors to take investment decisions;	YES		
D.1.6.	Name and contact details of someone who can provide, upon request, relevant information;	YES		Contact information for investors are posted on the company's website, they will be filled with information about those responsible for investor relations.
D.1.7.	Company presentation (eg., Investor presentations, quarterly results presentations, etc.), financial statements (quarterly, half-yearly, annual) audit reports and annual reports.		Partially	Presentation of the firm is the reporting system established by the laws in force and by disseminating financial statements and audit reports.
D.2.	The company will have an annual dividend distribution policy or other benefits to shareholders, proposed by the Director General or by the Executive Council and adopted as a set of guidelines that the company intends to follow on the distribution of net profits. Principles policy annual distribution to shareholders will be publicatepe		NO	Decisions on dividend distributions are taken by the General Assembly of Shareholders. Deadministratie Council will meet necessary efforts to develop a dividend policy.

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	website of the company.			
D.3.	The company will adopt a policy about predictions, whether they are made public or not. Projections refers to findings quantified studies aimed at determining the overall impact of a number of factors relating to a future period (so called hypotheses) by its nature, this project has a high level of uncertainty, actual results can differ significantly forecasts presented initially. Policy forecasts will determine the frequency, time and content envisaged forecasts. If published projections can only be included in the annual reports, semi-annual or quarterly. Policy forecasts will be published on the website of the company.		NO	Until now the company has not implemented a policy forecasts. It will consider the future implementation of such policies.
D.4.	Rules shareholders' meetings should not limit participation of shareholders at general meetings and exercise their rights. Rule changes will come into force at the earliest, starting with the next meeting of shareholders.	YES		
D.5.	External auditors will be present at the general meeting of shareholders when their reports are presented at these meetings.	YES		
D.6.	Council will present the annual general meeting of shareholders a brief assessment of the internal control systems and management of significant risks and opinions on issues subject to the decision of the General Assembly.	YES		
D.7.	Any specialist, consultant, expert or financial analyst may participate in the shareholders meeting under a prior invitation from the Council. Accredited journalists can also attend the general meeting of shareholders, unless the Chairman of the Board decides otherwise requires.	YES		

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D.8.	Financial reports quarterly and half will include information both in Romanian and in English on the key factors influencing changes in the level of sales, operating profit, net profit and other financial indicators relevant from both qoq and from year to year.	YES		
D.9.	A company will hold at least two meetings / teleconferences with analysts and investors every year. Information presented on these occasions will be published in the Investor Relations section of the company website on meetings / teleconferences.		NO	On the company's website and through reports that society makes, ensure transparently inform all those interested in its work. The company also responded and respond positively requests from representatives from the specialized press and analysts on the provision of financial information and / or information regarding future development projects designed communication media channels. The Company will inform investors about oragnizarea advance of any meetings / teleconferences with analysts and investors.
D.10.	If a company supports various forms of artistic expression and cultural, sports, educational activities or scientific and considers their impact on the innovative nature and competitiveness of the company are part of the mission and its development strategy, will publish policy on activity in this area.	YES		

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

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