

S.C. ROMCARBON S.A.

Annual report for the year ended 2017
Separate Financial Statements

Buzau, 132 Transilvaniei street

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S.C. ROMCARBON S.A.

Company Identification

Annual report according with CNVM regulation (1/2006)

Date of release: 26/27.04.2018

Reporting date: 31.12.2017

Name of the Company: SC ROMCARBON SA

Headquarters: Buzau , Str. Transilvaniei, nr.132

Tel / fax: 0238/711155; 0238/710697

Sole registration code: RO 1158050

Website : www.romcarbon.com

E-mail : investor.relations@romcarbon.com

Registered business number: J10 / 83/1991

Subscribed and paid up share capital: 26,412,209.60 lei

Regulated market where the issued securities are traded: Bucharest Stock Exchange,
Standard category, Symbol : ROCE

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

Thinking
forward

LANGUAGE DISCLAIMER

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



1.ANALYSIS OF THE COMPANY ACTIVITY

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

2221 Manufacture of plates, sheets, tubes and plastic profiles

2222 Manufacture of plastic packaging

2223 Manufacture of plastics for construction

2229 Manufacture of other plastic products

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

3832 Recovery of sorted materials

3299 Other manufacturing.

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

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

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

1.1.d)1 The inputs of “Property, plant and equipment” during 2017 are presented in the table below :

<u>Category</u>	<u>Value</u>
Plants	2,344,293
Equipment and Machineries	1,688,348
Controlling device	575,223
Vehicles	696,133
Furniture	110,762
TOTAL	5,414,759

1.1.d) 2. The inputs of “Property investments” during 2017 are presented in the table below :

<u>Category</u>	<u>Value</u>
Plants and land	3,221,719
TOTAL	3,221,719

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

<u>Item</u>	<u>Entry values</u>	<u>Section</u>
WAREHOUSE HALL	1,076,976	CP7 - Compounds
WAREHOUSE HALL - EXTENSION	665,926	Administrative
EMBOSSING MACHINE	436,238	CP3 - Polyethylene
SPECTOMETER	267,534	Laboratory - CP7
FRONTAL LOADER	206,498	Warehouses
WELDING MACHINE	157,402	CP3 - Polyethylene

The outputs of tangible assets from the company in 2017 are shown in the table below:

<u>Asset</u>	<u>Dismantle/casasion</u>	<u>Sales</u>	<u>TOTAL</u>
Property investments (Land and plants)	0	1,189,327	1,189,327
Lands	0	2,246,453	2,246,453
Tangibles asstes at gross value	218,489	0	218,489
Total	218,489	3,435,780	3,654,269

General assessment of the company

<u>Item</u>	<u>2016</u>	<u>2017</u>	<u>2017 vs. 2016</u>	
Sales of finished goods	122,191,290	140,128,883	17,937,593	15%
Total sales (Turnover)	181,195,934	197,966,579	16,770,645	9%
Export	39,556,144	50,024,168	10,468,024	26%
Total Revenues	199,011,718	213,698,503	14,686,784	7%
Total Expenses	194,108,244	208,900,437	14,792,193	8%

EBIT	5,977,645	7,325,990	1,348,345	23%
EBITDA	13,353,431	15,768,480	2,415,049	18%
Profit/Loss of the exploitation activity	4,427,913	6,632,956	2,205,043	50%
Profit/Loss of the financial activity	-198,956	-1,834,891	-1,635,935	822%
Net profit	4,903,474	4,798,066	-105,409	-2%
Cash and cash equivalents	5,615,329	2,529,017	-3,086,311	-55%

Market share (%) in Romania:

Product's group		% of domestic market (estimation)
Auto and industrial filters	~CP1	3%
Active carbon	~CP2	4%
Respiratory protective equipment	~CP2	25%
Polyethylene products	~CP3	5%
PVC products	~CP4	1%
Polystyrene products	~CP5	8%
Polypropylene products (pp bags)	~CP6	16%
Compounds	~CP7	3%

1.1.2 Technical assessment of the company

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

In 2017, production activity was carried out in 7 profit centers as follows:

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

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

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

The company has 3 working points:

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

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

Profit center	2015	2016	2017
CP1~ Auto and industrial filters,	2.60%	2.28%	1.93%
CP2~ Respiratory protective equipment and Active Carbon	1.39%	1.61%	1.27%
CP3~ Polyethylene products	10.49%	13.83%	13.80%
CP4~ PVC products	0.14%	0.24%	0.29%
CP5~ Polystyrene products	16.99%	18.91%	18.40%
CP6~ Polypropylene products	21.93%	20.50%	18.90%
CP7~Compounds	7.19%	10.07%	16.19%
TOTAL	60.73%	67.44%	70.78%

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

New products developed in 2017

In 2017 was enlarged the range of industrial filters with 7 new items. In automotive sector 42 new filters entered in production.

In Profit Center No. 7- Compounds were developed 6 new receipes of compounds manufactured from recycled plastic, the new products are delivered to beneficiaries for testing.

In Profit Center No.5 – EPS were developed 3 new models contributing in the extensi3n of the EPS trays portofolio (standard and catering).

In Profit Center No. 3- Polyethylene , new products have been assimilated which are delivered to customers: thermocontractable foil for palletizing; wrapping foil for EPS panels for automatic installation; collection foil for automatic installation; automatic packing foil (bagging); storage and transport bags (ADR).

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

Have developed new projects in Profit center No.7 and upgrading:

- The densimetric sorting line by adding a metal removal system. This improvement will reduce the wear of some production equipment.
- The regranulation line by extending the processing of the range of low-density for raw materials. the improvement consists in provision with feed conveyor equipped with a metal detector.

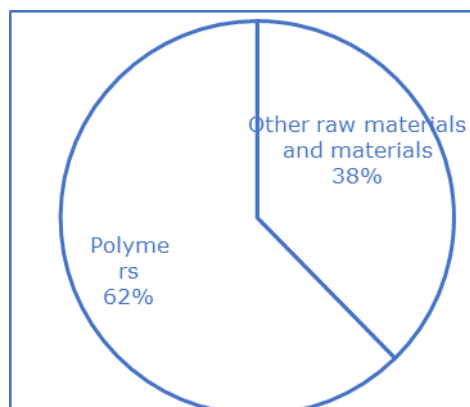
A project started in 2016 and implemented in 2017 was the one who provided the acquisition of 4 homogenizers necessary for improving the quality of the finished product and optimizing the process of extrusion process.

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

The raw materials and materials were purchased in 2017 in a share of 33% from the foreign markets and 67% from the domestic market.

The collaboration with these suppliers is based on the contracts signed with them or on supplying orders. The largest share (62%) 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 splited into Romanian distributors of foreign manufacturers and foreign companies. For each type of raw material exists a supplier database and the company constantly compares at least three offers. Related to the supplier's currency in 2017 the acquisitions of raw materials and materials had the following structure:



1.1.4 The assessment of sales activity

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

Group	2015		2016		2017		2017 vs. 2016	
	Value	% in total	Value	% in total	Value	% in total		
CP1~ Auto and industrial filters,	4,655,408	4.28%	4,130,687	3.38%	3,830,438	2.73%	▼	-7.27%
CP2~ Respiratory protective equipment and active carbon	2,492,717	2.29%	2,915,747	2.39%	2,514,286	1.79%	▼	-13.77%
CP3~ Polyethylene products	18,800,848	17.27%	25,059,617	20.51%	27,326,932	19.50%	▲	9.05%
CP4~ PVC products	252,613	0.23%	434,054	0.36%	582,367	0.42%	▲	34.17%
CP5~ Polystyrene products	30,460,257	27.98%	34,260,687	28.04%	36,420,302	25.99%	▲	6.30%
CP6~ Polypropylene products	39,301,193	36.10%	37,144,517	30.40%	37,408,712	26.70%	▲	0.71%
CP7~Compounds	12,890,948	11.84%	18,245,980	14.93%	32,045,842	22.87%	▲	75.63%
TOTAL	108,853,984	100.00%	122,191,290	100.00%	140,128,880	100.00%	▲	14.68%

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

Sales of finished products	2015		2016		2017	
	Value	%	Value	%	Value	%
Domestic market	80,283,409	73.75%	83,100,987	68.01%	90,478,706	64.57%
Exports	28,570,575	26.25%	39,090,303	31.99%	49,650,174	35.43%
Total	108,853,984	100.00%	122,191,290	100.00%	140,128,880	100.00%

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

Country	2016	% in 2016	2017	% in 2017
Bulgaria	8,962,059	22.93%	14,719,698	29.65%
Germany	7,864,061	20.12%	8,488,229	17.10%
Poland	4,111,979	10.52%	4,595,353	9.26%
Serbia	3,605,700	9.22%	4,457,607	8.98%
Greece	3,578,215	9.15%	2,807,035	5.65%
Spain	2,310,192	5.91%	2,282,144	4.60%
Hungary	1,091,311	2.79%	1,695,768	3.42%
France	1,167,960	2.99%	1,449,905	2.92%
Moldova	240,050	0.61%	1,446,715	2.91%
Italy	1,285,047	3.29%	1,322,556	2.66%
Slovakia	250,573	0.64%	1,288,786	2.60%
Switzerland	1,064,986	2.72%	893,153	1.80%
Netherlands	910,231	2.33%	777,563	1.57%
Croatia	546,930	1.40%	601,685	1.21%
Ukraine	512,360	1.31%	431,060	0.87%
Others	1,588,649	4.06%	2,392,917	4.82%
Total	39,090,302	100.00%	49,650,174	100.00%

1) AUTOMOTIVE AND INDUSTRIAL FILTERS

a) The market:

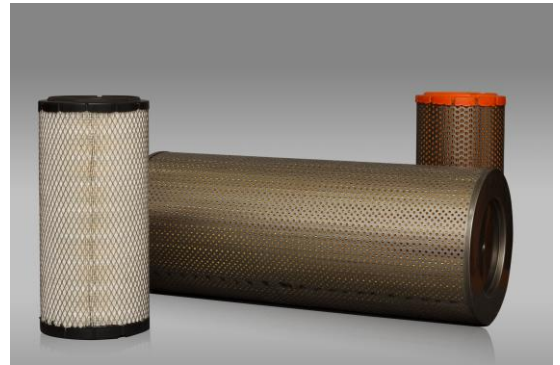
The main market is the domestic one with a share of 96%, while the exports contributes with 4% of sales. 48% of filters sales consist in industrial, agricultural, vacuum cleaner, railway and ships filters, while the sales of automotive filters represent 52% of total sales.

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.

b) Competition :

In terms of the product brand:

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



2) ACTIVE CARBON AND RESPIRATORY PROTECTIVE EQUIPMENTS

a) The market:

SC ROMCARBON SA Buzau is the unique producer of active carbon and individual and collective protective equipments. In 2017 the main market was the domestic market. Our clients are companies of chemical industry, extractive industry, pharmaceutical and food industry, companies that design and execute filtroventilation installations, companies that have the sphere of activity in metal coatings, public institutions (schools, town halls, so on..), biogas production and purification stations.

The products have been sold by ROMCARBON SA Buzau directly to the end user, but they have been delivered to some distribution of protective equipments companies.

a) 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: 68% on domestic market and 32% 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 2017 the sales of Polyethylene increased with 9% as compared with 2016.

a) Competition:

S.C. ROMCARBON S.A. kept up, in general, with competition that, in this field was only the internal, adapting to customer requirements and applying competitive price, reasonably payment terms and fast delivery conditions. It could be observed a move of market demand to general use foil and garbage bags produced out of regenerated plastic.



4) PVC PRODUCTS

In 2017, the recycled PVC supports for road signs entered foreign markets. The sales increased in 2017 by 35% as compared with 2016.



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 2017 was of 69% on domestic market and 31% on foreign market. The sales increased in 2017 by 6% as compared with 2016. The share of export sales registered an increase of 6% compared to 2016, especially on 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. New collaborations were started with clients from Bosnia and Heregovina and Kosovo.

a) Competition:

The main competitors for polystyrene packaging are: British Foam Group - local producer, and other European manufacturers such as Linpac, Sirappema, Coopbox. In 2017 two new local companies entered this market (Euroconfex Impex SRL and Mira Consulting Import Export), but their products have a poorer quality and their range of products are rather small.

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

6) POLYPROPYLENE PRODUCTS**a) The market:**

This Profit Center activates on the plastic wrappings market. Generally speaking in 2017 on the wrappings market it was maintained a higher demand of PP products, which led, as in the previous years, to a good coverage of production capacity.

The turnover achieved in 2017 was similar to 2016.

In 2017 it was maintained also the distribution of the sales in geographical terms: 66% on the domestic markets and 34% at export.

a.1) Domestic market

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



Because the domestic market not only takes into account the prices but also the quality of the products and services, we try to give our customers all the support and meet their demands by offering suitable packaging solutions for their products.

a.2) Foreign market

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

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

a) Competition:

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

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

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

7) COMPOUNDS

a) The market:

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

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

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

The product range consists of two main categories:

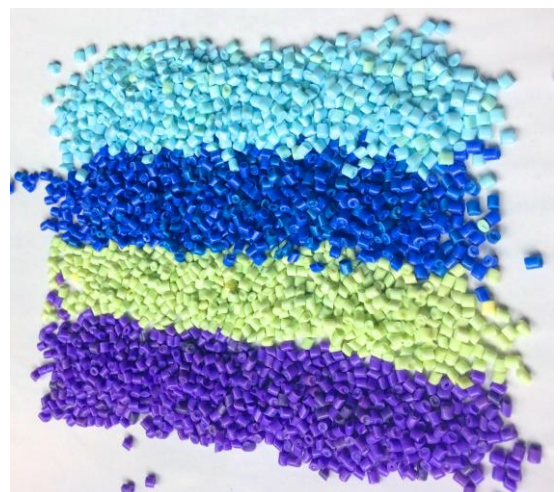
➤ **Plastics compounds made from virgin polymers**

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

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

For future we are aiming to diversify 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 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.).

At this time, similar products in this subcategory are:

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

The turnover increased in 2017 with 76% as compared with 2016 owing to the new equipment installed at the end of 2015 which led to new Polypropylene and polyethylene products entered in the production.

The 2017 sales were distributed as follows : 40.77% on the domestic market and 50.23% on foreign markets.

b) Competition:

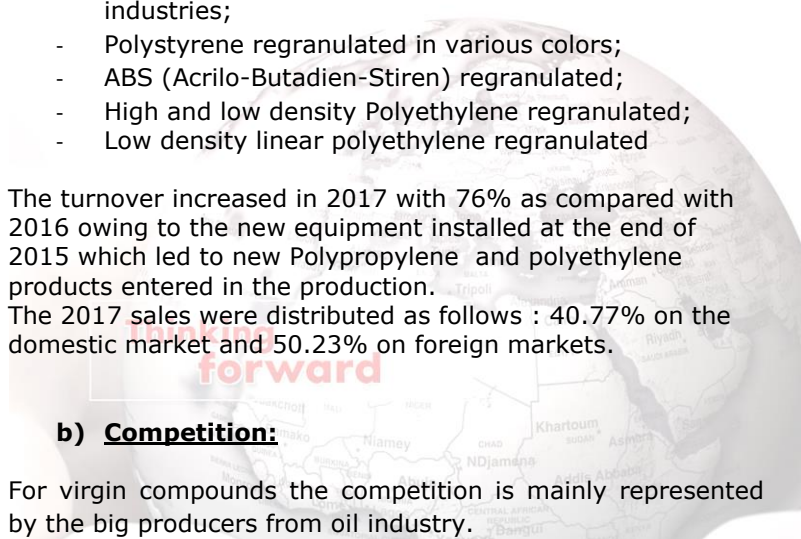
For virgin compounds the competition is mainly represented by the big producers from oil industry.

➤ Domestic market – Recycled products

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

➤ Foreign market – Recycled products

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



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

The number of SC Romcarbon SA employees at 31.12.2017 was 1,031, grouped according to the level of education as follows:

Total personnel, out of which:	1,031	%
• higher education	120	12%
• post-secondary school	16	2%
• technical school for foreman	11	1%
• secondary education	389	38%
• vocational school	228	22%
• 9 – 11 classes/apprentice school	109	11%
• occupational qualification	75	7%
• school	83	8%

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

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

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

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

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

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

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

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

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

A special attention is given to the products’ life cycles stages which can be controlled or influenced by the company.

The list of the significant environment aspects is updated yearly or whenever appear changes in the company, in regulations in force or other requires to whom the company choose to comply with.

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

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

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

Exemples of such changes:

- Change of the applicability area of Integrated Management System;
- Development of new products or services;
- Changes of the production processes, changes of tehnology, or insertion of new processes;

- Significant increase or decrease of the production capacity;
- Extension or relocation of an activity;
- Changes in compliance obligations with environment issues;
- Emergency situations

At the beginning of 2018 were evaluated the environment aspects and was concluded that the company might confront significant environment aspects only in abnormal situations and major force case.

1.1.7 The assessment of the research and development activity

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

- Product certification according to the national and european regulations:

In 2017 it were prolonged the product certification for 11 filters and 4 masks (mask with panoramic viewfinder, model P 1240; industrial mask with straps, model M 74; industrial mask type cagula, model P 2085; insulating mask with fresh air suction, model P 200) in the section Protective equipment and 5 filters in the section Automotive and Industrial Filters' section.

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

The cost of reaserch and development activity in 2017 was RON 818,563, while for 2018 it was budgeted a cost of RON 878,599.

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

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

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

Market risk

In 2017 the company recorded an increase of turnover with 9% as compared with 2016 reaching a total of RON 197,966,579. The turnover resulting from the sales of finished products had increased in 2017 with 15% as compared with 2016. The largest increase was accounted by CP7 - Compounds (+ RON 13,799,862 /+76%), CP3 – Polyethylene products(+ RON 2,267,315 /+9%) and CP5 – Polystyrene products (+ RON 2,159,618 /+ 6%).

Romcarbon main market is the domestic one, with a share in turnover resulting from the sales of finished products of 75% in 2017 (78% in 2016).

The clients portfolio for the main activity (sales of finished products) is diversified, there is no clear dependence on certain clients. However, for the activity of sales of goods SC Romcarbon SA has two clients (Kasakrom Chemiclas SRL and Livingjumbo Industry SA) that in 2017 had a turnover representing 14% and 11% of total turnover. Also the sales to Livingjumbo Industry SA in 2017 included sales of finished products, rents and income from other activities, which accounted for 4% of turnover.

Currency risk

Currency exposure of SC Romcarbon SA is generated mainly by the loans denominated in euro for financing the production and the investments activities. As at 31.12.2017 the balance of these loans was EUR 12,727,688 (2016: EUR 14,693,069).

In 2017 the loss generated by the fluctuation of foreign currencies rate was RON 1,502,397.

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

Element	EURO	USD
Proceeds from foreign clients	10,797,865	109,110
Proceeds from credits	440,264	0
Other proceeds	237,317	5
Payment to the foreign suppliers (raw materials and equipment)	-9,485,191	-213,296
Payments of credits, interest, bank fees	-1,577,722	0
Other currency payments	-150,176	-4,998
Net cash flow	262,356	-109,179

Liquidity risk

Current liquidity of SC Romcarbon SA (calculated as the ratio between current assets and current debts) climbed up from 0.76 in 2016 to 0.79 in 2017.

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 2018.

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 2018, the company budgeted the following financial indicators:

- A total turnover of RON 250,718,030 (up with 27% as compared with 2017) out of which the turnover related to the sales of finished products is budgeted at the level of RON 158,177,968 (13% higher as compared with 2017);
- An operating profit of RON 6,343,379.

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

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

c) *Presentation and analysis of events, transactions economic changes that significantly affect revenues from the base activity.* There were no major events influencing the operating.

2. THE TANGIBLE ASSETS OF THE COMPANY

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

- land and industrial and civil construction located in the municipality of Buzau, Transilvania Street no. 132, with a total area of 151,453 square meters of which built area of 62,493.83 square meters;
- land and industrial and civil construction located in Transilvania Street no. 132 - the sport facility - a total area of 22,830 square meters of which 1,053 square meters built area.
- land and commercial space located in Buzau city, Unirii Street, total area of 287 square meters of which 287 square meters built area;
- land and industrial buildings located in town of Buzau, Zone B, capture water - total area of 115,665 square meters, of which built area of 305 sqm;
- land located in town of Buzau, Buzau North in total area of 11,525 square meters;
- land and industrial buildings located in Iasi, str. Calea Chisinau, no. 29 total area of 91,466.48 sqm, built area of 25,680.87 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 elicopterizat and treatment resistance to wear and dust ; access to the plant is made by six industrial doors with electric drives; electrical facilities have been fully restored;
- Production hall - total area 873 sqm, built on the foundation of reinforced concrete, structure of concrete pillars, aluminium frames, thermopane windows;
- Polystyrene hall and Warehouse - an area of 4,367 square meters, built of prefabricated foundation pillars of glass type precast concrete beams, brick walls, glass panels and three-layer, reinforced concrete floor and roof panels Tristram;
- PSE mill hall and warehouse area of 577 sqm built on reinforced concrete foundation, brick walls, concrete roof;
- Wiring Hall 1 -Surface 415 sqm built on reinforced concrete foundation, brick walls, concrete floor;
- Laboratory - area 642 sqm, built on concrete foundation, brick masonry, roof;
- Compressor hall with an area of 396 sqm, built on the foundation of reinforced concrete, brick walls, concrete slab, of which 276.5 sq rent;
- Deposit filters - area of 1,144 square meters, built on the foundation of reinforced concrete, reinforced concrete walls, prefabricated roof;
- Administrative building - area 361 sqm, built on the foundation of reinforced concrete, brick masonry, reinforced concrete roof slab;
- Hall with an area of 1,653 square meters, prefabricated foundation pillars of glass type precast concrete beams, brick masonry and glass, the concrete foundation of reinforced concrete roof;

I.2.) Rented buildings :

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



II.) WORKING POINT IASI

ASSET 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 ;
- Buildings C1-(cafeteria)-area of 1312 sqm – construction on reinforced concrete foundation, structure of concrete pillars, brick masonry, concrete floor -acoperis tip terasa necirculabila ;

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

III.) WORKING POINT STEFANESTII DE JOS

- storage hall - 263 sqm area, foundation type glass - metal poles, walls and roof panels 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

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

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

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

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

- 2015 - 2,245,038.00 lei
- 2016 - 2,007,327.93 lei
- 2017 - according to the General Stockholders Asseby decision dated 26/27.04.2018

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

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

Not applicable .

3.5 S.C. Romcarbon SA did not issue bonds or other debt securities in 2017.

4. THE MANAGEMENT OF THE COMPANY

4.1. DIRECTORS

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, 49 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, 66 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, 33 years old;

b) Not applicable.

c) Participation of administrators to share capital of SC Romcarbon SA, at the reference date 31.12.2017:

Hung Ching Ling- 1,368 shares

Wang Yi Hao - 0 shares

Simionescu Dan - 493,328 shares

d) List of affiliated persons on 31.12.2017 the Company:

d.1. Legal entities in which SC Romcarbon S.A. owned, on 31.12.2017, directly, at least 25% holdings :

Company	Total number of shares	Nominal Value (lei)	Social capital (lei)	No. of shares held	Investment value	Interest quota (%)
RECYPLAT LTD CIPRU	26,000	4.3521	113,154	26,000	20,261,120	100.0000%
ROMCARBON DEUTSCHLAND GmbH			110,138		110,138	100.0000%
RC ENERGO INSTALL SRL	200	10	2,000	200	15,112	100.0000%
INFO TECH SOLUTIONS SRL	200	10	2,000	198	1,980	99.0000%
LIVINGJUMBO INDUSTRY SA	200	4,032	806,400	198	1,639,232	99.0000%
GRINFILD LLC UCRAINA					2,687,755	62.6200%
YENKI SRL	32,800	10	328,000	10,934	100,000	33.3354%
ASOCIATIA ECOLOGICA GREENLIFE (Non-Profit Organization)				1,200	400	33.3333%
ECO PACK MANAGEMENT SA	144,600	10	1,446,000	36,670	586,625	25.3596%

d.2. Legal 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.1) Limited period (mandate):

Andrei Radu- Chief Executive Officer (01.09.2017- 31.08.2021)

Manaila Carmen – Chief Operations Officer (01.10.2017- 31.08.2021)

a.2) Unlimited period:

Cretu Victor- PP Operations Manager starting with 01.10.2017

Pindaru Marina Alina - PE Operations Manager starting with 01.10.2017

Voicheci Neli - Compounds Operations Manager starting with 01.10.2017

Ungureanu Ion - EPS Operations Manager starting 01.10.2017

Titi Mihai - Deputy Technical General Manager since 01.06.2010

Genes Alina - Development Director since 01.04.2010

Zainescu Viorica Ioana - CFO starting on 15.01.2010

Damian Nicoleta - Human Resources Director since 01.02.2006

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 31.12.2017 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 26/27.04.2018, which approved the 2017 financial statements;
- Declaration of the management company of the conformity of the accounting statements.

5.1 STATEMENT OF THE FINANCIAL POSITION

Statement of the financial position for the past 3 years is presented in the table below.

Indicator	2015	2016	2017	2017 vs. 2016	
Property, plant and equipment	147,831,285	147,005,912	137,757,935	-9,247,977	▼ -6.29%
Investment property	43,799,325	45,680,013	49,859,449	4,179,436	▲ 9.15%
Intangible assets	189,900	246,401	160,081	-86,320	▼ -35.03%
Financial assets	22,863,010	22,844,368	22,247,181	-597,187	▼ -2.61%
Total non-current assets	214,683,520	215,776,694	210,024,646	-5,752,048	▼ -2.67%
Inventories	20,499,859	25,668,489	23,824,914	-1,843,574	▼ -7.18%
Trade and other receivables	33,959,316	26,553,753	32,493,266	5,939,513	▲ 22.37%
Current tax assets	439,598	447,239	0	-447,239	▼ -100.00%
Other assets	366,752	294,011	820,245	526,234	▲ 178.98%
Cash and bank balances	12,888,836	5,615,329	2,529,017	-3,086,311	▼ -54.96%
Total current assets	68,154,361	58,578,820	59,667,444	1,088,624	▲ 1.86%
Total assets	282,837,881	274,355,514	269,692,090	-4,663,424	▼ -1.70%
Issued capital	26,412,210	26,412,210	26,412,210	0	— 0.00%
Share premium	2,182,283	2,182,283	2,182,283	0	— 0.00%
Reserves	53,375,509	54,506,299	53,222,860	-1,283,439	▼ -2.35%
Retained earnings	48,158,839	47,230,089	51,304,266	4,074,177	▲ 8.63%
Total Equity	130,128,841	130,330,881	133,121,619	2,790,738	▲ 2.14%
Borrowings LT	32,432,440	36,104,275	32,911,592	-3,192,683	▼ -8.84%
Long term finance leases and other interest bearing obligations	1,195,151	84,588	0	-84,588	▼ -100.00%
Deferred tax liabilities	11,142,757	10,468,240	10,758,395	290,155	▲ 2.77%
Deferred income LT	22,272,168	19,939,642	17,676,474	-2,263,169	▼ -11.35%
Total non-current liabilities	67,042,516	66,596,745	61,346,461	-5,250,285	▼ -7.88%
Trade and other payable	30,928,649	26,896,495	28,571,443	1,674,948	▲ 6.23%
Borrowings ST	49,411,862	45,337,135	41,726,661	-3,610,474	▼ -7.96%
Short term finance leases and other interest bearing obligations	1,709,000	1,107,270	86,797	-1,020,473	▼ -92.16%
Deferred revenue	2,219,975	2,293,920	2,305,250	11,330	▲ 0.49%
Other liabilities	1,397,039	1,793,067	2,533,859	740,791	▲ 41.30%
Total current liabilities	85,666,524	77,427,887	75,224,010	-2,203,878	▼ -2.85%
Total liabilities	152,709,040	144,024,633	136,570,471	-7,454,162	▼ -5.18%
Total equity and liabilities	282,837,881	274,355,514	269,692,090	-4,663,424	▼ -1.70%

NON-CURRENT ASSETS

In 2017 **Non-currents assets** hold 77.88% of the company's assets, recording a decrease of RON 5,572,048, i.e. 2.67%, as compared with the beginning of the year.

Non-current assets	31.12.2017	% in total NCA	% in total Assets	31.12.17 vs. 31.12.16
Property, plant and equipment	137,757,935	65.59%	51.08%	-6.29%
Investment property	49,859,449	23.74%	18.49%	9.15%
Intangible assets	160,081	0.08%	0.06%	-35.03%
Financial assets	22,247,181	10.59%	8.25%	-2.61%
Total non-current assets	210,024,646	100.00%	77.88%	-2.67%

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	Lands	Buildings	Total
Iasi	28,024,549	10,985,998	39,010,547
Buzau	1,908,678	4,006,825	5,915,503
Stefanesti	2,494,039	2,439,361	4,933,400
Total	32,427,266	17,432,183	49,859,449

After the revaluation of the Investment Property at 31.12.2017 resulted a net increase of value of RON 1,490,374 which was registered on the profit and loss account.

FINANCIAL ASSETS

Financial assets representing 10.59% of Non-current assets and 8.25% of Total Assets, have registered in the reporting period a decrease of RON 597,187.

In addition to the information shown at point 4.1.d.1 of this report, the company has as at 31.12.2017 the following financial investments:

Company	Total number of shares	Nominal value (lei)	Capital (lei)	No. of shares held	Acquisition value	Participation quota (%)
KANG YANG BIOTECHNOLOGY CO.LTD	7,113,000			139,000	203,963	1.95%
REGISTRUL MIORITA SA	10,500	10	105,000	398	5,000	3.79%
TOTAL					208,963	

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

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

CURRENT ASSETS hold 22.12% of total assets recording an increase of RON 1,088,624, i.e. 1.86%, as compared with the beginning of the year.

Current assets	31.12.2017	% in total CA	% in Total Assets	31.12.17 vs. 31.12.16
Inventories	23,824,914	39.93%	8.83%	-7.18%
Trade and other receivables	32,493,266	54.46%	12.05%	22.37%
Current tax assets	0	0.00%	0.00%	-100.00%
Other assets	820,245	1.37%	0.30%	178.98%
Cash and bank balances	2,529,017	4.24%	0.94%	-54.96%
Total current assets	59,667,444	100.00%	22.12%	1.86%

LIABILITIES

TOTAL LIABILITIES hold 50.64% of the company's Equity&Liabilities recording a decrease of RON 7,454,162, i.e. 5.18% as compared with the beginning of the year.

CURRENT LIABILITIES representing 55.08% of the Total Liabilities and 27.89% of Total Equity & Liabilities have decreased by RON 2,203,878 as compared with 31.12.2016, i.e. 2.85%, have the following structure:

Current liabilities	31.12.2017	% in total liabilities	% in Total current liabilities	% in Total equity & liabilities	31.12.17 vs. 31.12.16
Trade and other payable	28,571,443	20.92%	37.98%	10.59%	6.23%
Borrowings ST	41,726,661	30.55%	55.47%	15.47%	-7.96%
Short term finance leases and other interest bearing obligations	86,797	0.06%	0.12%	0.03%	-92.16%
Deferred revenue	2,305,250	1.69%	3.06%	0.85%	0.49%
Other liabilities	2,533,859	1.86%	3.37%	0.94%	41.31%
Total current liabilities	75,224,010	55.08%	100.00%	27.89%	-2.85%

NON-CURRENT LIABILITIES representing 22.75% of the company's Equity&Liabilities were registered in the reporting period a decrease of RON 5,250,285, i.e. 7.88%.

Non-current liabilities (NCL)	31.12.2017	% in total liabilities	% in Total NCL	% in Total equity & liabilities	31.12.17 vs. 31.12.16
Borrowings LT	32,911,592	24.10%	53.65%	12.20%	-8.84%
Long term finance leases and other interest bearing obligations	0	0.00%	0.00%	0.00%	-100.00%
Deferred tax liabilities	10,758,395	7.88%	17.54%	3.99%	2.77%
Deferred income LT	17,676,474	12.94%	28.81%	6.55%	-11.35%
Total non-current liabilities	61,346,461	44.92%	100.00%	22.75%	-7.88%

BORROWINGS

As at 31.12.2017 the loans contracted by S.C. ROMCARBON S.A. have the following structure :

Bank	Type	Initial amount	Balance as at 31.12.2017		Tenor
			in euro	in lei	
UniCredit Bank	Credit line(Eur)	€ 5,450,000	€ 4,684,467	21,828,211 lei	10/04/2018
BRD GSG	Credit line(Eur)	€ 2,550,000	€ 2,356,155	10,978,977 lei	30/10/2018
UniCredit Bank	Investment loan(III)(Eur)	€ 442,500	€ 423,783	1,974,699 lei	19/09/2021
BRD GSG	Investment loan(I)(Eur)	€ 2,058,000	€ 87,574	408,071 lei	01/03/2018
BRD GSG	Investment loan(II)(Eur)	€ 1,000,000	€ 603,946	2,814,205 lei	03/09/2022
BRD GSG	Investment loan(III)(Eur)	€ 3,153,160	€ 1,839,343	8,570,788 lei	03/02/2022
UniCredit Bank	Investment loan- CCE 2015(Eur)	€ 3,042,240	€ 2,732,420	12,732,256 lei	04/12/2023
Total borrowings in euro			€12,727,688	59,307,207 lei	
Eximbank SA	Investment loan(I) (Lei)	6,142,500 lei		4,606,875 lei	20/06/2022
Eximbank SA	Investment loan(II) (Lei)*	2,432,500 lei		905,935 lei	16/12/2022
UniCredit Bank	Investment loan(I)(Lei)	3,200,000 lei		2,789,316 lei	11/07/2023
UniCredit Bank	Investment loan(II)(Lei)	2,500,000 lei		1,148,486 lei	19/09/2021
UniCredit Bank	Investment loan(IV)(Lei)	5,400,000 lei		4,311,514 lei	01/12/2021
UniCredit Bank	Investment loan(V)(Lei)	2,250,000 lei		1,568,918 lei	06/04/2022
Total borrowings in lei			21,925,000 lei	15,331,045 lei	
Total				74,638,252 lei	

Short term borrowings have the following structure :

Bank	Type	CCY	Initial amount	Balance as at 31.12.2017	
				in euro	in lei
UniCredit Bank SA	Credit line	euro	€ 5,450,000	€ 4,684,467	21,828,211 lei
BRD GSG	Credit line	euro	€ 2,550,000	€ 2,356,155	10,978,977 lei
Total short term borrowings				€ 7,040,622	32,807,188 lei

Long term borrowings have the following structure :

Bank	Type	Balance as at 31.12.2017, out of which:		< 1 Year	>1 Year
		in euro	in lei		
UniCredit Bank	Investment loan(III)	€ 423,783	1,974,699 lei	526,587 lei	1,448,113 lei
BRD GSG	Investment loan(I)	€ 87,574	408,071 lei	408,071 lei	- lei
BRD GSG	Investment loan(II)	€ 603,946	2,814,205 lei	582,250 lei	2,231,955 lei
BRD GSG	Investment loan(III)	€ 1,839,343	8,570,788 lei	2,098,969 lei	6,471,819 lei
UniCredit Bank	Investment loan- CCE 2015	€ 2,732,420	12,732,256 lei	2,026,970 lei	10,705,287 lei
Total borrowings in euro			26,500,020 lei	5,642,845 lei	20,857,175 lei
Eximbank SA	Investment loan(I)		4,606,875 lei	1,023,750 lei	3,583,125 lei
Eximbank SA	Investment loan(II)		905,935 lei	- lei	905,935 lei
UniCredit Bank	Investment loan(I)		2,789,316 lei	499,579 lei	2,289,737 lei
UniCredit Bank	Investment loan(II)		1,148,486 lei	306,263 lei	842,223 lei
UniCredit Bank	Investment loan(IV)		4,311,514 lei	1,077,878 lei	3,233,636 lei
UniCredit Bank	Investment loan(V)		1,568,918 lei	369,157 lei	1,199,761 lei
Total borrowings in euro			15,331,045 lei	3,276,628 lei	12,054,417 lei
Total long term borrowings			41,831,064 lei	8,919,473 lei	32,911,592 lei

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

*In December 2017 it was contracted with Exim Bank SA the second investment loan in amount of RON 2,432,500 for financing/refinancing the objectives from the investment plan for 2017.

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 **49.36%** of Total Equity&Liabilities, registered an increase of RON 2,790,738 as compared with the beginning of the year, i.e. 2.14%, have the following structure:

Equity	31.12.2017	31.12.17 vs. 31.12.16
Issued capital (264,122,096 shares at 0.10 lei per share)	26,412,210	9.79%
Share premium	2,182,283	0.81%
Reserves	53,222,860	19.73%
Retained earnings	51,304,266	19.02%
Total Equity	133,121,619	49.36%

As at 31.12.2017 the company shareholders according to Depozitarul Central SA:

Shareholder	No. of shares	%
LIVING PLASTIC INDUSTRY S.R.L.	86,774,508	32.85%
JOYFUL RIVER LIMITED	54,195,089	20.52%
BRAICONF SA	23,000,000	8.71%
NEW CARPATHIAN FUND	9,350,000	3.54%
STICHTING BEWAARDER OVERLEVINGSFONDS	7,500,000	2.84%
FONDUL DE PENSII ADMINISTRAT PRIVAT NN/NN PENSII S.A.F.P.A.P. S.A.	7,610,000	2.88%
Other legal entities	14,215,198	5.38%
Natural persons	61,477,301	23.28%
Total	264,122,096	100.00%

5.2 STATEMENT OF THE COMPREHENSIVE RESULT

Indicator	2015	2016	2017	2017 vs. 2016
Net sales *	176,702,913	178,719,385	195,140,695	▲ 16,421,309 9%
Investment income *	8,342,326	6,866,672	3,987,533	▼ (2,879,138) -42%

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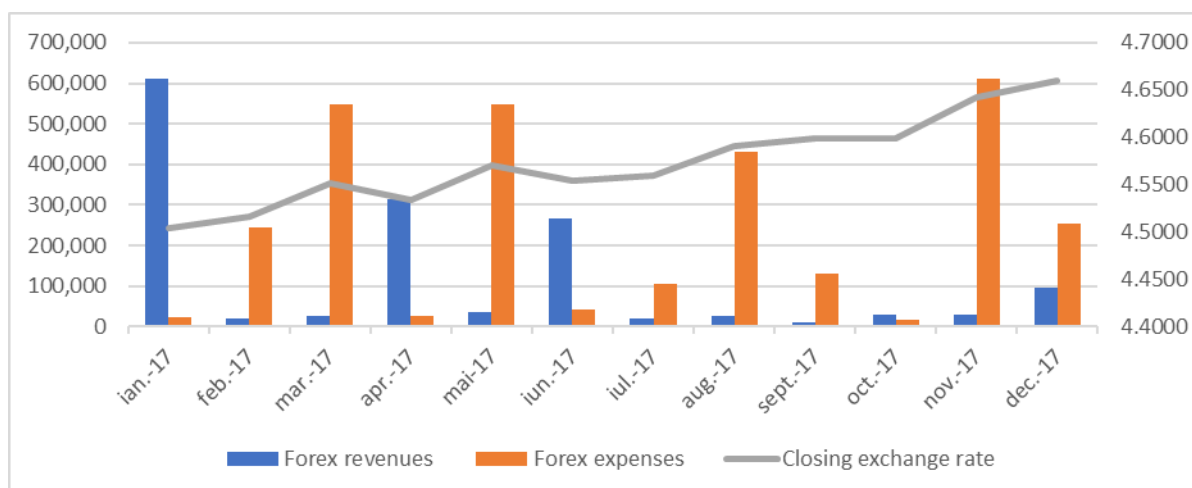
Other gains and losses	(2,604,404)	1,725,659	2,796,780	▲	1,071,121	62%
Changes in inventories of finished goods and work in progress	1,538,064	3,404,371	2,304,367	▼	(1,100,004)	-32%
Raw materials and consumables used	(134,762,781)	(131,058,698)	(139,437,993)	▲	(8,379,295)	6%
Depreciation and amortisation expenses	(7,106,832)	(9,578,963)	(10,706,926)	▲	(1,127,964)	12%
Impairment of financial assets	-	(2,687,755)	-	▼	2,687,755	n/a
Employee salaries and benefits	(18,755,367)	(23,463,899)	(28,174,199)	▲	(4,710,300)	20%
Social security expenses	(4,419,970)	(5,473,802)	(6,608,431)	▲	(1,134,629)	21%
Net finance costs	(2,114,646)	(2,059,292)	(1,728,613)	▼	330,679	-16%
Other revenues	1,182,234	2,203,176	2,264,436	▲	61,259	3%
Other expenses	(11,508,736)	(14,367,897)	(14,099,311)	▼	268,587	-2%
Profit (loss) before taxation	6,492,801	4,228,957	5,738,338	▲	1,509,380	36%
Profit tax	(100,888)	674,517	(940,272)	▲	- 1,614,789	(2)
Profit (loss) of the year	6,391,913	4,903,474	4,798,066	▼	(105,409)	-2%
Net loss on revaluation of tangible assets	0	-1,987,613	0	▼	1,987,613	
Adjustment of deferred tax on fiscally non-deductible revaluation reserves	0	0	0	—	-	
Total comprehensive income	6,391,913	2,915,861	4,798,066	▲	1,882,204	65%

Indicator	2015	2016	2017
Average no. of employees	786	885	935

*Investment income – details:

Indicator	2015	2016	2017	2017 vs. 2016
Rental and royalty income	2,532,570	2,476,548	2,825,883	▲ 349,335 14%
Interest income	20,401	11,981	3,652	▼ (8,329) -70%
Investment income (dividends) - Recyclat	4,698,777	3,207,527	0	▼ (3,207,527) -100%
Investment income (dividends) - Infotech Solutions	100,579	275,614	157,997	▼ (117,617) -43%
Investment income (dividends) - RC Energo Install	0	400,000	1,000,000	▲ 600,000 -
Investment income (dividends) - LivingJumbo Industry	990,000	495,000	0	▼ (495,000) -100%
Total	8,342,326	6,866,671	3,987,532	▼ (2,879,138) -42%

Note : In accordance with Order no. 1286/2012 the company bank availabilities, the receivables and the liabilities expressed in a foreign currency are evaluated each month at the closing exchange rate comunicated by NBR. From this evaluation in 2017 the company registered revenues in amount of RON 1,476,358 and expenses in amount of RON 2,978,755, resulting a loss of RON 1,502,397.



5.3 EVOLUTIONS OF NET SALES

Indicator	2015	2016	2017	2017 vs. 2016	
- Sales of finished goods	108,853,984	122,191,290	140,128,883	▲	17,937,593 15%
- Sales of intermediary goods	170,908	90,147	48,146	▼	(42,002) -47%
- Services rendered	228,525	310,378	293,439	▼	(16,940) -5%
- Sale of commodities	64,883,624	53,189,162	51,024,724	▼	(2,164,439) -4%
- Revenues from sundry services	2,565,872	2,938,408	3,645,505	▲	707,097 24%
Total net sales	176,702,913	178,719,385	195,140,696	▲	16,421,310 9%

Indicator	2015	2016	2017	2017 vs. 2016	
Net sales	176,702,913	178,719,385	195,140,696	▲	16,421,310 9%
Rental and royalty income	2,532,570	2,476,548	2,825,883	▲	349,335 14%
Total turnover, out of which	179,235,483	181,195,934	197,966,579	▲	16,770,645 9%
~domestic market	150,134,472	141,639,790	147,942,411	▲	6,302,621 4%
~exports	29,101,011	39,556,144	50,024,168	▲	10,468,024 26%

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

5.4 FINANCIAL RATIOS

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

Indicator	Formula	2015	2016	2017
EBIT	Gross profit + Expenses with interests	8,298,810	5,977,645	7,325,990
EBITDA	EBIT + Depreciation-Subsidies for investment	14,223,409	13,353,431	15,768,480
EBITDA to sales ratio	EBITDA/Turnover	7.94%	7.37%	7.97%
EBITDA to Equity ratio	EBITDA/Equity	10.93%	10.25%	11.85%
Gross profit margin	Gross profit/Turnover	3.62%	2.33%	2.90%
Current ratio	Current assets/Current liabilities	0.80	0.76	0.79
Quick ratio	(Current assets-Inventories)/Current liabilities	0.56	0.43	0.48
Non-current liabilities to Equity ratio	Non-current liabilities/Equity	52%	51%	46%
Total liabilities to Assets ratio	Total liabilities/Total Assets	54%	52%	51%
Interest coverage ratio	EBIT/Interest expenses	5	3	5
Account receivable turnover ratio	Average receivables/Turnover	64	60	54
Account payable turnover ratio	Average payables/Turnover	60	57	50
Return on assets (ROA)	Net profit/Assets	2.26%	1.79%	1.78%
Return on equity (ROE)	Net profit/Equity	4.91%	3.76%	3.60%
Return on sales (ROS)	Net profit/Turnover	3.57%	2.71%	2.42%

5.5 CASH FLOW

Items	2015	2016	2017
Net profit / (loss) after taxation	6,391,913	4,903,474	4,798,066
Income tax expense	100,888	(674,517)	940,272
Depreciation	7,106,832	9,578,963	10,706,926
(Gain) / Loss on fixed assets disposal	(736)	(59,440)	424,790
(Gain) / Loss arising on changes in fair value of investment property	2,502,393	(759,449)	(1,490,374)
(Gain) / Loss arising disposal of investment property	-	-	(2,385,785)
Customers provisions	13,551	337,579	16,976
Write off of receivables	338,189	55,334	165,833

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(Gains) / Losses with disposal of financial assets	56,665	-	-
Expenses / revenues with adjustments of financial assets	-	2,687,755	-
Interest expense	1,806,009	1,748,687	1,587,652
Interest income	(20,401)	(11,981)	(3,653)
Dividend income	(5,789,355)	(4,378,142)	(1,157,997)
Income from subsidies	(1,182,234)	(2,203,176)	(2,264,436)
Unrealised net forex result	1,158,114	(123,851)	1,528,593

Movements in working capital

(Increase) / Decrease in accounts receivable	(3,787,963)	7,012,197	(6,122,323)
(Increase) / Decrease in inventories	(2,395,064)	(5,296,462)	1,843,573
(Increase) / Decrease in other assets	(120,301)	(7,641)	447,239
Increase / (Decrease) in accounts payable	1,868,215	(6,494,896)	1,674,948
(Decrease) / Increase in deferred revenue	8,478	(55,404)	12,597
(Decrease)/increase in other liabilities	(634,794)	428,460	477,986

Cash generated from operations

	7,420,399	6,687,490	11,200,885
Income taxes paid	(308,197)	-	(7,163)
Interest paid	(1,806,009)	(1,748,687)	(1,587,652)
Net cash generated by operating activities	5,306,193	4,938,803	9,606,070

Cash flows from investing activities

Payments to acquire financial assets	-	-	-
Interest received	20,401	11,981	3,653
Dividends received	5,789,355	4,378,142	1,157,997
Payments for property, plant and equipment	(41,664,630)	(13,091,055)	(8,340,113)
Payments for investment property	15,815	(1,130,479)	-
Proceeds from disposal of investment property	-	-	3,575,112
Proceeds from disposal of property, plant and equipment	736	628,304	1,821,663
Proceeds from disposal of investments	-	-	597,187
Proceeds from loans granted to related parties	635,099	-	-
Payments for intangible assets	-	-	(33,918)
Payment of dividends	(2,068,314)	(2,278,010)	(2,037,153)

Net cash (used in)/generated by investing activities

	-37,271,538	-11,481,116	-3,255,571
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Cash flows from financing activities

Payments of lease liabilities	(1,389,603)	(1,712,293)	(1,105,061)
Proceeds from bank loans	81,557,718	16,909,738	5,202,494
Repayment of related party borrowings	-	-	-
Repayment of bank loans	(58,355,836)	(17,052,323)	(13,534,243)
Proceeds from subsidies	13,481,689	1,123,683	-

Net cash used in financing activities

	35,293,969	(731,194)	(9,436,810)
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Net increase in cash and cash equivalents

	3,328,624	-7,273,507	-3,086,312
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Cash and cash equivalents at the beginning of the year	9,560,212	12,888,835	5,615,328
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Effects of exchange rate changes on the balance of cash held in foreign currencies	-	-	-
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Cash and cash equivalents at the end of the year

	12,888,835	5,615,328	2,529,016
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6. CORPORATE GOVERNANCE

I. PREAMBLE

This chapter summarizes the Company's Corporate Governance main rules, structures, procedures and decision-making practices within the company, governance standards that ensure the general principles of management and effective control of the activities of the company according to the object of activity, for the benefit of shareholders and for increase investor confidence. The entire set of standards of corporate governance provides the structure through which the company objectives are set, the means of achieving them and to monitor the performance and aims to promote fairness, transparency and accountability in the society.

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

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

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

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

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

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

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

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

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

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

- Number of shares - 264 122 096
 - a) nominal value – 0,1 lei
 - b) ISIN code: ROROCEACNOR1
 - c) symbol: ROCE

Although a new entry on the Bucharest Stock Exchange regulated market, ROMCARBON S.A. has proposed the implementation of such a policy oriented towards profit for shareholders and one to assume a role oriented corporate responsibility and ethics, with significant impact on the environment and consequently the community.

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

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

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

The regulations which we comply with in the preparation of this chapter of Corporate Governance: Law no.31/1990 on companies, republished in 2004, as amended and supplemented, Law no.297/2004 on the capital market, as amended and supplemented, Law no.24/2017, on issuers of financial instruments and market operations, regulations issued by CNVM to regulate the capital market (C.N.V.M. Regulation no. 1 of 09.03.2006 on issuers and securities operations, C.N.V.M. Regulation no.6/2009 on the exercise of certain rights of shareholders in general meetings of companies, Regulation no. 10/2016 regarding Financial Supervision Authority organization and functioning, etc.) as amended, accounting regulations, regulations on Audit, Law no. 82 /1991 for Accounting, republished with subsequent modifications, Corporate Governance Code of the Bucharest Stock Exchange adopted by the Council of the Bucharest Stock Exchange in December 2007, the Articles of incorporation of ROMCARBON SA, the Collective Labor 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/incorporation act.

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, following the motivated request an at least 2 of its members or of the General Director of the company, the President being obliged to act upon such a request. The Board of Directors 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 will 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 take 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 half 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 the 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.

The Board of Directors meetings take place in the presence of the Directors or by correspondence (mail, email, fax). The meetings can take place by any long-distance communication means such as video-conference or phone-conference.

Board members express their vote on the issues on the agenda during the meeting, as well as by any long-distance communication means (mail, email, fax) ensures receipt confirmation by the Secretary of the Board, no later than the end of the session for which they were convoked. 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 Board 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 REICLARE S.A - 01.04.2012-present
- Chairman of Board of Directors of GREENLAMP REICLARE S.A -28.05.2012-31.01.2013
- Chairman of Board of Directors of GREENGLASS RECYCLING S.A - 15.02.2013-present

► **Deputy Chairman– SIMIONESCU DAN**

*** Professional experience :**

- Director Coopers& Lybrand Romania – 1993-1997
- Marketing Department Director, Capital Markets and External Relations for SIF Transilvania – 1997- present
- Member of the Board of Directors of ROMCARBON S.A. – 2003 - present
- Member of the Board of Directors of GREENFIBER INTERNATIONAL SA- 01.05.2007 -dec. 2009; 20.09. 2010 – 28.05.2012
- Member of the Board of Directors of GREENTECH SA - 06.01.2009 – 28.05.2012
- Member of the Board of Directors of GREENWEEEE 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 GREENWEEEE 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.24/2017.

In 2017, the Board of Directors met in 16 meetings, decisions being taken either with the vote of the majority of those present or in unanimity 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 negotiation of the Collective Labor Contract valid for ROMCARBON SA for the years 2017-2019. (Decision no.1/10.01.2017).
- Approval for the modification of ROMCARBON SA Internal Regulation. (Decision no.1/10.01.2017)
- Approval to open a work place in Ploiesti, no.4 Pompelor Street, Prahova County and for authorizing as activity for it the waste commerce, CAEN 4677. (Decision no.2/14.02.2017)
- Approval for the convocation of the general meetings of shareholders and of the materials to be discussed in the OGMS/EGMS meetings of 27/28.04.2017(Decision no.3/21.03.2017)
- Approval for the prolongation by 1 year of the buying – selling contract no.1200/22.05.2012 (3326/24.05.2012), concluded by ROMCARBON SA and KASAKROM CHEMICALS SRL.(Decision no.4/18.04.2017)
- Approval of Recyplat Limited Financial statements for the fiscal year ended on 31.12.2016 (Decision no.4/18.04.2017)
- Approval of the items included on the General Meeting of Shareholders of LIVINGJUMBO INDUSTRY S.A.of 12.05.2017, regarding the approval of the 206 financial statements. (Decision no.6/09.05.2017)
- Approval of the items included on the General Meeting of Shareholders of YENKI S.R.L., regarding the approval of 2016 financial statements. (Decision no.6/09.05.2017).
- Approval of the items included on the General Meeting of Shareholders of ECO PACK MANAGEMENT S.A., regarding the approval of 2016 financial statements. (Decizia nr.7/30.05.2017).
- Approval of ROMCARBON S.A. Corporate Governance Code valid starting with 30.05.2017. (Decision no.7/30.05.2017)
- Approval of the items included on the General Meeting of Shareholders of RC ENERGO INSTALL S.R.L. regarding the approval that starting with 12.06.2017 all payment instruments issued by RC ENERGO INSTALL SRL contain mandatory two signatures. (Decision no.8/12.06.2017)
- Approval for the convocation of ROMCARBON SA Ordinary General Meeting of Shareholders of 01.08.2017, for the approval to distribute as dividends the amount of 2,007,327.93 lei, value of gross dividend/share being of 0.0076 lei/share, for the total number of shares of 264,122,096 (Decision no.9/27.06.2017).
- Approval for the sale by ROMCARBON S.A to ITO INDUSTRIES INTERNATIONAL S.A. of the real estate company property consisting of total land in area of 698.00 sqm si and of building in area of 302.00 m.p., located in no.29 Chisinaului Way, Iasi, Iasi County, identified with cad. No. 157257 and registered in land book no CF 157257, for a total price of 179,386 Euro, VAT excluded.(Decision no.10/31.07.2017)
- Approval for the prolongation by 4 years of the mandate contract concluded by ROMCARBON SA and Mr. Andrei Radu, whom will be acting as General Director of ROMCARBON SA for the period 01.09.2017 – 31.08.2021, having the rights and obligations as mentioned in the mandate contract and in the job description. (Decision no.11/28.08.2017)
- Approval for ROMCARBON SA (ROCE) Procedure for dividend distribution for the financial year 2016 (ROCE), according to those approved by Ordinary General Meeting of Shareholder Decision of 01.08.2017.(Decision no.11/28.08.2017)
- Approval for appointing, starting with 01.10.2017 until 31.08.2021, of Ms. Mănăilă Carmen, romanian citizen, residing in Buzau, Unirii Av., 8B building 6 floor, ap. 14, identified with ID series XZ no.552458 PIN 2670624100032, as Chief Operations Officer (C.O.O.) of ROMCARBON SA, having the rights and obligations as mentioned in the mandate contract for the COO (Decision no.13/26.09.2017)
- Approval for concluding an addendum to the mandate contract concluded by ROMCARBON SA with Mr. Andrei Radu, as General Director of the company..(Decision no.13/26.09.2017)
- Approval for the modification of ROMCARBON SA Organisational Chart following the change approved regarding the management of the company .(Decision no.13/26.09.2017)
- Approval of the items included on the Ordinary General Meeting of Shareholders of LIVINGJUMBO INDUSTRY S.A, of 26.09.2017, respectively of the items included on the Extraordinary General Meeting of Shareholders of LIVINGJUMBO INDUSTRY S.A, of 26.09.2017 (Decision no.13/26.09.2017)

- Approval for ROMCARBON S.A to conclude a buying-selling contract Buzau City, regarding the sale to this public person according to Buzau Local Council no.225 of 27.07.2017, of the total area of 905 sqm land belonging to the former industrial rail way and to Transilvaniei st. For the price of 44,683 Euro, VAT excluded. (Decision no.14/24.10.2017)
- Approval for the convocation of the Extraordinary General Meeting of Shareholders of 04.12.2017, 12.00 hour, at the company headquarters in no.132 Transilvaniei st. Buzau, Buzau County for approving the modification of the company incorporation act (Decision no .14/24.10.2017).
- Approval of the items included on the Ordinary General Meeting of Shareholders of Livingjumbo Industry S.A. regarding implementing the provisions of GEO no.79/2017 for the modification of Law no.227/2015 regarding the Fiscal Code.(Decision no.15/05.12.2017).
- Approval under condition to be ratified in the next Extraordinary General Meeting of Shareholders to be convened for starting the procedure regarding identifying a potentia buyer sub conditia ratificarii prezentei decizii in urmatoarea Adunare Generala Extraordinara a Actionarilor, ce se va convoca in acest scop, demararii procedurii privind identificarea unui potential cumparator, in vederea vanzarii activelor societatii situate in Iasi, Calea Chisinaului nr.29, jud. Iasi, in suprafata de aproximativ 7,3 Ha, in conditiile si avand identificarea din materialul inregistrat sub nr.13862 din 20.12.2017, pentru un pret de minim 7,3 milioane Euro, fara TVA si desfasurarea de negocieri in acest sens.. (Decizia nr.16/20.12.2017)

Convening of the General Shareholders Meetings:

OGSM of 27.04.2017 , by Board of Directors Decision no.3/21.03.2017 regarding:

- 1.Presentation, discussion and approval of the annual report of the Board of Directors for the fiscal year 2016.
- 2.Presentation and approval of the individual financial statements for the financial year 2016 in accordance with International Financial Reporting Standards (IFRS) based on: Directors' Report and External Financial Auditor's Report for the financial year 2016.
- 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 2016.
- 4.Presentation and approval of the consolidated financial statements, for the financial year 2016 in accordance with International Financial Reporting Standards (IFRS) based on: Directors' Report and External Financial Auditor's Report for the financial year 2016.
- 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 2016.
- 6.Approval of the distribution of the net profit recorded in the fiscal year 2016 in the amount of 4,903,474.48 lei on the following destinations:
 - a) Legal reserves amounting to 245,174 lei;
 - b) Other reserves amounting to 3,258,617 lei, representing fiscal facility regarding the profit tax exemption for the profit reinvested in 2016;
 - c) Retained earnings amounting to 1,399,683.48 lei.
- 7.Presentation and approval of the Annual Report for 2016, 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 2016.
- 11.Approval to contract services for the statutory audit of the company for the financial year 2017.
- 12.Approval of the income and expenses budget for the financial year 2017.
- 13.Approval of 23.05.2017 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 22.05.2017 as "ex-date"**, according to art.2 let.f of the C.N.V.M. Regulation no.6/2009

EGSM of 27.04.2017, by Board of Directors Decision no.3/21.03.2017 regarding:

- 1.**Approval for: the banking exposure of Romcarbon SA for the financial years 2017-2018, consisting of: credits in amount of 16,577,342 Euro and 18,607,945 Lei, leasing contracts in amount of 200,805 Euro, factoring contracts with a ceiling of 500,000 Euro, letters of guarantee in amount of 500,000 lei and guarantees given to LivingJumbo Industry SA for the investment credit contracted UniCredit amount of 607,200 Euro and for the un-engagement credit in amount of 450,000 Euro contracted with UniCredit Bank; the 12-months extension of credits with maturity in 2017, 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 existing credits/banking exposure, change currency or refinance existing loans and contracting of new loans, within the limits of the approved banking exposure and of the law.

Empowerment for the General Director And Financial Director , to sign credit agreements, addendums thereto related, mortgage deeds and other guarantees, and any other documents necessary for the carrying out of the EGMS' s decision.

2. Approval of the investment plan for 2017 and the empowerment of the Board of Directors to decide the best manner of implementing it and to employ all necessary efforts in this regard, including, but not limited to updating it/changing its elements.

3. Approval of **23.05.2017** 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.

4. Approval of **22.05.2017** as "**ex-date**", according to art.2 let.f of the C.N.V.M. Regulation no.6/2009.

OGMS of 01.08.2017, by Board of Directors Decision no..9/27.06.2017 regarding

1. Approval to distribute as dividends the net profit recorded in the fiscal year 2016, remained undistributed (according to the General Meeting of Shareholders Decision of 27.04.2017, pt.6 let.c) in the amount of 1,399,683.48 lei

2. Approval to distribute as dividends 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 607,644.45 lei.

3. Approval, as a result of approving points 1 and 2 to distribute as dividends the total amount of 2,007,327,93 lei, the gross dividend/share being of 0.0076 lei/share for the total number of 264,122,096 shares, distribution of the dividends following to be made according to the provisions of the law and under the condition of obtaining consent from the company's creditor banks.

4. Approval of **04.10.2017** 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 **03.10.2017** as "**ex-date**", according to art.2 let.f of the C.N.V.M. Regulation no.6/2009.

6. Approval of **24.10.2017** as the "**payment day**", according to art.2 let.g of the C.N.V.M. Regulation no.6/2009.

EGMS of 04.12.2017, by Board of Directors Decision no.14/24.10.2017

1. Approval for the modification of the article of incorporation of ROMCARBON SA

1.1. Empowering the General Director, Mr. Andrei Radu, to represent the company and to perform all the formalities stipulated by the law in order to fulfill the Decision of the Extraordinary General Meeting of Shareholders, signing in this respect all necessary documents, including the updated constitutive act, the request to the Trade Registry, and so on.

2. Approval of **22.12.2017** as "**registration date**", according to art.86 par.1of Law 24/2017 regarding the issuers and capital market operations.

3. Approval of **21.12.2017** as "**ex-date**", according to art.2 let.f of the C.N.V.M. Regulation no.6/2009.

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
Manaila Carmen – Operations Manager starting with 01.10.2017
Cretu Victor- Polypropylene Sector Operations Manager starting with 01.10.2017
Pindaru Marina Alina - Polyethylene Sector Operations Manager starting with 01.10.2017
Voicheci Neli - Compounds Sector Operations Manager starting with 01.10.2017
Ungureanu Ion – Polystyrene Sector Operations Manager stating with 01.10.2017
Titi Mihai - Technical Deputy General Manager starting on 01.06.2010
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
Duracu Gheorghe - Quality Manager starting on 05.01.2004

The management of the company is delegated by the Board of Directors to the General Manager and to the Chief Operations Officer, who act independently one from the other, being responsible for the fulfillment of all measures for managing the company, within the limits of the company activity and by respecting the competences reserved exclusively by the Law and act of incorporation to the Board of Directors or to the General Meeting of Shareholders.

In this respect in the relations with third parties, the company is represented by the General Manager and by the Chief Operations Officer under the provisions of art. 143 para. 4 in conjunction with Art. 143² para. 4 of Law 31/1990, acting independently within the limits of their mandate.

The company executive managers are appointed or revoked from their position by the Board of Directors, which sets the competences, responsibilities and powers of the executive managers, their competences of representing the company can be delegated by the executive managers to a third party only with the prior written consent of the Board of Directors.

Remuneration of directors of the company is in accordance with the articles of 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 **2017**:

- a) Administrators – Director fee according to OGMS Decision of 27.04.2012 – RON 303,629
- b) Executive Management -RON 1,771,568

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 cannot 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.

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

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

In case of shareholders voting by representation by power of attorney the shareholders can be represented to GMS meetings by representative who may be another shareholder or a third person. Voting by representation by means of special power of attorney can be expressed by completing and signing the special power of attorney forms provided by the company in 3 copies out of which: a copy will be sent in writing original, at the company registered office, the second copy will be handed to representative, so that it can prove as representative to the request of the technical secretariat of the meeting, the third will remain at the shareholder. The special/general power of attorney will be sent, if special power of attorney in original or in certified copy under the representative's signature, if general power of attorney, so that it is recorded at the company's office reception in due time or by e-mail to office@romcarbon.com (in case of using electronic means, the power of attorney will be sent by electronic signature in compliance with Law no.455 / 2001), until the same date and time. Regardless of the method of transmitting the power of attorney for the GMS should bear clear and written in capital letters "POWER OF ATTORNEY FOR ORDINARY/EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS OF

.....(the date of GM convocation)". ". A shareholder may appoint only one person to represent him in the GMS. A shareholder may appoint by power of attorney one or more alternate representatives to ensure its representation in the GMS if the designated representative is unable to fulfill its mandate. If by power of attorney are designated more alternates representatives the shareholder will determine the order in which they will exercise their mandate. The shareholder may also grant a general power of attorney valid for a period that will not to exceed three years, which empowers the representative to vote on any matter in debate of GMS, including in terms of disposal acts, provided that the power of attorney is given by the shareholder as client to an intermediate as defined in the law of capital or to a lawyer. For identification purposes the special/general power of attorney will be accompanied by the following documents: a copy of shareholder identification document (identity card, passport, residence permit) and a copy of the representative identity document for individual shareholders; a copy of the representative identity document (identity card, passport, residence permit), a copy of the representative/legal agent identification document accompanied by lawyers original mandate or if the representative/agent is a legal person, a 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 the representative legally registered, presented in original or certified copy. Documents submitted in a language other than English will be accompanied by a translation made by an authorized translator into Romanian / English. When completing the special power of attorney forms shareholders will consider the possibility of completing/amending the agenda, in which case the power of attorney forms will be updated in due time.

Shareholders cannot 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 92 par.15 of Law no.24/ 2017.

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

Voting form 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 in due time.

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 09.04.2018 (provided that each such item is accompanied by a justification or a draft decision to be adopted) and to propose draft decisions for items included or to be included on the agenda. Proposals on the draft decision may be submitted in a sealed envelope at the company headquarters in no. 132. Transylvania street, Buzau. Buzau County, or sent by e-mail with electronic signature in compliance with Law no. 455/2001 until the same date and time at office@romcarbon.com with the written statement "MOTION FOR NEW AGENDA ITEMS FOR ORDINARY/EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS of(the date of GM convocation)". Each proposed new item must be accompanied by a justification or a draft decision to be adopted at the GMS. These proposals must be accompanied by copies of identity document in case of individual shareholders; copy of the identity document of the representative / agent certificate issued by the Register of Commerce or equivalent document issued by a competent authority from the state where the shareholder is registered legally certifying the quality of legal representative, presented in original or certified copy, in case of legal persons. Documents certifying the legal representative quality of the corporate shareholder shall be issued not more than 3 months before the GMS Convocation publication date.

Each shareholder is entitled to submit, questions related to items on the agenda in accordance with art. 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 ORDINARY/EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS ON (the date of GM convocation)". The questions must be accompanied by a copy of identity document in case of individual shareholder(natural persons); copy of the identity document of the representative/agent, certificate issued by the Register of Commerce or equivalent document issued by a competent authority in the state where the shareholder is registered legally certifying the quality of legal representative, presented in original or certified copy, in case of legal persons. Documents certifying the legal representative quality of the shareholder legal person shall be issued not more than 3 months before the publication date of the GSM Convocation.

The company will issue an 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, i.e. periodic review of the financial statements of the Company). In the framework of their responsibilities, the company took the steps necessary to protect the safety and health of employees, including occupational risk prevention activities and training information, as well as the implementation of labor protection and means of organizing it. (E.g. Training periodic granting personal protective equipment, workwear, sanitary materials, periodic medical examination, etc.). ROMCARBON SA does not use child labor, do not engage in trafficking and do not in any way encourage these ideas. There are not tolerated under any circumstances corporal punishment or mental pressure, physical or verbal or any form of inhuman treatment .

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

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

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

***To support educational activities.**

***To support various social categories** (worthy young people, sick or disabled persons) through humanitarian actions that include sponsorship / mecenation as well as assistance in extreme cases, as well as helping disadvantaged or underprivileged people. Under this active CSR policy, ROMCARBON SA granted during the financial year 2017 sponsorship, in money and products, in amount of 21,684 lei to non-profit organizations, as well as material aid, in the amount of 88,552 lei, to its own employees affected by various events with a strong social and human impact (childbirth, deaths of family members, fires, floods, etc.).

The company is a founding member of the GREENLIFE ECOLOGICAL ASSOCIATION.

The purpose of the ASSOCIATION is to represent, promote and sustain the employers' and professional interests of its members in relations with public authorities and other legal and physical persons, to strengthen their authority and social prestige and to act for the modernization and development of the field of protection the environment at the level of international standards and standards. Also, the ASSOCIATION aims to promote the spirit of human solidarity by organizing and sustaining humanitarian actions.

Inside the organization, the program runs the support for employees and first degree relatives in case of serious diseases and by scholarships granted to 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. complies with the environmental protection legislation and is not being involved in litigation regarding infringement the environment 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, applicable for the design and manufacture of individual respiratory protection equipment - certified by SRAC.

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 such as 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 2017

1. Major contracts undertaken in 2017 by ROMCARBON SA as seller:

- Contract of sale - purchase agreement concluded with S.C.KASAKROM CHEMICALS S.R.L, registered under the no.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 no.899 / 04.02.2010 extended by the addendum;

2. Major contracts undertaken in 2017 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.let. d

e) List of affiliated trade company - see section. 4.1.let. d

HUNG CHING LING,
Chairman of the Board

VIORICA ZAINESCU.
Financial manager

RADU ANDREI,
General Manager

Section	Provisions of the Code that must be respected	Comply	Does not comply or partially comply	The reason for non-compliance
Section A – Responsibilities				
A.1.	All companies should have an internal regulation of the Council which includes terms of reference/ responsibilities of the Board and key management of the Company, and which apply, inter alia, the general principles of Section A.		Partially	Articles of Incorporation contains provisions on the terms of reference and responsibilities of the Board of Directors. The Board of Directors will take action for the adoption of a Board regulation.
A.2.	Provisions for managing conflicts of interest should be included in the Board of Directors Regulation. However, the Board members must notify the Board of Directors any conflicts of interest that have arisen or may arise and refrain from participating in discussions (including by default, unless that failure would prevent the formation of quorum) and vote for a decision on the matter that gives rise to this conflict of interest.		Partially	The Articles of Incorporation of the company includes provisions for managing conflicts of interest and how to vot. Provisions for managing conflicts of interest will be included in the Board of Directors Regulation to be adopted.
A.3.	The Board of Directors or the Supervisory Board must consist of at least five members.		NO	Articles of Incorporation provides for a Board of directors comprising of three members according to article 137 paragraph 2 of Law No. 31/1990.
A.4.	The majority of the Board members must have no executive function. At least one member of the Board or the Supervisory Board should be independent in the case of companies in the Standard category.	YES		

<p>A.4.</p>	<p>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.</p>		<p>NO</p>	<p>Regulation of the Board of Directors to be developed and approved will regulate measures to comply with this requirement.</p>
<p>A.5.</p>	<p>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.</p>	<p>YES</p>		<p>On the company's website are published the board members CV's including information on its member's professional obligations.</p>
<p>A.6.</p>	<p>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.</p>	<p>YES</p>		
<p>A.7.</p>	<p>The company must appoint a secretary of the Board responsible for supporting the Board of Directors activity..</p>	<p>YES</p>		
<p>A.8.</p>	<p>Corporate governance statement will inform if there was an evaluation of the Board of Directors under the President or the nomination committee and, if so, will summarize the key measures and changes resulting from it. The company must have a policy/guidance on the assessment of the Committee including the scope, criteria and frequency of the evaluation process.</p>		<p>NO</p>	<p>It will be analyzed and implemented, the company will inform in a current report on compliance with this requirement.</p>
<p>A.9.</p>	<p>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.</p>	<p>YES</p>		
<p>A.10.</p>	<p>Corporate governance statement must include information on the exact number of independent members of the Board of Directors or Supervisory</p>	<p>YES</p>		

	Board.			
A.11.	The Council of Premium Category Companies should establish a nomination committee consisting of people without executive functions, which will lead the nominations procedure for new members in the Council and make recommendations to the Board. Most members of the nomination committee should be independent.			Not applicable
Section B - The risk management and internal control system				
B.1.	The board should establish an audit committee in which at least one member must be independent non-executive director. Most members, including the president, must be shown to have appropriate qualifications relevant to the functions and responsibilities of the committee. At least one audit committee member should have accounting or auditing experience proven and appropriate. If companies in the premium category, the audit committee must be composed of at least three members and the majority of audit committee members must be independent.	YES		
B.2.	Chairman of the audit committee must be an independent non-executive member.	YES		
B.3.	Within its responsibilities, the audit committee must conduct an annual assessment of internal control system.	YES		
B.4.	The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of reporting risk management and internal control presented to the Audit Committee of the Board, timeliness and effectiveness of the executive management solves deficiencies or weaknesses identified from control internal and presenting relevant reports to the Board.	YES		
B.5.	The Audit Committee shall assess conflicts of interest in connection with transactions of the Company and its subsidiaries with related parties.	YES		
B.6.	The Audit Committee shall assess the effectiveness of internal control system and risk management systems.	YES		

B.7.	The audit committee must monitor the implementation of legal standards and internal audit standards generally accepted. The Audit Committee should receive and evaluate internal audit team reports.	YES		
B.8.	Whenever mention code or analysis reports initiated by the Audit Committee, they must be followed by periodic reports (at least annually) or ad hoc Council to be submitted later.	YES		
B.9.	No shareholder may be given preferential treatment over other shareholders in connection with the transactions and agreements concluded by the company with shareholders and their affiliates.	YES		
B.10.	Council should adopt a policy to ensure that any transaction of the Company with any of the companies with which it has close relationships whose value is equal to or greater than 5% of the net assets of the company (according to the latest financial report) approved Council following a binding opinions by the audit committee of the Board and disclosed correctly shareholders and potential investors, to the extent that such transactions fall within the category of events subject to reporting requirements.	YES		
B.11.	Internal audits must be performed by a separate structural division (internal audit department) within the company or by hiring an independent third party entity.	YES		
B.12.	In order to ensure the fulfillment of the main functions of the internal audit department, he must report functionally to the Council through the audit committee. Administrative purposes and the management obligations to monitor and reduce risks, it must report directly to the Director General.	YES		
Section C1 - Just reward and motivation				

<p>C.1.</p>	<p>The company shall publish on its website the remuneration policy and include a statement in the annual report on the implementation of remuneration policy during the annual period under consideration. Remuneration policy should be formulated so as to allow shareholders understand the principles and arguments underlying remuneration of Board members and the CEO, and the Executive Board in the dual system. It should describe the driving process and making decisions regarding remuneration, detailing components of the remuneration of the executive management (such as salary, annual bonus, long-term incentives linked to shareholder value, benefits in kind, pension and others) and describe purpose, principles and assumptions underlying each component (including the general performance criteria related to any form of variable remuneration). In addition, the remuneration policy should specify the duration of the contract Executive Director and the period of notice stipulated in the contract and any compensation for unjust dismissal. Report on remuneration must submit implementation of the remuneration policy for persons identified in the remuneration policy during the annual period under consideration. Any fundamental change in remuneration policy interventions must be published in due course on the website of the company.</p>		<p>NO</p>	<p>Remuneration policy of the members Board of Directors is established by the OGMS and the company's remuneration policy (remuneration of executive management staff respectively) falls under the exclusive competence of the Board of Directors according to the document of the company and legislation companies. The Board of Directors is considering all necessary measures to ensure compliance with this requirement.</p>
<p>Section D - adding value to the investor relations</p>				
<p>D.1.</p>	<p>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.</p>	<p>YES</p>		

D.1.1.	The main corporate regulations: articles of association, the procedures for general meetings of shareholders;	YES		
D.1.2.	Professional CV's of the management members of the Company, other professional commitments of Board members, including non-executive and executive positions on boards of companies or nonprofit institutions;	YES		
D.1.3.	Current reports and periodic reports (quarterly and annual) - at least those provided for in section D.8 - including current reports with detailed information on non-compliance with this Code;	YES		
D.1.4.	Information on shareholders meetings: agenda and information materials; the election of Board members; arguments supporting the proposals of candidates for election to the Council, together with their professional CVs; Shareholders with questions regarding items on the agenda and the company's response, including decisions adopted;	YES		
D.1.5.	Information on corporate events such as payment of dividends and other distributions to shareholders or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles of such operations. The information will be published within a period to allow investors to take investment decisions;	YES		
D.1.6.	Name and contact details of someone who can provide, upon request, relevant information;	YES		Contact information for investors are posted on the company's website, they will be filled with information about those responsible for investor relations.
D.1.7.	Company presentation (eg., Investor presentations, quarterly results presentations, etc.), financial statements (quarterly, half-yearly, annual) audit reports and annual reports.		Partially	Presentation of the firm is the reporting system established by the laws in force and by disseminating financial statements and audit reports.

D.2.	The company will have an annual dividend distribution policy or other benefits to shareholders, proposed by the Director General or by the Executive Council and adopted as a set of guidelines that the company intends to follow on the distribution of net profits. Principles policy annual distribution to shareholders will be publicatepe website of the company.		NO	Decisions on dividend distributions are taken by the General Assembly of Shareholders. Deadministratie Council will meet necessary efforts to develop a dividend policy.
D.3.	The company will adopt a policy about predictions, whether they are made public or not. Projections refers to findings quantified studies aimed at determining the overall impact of a number of factors relating to a future period (so called hypotheses) by its nature, this project has a high level of uncertainty, actual results can differ significantly forecasts presented initially. Policy forecasts will determine the frequency, time and content envisaged forecasts. If published projections can only be included in the annual reports, semi-annual or quarterly. Policy forecasts will be published on the website of the company.		NO	Until now the company has not implemented a policy forecasts. It will consider the future implementation of such policies.
D.4.	Rules shareholders' meetings should not limit participation of shareholders at general meetings and exercise their rights. Rule changes will come into force at the earliest, starting with the next meeting of shareholders.	YES		
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		

<p>D.8.</p>	<p>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.</p>	<p>YES</p>		
<p>D.9.</p>	<p>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.</p>	<p>NO</p>	<p>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.</p>	
<p>D.10.</p>	<p>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.</p>	<p>YES</p>		

HUNG CHING LING,
Chairman of the Board

VIORICA ZAINESCU.
Financial manager

RADU ANDREI,
General Manager

DECLARATION OF THE MANAGEMENT

Undersigners, **HUANG LIANG NENG- the Chairman of the Board, ANDREI RADU-** the Chief Executive Officer and **ZĂINESCU VIORICA-IOANA**, the Chief Financial Officer of ROMCARBON S.A. Buzau, a company located in Buzau, 132 Transilvaniei street, registered with Buzau Trade Register under the number J10/83/91, having the sole registration code RO 1158050, we take responsibility for the fair presentation of the Financial Statements for the year ended 31.12.2017 and we confirm the followings:

- a) The accounting policies used in preparation of the Financial Statements for the year ended 31.12.2017 are in accordance with International Financial Reporting Standards (IFRS) as it were adopted by European Union;
- b) The Separate Financial Statements prepared for the year ended 31.12.2017 provide a fair and accurate view of the assets, liabilities, financial position, income statement and statement of comprehensive income;
- c) The report of the Board of Directors prepared in accordance with the appendix 32 of the C.N.V.M. Regulation no. 1/2006 provides a correct analysis of the development and performance of S.C. ROMCARBON S.A., as well as a description of the main risks and uncertainties specific to the company's activity;
- d) ROMCARBON S.A. operates in terms of continuity.

Given today, 26.04.2018

HUANG LIANG NENG

ANDREI RADU

ZĂINESCU VIORICA IOANA

Thinking
forward

L.S.

L.S.

L.S.

For signatures, please refer to the original Romanian version.

S.C. ROMCARBON S.A.

**SEPARATE FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**

FOR THE YEAR ENDED DECEMBER 31, 2017

**Prepared in accordance with Ministry of Public Finance Order no. 2844/2016
for the approval of Accounting regulations conforming with International Financial
Reporting Standards
as adopted by the European Union, with subsequent amendments**



**Thinking
forward**

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of,
Romcarbon S.A.

Report on the Audit of the standalone financial statements

Opinion

1. We have audited the standalone financial statements of Romcarbon S.A. (the Company), with registered office in Buzau, Str. Transilvaniei, nr. 132, identified by the unique tax registration code RO1158050, which comprise the statement of financial position as at December 31, 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, including a summary of significant accounting policies and notes to the standalone financial statements.
2. The standalone financial statements as at December 31, 2017 are identified as follows:
 - Net assets / Equity RON 133.121.619
 - Net profit for the financial year RON 4.798.066
3. In our opinion, the accompanying standalone financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Order 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU.

Basis for Opinion

4. We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and the Council (forth named The "Regulation") and Law 162/2017 ("the Law"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Standalone financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), in accordance with ethical requirements relevant for the audit of the standalone financial statements in Romania including the Regulation and the Law and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

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

Key Audit Matters

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

Key Audit Matters	Audit response to Key Audit Matters
<p>Revenue recognition</p> <p>Sale of finished goods is the main activity of the Company. Given the large number of domestic and foreign clients, the diversity of products sold as well as the diversity of the client's businesses, there is a risk that revenue is not properly and accurately recognised. That is, revenue may not be recognised in the correct accounting year, taking into account the transfer of main risks and benefits associated with the product, or may represent fictitious sales for which the delivery has not taken place, or sales towards bad debtors, that are insolvent or bankrupt. In our opinion, revenue recognition is a key audit matter, given the above mentioned points.</p> <p>Revenue is disclosed in Note 3 of the Standalone Financial Statements.</p>	<p>Our audit procedures performed to address the risk of material misstatement for revenue recognition, included:</p> <ul style="list-style-type: none"> - evaluating the operating effectiveness of controls which addresses the risks described regarding occurrence of sales based on valid shipments; - assessing the proper booking of sales in the appropriate accounting periods in accordance with the transfer of main risks and benefits for sales occurring around year-end; - tests of detail by preparing a statistical selection of clients and obtaining confirmation letters for the revenue booked in the audited period, as well as selecting of individual sales to clients for which confirmation letters were not sent and obtaining the supporting documents for these transactions; - analysis of sales based on client, product and main markets in order to understand the evolution of revenue, as well as comparing sales with the figures from prior period.
<p>Investment property</p> <p>The Company owns property in Iasi, Stefanesti and Buzau which are not used for its main activity, but are held for long-term capital appreciation or for partial rent towards third parties. In our opinion, Investment property are a key audit matter, being valued at fair value subsequent to initial recognition when cost is used, gains and losses resulting for fair value estimation being recorded through profit and loss in the current period. Also, the criteria used for classification of a tangible non-current asset as an Investment property takes into account management intention to use each property as well as percentage of it being rented, both of which may vary from financial year to another. As a result, there is a risk of improper classification of these properties, as well as valuation of the investment property, as the fair value considered is a management estimate.</p> <p>Investment property is disclosed in Note 12 of the Standalone Financial Statements.</p>	<p>Our audit procedures performed to address the risk of material misstatement of investment property, included:</p> <ul style="list-style-type: none"> - analysing the proper classification of tangible non-current assets based on investment property list and based on rent agreements in force at the audit date; - obtaining the valuation reports prepared at year-end and assessing their appropriateness also by involving of valuation experts, members of ANEVAR. Evaluate whether the gains and losses resulting from the valuation are booked in accordance with international reporting standards.

Other information – Administrator’s Report

7. The administrator is responsible for preparation and presentation of the other information. The other information comprises the Administrator’s report but does not include the consolidated and separate standalone financial statements and our auditors report thereon, nor the non-financial information declaration which is presented in a separate report.

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

In connection with our audit of the standalone financial statements for the year ended December 31, 2017, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

With respect to the Administrator’s report, we read and report if this has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU, article no. 20.

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

- a) the information included in the administrators’ report for the financial year for which the standalone financial statements have been prepared are consistent, in all material respects, with these standalone financial statements;
- b) the administrators’ report has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU, article no. 20;

Moreover, based on our knowledge and understanding concerning the Company and its environment gained during the audit on the standalone financial statements prepared as at December 31, 2017, we are required to report if we have identified a material misstatement of this Administrator’s report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Standalone financial statements

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

Auditor's Responsibilities for the Audit of the Standalone financial statements

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

Report on Other Legal and Regulatory Requirements

16. We have been appointed by the General Assembly of Shareholders on April 27, 2017 to audit the standalone financial statements of Romcarbon S.A. for the financial year ended December 31, 2017. The uninterrupted total duration of our commitment is 1 year, covering the financial year ended December 31, 2017.

We confirm that:

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

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

Andreea Gheorghe, Audit Director

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

Registered with the Romanian Chamber of Financial Auditors under no. 4579/24.10.2013

On behalf of:

DELOITTE AUDIT S.R.L.

Registered with the Romanian Chamber of Financial Auditors under no. 25/25.06.2001

Sos. Nicolae Titulescu nr. 4-8, America House, Intrarea de Est, Etajul 2 - zona Deloitte și Etajul 3, sector 1, Bucharest, Romania
March 26, 2018

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017**
(all amounts are expressed in lei, unless specified otherwise)

	Note	Year ended	
		December 31, 2017	December 31, 2016
Net sales	3	195,140,695	178,719,385
Investment income	3	3,987,533	6,866,672
Other gains or losses	5	2,796,780	1,725,659
Changes in inventories		2,304,367	3,404,371
Raw materials and consumables used	4	(139,437,993)	(131,058,698)
Depreciation and amortization expense	6	(10,706,926)	(9,578,963)
Impairment of financial assets	6	-	(2,687,755)
Employee salaries and benefits	7	(28,174,199)	(23,463,899)
Social security expenses	7	(6,608,431)	(5,473,802)
Net finance cost	8	(1,728,613)	(2,059,292)
Income from subsidies		2,264,436	2,203,176
Other expenses	9	(14,099,311)	(14,367,897)
Profit before taxation		5,738,338	4,228,957
Income tax	10	(940,272)	674,517
Net profit		4,798,066	4,903,474
Comprehensive income			
Other comprehensive income		-	-
Net loss on revaluation of tangible assets		-	(1,987,613)
Adjustment of deferred tax on fiscally non-deductible revaluation reserves		-	-
Total comprehensive income		4,798,066	2,915,861
Earnings per share		0,0182	0,0110
Number of shares		264,122,096	264,122,096

The separate financial statements were approved by the Board of Directors and were authorized for issuance on March 26, 2018.

**ADMINISTRATOR,
HUNG CHING LING**

**FINANCIAL MANAGER,
VIORICA ZAINESCU**

**GENERAL MANAGER,
RADU ANDREI**

For signatures, please refer to the original Romanian version.

**STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDED DECEMBER 31, 2017
(all amounts are expressed in lei, unless specified otherwise)**

	<u>Note</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
ASSETS			
Non-current assets			
Property, plant and equipment	11	137,757,935	147,005,912
Investment property	12	49,859,449	45,680,013
Intangible assets	13	160,081	246,401
Financial assets	14	<u>22,247,181</u>	<u>22,844,368</u>
Total non-current assets		<u>210,024,646</u>	<u>215,776,694</u>
Current assets			
Inventories	15	23,824,916	25,668,487
Trade and other receivables	16	32,493,266	26,553,753
Related party loans		-	-
Taxes receivable		-	447,239
Other assets	17	820,245	294,011
Cash and cash equivalents	27	<u>2,529,017</u>	<u>5,615,329</u>
Total current assets		<u>59,667,444</u>	<u>58,578,819</u>
Total assets		<u>269,692,090</u>	<u>274,355,513</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	18	26,412,210	26,412,210
Share premiums		2,182,283	2,182,283
Reserves	19	53,222,860	54,506,299
Retained earnings	20	<u>51,304,266</u>	<u>47,230,089</u>
Total equity		<u>133,121,619</u>	<u>130,330,881</u>
Non-current liabilities			
Borrowings	21	32,911,592	36,104,275
Finance leases and other interest-bearing liabilities	24	-	84,588
Deferred tax liabilities	10	10,758,395	10,468,240
Deferred income	28	<u>17,676,474</u>	<u>19,939,642</u>
Total non-current liabilities		<u>61,346,461</u>	<u>66,596,745</u>

**STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDED DECEMBER 31, 2017
(all amounts are expressed in lei, unless specified otherwise)**

	<u>Note</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Current liabilities			
Trade and other payables	23	28,571,443	26,896,495
Related party borrowings		-	-
Borrowings	21	41,726,661	45,337,135
Finance leases and other interest-bearing liabilities	24	86,797	1,107,270
Deferred income	28	2,305,250	2,293,920
Other liabilities	22	2,533,859	1,793,067
Total current liabilities		<u>75,224,010</u>	<u>77,427,887</u>
Total liabilities		<u>136,570,471</u>	<u>144,024,632</u>
Total equity and liabilities		<u>269,692,090</u>	<u>274,355,513</u>



The separate financial statements were approved by the Board of Directors and were authorized for issuance on March 26, 2018.

**ADMINISTRATOR,
HUNG CHING LING**

**FINANCIAL MANAGER,
VIORICA ZAINESCU**

**GENERAL MANAGER,
RADU ANDREI**

For signatures, please refer to the original Romanian version.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED DECEMBER 31, 2017
(all amounts are expressed in lei, unless specified otherwise)

	<u>Share capital</u>	<u>Share premiums</u>	<u>Revaluation reserves</u>	<u>Legal reserves</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>
January 1, 2017	<u>26,412,210</u>	<u>2,182,283</u>	<u>42,349,946</u>	<u>3,635,090</u>	<u>8,521,262</u>	<u>47,230,089</u>	<u>130,330,881</u>
Increases from revaluation of property, plant and equipment	-	-	-	-	-	-	-
Decreases from revaluation of property, plant and equipment	-	-	-	-	-	-	-
Distribution of dividends	-	-	-	-	-	(2,007,327)	(2,007,327)
Net profit of the period	-	-	-	-	-	4,798,066	4,798,066
Transfer to reserves	-	-	-	239,903	1,487,753	(1,727,656)	-
Transfer of reserves to retained earnings	-	-	(3,011,094)	-	-	3,011,094	-
Corrections related to financial assets assigned and repossessed	-	-	-	-	-	-	-
December 31, 2017	<u>26,412,210</u>	<u>2,182,283</u>	<u>39,338,852</u>	<u>3,874,993</u>	<u>10,009,015</u>	<u>51,304,266</u>	<u>133,121,619</u>

As at December 31, 2017, the Company allocated the tax exempt profit for reinvested profit, less the legal reserve portion of RON 239,903, for setting up reserves in amount of RON 1,487,753.

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

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

The separate financial statements were approved by the Board of Directors and were authorised for issuance on March 26, 2018.

**ADMINISTRATOR,
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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED DECEMBER 31, 2017
(all amounts are expressed in lei, unless specified otherwise)

	<u>Share capital</u>	<u>Share premiums</u>	<u>Revaluation reserves</u>	<u>Legal reserves</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>
January 1, 2016	<u>26,412,210</u>	<u>2,182,283</u>	<u>44,722,947</u>	<u>3,389,916</u>	<u>5,262,645</u>	<u>48,158,839</u>	<u>130,128,841</u>
Increases from revaluation of property, plant and equipment	-	-	4,350,750	-	-	-	4,350,750
Decreases from revaluation of property, plant and equipment	-	-	(6,338,363)	-	-	-	(6,338,363)
Distribution of dividends	-	-	-	-	-	(2,245,038)	(2,245,038)
Net profit of the period	-	-	-	-	-	4,903,474	4,903,474
Transfer to reserves	-	-	-	245,174	3,258,617	(3,503,791)	-
Transfer of reserves to retained earnings	-	-	(385,388)	-	-	385,388	-
Corrections related to financial assets assigned and repossessed	-	-	-	-	-	(468,784)	(468,784)
December 31, 2016	<u>26,412,210</u>	<u>2,182,283</u>	<u>42,349,946</u>	<u>3,635,090</u>	<u>8,521,262</u>	<u>47,230,089</u>	<u>130,330,881</u>

As at December 31, 2016, the Company allocated the tax exempt profit for reinvested profit, less the legal reserve portion, for setting up reserves in amount of RON 3,258,617.

The total amount of RON 8,521,262 of such reserves is not subject to allocations to other destinations.

The resolution of the Ordinary General Meeting of Shareholders of 2016 approved the dividend allocation in amount of RON 2,245,038. The full amount was transferred to the Central Depository to pay dividends owed to shareholders.

The separate financial statements were approved by the Board of Directors and were authorised for issuance on March 26, 2018.

**ADMINISTRATOR,
HUNG CHING LING**

**FINANCIAL MANAGER,
VIORICA ZAINESCU**

**GENERAL MANAGER,
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**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED
DECEMBER 31, 2017
(all amounts are expressed in lei, unless specified otherwise)**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED
DECEMBER 31, 2017**

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

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

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

In 2016, the Company reclassified the revaluation reserve to retained earnings in amount of RON 3,011,094.

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



The separate financial statements were approved by the Board of Directors and were authorised for issuance on March 26, 2018.

**ADMINISTRATOR,
HUNG CHING LING**

**FINANCIAL MANAGER,
VIORICA ZAINESCU**

**GENERAL MANAGER,
RADU ANDREI**

For signatures, please refer to the original Romanian version.

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED DECEMBER 31, 2017
(all amounts are expressed in RON, unless specified otherwise)

STATEMENT OF CASH FLOW

	<u>2017</u>	<u>2016</u>
Net profit for the year	4,798,066	4,903,474
Income tax expense / (income)	940,272	(674,517)
Non-current asset depreciation/(impairment)	10,706,926	9,578,963
(Gain) / Loss on sale of fixed assets	424,790	(59,440)
(Gain) / Loss on changes in fair value of investment property	(1,490,374)	(759,449)
(Gain) / Loss on disposal of investment property	(2,385,785)	-
Expenses / (Revenues) regarding value adjustments for clients and inventories	16,976	337,579
Loss on receivables and sundry debtors	165,833	55,334
(Gain) / Loss on financing investments	-	-
Expenses / (Revenues) regarding allowances for financial assets	-	2,687,755
Interest expense	1,587,652	1,748,687
Interest income	(3,653)	(11,981)
Income from dividends	(1,157,997)	(4,378,142)
Income from subsidiaries	(2,264,436)	(2,203,176)
Unrealised foreign exchange gain / (loss)	1,528,593	(123,851)
Movements in working capital:		
(Increase) / Decrease in trade and other receivables	(6,122,323)	7,012,197
(Increase) / Decrease in inventories	1,843,573	(5,296,462)
(Increase) / Decrease in other assets	447,239	(7,641)
Increase / (Decrease) in trade payables	1,674,948	(6,494,896)
Increase / (Decrease) in deferred income	12,597	(55,404)
Increase / (Decrease) in other liabilities	477,986	428,460
Cash used in operating activities	11,200,885	6,687,490
Income tax paid	(7,163)	-
Interest paid	(1,587,652)	(1,748,687)
Net cash used in operating activities	9,606,070	4,938,803
Cash flows from investing activities:		
(Payments) / Collections for financial assets	-	-
Interest received	3,653	11,981
Dividends received	1,157,997	4,378,142
Payments for tangible assets	(8,340,113)	(13,091,055)
Payments for investment property	-	(1,130,479)
Proceeds from sale of investment property	3,575,112	-
Proceeds from disposal of tangible assets	1,821,663	628,304
Proceeds from subsidiaries	597,187	-
Related party loans (granted)/received	-	-
Payments for intangible assets	(33,918)	-
Payments for dividends	(2,037,153)	(2,278,010)
Net cash generated by/(used in) investing activities	(3,255,571)	(11,481,116)

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED DECEMBER 31, 2017
(all amounts are expressed in RON, unless specified otherwise)

	<u>2017</u>	<u>2016</u>
Cash flows from financing activities:		
Cash payments of lessee to reduce a finance lease liability	(1,105,061)	(1,712,293)
Proceeds from bank loans	5,202,494	16,909,738
Repayments of bank loans	(13,534,243)	(17,052,323)
Repayments of related party borrowings	-	-
Proceeds from subsidies	-	1,123,683
	<u>(9,436,810)</u>	<u>(731,194)</u>
Net cash generated by/(used in) financing activities		
	<u>(9,436,810)</u>	<u>(731,194)</u>
Net increase in cash and cash equivalents	<u>(3,086,312)</u>	<u>(7,273,507)</u>
Cash and cash equivalents at the beginning of the year	<u>5,615,329</u>	<u>12,888,836</u>
Cash and cash equivalents at the end of the year	<u>2,529,017</u>	<u>5,615,329</u>

The separate financial statements were approved by the Board of Directors and were authorized for issuance on March 26, 2018.

**ADMINISTRATOR,
HUNG CHING LING**

**FINANCIAL MANAGER,
VIORICA ZAINESCU**

**GENERAL MANAGER,
RADU ANDREI**

For signatures, please refer to the original Romanian version.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2017
(all amounts are expressed in lei, unless specified otherwise)****1. GENERAL INFORMATION**

ROMCARBON S.A. has its main office in Buzău, Str. Transilvaniei, nr. 132 and is organised as a joint-stock company with the following identification details: registered with the Registry of Commerce under no. J10/83/1991, Fiscal Code RO1158050. The Company's shares are traded on the BSE, and its main shareholders as at December 31, 2017 are Living Plastic Industry S.A., Joyful River Limited Loc. Nicosia - Cyprus, Braiconf SA, New Carpathian Fund, Stichting Bewaarder Overlevingsfonds.

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

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

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

Basis of preparation

These separate financial statements of the Company were prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS") effective on the Company's reporting date, i.e. December 31, 2017 and in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016 approving the Accounting regulations compliant with International Financial Reporting Standards, applicable to companies whose securities are admitted to trading on a regulated market, with subsequent amendments and clarifications. Such provisions are consistent with the requirements of the International Financial Reporting Standards adopted by the European Union.

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

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

The Company has the obligation to prepare separate and consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS"). The Romcarbon group, which includes Romcarbon S.A. and its subsidiaries, will prepare a set of consolidated financial statements in accordance with IFRS as adopted by EU, for the financial year ended December 31, 2017, which will be published in accordance with the legislation in force.

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

The main accounting policies are described below.

Basis of preparation of the separate financial statements

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2017
(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

Basis of preparation of the separate financial statements (continued)

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

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

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

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

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

The Company's direct holdings as at December 31, 2017 and December 31, 2016 in subsidiaries or associates, which were not consolidated in these separate financial statements, are presented in Note 14. Investments in such subsidiaries or associates were disclosed in these separate financial statements at cost.

The Company will issue for 2017 consolidated financial statements in accordance with IFRS as adopted by the European Union.

Standards and Interpretations effective in the current period

The following standards, amendments to the existing standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the European Union are effective for the current period:

- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures"** - Investment Entities: Applying the Consolidation Exception - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IFRS 11 "Joint Arrangements"** - Accounting for Acquisitions of Interests in Joint Operations - adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 1 "Presentation of Financial Statements"** - Disclosure Initiative - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets"** - Clarification of Acceptable Methods of Depreciation and Amortisation - adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture"** - Bearer Plants - adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 19 "Employee Benefits"** - Defined Benefit Plans: Employee Contributions - adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2017
(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

Standards and Interpretations effective in the current period (continued)

- **Amendments to IAS 27 "Separate Financial Statements"** - Equity Method in Separate Financial Statements - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)"** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 17 December 2014 (amendments are to be applied for annual periods beginning on or after 1 February 2015),
- **Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)"** resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 15 December 2015 (amendments are to be applied for annual periods beginning on or after 1 January 2016).

The adoption of these amendments to the existing standards has not led to any material changes in the Company's financial statements.

Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements the following standards, amendments to the existing standards and interpretations issued by IASB and adopted by the EU were in issue but not yet effective:

- **IFRS 9 "Financial Instruments"** - adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 15 "Revenue from Contracts with Customers"** and amendments to IFRS 15 "Effective date of IFRS 15" - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018).

Standards and Interpretations issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use in EU as at the date of publication of financial statements (the effective dates stated below is for IFRS in full):

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **IFRS 16 "Leases"** (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IFRS 2 "Share-based Payment"** - Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 4 "Insurance Contracts"** - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 "Financial Instruments" is applied first time),
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2017
(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

Standards and Interpretations issued by IASB but not yet adopted by the EU (continued)

- **Amendments to IFRS 15 "Revenue from Contracts with Customers"** - Clarifications to IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IAS 7 "Statement of Cash Flows"** - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017),
- **Amendments to IAS 12 "Income Taxes"** - Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017),
- **Amendments to IAS 40 "Investment Property"** - Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to various standards "Improvements to IFRSs (cycle 2014-2016)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (amendments to IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017 and amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018),
- **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** (effective for annual periods beginning on or after 1 January 2018).

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

At the same time, foreign exchange hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated.

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

Income recognition

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

Sale of goods

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

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2017
(all amounts are expressed in lei, unless specified otherwise)****2. MAIN ACCOUNTING POLICIES (continued)****Dividend and interest income**

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

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

Lease

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

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

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

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

Foreign currency transactions

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

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

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

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

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

- December 31, 2012: RON 3.3575 / USD 1 and RON 4.4287 / EUR 1
- December 31, 2013: RON 3.2551 / USD 1 and RON 4.4847 / EUR 1
- December 31, 2014: RON 3.6868 / USD 1 and RON 4.4821 / EUR 1
- December 31, 2015: RON 4.1477 / USD 1 and RON 4.5245 / EUR 1
- December 31, 2016: RON 4.3033/ USD 1 and RON 4.5411 / EUR 1
- December 31, 2017: RON 3.8915/ USD 1 and RON 4.6597 / EUR 1

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2017
(all amounts are expressed in lei, unless specified otherwise)****2. MAIN ACCOUNTING POLICIES (continued)****Costs related to long-term borrowings**

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

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

Government subsidies

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

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

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

Employee contributions

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

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

Taxation

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

Current tax

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

Provisions for taxes and levies

As at December 31, 2017 the Company's separate financial statements include revaluation reserves. Based on the latest provisions of current legislation, such reserves may become taxable if their destination changed, by using them to cover accounting losses or by the Company's winding up.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2017
(all amounts are expressed in lei, unless specified otherwise)****2. MAIN ACCOUNTING POLICIES (continued)****Deferred tax (continued)**

Provisions for taxes and levies (continued)

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

Deferred tax

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

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

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

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

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

Current and deferred tax for the period

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2017
(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

Property, plant and equipment

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

The Company conducted a valuation of land and buildings based on a valuation report issued by a professional valuator, in order to determine the fair value thereof as at the balance sheet date. The revaluations are made with sufficient regularity so that the book value should not differ substantially from that determined using the fair value at the end of the reporting period. The increases in the book values of tangible assets further to valuation were credited to Revaluation reserves under Equity. The last revaluation of tangible assets in the form of land and buildings was registered as at December 31, 2017.

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

The buildings' depreciation is charged to the income statement.

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

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

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

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

Subsequent expenses

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

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

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

The following useful lives are used in the depreciation calculation:

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

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2017
(all amounts are expressed in lei, unless specified otherwise)****2. MAIN ACCOUNTING POLICIES (continued)****Intangible assets**Intangible assets acquired separately

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

Derecognition of intangible assets

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

Impairment of tangible and intangible assets

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

Impairment of tangible and intangible assets

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

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

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

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

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

Investment property

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2017
(all amounts are expressed in lei, unless specified otherwise)****2. MAIN ACCOUNTING POLICIES (continued)**

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

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

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

Inventories

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

Provisions

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

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

Warranties

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

Financial assets and liabilities

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2017
(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

Financial assets available for sale (AFS)

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

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

Impairment of financial assets

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

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

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

Impairment of financial assets (continued)

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

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

Derecognition of assets and liabilities

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

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2017
(all amounts are expressed in lei, unless specified otherwise)**
2. MAIN ACCOUNTING POLICIES (continued)
Use of estimates

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

Comparatives

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

3. INCOME

An analysis of the Company's income for 2017 is presented below:

	Year ended December 31, 2017	Year ended December 31, 2016
Net sales		
Income from sale of finished products	140,429,783	122,571,209
Income from sale of commodities	50,471,968	52,899,390
Income from services delivered	293,439	310,378
Other income	3,645,505	2,938,408
	195,140,695	178,719,385
Investment income		
Income from renting investment property	2,825,883	2,476,548
Income from interest on bank deposits	3,653	11,982
Dividends received from participations (Note 26)	1,157,997	4,378,142
	3,987,533	6,866,672
Segment reporting:		
Income by geographical areas:		
Sales on domestic market (Romania)	145,116,525	139,157,702
Sales on foreign market (Europe)	49,419,314	39,348,627
Other (Israel, Taiwan, UAE)	604,856	213,056

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2017
(all amounts are expressed in lei, unless specified otherwise)
INCOME (continued)

Segment income and profit	Segment income		Segment profit	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Polyethylene + polystyrene + polypropylene plastics	101,155,949	96,464,821	15,616,720	17,943,956
Compound recycled products	32,045,842	18,245,980	3,817,003	534,146
Other productive sectors	6,927,091	7,480,489	1,205,822	1,824,708
Income from sale of commodities and other activities	<u>55,011,813</u>	<u>56,528,096</u>	<u>4,391,897</u>	<u>1,029,018</u>
Total from operations	<u>195,140,695</u>	<u>178,719,385</u>	<u>25,031,442</u>	<u>21,331,828</u>
Investment income		-	3,987,533	6,866,672
Administrative and salary expenses		-	(21,552,024)	(21,910,251)
Finance expenses		-	<u>(1,728,613)</u>	<u>(2,059,292)</u>
Profit before tax		-	<u>5,738,338</u>	<u>4,228,957</u>

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2017
(all amounts are expressed in lei, unless specified otherwise)
3. INCOME (continued)

	Asset segment		Liability segment	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Asset and liability segment				
Polyethylene + polystyrene + polypropylene plastics	71,457,179	75,415,070	58,349,418	64,831,168
Compound recycled products	89,958,200	93,074,685	35,558,054	37,664,377
Other productive sectors	4,534,763	14,666,980	3,414,557	4,462,081
Other activities	103,741,948	91,198,778	39,248,443	37,067,007
Total assets/liabilities	269,692,090	274,355,513	136,570,471	144,024,632

Depreciation and of non-current assets additions	Depreciation segment		Segment of non-current assets additions*	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Polyethylene + polystyrene + polypropylene plastics	3,909,827	3,809,181	1,092,494	1,776,967
Compound recycled products	4,945,352	4,446,514	1,962,586	6,137,515
Other productive sectors	195,179	84,912	7,212	16,282
Other activities	1,656,568	1,238,356	2,352,467	2,987,417
Total	10,706,926	9,578,963	5,414,759	10,918,181

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

The client portfolio related to the company's production is diverse; it does not depend on certain clients. Nevertheless, as regards the sale of commodities, S.C Romcarbon SA has two clients (Kasakrom Chemicals SRL and LivingJumbo Industry SA). From the relation with such clients, the Company registered in 2017 a Turnover of 11% and 14% of Total turnover. Sales to LivingJumbo Industry SA in 2017 also contained sales of finished goods, rental of production spaces and income from other activities, which account for 4% of the turnover.

4. RAW MATERIALS AND CONSUMABLES USED

	Year ended December 31, 2017	Year ended December 31, 2016
Raw materials	75,084,329	65,642,788
Commodities sold	49,954,753	52,005,984
Energy and water	9,707,443	8,448,255
Expenses with consumables	4,691,468	4,961,671
Total	139,437,993	131,058,698

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2017
(all amounts are expressed in lei, unless specified otherwise)
5. OTHER GAINS AND LOSSES

	Year ended December 31, 2017	Year ended December 31, 2016
Income from penalties charged	668,728	471,348
Gain / (Loss) on sale of non-current assets	(424,790)	59,440
Losses on calamities (net of insurance indemnities)	-	-
Gain / (Loss) on adjustment of investment property at fair value	1,490,374	759,449
Gain / (Loss) on disposal of investment property	2,385,785	(9,240)
FOREX gain / (loss)	(1,442,682)	(153,971)
Gain / (Loss) on disposal of finance investments	(1,020)	(1,861)
Gain / (Loss) on changes in inventory	(16,976)	(336,841)
Other gains	137,361	937,335
Total	2,796,780	1,725,659

6. DEPRECIATION AND AMORTIZATION EXPENSES

	Year ended December 31, 2017	Year ended December 31, 2016
Total amortization expenses, of which:	10,706,926	12,266,718
Depreciation of fixed assets	10,586,688	9,498,367
Amortization of intangible assets	120,238	80,596
Financial assets impairment	-	2,687,755
	10,706,926	12,266,718

7. EXPENSES WITH SALARIES AND SOCIAL LEVIES

	Year ended December 31, 2017	Year ended December 31, 2016
Salaries	26,902,032	22,400,737
Social contributions	6,608,431	5,473,802
Meal tickets	1,272,167	1,063,162
Total	34,782,630	28,937,701

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2017
(all amounts are expressed in lei, unless specified otherwise)
7. EXPENSES WITH SALARIES AND SOCIAL LEVIES (continued)
Indemnities granted to top management

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

	Year ended December 31, 2017	Year ended December 31, 2016
Management salaries	1,771,568	1,920,232
Benefits for Board of Directors	303,629	250,337
Total	2,075,197	2,170,569

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

8. NET FINANCE COST

	Year ended December 31, 2017	Year ended December 31, 2016
Bank interest and leases expenses	1,552,838	1,746,230
Bank commissions and assimilated charges	175,775	313,062
Total	1,728,613	2,059,292

9. OTHER EXPENSES

	Year ended December 31, 2017	Year ended December 31, 2016
Expenses with transport and logistics	4,858,418	4,636,313
Other expenses with third party services*	5,660,634	5,078,705
Protocol and marketing	551,832	586,367
Expenses with repairs	869,997	865,514
Taxes and levies	1,021,177	845,113
Losses on receivables	165,833	55,334
Expenses with insurances	308,298	321,175
Expenses with postal charges and telecommunications	141,392	133,868
Expenses with travels	137,276	128,096
Expenses with rentals	203,990	423,662
Expenses with commissions and fees	10,205	22,530
Expenses with fines and penalties	2,788	162,698
Other expenses	167,471	1,108,522
Total	14,099,311	14,367,897

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2017
(all amounts are expressed in lei, unless specified otherwise)
10. INCOME TAX

Income tax expenses	Year ended December 31, 2017	Year ended December 31, 2016
Current income tax expense	650,117	-
Deferred income tax expense / (income)	290,155	(674,517)
	940,272	(674,517)

The tax rate applied for the reconciliation above related to 2017 and 2016 is 16% and is due by all Romanian legal persons.

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

Reconciliation of actual income tax rate	Year ended December 31, 2017	Year ended December 31, 2016
Gross income before taxation	5,738,338	4,228,957
Tax calculated according to the 16% rate	918,134	676,633
Effect of non-taxable income	(456,537)	(915,713)
Effect of non-deductible expenses	259,202	859,458
Effect (tax loss) / tax profit	70,683	620,378
Effect of temporarily non-deductible expenses / deferred tax	290,155	(674,517)
Deductions related to reinvested profit	(70,683)	(620,378)
	940,272	(674,517)

Components of deferred tax liabilities	December 31, 2017	December 31, 2016
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Trade and other receivables	(138,739)	(156,125)
Inventories	(228,841)	(201,287)
Investment property	1,877,971	1,639,511
Property, plant and equipment	9,248,004	9,186,142

Recognised income tax liabilities	10,758,395	10,468,240
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of which deferred tax on revaluation reserves from comprehensive income	9,891,949	9,830,088
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	December 31, 2017	December 31, 2016
Opening balance as at January 1	10,468,240	11,142,757

Movement from revaluation reserves	-	-
Recognised in income statement	290,155	(674,517)

Closing balance as at December 31	10,758,395	10,468,240
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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2017
 (all amounts are expressed in lei, unless specified otherwise)

11. PROPERTY, PLANT AND EQUIPMENT

	<u>Land</u>	<u>Buildings</u>	<u>Plant and equipment</u>	<u>Installations and furniture</u>	<u>Tangible assets in progress and advances</u>	<u>Total</u>
COST						
Balance as at January 1, 2017	48,123,284	19,401,581	108,762,199	1,316,557	8,118,629	185,722,251
Additions, of which	-	2,344,294	2,959,704	110,762	7,493,841	12,908,600
Transfers	-	2,344,294	2,959,704	110,762	-	5,414,759
Revaluation increases	-	-	-	-	-	-
Disposals, of which	(2,246,453)	(665,926)	(153,923)	(64,567)	(8,634,527)	(11,765,395)
Disposals from revaluation	-	-	-	-	-	-
Balance as at December 31, 2017	45,876,831	21,079,948	111,567,980	1,362,753	6,977,944	186,865,456
COST						
Balance as at January 1, 2016	54,489,512	18,255,036	102,377,658	1,328,119	5,638,339	182,088,664
Additions, of which	-	7,361,638	7,079,538	76,185	13,091,055	27,608,414
Transfers	-	3,010,888	7,079,538	76,185	-	10,166,610
Revaluation increases	-	4,350,750	-	-	-	4,350,750
Disposals, of which	(6,366,228)	(6,215,093)	(694,996)	(87,746)	(10,610,764)	(23,974,827)
Disposals from revaluation	(6,239,033)	(4,648,113)	-	-	-	(10,887,146)
Balance as at December 31, 2016	48,123,284	19,401,581	108,762,199	1,316,557	8,118,629	185,722,251

This is a free translation from the original Romanian version.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2017
(all amounts are expressed in lei, unless specified otherwise)

11. PROPERTY, PLANT AND EQUIPMENT (continued)

	<u>Land</u>	<u>Buildings</u>	<u>Plant and equipment</u>	<u>Installations and furniture</u>	<u>Tangible assets in progress and advances</u>	<u>Total</u>
CUMULATED DEPRECIATION						
Balance as at January 1, 2017	-	-	38,050,372	665,967	-	38,716,339
Expenses with depreciation	-	1,755,135	8,724,277	107,276	-	10,586,688
Decrease from sale of assets	-	(9,256)	(121,683)	(64,567)	-	(195,506)
Revaluation decreases	-	-	-	-	-	-
Balance as at December 31, 2017	-	1,745,879	46,652,965	708,677	-	49,107,521
Balance as at January 1, 2016	-	3,234,367	30,412,063	610,948	-	34,257,378
Expenses with depreciation	-	1,242,717	8,154,645	101,004	-	9,498,367
Decrease from sale of assets	-	(195,248)	(516,337)	(45,984)	-	(757,570)
Revaluation decreases	-	(4,281,836)	-	-	-	(4,281,836)
Balance as at December 31, 2016	-	-	38,050,372	665,967	-	38,716,339
NET BOOK VALUE						
As at December 31, 2017	45,876,831	19,334,069	64,915,015	654,076	6,977,944	137,757,935
As at December 31, 2016	48,123,284	19,401,581	70,711,827	650,590	8,118,629	147,005,912

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2017
(all amounts are expressed in lei, unless specified otherwise)**

11. PROPERTY, PLANT AND EQUIPMENT (continued)

As at December 31, 2016 the Company revalued tangible assets from the land and buildings category using the services of an independent valuer.

Further to revaluation, the value of land and buildings decreased by lei 6,536,396 (the value of lands decreased by lei 6,239,033 and the value of buildings and constructions decreased by lei 297,363).

The net book value of tangible assets under finance lease is lei 973,140 as at December 31, 2017 and lei 6,793,066 as at December 31, 2016.

Pledged and restricted tangible assets

Tangible assets with a net book value of lei 133,821,112 as at December 31, 2017 (lei 136,592,971 as at December 31, 2016) represent security for loans and credit lines contracted from: BRD GSG SA, UniCredit Bank SA and Eximbank SA. Some of the commercial banks issued letters of guarantee in favor of the Company's commercial partners. To issue such letters of guarantee, the Company pledged fixed assets with a net book value as at December 31, 2017 of lei 0 (December 31, 2016: lei 12,598).

In 2015, the Company purchased production equipment totaling lei 29,988,347 based on a grant under Sectoral Operational Program "Increase of Economic Competitiveness" (SOP IEC) 2007 – 2013 - co-funded from the European Regional Development Fund, Priority Axis 1, generically called – "Development of S.C. ROMCARBON S.A. through the purchase of new equipment". The net book value of the equipment purchased under this project is lei 27,246,634 as at December 31, 2017 and lei 29,717,081 as at December 31, 2016.

12. INVESTMENT PROPERTY

	December 31, 2017	December 31, 2016
Balance as at January 1	45,680,013	43,799,325
Total additions, out of which:	5,410,177	2,362,400
Revaluation increases	1,531,788	1,231,921
Total disposals, of which:	(1,230,741)	(481,712)
Revaluation decreases	(41,414)	(472,472)
Balance as at December 31	49,859,449	45,680,013

As at December 31, 2017, the Company owns in its locations in Iasi, Stefanesti and Buzau non-current assets that are not used for its core activity. They are held to acquire future appreciation and to be partly rented to third parties. Based on such criteria, in accordance with IAS 40 "Investment Property", the Company decided to classify such non-current assets as investment property.

As at December 31, 2017, the Company performed the valuation of the investment property and the result, in amount of lei 1,490,374 was charged to profit and loss.

If the Company had valued the investment property at cost, then the value as of December 31, 2017 would have been lei 38,122,130.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2017
 (all amounts are expressed in lei, unless specified otherwise)

13. OTHER INTANGIBLE ASSETS

	<u>Licenses</u>	<u>Other intangible assets</u>	<u>Intangible assets in progress</u>	<u>Total</u>
COST				
Balance as at January 1, 2017	748,032	594,676	-	1,342,708
Additions	33,918	-	-	33,918
Transfers	-	-	-	-
Disposals	(70,893)	(2,209)	-	(73,103)
Balance as at December 31, 2017	711,057	592,467	-	1,303,523
Balance as at January 1, 2016	615,547	513,971	76,094	1,205,612
Additions	132,485	80,705	76,291	289,481
Transfers	-	-	-	-
Disposals	-	-	(152,384)	(152,384)
Balance as at December 31, 2016	748,032	594,676	-	1,342,708
ACCUMULATED AMORTIZATION				
Balance as at January 1, 2017	577,853	518,453	-	1,096,307
Expenses with amortization	93,339	26,899	-	120,238
Write-offs on disposal of assets	(70,893)	(2,209)	-	(73,103)
Balance as at December 31, 2017	600,298	543,143	-	1,143,442
Balance as at January 1, 2016	502,574	513,137	-	1,015,711
Expenses with amortization	75,279	5,316	-	80,596
Write-offs on disposal of assets	-	-	-	-
Balance as at December 31, 2016	577,853	518,453	-	1,096,307
NET BOOK VALUE				
As at December 31, 2017	110,758	49,323	-	160,081
As at December 31, 2016	170,179	76,222	-	246,401

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2017
(all amounts are expressed in lei, unless specified otherwise)
14. OTHER FINANCIAL ASSETS

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

Name of investment	Core activity	Place of establishment and operations	%	31-Dec-16	31-Dec-17
				RON	RON
RECYPLAT LTD CYPRUS	Business and other management consultancy activities	Nicosia	100.00%	20,857,287	20,261,120
ROMCARBON DEUTSCHLAND GmbH	Trade of plastics finished goods, recovery of plastics materials and purchase of plastics waste	Germany	100.00%	110,138	110,138
RC ENERGO INSTALL SRL	Plumbing, heat and air conditioning installation (NACE code 4322)	Buzau	100.00%	15,112	15,112
INFO TECH SOLUTIONS SRL	Other information technology and computer service activities (NACE code 6209)	Buzau	99.00%	1,980	1,980
LIVING JUMBO INDUSTRY SA	Manufacture of plastic packing goods (NACE code 2222).	Buzau	99.00%	1,639,232	1,639,232
GRINFILD LTD	Retail trade	Odessa	62.62%	2,687,755	2,687,755
ECO PACK MANAGEMENT SA	Other business support service activities n.e.c. (NACE code 8299)	Bucharest	25.36%	586,625	586,625
ASOCIATIA ECOLOGICA GREENLIFE (Non-Profit Organization)	The scope of the association is to represent, promote and support the employer and professional interests of its members	Buzau	33.33%	400	400
YENKI SRL	Activities of sports facilities (NACE code 9311)	Buzau	33.34%	100,000	100,000
KANG YANG BIOTECHNOLOGY CO. LTD	Manufacture of products beneficial for the human health	Taiwan	1.95%	203,963	203,963
Registrul Miorita SA	Other financial service activities, except insurance and pension funding n.e.c. (NACE code 6499)	Cluj	3.79%	5,000	5,000
ARCH DEVELOPMENT ASSOCIATES SRL	4110 - Development of building projects	Buzau	0.23%	1,020	-
		TOTAL		26,208,512	25,611,325
GRINFILD LTD				(2,687,755)	(2,687,755)
ROMCARBON DEUTSCHLAND GmbH				(110,138)	(110,138)
ECO PACK MANAGEMENT SA				(554,263)	(554,263)
YENKI SRL				(11,988)	(11,988)
				(3,364,144)	(3,364,144)
Net book value				22,844,368	22,247,181

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2017
(all amounts are expressed in lei, unless specified otherwise)****14. OTHER FINANCIAL ASSETS (continued)**

Details on changes in subsidiaries and associates investments in 2017 and 2016 are as follows:

In 2013, S.C. ROMCARBON S.A participated in the share capital of ROMCARBON DEUTSCHLAND GmbH with an amount of lei 110,138, the equivalent of EUR 25,000, holding 100% of its share capital.

The field of activity of ROMCARBON DEUTSCHLAND GmbH is "Trade with plastic finished products, recycling of plastic materials and purchase of plastic waste".

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

In March 2013, S.C. ROMCARBON S.A. purchased 139,000 shares in KANG YANG BIOTECHNOLOGY CO.LTD TAIWAN for which it paid lei 203,963, the equivalent of EUR 46,500. The field of activity of the company is the manufacture of products beneficial for human health.

Between May 22, 2013 and May 21, 2016 SC POLYMASTER CHEMICALS SA is suspended pursuant to Art. 237 of Law 31/1990.

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

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2017
(all amounts are expressed in lei, unless specified otherwise)
15. INVENTORIES

	December 31, 2017	December 31, 2016
Raw materials	13,001,772	15,430,998
Consumables	2,702,172	2,592,551
Items of inventory	108,798	119,801
Packaging	196,894	181,025
Finished products	5,288,852	4,257,316
Unfinished products	1,916,330	1,946,570
Semi-finished products	1,832,946	1,878,358
Residual products	2,665	2,224
Commodities	123,004	286,154
Advances for purchases of inventory	81,739	231,531
Allowance for obsolete inventories	(1,430,256)	(1,258,041)
Total	23,824,916	25,668,487

16. TRADE AND OTHER RECEIVABLES

	December 31, 2017	December 31, 2016
Trade receivables	33,258,735	26,953,550
Allowances for doubtful clients	(1,238,738)	(1,393,976)
Taxes to recover/(paid)	45,168	82,756
Other receivables	428,101	911,423
Subsidies receivable	-	-
Total	32,493,266	26,553,753

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

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

	Analysis of receivables due for more than 60 days		Analysis of allowances by age	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	<i>lei</i>	<i>lei</i>	<i>lei</i>	<i>lei</i>
60 - 90 days	702,563	1,024,591	-	-
90 - 120 days	76,066	41,824	-	-
More than 120 days	1,238,738	1,393,976	1,238,738	1,393,976
Total	2,017,367	2,460,391	1,238,738	1,393,976

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2017
(all amounts are expressed in lei, unless specified otherwise)
17. OTHER CURRENT ASSETS

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Prepaid expenses	152,874	89,731
Advances to services suppliers	667,371	204,280
Total	<u>820,245</u>	<u>294,011</u>

18. ISSUED CAPITAL

	<u>Share capital</u>	
	<u>December 31, 2017</u>	<u>December 31, 2016</u>
264,122,096 fully paid ordinary shares (2013: 264,122,096). The value of one share is RON 0.1	26,412,210	26,412,210
Inflation effect according to IAS 29	-	-
Total	<u>26,412,210</u>	<u>26,412,210</u>

	<u>December 31, 2017</u>		<u>December 31, 2016</u>	
	<u>Number of shares</u>	<u>% ownership</u>	<u>Number of shares</u>	<u>% ownership</u>
Living Plastic Industry SA	86,774,508	32,85%	86,774,508	32.85%
Unitai International Corporation	615,500	0,23%	615,500	0.23%
Joyful River Limited Loc. Nicosia CYP	54,195,089	20,52%	54,195,089	20.52%
ROMANIAN INVESTMENT FUND (Eastern Eagle Fund LTD)	-	-	10,337,983	3.91%
STICHTING BEWAARDER OVERLEVINGSFONDS	7,500,000	2,84%	13,207,000	5.00%
BRAICONF SA	23,000,000	8,71%	15,000,000	5.68%
Other legal persons	30,559,698	11,57%	33,121,409	12.54%
Other natural persons	61,477,301	23,28%	50,870,607	19.26%
Total	<u>264,122,096</u>	<u>100%</u>	<u>264,122,096</u>	<u>100%</u>

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

19. RESERVES

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Legal reserves	3,874,993	3,635,090
Other reserves	10,009,015	8,521,262
Revaluation reserves	39,338,852	42,349,947
Total	<u>53,222,860</u>	<u>54,506,299</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2017
(all amounts are expressed in lei, unless specified otherwise)**
19. RESERVES (continued)

The legal reserve is used to transfer profits from retained earnings. According to Romanian legislation, it is necessary a transfer of the net profit of the Company. The transfer can be of up to 5% of the profit before tax, until the reserve reaches 20% of the share capital. The value as per the IFRS of reserves includes statutory legal reserves in amount of lei 3,874,993.

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

20. RETAINED EARNINGS

	December 31, 2017	December 31, 2016
	<i>lei</i>	<i>lei</i>
Balance at the beginning of the year	47,230,089	48,158,839
Net profit	4,798,066	4,903,474
Transfer to legal reserves	(239,903)	(245,174)
Write-off of IAS 29 application on items of equity	-	-
Transfer to other reserves*	(1,487,753)	(3,258,617)
Reclassification of revaluation reserve to retained earnings	-	-
Transfers from revaluation reserves	3,011,094	385,388
Other changes	-	(468,784)
Dividend allocation	(2,007,327)	(2,245,038)
Balance at the end of the year	51,304,266	47,230,089

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

21. BORROWINGS

Borrowings – short-term	December 31, 2017	December 31, 2016
Credit line in Euro – BRD	10,978,977	11,061,421
Investment loan in Euro - BRD	408,071	2,386,107
Investment loan in Euro II - BRD	582,250	331,001
Investment loan in Euro III - BRD	2,098,969	2,045,545
UniCredit Tiriac (credit line)	-	15,488,569
UniCredit Tiriac (object loan)	21,828,211	10,441,801
UniCredit Tiriac - VAT facility - CCE 2015	2,026,970	978,228
Eximbank SA	509,250	509,250
Eximbank SA	514,500	514,500
Investment loan I - UniCredit Bank	499,579	401,684
Investment loan II - UniCredit Bank	306,263	156,250
Investment loan III - UniCredit Bank	526,587	-
Investment loan IV - UniCredit Bank	1,077,878	-
Investment loan V - UniCredit Bank	369,156	1,022,779
Total	41,726,661	45,337,135

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2017
(all amounts are expressed in lei, unless specified otherwise)
21. BORROWINGS (continued)

Borrowings – long-term	December 31, 2017	December 31, 2016
Investment loan in Euro - BRD	-	397,684
Investment loan in Euro II - BRD	2,231,955	2,742,577
Investment loan in Euro III – BRD	6,471,819	8,352,642
UniCredit Tiriac	10,705,287	12,497,121
Eximbank SA	-	-
Eximbank SA	-	-
Investment loan I - UniCredit Bank	2,289,738	2,789,316
Investment loan II - UniCredit Bank	842,223	626,948
Investment loan III - UniCredit Bank	1,448,113	-
Investment loan IV - UniCredit Bank	3,233,636	4,091,112
Investment loan V - UniCredit Bank	1,199,761	-
Investment loan S1 - Eximbank SA	1,782,375	2,291,625
Investment loan S2 - Eximbank SA	1,800,750	2,315,250
Investment loan II - Eximbank SA	905,935	-
Total	32,911,592	36,104,275

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

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

As at December 31, 2017 the Company did not meet covenant “total net financial liabilities/EBITDA” either separately, or jointly with LivingJumbo Industry SA, and met the “Coverage of debt service” at individual level, but not jointly with LivingJumbo Industry SA. In this respect, the Company obtained as at the approval date of the separate financial statements a letter from the bank stipulating that the contractual provisions were not breached and it would not demand the early repayment of the loans made available.

The Company has contracted the following short-term loans as at December 31, 2017:

a) credit line contracted from UniCredit Bank SA in amount of EUR 5,450,000

- Outstanding amount as at December 31, 2017: lei 21,828,211 (equivalent of EUR 4,684,467)
 - Due on: April 10, 2018
 - Securities:
1. Mortgage on the following immovable assets (land + constructions), having a net book value as at December 31, 2017 of lei 29,453,465 identified as follows:
 - cadastral no. 59505, formerly 18740 (having a total surface area of 3,933 sq m) located on the ring road Simileasca (DN2), Buzău, together with mortgage over the superficies right and the construction built by YENKI SRL SRC 22404794, holding cadastral no. 59505-C1 (Land Registry 59505-C1) as well as over any constructions to be built on such properties;
 - cadastral no. 67072 (having a total surface area of 33,436 sq m) located on the ring road Simileasca (DN2), Buzău;
 - cadastral no. 67075 (having a total surface area of 970 sq m) located on the ring road Simileasca (DN2), Buzău;
 - cadastral no. 59507, formerly 18742 (having a total surface area of 70.231 sq m) located on the ring road Simileasca (DN2), Buzău;

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2017
(all amounts are expressed in lei, unless specified otherwise)**

21. BORROWINGS (continued)

a) credit line contracted from UniCredit Bank SA in amount of EUR 3,450,000 (continued)

- cadastral no. 67301, having a surface area of 3,348 sq m, resulting from joining cadastral no. 64699, having a surface area of 3,308 sq m with cadastral no. 67265 having a total surface area of 40 sq m) located at Str. Transilvaniei, 132, Buzău;
 - cadastral no. 64371, having a total surface area of 22,830 sq m, resulting from the division of the area holding cadastral no. 54553, formerly 18335 (having a total surface area of 23.451 sq m) located at Str. Transilvaniei, 132, Buzău;
 - cadastral no. 52784, formerly 344/1/5 (having a total surface area of 7,659 sq m) located at Str. Transilvaniei, 132, Buzău;
 - cadastral no. 52768, formerly 344/1/7 (having a total surface area of 10,191 sq m) located at Str. Transilvaniei, 132, Buzău;
 - cadastral no. 54575, formerly 344/1/1 (having a total surface area of 9,814 sq m) located at Str. Transilvaniei, 132, Buzău;
 - cadastral no. 148536 (having a total surface area of 8,103 sq m) located in Iasi, Calea Chisinaului nr. 29.
2. Mortgage over the credit balance of the accounts in RON or foreign currency opened by S.C. Romcarbon S.A. with UniCredit Bank – Buzău Branch;
 3. Mortgage over 70 machinery having a net book value of lei 6,963 as at December 31, 2017;
 4. Mortgage over the monetary receivables and accessories thereto from current and prospective contracts with LivingJumbo Industry SA, P.H. Bratpol Poland, Yugosac D.O.O.Serbia, KASAKROM Chemicals SRL Bucharest, Arpa SA Logistics Greece, Metro Cash & Carry Romania SRL, Comandor Impex SRL Focșani, Auchan Romania SA, Snick Ambalaje si Consumabile Magura BZ, Carrefour Romania SA, Horeca Distribution SRL Bucharest, V&T Trade Ltd Sofia Bulgaria;
 5. Mortgage over movable assets in the form of inventory having a maximum value of EUR 1,500,000;
 6. Blank promissory note, with the mention "No Protest";
 7. LivingJumbo Industry SA as co-borrower.

b) credit line contracted from BRD GSG in amount of EUR 2,550,000

- Outstanding amount as at December 31, 2017: lei 10,978,977 (equivalent of EUR 2,356,155)
 - Due on: September 30, 2018
 - Securities:
1. Security interest in real estate over immovable assets (land + constructions) having a net book value of lei 12,051,920 as at December 31, 2017, identified as follows:
 - 61094 (344/1/6) having a total surface area of 8,922 sq m, 52789 (344/1/8) having a total surface area of 17,922 sq m, 61100 (344/1/9) having a total surface area of 5,950sq m, 52777 (344/1/10) having a total surface area of 3,720 sq m, 52808 (344/1/11/1) having a total surface area of 4,561 sq m located at Strada Transilvaniei, nr. 132, Buzău;
 - 52788 (6778), 52861(6779), 52765 (6777), 61093-C1-U12 (2362/0;1), 61099-C1-U2 (1155/0;2) located at Bld.Unirii, Bl. E3-E4, Buzău having a total surface area of 287 sq m.
 2. Mortgage without dispossession over 31 machinery with a net book value of lei 226,851 as at December 31, 2017;
 3. Mortgage over the credit balance of the accounts opened by S.C. Romcarbon S.A. with BRD GSG - Buzău Branch;
 4. Mortgage over receivables with a minimum balance of EUR 500,000 resulting from the commercial contracts concluded with Romcarbon SA with its partners, which total an annual EUR 3,300,000.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2017
(all amounts are expressed in lei, unless specified otherwise)

21. BORROWINGS (continued)

As at December 31, 2017, the Company contracted the following long-term loans:

a) Investment loan I in amount of EUR 2,058,000 contracted from BRD GSG:

- Outstanding amount as at December 31, 2017: lei 408,071 (equivalent of EUR 87,574)
- Due on: 01.03.2018
- Securities:

1. Mortgage without dispossession over the credit balance of accounts/sub-accounts opened in RON and foreign currency by S.C. Romcarbon S.A. with BRD GSG – Buzău Branch;
2. Mortgage over real estate having a net book value as at December 31, 2017 of lei 11,695,006 identified by the following cadastral numbers: 54589 (formerly 344/1/13/2) having a total surface area of 2,534 sq m; 64708 having a total surface area of 10,077 sq m, resulting from the division of the area holding cadastral no. 52809 (formerly 344/1/15/1); 54304 (formerly 13994) having a total surface area of 16,787 sq m;
3. Mortgage without dispossession over 18 machinery having a net book value of lei 14,050,662 as at December 31, 2017;
4. Mortgage without dispossession over the credit balance of accounts/sub-accounts opened in RON and foreign currency by S.C. LivingJumbo Industry SA with BRD GSG – Buzău Branch.

b) Investment loan II in initial amount of EUR 1,000,000 contracted from BRD GSG for EUR 689,617.71

- Outstanding amount as at December 31, 2017: lei 2,814,205 (equivalent of EUR 603,946)
- Due on: 03.09.2022
- Securities:

1. Mortgage over the credit balance of present and prospective accounts/sub-accounts in lei and foreign currency opened by S.C. Romcarbon S.A. with BRD GSG – Buzău Branch;
2. Mortgage over the credit balance of present and future accounts/sub-accounts in lei and foreign currency opened by S.C. LivingJumbo Industry S.A., as co-debtor, with BRD GSG – Buzău Branch;
3. Mortgage without dispossession over 4 machinery having a net book value of lei 3,849,171 as at December 31, 2017;

c) Investment loan III in amount of EUR 3,153,160 contracted from BRD GSG

- Outstanding amount as at December 31, 2017: lei 8,570,788 (equivalent of EUR 1,839,343)
- Due on: 03.02.2022
- Securities:

1. Mortgage over the credit balance of present and future accounts/sub-accounts in lei and foreign currency opened by S.C. Romcarbon S.A. with BRD GSG – Buzău Branch;
2. Mortgage over the credit balance of present and future accounts/sub-accounts in lei and foreign currency opened by S.C. LivingJumbo Industry S.A, as co-debtor, with BRD GSG – Buzău Branch;
3. First rank mortgage over real estate having a total surface area of 35,159 sq m and a net carrying amount as at December 31, 2017 of lei 13,475,579, identified by the following cadastral numbers: 61517 with a surface area of 17,373 sq m, 54582 with a surface area of 4,108 sq m and 64815 with a surface area of 13,678 sq m;
4. Mortgage over receivables with a minimum balance of EUR 500,000 resulting from the commercial contracts concluded with Romcarbon SA with its partners, which total an annual EUR 3,300,000.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2017
(all amounts are expressed in lei, unless specified otherwise)

21. BORROWINGS (continued)

d) *Investment loan for the purchase of equipment and financing and re-financing of construction and fit-out works of shop floors in amount of lei 6,142,500 contracted from Banca de Export-Import a Romaniei Eximbank SA*

- Outstanding amount as at December 31, 2017: lei 4,606,875
- Due on: 20.06.2022
- Securities:

1. Mortgage over real estate having a total surface area of 23,243 sq m mp and a net carrying amount as at December 31, 2017 of lei 4,966,596, identified by the following cadastral numbers: 52853 with a surface area of 1,323 sq m, 52837 with a surface area of 1,907 sq m, 54576 with a surface area of 380 sq m, 54588 with a surface area of 4,882 sq m, 54558 with a surface area of 152 sq m, 54430 with a surface area of 1,320 sq m, 60631 with a surface area of 911 sq m, 64035 with a surface area of 601 sq m, 55996 with a surface area of 242 sq m and 56197 with a surface area of 11,525 sq m;
2. Mortgage without dispossession over 2 machinery having a net book value of lei 4,420,285 as at December 31, 2017;
3. Mortgage over current accounts in lei and foreign currency opened with EximBank SA by Romcarbon SA;
4. Blank promissory note, with the mention "No Protest".

e) *Investment loan to co-fund project "Development of Romcarbon SA" contracted from UniCredit Bank SA, at an initial value of EUR 3,042,240 (committed for EUR 2,967,419.74)*

- Outstanding amount as at December 31, 2017: lei 12,732,256 (equivalent of EUR 2,732,420)
- Due on: 04.12.2023
- Securities:

1. Mortgage over the goods purchased in project "Development of Romcarbon SA", having a net book value of lei 27,088,477 as at December 31, 2017;
2. Mortgage over all the future accounts/sub-accounts opened by S.C. Romcarbon S.A. with UniCredit Bank SA.

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

- Outstanding amount as at December 31, 2017: lei 2,789,316
- Due on: 11.07.2023
- Securities:

1. Immovable property mortgage over real estate located in Stefanestii de jos, Str.Sinaia nr.15, Ilfov, identified by cadastral/topographic no. 50009, having a total surface area of 12,774 sq m and a net book value of lei 4,933,376 as at December 31, 2017;
2. Immovable property mortgage over real estate located by the ring-road Simileasca (DN2), Buzau, identified by cadastral no. 59505 formerly 18740 (in total surface area of 3,933 sq m) and mortgage over the right of superficies and building erected by YENKI SRL SRC 22404794, holding cadastral no. 59505-C1 (Land Registry no. 59505-C1) and any buildings to be constructed on such real estate, holding cadastral no. 67072 (in total surface area of 33.436 sq m), cadastral no. 67075 (in total surface area of 970 sq m) and cadastral no. 59507, formerly 18742 (in total surface area of 70,231 sq m) located on the ring road Simileasca (DN2), Buzau. As at December 31, 2017 the net book value of such real estate was lei 10,745,466;
3. Immovable property mortgage over real estate located in Iasi, Calea Chisinaului, nr. 29 identified by cadastral no. 148536 (in total surface area of 8,103 sq m) at a net book value of lei 3,059,838 as at December 31, 2017;

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2017
(all amounts are expressed in lei, unless specified otherwise)

21. BORROWINGS (continued)

4. Immovable property mortgage over real estate located in Iasi, Calea Chisinaului, nr.27-29 identified by cadastral no. 3860/223/2-3860/226/1 – land in surface area of 242 sq m and holding cadastral no. 3860/223/2-3860/226/1- C49/p/2 building having a useful surface area of 192.39 sq m and built surface area of 224.85 sq m and holding cadastral no. 128921, land in surface area of 1,312.48 sq m – land – and holding cadastral no. 128921-C1 cafeteria building G+1 having a useful surface area of 1,193.67 sq m – ground floor and useful surface area of 1,193.67 sq m – upper floor, having a net book value of lei 3,204,008 as at December 31, 2017;
5. Movable property mortgage over all the present and future accounts and sub-accounts opened by Romcarbon SA with UniCredit Bank SA.

g) Investment loan II in amount of lei 2,500,000 from UniCredit Bank SA to co-fund the 2016 investment plan

- Outstanding amount as at December 31, 2017: lei 1,148,486
- Due on: 19.09.2021
- Securities:

1. Immovable property mortgage over real estate located by the ring-road Simileasca (DN2), Buzau, identified by cadastral no. 59505 formerly 18740 (in total surface area of 3,933 sq m) and mortgage over the right of superficies and building erected by YENKI SRL SRC 22404794, holding cadastral no. 59505-C1 (Land Registry no. 59505-C1) and any buildings to be constructed on such real estate, holding cadastral no. 67072 (in total surface area of 33,436 sq m), cadastral no. 67075 (in total surface area of 970 sq m) and cadastral no. 59507, formerly 18742 (in total surface area of 70,231 sq m) located on ring road Simileasca (DN2), Buzau. As at December 31, 2017 the net book value of such real estate was lei 10,745,466;
2. Immovable property mortgage over real estate located in Iasi, Calea Chisinaului, nr. 29 identified by cadastral no. 148536 (in total surface area of 8,103 sq m) at a net book value of lei 3,059,838 as at December 31, 2017;
3. Movable property mortgage over the movable assets purchased within the project;
4. Movable property mortgage over all the present and future accounts and sub-accounts opened by Romcarbon SA with UniCredit Bank SA.

h) Investment loan III in amount of lei 442,500 from UniCredit Bank SA to co-fund the 2016 investment plan

- Outstanding amount as at December 31, 2017: lei 1,974,699 (equivalent of EUR 423,783)
- Due on: 19.09.2021
- Securities:

1. Immovable property mortgage over real estate located by the ring-road Simileasca (DN2), Buzau, identified by cadastral no. 59505 formerly 18740 (in total surface area of 3,933 sq m) and mortgage over the right of superficies and building erected by YENKI SRL SRC 22404794, holding cadastral no. 59505-C1 (Land Registry no. 59505-C1) and any buildings to be constructed on such real estate, holding cadastral no. 67072 (in total surface area of 33,436 sq m), cadastral no. 67075 (in total surface area of 970 sq m) and cadastral no. 59507, formerly 18742 (in total surface area of 70,231 sq m) located on ring road Simileasca (DN2), Buzau. As at December 31, 2017 the net book value of such real estate was lei 10,745,466;
2. Immovable property mortgage over real estate located in Iasi, Calea Chisinaului, nr. 29 identified by cadastral no. 148536 (in total surface area of 8,103 sq m) at a net book value of lei 3,059,838 as at December 31, 2017;
3. Movable property mortgage over the movable assets purchased within the project;
4. Movable property mortgage over all the present and future accounts and sub-accounts opened by Romcarbon SA with UniCredit Bank SA.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2017
(all amounts are expressed in lei, unless specified otherwise)

21. BORROWINGS (continued)

i) Investment loan IV in amount of lei 5,400,000 from UniCredit Bank SA to refinance self-funded investments in 2016

- Outstanding amount as at December 31, 2017: lei 4,311,514
 - Due on: 01.12.2021
 - Securities:
1. Immovable property mortgage over real estate located in Stefanestii de jos, Str. Sinaia nr. 15, Ilfov, identified by cadastral/topographic no. 50009, in total surface area of 12,774 sq m and a net book value of lei 4,933,376 as at December 31, 2017;
 2. Immovable property mortgage over real estate located by the ring-road Simileasca (DN2), Buzau, identified by cadastral no. 59505 formerly 18740 (in total surface area of 3,933 sq m) and mortgage over the right of superficies and building erected by YENKI SRL SRC 22404794, holding cadastral no. 59505-C1 (Land Registry no. 59505-C1) and any buildings to be constructed on such real estate, holding cadastral no. 67072 (in total surface area of 33,436 sq m), cadastral no. 67075 (in total surface area of 970 sq m) and cadastral no. 59507, formerly 18742 (in total surface area of 70,231 sq m) located on ring road Simileasca (DN2), Buzau. As at December 31, 2017 the net book value of such real estate was lei 10,745,466;
 3. Immovable property mortgage over real estate located in Iasi, Calea Chisinaului, nr. 29 identified by cadastral no. 148536 (in total surface area of 8,103 sq m) at a net book value of lei 3,059,838 as at December 31, 2017;
 4. Movable property mortgage over 47 machinery having a net book value of lei 3,386,047 as at December 31, 2017;
 5. Movable property mortgage over all the present and future accounts and sub-accounts opened by Romcarbon SA with UniCredit Bank SA.

j) Investment loan V in amount of lei 2,250,000 from UniCredit Bank SA to refinance self-funded investments in 2016 (partly drawn)

- Outstanding amount as at December 31, 2017: lei 1,568,918
 - Due on: 06.04.2022
 - Securities:
1. Movable property mortgage over the following immovable assets (land and buildings), having a net book value of lei 22,481,573 as at December 31, 2017, identified as follows:
 - cadastral no. 59505 formerly 18740 (in total surface area of 3,933 sq m) located by the ring-road Simileasca (DN2), Buzau, and mortgage over the right of superficies and building erected by YENKI SRL SRC 22404794, holding cadastral no. 59505-C1 (Land Registry no. 59505-C1) and any buildings to be constructed on such real estate;
 - cadastral no. 59507 formerly 18742 (in total surface area of 70,231 sq m) located by the ring-road Simileasca (DN2), Buzau;
 - cadastral no. 67072 (in total surface area of 33,436 sq m) located by the ring-road Simileasca (DN2), Buzau;
 - cadastral no. 67075 (in total surface area of 970 sq m) located by the ring-road Simileasca (DN2), Buzau;
 - cadastral no. 67301 in surface area of 3,348 sq m resulting from joining cadastral no. 64699 in surface area of 3,308 sq m to cadastral no. 67265 in surface area of 40 sq m, located at Str. Transilvaniei, 132, Buzau;
 - cadastral no. 64371 in total surface area of 22,830 sq m resulting from the division of cadastral no. 54553 formerly 18335 (in total surface area of 23,451 sq m) located at Str. Transilvaniei, 132, Buzau;
 - cadastral no. 54575 formerly 344/1/1 (in total surface area of 9,814 sq m) located at Str. Transilvaniei, 132, Buzau;
 - cadastral no. 148536 (in total surface area of 8,103 sq m) located in Iasi, Calea Chisinaului, nr. 29.
 2. Mortgage over the credit balance of the accounts in RON or foreign currency opened by S.C. Romcarbon S.A. with UniCredit Bank – Buzău Branch;

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2017
(all amounts are expressed in lei, unless specified otherwise)**

21. BORROWINGS (continued)

3. Mortgage over future goods to be purchased out of such loan;
4. Mortgage over movable assets in the form of inventory having a maximum value of EUR 1,500,000;
5. Blank promissory note, with the mention "No Protest";
6. LivingJumbo Industry SA as co-borrower.

k) Investment loan II in amount of lei 2,432,500 to finance and re-finance objectives included in the 2017 investment plan (partly drawn)

- Outstanding amount as at December 31, 2017: lei 905,935
- Due on: 16.12.2022
- Securities:
 1. Mortgage of subsequent rank over equipment (PE plastic film washing, sorting and grinding line) with a net book value of lei 3,389,354 as at December 31, 2017;
 2. Mortgage without dispossession over 3 forklifts with a net book value of lei 315,660 as at December 31, 2017;
 3. Mortgage over the following goods that will be purchased out of this loan: 5 kN traction test machine for polyethylene (PE) and polypropylene (PP), CP7 laboratory portable NIR spectrometer, MFI leak analyser, hamburger mould for Sunwell, CP7 fire detection and alarm system;
 4. First rank mortgage over present and future receivables arising from the commercial relationship with Toro Manufacturing and Sales SRL;
 5. Mortgage over current accounts in lei and foreign currency opened with EximBank SA by Romcarbon SA;
 6. Blank promissory note, with the mention "No Protest".

Property, plant and equipment pledged and restricted

Property, plant and equipment having a net book value of lei 133,821,112 as at December 31, 2017 (lei 136,592,971 as at December 31, 2016) are established as security for loans and credit lines contracted from: BRD GSG SA, UniCredit Bank SA and EXIMBANK SA. Certain commercial banks issued letters of guarantee in favor of the Company's commercial partners. To issue such letters of guarantee, the Company pledged fixed assets having a net book value of lei 0 as at December 31, 2017 (December 31, 2016: lei 12,598).

Guarantees granted to Group companies

ROMCARBON S.A. is a guarantor in the following loans contracted by LivingJumbo Industry SA from UniCredit Bank SA:

- Investment loan in amount of EUR 607,200 (due in February 2024) secured by an immovable property mortgage of subsequent rank over real estate located by the ring-road Simileasca (DN2), Buzau, identified by cadastral no. 59505 formerly 18740 (in total surface area of 3,933 sq m) and mortgage over the right of superficies and building erected by YENKI SRL SRC 22404794, holding cadastral no. 59505-C1 (Land Registry no. 59505-C1) and any buildings to be constructed on such real estate, holding cadastral no. 67072 (in total surface area of 33,436 sq m); cadastral no. 67075 (in total surface area of 970 sq m) and cadastral no. 59507, formerly 18742 (in total surface area of 70,231 sq m) located on the ring road Simileasca (DN2), Buzau. As at December 31, 2017 the net book value of such real estate was lei 10,745,466, and on real estate located in Iasi, Calea Chisinaului, nr. 29 identified by cadastral no. 148536 (in total surface are of 8,103 sq m) with a net book value of lei 3,059,838 as at December 31, 2017;
- Non-binding loan – cash line – in amount of EUR 450,000 (due in February 2024) secured by mortgage on inventories, having a maximum value of EUR 1,500,000.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2017
(all amounts are expressed in lei, unless specified otherwise)
21. BORROWINGS (continued)

As at December 31, 2017, S.C. Romcarbon S.A. has contracts for the followings loans:

Such loans bear Euribor(1M) or Euribor(3M) and Robor(1M) + bank margin ranging from 1,50 to 2,50%.

Bank	Type of facility	Initial value	Balance as at 31.12.2017		Due on	Short-term	Long-term
			in euro	in lei			
UniCredit Bank	Credit line (Eur)	€5,450,000	€4,684,467	21,828,211 lei	10/04/2018	21,828,211	-
BRD GSG	Credit line (Eur)	€2,550,000	€2,356,155	10,978,977 lei	30/10/2018	10,978,977	-
UniCredit Bank	Credit Investitii(III)(Eur)	€442,500	€423,783	1,974,699 lei	19/09/2021	526,587	1,448,112
BRD GSG	Credit investitii(I)(Eur)	€2,058,000	€87,574	408,071 lei	01/03/2018	408,071	-
BRD GSG	Credit investitii(II)(Eur)	€1,000,000	€603,946	2,814,205 lei	03/09/2022	582,250	2,231,955
BRD GSG	Credit investitii(III)(Eur)	€3,153,160	€1,839,343	8,570,788 lei	03/02/2022	2,098,969	6,471,819
UniCredit Bank	Credit investitii - CCE 2015(Eur)	€3,042,240	€2,732,420	12,732,256 lei	04/12/2023	2,026,970	10,705,286
TOTAL loans in euro			€12,727,688	59,307,207 lei		38,450,035	20,857,172
Eximbank SA	Credit investitii(I) (Lei)	6,142,500lei		4,606,875 lei	20/06/2022	1,023,750	3,583,125
Eximbank SA	Credit investitii(II) (Lei)	2,432,500lei		905,935 lei	16/12/2022	-	905,935
UniCredit Bank	Credit Investitii(I)(Lei)	3,200,000lei		2,789,316 lei	11/07/2023	499,579	2,289,737
UniCredit Bank	Credit Investitii(II)(Lei)	2,500,000lei		1,148,486 lei	19/09/2021	306,263	842,223
UniCredit Bank	Credit Investitii(IV)(Lei)	5,400,000lei		4,311,514 lei	01/12/2021	1,077,878	3,233,636
UniCredit Bank	Credit Investitii(V)(Lei)	2,250,000lei		1,568,918 lei	06/04/2022	369,157	1,199,761
Total loan in lei		21,925,000 lei		15,331,045 lei		3,276,626	12,054,420
Total				74,638,253 lei		41,726,661	32,911,592

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2017
(all amounts are expressed in lei, unless specified otherwise)
22. OTHER BORROWINGS

	December 31, 2017	December 31, 2016
Liabilities to employees	930,442	829,684
Liabilities related to social contributions	818,625	719,629
Other tax liabilities	784,792	243,754
	2,533,859	1,793,067

23. TRADE LIABILITIES

	December 31, 2017	December 31, 2016
Trade liabilities	27,252,655	25,961,111
Other liabilities	203,569	81,133
Suppliers invoices not received	863,344	694,669
Advances from clients	251,875	159,582
Total	28,571,443	26,896,495

24. FINANCE LEASE OBLIGATIONS
Lease contracts

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

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

	December 31, 2017	December 31, 2016
Amounts due within one year	86,797	1,132,630
Due in more than one year, but less than 5 years	-	83,474
Less future finance expenses	-	(24,246)
Total	86,797	1,191,858

Present value of future finance lease payments

	December 31, 2017	December 31, 2016
Amounts due within one year	86,797	1,107,270
Due in more than one year, but less than 5 years	-	84,588
Total	86,797	1,191,858

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2017
(all amounts are expressed in lei, unless specified otherwise)

25. FINANCIAL INSTRUMENTS

(a) Capital risk management

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

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

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

(b) Main accounting policies

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

(c) Objectives of financial risk management

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

(d) Market risk

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

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

(e) Currency risk management

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

(f) Interest rate risk management

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

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

(g) Other risks regarding prices

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2017
(all amounts are expressed in lei, unless specified otherwise)****25. FINANCIAL INSTRUMENTS (continued)*****(h) Credit risk management***

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

Trade receivables consist of a large number of clients from various industries and geographical areas. Credits are constantly assessed as regards the clients' financial status and, if applicable, credit insurance is concluded.

The Company does not have any significant credit risk exposure towards any counterparty or any group of similar counterparties. The Company defines counterparties as having similar characteristics when they are related entities. At no time during the year has the credit risk percentage exceeded 5% of the gross monetary assets.

(i) Liquidity risk management

The ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built a proper liquidity risk management framework regarding the Company funds' short, medium and long term insurance and the liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, backup banking facilities and loan facilities, by continually monitoring cash flows and matching the maturity profiles of financial assets and liabilities. Note 26 includes a list of additional facilities not drawn, available to the Company in order to further mitigate liquidity risk.

(j) Fair value of financial instruments

The fair values of financial assets and liabilities are determined as follows:

- the fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined by reference to quoted market prices;
- the fair value of other financial assets and liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The financial statements include unlisted share holdings, measured at fair value. The best estimate for fair value is determined using the historical cost of shares.

The financial instruments in the balance sheet include trade receivables and other receivables, cash and cash equivalents, short and long term borrowings and other liabilities. The estimated fair values of such instruments approximate their carrying values. The carrying values represent the Company's maximum exposure to credit risks related to existing receivables.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2017
(all amounts are expressed in lei, unless specified otherwise)

25. FINANCIAL INSTRUMENTS (continued)

The carrying values of the Company's currencies expressed in monetary assets and liabilities as at the reporting date are as follows:

	EUR 1EUR = lei 4.6597	USD 1USD = lei 3.8915	lei 1 lei	December 31, 2017 Total
2017	<i>lei</i>	<i>lei</i>	<i>lei</i>	<i>lei</i>
Assets				
Cash and cash equivalents	32,262	26,895	2,469,861	2,529,017
Receivables and other current assets	3,805,992	28,540	28,658,734	32,494,266
Other assets	-	-	-	-
			820,245	820,245
Liabilities				
Trade and other liabilities	5,941,268	91,411	22,538,764	28,571,443
Short and long-term borrowings	59,307,208	-	15,331,045	74,638,253
Short and long-term finance lease liabilities	86,797	-	-	86,797
Other liabilities	-	-	2,533,859	2,533,859
2016				
	EUR 1EUR = lei 4.5411	USD 1USD = lei 4.3033	lei 1 lei	December 31, 2016 Total
2016	<i>lei</i>	<i>lei</i>	<i>lei</i>	<i>lei</i>
Assets				
Cash and cash equivalents	46,471	56,610	5,512,248	5,615,329
Receivables and other current assets	3,173,946	428	23,379,379	26,553,753
Other assets	-	-	294,011	294,011
Liabilities				
Trade and other liabilities	5,613,643	1,590	21,281,262	26,896,495
Short and long-term borrowings	66,722,696	-	14,718,713	81,441,409
Short and long-term finance lease liabilities	1,191,858	-	-	1,191,858
Other liabilities	-	-	1,793,067	1,793,067

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2017
(all amounts are expressed in lei, unless specified otherwise)**
25. FINANCIAL INSTRUMENTS (continued)

The Company is mainly exposed to EUR and USD exchange rates. The following table details the Company's sensitivity to a 10% increase and decrease in the lei against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to top management and represents management's estimate of the reasonably possible changes in foreign exchange rates. The vulnerability analysis includes only outstanding foreign currency denominated in monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. In the following table, a negative number below indicates a decrease in profit, whereas the lei weaken 10% against the EUR/USD. For a 10% strengthening of the Leu against the EUR/USD, there would be an equal and opposite impact on the profit and other equity, and the balances below will be positive. Changes will be attributable to the exposure related to EUR borrowings at the end of the year.

	<u>31-Dec-2017</u>	<u>31-Dec-2016</u>
Loss	(6,998,782)	(7,706,667)

Tables regarding liquidity and interest rate risks

The following tables present the maturity terms of the Company's financial liabilities.

The tables have been prepared based on the cash flows, not current, of the financial liabilities on the nearest date when the Company is likely to be claimed payment. The table includes both interest and cash flows related to principal.

2017	<u>Less than 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Total</u>
Non-interest bearing				
Trade liabilities	28,571,443	-	-	28,571,443
Other current liabilities	2,533,580	-	-	2,533,580
Interest bearing instruments				
Borrowings from financial institutions	86,797	-	-	86,797
Short and long-term leases	41,726,661	8,737,886	24,173,706	74,638,253
Non-interest bearing				
Cash and cash equivalents	2,529,017	-	-	2,529,017
Receivables and other current assets	32,493,266	-	-	32,493,266
2016	<u>Less than 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Total</u>
Non-interest bearing				
Trade liabilities	26,896,495	-	-	26,896,495
Other current liabilities	1,793,067	-	-	1,793,067
Interest bearing instruments				
Borrowings from financial institutions	1,107,270	84,588	-	1,191,858
Short and long-term leases	45,719,715	8,214,367	27,507,327	81,441,409
Non-interest bearing				
Cash and cash equivalents	5,615,329	-	-	5,615,329
Receivables and other current assets	26,553,753	-	-	26,553,753

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2017
(all amounts are expressed in lei, unless specified otherwise)

26. RELATED PARTY TRANSACTIONS

The transactions among the Company and its subsidiaries – Company’s related parties - are presented under this note. Companies and individuals may be deemed related parties if one party holds control or exercises significant influence over the other party.

Dividends received

	December 31, 2017	December 31, 2016
YENKI SRL BUZAU	-	-
LIVING JUMBO INDUSTRY SA	-	495,000
RECYPLAT LIMITED	-	3,207,528
INFO TECH SOLUTION SRL BUZAU	157,997	275,614
RC ENERGO INSTALL SRL	1,000,000	400,000
TOTAL	1,157,997	4,378,142

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2017
(all amounts are expressed in lei, unless specified otherwise)

26. RELATED PARTY TRANSACTIONS (continued)

	Sales of goods and services		Purchases of goods and services	
	2017	2016	2017	2016
Eco Pack Management SRL	-	44,966	-	-
Info Tech Solution SRL Buzau	23,333	22,507	395,705	475,256
Living Jumbo Industry SA	35,047,140	25,167,343	1,141,534	1,353,987
RC Energo Install SRL Buzau	89,672	91,262	1,790,895	2,933,889
Next Eco Recyclng SA	-	120,289	-	227,004
Yenki SRL Buzau	12,678	2,261	-	-
Romcarbon Deutschland Euro	-	-	-	33,476
Total	35,172,823	25,448,628	3,328,134	5,023,612

	Receivables from related parties		Payables to related entities	
	2017	2016	2017	2016
Eco Pack Management SRL	-	-	-	-
Info Tech Solution SRL Buzau	-	-	64,464	46,388
Living Jumbo Industry SA	12,355,709	8,127,914	202,113	391,502
RC Energo Install SRL Buzau	-	-	397,856	132,499
Next Eco Recyclng SA	-	1,974	-	67,375
Yenki SRL Buzau	-	-	-	-
Romcarbon Deutschland Euro	-	-	-	-
Total	12,355,709	8,129,887	664,433	637,763

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2017
(all amounts are expressed in lei, unless specified otherwise)
26. RELATED PARTY TRANSACTIONS (continued)

Transactions with companies where Romcarbon SA indirectly holds less than 25% of the shares:

	Sales of goods and services		Purchases of goods and services	
	2017	2016	2017	2016
Greenfiber International SA	3,452,596	2,178,618	107,675	198,661
Greenlamp Reciclare SA	2,481	1,809	-	-
Greentech SA Buzau	120,263	149,403	948,283	526,897
Greenweee International SA	187,432	241,471	446,969	983,850
Greentech d.o.o Serbia	-	7,534	-	-
Total Waste Management SRL	289,393	280,201	62,917	162,952
Next Eco Reciclyng SA	1,763	-	555,931	-
Green Resources Management SA	3,695	-	-	-
	4,057,624	2,859,035	2,121,775	1,872,361
	Receivables from related parties		Payables to related entities	
	2017	2016	2017	2016
Greenfiber International SA	752,766	280,446	37,991	41,722
Greenlamp Reciclare SA	1,302	1,313	-	-
Greentech SA Buzau	45,870	8,487	108,238	110,075
Greenweee International SA	16,655	1,352	44,498	37,495
Greentech d.o.o Serbia	-	-	-	-
Total Waste Management SRL	25,208	75,306	29,340	42,144
Next Eco Reciclyng SA	-	-	-	-
Green Resources Management SA	-	-	-	-
	841,801	366,904	220,067	231,436

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2017
(all amounts are expressed in lei, unless specified otherwise)**

27. CASH ON HAND AND AT BANKS

Within the meaning of statement of cash flows, cash and cash equivalent include petty cash and bank accounts. Cash and cash equivalents at the end of the financial year, as presented in the statement of cash flows, may be reconciled with the corresponding elements of balance sheet, as follows:

	December 31, 2017	December 31, 2016
Cash at banks	2,403,783	5,444,690
Cash on hand	15,873	46,765
Cash equivalents	109,361	123,874
Total	2,529,017	5,615,329

28. DEFERRED INCOME

	December 31, 2017	December 31, 2016
Grants Unido funds and car scrap program	9,376	43,377
Grants – project co-funded by European funds for 2011	7,660,583	8,731,807
Grants – project co-funded by European funds for 2015	12,256,600	13,444,827
Inventory surpluses in the form of non-current assets	13,084	13,551
Total	19,939,643	22,233,562

As at December 31, 2017, the Company registered investment subsidies and other amounts in the form of investment subsidies, not transferred to income, totalling lei 19,939,643. They are recognized as income on a monthly basis, in line with the depreciation of property, plant and equipment purchased throughout the useful life.

29. COMMITMENTS AND CONTINGENCIES

Potential tax liabilities

In Romania, there are agencies authorized to conduct controls (audits). Such controls are to a great extent similar to those conducted in other countries by tax authorities, but may extend to other legal or regulatory fields in which the Romanian authorities may become interested. The Company is likely to continue to be subject to periodic controls for breaches or alleged breaches of new and existing laws and regulations. Although the Company may challenge the alleged breaches and penalties when the management considers that it is entitled to, the adoption or implementation of laws and regulations in Romania might have a significant effect on the Company. The tax system in Romania is under continual development, being subject to constant interpretations and changes, often retroactive. In Romania, the fiscal year remains open for fiscal verification for 5 years.

The Company's administrators consider that the Company's tax liabilities have been calculated and recorded according to the legal provisions.

Transfer pricing

The Romanian fiscal legislation has provided rules on transfer prices between related parties ever since 2000. The current legislative framework defines "market value" for transactions between related parties, as well as the methods to establish transfer prices. Therefore, the fiscal authorities are expected to initiate thorough verifications of transfer prices, in order to make sure that the fiscal result and/or the customs value of imported assets are not distorted by the effect of prices practiced in connection to related parties. The Company may not quantify the outcome of such verification.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2017
(all amounts are expressed in lei, unless specified otherwise)

29. COMMITMENTS AND CONTINGENCIES (continued)

Environmental matters

The Company's core activity has inherent effects on the environment. The effects of the Company's activities on the environment are monitored by local authorities and the Company's management. Therefore, no provisions have been recorded for any obligations, not measurable at present, regarding the environment or the required remedy works.

30. SUBSEQUENT EVENTS

In the meeting of the Board of Directors of Romcarbon of December 2017, it was decided to seek a potential buyer for the Company's assets located in Iasi, Calea Chisinaului nr. 29, Iasi county, in surface area of approximately 7.3 ha, at a price of no less than EUR 7.3 million, VAT excluded, a decision which will be ratified by the General Meeting of Shareholders. The mortgages established on such real estate will be lifted according to the resolution of the Board of Directors of January 2018.

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

The separate financial statements were approved by the Board of Directors and were authorised for issuance on March 26, 2018.

**ADMINISTRATOR,
HUNG CHING LING**

**FINANCIAL MANAGER,
VIORICA ZAINESCU**

**GENERAL MANAGER,
RADU ANDREI**

For signatures, please refer to the original Romanian version.

**BOARD OF DIRECTORS' REPORT
FOR THE PERIOD ENDED DECEMBER 31, 2017**

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



**BOARD OF DIRECTORS' REPORT FOR THE SEPARATE FINANCIAL STATEMENT
FOR THE PERIOD ENDED DECEMBER 31, 2017**

ROMCARBON S.A., a legal entity with headquarters in Buzau, str. Transilvaniei nr. 132, registered at the Buzau Trade Registry under no. J10/83/1991, recorded in accounting balance sheet for the year ended December 31, 2017, the amount of 26,412,209.60 lei as subscribed and paid in share capital representing a number of 264,122,096 shares of 0.10 lei each share.

The regulated market for trading securities issued is the Bucharest Stock Exchange, Standard category, the main characteristics of which being: 264,122,096 ordinary shares, dematerialized, having a nominal value of lei 0.1.

Data and information from the following sources have been used for the present Report:

- the internal audit reports drawn up in 2017 in various audit missions made according to the Internal Audit Plan;
- the separate financial statements drawn for the year ended December 31, 2017 in accordance with applicable accounting regulations for the companies whose securities are admitted to trading on a regular market, i.e. International Financial Reporting Standards (IFRS) which comprise:
 - a) Statement of financial position
 - b) Statement of profit or loss
 - c) Statement of comprehensive income
 - d) Statement of changes in shareholders' equity
 - e) Statement of cash flows
 - f) Policies and explanatory notes to the annual financial statements.

Also it had been used information resulting from internal controls implemented by the management of the company through specific procedures performed in order to draw up financial statements covering the occurrence of any error or fraud.

In preparing the separate financial statements as at 2017, the Company complied with Accounting Law no. 82/1991, republished, Ministry of Public Finance Order no. 2844/2016 approving the Accounting regulations compliant with International Financial Reporting Standards, MoPFO no. 881/2012 on the application by the companies whose securities are admitted to trading on a regulated market of International Financial Reporting Standards - standards adopted under the procedure provided in art. 6 para. (2) of Regulation (EC) no. 1606 /2002 of the European Parliament and of the Council of 19 July 2002 on the application of international standards of accounting. The Company will issue for 2017 consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU.

Annual financial statements prepared in accordance with Financial Reporting Standards present fairly the assets, liabilities, equity, financial position, income and expenses and cash flows of the company.

In the process of drawing the 2016 financial statements of SC Romcarbon S.A. Buzau it had been fully applied the principles and accounting policies, the evaluation methods, and the provisions of accounting regulations.

**BOARD OF DIRECTORS' REPORT
FOR THE PERIOD ENDED DECEMBER 31, 2017**

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

ASSESSMENT OF THE COMPANY'S ACTIVITY

• **The assessment of the technical level of the company**

The activity profile of S.C. Romcarbon S.A. Buzau is manufacturing of polymer products, filters and filter elements, protective materials, active carbon for the food, chemical and pharmaceutical industry, plastic waste recovery, regranulation and manufacture of compounds.

The company has the following working points:

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

In 2017, the production activity was carried out in 7 profit centers as follows:

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

**BOARD OF DIRECTORS' REPORT
FOR THE PERIOD ENDED DECEMBER 31, 2017**

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

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

Group of products	2015	2016	2017
CP1~ Auto and industrial filters,	2.60%	2.28%	1.93%
CP2~ Respiratory protective equipment and Active Carbon	1.39%	1.61%	1.27%
CP3~ Polyethylene products	10.49%	13.83%	13.80%
CP4~ PVC products	0.14%	0.24%	0.29%
CP5~ Polystyrene products	16.99%	18.91%	18.40%
CP6~ Polypropylene products	21.93%	20.50%	18.90%
CP7~Compounds	7.19%	10.07%	16.19%
TOTAL	60.73%	67.44%	70.78%

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

New products developed in 2017

In 2017 the range of industrial filters was enlarged with 7 new items. Also 42 new air filters were developed.

In the Compound sector, 6 new recipes of compounds manufactured from recycled plastic were developed, and the new products that were fit were sent to beneficiaries for testing.

In the PSE products sector, 3 new products were developed, which contribute to extending the range of casseroles (standard and catering).

In the Polyethylene sector, new products were introduced: thermally contractible film for pallets; PS panel packaging film for automated installations; batch film for automated installations; automated packaging film (packaging in sacks); storage and transport sacks (ADR).

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

- Densimetric sorting line by introducing a metal removal system. This improvement will lower the wear and tear of some production equipment.
- The regrinding line by extending the processing of the range of low density raw materials.

The project started in 2016 and implemented in 2017 provided the acquisition of four homogenizers intended to increase the efficiency of the extruding technological process by generating consistent operating parameters, with positive results on the quality of the finished product.

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

The raw materials and materials were purchased in 2017 in a share of 33% from the foreign markets and the rest from the domestic market.

The collaboration with these suppliers is based on the contracts signed with them or on supplying orders. The largest share (62%) in the total value of acquisitions of raw materials is represented by polymer granules (polypropylene, polyethylene, polystyrene), which are provided by companies with which Romcarbon SA has developed strong partnerships over the years.

For other types of raw materials and materials, the suppliers' portfolio is divided into Romanian distributors of foreign manufacturers and foreign companies. For each type of raw material there is a supplier database and the company constantly compares at least three offers.

**BOARD OF DIRECTORS' REPORT
FOR THE PERIOD ENDED DECEMBER 31, 2017**

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

Depending on the supplier's currency, the acquisitions of raw materials and materials had the following structure:



• **Assessment of sales**

The evolution of sales of finished products between 2015 and 2017 is presented in the following table:

Group of products	2015		2016		2017		2017 vs. 2016	
	Value	% in total	Value	% in total	Value	% out of total		
CP1~ Auto and industrial filters	4,655,408	4.28%	4,130,687	3.38%	3,830,438	2.73%	▼	-7.27%
CP2~ Respiratory protective equipment and active carbon	2,492,717	2.29%	2,915,747	2.39%	2,514,286	1.79%	▼	-13.77%
CP3~ Polyethylene products	18,800,848	17.27%	25,059,617	20.51%	27,326,932	19.50%	▲	9.05%
CP4~ PVC products	252,613	0.23%	434,054	0.36%	582,367	0.42%	▲	34.17%
CP5~ Polystyrene products	30,460,257	27.98%	34,260,687	28.04%	36,420,302	25.99%	▲	6.30%
CP6~ Polypropylene products	39,301,193	36.10%	37,144,517	30.40%	37,408,712	26.70%	▲	0.71%
CP7~Compounds	12,890,948	11.84%	18,245,980	14.93%	32,045,842	22.87%	▲	75.63%
TOTAL	108,853,984	100%	122,191,290	100%	140,128,880	100%	▲	14.68%

The following table present the turnover from the sale of finished products, depending on its allocation to the domestic/foreign market:

Sales of finished products	2015		2016		2017	
	Value	%	Value	%	Value	%
Domestic	80,283,409	73.75%	83,100,987	68.01%	90,478,706	64.57%
Foreign	28,570,575	26.25%	39,090,303	31.99%	49,650,174	35.43%
Total	108,853,984	100.00%	122,191,290	100.00%	140,128,880	100.00%

**BOARD OF DIRECTORS' REPORT
FOR THE PERIOD ENDED DECEMBER 31, 2017**

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

The turnover resulting from the sale of finished products in 2017 according to the foreign markets is presented in the following table.

Tara	2016	% in 2016	2017	% in 2017
Bulgaria	8,962,059	22.93%	14,719,698	29.65%
Germania	7,864,061	20.12%	8,488,229	17.10%
Polonia	4,111,979	10.52%	4,595,353	9.26%
Serbia	3,605,700	9.22%	4,457,607	8.98%
Grecia	3,578,215	9.15%	2,807,035	5.65%
Spania	2,310,192	5.91%	2,282,144	4.60%
Ungaria	1,091,311	2.79%	1,695,768	3.42%
Franta	1,167,960	2.99%	1,449,905	2.92%
Moldova	240,050	0.61%	1,446,715	2.91%
Italia	1,285,047	3.29%	1,322,556	2.66%
Slovenia	250,573	0.64%	1,288,786	2.60%
Elvetia	1,064,986	2.72%	893,153	1.80%
Olanda	910,231	2.33%	777,563	1.57%
Croatia	546,930	1.40%	601,685	1.21%
Ucraina	512,360	1.31%	431,060	0.87%
Altii	1,588,649	4.06%	2,392,917	4.82%
Total	39,090,302	100.00%	49,650,174	100.00%

**BOARD OF DIRECTORS' REPORT
FOR THE PERIOD ENDED DECEMBER 31, 2017**

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

• Assessment of aspects related to the personnel of the company

The number of SC Romcarbon SA employees as at 31.12.2017 was 1,031, grouped according to the level of education as follows:

➤ higher education	120
➤ high school and post-secondary school	416
➤ technical school, school and occupational qualification	495

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

• Assessment of the research and development activity

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

- Product certification according to the national and European regulations:

In 2017, the certifications of 11 filters and 4 masks (P 1240 panoramic view mask; M74 industrial strap mask; P 2085 hood-type industrial mask, P 200 free fresh air intake mask), in the Protection Materials Workshop, as well as 5 filter in the Car and Industrial Filters Workshop were renewed:

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

The cost of research and development activity in 2017 was 818,563 lei, while for 2018 it was budgeted a cost of 878,599 lei.

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

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

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

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

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The evaluation/re-evaluation of environmental aspects is documented in the internal procedure entitled PS-03-Environment. This procedure documents the process whereby the organization establishes the environmental implications of its activities and products, which it can control and influence, as well as the related environmental impact on their life cycle.

The Company takes into account the following when it assesses environmental aspects: air emissions, leaks into the water, soil, use of raw materials or natural resources, use of energy, the energy discharged (heat, radiations, vibrations (noise), light), waste generations, use of space.

The Company takes into account the life stages that may be controlled or influenced by the organization.

The list of significant environmental aspects is updated annually or any time changes occur in the organization, the applicable legislation or other requirements to which the organization subscribes.

Depending on the significant environmental, top management and the MCM Department lay down the strategic objectives (Level 1) and the tactic operational objectives (Level 2) documented in the *Management Program*.

The objectives are set in accordance with the Quality, Environment and Occupational Health and Security Policy, with the commitments to prevent pollution and the compliance and improvement obligations. Change and the development of new activities or products may invalidate aspects previously identified or require the introduction of new aspects in the list, in which cases the Company reassesses and revises the environmental aspects. Examples of such changes include:

- change of scope of SMI;
- development of new products/services;
- changes in processes/technology/introduction of new processes;
- significant extension or reduction of capacity;
- extension or relocation of an activity;
- changes in environmental compliance obligations;
- emergency situations.

In normal operating conditions, the company's activity does not cause significant environmental impacts. At the beginning of 2018, the Company reassessed the environmental aspects and established that it might face significant environmental aspects only in abnormal conditions or in emergency situations.

• **Assessment of the management system**

SC ROMCARBON Buzau holds certifies for management system assessment according to the following standards:

- Environmental management system fulfills the requirements SR EN ISO 14001: 2005, which management at the highest level is engaged in a policy of continuous improvement of environmental conditions and pollution prevention;
- The management of the organization's occupational health and safety OHSAS 18001: 2007, the company is engaged in a process of continuous improvement in the workplace health and safety conditions and prevention of accidents and occupational diseases throughout the organization.

No certification audits or supervision visits from qualified companies have registered non-conformities with the standards no observations; during these visits, only suggestions were made for improving the company's activity.

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• **Assessment of the company's activity related to risk management**

SC ROMCARBON SA implemented the risk management in accordance with the requirements of Standard SR EN ISO 31010 – Risk Management, which includes risk assessment techniques, identifying and assessing risks involving every operating department in the organization. The Company drafted a Risk Register for every operating department, the Organization's Risk Register and the Risk Treatment Action Plan.

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

Market risk

In 2017, the company recorded an increase of total turnover by 9%, reaching a total of 197,966,579 lei. Sales of finished products increased by 15%. The largest increase was accounted by CP7 - Compounds (+13,799,862 lei/+76%), CP3 – polyethylene by 2,267,315 lei (9%) and CP5 – Polystyrene products (+2,159,618 lei/+6%).

The Romcarbon main selling market is the domestic one, with a share in turnover resulting from the core activity (Income from sale of finished products) of 75% in 2017 (78% in 2016).

The clients portfolio for the company's production activity is diversified, there is no clear dependence on certain clients. However, for the activity of sales of goods SC Romcarbon SA has two clients (Kasakrom Chemiclas SRL and Livingjumbo Industry SA) that in 2017 had a turnover represented 11% and 14% of total turnover. The sales to Livingjumbo Industry SA in 2017 included the sales of finished products, rents and income from other activities, which accounted for 4% of turnover.

Exchange rate risk

Currency exposure of SC Romcarbon SA is generated mainly by the loans denominated in euro. As at 31.12.2017 the balance of this loan was EUR 12,727,688 (December 31, 2016: EUR 14,693,069).

In 2017, the loss generated by the fluctuation of foreign currencies rate was 1,502,397 lei.

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

Item	EURO	USD
Proceeds from foreign clients	10,797,865	109,110
Proceeds from credits	440,264	-
Other proceeds	237,317	5
Payment to the foreign suppliers (raw materials and equipment)	-9,485,191	-213,296
Payments of credits, interest, bank fees	-1,577,722	-
Other currency payments	-150,176	-4,998
Net cash flow	262,356	-109,179

Liquidity risk

Current liquidity of SC Romcarbon SA (calculated as the ratio between current assets and current debts) registered 79 in 2017 compared to 0.76 in 2016.

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 2018.

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9) Internal control of the company - aims at ensuring a rigorous and effective management of the entity's activity through the management's adoption of policies and procedures which ensure consistency of objectives, identify the key factors of success and communicate to the entity's managers in real-time information on performance and perspectives.

Internal control is organized so as to comply not only with financial-accounting regulations, but with all regulations, such as Environmental, Occupational Health and Safety, Emergency Situations, applicable to products, the Civil Code.

The Company's organization chart establishes the hierarchical levels of responsibility and authority existing and allows knowledge of functional and managerial aspects of the organization.

The Board of Directors is independent of management at the organization and its members are involved in management activities, which they supervise carefully. The Board of Directors delegates to the managers the responsibilities regarding internal control and makes systematic and independent assessments of the internal control system established by management.

Internal audit has an assistance function that must ensure management that internal procedures are implemented and adhered to by all departments involved.

Regular or permanent check and assessment according to the Program approved by the Company's management of the quality operation of internal control is performed to determine whether internal controls are applied according to the procedures and if they are modified appropriately when the situation requires.

Internal control establishes methods by which employees are assessed, trained, promoted and rewarded as staff represents an essential component of internal control. The organizational chart, the internal regulations (IR), job descriptions are updated according to the modifications.

The organization's management has taken action *in order to remove or reduce incentives that could cause employees to engage in dishonest, illegal or immoral activities*. They are found in the Internal Regulations and other regulations issued but also in personal examples.

Management is in charge of the filling of specific positions by *competent personnel* who has the knowledge and skills to perform the tasks characteristic of each function.

The organization *faces various risks* arising from the external or the internal environment that must be managed appropriately by management. Risk identification and analysis is an ongoing process and a critical component of an effective internal control. Some of the *examples* are the company's inability to achieve the set objectives, staff quality, importance and complexity of basic economic processes, introduction of new information technologies, entry of new competitors on the market etc.

Management identifies and assesses these risks and formulates specific measures to reduce the risk at an acceptable level.

For an adequate split of the responsibilities (tasks) in order to prevent significant frauds and errors, the Company applies:

- c) The division of the administration of assets to avoid the risk of theft;
- d) The division of the authorization of the operations of assets administration;
- e) The separation of the IT tasks from the tasks of the persons outside the IT system (the tasks related to the design and control of accounting software are separated from the ones related to the update of information)

Inside the organization, there are three different functions, whose separation (their aggregation is not admitted) represents the grounds for mutual control between departments and performers, namely:

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

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For an efficient internal control, the same person cannot fulfill all such roles. If any two of such roles are fulfilled by the same person, the risk of error and fraud is higher.

Most of the operations and transactions involve at least two of the presented roles; as result, errors and frauds can be easily detected, because they result in a lack of correlation between the statements, between the departments or performers.

The internal accounting and financial control is a major element of internal control inside the entity and it relates to the entire processes of obtaining and communicating the accounting and financial information in order to obtain reliable information and in accordance with legal requirements.

The internal accounting and financial control focuses on providing:

- a) compliance of the accounting and financial information with the applicable rules;
- b) application of the management instructions according to this information;
- c) protection of the assets;
- d) prevention and detection of accounting and financial frauds and irregularities;
- e) reliability of the information disseminated and used internally for controlling purposes, to the extent it contributes to preparing published accounting and financial information;
- f) reliability of the annual published financial statements and other information communicated to the market.

All intern control activities seek to perform a permanent and periodical review of activities, in order for the management to identify the best solutions for its decisions for increasing the performance of the company and become more competitive on the market.

REVIEWING THE ECONOMIC AND FINANCIAL SITUATION OF THE COMPANY

1) Statement of financial position

The statement of financial position for the years 2016 and 2017 is shown in the following table.

Items	2016	2017	2017 vs. 2016		
Property, plant and equipment	147,005,912	137,757,935	-9,247,977	▼	-6.29%
Investment property	45,680,013	49,859,449	4,179,436	▲	9.15%
Intangible assets	246,401	160,081	-86,320	▼	-35.03%
Financial assets	22,844,368	22,247,181	-597,187	▼	-2.61%
Total non-current assets	215,776,694	210,024,646	-5,752,048	▼	-2.67%
Inventories	25,668,489	23,824,916	-1,843,574	▼	-7.18%
Trade and other receivables	26,553,753	32,493,266	5,939,513	▲	22.37%
Tax recoverable	447,239	0	-447,239	▼	-100.00%
Other assets	294,011	820,245	526,234	▲	178.98%
Cash and bank balances	5,615,329	2,529,017	-3,086,311	▼	-54.96%
Total current assets	58,578,820	59,667,444	1,088,624	▲	1.86%
Total assets	274,355,514	269,692,090	-4,663,424	▼	-1.70%

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Items	2016	2017	2016 vs. 2017	
Issued capital	26,412,210	26,412,210	0	0.00%
Share premium	2,182,283	2,182,283	0	0.00%
Reserves	54,506,299	53,222,860	-1,283,439	-2.35%
Retained earnings	47,230,089	51,304,266	4,074,177	8.63%
Total equity	130,330,881	133,121,619	2,790,738	2.14%
Long-term borrowings	36,104,275	32,911,592	-3,192,683	-8.84%
Long-term finance leases and other interest bearing obligations	84,588	0	-84,588	-100.00%
Deferred tax liabilities	10,468,240	10,758,395	290,155	2.77%
Long-term deferred income	19,939,642	17,676,474	-2,263,169	-11.35%
Total non-current liabilities	66,596,745	61,346,461	-5,250,285	-7.88%
Trade and other payables	26,896,495	28,571,443	1,674,948	6.23%
Short-term borrowings	45,337,135	41,726,661	-3,610,474	-7.96%
Short-term finance leases and other interest bearing obligations	1,107,270	86,797	-1,020,473	-92.16%
Short-term deferred income	2,293,920	2,305,250	11,330	0.49%
Other liabilities	1,793,067	2,533,859	740,791	41.30%
Total current liabilities	77,427,887	75,224,010	-2,203,878	-2.85%
Total liabilities	144,024,633	136,570,471	-7,454,162	-5.18%
Total equity and liabilities	274,355,514	269,692,090	-4,663,424	-1.70%

In 2017, non-current assets hold 77.88% of the company's assets, decreasing by lei 5,752,048, namely 2.67% compared to December 31, 2016.

The structure of long-term assets is detailed in the following table.

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

Non-current assets (NCA)	2017	% in total NCA	% in total asset	2017 vs. 2016
Property, plant and equipment	137,757,935	65.59%	51.08%	-6.29%
Investment property	49,859,449	23.74%	18.49%	9.15%
Intangible assets	160,081	0.08%	0.06%	-35.03%
Financial assets	22,247,181	10.59%	8.25%	-2.61%
Total non-current assets	210,024,646	100.00%	77.88%	-2.67%

The inputs of "Property, plant and equipment" during 2017 are presented in the table below:

Type	Value
Plants	2,344,293 lei
Equipment and Machineries	1,688,348 lei
Controlling device	575,223 lei
Vehicles	696,133 lei
Furniture	110,762 lei
TOTAL	5,414,759 lei

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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	28,024,549	10,985,998	39,010,547
Buzau	1,908,678	4,006,825	5,915,503
Stefanesti	2,494,039	2,439,361	4,933,400
Total	32,427,266	17,432,184	49,859,449

At the end of 2017, the Company revalued the Investment Property, resulting an increase of net value in amount of lei 1,490,374, which was recorded in profit or loss.

Financial assets representing 10.59% of Non-current assets and 8.25% of Total Assets, registered in the reporting period a decrease of 597,187 lei.

As at December 31, 2017, Romcarbon SA held direct interests in:

Company	Total shares	No. of shares held	Acquisition/investment value	Holding (%)
RECYPLAT LTD CIPRU	26,000	26,000	20,261,120	100.0000%
ROMCARBON DEUTSCHLAND GmbH			110,138	100.0000%
RC ENERGO INSTALL SRL	200	200	15,112	100.0000%
INFO TECH SOLUTIONS SRL	200	198	1,980	99.0000%
LIVINGJUMBO INDUSTRY SA	200	198	1,639,232	99.0000%
GRINFILD LLC UCRAINA			2,687,755	62.6200%
YENKI SRL	32,800	10,934	100,000	33.3354%
ASOCIATIA ECOLOGICA GREENLIFE (Non-Profit Organization)		1,200	400	33.3333%
ECO PACK MANAGEMENT SA	144,600	36,670	586,625	25.3596%
KANG YANG BIOTECHNOLOGY CO.LTD	2,889,993	139,000	203,963	1.95%
REGISTRUL MIORITA SA	10,500	398	5,000	3.7905%
TOTAL			25,611,325	

As at 31.12.2017, the Company registered impairment of financial assets as follows:

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

Current assets hold 22.12% of total assets recording an increase of 1,088,624 lei, i.e. 1.86% as compared with 2016.

Total Liabilities hold 50.64% of the company's total Equity and liabilities recording a decrease of 7,454,162 lei, i.e. 5.18% as compared with 2016.

Current liabilities of the Company, representing 55.08% of the Total Liabilities and 27.89% of Total Equity & Liabilities have decreased with 2,203,878 lei as compared with 31.12.2016, i.e. 2,85%.

Non-current Liabilities representing 44.92% of the Total Liabilities and 22.75% of the company's Total equity and liabilities have registered in the reporting period a decrease of 5,250,285 lei (7.88%) as compared with 31.12.2016.

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Total Equity holds 49.36% of total equity and liabilities and registered in the reporting period an increase of 2,790,738 lei, i.e. 2.14% as compared with 31.12.2016.

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

As at 31.12.2017 the structure of the company shareholders is presented in the following table:

Shareholder	No. of shares	% quota
Living Plastic Industry S.R.L.	86,774,508	32.85%
Joyful River Limited	54,195,089	20.52%
Braiconf SA	23,000,000	8.71%
NEW CARPATHIAN FUND	9,350,000	3.54%
Stichting Bewaarder Overlevingsfonds	7,500,000	2.84%
FONDUL DE PENSII ADMINISTRAT PRIVAT NN/NN PENSII		
S.A.F.P.A.P. S.A.	7,610,000	2.88%
Other legal entities	14,215,198	5.38%
Individuals	61,477,301	23.28%
Total	264,122,096	100.00%

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

Income statement	2016	2017	2017 vs. 2016	
Revenue	178,719,385	195,140,695	▲	16,421,309 9%
Investment income	6,866,672	3,987,533	▼	(2,879,138) -42%
Other gains and losses	1,725,659	2,796,780	▲	1,071,121 62%
Changes in inventories of finished goods and work in progress	3,404,371	2,304,367	▼	(1,100,004) -32%
Raw materials and consumables used	(131,058,698)	(139,437,993)	▲	(8,379,295) 6%
Depreciation and amortization expenses	(9,578,963)	(10,706,926)	▲	(1,127,964) 12%
Impairment of financial assets	(2,687,755)	-	▼	2,687,755 n/a
Employee benefits expenses and social charges	(23,463,899)	(28,174,199)	▲	(4,710,300) 20%
Tax contributions related to employee benefits	(5,473,802)	(6,608,431)	▲	(1,134,629) 21%
Finance costs	(2,059,292)	(1,728,613)	▼	330,679 -16%
Other income	2,203,176	2,264,436	▲	61,259 3%
Other expenses	(14,367,897)	(14,099,311)	▼	268,587 -2%
Profit (loss) before tax	4,228,957	5,738,338	▲	1,509,380 36%
Income tax expense	674,517	(940,272)	▲	- 1,614,789 n/a
Profit (loss) of the year	4,903,474	4,798,066	▼	(105,409) -2%
Loss from tangible assets evaluation	-1,987,613	-	▼	1,987,613
Deferred tax adjustment related to the re-evaluation reserves fiscal unallowable	-	-	—	-
Total comprehensive income	2,915,861	4,798,066	▲	1,882,204 65%

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The item "Investment income" has the following structure:

Indicator	2016	2017
Rental income	2,476,548	2,825,883
Interest income	11,981	3,652
Investment income (dividends) - Recyplat	3,207,527	-
Investment income (dividends) - Yenki	-	-
Investment income (dividends) - Infotech Solutions	275,614	157,997
Investment income (dividends) - RC Energo Install	400,000	1,000,000
Investment income (dividends) - LivingJumbo Industry	495,000	-
Total	6,866,671	3,987,532

Net sales	2016		2017		2017 vs. 2016
	Sales	Value	% in total	Value	
Sales of finished goods	122,191,290	68.37%	140,128,883	68.37%	14.68%
Sales of intermediary goods	90,147	0.05%	48,146	0.05%	-46.59%
Services rendered	310,378	0.17%	293,439	0.17%	-5.46%
Sale of goods purchased for resale	53,189,162	29.76%	51,024,724	29.76%	-4.07%
Revenues from sundry services	2,938,408	1.64%	3,645,505	1.64%	24.06%
Total, of which:	178,719,385	100%	195,140,695	100%	9.19%
Domestic market	139,163,242	77.87%	145,116,528	77.87%	4.28%
Export	39,556,144	22.13%	50,024,168	22.13%	26.46%

3) Statement of cash flows

Cash and cash equivalents at the end of 2017 have decreased from lei 5,615,329 (31.12.2016) to lei 2,529,017 (31.12.2017).

4) Financial ratios

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

Ratio	Formula	2016	2017
EBIT	Gross profit + interest expenses	5,977,645	7,325,990
EBITDA	EBIT + amortization - income from subsidies	13,353,431	15,768,480
EBITDA in total sales	EBITDA/Turnover	7.37%	7.97%
EBITDA in equity	EBITDA/Equity	10.25%	11.85%
Gross profit	Gross profit /turnover	2.33%	2.90%
Current liquidity ratio	Current assets/current liabilities	0.76	0.79
Immediate liquidity ratio (acid test)	(Current assets -Inventories)/Current liabilities	0.43	0.48
Gearing ratio (1)	Long-term liabilities/Equity	51%	46%
Gearing ratio (2)	Total liabilities/Total assets	52%	51%
Interest coverage ratio	EBIT/Interest expenses	3	5
Turnover of trade receivables	Average balance of trade receivables /Turnover	60	54
Turnover of trade liabilities	Average balance of trade liabilities /Turnover	57	50
Return on assets (ROA)	Net result /Total assets	1.79%	1.78%
Return on equity (ROE)	Net result/Equity	3.76%	3.60%
Return on sales (ROS)	Net result/Turnover	2.71%	2.42%

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SECURITIES MARKET ISSUED BY THE COMPANY

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

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

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

As at 31.12.2017, SC ROMCARBON SA holds shares in the following legal entities:

Company	Acquisition/investment value	Participation quota (%)
RECYPLAT LTD CIPRU	20,261,120	100,0000%
ROMCARBON DEUTSCHLAND GmbH	110,138	100,0000%
RC ENERGO INSTALL SRL	15,112	100,0000%
INFO TECH SOLUTIONS SRL	1,980	99,0000%
LIVINGJUMBO INDUSTRY SA	1,639,232	99,0000%
GRINFILD LLC UCRAINA	2,687,755	62.6200%
YENKI SRL	100,000	33,3354%
ASOCIATIA ECOLOGICA GREENLIFE (Non-Profit Organization)	400	33,3333%
ECO PACK MANAGEMENT SA	586,625	25,3596%
KANG YANG BIOTECHNOLOGY CO.LTD	203,963	1,9542%
REGISTRUL MIORITA SA	5,000	3,7905%
TOTAL	25,611,325	

ASPECTS REGARDING CORPORATE GOVERNANCE

This chapter summarizes the Company's Corporate Governance main rules, structures, procedures and decision-making practices within the company, governance standards that ensure the general principles of management and effective control of the activities of the company according to the object of activity, for the benefit of shareholders and for increase investor confidence. The entire set of standards of corporate governance provides the structure through which the company objectives are set, the means of achieving them and to monitor the performance and aims to promote fairness, transparency and accountability in the society.

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

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

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

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

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

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

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

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

Prior to the trading on the Bucharest Stock Exchange, the company was listed on Second category of the RASDAQ market.

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

- Number of shares – 264,122,096
- a) nominal value – lei 0,1
- b) ISIN code: ROROCEACNOR1
- symbol: ROCE

Although new on the Bucharest Stock Exchange regulated market, ROMCARBON S.A. has planned to implement both a policy oriented towards profit for shareholders and one of corporate responsibility and ethics, with significant impact on the environment and consequently the community.

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

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

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

The regulations which we comply with in the preparation of this chapter of Corporate Governance: Law no. 31/1990 on companies, republished in 2004, as amended and supplemented, **Law no. 297/2004 on the capital market** and Law no. 24/2017 on issuers of financial instruments and market operations, as amended and supplemented, the regulations issued by CNVM to regulate the capital market (Regulation no. 1 of 09/03/2006 on issuers of and operations with, securities. NSC Regulation no. 6/2009 on the exercise of certain rights of shareholders in companies' general meetings, Regulation no.10/2016 on the organization and operation of the Financial Supervisory Authority, etc.), accounting regulations, regulations on Audit, Law no. 82/1991 for Accounting, republished with subsequent modifications, Corporate Governance Code of the Bucharest Stock Exchange adopted by the Council of the Bucharest Stock Exchange in December 2007, the Articles of incorporation of ROMCARBON SA, the Collective Labour Agreement and the Internal Regulation, concluded at the level of the company and the Code of Ethics hereinafter generically referred to as "Legal provisions".

**BOARD OF DIRECTORS' REPORT
FOR THE PERIOD ENDED DECEMBER 31, 2017**

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

II. STRUCTURE AND CORPORATE GOVERNANCE ASPECTS

1. The General Meeting of Shareholders

The General Meeting of Shareholders (GMS) includes all shareholders and meets in ordinary meetings (OGMS) and extraordinary meetings (EGM), each with competencies established by law. The call, organization and conduct of works for GMS are in strict accordance with the law, ensuring materials presentation, recording the works and decisions taken.

2. Board of Directors

Currently, the Company's management system is **one-tier**. ROMCARBON S.A. is administered by the Board of Directors consisting of 3 members, elected or appointed by the General Meeting of Shareholders in accordance with the law, by secret vote, for a term of four years, with the possibility of re-election.

Members of the Board of Directors ensure an effective capacity to monitor, analyze and evaluate the work of directors and fair treatment of shareholders. The election of members of the Board of Directors is done between the persons appointed by the shareholders. In appointing members of the Board of Directors, the General Meeting has sought a balanced structure according to the structure and activity of ROMCARBON S.A. as well as the personal experience and qualifications of board members.

The Board of Directors meets at the company's headquarters or elsewhere, monthly and whenever necessary, convoked by 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.

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.

Decision-making process remains a collective responsibility of board members they are held jointly responsible for all decisions adopted in exercise of the powers.

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: Mr. Hung Ching Ling –chairman of the Board, Mr. Simionescu Dan –deputy chairman and Mr. Wang Yi Hao –member.

The Board of Directors duties are stipulated in the Article of incorporation of ROMCARBON S.A., being in strict accordance with the law, ensuring the presentation of materials, recording of the works and the decisions taken.

Chairman of the Board, Board members, general manager, directors, respond individually or jointly, as appropriate, to the company for damages resulting from criminal offenses or violations of legal provisions for deviations from the article of association, as well as mistakes in administrating and management of the company. In such situations, they may be revoked by the decision of the General Meeting of Shareholders respectively the decision of the Board of Directors.

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

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.

**BOARD OF DIRECTORS' REPORT
FOR THE PERIOD ENDED DECEMBER 31, 2017**

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

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

In 2017, the Board of Directors met in 16 meetings, decisions being taken either with the vote of the majority of those present, or by unanimity and in accordance with the legal provisions regarding the convocation and quorum for conducting the meetings and legally adopt decisions.

3. Executive management

The executive management of ROMCARBON S.A. is provided by the following persons, whom have been delegated the powers for the management of the company:

- Andrei Radu- Chief Executive Officer starting on 01.09.2013
- Manaila Carmen – Chief of Operations starting 01.10.2017
- Cretu Victor - Chief of Operations Polypropylene Section starting 01.10.2017
- Pindaru Marina Alina - Chief of Operations Polyethylene Section starting 01.10.2017
- Voicheci Neli - Chief of Operations Compounds Section starting 01.10.2017
- Ungureanu Ion - Chief of Operations PSE Section starting 01.10.2017
- Titi Mihai - Technical Deputy General Manager starting on 01.06.2010
- Genes Alina - Development Manager starting on 01.04.2010
- Zainescu Viorica Ioana - Chief Financial Officer starting on 15.01.2010
- Nicoleta Damian - Human Resources Manager starting on 01.02.2006
- Duracu Gheorghe - Quality Manager starting on 05.01.2004

The Board of Directors delegates the company's management to the General Manager and the Chief of Operations, who act independently of one another and are liable to take all the adequate measures for the Company's management, within the limits of the Company's scope and in compliance with the exclusive duties provided by law or the Constitutive Act, to the Board of Directors or the General Meeting of Shareholders.

In this regard, in its relations with third parties, the company is represented by the General Manager and the Chief of Operations under the provisions of art. 143 para. 4 in conjunction with Art. 143² para. 4 of Law 31/1990, who act independently within the limit of the mandate entrusted to them.

The company's officers are appointed or revoked by the Board of Directors, which sets their duties, responsibilities and powers, the company's officers being able to delegate the powers to represent the Company to a third party only with the written consent of the Board of Directors.

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

The remuneration policy of the Company, based solely on professional and ethically irreproachable profile of the administrators or directors, consisted of the following gross compensation - total 2017:

- a) Directors – allowance according to OGMS Decision of 27.04.2012 – lei 303,629;
- b) Executive Management – lei 1,771,568.

4. Internal auditor

The company organizes its internal audit in accordance with the legal provisions, which are also included in the company's constitutive act. Internal audit is provided to the company by "Stefanoiu Vasile - Financial Auditor Office".

The internal auditor attends meetings of the Board and General Meetings of Shareholders and notifies management irregularities, and if applicable, breaches of the legal provisions and of the provisions of the constitutive act.

The mission, powers and responsibilities of the internal audit are defined in an Internal Audit Charter approved by the Board of Directors of the Company; the Internal Audit Charter sets out the internal audit position in the company, determines how to access the company documents for the proper performance of audits, defines the scope of internal audit.

**BOARD OF DIRECTORS' REPORT
FOR THE PERIOD ENDED DECEMBER 31, 2017**

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

5. Risk management

Risk factors include general matters (emerging markets present a higher risk than countries with developed economies and mature political and legal systems), a potential political instability, risks arising from a temporary instability of the legislative, fluctuation of interest rate and inflation rate, and risks related to capital market and its liquidity.

SC ROMCARBON S.A. approaches risk prudently, in accordance with its long-term strategy. Prudent risk management becomes more important in the context of an extension of the economic and financial uncertainties and obvious market volatility. Strategic vision on risk management is determined by the Board of Directors and is applied through actions taken by the executive management of the company.

SC ROMCARBON SA implemented the risk management in accordance with the requirements of Standard SR EN ISO 31010 – Risk Management. Risk Assessment Techniques, identifying and assessing risks involving every operating department in the organization. The Company drafted a Risk Register for every operating department, the Organization's Risk Register and the Risk Treatment Action Plan.

Control and risk management are ensured through a number of specific structures governed by the provisions of the capital market, the company's constitutive act, the collective labour contract and organizational structure of the company, as follows:

- financial auditor;
- internal auditor;
- configuration of the organisational and functional structure.

The financial statements of the company are, by law, audited by an external auditor (legal entity), member of the Chamber of Financial Auditors of Romania, appointed by the Ordinary General Meeting of Shareholders, which operates under a services supply contract approved by the Board of Directors of the company.

Currently, the external financial auditor of SC ROMCARBON S.A. is SC DELOITTE AUDIT SRL and was appointed for a period of 1 year based on the OGMS Decision of 27.04.2017.

CORPORATE RIGHTS OF SHAREHOLDERS

The company' shareholders are natural or legal persons who have acquired or will acquire ownership of one or more shares in the company and who have registered the acquired right in the shareholder register kept by the company named in the contract, according to the law S.C. DEPOZITARUL CENTRAL S.A. The acquisition, in any form, of the company's shares, involves from shareholders an unreserved adherence to all provisions of the articles of association in force at the date of acquisition.

SC ROMCARBON S.A. respects the rights of securities holders and ensures an equal treatment for all holders of securities of the same type and class, providing all relevant information so that they may exercise all rights. Securities holders must exercise the rights conferred by them in good faith, respecting the rights and legitimate interests of other shareholders and the priority interest of the company, otherwise being liable for damages. Each share subscribed and paid by shareholders gives them the right to one vote at the general meeting of shareholders, the right to vote and to be elected to the governing bodies of the company, the right to participate in profit sharing, according to the articles of association of the Company and social asset to dissolve the company and other rights provided by law. All holders of shares issued by ROMCARBON S.A. are treated fairly. All issued shares confer equal rights to holders.

SC ROMCARBON S.A. facilitates and encourages: participation of shareholders at the General Meetings of Shareholders (AGA), the full realization of their rights, the dialogue between shareholders and members of the Board and / or management. At the General Meeting of Shareholders are entitled to attend and vote shareholders registered in the Register of Shareholders (issued by the Central Depository) at the reference date established/ approved by the Board of Directors.

To make available to shareholders relevant information in real-time, ROMCARBON S.A. created on www.romcarbon.com a special section called Shareholders, Investor Relations, accessible and constantly updated. This section is structured to contain all information necessary to securities holders: Board of directors' meeting information, the general meetings of shareholders, financial calendar, periodic and current reports, dividends, corporate governance etc.

**BOARD OF DIRECTORS' REPORT
FOR THE PERIOD ENDED DECEMBER 31, 2017**

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

Also, ROMCARBON S.A. has internal structures specialized for investor relations and relationship with their shareholders. Persons appointed to stay in contact with investors and shareholders will attend periodically training courses.

Regarding the ***relationship with shareholders and investors***, ROMCARBON S.A. is subject to corporate discipline by making suitable ongoing periodic reporting on all major events, including the financial situation, performance, ownership and management.

For purposes of capital adequacy to corporate governance rules and discipline, the Company set up the Investor Relations Department, which ensures compliance with corporate rules according to the Corporate Governance Code of the Bucharest Stock Exchange.

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

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

In order to provide shareholders with real time relevant information, S.C. ROMCARBON S.A. created on www.romcarbon.com a dedicated section entitled Shareholders, available and permanently updated. The page is structured so that it contains all the information that security holders might need: information on the BoD meetings, the meetings of the general meetings of shareholders, financial calendar, periodic and current reporting, dividends, corporate governance etc.

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

SOCIAL RESPONSIBILITY

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

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

The company aims, through an active policy of **CSR**:

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

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

**BOARD OF DIRECTORS' REPORT
FOR THE PERIOD ENDED DECEMBER 31, 2017**

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

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

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

*** *To support educational activities.***

*** *to support different social groups*** (young deserving, sick or disabled people) through humanitarian actions that include sponsorships /charity work, assistance in extreme cases, and aid to vulnerable persons or in distress. Under this active CSR policy, in 2017, ROMCARBON SA gave sponsorships in money and goods in amount of lei 21,684 to non-profit organizations, as well as financial aid in amount of lei 88,552 to its employees affected by various events with strong social and human impact (child birth, death of family members, fire, floods, etc.).

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

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

*** *to support sport activities in the city of Buzau, by financial aids***

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

*** *Proactively address environmental issues and promote responsibility towards the environment.***

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

ROMCARBON S.A. complies with environmental protection legislation. The company is not involved in litigation regarding the infringement of the environmental legislation. It periodically evaluates compliance with laws, regulations and other requirements to which the organization subscribes.

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

ROMCARBON S.A. identifies all actual and potential environmental issues, including positive and negative aspects arising from indirect and companies that operate at the company and may affect environmental performance. Identification of environmental issues is based on systematic analysis of each process / sub-process (including their inputs and outputs) according to the procedure of system "PS 03 Environmental aspects" in situations of normal operation, abnormal (including starting and stopping) and emergency, accident.

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

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

**BOARD OF DIRECTORS' REPORT
FOR THE PERIOD ENDED DECEMBER 31, 2017**

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

Partners of these events are constantly the Environmental Protection Agency in Buzau, Buzau Prefect's Office and Municipality of Buzau.

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

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

Starting from September 4th 2014, Romcarbon SA became a member of the Romanian Association of Sanitation, which became in the meantime the Romanian Association for Waste Management – A.R.M.D.; as final waste recycling body, Romcarbon supports the actions of this entity:

- a) Sustained promotion of its members' interests;
- b) Permanent involvement in the process of preparing the legislation in the waste management field in Romania;
- c) Dynamic involvement of the Association in the waste management in Romania, by studies and market researches;
- d) Initiation of contracts with the organizations in order to attract funds and grants, both for members and for sustainable development of the association's activities;

S.C. ROMCARBON S.A aims not only at increasing the satisfaction of employees, commercial partners and own shareholders but also at increasing the efficiency of its activity and the level of professional competence of the human resources, including those available in the community.

Romcarbon will continue to develop the Integrated Management System and increase its efficiency, will undertake actions to eliminate or mitigate risks of non-compliance with applicable legal provisions in the field of occupational security and health, environmental protection and will secure the resources needed to achieve the objectives laid down in its internal policies.

For 2018, the Company aims at consolidating its position on the markets where it operates, implementing the investment projects meant to ensure and offer clients a range of products and services as diverse as possible and at the highest standards.

The main objectives in 2018 are the manufacturing of products and implementing new technologies that will ensure the growth of the company both on domestic and foreign markets in the next years.

For 2018, the company budgeted the following financial indicators:

- a total turnover of lei 236,758,109 (up by 16% as compared with 2017) of which the turnover related to the sales of finished products is budgeted at the level of lei 158,707,120 (13% higher as compared with 2017);
- an operating profit in amount of lei 6,343,379 and a net profit in amount of lei 4,888,945, up by 2% as compared with 2017).

We appreciate that the management report presents the key aspects regarding the business development of the company and its financial position for the year ended December 31, 2017.

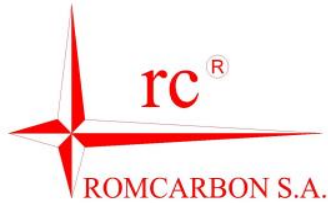
As at the date of preparation of this report, the Company's management is not aware of events, economic changes or other uncertainties that might affect significantly the company's income or liquidities.

HUNG CHING LING,
Chairman of the Board

VIORICA ZAINESCU,
Chief Financial Officer

RADU ANDREI,
Chief Executive Officer

For signatures, please refer to the original Romanian version.



ANNUAL REPORT
For the period ended December, 31 2017
Consolidated audited Financial Statement

COMPANY IDENTIFICATION

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

Reporting date: 26/27.04.2018

Financial year ended 31 December 2017

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.**

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Declaration of the management regarding Consolidated Financial Statements

Undersigners

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

Declare that the Consolidated Financial Statements for the year ended December 31, 2017 prepared in accordance with IFRS, as far as we know, give a true and fair view of the assets, liabilities, financial position, of the incomes and expenses of S.C. Romcarbon S.A. and its subsidiaries and the Directors' report prepared in accordance with CNVM requirements, gives a true and fair view of the performance of the business together with a description of the principals risks associated with the company's activity.

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

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

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DECLARATION REGARDING THE REPORT

The annual report regarding the consolidated financial statements as of December 31, 2017 was prepared in accordance with the requirements of the art.63 of the Law no.24/2017 and presents only the novelty elements uncomprised in the separate annual report as it resulted from the consolidation process of the Romcarbon financial statements and of its subsidiaries.

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ADMINISTRATORS' REPORT

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

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

For signatures, please refer to the original Romanian version.

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ROMCARBON S.A. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

**Prepared in accordance with Ministry of Public Finance Order no. 2844/2016
for the approval of Accounting regulations conforming with International Financial
Reporting Standards
as adopted by the European Union, with subsequent amendments**

**(together with Independent Auditor's Report and Administrators' consolidated
report)**

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Romcarbon S.A.
Buzau, Romania

Opinion

17. We have audited the consolidated financial statements of Romcarbon S.A. and its subsidiaries ("the Group"), with registered office in Buzau, Str. Transilvaniei, nr. 132, identified by unique tax registration code RO1158050, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.
18. The consolidated financial statements as at December 31, 2017 are identified as follows:
- Total equity RON 147,445 thousand
 - Net loss for the financial year RON 1,642 thousand
19. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Ministry of Public Finance Order no. 2844/2016 for the approval of Accounting regulations conforming with International Financial Reporting Standards as adopted by the European Union, with subsequent amendments.

Basis for Opinion

20. We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and the Council (forth named The "Regulation") and Law 162/2017 ("the Law"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), in accordance with ethical requirements relevant for the audit of the consolidated financial statements in Romania including the Regulation and the Law and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key audit matter	How our audit addressed the matter
<p>Revenue recognition</p> <p>Sale of finished goods is the main activity of the Group. Given the large number of domestic and foreign clients, the diversity of products sold as well as the diversity of the client's businesses, there is a risk that revenue is not properly and accurately recognised. That is, revenue may not be recognised in the correct accounting year, taking into account the transfer of main risks and benefits associated with the product, or may represent fictitious sales for which the delivery has not taken place, or sales towards bad debtors, that are insolvent or bankrupt. In our opinion, revenue recognition is a key audit matter, given the above mentioned points.</p> <p>Revenue is disclosed in Note 3 of the consolidated financial statements.</p>	<p>Our audit procedures performed to address the risk of material misstatement for revenue recognition included:</p> <ul style="list-style-type: none"> - evaluating the operating effectiveness of internal controls which addresses the risks described regarding occurrence of sales based on valid shipments; - assessing the proper booking of revenues in the appropriate accounting periods in accordance with the transfer of main risks and benefits for sales occurring around year-end; - tests of detail by preparing a statistical selection of clients and obtaining confirmation letters for the revenue booked in the audited period, as well as selecting individual sales to clients for which confirmation letters were not sent and obtaining the supporting documents for these transactions; - analysis of sales based on client, product and main markets in order to understand the evolution of revenue, as well as comparing sales with the figures from prior period.
<p>Investment property</p> <p>The Group owns property in Iasi, Stefanesti and Buzau which are not used for its main activity, but are held for long-term capital appreciation or for partial rent towards third parties. In our opinion, Investment property are a key audit matter, being valued at fair value subsequent to initial recognition, the gains and losses resulting from fair value estimation being recorded through profit and loss in the current period. Also, the criteria used for classification of a tangible non-current asset as an Investment property takes into account management intention to use each property as well as percentage of it being rented, both of which may vary from financial year to another. As a result, there is a risk of improper classification of these properties, as well as valuation of the investment property, as the fair value considered is a management estimate.</p> <p>Investment property is disclosed in Note 32 of the consolidated financial statements.</p>	<p>Our audit procedures performed to address the risk of material misstatement of investment property included:</p> <ul style="list-style-type: none"> - analysing the proper classification of tangible non-current assets based on investment property list and based on rent agreements in force at the audit date; - obtaining the valuation reports prepared at year-end and assessing their appropriateness also by involving our valuation experts, members of ANEVAR. Evaluate whether the gains and losses resulting from the valuation are accurately booked in accordance with international reporting standards.

Other information – Administrators’ Consolidated Report

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

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

In connection with our audit of the consolidated financial statements for the year ended December 31, 2017, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

With respect to the Administrators’ consolidated report, we read and report if this has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU, article no. 20.

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

- c) the information included in the Administrators’ consolidated report for the financial year for which the consolidated financial statements have been prepared is consistent, in all material respects, with these consolidated financial statements;
- d) the Administrators’ consolidated report has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU, article no. 20.

Moreover, based on our knowledge and understanding concerning the Group and its environment gained during the audit on the consolidated financial statements prepared as at December 31, 2017, we are required to report if we have identified a material misstatement of this Administrators’ consolidated report. We have nothing to report in this regard.

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

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

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

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

Report on Other Legal and Regulatory Requirements

31. We have been appointed by the General Assembly of Shareholders on April 27, 2017 to audit the consolidated financial statements of Romcarbon S.A. and subsidiaries for the financial year ended December 31, 2017. The uninterrupted total duration of our commitment is 1 year, covering the financial year ended December 31, 2017.

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Group that we issued on March 26, 2018. Also, in conducting our audit, we have retained our independence from the audited entity.
- We have not provided for the Group the non-audit services referred to in Article 5(1) of EU Regulation No. 537/2014.

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

Andreea Gheorghe, Audit Director

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

Registered with the Romanian Chamber of Financial Auditors under no. 4579/24.10.2013

On behalf of:

DELOITTE AUDIT S.R.L.

Registered with the Romanian Chamber of Financial Auditors under no. 25/25.06.2001

Sos. Nicolae Titulescu nr. 4-8, America House, Intrarea de Est,
Etajul 2 - zona Deloitte și Etajul 3, sector 1,
Bucharest, Romania
April 2, 2018

This is a free translation from the original Romanian version.

ROMCARBON S.A.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Note</u>	<u>Year ended December 31, 2017</u> <i>thousand LEI</i>	<u>Year ended December 31, 2016</u> <i>thousand LEI</i>
Income	3	251,993	238,236
Other income		3,987	3,889
Investment income		2,430	1,989
Other gains or losses	5	126	(1,386)
Changes in finished products and production in progress		5,600	4,183
Raw materials and consumables used	4	(166,870)	(147,840)
Depreciation and amortization expense	6	(16,226)	(14,851)
Employee salaries and social security	7	(61,681)	(51,191)
Finance costs	8	(2,607)	(3,060)
Other expenses	9	(18,550)	(30,318)
Share of profit of associates	14	1,457	3,904
Profit / (loss) before taxation		(341)	3,555
Income tax expense	10	(1,224)	(270)
Profit / (loss) for the year from operations		(1,566)	3,285
Profit / (loss) for the year		(1,566)	3,285
Attributable to:			
Owners of the parent		(1,492)	3,464
Non-controlling interests		(74)	(178)
From core operations:			
RON (cents per share)		-	0,01
Average number of shares		264,122	264,122

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

PREPARED,

For signatures, please refer to the original Romanian version.

HUNG CHING LING,
Administrator

VIORICA ZAINESCU,
Chief Financial Officer

RADU ANDREI,
Chief Executive Officer

ROMCARBON S.A.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017

<u>Note</u>	<u>Year ended December 31, 2017</u>	<u>Year ended December 31, 2016</u>
	<i>thousand LEI</i>	<i>thousand LEI</i>
Comprehensive income		
Other comprehensive income subsequently transferred to profit or loss		
Exchange differences on translating foreign operations	(48)	148
Net losses on revaluation of property, plant and equipment	-	(1,988)
Other comprehensive income subsequently transferrable to profit or loss		
Exchange differences on translating foreign operations	(28)	437
Comprehensive income of the year		
Attributable to:		
Owners of the parent	(28)	437
Non-controlling interests	-	-
Total comprehensive income	(1,642)	1,884
Owners of the parent	(1,568)	2,062
Non-controlling interests	(74)	(178)

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

PREPARED,

For signatures, please refer to the original Romanian version.

HUNG CHING LING,
Administrator

VIORICA ZAINESCU,
Chief Financial Officer

RADU ANDREI,
Chief Executive Officer

ROMCARBON S.A.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDED DECEMBER 31, 2017

	<u>Note</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
		<i>thousand LEI</i>	<i>thousand LEI</i>
ASSETS			
Non-current assets			
Property, plant and equipment	11	183,416	195,416
Investment property	32	49,860	45,680
Goodwill	12	143	144
Other intangible assets	13	227	373
Investment in associates	14	28,751	28,270
Financial assets	14	197	197
Total non-current assets		<u>262,594</u>	<u>270,080</u>
Current assets			
Inventories	15	38,234	37,171
Trade and other receivables	16	36,237	29,728
Other current assets	17	592	1,372
Cash and bank balances	31	5,997	11,544
Total current assets		<u>81,060</u>	<u>79,815</u>
Total assets		<u>343,654</u>	<u>349,895</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	18	26,412	26,412
Share premiums		2,182	2,182
Reserves	19	38,272	41,364
Retained earnings	20	79,572	80,032
Equity attributable to owners of the parent		146,438	149,990
Non-controlling interest	21	1,007	1,072
Total equity		<u>147,445</u>	<u>151,062</u>

ROMCARBON S.A.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDED DECEMBER 31, 2017

	<u>Note</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
		<i>thousand LEI</i>	<i>thousand LEI</i>
Non-current liabilities			
Long-term borrowings	22	51,589	58,009
Finance lease liabilities	22	-	85
Deferred tax liabilities	10	10,758	10,468
Other non-current liabilities with provisions		264	265
Deferred income	26	31,250	35,199
Total non-current liabilities		93,861	104,026
Current liabilities			
Trade and other liabilities	24	38,670	33,351
Short-term borrowings	22	54,816	52,794
Finance leases	22	87	1,112
Deferred income		4,058	4,008
Other current liabilities	23	4,717	3,541
Total current liabilities		102,348	94,806
Total liabilities		196,209	198,832
Total equity and liabilities		343,654	349,895

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

PREPARED,

For signatures, please refer to the original Romanian version.

HUNG CHING LING,
Administrator

VIORICA ZAINESCU,
Chief Financial Officer

RADU ANDREI,
Chief Executive Officer

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2017
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	<u>Share capital</u>	<u>Share premiums</u>	<u>Revaluation reserves</u>	<u>Other reserves</u>	<u>Exchange differences on translating foreign operations</u>	<u>Retained earnings</u>	<u>Attributable to owners of the parent</u>	<u>Non-controlling interest</u>	<u>Total</u>
Total January 1, 2017	26,412	2,182	42,407	-	(1,043)	80,032	149,990	1,072	151,062
Dividends distributed	-	-	-	-	-	(2,007)	(2,007)	-	(2,007)
Increases from revaluation of property, plant and equipment	-	-	-	-	-	-	-	-	-
Decreases from revaluation of property, plant and equipment	-	-	-	-	-	-	-	-	-
Net profit / (loss) of the period	-	-	-	-	-	(1,492)	(1,492)	(74)	(1,566)
Transfer of reserves to retained earnings	-	-	(3,011)	-	-	3,011	-	-	-
Corrections of financial assets disposed and repossessed	-	-	-	-	-	-	-	-	-
Exchange differences on translating foreign operations	-	-	-	-	(28)	-	(28)	-	(28)
Corrections of ownership interests in associates during the year	-	-	(48)	-	-	-	(48)	-	(48)
Decrease of minority interests due to increase of ownership of parent	-	-	-	-	-	(9)	(9)	9	-
Minority interests from company de-registrations	-	-	-	-	-	-	-	-	-
Minority interests from the acquisition of companies	-	-	-	-	-	-	-	-	-
Corrections	-	-	-	-	(5)	37	31	-	31
Total December 31, 2017	26,412	2,182	39,348	-	(1,076)	79,572	146,438	1,007	147,445

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

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

HUNG CHING LING,
Administrator

VIORICA ZAINESCU,
Chief Financial Officer

PREPARED,

RADU ANDREI,
Chief Executive Officer

ROMCARBON S.A.**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Share capital</u>	<u>Share premiums</u>	<u>Revaluation reserves</u>	<u>Other reserves</u>	<u>Exchange differences on translating foreign operations</u>	<u>Retained earnings</u>	<u>Attributable to owners of the parent</u>	<u>Non-controlling interest</u>	<u>Total</u>
Total January 1, 2016	26,412	2,182	44,728	-	(1,480)	77,870	149,712	1,400	151,113
Dividends distributed	-	-	-	-	-	(2,245)	(2,245)	-	(2,245)
Increases from revaluation of property, plant and equipment	-	-	4,351	-	-	-	4,351	-	4,351
Decreases from revaluation of property, plant and equipment	-	-	(6,338)	-	-	-	(6,338)	-	(6,338)
Net profit / (loss) of the period	-	-	-	-	-	3,464	3,464	(178)	3,286
Transfer of reserves to retained earnings	-	-	(385)	-	-	385	-	-	-
Corrections of financial assets disposed and repossessed	-	-	-	-	-	549	549	-	549
Exchange differences on translating foreign operations	-	-	-	-	437	-	437	-	437
Corrections of ownership interests in associates during the year	-	-	52	-	-	-	52	-	52
Minority interests from company de-registrations*	-	-	-	-	-	-	-	(150)	(150)
Minority interests from the acquisition of companies	-	-	-	-	-	-	-	(1)	(1)
Corrections	-	-	-	-	-	9	9	-	9
Total December 31, 2016	26,412	2,182	42,407	-	(1,043)	80,032	149,990	1,072	151,062

*The decrease of minority interests is due to de-registration of Greensort Recycling SRL from the Trade Registry of and assignment of Next Eco Reciclyng SA (Note 30).

The general meeting of shareholders' decision of 28.04.2016 approved the distribution of RON 2,245,038 as dividends. The amount was entirely transferred to the Central Depository to pay the dividends owed to the shareholders.

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

HUNG CHING LING,
Administrator

PREPARED,
VIORICA ZAINESCU,
Chief Financial Officer

RADU ANDREI,
Chief Executive Officer

For signatures, please refer to the original Romanian version.

ROMCARBON S.A.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note	Year ended December 31, 2017	Year ended December 31, 2016
	<i>thousand LEI</i>	<i>thousand LEI</i>
Cash flows from operating activities:		
Gross profit / (loss) for the year	(341)	3,556
Finance expenses recognized in profit	2,607	3,060
(Gain) / Loss on sale or disposal of fixed assets	436	(115)
(Gain) / Loss on sale or disposal of investment property	(2,386)	-
Income from dividends	-	-
Loss on impairment of stocks	349	483
Loss on impairment of trade receivables	(343)	248
Loss on time-barred receivables	166	-
Loss on impairment of goodwill	-	-
Loss on impairment of property, plant and equipment	1,186	-
Amortization / Depreciation of non-current assets	16,226	14,851
Net (gain) / loss on foreign exchange	(28)	437
(Gain) / Loss on investment	(26)	2,329
(Gain) / Loss on revaluation of investment property	(1,490)	(759)
(Gain) / Loss from short-term investments	-	-
(Gain) / Loss on share of profit of associates	(539)	(3,904)
Increase / Decrease in provisions	(1)	257
Increases in subsidies	(3,987)	(3,889)
Movements in working capital:		
(Increase) / Decrease in trade and other receivables	(6,331)	7,787
(Increase) / Decrease in inventories	(1,412)	(9,604)
(Increase) / Decrease in other assets	781	632
Increase / (Decrease) in trade and other payables	7,482	(5,564)
Increase / (Decrease) in other payables	2,726	(134)
Cash generated by/used in operating activities	15,075	9,671
Interest paid	(2,336)	(2,657)
Income tax paid	(240)	(320)
Bank commissions paid	(271)	(402)
Net cash generated by operating activities	12,227	6,292
Cash flows from investing activities:		
Payments for property, plant and equipment	(12,108)	(13,203)
Payments for intangible assets	-	-
Proceeds from disposal of property, plant and equipment	1,824	-
Proceeds from subsidiaries	-	18,923
Proceeds from investments in associates	-	-
Acquisition of subsidiaries	-	-
Payments for investment property	-	(1,121)
Interest received	26	12
Dividends received	-	-
Net cash generated by / (used in) investing activities	(10,257)	4,611

ROMCARBON S.A.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

<u>Note</u>	<u>Year ended December 31, 2017</u>	<u>Year ended December 31, 2016</u>
	<i>thousand LEI</i>	<i>thousand LEI</i>
Cash flows from financing activities:		
(Repayment) / Drawings of borrowings	(4,399)	(12,938)
Lease payments	(1,110)	(1,190)
Dividends paid for non-controlling interest	(2,007)	(2,245)
Net cash generated by financing activities	(7,517)	(16,373)
Net decrease / (increase) in cash and cash equivalents	(5,547)	(5,470)
Cash and cash equivalents at the beginning of the year	11,544	17,014
Cash from subsidiaries acquired during the year	-	-
Cash and cash equivalents at the end of the year	5,997	11,544

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

PREPARED,

For signatures, please refer to the original Romanian version.

HUNG CHING LING,
Administrator

VIORICA ZAINESCU,
Chief Financial Officer

RADU ANDREI,
Chief Executive Officer

1. GENERAL INFORMATION

ROMCARBON S.A. (the "Parent") has its main office in Buzău, Str. Transilvaniei, nr. 132 and is organised as a joint-stock company with the following identification details: registered with the Registry of Commerce under no. J10/83/1991, Fiscal Code RO1158050. As at December 31, 2017 the Parent's shares were traded on the BSE and its main shareholders as at December 31, 2017 were Living Plastic Industry S.R.L., Joyful River Limited Loc. Nicosia CYP, BRAICONF SA, Stichting Bewaarder Overlevingsfonds, Unitai International Corporation.

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

As at December 31, 2017 the Parent was holding directly or through other subsidiaries, participating interest in the following entities, thus forming Romcarbon Group:

RC ENERGO INSTALL S.R.L. is a company established in 2005, where S.C. Romcarbon S.A. holds 100%. The company's main office is located in Buzău, Str. Transilvaniei, nr. 132. The company was established by outsourcing the maintenance and repair of water installations, sewage and substations; the main object of activity is Plumbing, heat and air conditioning installation (NACE code 4322).

ROMCARBON DEUTSCHLAND GMBH is a company established in 2013, wholly owned by S.C. Romcarbon S.A. The company's main office is located in Bergisch Gladbach, Germany. The company's main object of activity is trade with plastic finished products, recycling of plastic materials and purchase of plastic waste. As at the date of these financial statements, the company is under voluntary liquidation.

LIVINGJUMBO INDUSTRY S.A. is a company established in 2002, where S.C. Romcarbon S.A. has held since 2011 99% of the shares and the remaining shares are held by legal persons. The company's main office is located in Buzău, Str. Transilvaniei, nr. 132. The company's main object of activity is Manufacture of plastic packing goods (NACE code 2222).

INFO TECH SOLUTIONS S.R.L. is a company established in 2005, where S.C. Romcarbon S.A. holds 99.00% of the shares and the remaining shares are held by natural persons. The company's main office is located in Buzău, Str. Transilvaniei, nr. 132. The company was established by outsourcing the IT services and its main object of activity is Data processing, hosting and related activities (NACE code 6311) or Computer consultancy activities (NACE code 6202).

YENKI S.R.L. is a company established in 2007, where S.C. Romcarbon S.A. holds 25.00% of the shares and the remaining shares are held by Romanian legal and natural persons. The company's main office is located at Soseaua Nordului, DN2, Buzău. The company's main object of activity is Operation of sports facilities (NACE code 9311).

GRINFILD UKRAINE is a company established in 2007, where SC Romcarbon SA holds 62.62% of the shares and the remaining shares are held by foreign legal persons. The company's main office is located in Ukraine, Odessa region, Krijianivka locality, Str. Mikolayevska, Bl. 2. The company's main object of activity is wholesale.

GRINRUH LLC UKRAINE is a company established in 2007, where SC Romcarbon SA holds 62.62%. The company's main office is located in Ukraine, Odessa region, Krijianivka locality, Str. Mikolayevska, Bl. 2. The company's main object of activity is construction and other wholesale.

1. GENERAL INFORMATION (continued)

"Greenlife" Ecological Association, established in accordance with GO no. 26/2000, is a non-governmental, non-profit and non-political organization. The association's patrimony amounts to RON 1,200. The association's purpose is to represent, promote and support the employer and professional interests of its members in the relationship with public authorities and other legal and natural persons, to consolidate their authority and social renown and to act towards modernizing the developing the field regarding environmental protection according to the international rules and standards. Also, the association sets itself to promote human solidarity, by organizing and supporting humanitarian actions. The association was established by SC Greenfiber International SA, SC Greentech SA and SC Romcarbon SA as founding members, each holding 33.33% of its patrimony.

RECYPLAT LTD is a company established in 2011, wholly owned by SC Romcarbon SA. The company's main office is located in Akropoleos, 59-61, 3rd floor, Nicosia, Cyprus. The company's main object of activity is the Conduct of activities and business of consultants, experts in all scientific fields, financial, administrative or otherwise, in relation to the setting up, operation, development and improvement of any business, industry, company, partnership or other organization.

ECO PACK MANAGEMENT SA is a company established in 2010, where SC Romcarbon SA directly holds 25.36% and 74.62%, indirectly through LivingJumbo Industry SA. The remaining shares are held by Romanian legal persons. The company's main office is located in Bucharest, sector 2, str. Barbu Vacarescu (formerly, Fabrica de Glucoza 2-4), nr. 164A, etaj 3, within Building C3 – Office Building. The company's main object of activity is - NACE code 8299 - Other business support service activities n.e.c.

PROJECT ADVICE SRL is a company established in 2010, where SC Romcarbon SA indirectly holds 99%. The company's main office is located in Iasi, Calea CHISINAULUI, Nr. 29, Pavilion Administrativ A, camera nr. 2, Etaj 1. The company's object of activity is – NACE code 7022 - Business and other management consultancy activities. As presented in note 29, this subsidiary was purchased in 2017.

In July 2016, the Group sold its ownership of 70% in the share capital of NEXT ECO RECYCLING SA (company established in 2011, whose main object of activity is NACE code 8299 - Other business support service activities n.e.c.). The group had purchased this company in December 2015.

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

ROMGREEN UNIVERSAL LTD Cyprus is a company established in 2011, where SC Romcarbon SA indirectly holds 17.5879% through Recyplat LTD Cyprus. The company's main office is located in 2 Prodromou & Dimitrakopoulou, 5th floor, 1090 Cyprus. The company's object of activity is the conduct of activities and business of consultants, experts in all scientific fields, financial, administrative or otherwise, in relation to the setting up, operation, development and improvement of any business, industry, company, partnership or other organization.

GREENFIBER INTERNATIONAL SA is a company established in 2004, where SC Romcarbon SA indirectly holds 17.4681% of the shares. The company's main office is located in Buzău, Aleea Industriilor, no. 17. The company's main object of activity is Manufacture of man-made fibres (NACE code 2060).

GREENTECH DOO SERBIA is a company established in 2005, where SC Romcarbon SA indirectly holds 15.7214% of the shares. The company's main office is located in Serbia, Backa Palanka, str. Zarka Zrenjanina nr. 152. The company's main object of activity is the recycling of non-metallic waste and scraps.

GREENTECH RECYCLING DEUTSCHLAND GMBH is a company established in 2010, where SC Romcarbon SA indirectly holds 17.4681% of the shares. The company's main office is located in Bergisch Gladbach, Germany. The company's main object of activity is trade with plastics and recycling of plastic waste. As at the date of these financial statements, the company is under voluntary liquidation.

GREENTECH DOO MACEDONIA is a company established in 2007, where SC Romcarbon SA indirectly holds 15.6288% of the shares and the remaining shares are held by foreign natural persons. The company's main office is located in Macedonia, Skopje, bd. Romanija b.b Gazela, 1000. The company's main object of activity is Recycling of non-metallic waste and scraps.

1. GENERAL INFORMATION (continued)

GREENTECH SA is a company established in 2002, where SC Romcarbon SA indirectly holds 17.5875% of the shares and the remaining shares are held by foreign and Romanian natural and legal persons. The company's main office is located in Buzău, Aleea Industriilor, nr. 17. The company's main object of activity is Recovery of sorted materials (NACE code 3832).

GREENWEEE INTERNATIONAL SA is a company established in 2007 where SC Romcarbon SA indirectly holds 17.59% of the shares. The company's main office is located in Buzău, Comuna Tintesti, Str. Ferma Frasinu. The company's object of activity is dismantling of wrecks for materials recovery (NACE code 3831).

GREENWEEE INTERNATIONAL HUNGARY KFT is a company established in 2011, where SC Romcarbon SA indirectly holds 17.5879% and the remaining shares are held by foreign natural and legal persons. The company's main office is located in 1051 Budapest, Dorottya utca 9.2. em. 1. The company's object of activity is Management of used waste and treatment of other waste.

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

TOTAL WASTE MANAGEMENT SRL is a company established in 2005. In 2012, it changed its object of activity from Business and other management consultancy activities (NACE code 7022) to Collection of non-hazardous waste (NACE code 3811). The company's main office is located in Buzău, Str. Aleea Industriilor, nr. 17. As at the date of these financial statements, SC Romcarbon SA was indirectly holding 17.5249% of the share capital.

GREENGLASS RECYCLING SA is a company established in 2013, where SC Romcarbon SA indirectly holds 12.3116% of the shares and the remaining shares are held by natural and legal persons. The company's main office is located in Buzău, Str. Aleea Industriilor, nr. 17, pav. Comercial, Et. 1, Cam. 2. The company's main object of activity is Recovery of sorted materials (NACE code 3832).

In June 2016, SC GREENFIBER INTERNATIONAL SA disposed its 60% holding in GREENFIBER HELLAS (a company established in 2008 whose main object of activity was the recycling of scraps and non-metal waste).

GREEN RESOURCES MANAGEMENT is a company established in 2016 where SC Romcarbon SA indirectly holds 11.68%. The company's main office is located in Buzău, Str. Transilvaniei, nr.132, Remiza PSI Camera 1. The company's object of activity is Business and other management consultancy activities (NACE code 7022).

GREENTECH BALTIC UAB LITUANIA is a company established in 2016 where SC Romcarbon SA indirectly holds 12.79%. The company's main office is located in Vilnius, Sandeliu g.16. The company's object of activity is commercial, economic, financial and industrial activity.

In July 2016, the shareholders of ROMGREEN UNIVERSAL LTD decided to increase the share capital of the company by issuing 11,800 shares (11,252 Class A shares and 548 Class b shares) at a nominal value of EUR 1/share. The capital increase was performed by an issuance premium of EUR 624.7015/share.

RECYPLAT LTD, a company 100% held by ROMCARBON SA, did not participate in this increase, therefore the shareholding in ROMGREEN UNIVERSAL dropped to 17.5879%.

In July 2016, ROMGREEN UNIVERSAL LTD increased its holding in subsidiaries by purchase of shares from minority shareholders. Consequently, the holding shares of RECYPLAT LTD in such companies also changed.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**
1. GENERAL INFORMATION (continued)

Name	Place of establishment	Object of activity	Interest %	Control %	Cost as at 31.12.2017	Interest %	Control %	Cost as at 31.12.2016
S.C. Greenweee International S.A.	Romania	Dismantling of wrecks for materials recovery	17.59%	17.59%	-	17.59%	17.59%	-
Greenfiber International S.A.	Romania	Manufacture of man-made fibres	17.47%	17.47%	-	17.47%	17.47%	-
Greenweee International Hungary KFT	Hungary	Management of used waste and treatment of other waste	17.59%	17.59%	-	17.59%	17.59%	-
LivingJumbo Industry S.A.	Romania	Manufacture of plastic packing goods	99.00%	99.00%	1,639,232	99.00%	99.00%	1,639,232
Greentech DOO Serbia	Serbia	Recycling of non-metallic waste and scraps	15.72%	15.72%	-	15.72%	15.72%	-
Grinteh MK DOO Macedonia	Macedonia	Recycling of non-metallic waste and scraps	15.63%	15.63%	-	15.63%	15.63%	-
GREENTECH BALTIC UAB Lithuania	Lithuania	Commercial, economic, financial and industrial activity	12.79%	12.79%	-	-	-	-
Grinfil LLC Ukraine	Ukraine	Wholesale trade	62.62%	62.62%	2,687,755	62.62%	62.62%	2,687,755
Grinruh LLC Ukraine	Ukraine	Wholesale trade	62.62%	62.62%	4,426,809	62.62%	62.62%	4,426,809
RC Energo Install S.R.L.	Romania	Plumbing, heat and air conditioning installation	100.00%	100.00%	15,112	100.00%	100.00%	15,112
Info Tech Solutions S.R.L.	Romania	Data processing, hosting and related activities	99.50%	99.50%	1,980	99.50%	99.50%	1,980
Total Waste Management S.R.L.	Romania	Collection of non-hazardous waste	17.52%	17.52%	-	17.52%	17.52%	-
Greentech SA	Romania	Recovery of sorted materials	17.59%	17.59%	-	17.59%	17.59%	-
Greentech Recycling Deutschland GMBH	Germany	Trade with plastics and recycling of plastic waste	17.47%	17.47%	-	17.47%	17.47%	-

1. GENERAL INFORMATION (continued)

	<u>Place of establishment</u>	<u>Object of activity</u>	<u>Interest%</u>	<u>Control %</u>	<u>Cost as at 31.12.2017</u>	<u>Interest %</u>	<u>Control %</u>	<u>Cost as at 31.12.2016</u>
"Greenlife" Ecological Association	Romania		-	-	-	33.33%	45.00%	-
Recyplat LTD	Cyprus	Business and other management consultancy activities	100.00%	100.00%	20,261,120	100.00%	100.00%	20,857,287
Romgreen Universal Cipru	Cyprus	Business and other management consultancy activities	17.59%	17.59%	-	17.59%	17.59%	-
Greenlamp Reciclare SA	Romania	Treatment and disposal of hazardous waste	17.58%	17.58%	-	17.58%	17.58%	-
Eco Pack Management SA	Romania	Other business support service activities n.e.c.	99.24%	99.24%	2,619,254	99.24%	99.24%	2,619,254
Romcarbon Deutschland GMBH	Germany	Trade with plastic finished products, recycling of plastic materials and purchase of plastic waste	100.00%	100.00%	110,138	100.00%	100.00%	110,138
Arch Development Associates SRL	Romania	Real estate development	0%	0%	-	0.23%	0.23%	1,020
Project Advice SRL	Romania	Business and other management consultancy activities	99%	99%	500	-	-	-
Green Resources Management SRL	Romania	Consultancy and management	11.68%	11.68%	-	99.00%	99.00%	200

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

The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS") effective on the Company's reporting date, i.e. December 31, 2017 and in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016 approving the Accounting regulations compliant with International Financial Reporting Standards, applicable to companies whose securities are admitted to trading on a regulated market, with subsequent amendments and clarifications. Such provisions are consistent with the requirements of the International Financial Reporting Standards adopted by the European Union.

Bases of preparation

The consolidated financial statements were prepared on a going concern basis, at historical cost, adjusted to hyperinflation as at December 31, 2003 for fixed assets, share capital and reserves.

The financial statements are prepared based on the statutory accounts kept in accordance with Romanian accounting principles, adjusted for compliance with IFRS.

The main accounting policies are described below.

Bases of consolidation

The consolidated financial statements include the financial statements of the Parent, of its subsidiaries and joint ventures. Control is obtained when the Parent has the power to govern the financing and operating policies of an entity to acquire benefits from the latter's activities.

The profit of the subsidiary acquired during the year is included in the consolidated income statement as at the acquisition date.

Where required, the subsidiary's financial statements are corrected to adjust its accounting policies in accordance with the policies used by the Parent.

All group transactions, balances, income and expenses are completely eliminated from the consolidation.

Non-controlling interests in net assets (excluding goodwill) of the subsidiary are disclosed separately from the Group's equity. Non-controlling interests consist in the sum of interests as at the date of the original business combination (see below) and the non-controlling share in changes in equity starting from the combination date. Losses corresponding to the minority, which exceed the non-controlling interest held in the subsidiary's equity are allocated as compared to the Group's interests, except if the minority holds an obligation and can make additional investments to cover losses.

Standards and Interpretations effective in the current period

The following standards, amendments to the existing standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the European Union are effective for the current period:

- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures"** - Investment Entities: Applying the Consolidation Exception - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2016),

2. MAIN ACCOUNTING PRINCIPLES (continued)

- **Amendments to IFRS 11 "Joint Arrangements"** – Accounting for Acquisitions of Interests in Joint Operations - adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 1 "Presentation of Financial Statements"** - Disclosure Initiative - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets"** - Clarification of Acceptable Methods of Depreciation and Amortisation - adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture"** - Bearer Plants - adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 19 "Employee Benefits"** - Defined Benefit Plans: Employee Contributions - adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),
- **Amendments to IAS 27 "Separate Financial Statements"** - Equity Method in Separate Financial Statements - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)"** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 17 December 2014 (amendments are to be applied for annual periods beginning on or after 1 February 2015),
- **Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)"** resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 15 December 2015 (amendments are to be applied for annual periods beginning on or after 1 January 2016).

The adoption of these amendments to the existing standards has not led to any material changes in the Group's financial statements.

Standards and Interpretations issued by IASB and adopted by the EU, but not yet effective

At the date of authorisation of these financial statements the following standards, amendments to the existing standards and interpretations issued by IASB and adopted by the EU were in issue, but not yet effective:

- **IFRS 9 "Financial Instruments"** - adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 15 "Revenue from Contracts with Customers"** and amendments to IFRS 15 "Effective date of IFRS 15" - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018).

2. MAIN ACCOUNTING PRINCIPLES (continued)**Standards and Interpretations issued by IASB but not yet adopted by the EU**

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use in EU as at the date of publication of financial statements (the effective dates stated below is for IFRS in full):

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **IFRS 16 "Leases"** (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IFRS 2 "Share-based Payment"** - Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 4 "Insurance Contracts"** - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 "Financial Instruments" is applied first time),
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),
- **Amendments to IFRS 15 "Revenue from Contracts with Customers"** - Clarifications to IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IAS 7 "Statement of Cash Flows"** - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017),
- **Amendments to IAS 12 "Income Taxes"** - Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017),
- **Amendments to IAS 40 "Investment Property"** - Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to various standards "Improvements to IFRSs (cycle 2014-2016)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (amendments to IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017 and amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018),
- **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** (effective for annual periods beginning on or after 1 January 2018).

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

2. MAIN ACCOUNTING PRINCIPLES (continued)

At the same time, foreign exchange hedge accounting regarding the portfolio of financial assets and liabilities, whose principals have not been adopted by the EU, is still unregulated.

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

More details about individual standards, amendments to existing standards and interpretations:

- **IFRS 9 "Financial Instruments"** issued on 24 July 2014 is the standard that replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes requirements regarding financial instruments, in terms of recognition, classification and measurement, impairment, derecognition and general hedge accounting.

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

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

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

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

- **IFRS 14 "Regulatory Deferral Accounts"** issued by IASB on 30 January 2014. This standard is intended to allow entities that are first-time adopters of IFRS, and that currently recognise regulatory deferral accounts in accordance with their previous GAAP, to continue to do so upon transition to IFRS;
- **IFRS 15 "Revenue from Contracts with Customers"** issued by IASB on 28 May 2014 (on 11 September 2015 IASB deferred effective date of IFRS 15 to 1 January 2018 and on 12 April 2016 IASB made clarifications to this standard). IFRS 15 specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

2. MAIN ACCOUNTING PRINCIPLES (continued)

- **IFRS 16 "Leases"** issued by IASB on 13 January 2016. Under IFRS 16 a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate. As with IFRS 16's predecessor, IAS 17, lessors classify leases as operating or finance in nature. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease. For finance leases a lessor recognizes finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognizes operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis.
- **Amendments to IFRS 2 "Share-based Payment" - Classification and Measurement of Share-based Payment Transactions** issued by IASB on 20 June 2016. The amendments provide requirements on the accounting for: (a) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (b) share-based payment transactions with a net settlement feature for withholding tax obligations; and (c) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.
- **Amendments to IFRS 4 "Insurance Contracts" - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts** issued by IASB on 12 September 2016. The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing the replacement standard that the Board is developing for IFRS 4.
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** issued by IASB on 11 September 2014 (on 17 December 2015 IASB deferred indefinitely effective date). The amendments address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.
- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures" - Investment Entities: Applying the Consolidation Exception** issued by IASB on 18 December 2014. The narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28 introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances.
- **Amendments to IFRS 11 "Joint Arrangements" - Accounting for Acquisitions of Interests in Joint Operations** issued by IASB on 6 May 2014. The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

2. MAIN ACCOUNTING PRINCIPLES (continued)

- **Amendments to IAS 1 "Presentation of Financial Statements" - Disclosure Initiative** issued by IASB on 18 December 2014. The amendments to IAS 1 are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.
- **Amendments to IAS 7 "Statement of Cash Flows" - Disclosure Initiative** issued by IASB on 29 January 2016. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.
- **Amendments to IAS 12 "Income Taxes" - Recognition of Deferred Tax Assets for Unrealized Losses** issued by IASB on 19 January 2016. The amendments to IAS 12 clarify how to account for deferred tax assets related to debt instruments measured at fair value.
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" - Clarification of Acceptable Methods of Depreciation and Amortization** issued by IASB on 12 May 2014. Amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. Amendments also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" - Agriculture: Bearer Plants** issued by IASB on 30 June 2014. The amendments bring bearer plants, which are used solely to grow produce, into the scope of IAS 16 so that they are accounted for in the same way as property, plant and equipment.
- **Amendments to IAS 19 "Employee Benefits" - Defined Benefit Plans: Employee Contributions** issued by IASB on 21 November 2013. The narrow scope of amendments applies to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.
- **Amendments to IAS 27 "Consolidated Financial Statements" - Equity Method in Separate Financial Statements** issued by IASB on 12 August 2014. The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

2. MAIN ACCOUNTING PRINCIPLES (continued)

- **Amendments to IAS 40 "Investment Property"** - Transfers of Investment Property issued by IASB on 8 December 2016. The amendments state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. Amendments also state that the list of evidence in paragraph 57 was designated as non-exhaustive list of examples instead of the previous exhaustive list.
- **Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)"** issued by IASB on 12 December 2013. Amendments to various standards resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording. The most important changes include new or revised requirements regarding: (i) definition of 'vesting condition'; (ii) accounting for contingent consideration in a business combination; (iii) aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets; (iv) measuring short-term receivables and payables; (v) proportionate restatement of accumulated depreciation application in revaluation method and (vi) clarification on key management personnel.
- **Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)"** issued by IASB on 25 September 2014. Amendments to various standards resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording. Changes include new or revised requirements regarding: (i) changes in methods of disposal; (ii) servicing contracts; (iii) applicability of the amendments to IFRS 7 to condensed interim financial statements; (iv) discount rate: regional market issue; (v) disclosure of information 'elsewhere in the interim financial report'.
- **Amendments to various standards "Improvements to IFRSs (cycle 2014-2016)"** issued by IASB on 8 December 2016. Amendments to various standards resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording. Changes include: (i) deletion of the short-term exemptions in paragraphs E3-E7 of IFRS 1, because they have now served their intended purpose, (ii) clarification of the scope of the IFRS 12 by specifying that the disclosure requirements in IFRS 12, except for those in paragraphs B10-B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", (iii) clarification of the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.
- **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** issued by IASB on 8 December 2016. Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

2. MAIN ACCOUNTING PRINCIPLES (continued)**Business combination**

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

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

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

Interests in joint ventures

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

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

Goodwill

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

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

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

2. MAIN ACCOUNTING PRINCIPLES (continued)**Income recognition**

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

Sale of goods

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

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

Dividend and interest income

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

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

Lease

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

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

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

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

2. MAIN ACCOUNTING POLICIES (continued)**Foreign currency transactions**

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

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

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

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

Costs related to long-term borrowings

Costs related to long-term borrowings directly attributable to the acquisition, construction or production of assets, which require a substantial amount of time to be used or for sale are added to the cost of such assets, until such assets are ready to be used according to their purpose or for sale.

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

Government subsidies

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

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

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

Employee contributions

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

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

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

Current tax

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

Provisions for taxes and levies

As at December 31, 2017 the Group's financial statements include revaluation reserves. Based on the latest provisions of current legislation, such reserves may become taxable if their destination changed, by using them to cover accounting losses or by the Group's winding up. The Group's management considers that there is no intention to use such reserves to cover accounting losses. Nevertheless, if such reserves are used to cover losses, the Group must register an income tax liability in connection with such reserves.

Deferred tax

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

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

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

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

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

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

Current and deferred tax for the period

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

Property, plant and equipment

Land and buildings held to be used in the production or delivery of goods or services or for administrative purposes are recorded in the balance sheet at historical value adjusted to the effect of hyperinflation as at December 31, 2003, according to IAS 29 Financial Reporting in Hyperinflationary Economies less the subsequently accumulated depreciation and other losses of value.

As of December 31, 2013 the Group companies conducted a valuation of land and buildings based on a valuation report issued by a professional valuer, in order to determine the fair value thereof as at the balance sheet date. The increases in the book values of tangible assets further to valuation were credited to Revaluation reserves under Equity.

As of December 31, 2016 the Group companies conducted a revaluation of land and buildings based on a valuation report issued by a professional valuer, in order to determine the fair value thereof as at the balance sheet date. The increases in the book values of tangible assets further to valuation were credited to Revaluation reserves under Equity. The decreases in the book values were debited to Revaluation reserves under Equity up to the level previously credited and the difference was registered to profit or loss.

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

The buildings' depreciation is charged to the income statement.

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

Plant and equipment are recorded in the balance sheet at historical cost adjusted to the effect of hyperinflation as at December 31, 2003, in accordance with IAS 29 Financial Reporting in Hyperinflationary Economies less the subsequently accumulated depreciation and impairment losses.

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

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

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

The following useful lives are used in the depreciation calculation:

	<u>Years</u>
Buildings	5 – 45
Plant and equipment	3 – 20
Other installations, office equipment	3 – 30
Vehicles in finance lease	5 – 6

Investment property

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

Intangible assetsIntangible assets acquired separately

Intangible assets acquired separately are carried at cost less accumulated amortization. Amortization is calculated on a straight line basis throughout their useful life. The estimated useful life and method of amortization are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The calculation of amortization uses the following useful lives:

	<u>Years</u>
Licenses	1 – 5

Impairment of tangible and intangible assets, goodwill exclusively

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the Group estimates the recoverable amount of the asset in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation cannot be identified, tangible assets are allocated to the smallest group of cash-generating units for which a consistent and reasonable allocation basis can be identified.

2. MAIN ACCOUNTING POLICIES (continued)**Impairment of tangible and intangible assets, goodwill exclusively**

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

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

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

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

Inventories

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

Provisions

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

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

Warranties

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

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

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

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

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

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

Financial assets available for sale (AFS)

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

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

Impairment of financial assets

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

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

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

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

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

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

De-recognition of assets and liabilities

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

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

Use of estimates

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

3. INCOME

An analysis of the Group's income for 2017 is presented below:

	Year ended December 31, 2017	Year ended December 31, 2016
	<i>thousand LEI</i>	<i>thousand LEI</i>
Income from sale of finished products	201,489	165,530
Income from sale of commodities	26,633	39,169
Income from services delivered	7,160	18,245
Other income (income from sale of semi-finished goods, residual goods, other income)	16,711	15,293
Total	251,993	238,236

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**
3. INCOME (continued)

Segment reporting	Year ended December 31, 2017	Year ended December 31, 2016
	<i>thousand LEI</i>	<i>thousand LEI</i>
Sales on domestic market (Romania)	161,078	166,687
Sales on foreign market (Europe)	90,310	71,449
Other (Israel, Taiwan)	605	100
Total	251,993	238,236

	Segment income		Segment profit	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>
Plastics	178,472	154,066	17,689	28,597
Compound recycled products	32,046	18,246	3,817	534
Other productive sectors	6,927	7,480	1,206	1,825
Other	34,548	58,444	4,398	684
Total from operations	251,993	238,236	27,110	31,640
Investment income	-	-	2,430	1,989
Other income	-	-	3,987	3,889
Administrative and salary expenses	-	-	(31,261)	(30,903)
Finance expenses	-	-	(2,607)	(3,060)
Profit before taxation	-	-	(341)	3,555

	Year ended December 31, 2017	Year ended December 31, 2016
	<i>thousand LEI</i>	<i>thousand LEI</i>
Investment income		
Rental income	2,404	1,976
Dividends from related parties	-	-
Interest Income	26	13
Other income	-	-
Total	2,430	1,989

3. INCOME (continued)

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

“**Compounds – Recycled products**” segment includes income from sale of compounds and re-granulated materials made of recycled polymers and plastics compounds made of virgin polymers used by the processors of plastics products that manufacture items for various uses in the automotive industry, the electrical and household industry, furniture, constructions, pipes, packaging, etc.

Other productive sectors include the following groups of products:

- “**Materials for respiratory protection and activated coal**” include respiratory protection equipment used by the big chemical and petrochemical plants in the country as well as activated coal applied in different actions of purification of methane in the biodegradation of household waste, pit soil reclamation, retention of toxic gas from incinerators, etc.
- “**Filters**” include sales of oil, fuel and air filters for both motor vehicles and industrial use.
- “**Processed PVC**” includes products made of recycled materials used to produce traffic signs.

ROMCARBON S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

3. INCOME (continued)

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

Assets and liabilities		Asset segment		Liability segment	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
		<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>
Romcarbon, LivingJumbo	Polyethylene + polystyrene + polypropylene plastics	144,865	147,075	126,538	124,812
Romcarbon	Compound recycled products	89,968	93,079	35,588	37,687
Romcarbon	Other productive sectors	4,535	14,666	3,415	4,462
Romcarbon	Other activities	104,286	95,075	30,668	31,872
Total assets/liabilities		343,654	349,895	196,209	198,833

Depreciation and non-current assets additions		Depreciation segment		Segment of non-current assets additions *	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
		<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>
Romcarbon, LivingJumbo	Polyethylene + polystyrene + polypropylene plastics	9,175	8,899	5,934	4,554
Romcarbon	Compound recycled products	4,945	4,447	1,963	6,138
Romcarbon	Other productive sectors	195	85	7	16
Romcarbon	Other activities	1,911	1,420	2,759	3,210
Total		16,226	14,851	10,681	13,918

* Non-current assets additions represent inflows of fixed assets during the year and do not include inflows from purchases of subsidiaries.

In "Other activities" segment, the Group has one client (Kasakrom Chemicals SRL) whose turnover represents 8% (14% in 2016) of the Group's income accounts.

This is a free translation from the original Romanian version.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**
4. RAW MATERIALS AND CONSUMABLES USED

	Year ended December 31, 2017	Year ended December 31, 2016
	<i>thousand LEI</i>	<i>thousand LEI</i>
Raw materials	98,172	77,661
Commodities sold	9,686	10,167
Energy expenses	9,764	8,611
Goods sold	48,438	50,940
Packaging cost	810	461
	166,870	147,840

5. OTHER GAINS AND LOSSES

	Year ended December 31, 2017	Year ended December 31, 2016
	<i>thousand LEI</i>	<i>thousand LEI</i>
Income from the sale of fixed assets	1,824	1,027
Other income	276	1,015
FOREX gains	2,715	4,551
FOREX losses	(4,910)	(4,934)
Income / (Expenses) from changes in fair value of investment property	3,876	750
Income / (Expenses) from assets disposed and capital operations	(3,179)	(3,256)
Client allowances	(188)	(731)
Compensations, fines and penalties	676	476
Net income from provisions	194	161
Other finance expenses	28	(445)
Other general expenses	(1,186)	-
Other financial income	-	1
Total	126	(1,386)

6. DEPRECIATION AND AMORTIZATION EXPENSE

	Year ended December 31, 2017	Year ended December 31, 2016
	<i>thousand LEI</i>	<i>thousand LEI</i>
Amortization/depreciation	16,226	14,851
of which:		
Depreciation of property, plant and equipment	15,964	14,649
Amortization of intangible assets	262	202

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**
7. EXPENSES WITH SALARIES AND SOCIAL LEVIES

	Year ended December 31, 2017	Year ended December 31, 2016
	<i>thousand LEI</i>	<i>thousand LEI</i>
Salaries	47,514	39,346
Social contributions	11,382	9,384
Meal tickets	2,785	2,461
Total	61,681	51,191

8. FINANCE COSTS

	Year ended December 31, 2017	Year ended December 31, 2016
	<i>thousand LEI</i>	<i>thousand LEI</i>
Total interest	2,336	2,657
of which:		
Interest	2,336	2,657
Bank commissions and assimilated charges	271	43
Total	2,607	3,060

9. OTHER EXPENSES

	Year ended December 31, 2017	Year ended December 31, 2016
	<i>thousand LEI</i>	<i>thousand LEI</i>
Expenses with repairs	652	418
Expenses with rents	361	503
Expenses with insurance premiums	380	398
Research expenses	-	-
Other expenses with commissions	286	149
Protocol, advertising and publicity expenses	951	973
Transport	6,673	6,022
Expenses with travels	231	202
Expenses with postal charges and telecommunications	229	234
Expenses with third party services	6,907	14,935
Other taxes and levies	1,203	882
Losses on receivables and sundry debtors	166	56
Expenses with indemnifications, fines and penalties	6	167
Other expenses	505	5,379
Total	18,550	30,318

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**
10. INCOME TAX
Income tax expenses

Income tax expenses comprise:	Year ended December 31, 2017	Year ended December 31, 2016
	<i>thousand LEI</i>	<i>thousand LEI</i>
Current income tax expense	934	945
Deferred tax income expense / (income)	290	(675)
Total expense (income) with income tax	1,224	270

The tax rate applied for the reconciliation above related to 2016 and 2017 is 16% and is due by all Romanian legal persons.

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

	Year ended December 31, 2017	Year ended December 31, 2016
	<i>thousand LEI</i>	<i>thousand LEI</i>
Profit before taxation	(342)	3,555
Tax calculated according to the 16% rate	(55)	569
Effect of non-taxable income	(513)	(1,116)
Sponsorship deductions	2	-
Exemption of reinvested profit	(251)	(620)
Tax loss from previous years	251	620
Effect of deferred tax	290	(675)
Effect of non-deductible expenses	1,499	1,492
Expense with income tax recognized in income statement	1,224	270

Components of deferred tax liabilities

	Year ended December 31, 2017	Year ended December 31, 2016
	<i>thousand LEI</i>	<i>thousand LEI</i>
Property, plant and equipment	9,248	9,186
Investment property	1,878	1,640
Inventories	(229)	(201)
Trade and other receivables	(139)	(157)
Other	-	-
Recognized deferred income tax liabilities	10,758	10,468
of which: deferred tax on revaluation reserves from comprehensive income	9,892	9,830

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FOR THE YEAR ENDED DECEMBER 31, 2017

10. INCOME TAX (continued)

	Year ended December 31, 2017	Year ended December 31, 2016
	<i>thousand LEI</i>	<i>thousand LEI</i>
Opening balance as at January 1	10,468	11,142
(Expense) / Income during the year		
- movement from revaluation reserves	-	(675)
- recognized in income statement	290	-
- from acquisition of subsidiaries	-	-
Closing balance as at December 31	10,758	10,468

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**
11. PROPERTY, PLANT AND EQUIPMENT

	<u>Land</u> <i>thousand LEI</i>	<u>Constructions</u> <i>thousand LEI</i>	<u>Plant and equipment</u> <i>thousand LEI</i>	<u>Other fixtures, plant and furniture</u> <i>thousand LEI</i>	<u>Tangible assets in progress and advances</u> <i>thousand LEI</i>	<u>Total</u> <i>thousand LEI</i>
COST						
Balance as at January 1, 2017	48,156	22,202	168,024	1,430	10,315	250,127
Additions, of which	725	4,010	5,802	127	10,586	21,250
- Transfers	725	4,010	5,090	111	-	9,945
- Revaluation	-	-	-	-	-	-
Disposals, of which	2,247	877	401	79	12,667	16,271
- Transfers, of which	-	-	-	-	12,532	12,532
- Transfers to investment property	-	-	-	-	2,587	2,587
- Revaluation	-	-	-	-	-	-
Balance as at December 31, 2017	46,634	25,335	173,425	1,478	8,234	255,106
Balance as at January 1, 2016	54,522	19,824	159,622	1,411	7,394	242,774
Additions, of which	-	8,758	9,153	126	14,590	32,637
- Transfers	-	3,011	7,080	76	1,113	11,280
- Revaluation	-	4,351	-	-	-	4,351
Disposals, of which	6,366	6,380	751	108	11,669	25,275
- Transfers	-	-	-	-	11,280	11,280
- Revaluation	6,239	4,648	-	-	-	10,887
Balance as at December 31, 2016	48,156	22,202	168,024	1,430	10,315	250,126

In 2017, the additions of fixed assets were in amount of RON 10,664 thousand (excluding advances and property, plant and equipment in progress) of which the amount of RON 5,415 thousand for Romcarbon, RON 4,845 thousand for LivingJumbo Industry and RON 412 thousand for RC Energo Install.

ROMCARBON S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

11. PROPERTY, PLANT AND EQUIPMENT (continued)

	<u>Land</u> <i>thousand LEI</i>	<u>Buildings</u> <i>thousand LEI</i>	<u>Plant and equipment</u> <i>thousand LEI</i>	<u>Installations and furniture</u> <i>thousand LEI</i>	<u>Tangible assets in progress</u> <i>thousand LEI</i>	<u>Total</u> <i>thousand LEI</i>
ACUMULATED DEPRECIATION						
Balance as at January 1, 2017	15	397	53,598	709	-	54,720
Depreciation charge	4	2,030	13,804	128	-	15,964
Disposals from sale of assets	-	9	100	72	-	181
Revaluation decrease	-	-	-	-	-	-
Balance as at December 31, 2017	19	2,418	67,302	765	-	70,503
Balance as at January 1, 2016	11	3,562	41,049	658	-	45,282
Depreciation charge	4	1,408	13,128	109	-	14,649
Disposals from sale of assets	-	(292)	(580)	(58)	-	(929)
Revaluation decrease	-	(4,282)	-	-	-	(4,282)
Balance as at December 31, 2016	15	397	53,598	709	-	54,720
IMPAIRMENT						
Balance as at January 1, 2017	-	-	-	-	-	-
Impairment allowances	-	-	-	-	1,186	1,186
Balance as at December 31, 2017	-	-	-	-	1,186	1,186
NET BOOK VALUE						
As at December 31, 2017	46,615	22,917	106,123	713	7,048	183,416
As at December 31, 2016	48,141	21,805	114,425	720	10,325	195,416

11. PROPERTY, PLANT AND EQUIPMENT (continued)

As at December 31, 2013 the Company revaluated tangible assets from the land and buildings category using the services of an independent valuator. The differences in value reflected in the financial statements ended December 31, 2013 amounted to LEI 29,101 thousand.

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

Further to the revaluation, the value of the land and buildings decreased by LEI 6,536,396 (the land value decreased by LEI 6,239,033 and value of buildings and constructions decreased by RON 297,363).

The net book value of tangible assets under finance lease is LEI 973 thousand as at December 31, 2017 (LEI 6,793 thousand as at December 31, 2016).

Pledged and restricted tangible assets**ROMCARBON S.A.**

Tangible assets having a net book value of LEI 133,821 thousand as at December 31, 2017 (December 31, 2016: LEI 136,593 thousand) represent security for loans and credit lines contracted from: BRD GSG SA, UniCredit Bank and EXIMBANK SA. Some of the commercial banks issued letters of guarantee for the company's commercial partners. To issue such letters of guarantee, the company pledged fixed assets with a net book value of LEI 0 thousand as at December 31, 2017 (December 31, 2016: LEI 12,598 thousand).

Living Jumbo Industry S.A.

Tangible assets with a net book value of LEI 40,598 thousand as at December 31, 2017 (December 31, 2016: LEI 43,099 thousand) consisting of technical installations and equipment represent security for loans and credit lines contracted from BRD GSG and UniCredit Bank SA.

Guarantees granted to Group companies

ROMCARBON S.A. is guarantor in the following loans contracted by LivingJumbo Industry SA from UniCredit Bank SA as follows:

- in amount of EUR 607,200 (due in February 2024) secured by an immovable mortgage of subsequent rank over real estate located on Simileasca (DN2) ringroad, Buzau, identified by cadastral no. 59505 formerly 18740 (having a total surface area of 3,933 sq m) together with mortgage over the superficies right and the construction built by YENKI SRL SRC 22404794, holding cadastral number 59505-C1 (Land Registry no. 59505-C1) as well as over any constructions to be built on such properties, cadastral no. 67072 (having a total surface area of 33,436 sq m); cadastral no. 67075 (having a total surface area of 970 sq m) and cadastral no. 59507 formerly 18742 (having a total surface area of 70,231 sq m) located on Simileasca (DN2) ringroad, Buzau. As at December 31, 2017 the net book value of such real estate is LEI 10,745,466, and on real estate located in Iasi, Calea Chisinaului, nr. 29 identified by cadastral no. 148536 (having a total surface area of 8,103 sq m) having a net book value of as at December 31, 2017 of LEI 3,059,838;
- non-binding loan – cash line – in amount of EUR 450,000 (due in February 2024) secured by mortgage on tangible assets in the form of inventories at a value of maximum EUR 1,500,000.

ROMCARBON S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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12. GOODWILL

COST	Year ended December 31, 2017	Year ended December 31, 2016
	<i>thousand LEI</i>	<i>thousand LEI</i>
Balance at the beginning of the year	144	143
Additions from acquisition of subsidiaries	-	1
Impairment of goodwill	-	-
Disposals from sale of subsidiaries	1	-
Balance at the end of the year	143	144

According to International Financial Reporting Standards, goodwill is reviewed at the end of each reporting period for any impairment.

In 2016, the Group established Green Resources Management SRL.

In 2017, the Group yielded control on Green Resources Management SRL.

ROMCARBON S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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13. OTHER INTANGIBLE ASSETS

COST	Licenses <i>thousand LEI</i>	Other intangible assets <i>thousand LEI</i>	Intangible assets in progress <i>thousand LEI</i>	Total <i>thousand LEI</i>
Balance as at January 1, 2017	579	1,198	-	1,778
Additions	16	114	-	130
Disposals	(16)	(72)	-	(88)
Balance as at December 31, 2017	579	1,240	-	1,820
Balance as at January 1, 2016	453	1,213	-	1,667
Additions	137	386	-	523
Disposals	(11)	(401)	-	(412)
Balance as at December 31, 2016	579	1,198	-	1,778

13. OTHER INTANGIBLE ASSETS (continued)

	Licenses	Other intangible assets	Total
	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>
ACUMULATED AMORTIZATION			
Balance as at January 1, 2017	473	932	1,405
Expenses with amortization	93	169	262
Write-offs on disposal of assets	(71)	(3)	(74)
Transfer	-	-	-
Balance as at December 31, 2017	495	1,098	1,593
Balance as at January 1, 2016	378	854	1,232
Expenses with amortization	97	104	201
Write-offs on disposal of assets	(2)	(26)	(28)
Transfer	-	-	-
Balance as at December 31, 2016	473	932	1,405
NET BOOK VALUE			
As at December 31, 2017	85	142	227
As at December 31, 2016	106	266	373

14. OTHER FINANCIAL ASSETS

Details on the Group's associates are as follows:

Name of investment	Core activity	Place of establishment and operations	Ownership interest	
			2017	2016
			%	%
Kang Yang Biotechnology Co. Ltd	Manufacture of products beneficial for human health	Taiwan	1.95%	1.95%
Romgreen Universal Ltd "Greenlife" Ecological Association	Business and other management consultancy activities, core activity	Cyprus	17.59%	17.59%
Registrul Miorita SA Yenki	Non-profit organization Insurance related to Shareholders' Registry	Romania	33.33%	33.33%
ARCH DEVELOPMENT ASSOCIATES SRL	Real estate development	Romania	4%	4%
		Romania	33.34%	33.34%
		Romania	0%	0.23%

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**
14. OTHER FINANCIAL ASSETS (continued)

Changes of investment regarding associates and financial assets:

	Year ended December 31, 2017	Year ended December 31, 2016
	<i>thousand LEI</i>	<i>thousand LEI</i>
As at January 1	28,467	27,175
Share of profit of associates (Romgreen)	1,457	3,904
Additions	-	-
Transfer to other comprehensive income	(48)	148
Loss on retroactive correction of previous year's profit sharing*	(918)	-
Reduction of Romgreen* share premiums	-	-
Net loss on the reduction of partial holdings in Romgreen**	-	(2,760)
Others	(8)	-
Total	28,948	28,467

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

** In July 2016, the share capital of Romgreen Limited increased by EUR 7.3 million, in which the Group did not participate.

15. INVENTORIES

	Year ended December 31, 2017	Year ended December 31, 2016
	<i>thousand LEI</i>	<i>thousand LEI</i>
Raw materials	18,971	21,430
Consumables	3,793	3,575
Items of inventory	110	119
Packaging	268	237
Finished products	6,999	4,845
Production in progress	2,001	2,029
Semi-finished products	6,259	5,399
Residual products	990	361
Commodities	480	463
Impairment allowances for inventories	(1,637)	(1,287)
Total	38,234	37,171

Inventories cost recognized in the income statement in 2017 amounted to LEI 166,870 (LEI 147,840 thousand in 2016).

In 2017, the Group's average turnover was 83 days, as compared to 49 days in 2016.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**
16. TRADE AND OTHER RECEIVABLES

	Year ended December 31, 2017	Year ended December 31, 2016
	<i>thousand LEI</i>	<i>thousand LEI</i>
Trade receivables	36,065	30,097
Allowances for doubtful clients	(2,407)	(2,586)
Advances to suppliers of fixed assets	-	-
Advances to suppliers of inventories	133	267
Advances to services suppliers	854	343
Subsidies	2	-
Warranties withheld	6	2
Other receivables	1,584	1,605
Total	36,237	29,728
Changes of allowance for doubtful clients		
	Year ended December 31, 2017	Year ended December 31, 2016
	<i>thousand LEI</i>	<i>thousand LEI</i>
Balance at the beginning of the year	2,568	2,498
Receivables transferred to expenses during the year	166	248
Decrease of allowance recognized in profit and loss	(327)	(160)
Balance at the end of the year	2,407	2,586

When determining the recoverability of a receivable, the Group takes into account any change in the receivable's crediting capacity from the date the loan was granted, until the reporting date. The level of credit risk is limited given that the client basis is large and the client portfolio is diverse. Therefore, the Group's management considers that there is no need for an additional provision exceeding the allowance for doubtful debts.

	Analysis of receivables past due beyond 60 days		Analysis of value adjustments by age	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>
60 - 90 days	695	42	-	-
90 - 120 days	70	9	-	-
More than 120 days	3,337	2,862	(2,407)	(2,586)
Total	4,102	2,913	(2,407)	(2,586)

17. OTHER CURRENT ASSETS

	Year ended December 31, 2017	Year ended December 31, 2016
	<i>thousand LEI</i>	<i>thousand LEI</i>
Suppliers-debtors for services	-	-
Pre-paid amounts	75	23
Taxes recoverable	351	1,349
VAT recoverable	166	-
Total	592	1,372

18. ISSUED CAPITAL

	Share capital	
	Year ended December 31, 2017	Year ended December 31, 2016
	<i>thousand LEI</i>	<i>thousand LEI</i>
264,122,096 fully paid ordinary shares (2013: 264,122,096).	26,412	26,412
The value of one share is LEI 0.1	-	-
Inflation effect according to IAS 29	-	-
Total	26,412	26,412

	December 31, 2017		December 31, 2016	
	Number of shares	% ownership	Number of shares	% ownership
Living Plastic Industry S.R.L.	86,774,508	32.85%	86,774,508	32.85%
Unitai International Corporation	615,500	0.23%	615,500	0.23%
Joyful River Limited Loc. Nicosia CYP	54,195,089	20.52%	54,195,089	20.52%
Romanian Investment Fund (Eastern Eagle Fund Ltd)	-	-	10,337,983	3.91%
Stichting Bewaarder Overlevingsfonds	7,500,000	2.84%	13,207,000	5.00%
BRAICONF SA	23,000,000	8.71%	15,000,000	5.68%
Other legal persons	30,559,698	11.57%	33,121,409	12.54%
Other natural persons	61,477,301	23.28%	50,870,607	19.26%
Total	264,122,096	100%	264,122,096	100%

The main characteristics of the securities issued by the Company: 264,122,096 nominal shares, dematerialized, at nominal value of LEI 0.1.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**
19. RESERVES

	Year ended December 31, 2017	Year ended December 31, 2016
	<i>thousand LEI</i>	<i>thousand LEI</i>
Revaluation reserves	39,348	42,407
Reserves from the application of IAS 29 on items of equity	-	-
Translation differences	(1,076)	(1,043)
Total	38,272	41,364

20. RETAINED EARNINGS

	Year ended December 31, 2017	Year ended December 31, 2016
	<i>thousand LEI</i>	<i>thousand LEI</i>
Balance at the beginning of the year	80,032	77,869
Net profit / (net loss) attributable to parent	(1,492)	3,464
Write-off of application of IAS 29 on capital accounts	-	-
Reclassification of revaluation reserve to retained earnings	3,011	385
Corrections of financial assets disposed and repossessed	-	549
Dividends paid	(2,007)	(2,245)
Decrease of minority holding further to the increase of parent's holding	(9)	-
Other	37	9
Balance at the end of the year	79,572	80,032

21. NON-CONTROLLING INTERESTS

	Year ended December 31, 2017	Year ended December 31, 2016
	<i>thousand LEI</i>	<i>thousand LEI</i>
Balance at the beginning of the year	1,072	1,400
Share of profit / (loss) for the year	(74)	(178)
Share of other items of capital	-	-
Decrease of minority holding further to the increase of parent's holding	9	-
Dissolution of subsidiaries	-	(150)
Balance at the end of the year	1,007	1,072

22. BORROWINGS

	Short-term		Long-term	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Secured borrowings – at amortized cost	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>
Overdraft and Investment loans	54,816	52,794	51,589	58,009
Lease liabilities	87	1,112	-	85
Total	54,903	53,906	51,589	58,094

Short-term bank loans	Entity	December 31, 2017	December 31, 2016
		<i>thousand LEI</i>	<i>thousand LEI</i>
Credit line Euro - BRD	Romcarbon	10,979	11,062
Investment loan Euro - BRD	LivingJumbo Industry	-	-
Credit line Euro - BRD	LivingJumbo Industry	8,853	4,087
Credit line Euro - UniCredit Tiriac Bank SA	Romcarbon	21,828	15,489
Object loan in Euro - UniCredit Tiriac Bank SA	Romcarbon	-	10,442
Investment loan Euro-BRD II	Romcarbon	2,099	2,046
Investment loan Euro-BRD II	Romcarbon	582	331
Investment loan Euro-BRD I	Romcarbon	408	2,386
Investment loan in Lei - Eximbank SA	Romcarbon	1,024	1,024
Investment loan Euro - UniCredit Bank SA - CCE 2015 project	Romcarbon	2,027	978
Investment loan I in Euro - BRD	LivingJumbo Industry	502	488
Investment loan II in Euro - BRD	LivingJumbo Industry	186	-
Investment loan Euro - UniCredit Bank SA	LivingJumbo Industry	404	328
Investment loan Euro - UniCredit Bank SA - CCE 2015 Project	LivingJumbo Industry	3,144	2,553
Investment loan I in Lei - UniCredit Bank	Romcarbon	500	402
Investment loan II in Lei - UniCredit Bank	Romcarbon	306	156
Investment loan III in Lei - UniCredit Bank	Romcarbon	527	-
Investment loan IV in Lei - UniCredit Bank	Romcarbon	1,078	1,023
Investment loan V in Lei - UniCredit Bank	Romcarbon	369	-
Total		54,816	52,794

22. BORROWINGS (continued)

<u>Long-term bank loans</u>	<u>Entity</u>	<u>Year ended December 31, 2017</u>	<u>Year ended December 31, 2016</u>
		<i>thousand LEI</i>	<i>thousand LEI</i>
Investment loan in Euro Euro-BRD I	Romcarbon	-	398
Investment loan in Euro Euro-BRD II	Romcarbon	2,232	2,743
Investment loan in Euro Euro-BRD III	Romcarbon	6,472	8,353
Investment loan I in lei - UniCredit Bank	Romcarbon	2,290	2,789
Investment loan II in lei - UniCredit Bank	Romcarbon	842	627
Investment loan III in lei - UniCredit Bank	Romcarbon	1,448	-
Investment loan IV in lei - UniCredit Bank	Romcarbon	3,234	4,091
Investment loan V in lei - UniCredit Bank	Romcarbon	1,200	-
Investment loan in Euro - UniCredit Tiriatic Bank SA - CCE project	Romcarbon	10,705	12,497
Investment loan in Lei - Eximbank SA	Romcarbon	3,583	4,607
Investment loan I in Euro - BRD	LivingJumbo Industry	906	-
Investment loan II in Euro - BRD	LivingJumbo Industry	1,797	2,043
Investment loan in Euro - UniCredit Tiriatic	LivingJumbo Industry	97	49
Investment loan in Euro - UniCredit Tiriatic Bank SA - CCE 2015 project	LivingJumbo Industry	15,325	1,814
Credit investitii Euro - UniCredit Tiriatic Bank SA - Proiect CCE 2015	LivingJumbo Industry	1,458	17,999
Total		51,589	58,009

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

In November 2016, the bank communicated the group companies that it would suspend the revision of the contractual financial covenants until the completion of the financial statements. The group companies obtained as at the approval date of the separate financial statements a letter from the bank stipulating that the Company was not in breach of the contractual provisions and it would not demand the early repayment of the loans made available.

As at December 31, 2017 the group companies did not meet covenant "Total net financial liabilities/EBITDA" either separately, or jointly, or covenant "Coverage of debt service". In this respect, the Group obtained as at the approval date of the consolidated financial statements a letter from the bank stipulating that the contractual provisions were not breached and it would not demand the early repayment of the loans made available

As at December 31, 2017, the Group had more loans contracted from various banks, the most important of which are presented below.

22. BORROWINGS (continued)**Romcarbon S.A. borrowings****c) credit line contracted from UniCredit Bank SA in amount of EUR 5,450,000**

- Outstanding amount as at December 31, 2017: lei 21,828,211 (equivalent of EUR 4,684,467)
 - Due on: April 10, 2018
 - Securities:
2. Mortgage on the following immovable assets (land + constructions), having a net book value as at December 31, 2017 of lei 29,453,465 identified as follows:
- cadastral no. 59505 formerly, 18740 (having a total surface area of 3,933 sq m) located on the ring road Simileasca (DN2), Buzău, together with mortgage over the superficies right and the construction built by YENKI SRL SRC 22404794, holding cadastral no. 59505-C1 (Land Registry 59505-C1) as well as over any constructions to be built on such properties;
 - cadastral no. 67072 (having a total surface area of 33,436 sq m) located on the ring road Simileasca (DN2), Buzău;
 - cadastral no. 67075 (having a total surface area of 970 sq m) located on the ring road Simileasca (DN2), Buzău;
 - cadastral no. 59507, formerly 18742 (having a total surface area of 70.231 sq m) located on the ring road Simileasca (DN2), Buzău;
 - cadastral no. 67301, having a surface area of 3,348 sq m, resulting from joining cadastral no. 64699, having a surface area of 3,308 sq m with cadastral no. 67265 having a total surface area of 40 sq m) located at Str. Transilvaniei, 132, Buzău;
 - cadastral no. 64371, having a total surface area of 22,830 sq m, resulting from the division of the area holding cadastral no. 54553, formerly 18335 (having a total surface area of 23.451 sq m) located at Str. Transilvaniei, 132, Buzău;
 - cadastral no. 52784, formerly 344/1/5 (having a total surface area of 7,659 sq m) located at Str. Transilvaniei, 132, Buzău;
 - cadastral no. 52768, formerly 344/1/7 (having a total surface area of 10,191 sq m) located at Str. Transilvaniei, 132, Buzău;
 - cadastral no. 54575, formerly 344/1/1 (having a total surface area of 9,814 sq m) located at Str. Transilvaniei, 132, Buzău;
 - cadastral no. 148536 (having a total surface area of 8,103 sq m) located in Iasi, Calea Chisinaului nr. 29.
3. Mortgage over the credit balance of the accounts in RON or foreign currency opened by S.C. Romcarbon S.A. with UniCredit Bank – Buzău Branch;
4. Mortgage over 70 machinery having a net book value of lei 6,963 as at December 31, 2017;
5. Mortgage over the monetary receivables and accessories thereto from current and prospective contracts with LivingJumbo Industry SA (except contract no. 161/28.01.2010 assigned to BCR), P.H. Bratpol Poland, Yugosac D.O.O.Serbia, KASAKROM Chemicals SRL Bucharest, Arpa SA Logistics Greece, Metro Cash & Carry Romania SRL, Comandor Impex SRL Focșani, Auchan Romania SA, Snick Ambalaje si Consumabile Magura BZ, Carrefour Romania SA, Horeca Distribution SRL Bucharest, V&T Trade Ltd Sofia Bulgaria;
6. Mortgage over movable assets in the form of inventory having a maximum value of EUR 1,500,000;
7. Blank promissory note, with the mention “No Protest”;
8. LivingJumbo Industry SA as co-borrower.

22. BORROWINGS (continued)**Romcarbon S.A. borrowings (continued)****d) Credit line contracted from BRD GSG in amount of EUR 2,550,000**

- Outstanding amount as at December 31, 2017: lei 10,978,977 (equivalent of EUR 2,356,155)
 - Due on: September 30, 2018
 - Securities:
5. Security interest in real estate over immovable assets (land + constructions) having a net book value of lei 12,051,920 as at December 31, 2017, identified as follows:
- 61094 (344/1/6) having a total surface area of 8,922 sq m, 52789 (344/1/8) having a total surface area of 17,922 sq m, 61100 (344/1/9) having a total surface area of 5,950 sq m, 52777 (344/1/10) having a total surface area of 3,720 sq m, 52808 (344/1/11/1) having a total surface area of 4,561 sq m located at Strada Transilvaniei, nr. 132, Buzău;
 - 52788 (6778), 52861(6779), 52765 (6777), 61093-C1-U12 (2362/0;1), 61099-C1-U2 (1155/0;2) located at Bld.Unirii, Bl. E3-E4, Buzău having a total surface area of 287 sq m.
6. Mortgage without dispossession over 31 machinery with a net book value of lei 226,851 as at December 31, 2017;
7. Mortgage over the credit balance of the accounts opened by S.C. Romcarbon S.A. with BRD GSG - Buzău Branch;
8. Mortgage over receivables with a minimum balance of EUR 500,000 resulting from the commercial contracts concluded with Romcarbon SA with its partners, which total an annual EUR 3,300,000.

As at December 31, 2017, the Company contracted the following long-term loans:**l) Investment loan I in amount of EUR 2,058,000 contracted from BRD GSG:**

- Outstanding amount as at December 31, 2017: lei 408,071 (equivalent of EUR 87,574)
 - Due on: 01.03.2018
 - Securities:
5. Mortgage without dispossession over the credit balance of accounts/sub-accounts opened in RON and foreign currency by S.C. Romcarbon S.A. with BRD GSG – Buzău Branch;
6. Mortgage over real estate having a net book value as at December 31, 2017 of lei 11,695,006 identified by the following cadastral numbers: 54589 (formerly 344/1/13/2) having a total surface area of 2,534 sq m; 64708 having a total surface area of 10,077 sq m, resulting from the division of the area holding cadastral no. 52809 (formerly 344/1/15/1); 54304 (formerly 13994) having a total surface area of 16,787 sq m;
7. Mortgage without dispossession over 18 machinery having a net book value of lei 14,050,662 as at December 31, 2017;
8. Mortgage without dispossession over the credit balance of accounts/sub-accounts opened in RON and foreign currency by S.C. LivingJumbo Industry SA with BRD GSG – Buzău Branch.

22. BORROWINGS (continued)**m) Investment loan II in initial amount of EUR 1,000,000 contracted from BRD GSG for EUR 689,617.71**

- Outstanding amount as at December 31, 2017: lei 2,814,205 (equivalent of EUR 603,946)
 - Due on: 03.09.2022
 - Securities:
4. Mortgage over the credit balance of present and prospective accounts/sub-accounts in lei and foreign currency opened by S.C. Romcarbon S.A. with BRD GSG – Buzău Branch;
 5. Mortgage over the credit balance of present and future accounts/sub-accounts in lei and foreign currency opened by S.C. LivingJumbo Industry S.A., as co-debtor, with BRD GSG – Buzău Branch;
 6. Mortgage without dispossession over 4 machinery having a net book value of lei 3,849,171 as at December 31, 2017.

n) Investment loan III in amount of EUR 3,153,160 contracted from BRD GSG

- Outstanding amount as at December 31, 2017: lei 8,570,788 (equivalent of EUR 1,839,343)
 - Due on: 03.02.2022
 - Securities:
5. Mortgage over the credit balance of present and future accounts/sub-accounts in lei and foreign currency opened by S.C. Romcarbon S.A. with BRD GSG – Buzău Branch;
 6. Mortgage over the credit balance of present and future accounts/sub-accounts in lei and foreign currency opened by S.C. LivingJumbo Industry S.A, as co-debtor, with BRD GSG – Buzău Branch;
 7. First rank mortgage over real estate having a total surface area of 35,159 sq m and a net carrying amount as at December 31, 2017 of lei 13,475,579, identified by the following cadastral numbers: 61517 with a surface area of 17,373 sq m, 54582 with a surface area of 4,108 sq m and 64815 with a surface area of 13,678 sq m;
 8. Mortgage over receivables with a minimum balance of EUR 500,000 resulting from the commercial contracts concluded with Romcarbon SA with its partners, which total an annual EUR 3,300,000.

o) Investment loan for the purchase of equipment and financing and re-financing of construction and fit-out works of shop floors in amount of lei 6,142,500 contracted from Banca de Export-Import a Romaniei Eximbank SA

- Outstanding amount as at December 31, 2017: lei 4,606,875
 - Due on: 20.06.2022
 - Securities:
5. Mortgage over real estate having a total surface area of 23,243 sq m mp and a net carrying amount as at December 31, 2017 of lei 4,966,596, identified by the following cadastral numbers: 52853 with a surface area of 1,323 sq m, 52837 with a surface area of 1,907 sq m, 54576 with a surface area of 380 sq m, 54588 with a surface area of 4,882 sq m, 54558 with a surface area of 152 sq m, 54430 with a surface area of 1,320 sq m, 60631 with a surface area of 911 sq m, 64035 with a surface area of 601 sq m, 55996 with a surface area of 242 sq m and 56197 with a surface area of 11,525 sq m;
 6. Mortgage without dispossession over 2 machinery having a net book value of lei 4,420,285 as at December 31, 2017;
 7. Mortgage over current accounts in lei and foreign currency opened with EximBank SA by Romcarbon SA;
 8. Blank promissory note, with the mention "No Protest".

22. BORROWINGS (continued)**p) Investment loan to co-fund project "Development of Romcarbon SA" contracted from UniCredit Bank SA, at an initial value of EUR 3,042,240 (committed for EUR 2,967,419.74)**

- Outstanding amount as at December 31, 2017: lei 12,732,256 (equivalent of EUR 2,732,420)
- Due on: 04.12.2023
- Securities:

3. Mortgage over the goods purchased in project "Development of Romcarbon SA", having a net book value of lei 27,088,477 as at December 31, 2017;
4. Mortgage over all the future accounts/sub-accounts opened by S.C. Romcarbon S.A. with UniCredit Bank SA.

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

- Outstanding amount as at December 31, 2017: lei 2,789,316
- Due on: 11.07.2023
- Securities:

6. Immovable property mortgage over real estate located in Stefanestii de jos, Str.Sinaia nr.15, Ilfov, identified by cadastral/topographic no. 50009, having a total surface area of 12,774 sq m and a net book value of lei 4,933,376 as at December 31, 2017;
7. Immovable property mortgage over real estate located by the ring-road Simileasca (DN2), Buzau, identified by cadastral no. 59505 formerly 18740 (in total surface area of 3,933 sq m) and mortgage over the right of superficies and building erected by YENKI SRL SRC 22404794, holding cadastral no. 59505-C1 (Land Registry no. 59505-C1) and any buildings to be constructed on such real estate, holding cadastral no. 67072 (in total surface area of 33.436 sq m), cadastral no. 67075 (in total surface area of 970 sq m) and cadastral no. 59507, formerly 18742 (in total surface area of 70,231 sq m) located on the ring road Simileasca (DN2), Buzau. As at December 31, 2017 the net book value of such real estate was lei 10,745,466;
8. Immovable property mortgage over real estate located in Iasi, Calea Chisinaului, nr. 29 identified by cadastral no. 148536 (in total surface area of 8,103 sq m) at a net book value of lei 3,059,838 as at December 31, 2017;
9. Immovable property mortgage over real estate located in Iasi, Calea Chisinaului, nr.27-29 identified by cadastral no. 3860/223/2-3860/226/1 – land in surface area of 242 sq m and holding cadastral no. 3860/223/2-3860/226/1- C49/p/2 building having a useful surface area of 192.39 sq m and built surface area of 224.85 sq m and holding cadastral no. 128921, land in surface area of 1,312.48 sq m – land – and holding cadastral no. 128921-C1 cafeteria building G+1 having a useful surface area of 1,193.67 sq m – ground floor and useful surface area of 1,193.67 sq m – upper floor, having a net book value of lei 3,204,008 as at December 31, 2017;
10. Movable property mortgage over all the present and future accounts and sub-accounts opened by Romcarbon SA with UniCredit Bank SA.

22. BORROWINGS (continued)**r) Investment loan II in amount of lei 2,500,000 from UniCredit Bank SA to co-fund the 2016 investment plan**

- Outstanding amount as at December 31, 2017: lei 1,148,486
- Due on: 19.09.2021
- Securities:

5. Immovable property mortgage over real estate located by the ring-road Simileasca (DN2), Buzau, identified by cadastral no. 59505 formerly 18740 (in total surface area of 3,933 sq m) and mortgage over the right of superficies and building erected by YENKI SRL SRC 22404794, holding cadastral no. 59505-C1 (Land Registry no. 59505-C1) and any buildings to be constructed on such real estate, holding cadastral no. 67072 (in total surface area of 33,436 sq m), cadastral no. 67075 (in total surface area of 970 sq m) and cadastral no. 59507, formerly 18742 (in total surface area of 70,231 sq m) located on ring road Simileasca (DN2), Buzau. As at December 31, 2017 the net book value of such real estate was lei 10,745,466;
6. Immovable property mortgage over real estate located in Iasi, Calea Chisinaului, nr. 29 identified by cadastral no. 148536 (in total surface area of 8,103 sq m) at a net book value of lei 3,059,838 as at December 31, 2017;
7. Movable property mortgage over the movable assets purchased within the project;
8. Movable property mortgage over all the present and future accounts and sub-accounts opened by Romcarbon SA with UniCredit Bank SA.

s) Investment loan III in amount of lei 442,500 from UniCredit Bank SA to co-fund the 2016 investment plan

- Outstanding amount as at December 31, 2017: lei 1,974,699 (equivalent of EUR 423,783)
- Due on: 19.09.2021
- Securities:

5. Immovable property mortgage over real estate located by the ring-road Simileasca (DN2), Buzau, identified by cadastral no. 59505 formerly 18740 (in total surface area of 3,933 sq m) and mortgage over the right of superficies and building erected by YENKI SRL SRC 22404794, holding cadastral no. 59505-C1 (Land Registry no. 59505-C1) and any buildings to be constructed on such real estate, holding cadastral no. 67072 (in total surface area of 33,436 sq m), cadastral no. 67075 (in total surface area of 970 sq m) and cadastral no. 59507, formerly 18742 (in total surface area of 70,231 sq m) located on ring road Simileasca (DN2), Buzau. As at December 31, 2017 the net book value of such real estate was lei 10,745,466;
6. Immovable property mortgage over real estate located in Iasi, Calea Chisinaului, nr. 29 identified by cadastral no. 148536 (in total surface area of 8,103 sq m) at a net book value of lei 3,059,838 as at December 31, 2017;
7. Movable property mortgage over the movable assets purchased within the project;
8. Movable property mortgage over all the present and future accounts and sub-accounts opened by Romcarbon SA with UniCredit Bank SA.

22. BORROWINGS (continued)**t) Investment loan IV in amount of lei 5,400,000 from UniCredit Bank SA to refinance self-funded investments in 2016**

- Outstanding amount as at December 31, 2017: lei 4,311,514
 - Due on: 01.12.2021
 - Securities:
1. Immovable property mortgage over real estate located in Stefanestii de jos, Str. Sinaia nr. 15, Ilfov, identified by cadastral/topographic no. 50009, in total surface area of 12,774 sq m and a net book value of lei 4,933,376 as at December 31, 2017;
 2. Immovable property mortgage over real estate located by the ring-road Simileasca (DN2), Buzau, identified by cadastral no. 59505 formerly 18740 (in total surface area of 3,933 sq m) and mortgage over the right of superficies and building erected by YENKI SRL SRC 22404794, holding cadastral no. 59505-C1 (Land Registry no. 59505-C1) and any buildings to be constructed on such real estate, holding cadastral no. 67072 (in total surface area of 33,436 sq m), cadastral no. 67075 (in total surface area of 970 sq m) and cadastral no. 59507, formerly 18742 (in total surface area of 70,231 sq m) located on ring road Simileasca (DN2), Buzau. As at December 31, 2017 the net book value of such real estate was lei 10,745,466;
 3. Immovable property mortgage over real estate located in Iasi, Calea Chisinaului, nr. 29 identified by cadastral no. 148536 (in total surface area of 8,103 sq m) at a net book value of lei 3,059,838 as at December 31, 2017;
 4. Movable property mortgage over 47 machinery having a net book value of lei 3,386,047 as at December 31, 2017;
 5. Movable property mortgage over all the present and future accounts and sub-accounts opened by Romcarbon SA with UniCredit Bank SA.

u) Investment loan V in amount of lei 2,250,000 from UniCredit Bank SA to refinance self-funded investments in 2016 (partly drawn)

- Outstanding amount as at December 31, 2017: lei 1,568,918
 - Due on: 06.04.2022
 - Securities:
1. Movable property mortgage over the following immovable assets (land and buildings), having a net book value of lei 22,481,573 as at December 31, 2017, identified as follows:
 - cadastral no. 59505 formerly 18740 (in total surface area of 3,933 sq m) located by the ring-road Simileasca (DN2), Buzau, and mortgage over the right of superficies and building erected by YENKI SRL SRC 22404794, holding cadastral no. 59505-C1 (Land Registry no. 59505-C1) and any buildings to be constructed on such real estate;
 - cadastral no. 59507 formerly 18742 (in total surface area of 70.231 sq m) located by the ring-road Simileasca (DN2), Buzau;
 - cadastral no. 67072 (in total surface area of 33.436 sq m) located by the ring-road Simileasca (DN2), Buzau;
 - cadastral no. 67075 (in total surface area of 970 sq m) located by the ring-road Simileasca (DN2), Buzau;
 - cadastral no. 67301 in surface area of 3,348 sq m resulting from joining cadastral no. 64699 in surface area of 3,308 sq m to cadastral no. 67265 in surface area of 40 sq m, located at Str. Transilvaniei, 132, Buzau;
 - cadastral no. 64371 in total surface area of 22,830 sq m resulting from the division of cadastral no. 54553 formerly 18335 (in total surface area of 23,451 sq m) located at Str. Transilvaniei, 132, Buzau;
 - cadastral no. 54575 formerly 344/1/1 (in total surface area of 9,814 sq m) located at Str. Transilvaniei, 132, Buzau;
 - cadastral no. 148536 (in total surface area of 8,103 sq m) located in Iasi, Calea Chisinaului, nr. 29.

22. BORROWINGS (continued)***j) Investment loan V in amount of lei 2,250,000 from UniCredit Bank SA to refinance self-funded investments in 2016 (partly drawn) (continued)***

2. Mortgage over the credit balance of the accounts in RON or foreign currency opened by S.C. Romcarbon S.A. with UniCredit Bank – Buzău Branch;
3. Mortgage over future goods to be purchased out of such loan;
4. Mortgage over movable assets in the form of inventory having a maximum value of EUR 1,500,000;
5. Blank promissory note, with the mention "No Protest";
6. LivingJumbo Industry SA as co-borrower.

v) Investment loan II in amount of lei 2,432,500 to finance and re-finance objectives included in the 2017 investment plan (partly drawn)

- Outstanding amount as at December 31, 2017: lei 905,935
 - Due on: 16.12.2022
 - Securities:
1. Mortgage of subsequent rank over equipment (PE plastic film washing, sorting and grinding line) with a net book value of lei 3,389,354 as at December 31, 2017;
 2. Mortgage without dispossession over 3 forklifts with a net book value of lei 315,660 as at December 31, 2017;
 3. Mortgage over the following goods that will be purchased out of this loan: 5 kN traction test machine for polyethylene (PE) and polypropylene (PP), CP7 laboratory portable NIR spectrometer, MFI leak analyser, hamburger mould for Sunwell, CP7 fire detection and alarm system;
 4. First rank mortgage over present and future receivables arising from the commercial relationship with Toro Manufacturing and Sales SRL;
 5. Mortgage over current accounts in lei and foreign currency opened with EximBank SA by Romcarbon SA;
 6. Blank promissory note, with the mention "No Protest".

22. BORROWINGS (continued)**LivingJumbo Industry S.A. loans****a) Credit line contracted from BRD GSG within the limit of EUR 2,000,000**

- Outstanding amount as at December 31, 2017: lei 8,852,894 (equivalent of EUR 1,899,885)
- Due on: October 30, 2018
- Securities:

1. Mortgage without dispossession over the machinery belonging to the company estimated at a market value of EUR 800,150;
2. Mortgage over the credit balance of the accounts opened in LEI or foreign currency by S.C. LIVING JUMBO INDUSTRY S.A. with BRD-GSG - Buzău Branch;
3. Assignment of amounts received based on the commercial contracts concluded with clients in amount of minimum EUR 4,461,299 in 2016 and EUR 7,272,222 in 2017.

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

- Outstanding amount as at December 31, 2017: lei 2,298,747 (equivalent of EUR 493,325)
- Due on: July 7, 2022
- Securities:

1. Mortgage without dispossession over the machinery forming the object of the investment;
2. Mortgage over the credit balance of the accounts opened in LEI and foreign currency by S.C. LIVING JUMBO INDUSTRY S.A. with BRD-GSG – Buzău Branch.

c) Long-term loan contracted from UniCredit Bank SA at an initial value of EUR 607,200 (partly contracted)

- Outstanding amount as at December 31, 2017: Lei 1,861,820 (equivalent of EUR 399,558)
- Due on: February 15, 2024
- Securities:

1. Mortgage of subsequent rank over real estate located on the ring road Simileasca (DN2), Buzău, identified by cadastral no. 59505 formerly 18740 (in total surface area of 3,933 sq m) along with mortgage on the superficies right and the construction erected by YENKI SRL Tax Reference Number 22404794, construction holding cadastral no. 59505-C1 (Land Registry 59505-C1) and on any buildings to be erected on such real estate; cadastral no. 67072 (in total surface area of 33,436 sq m); cadastral no. 67075 (in total surface area of 970 mp) and cadastral no. 59507 formerly 18742 (in total surface area of 70.231 sq m) located on the ring road Simileasca (DN2), Buzau. As at June 30, 2017 the net book value of such real estate is RON 10,741,801;
2. Mortgage on real estate located in Iasi, Calea Chisinaului, nr. 29 identified by cadastral no. 148536 (in total surface area of 8,103 sq m) having a net book value of lei 2,947,315 as at December 31, 2017.
3. Mortgage over the accounts and sub-accounts opened in LEI and foreign currency with UniCredit Bank SA;
4. Guarantor: SC Romcarbon SA and SC YENKI SRL.

22. BORROWINGS (continued)
d) Long-term loan contracted from UniCredit Bank SA to co-fund investment project "Development of S.C. LIVINGJUMBO INDUSTRY S.A. through the purchase of new equipment" at an initial value of EUR 4,723,205 (partly contracted)

- Outstanding amount as at December 31, 2017: Lei 18,468,865 (equivalent of EUR 3,963,531)
- Due on: February 15, 2024
- Securities:

1. The machinery funded, the estimated value, without VAT, EUR 8,867,855; the assignment of the insurance policy of the machinery purchased out of the loan to UniCredit Bank SA, which will be the sole beneficiary of the policy;
2. Mortgage over the accounts and sub-accounts opened in LEI and foreign currency with UniCredit Bank SA.

e) Long-term loan contracted from BRD GSG at an initial value of EUR 160,000 (partly contracted)

- Outstanding amount as at December 31, 2017: Lei 283,804 (equivalent of EUR 60,906)
- Due on: November 1, 2021
- Securities:

1. Mortgage without dispossession over the machinery forming the object of the investment.
2. Mortgage over the credit balance of the accounts opened in LEI and foreign currency by S.C. LIVING JUMBO INDUSTRY S.A. with BRD-GSG – Buzău Branch

23. OTHER CURRENT LIABILITIES

	Current	
	December 31, 2017	December 31, 2016
	<i>thousand LEI</i>	<i>thousand LEI</i>
Liabilities to employees	1,730	1,478
Liabilities related social contributions	1,454	1,248
VAT payable	705	374
Income tax	8	-
Tax on salaries	720	439
Other taxes payable	100	3
Other non-trade liabilities	-	-
Interest payable	-	-
Total	4,717	3,541

24. TRADE AND OTHER LIABILITIES

	December 31, 2017	December 31, 2016
	<i>thousand LEI</i>	<i>thousand LEI</i>
Trade liabilities	34,516	31,546
Suppliers invoices not received	1,421	980
Advances to clients	712	641
Sundry creditors (a)	2,020	184
Total	38,670	33,351

In 2017, sundry debtors include LEI 1,557 thousand, which represents borrowings from natural person shareholders, which will be repaid in 2018 (see note 28).

25. FINANCE LEASE OBLIGATIONS
Lease contracts

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

Finance lease liabilities

	Minimum lease payments		Present value of minimum lease payments	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>
Present value of finance lease payments				
Amounts due within one year	87	1,133	-	1,112
More than one year, but less than 5 years	-	83	-	85
Total lease liabilities	87	1,216	87	1,197
Less future finance expenses	-	(19)	-	-
Present value of finance lease payments	87	1,197	-	-
Included in the financial statements as:				
Short-term borrowings	87	1,112	-	-
Long-term borrowings	-	85	-	-

26. OTHER LONG-TERM LIABILITIES

As at December 31, 2016 the value of investment subsidies received from the Group amounts to LEI 39,149 thousand, as follows:

Romcarbon SA:	LEI 22,204 thousand
LivingJumbo Industry SA:	LEI 16,945 thousand

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

As at December 31, 2017 the value of investment subsidies received from the Group amounts to LEI 35,232 thousand, as follows:

Romcarbon SA:	LEI 19,940 thousand
LivingJumbo Industry SA:	LEI 15,259 thousand
Project Advice SRL:	LEI 33 thousand

27. FINANCIAL INSTRUMENTS**(b) Capital risk management**

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

The Company's capital consists of liabilities, which include the borrowings presented in note 22, cash and cash equivalent and equity attributable to the company. Equity comprises the share capital, reserves and retained earnings as presented in notes 18, 19 and 20.

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

(b) Main accounting policies

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

(c) Objectives of financial risk management

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

(d) Market risk

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

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

(e) Currency risk management

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

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27. FINANCIAL INSTRUMENTS (continued)**(f) Interest rate risk management**

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

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

(g) Other risks regarding prices

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

(h) Credit risk management

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

Trade receivables consist of a large number of clients from various industries and geographical areas. Credits are constantly assessed as regards the clients' financial status and, if applicable, credit insurance is concluded.

The Group does not have any significant credit risk exposure towards any counterparty or any group of similar counterparties. The Group defines counterparties as having similar characteristics when they are related entities. At no time during the year has the credit risk percentage exceeded 5% of the gross monetary assets.

(i) Liquidity risk management

The ultimate responsibility for liquidity risk management rests with the Board of Administration, which has built a proper liquidity risk management framework regarding the Group funds' short, medium and long term insurance and the liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, backup banking facilities and loan facilities, by continually monitoring cash flows and matching the maturity profiles of financial assets and liabilities. Note 32 includes a list of additional facilities not drawn, available to the Group in order to further mitigate liquidity risk.

27. FINANCIAL INSTRUMENTS (continued)

(j) Fair value of financial instruments

The fair values of financial assets and liabilities are determined as follows:

- the fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined by reference to quoted market prices;
- the fair value of other financial assets and liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The financial statements include unlisted share holdings, measured at fair value. The best estimate for fair value is determined using the historical cost of shares.

The financial instruments in the balance sheet include trade receivables and other receivables, cash and cash equivalents, short and long term borrowings and other liabilities. The estimated fair values of such instruments approximate their carrying values. The carrying values represent the Group's maximum exposure to credit risks related to existing receivables.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**
27. FINANCIAL INSTRUMENTS (continued)

The carrying values of the Group's currencies expressed in monetary assets and liabilities as at the reporting date are as follows:

2017	EUR	USD	Leu	31-Dec-2017
	1 EUR= LEI 4.6597	1 USD= LEI 3.8915	1 LEI	
	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>
Cash and cash equivalents	701	27	5,270	5,997
Receivables and other current assets	9,453	29	27,346	36,828
Other current assets	-	-	-	-
LIABILITIES				
Trade and other liabilities	8,128	91	30,451	38,670
Other current liabilities	-	-	4,717	4,717
Short and long-term borrowings	91,073	-	15,331	106,404
Short and long-term finance lease liabilities	87	-	-	87

2016	EUR	USD	Leu	31-Dec-2016
	1 EUR= LEI 4.5411	1 USD= LEI 4.3033	1 LEI	
	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>
Cash and cash equivalents	2,016	63	9,465	11,544
Receivables and other current assets	6,598	249	22,881	29,728
Other current assets	-	-	1,372	1,372
LIABILITIES				
Trade and other liabilities	7,266	480	25,605	33,350
Other current liabilities	-	-	3,541	3,541
Short and long-term borrowings	96,085	-	14,718	110,804
Short and long-term finance lease liabilities	1,197	-	-	1,197

27. FINANCIAL INSTRUMENTS (continued)

The Group is mainly exposed to EUR and USD exchange rates. The following table details the Group's sensitivity to a 10% increase and decrease in the LEI against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to top management and represents management's estimate of the reasonably possible changes in foreign exchange rates. The vulnerability analysis includes only outstanding foreign currency denominated in monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. In the following table, a negative number below indicates a decrease in profit, whereas the LEI weaken 10% against the EUR/USD. For a 10% strengthening of the LEI against the EUR/USD, there would be an equal and opposite impact on the profit and other equity, and the balances below will be positive. Changes will be attributable to the exposure related to EUR borrowings at the end of the year.

	December 31, 2017	December 31, 2016
	<i>thousand LEI</i>	<i>thousand LEI</i>
Loss	(10,234)	(10,270)

Tables regarding liquidity and interest rate risks

The following tables present the maturity terms of the Group's financial liabilities.

The tables have been prepared based on the cash flows, not current, of the financial liabilities on the nearest date when the Group is likely to be claimed payment. The table includes both interest and cash flows related to principal.

2017	Less than 1 year	1-2 years	2-5 years	Total
	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>
Non-interest bearing				
Trade liabilities and other current liabilities	38,670	-	-	38,670
Interest bearing instruments				
Short and long-term borrowings	54,816	12,885	38,703	106,404
Short and long-term leases	87	-	-	87
Non-interest bearing				
Cash and cash equivalents	5,997	-	-	5,997
Receivables and other current assets	36,828	-	-	36,828

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

2016	Less than 1 year	1-2 years	2-5 years	Total
	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>
Non-interest bearing				
Trade liabilities and other current liabilities	33,351	-	-	33,351
Interest bearing instruments				
Short and long-term borrowings	52,794	12,205	45,804	110,804
Short and long-term leases	1,112	85		1,197
Non-interest bearing				
Cash and cash equivalents	11,544	-	-	11,544
Receivables and other current assets	31,100	-	-	31,100

The table below present the credit limit and the balance of 10 major counterparties as at the date of the balance sheet, in LEI:

Company	Counterparty	Turnover 2017	Value of receivable as at 31.12.2017	Credit limit	Credit in days
ROMCARBON	KASAKROM CHEMICALS SRL	21,861	3,389	NO	max 105
ROMCARBON	DEDEMAN SRL BACAU	6,141	1,421	NO	90
ROMCARBON	ROMPETROL RAFINARE SA NAVODARI	4.827	1,408	NO	90
ROMCARBON	PH BRATPOL JERZY BRATKOWSKI POLONIA - EUR	4,520	1,094	NO	75
ROMCARBON	GREENFIBER INTERNATIONAL SA	3,453	753	NO	30
LIVINGJUMBO INDUSTRY	EXPERGO BUSINESS NETWORK SRL	11,275	2,445	NO	60
LIVINGJUMBO INDUSTRY	BAOBAG	9,909	1,424	NO	60
LIVINGJUMBO INDUSTRY	POLIMERO	4,367	424	NO	35
LIVINGJUMBO INDUSTRY	THRACE-IPOMA SA	4,363	804	NO	30
LIVINGJUMBO INDUSTRY	CARLESTAM POLAND SP. Z O.O.	3,562	693	NO	30

28. RELATED PARTY TRANSACTIONS

The transactions among the Parent and its subsidiaries – Group’s related parties – were eliminated from the consolidation and are not presented under this note. Companies and individuals may be deemed related parties if one party holds control or exercises significant influence over the other party.

Indemnities granted to top management

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

	December 31, 2017	December 31, 2016
	<i>thousand LEI</i>	<i>thousand LEI</i>
Executive management salaries	3,288	3,328
Benefits for Board of Administration	341	382
Total	3,629	3,710

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

Shareholder borrowings	December 31, 2017	December 31, 2016
	<i>thousand LEI</i>	<i>thousand LEI</i>
WU HUI TZU (Living Jumbo Industry SA)	18	18
LIVING PLASTTIC INDUSTRY SRL (LivingJumbo Industry SA)	1,350	-
WINPACK INDUSTRY (Eco Pack Management SRL)	189	196
Total	1,557	215

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**
28. RELATED PARTY TRANSACTIONS (continued)
Related party transactions
(all amounts are expressed in thousand LEI)

	Sales of goods and services		Purchases of goods and services		Receivables from related parties		Payables to related parties	
	12 months 2017	12 months 2016	12 months 2017	12 months 2016	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Greenfiber International SA	7,500	2,748	268	199	947	337	198	42
Grinteh D.O.O Macedonia	247	76	-	-	74	-	-	-
GREENTEH DOO SERBIA	-	8	-	-	-	-	-	-
Greenglass Recycling SA	27	7	-	-	-	-	-	-
Greentech sa	2,987	4,777	7,553	2,781	95	746	1,747	670
Total Waste Management	745	968	63	163	60	120	29	42
Greenweee International SA	659	653	447	984	65	40	44	37
Greenlamp Reciclare SA	2	5	-	-	1	1	0	-
TOTAL	12,167	9,243	8,331	4,127	1,234	1,245	2,019	791

29. ACQUISITION OF SUBSIDIARIES

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

PROJECT ADVICE SRL is a company established in 2010, where SC Romcarbon SA indirectly holds 99%. The company's main office is located in Iasi, Calea CHISINAULUI, Nr. 29, Pavilion Administrativ A, camera nr. 2, Etaj 1. The company's object of activity is – NACE code 7022 - Business and other management consultancy activities.

30. DISPOSAL OF SUBSIDIARIES

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

In July 2016, Next Eco Recycling SA was assigned.

31. CASH ON HAND AND AT BANKS

Within the meaning of statement of cash flows, cash and cash equivalent include petty cash and bank accounts. Cash and cash equivalents at the end of the financial year, as presented in the statement of cash flows, may be reconciled with the corresponding elements of balance sheet, as follows:

	December 31, 2017	December 31, 2016
	<i>thousand LEI</i>	<i>thousand LEI</i>
Cash at banks	5,852	11,363
Cash on hand	36	55
Cash equivalents	109	126
Total	5,997	11,544

32. INVESTMENT PROPERTY

	December 31, 2017	December 31, 2016
	<i>thousand LEI</i>	<i>thousand LEI</i>
Land	32,428	31,399
Buildings	17,432	14,281
Total investment property	49,860	45,680

The Parent holds non-current fixed assets (land and buildings) located in Iași, Ștefănești and Buzău in amount of LEI 49,860 thousand as at December 31, 2017 and in amount of LEI 45,680 thousand as at December 31, 2016.

Both the land and the building were registered at the fair value of investment property based on the report of the independent valuator, prepared as at the end of every year. Investment property is not subject to depreciation.

As at December 31, 2017, the Company valued investment property and the result of the valuation, in amount of Lei 1,490 thousand, was registered to profit or loss.

If the Company had valued the investments at cost, their value as at December 31, 2017 would have been Lei 38,122 thousand.

33. COMMITMENTS AND CONTINGENCIES**Potential tax liabilities**

In Romania, there are agencies authorized to conduct controls (audits). Such controls are to a great extent similar to those conducted in other countries by tax authorities, but may extend to other legal or regulatory fields in which the Romanian authorities may become interested. The Group is likely to continue to be subject to periodic controls for breaches or alleged breaches of new and existing laws and regulations. Although the Group may challenge the alleged breaches and penalties when the management considers that it is entitled to, the adoption or implementation of laws and regulations in Romania might have a significant effect on the Group. The tax system in Romania is under continual development, being subject to constant interpretations and changes, often retroactive. In Romania, the fiscal year remains open for fiscal verification for 5 years.

The Group's administrators consider that the Group's tax liabilities have been calculated and recorded according to the legal provisions.

Transfer pricing

The Romanian fiscal legislation has provided rules on transfer prices between related parties ever since 2000. The current legislative framework defines "market value" for transactions between related parties, as well as the methods to establish transfer prices.

Therefore, the fiscal authorities are expected to initiate thorough verifications of transfer prices, in order to make sure that the fiscal result and/or the customs value of imported assets are not distorted by the effect of prices practiced in connection to related parties. The Company may not quantify the outcome of such verification.

Environmental matters

The Group's core activity has inherent effects on the environment. The effects of the Group's activities on the environment are monitored by local authorities and the Group's management. Therefore, no provisions have been recorded for any obligations, not measurable at present, regarding the environment or the required remedy works.



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34. SUBSEQUENT EVENTS**ROMCARBON S.A.**

In the meeting of the Board of Directors of Romcarbon of December 2017, it was decided to seek a potential buyer for the Company's assets located in Iasi, Calea Chisinaului nr. 29, Iasi county, in surface area of approximately 7.3 ha, at a price of no less than EUR 7.3 million, VAT excluded, a decision which will be ratified by the General Meeting of Shareholders. The mortgages established on such real estate will be lifted according to the resolution of the Board of Directors of January 2018.

LIVINGJUMBO INDUSTRY SA

On January 19, 2018 a loan contract was signed with UniCredit Bank SA for a credit line at a value of EUR 1,000,000 and due on July 18, 2018.

To secure this loan, a mortgage was instituted on a real estate (land + buildings) in surface area of 38,235 sq m owned by SC LivingJumbo Industry SA, a mortgage on 4 machinery owned by SC Romcarbon SA, a mortgage of subsequent rank on inventories in maximum amount of EUR 2,000,000 owned by SC Romcarbon SA, a mortgage on the receivables arising from the performance of commercial contracts between LivingJumbo Industry SA and certain trade partners and a mortgage on all present and future accounts, in lei or foreign currency opened by LivingJumbo Industry SA with the bank.



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

PREPARED,

For signatures, please refer to the original Romanian version.

HUNG CHING LING,
Administrator

VIORICA ZAINESCU,
Chief Financial Officer

RADU ANDREI,
Chief Executive Officer



**ADMINISTRATORS' CONSOLIDATED REPORT
FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017**

ACTIVITY OF THE GROUP OF COMPANIES

As at December 31, 2017 SC ROMCARBON SA Buzau holds participations directly and/or indirectly in 14 companies:

Company	31/12/2017		Consolidation method
	Interest	Control	
RECYPLAT LTD CYPRUS	100.00%	100.00%	Global
ROMCARBON DEUTSCHLAND GMBH	100.00%	100.00%	Global
RC ENERGO INSTALL SRL	99.50%	99.50%	Global
ECO PACK MANAGEMENT SA	25.36%	99.24%	Global
INFOTECH SOLUTIONS SRL	99.00%	99.00%	Global
LIVINGJUMBO INDUSTRY SA	99.00%	99.00%	Global
PROJECT ADVICE SRL	99.00%	99.00%	Global
GRINFILD LLC UKRAINE	62.62%	62.62%	Global
GRINRUH LLC UKRAINE	62.62%	62.62%	Global
ASOCIATIA ECOLOGICA GREENLIFE	44.84%	44.84%	Equity method
YENKI SRL	33.34%	33.34%	Equity method
ROMGREEN UNIVERSAL LTD CYPRUS	17.59%	17.59%	Equity method
KANG YANG BIOTECHNOLOGY CO.LTD	1.95%	1.95%	Outside the consolidation area
REGISTRUL MIORITA SA	3.79%	3.79%	Outside the consolidation area

As at December 31, 2017, the Group also holds participations according to the table below.

Company	31/12/2017	
	Interest	Control
ROMGREEN UNIVERSAL LTD CYPRUS	17.5879%	17.5879%
GREENLAMP REICLARE SA	17.5879%	17.5879%
GREENWEEE INTERNATIONAL SA	17.5879%	17.5879%
GREENWEEE INTERNATIONAL HUNGARY KFT	17.5879%	17.5879%
GREENTECH SA	17.5875%	17.5875%
GREENGLASS RECYCLING SA	12.3116%	12.3116%
GREENFIBER INTERNATIONAL SA	17.4682%	17.4682%
GREENTECH DOO SERBIA	15.7214%	15.7214%
GREENTECH RECYCLING DEUTSCHLAND GMBH	17.4682%	17.4682%

GRINTEH MK DOO MACEDONIA	15.6288%	15.6288%
TOTAL WASTE MANAGEMENT SRL	17.5249%	17.5249%
GREEN RESOURCES MANAGEMENT S.A.	11.6839%	11.6839%
GREENTECH BALTIC UAB LITUANIA	12.7932%	12.7932%

PRESENTATION OF THE GROUP AND THE MAIN INDICATORS ACHIEVED IN 2017

PRESENTATION OF THE GROUP'S MEMBER COMPANIES

As at December 31, 2017 the company was holding directly or through other subsidiaries, participating interest in the following entities:

RECYPLAT LTD is a company established in 2011, having a share capital of Lei 112,532 (EUR 26,000) wholly owned by SC Romcarbon SA. The company's main office is located in Akropoleos, 59-61, 3rd floor, Nicosia, Cyprus.

The company's main object of activity is the Conduct of activities and business of consultants, experts in all scientific fields, financial, administrative or otherwise, in relation to the setting up, operation, development and improvement of any business, industry, company, partnership or other organization

ROMCARBON DEUTSCHLAND GMBH is a company established in 2013, with a share capital of Lei 110,138 (EUR 25,000), wholly owned by S.C. Romcarbon S.A. The company's main office is located in Bergisch Gladbach, Germany. The company's main object of activity is trade with plastic finished products, recycling of plastic materials and purchase of plastic waste. As at the date of these financial statements, the company is under voluntary liquidation.

RC ENERGO INSTALL S.R.L. is a company established in 2005, with a share capital of lei 2,000, fully owned by S.C. Romcarbon S.A. The company's main office is located in Buzău, Str. Transilvaniei, nr. 132. The company was established by outsourcing the maintenance and repair of heating, water installations, sewage and substations; the main object of activity is Plumbing, heat and air conditioning installation (NACE code 4322).

ECO PACK MANAGEMENT SA is a company established in 2010, with a share capital of lei 1,446,000, where SC Romcarbon SA directly holds 25.36% and 73.88% indirectly. The remaining shares are held by Romanian legal persons. The company's main office is located in Bucharest, sector 2, str. Barbu Vacarescu (formerly, Fabrica de Glucoza 2-4), nr. 164A, etaj 3, within Building C3 – Office Building. The company's main object of activity is - NACE code 8299 - Other business support service activities n.e.c.

INFO TECH SOLUTIONS S.R.L. is a company established in 2005, with a share capital of lei 2,000, where S.C. Romcarbon S.A. holds 99.00% of the shares and the remaining shares are held by natural persons. The company's main office is located in Buzău, Str. Transilvaniei, nr. 132. The company was established by outsourcing the IT services and its main object of activity is Other information technology and computer service activities (NACE code 6209).

LIVINGJUMBO INDUSTRY S.A. is a company established in 2002, with a share capital of lei 806,400, where S.C. Romcarbon S.A. has held since 2011 99% of the shares and the remaining shares are held by Romanian legal persons. The company's main office is located in Buzău, Str. Transilvaniei, nr. 132. The company's main object of activity is Manufacture of plastic packing goods (NACE code 2222).

GRINFILD LLC UKRAINE is a company established in 2007, with a share capital of lei 4,312,062, where SC Romcarbon SA holds 62.62% of the shares and the remaining shares are held by foreign legal persons. The company's main office is located in Ukraine, Odessa region, Krijianivka locality, Str. Mikolayevska, Bl. 2. The company's main object of activity is wholesale.

GRINRUH LLC UKRAINE is a company established in 2007, with a share capital of lei 4,426,809, where SC Romcarbon SA holds 62.62%. The company's main office is located in Ukraine, Odessa region, Krijianivka locality, Str. Mikolayevska, Bl. 2. The company's main object of activity is construction and wholesale.

YENKI S.R.L. is a company established in 2007, with a share capital of lei 328,000, where S.C. Romcarbon S.A. holds 33.34% of the shares and the remaining shares are held by Romanian legal and natural persons. The company's main office is located at Soseaua Nordului, DN2, Buzău. The company's main object of activity is Operation of sports facilities (NACE code 9311).

"Greenlife" Ecological Association, established in accordance with GO no. 26/2000, is a non-governmental, non-profit and non-political organization. The association's patrimony amounts to RON 1,200. The association's purpose is to represent, promote and support the employer and professional interests of its members in the relationship with public authorities and other legal and natural persons, to consolidate their authority and social renown and to act towards modernizing the developing the field regarding environmental protection according to the international rules and standards. Also, the association sets itself to promote human solidarity, by organizing and supporting humanitarian actions. The association was established by SC Greenfiber International SA, SC Greentech SA and SC Romcarbon SA as founding members, each holding 33.33% of its patrimony.

PROJECT ADVICE SRL is a company established in 2010, where SC Romcarbon SA indirectly holds 99%. The company's main office is located in Iasi, Calea CHISINAULUI, Nr. 29, Pavilion Administrativ A, camera nr. 2, Etaj 1. The company's object of activity is – NACE code 7022 - Business and other management consultancy activities.

In July 2016, the Group disposed its 70% holding in NEXT ECO RECICLYNG SA (a company established in 2011, whose main object of activity is - 8299 - Other business support service activities n.e.c.). The Group purchased such company in December 2015.

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

ROMGREEN UNIVERSAL LTD Cyprus is a company established in 2011, with a share capital of lei 177,858 (EUR 39,800), where SC Romcarbon SA indirectly holds 17.5879% of the shares through Recyplat LTD Cyprus. The company's main office is located in 2 Prodromou & Dimitrakopoulou, 5th floor, 1090, Cyprus. The company's object of activity is the conduct of activities and business of consultants, experts in all scientific fields, financial, administrative or otherwise, in relation to the setting up, operation, development and improvement of any business, industry, company, partnership or other organization.

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

GREENWEEE INTERNATIONAL SA is a company established in 2007, with a share capital of lei 26,212,300, where SC Romcarbon SA indirectly holds 17.5879% of the shares. The company's main office is located in Buzău, Comuna Tintesti, Str. Ferma Frasinu. The company's object of activity is Dismantling of wrecks for materials recovery (NACE code 3831).

GREENWEEE INTERNATIONAL HUNGARY KFT is a company established in 2011, with a share capital of lei 45,563, where SC Romcarbon SA indirectly holds 17.5879%. The company's main office is located in 1051 Budapest, Dorottya utca 9.2. em.1. The company's object of activity is Management of used waste and treatment of other waste.

GREENTECH SA is a company established in 2002, with a share capital of lei 4,649,117, where SC Romcarbon SA indirectly holds LTD 17.5875% of the shares. The company's main office is located in Buzău, Aleea Industriilor, nr. 17. The company's main object of activity is Recovery of sorted materials (NACE code 3832).

GREENFIBER INTERNATIONAL SA is a company established in 2004, with a share capital of lei 35,250,000, where SC Romcarbon SA indirectly holds 17.4682% of the shares. The company's main office is located in Buzău, Aleea Industriilor, nr. 17. The company's main object of activity is Manufacture of man-made fibres (NACE code 2060).

GREENTECH DOO SERBIA is a company established in 2005, with a share capital of lei 2.189.903 (RSD 46,568,790.67), where SC Romcarbon SA indirectly holds 15.7214% of the shares. The company's main office is located in Serbia, Backa Palanka, str. Zarka Zrenjanina nr. 152. The company's main object of activity is the recycling of non-metallic waste and scraps.

GREENTECH RECYCLING DEUTSCHLAND GMBH is a company established in 2010, with a share capital of lei 108,808 (EUR 25,000), where SC Romcarbon SA indirectly holds 17.4682% of the shares. The company's main office is located in Bergisch Gladbach, Germany. The company's main object of activity is trade with plastics and recycling of plastic waste. As at the date of these financial statements, the company is under voluntary liquidation.

GRINTEH MK DOO MACEDONIA is a company established in 2007, with a share capital of lei 3,238,205 (MKD 46,684,925), where SC Romcarbon SA indirectly holds 15.6288% of the shares and the remaining shares are held by foreign natural persons. The company's main office is located in Macedonia, Skopje, bd. Romanija b.b Gazela, 1000. The company's main object of activity is Recycling of non-metallic waste and scraps.

TOTAL WASTE MANAGEMENT SRL is a company established in 2005. In 2012, it changed its object of activity from Business and other management consultancy activities (NACE code 7022) to Collection of non-hazardous waste (NACE code 3811). The company's share capital is lei 2,110,900. The company's main office is located in Buzău, Str. Aleea Industriilor, nr. 17. As at the date of these financial statements, SC Romcarbon SA was indirectly holding 17.5249% of the share capital.

GREENGLASS RECYCLING SA is a company established in 2013, where SC Romcarbon SA indirectly holds 12.3116% of the shares. The remaining shares are held by natural and legal persons. The company's share capital is lei 6,750,000. The company's main office is located in Buzău, Str. Aleea Industriilor, nr. 17, pav. Comercial, Et.1, Cam. 2. The company's main object of activity is Recovery of sorted materials (NACE code 3832).

GREEN RESOURCES MANAGEMENT is a company established in 2016 where SC Romcarbon SA indirectly holds 11.68%. The company's main office is located in Buzău, Str. Transilvaniei, nr.132, Remiza PSI Camera 1. The company's object of activity is Business and other management consultancy activities (NACE code 7022).

GREENTECH BALTIC UAB LITUANIA is a company established in 2016 where SC Romcarbon SA indirectly holds 12.79%. The company's main office is located in Vilnius, Sandeliu g.16. The company's object of activity is commercial, economic, financial and industrial activity.

In June 2016, SC GREENFIBER INTERNATIONAL SA disposed its 60% holding in GREENFIBER HELLAS (a company established in 2008 whose main object of activity was the recycling of scraps and non-metal waste).

In July 2016, the shareholders of ROMGREEN UNIVERSAL LTD decided to increase the share capital of the company by issuing 11,800 shares (11,252 Class A shares and 548 Class b shares) at a nominal value of EUR 1/share. The capital increase was performed by an issuance premium of EUR 624.7015/share.

RECYPLAT LTD, a company 100% held by ROMCARBON SA, did not participate in this increase, therefore the shareholding in ROMGREEN UNIVERSAL dropped to 17.5879%.

In July 2016, ROMGREEN UNIVERSAL LTD increased its holding in subsidiaries by purchase of shares from minority shareholders. Consequently, the holding shares of RECYPLAT LTD in such companies also changed.

Company	Romgreen Universal holding		Recyplat LTD holding	
	30/06/2016	04/07/2016	30/06/2016	04/07/2016
ROMGREEN UNIVERSAL LTD CIPRU			25.0000%	17.58794%
Greenfiber International SA	67.8298%	99.3191%	16.9574%	17.46819%
Greentech SA	70.2509%	99.9976%	17.5627%	17.58751%
Total Waste Management SRL(TBM)	70.2509%	99.6416%	17.5627%	17.52490%
GreenWeee International SA	76.4187%	99.999974%	19.1047%	17.58794%
Greenlamp Reciclare SA	99.9998%	99.9999%	25.0000%	17.58792%
Greentech Doo Serbia	61.0468%	89.3872%	15.2617%	15.72137%
GrintehMacedonia	60.6873%	88.8608%	15.1718%	15.62879%
Asociatia ecologica Greenlife	46.0269%	66.3202%	44.8401%	44.99770%
Greentech Recycling Deutschland Gmbh	67.8298%	99.3191%	16.9574%	17.46819%
Greenglass Recycling SA	70.0000%	70.0000%	17.5000%	12.31156%
Greenweee International Hungary KFT	76.4187%	99.9996%	19.1047%	17.58787%

ACTIVITY OF THE GROUP OF COMPANIES

PRESENTATION OF THE GROUP COMPANIES

The following persons ensured the executive management of the group companies in 2017:

RECYPLAT LTD CYPRUS – Director – Nicos Avraamides

RC ENERGO INSTALL SRL – CEO Banucu Ileana

ECO PACK MANAGEMENT SA – CEO Adrian Ianca

INFO TECH SOLUTIONS SRL - CEO Hristache Cornel

LIVINGJUMBO INDUSTRY SA – CEO Manaila Carmen (01.01.2017-30.09.2017); Andrei Radu (as of 01.10.2017)

PROJECT ADVICE SRL – Administrator Zamfir Maricica

GRINFILD LLC UKRAINE – CEO Perepelitea Olena Ivanivna
 GRINRUH LLC UKRAINE – CEO Iulia Golets
 YENKI SRL – Administrator Petre Romeo Florinel
 ROMCARBON DEUTSCHLAND GmbH – trustee in bankruptcy Franz Fassbender
 ROMGREEN UNIVERSAL LTD CYPRUS – Nicos Avraamides, Constantinos Constantinides, Grzegorz Adam Piejka, Nicolaos Koronis, Paulina Anna Pietkiewicz
 GREENLAMP RECICLARE S.A. – CEO Hung,Ching-Ling
 GREENGLASS RECYCLING SA – CEO Hung Ching-Ling
 GREENWEEE INTERNATIONAL SA – CEO Hung Ching-Ling
 GREENWEEE INTERNATIONAL HUNGARY KFT - Managing Director - Costache Iulian Marius
 TOTAL WASTE MANAGEMENT SRL – Administrators CRISTEA CONSTANTIN - member, Mihai Zamfir – BoA President, Marin Georgian Ionut - member
 GREENTECH SA - CEO Hung Ching-Ling
 GREENFIBER INTERNATIONAL SA – CEO Hung,Ching-Ling
 GREENTECH RECYCLING DEUTSCHLAND GMBH - Trustee in bankruptcy Franz Fassbender
 GREENTECH DOO SERBIA – CEO – Mihail Mateski
 GRINTEH MK DOO MACEDONIA – CEO – Mihail Mateski and Sofia Mateska
 GREEN RESOURCES MANAGEMENT SA – CEO Ianca Adrian (as of 10.05.2017)
 GREENTECH BALTIC UAB LITHUANIA – Administrator VLADAS VENSKUTONIS

The general results of the activity of the company and its subsidiaries in the reporting period

No.	Indicator [thousand lei]	31.12.2015	31.12.2016	31.12.2017
1	Income	213,491	238,236	251,993
2	Total income	233,321	264,359	276,918
3	Total expenses	224,752	261,071	278,484
4	Net profit of the year	8,570	3,286	-1,566
5	Profit attributable to parent	8,523	3,462	-1,492

ACTIVITY OF THE GROUP OF COMPANIES

The evolution of the subsidiaries' contribution to the consolidated net profit of the group in 2017 is presented in the table below:

Company	Net profit/loss (thousand lei)	Attributable to parent	Attributable to NCI
Romcarbon SA	4,798	4,798	0
Living Jumbo Industry SA	-6,463	-6,398	-65
RC Energo Install SRL	1,813	1,813	0
Infotech Solutions SRL	118	117	1
Grinfild Ukraine	0	0	0
Grinruh Ukraine	0	0	0
Recyplat Ltd Cyprus	-50	-50	0
Romcarbon Deutschland GmbH	-1	-1	0
Eco Pack Management SA	-189	-188	-1
Project Advise SRL	22	21	0
Consolidation adjustments	-1,615	-1,606	-9
Total	-1,566	-1,492	-74

Note: Consolidation adjustments include the elimination of dividends received from RC Energo Install SRL and Info Tech Solutions SRL, the elimination of intra-group transactions, the shareholders' profit share (Romgreen, Yenki), the write-off of impairment of financial investments, the gain on acquisition of subsidiaries.



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FINANCIAL ACCOUNTING STATUS
A.) STATEMENT OF FINANCIAL POSITION

Indicator	31.12.2015	31.12.2016	31.12.2017	Variation	2017 vs. 2016
Property, plant and equipment	197,495	195,416	183,416	-12,000	▼ -6.14%
Investment property	43,799	45,680	49,859	4,179	▲ 9.15%
Goodwill	143	144	143	-1	▼ -0.69%
Other intangible assets	435	374	227	-147	▼ -39.30%
Investments in associates	26,978	28,270	28,752	482	▲ 1.70%
Other financial investments	197	197	197	0	— 0.00%
Total non-current assets	269,047	270,080	262,594	-7,486	▼ -2.77%
Inventories	28,049	37,171	38,234	1,063	▲ 2.86%
Trade receivables	56,686	29,728	36,237	6,509	▲ 21.90%
Other current assets	2,004	1,372	592	-780	▼ -56.85%
Cash and cash equivalents	17,014	11,544	5,997	-5,547	▼ -48.05%
Total current assets	103,753	79,815	81,060	1,245	▲ 1.56%
Total assets	372,800	349,895	343,654	-6,241	▼ -1.78%
Share capital	26,412	26,412	26,412	0	— 0.00%
Share premiums	2,182	2,182	2,182	0	— 0.00%
Reserves	43,248	41,364	38,272	-3,092	▼ -7.48%
Retained earnings	77,870	80,032	79,572	-460	▼ -0.57%
Equity attributable to owners of the parent	149,712	149,991	146,438	-3,553	▼ -2.37%
Non-controlling interests	1,400	1,072	1,007	-65	▼ -6.06%
Total capital	151,112	151,063	147,445	-3,618	▼ -2.40%
Borrowings	54,538	58,009	51,589	-6,420	▼ -11.07%
Finance leases and other interest bearing payables	1,275	85	0	-85	▼ -100.00%
Deferred tax payables	11,143	10,468	10,758	290	▲ 2.77%
Other long-term provision payables	8	265	264	-1	▼ -0.38%
Deferred income	39,218	35,199	31,250	-3,949	▼ -11.22%
Total non-current liabilities	106,182	104,026	93,861	-10,165	▼ -9.77%
Trade payables	37,808	33,351	38,670	5,319	▲ 15.95%
Borrowings	69,203	52,794	54,816	2,022	▲ 3.83%
Finance leases and other interest bearing payables	1,719	1,112	87	-1,025	▼ -92.18%
Deferred income	3,913	4,008	4,058	50	▲ 1.25%
Other current payables	2,864	3,541	4,717	1,176	▲ 33.21%
Total current liabilities	115,506	94,806	102,348	7,542	▲ 7.96%
Total liabilities	221,688	198,832	196,209	-2,623	▼ -1.32%
Total capital and liabilities	372,800	349,895	343,654	-6,241	▼ -1.78%

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

Company	Non-current assets	Current assets	Non-current liabilities	Current liabilities
Romcarbon SA	210,025	59,667	61,346	75,224
LivingJumbo Industry SA	45,278	28,130	32,510	35,679
RC Energo Install SRL	566	5,551	2	2,471
InfoTech Solutions SRL	22	241	0	141
Grinfeld Ukraine	4,427	-866	0	5
Grinruh Ukraine	1,186	1,008	0	7
Recyplat Limited Cyprus	20,608	68	0	6
Romcarbon Deutschland GmbH	0	9	3	27
Eco Pack Management SA	203	171	0	1,113
Project Advice SRL	38	237	0	132
Consolidation adjustments	-19,757	-13,157	0	-12,457
Total	262,594	81,060	93,861	102,348

NON-CURRENT ASSETS

In 2017, **non-current assets** accounted for 76.41% of the group's assets, registering a decrease of lei 7,486 thousand, namely 2.77% as compared to the beginning of the year.

Non-current assets	31.12.2017	% of total NCA	% of total Asset	2017 vs. 2016
Property, plant and equipment	183,416	69.85%	53.37%	-6.14%
Investment property	49,859	18.99%	14.51%	9.15%
Goodwill	143	0.05%	0.04%	-0.69%
Other intangible assets	227	0.09%	0.07%	-39.30%
Investments in associates	28,752	10.95%	8.37%	1.70%
Other financial investments	197	0.08%	0.06%	0.00%
Total non-current assets	262,594	100.00%	76.41%	-2.77%

CURRENT ASSETS

Current assets account for 23.59% of total assets, registering an increase of lei 1,245 thousand, namely 1.56% as compared to the beginning of the year.

Current assets (CA)	31.12.2017	% of total CA	% of total assets	2017 vs. 2016
Inventories	38,234	47.17%	11.13%	2.86%
Trade receivables	36,237	44.70%	10.54%	21.90%
Other current assets	592	0.73%	0.17%	-56.85%
Cash and cash equivalents	5,997	7.40%	1.75%	-48.05%
Total current assets	81,060	100.00%	23.59%	1.56%

LIABILITIES

Total liabilities of the group account for 57.09% of total Capital and payables, registering a decrease of lei 2,623 thousand, namely 1.32% as compared to the beginning of the year.

The current liabilities of the group, accounting for 52.16% of total payables and 29.78% of total capital and liabilities, registered an increase of lei 7,542 thousand as compared to December 31, 2016, namely by 7.96%.

Current Liabilities	31.12.2017	% of TCL	% of total liabilities	% of total Capital and liabilities	2017 vs. 2016
Trade payables	38,670	19.71%	37.78%	11.25%	15.95%
Short-term borrowings	54,816	27.94%	53.56%	15.95%	3.83%
Finance leases and other interest bearing liabilities	87	0.04%	0.09%	0.03%	-192.18%
Short-term deferred income	4,058	2.07%	3.96%	1.18%	1.25%
Other current liabilities	4,717	2.40%	4.61%	1.37%	33.21%
Total current liabilities	102,348	52.16%	100.00%	29.78%	7.96%

As compared to 2016, the group's non-current liabilities registered a decrease of lei 10,165 thousand, namely 9.77%, and account for 47.84% of total payables and 27.31% of total capital and payables.

Non-current liabilities	31.12.2017	% of TNCL	% of total liabilities	% of total Capital and liabilities	2017 vs. 2016
Long-term borrowings	51,589	26.29%	54.96%	15.01%	-11.07%
Long-term finance leases and other interest bearing liabilities	-	0.00%	0.00%	0.00%	0.00%
Deferred tax liabilities	10,758	5.48%	11.46%	3.13%	2.77%
Other long-term provision liabilities	264	0.13%	0.28%	0.08%	-0.38%
Long-term deferred income	31,250	15.93%	33.29%	9.09%	-11.22%
Total non-current liabilities	93,861	47.84%	100.00%	27.31%	-9.77%

As at December 31, 2017 the Group had contracted bank loans in amount of lei 106,404 thousand apportioned as follows:

- Short-term bank loans in amount of lei 54,816 thousand

Company	Type of loan	2015	2016	2017
Living Jumbo Industry SA	Investment loan in Euro - BRD	0	0	186
Living Jumbo Industry SA	Credit line in Euro - BRD	1,712	4,087	8,853
LivingJumbo Industry SA	Bridge loan in Euro - CCE 2015 project - UniCredit Bank SA	18,079	0	0
LivingJumbo Industry SA	Investment loan in euro - CCE 2015 project - UniCredit Bank SA	0	2,553	3,144
LivingJumbo Industry SA	Investment loan in euro [2015] - UniCredit Bank SA	0	328	404
LivingJumbo Industry SA	Investment loan in Euro - BRD [II]	0	488	502
Taipei Cimeo SRL	Credit line in Euro - UniCredit Tiriac Bank SA	0	0	0
Romcarbon SA	Credit line in Euro - BRD	9,742	11,061	10,979
Romcarbon SA	Credit line in Euro - UniCredit Tiriac Bank SA	14,137	15,489	21,828
Romcarbon SA	Credit line in Euro - UniCredit Tiriac Bank SA	10,213	10,442	0
Romcarbon SA	Investment loan in Euro - BRD [I]	2,377	2,386	408
Romcarbon SA	Investment loan in Euro - BRD [II]	47	331	582
Romcarbon SA	Investment loan in Euro - BRD [III]	2,038	2,046	2,099
Romcarbon SA	Investment loan in Euro - Proiect CCE 2015 - UniCredit Bank SA	0	978	2,027
Romcarbon SA	Investment loan in Euro-UniCredit [I]	0	402	500
Romcarbon SA	Investment loan in Euro - UniCredit [II]	0	156	306
Romcarbon SA	Investment loan in Euro - UniCredit [III]			527
Romcarbon SA	Investment loan in Euro - UniCredit [IV]	0	1,023	1,078
Romcarbon SA	Investment loan in Euro - UniCredit [V]			369
Romcarbon SA	Investment loan in Lei I - Eximbank SA	255	1,024	1,024
Romcarbon SA	Investment loan in Lei II - Eximbank SA	-	-	-
Romcarbon SA	Bridge loan in Euro - CCE 2015 Project - UniCredit Bank SA	9,384	-	-
Romcarbon SA	VAT facility in Lei - CCE 2015 Project - UniCredit Bank SA	1,220	-	-
Total		69,203	52,794	54,816

➤ Long-term bank loans in amount of lei 51,589 thousand

Company	Type of loan	31.12.2015	31.12.2016	31.12.2017
LivingJumbo Industry SA	Investment loan in Euro-BRD [I]	1,210	49	97
LivingJumbo Industry SA	Investment loan in Euro-BRD [II]	0	2,043	1,797
LivingJumbo Industry SA	Investment loan in Euro-[2015]-UniCredit Bank SA	871	1,814	15,325
LivingJumbo Industry SA	Investment loan in Euro CCE 2015 Project - UniCredit Bank SA	20,025	17,999	1,458
Romcarbon SA	Investment loan in Euro – BRD [I]	2,774	398	0
Romcarbon SA	Investment loan in Euro – BRD [II]	3,073	2,743	2,232
Romcarbon SA	Investment loan in Euro – BRD [III]	10,360	8,353	6,472
Romcarbon SA	Investment loan in Euro- UniCredit [I]	0	2,789	2,290
Romcarbon SA	Investment loan in Euro- UniCredit [II]	0	627	842
Romcarbon SA	Investment loan in Euro- UniCredit [III]			1,448
Romcarbon SA	Investment loan in Euro- UniCredit [IV]	0	4,091	3,234
Romcarbon SA	Investment loan in Euro- UniCredit [V]			1,200
Romcarbon SA	Investment loan in Lei I - Eximbank SA	2,800	4,607	3,583
Romcarbon SA	Investment loan in Lei II - Eximbank SA	0	0	906
Romcarbon SA	Investment loan in euro - CCE 2015 project - UniCredit Bank SA	13,426	12,497	10,705
	Total	54,538	58,009	51,589

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

Such loans were secured by mortgages and pledges over buildings, fixed assets, by assignment of receivables and by assignments of the cash-flow in banks.

EQUITY accounts for 42.91% of total capital and payables, registering a decrease by lei 3,618 thousand, namely 2.40%.

Equity	31.12.2017	31.12.17 vs. 31.12.16
Share capital	26,412	0.00%
Share premiums	2,182	0.00%
Reserves	38,272	-7.48%
Retained earnings	79,572	-0.57%
Equity attributable to equity holders of the parent	146,438	-2.37%
Non-controlling interests	1,007	-6.06%
Total equity	147,445	-2.40%

B.) STATEMENT OF COMPREHENSIVE INCOME [thousand lei]

	2015	2016	2017	2017 vs. 2016
Income	213,491	238,236	251,993	▲ 13,757
Other income	1,388	3,889	3,987	▲ 98
Investment income	1,850	1,989	2,430	▲ 441
Other gains or losses	-3,617	-1,386	126	▼ 1,512
Changes in inventories of finished products and goods in progress	2,127	4,183	5,600	▲ 1,417
Raw materials and consumables used	-140,933	-147,840	-166,870	▲ - 19,030
Depreciation and amortization expense	-8,640	-14,851	-16,226	▲ - 1,375
Employee salaries and social security	-41,685	-51,191	-61,681	▲ - 10,490
Financial costs	-2,499	-3,060	-2,607	▼ 453
Other expenses	-16,621	-30,318	-18,550	▼ 11,768
Share of profit of associates	3,980	3,904	1,457	▼ - 2,447
Profit (loss) before taxation	8,841	3,556	-341	▼ - 3,897
Income tax	-271	-270	-1,224	▲ - 954
Profit/loss for the year, attributable to:	8,570	3,286	-1,566	▼ - 4,852
Owners of the parent	8,523	3,462	-1,492	▼ - 4,954
Non-controlling interests	49	-178	-74	▼ 104
Profit/Loss for the year	8,572	3,285	-1,566	▼ - 4,851
Exchange differences on translating foreign operations	-609	586	-76	▼ - 662
Net loss on revaluation of property, plant and equipment	0	-1,988	0	▼ 1,988
Deferred tax on comprehensive income	0	0	0	— -
Comprehensive income, attributable to:	7,963	1,883	-1,642	▼ - 3,525
Owners of the parent	8,091	4,050	-1,492	▼ - 5,542
Non-controlling interests	-128	-178	-74	▼ 104

INCOME

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

Company (thousand lei)	2015	% in total	2016	% in total	2017	% in total	2017 vs.2016
Romcarbon SA	176,703	70.30%	178,719	66.46%	195,141	67.39%	9.19%
LivingJumbo Industry SA	61,448	24.45%	64,337	23.92%	82,571	28.52%	28.34%
RC Energo Install SRL	6,241	2.48%	10,878	4.05%	10,458	3.61%	-3.87%
Eco Pack Management SA	4,197	1.67%	59	0.02%	3	0.00%	-95.02%
Info Tech Solutions SRL	1,322	0.53%	1,728	0.64%	1,269	0.44%	-26.58%
Next Eco Reciclyng SA Romcarbon	-		13,206	4.91%	-	0.00%	100.00%
Deutschland GmbH	1,458	0.58%	-	0.00%	-	0.00%	
Project Advice SRL	-	0.00%	-	0.00%	119	0.04%	
Total, out of which:	251,368	100.00%	268,928	100.00%	289,560	100.00%	7.67%
Within the Group	37,877	15.07%	30,692	11.41%	37,567	12.97%	22.40%
Outside the Group	213,491	84.93%	238,236	88.59%	251,993	87.03%	5.77%

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

Structure of Income [thousand lei]	2015	% in total	2016	% in total	2017	% in total	2017 vs.2016
Income from sales of finished products (701+709)	146,447	69%	165,530	69%	201,488	80%	21.72%
Income from sales of semi- finished products	19,066	9%	14,343	6%	15,941	6%	11.14%
Income from sale of residual products	17	0%	10	0%	64	0%	565.80%
Sales from supplies of services	6,212	3%	18,245	8%	7,160	3%	-60.76%
Income from sale of commodities	40,883	19%	39,169	16%	26,633	11%	-32.00%
Income from other activities	866	0%	940	0%	706	0%	-24.89%
Total	213,491	100%	238,236	100%	251,993	100%	5.77%

C.) ECONOMIC AND FINANCIAL RATIOS

Ratio	Formula	2015	2016	2017
EBIT	Gross profit + interest expenses	10,838	6,213	1,996
EBITDA	EBIT + amortization - income from subsidies	18,288	17,176	14,236
Turnover	Income+ Income from rentals	215,319	240,212	254,397
EBITDA in total sales	EBITDA/Turnover	8.49%	7.15%	5.60%
EBITDA in equity	EBITDA/Equity	12.10%	11.37%	9.66%
Gross profit	Gross profit /turnover	4.11%	1.48%	-0.13%
Current liquidity ratio	Current assets/current liabilities	0.90	0.84	0.79
Immediate liquidity ratio (acid test)	(Current assets - Inventories)/Current liabilities	0.66	0.45	0.42
Gearing ratio (1)	Long-term liabilities/Equity	70%	69%	64%
Gearing ratio (2)	Total liabilities/Total assets	147%	132%	133%
Interest coverage ratio	EBIT/Interest expenses	5	2	1
Turnover of trade receivables	Average balance of trade receivables /Turnover	75	65	47
Turnover of trade liabilities	Average balance of trade liabilities /Turnover	61	53	51
Return on assets (ROA)	Net result /Total assets	2.30%	0.94%	-0.46%
Return on equity (ROE)	Net result/Equity	5.67%	2.18%	-1.06%
Return on sales (ROS)	Net result/Turnover	3.98%	1.37%	-0.61%

D.) STATEMENT OF CASH FLOWS

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

	2015	2016	2017
Net cash generated by operating activities	6,920	6,292	12,227
Net cash used in investing activities	-72,005	4,611	-10,257
Net cash generated by financing activities	61,453	-16,373	-7,517
Net increase in cash and cash equivalents	-3,632	-5,470	-5,547
Cash and cash equivalents at the beginning of the year	20,646	17,014	11,544
Effect of exchange rate on the foreign currency cash balance	0	0	0
Cash inflows from acquisition of new subsidiaries	0	0	0
Cash and cash equivalents at the end of the year	17,014	11,544	5,997

*
* *

INTERNAL CONTROL

Internal control aims at ensuring a rigorous and effective management of the Group's activity through the adoption by the Group's member companies of policies and procedures which ensure consistency of objectives, identify the key factors of success and communicate to the entity's managers in real-time information on performance and perspectives.

Internal control is organized so as to comply not only with financial-accounting regulations, but with all regulations, such as environmental, occupational health and safety, emergency situations, the Civil Code.

The Group's organization chart establishes the hierarchical levels of responsibility and authority existing and allows knowledge of functional and managerial aspects of the organization.

The Boards of Administration are independent of the management at the organization and their members are involved in management activities, which they supervise carefully. The Boards of Administration of the Group's member companies delegates to the managers responsibilities regarding internal control and make systematic and independent assessments of the internal control system established by management.

Internal (financial) audit has an assistance function that must ensure management that each of the companies' internal procedures are implemented and adhered to by all departments involved.

Regular or permanent check and assessment according to the Program approved by each of the Group companies' management of the quality operation of internal control is performed to determine whether internal controls are applied according to the procedures and if they are modified appropriately when the situation requires.

Internal control establishes methods by which employees are assessed, trained, promoted and rewarded as staff represents an essential component of internal control. The organizational chart, the internal regulations (IR), job descriptions are updated according to the modifications.

Each of the Group companies' management has taken action in order to remove or reduce incentives that could cause employees to engage in dishonest, illegal or immoral activities. They are found in the Internal Regulations and other regulations issued but also in personal examples.

Management is in charge of the filling of specific positions by competent personnel who has the knowledge and skills to perform the tasks characteristic of each function.

The Group faces various risks arising from the external or the internal environment that must be managed appropriately by management. Risk identification and analysis is an ongoing process and a critical component of an effective internal control. Some of the examples are the Group member companies' inability to achieve the set objectives, staff quality, importance and complexity of basic economic processes, introduction of new information technologies, entry of new competitors on the market etc.

Management identifies and assesses these risks and formulates specific measures to reduce the risk at an acceptable level.

For an adequate split of the responsibilities (tasks) in order to prevent significant frauds and errors, the Company applies:

- The division of the administration of assets to avoid the risk of theft;
- The division of the authorization of the operations of assets administration;
- The separation of the IT tasks from the tasks of the persons outside the IT system (the tasks related to the design and control of accounting software are separated from the ones related to the update of information)

Inside each Group member company, there are three different functions, whose separation (their aggregation is not admitted) represents the grounds for mutual control between departments and performers, namely:

- achievement of the objectives of the organization
- preservation of the assets of the organization
- the accounting function;

For an efficient internal control, the same person cannot fulfill all such roles. If any two of such roles are fulfilled by the same person, the risk of error and fraud is higher.

Most of the operations and transactions involve at least two of the presented roles; as result, errors and frauds can be easily detected, because they result in a lack of correlation between the statements, between the departments or performers.

The internal accounting and financial control is a major element of internal control inside the entity and it relates to the entire processes of obtaining and communicating the accounting and financial information in order to obtain reliable information and in accordance with legal requirements.

The internal accounting and financial control focuses on providing:

- compliance of the accounting and financial information with the applicable rules;
- application of the management instructions according to this information;
- protection of the assets;
- prevention and detection of accounting and financial frauds and irregularities;
- reliability of the information disseminated and used internally for controlling purposes, to the extent it contributes to preparing published accounting and financial information;
- reliability of the annual published financial statements and other information communicated to the market.

All intern control activities seek to perform a permanent and periodical review of activities, in order for the management to identify the best solutions for its decisions for increasing the performance of the company and become more competitive on the market.

THE GROUP'S OBJECTIVES AND POLICIES REGARDING RISK MANAGEMENT

The parent company implemented risk management in accordance with Standard SR EN ISO 31010 – Risk Management. Risk Assessment Techniques, identifying and assessing risks involving every operating department in the organization. The Company drafted a Risk Register for every operating department, the Organization's Risk Register and the Risk Treatment Action Plan.

Capital risk

The management of the Group's risk also consists in a regular review of the capital structure. The Group will balance the general structure of its capital by dividend payment, issuance of new shares and redemption of shares.

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Financial risks

The Group's treasury function supplies services necessary to the business, coordinates access to national and international financial market, monitors and manages financial risk related to the Group's operations through reports on internal risks, analyzing exposure by the degree and extent of risks.

Liquidity risk

Liquidity risk, also called funding risks, is the risk for a company to face difficulties in raising funds to fulfill its commitments associated to the financial instruments.

The ultimate responsibility for liquidity risk management rests with the Board of Administration, which has built a proper liquidity risk management framework regarding the Group funds' short, medium and long term insurance and the liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, backup banking facilities and loan facilities, by continually monitoring cash flows and matching the maturity profiles of financial assets and liabilities.

Credit risk

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

Market risk

Given the international climate, where the financial crisis has affected in recent years the markets where the Group operates, in 2017 the Group managed to obtain a turnover of lei 254,397 thousand, and for 2018 it sets itself to maintain a growing trend by 10-15% as compared to last year. However, the Group's management cannot predict the changes that may occur on domestic and foreign markets or the effects thereof on its financial statement, operating results and cash flows.

SUBSEQUENT EVENTS

ROMCARBON S.A.

In the meeting of the Board of Directors of Romcarbon of December 2017, it was decided to seek a potential buyer for the Company's assets located in Iasi, Calea Chisinaului nr. 29, Iasi county, in surface area of approximately 7.3 ha, at a price of no less than EUR 7.3 million, VAT excluded, a decision which will be ratified by the General Meeting of Shareholders. The mortgages established on such real estate will be lifted according to the resolution of the Board of Directors of January 2018.

LIVINGJUMBO INDUSTRY S.A.

On January 19, 2018 a loan contract was signed with UniCredit Bank SA for a credit line at a value of EUR 1,000,000 and due on July 18, 2018.

To secure this loan, a mortgage was instituted on a real estate (land + buildings) in surface area of 38,235 sq m owned by SC LivingJumbo Industry SA, a mortgage on 4 machinery owned by SC Romcarbon SA, a mortgage of subsequent rank on inventories in maximum amount of EUR 2,000,000 owned by SC Romcarbon SA, a mortgage on the receivables arising from the performance of commercial contracts between LivingJumbo Industry SA and certain trade partners and a mortgage on all present and future accounts, in lei or foreign currency opened by LivingJumbo Industry SA with the bank.



HUNG CHING LING,
Chairman of the Board

VIORICA ZAINESCU.
Financial manager

RADU ANDREI,
General Manager

Thinking
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