

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**

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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 an 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 amortisation 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 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.

The accompanying notes are integral part of these separate financial statements in accordance with IFRS.
This is a free translation from the original Romanian version.

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

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**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	<u>2,533,859</u>	<u>1,793,067</u>
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 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)

	Share capital	Share premiums	Revaluation reserves	Legal reserves	Other reserves	Retained earnings	Total
January 1, 2017	26,412,210	2,182,283	42,349,946	3,635,090	8,521,262	47,230,089	130,330,881
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 reposessed	-	-	-	-	-	-	-
December 31, 2017	26,412,210	2,182,283	39,338,852	3,874,993	10,009,015	51,304,266	133,121,619

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,	FINANCIAL MANAGER,	GENERAL MANAGER,
HUNG CHING LING	VIORICA ZAINESCU	RADU ANDREI

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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	26,412,210	2,182,283	44,722,947	3,389,916	5,262,645	48,158,839	130,128,841
Increase 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	26,412,210	2,182,283	42,349,946	3,635,090	8,521,262	47,230,089	130,330,881

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,
RADU ANDREI**

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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**

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

	2017	2016
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 subsidies	(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 subsidies	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)

The accompanying notes are integral part of these separate financial statements in accordance with IFRS.
This is a free translation from the original Romanian version.

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED DECEMBER 31, 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
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 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.

The accompanying notes are integral part of these separate financial statements in accordance with IFRS.
This is a free translation from the original Romanian version.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 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

**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)
3. 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	55,011,813	56,528,096	4,391,897	1,029,018
Total from operations	195,140,695	178,719,385	25,031,442	21,331,828
Investment income	-	-	3,987,533	6,866,672
Administrative and salary expenses	-	-	(21,552,024)	(21,910,251)
Finance expenses	-	-	(1,728,613)	(2,059,292)
Profit before tax	-	-	5,738,338	4,228,957

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

	Year ended December 31, 2017	Year ended December 31, 2016
Income tax expenses		
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:

	Year ended December 31, 2017	Year ended December 31, 2016
Reconciliation of actual income tax rate		
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
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
of which deferred tax on revaluation reserves from comprehensive income	9,891,949	9,830,088
	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

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

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)

	Land	Buildings	Plant and equipment	Installations and furniture	Tangible assets in progress and advances	Total
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, 2017	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 RON	31-Dec-17 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	4.81%	203,963	203,963
Registruul 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
Financial assets impairment				(2,687,755)	(2,687,755)
GRINFILD LTD				(110,138)	(110,138)
ROMCARBON DEUTSCHLAND GmbH				(554,263)	(554,263)
ECO PACK MANAGEMENT SA				(11,988)	(11,988)
YENKI SRL				(3,364,144)	(3,364,144)
Net book value				22,844,368	22,247,181

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)****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 Grinfield Ukraine to Recyplat LTD Cyprus. In exchange for such participation, it received EUR 709,000.

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

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

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

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

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

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.

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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)

15. INVENTORIES

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
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	<u>(1,430,256)</u>	<u>(1,258,041)</u>
Total	<u>23,824,916</u>	<u>25,668,487</u>

16. TRADE AND OTHER RECEIVABLES

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
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	<u>32,493,266</u>	<u>26,553,753</u>

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	
	<u>31/12/2017</u>	<u>31/12/2016</u>	<u>31/12/2017</u>	<u>31/12/2016</u>
	<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	<u>1,238,738</u>	<u>1,393,976</u>	<u>1,238,738</u>	<u>1,393,976</u>
Total	<u>2,017,367</u>	<u>2,460,391</u>	<u>1,238,738</u>	<u>1,393,976</u>

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.

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)**

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:

2017	EUR =	USD	lei	December 31,
	1EUR =	1USD =	lei	2017
	lei 4.6597	lei 3.8915	lei	Total
	lei	lei	lei	lei
Assets				
Cash and cash equivalents	32,262	26,895	2,469,861	2,529,017
Receivables and other current assets	3,805,992	28,540	28,658,734	32,494,266
Other assets	-	-	-	-
			820,245	820,245
Liabilities				
Trade and other liabilities	5,941,268	91,411	22,538,764	28,571,443
Short and long-term borrowings	59,307,208	-	15,331,045	74,638,253
Short and long-term finance lease liabilities	86,797	-	-	86,797
Other liabilities	-	-	2,533,859	2,533,859
2016	EUR =	USD	lei	December 31,
	1EUR =	1USD =	lei	2016
	lei 4.5411	lei 4.3033	lei	Total
	lei	lei	lei	lei
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

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)**

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 Recycling 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 Recycling 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 Recycling 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 Recycling 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:

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

28. DEFERRED INCOME

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
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	<u>13,084</u>	<u>13,551</u>
Total	<u>19,939,643</u>	<u>22,233,562</u>

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 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.

This is a free translation from the original Romanian version.

**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

1) 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.

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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.

2) Assessment of procurement activity (domestic and import)

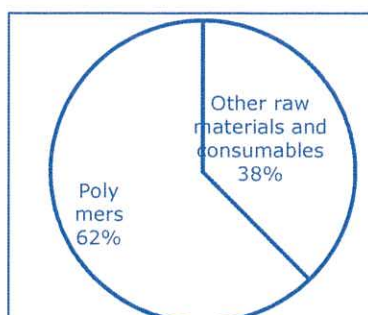
The raw materials and materials were purchased in 2017 in a share of 33% from the foreign markets and the rest from the domestic market.

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.

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



3) 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	100.00%	122,191,290	100.00%	140,128,880	100.00%	▲	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%

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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%
Slovacia	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%

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4) 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.

5) 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.

6) The assessment of the impact of the company's activity on the environment

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

S.C. ROMCARBON S.A. 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.

7) 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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8) 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:

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

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

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

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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	4.8097%
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	Incorporation date
ROMCARBON DEUTSCHLAND GmbH	100.00%	110,138	31/12/2014
GRINFILD LLC UCRAINA	62.62%	2,687,755	31/08/2016
YENKI SRL	33.34%	11,989	31/12/2014
ECO PACK MANAGEMENT SA	25.36%	554,262	31/12/2014
Total		3,364,144	

Current assets 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%.

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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.

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 FONDUL DE PENSII ADMINISTRAT PRIVAT NN/NN PENSII S.A.F.P.A.P. S.A.	7,500,000	2.84%
Other legal entities	7,610,000	2.88%
Individuals	14,215,198	5.38%
	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 amortisation 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 (2)
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

Sales	Value	2016 % in total	Value	2017 % in total	2017 vs. 2016
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	4,8097%
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".

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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.

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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.

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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.

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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.

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* **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.

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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:

- Sustained promotion of its members' interests;
- Permanent involvement in the process of preparing the legislation in the waste management field in Romania;
- Dynamic involvement of the Association in the waste management in Romania, by studies and market researches;
- 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.

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